

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 25, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

001-33260

(Commission File Number)



TE CONNECTIVITY LTD.

(Exact name of registrant as specified in its charter)

Switzerland

(Jurisdiction of Incorporation)

Mühlenstrasse 26, CH-8200 Schaffhausen, Switzerland

(Address of principal executive offices)

98-0518048

(I.R.S. Employer Identification No.)

+41 (0)52 633 66 61

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common Shares, Par Value CHF 0.57	TEL	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's common shares held by non-affiliates of the registrant was \$20.7 billion as of March 27, 2020, the last business day of the registrant's most recently completed second fiscal quarter. Directors and executive officers of the registrant are considered affiliates for purposes of this calculation but should not necessarily be deemed affiliates for any other purpose.

The number of common shares outstanding as of November 6, 2020 was 330,742,574.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement to be filed in connection with the registrant's 2021 annual general meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

**TE CONNECTIVITY LTD.
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SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this Annual Report that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, acquisitions, divestitures, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," and "should," or the negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties, and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. Investors should not place undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we file this report except as required by law.

The risk factors discussed in "Risk Factors" and other risks described in this Annual Report could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

PART I

“TE Connectivity” and “TE Connectivity (logo)” are trademarks. This report further contains other trademarks of ours and additional trade names and trademarks of other companies that are not owned by TE Connectivity. We do not intend our use or display of other companies’ trade names or trademarks to imply an endorsement or sponsorship of us by such companies, or any relationship with any of these companies.

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ITEM 1. BUSINESS

General

TE Connectivity Ltd. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”) is a global industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions, proven in the harshest environments, enable advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

We became an independent, publicly traded company in 2007; however, through our predecessor companies, we trace our foundations in the connectivity business back to 1941. We are organized under the laws of Switzerland. The rights of holders of our shares are governed by Swiss law, our Swiss articles of association, and our Swiss organizational regulations.

We have a 52- or 53-week fiscal year that ends on the last Friday of September. Fiscal 2020, 2019, and 2018 were each 52 weeks in length and ended on September 25, 2020, September 27, 2019, and September 28, 2018, respectively. For fiscal years in which there are 53 weeks, the fourth quarter reporting period includes 14 weeks, with the next such occurrence taking place in fiscal 2022.

COVID-19 Pandemic

A novel strain of coronavirus (“COVID-19”) was first identified in China in December 2019 and subsequently declared a pandemic by the World Health Organization. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. The COVID-19 pandemic negatively affected our sales and operating results during fiscal 2020, and we expect that it will continue to have an impact on our financial condition and results of operations in the near term and may have a material impact on our financial condition, liquidity, and results of operations in future periods. See “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” for discussion regarding the impact of the COVID-19 pandemic on our financial results. Also, see “Part I. Item 1A. Risk Factors” for discussion of the risks and uncertainties associated with the COVID-19 pandemic.

Segments

We operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. Although the COVID-19 pandemic has negatively affected our markets, we expect a gradual recovery with our three segments once again serving a combined market of approximately \$190 billion.

Our net sales by segment as a percentage of our total net sales were as follows:

	Fiscal		
	2020	2019	2018
Transportation Solutions	56 %	58 %	59 %
Industrial Solutions	31	30	28
Communications Solutions	13	12	13
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Below is a description of our reportable segments and the primary products, markets, and competitors of each segment.

Transportation Solutions

The Transportation Solutions segment is a leader in connectivity and sensor technologies. The primary products sold by the Transportation Solutions segment include terminals and connector systems and components, sensors, relays, antennas, application tooling, and wire and heat shrink tubing. The Transportation Solutions segment's products, which must withstand harsh conditions, are used in the following end markets:

- *Automotive (72% of segment's net sales)*—We are one of the leading providers of advanced automobile connectivity solutions. The automotive industry uses our products in automotive technologies for body and chassis systems, convenience applications, driver information, infotainment solutions, miniaturization solutions, motor and powertrain applications, and safety and security systems. Hybrid and electronic mobility solutions include in-vehicle technologies, battery technologies, and charging solutions.
- *Commercial transportation (15% of segment's net sales)*—We deliver reliable connectivity products designed to withstand harsh environmental conditions for on- and off-highway vehicles and recreational transportation, including heavy trucks, construction, agriculture, buses, and other vehicles.
- *Sensors (13% of segment's net sales)*—We offer a portfolio of intelligent, efficient, and high-performing sensor solutions that are used by customers across multiple industries, including automotive, industrial equipment, commercial transportation, medical solutions, aerospace and defense, and consumer applications.

The Transportation Solutions segment's major competitors include Yazaki, Aptiv, Sumitomo, Sensata, Honeywell, Molex, and Amphenol.

Industrial Solutions

The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. The primary products sold by the Industrial Solutions segment include terminals and connector systems and components, heat shrink tubing, interventional medical components, relays, and wire and cable. The Industrial Solutions segment's products are used in the following end markets:

- *Aerospace, defense, oil, and gas (32% of segment's net sales)*—We design, develop, and manufacture a comprehensive portfolio of critical electronic components and systems for the harsh operating conditions of the commercial aerospace, defense, and marine industries. Our products and systems are designed and manufactured to operate effectively in harsh conditions ranging from the depths of the ocean to the far reaches of space.
- *Industrial equipment (30% of segment's net sales)*—Our products are used in factory automation and process control systems such as industrial controls, robotics, human machine interface, industrial communication, and power distribution. Our intelligent building products are used to connect lighting and offer solutions in HVAC, elevators/escalators, and security. Our rail products are used in high-speed trains, metros, light rail vehicles, locomotives, and signaling switching equipment. Our products are also used by the solar industry.
- *Medical (19% of segment's net sales)*—Our products are used in imaging, diagnostic, surgical, and minimally invasive interventional applications. We specialize in the design and manufacture of advanced surgical, imaging, and interventional device solutions. Key markets served include cardiovascular, peripheral vascular, structural heart, endoscopy, electrophysiology, and neurovascular therapies.
- *Energy (19% of segment's net sales)*—Our products are used by OEMs and utility companies in the electrical power industry and include a wide range of solutions for the electrical power generation, transmission, distribution, and industrial markets.

The Industrial Solutions segment competes primarily against Amphenol, Hubbell, Carlisle Companies, ABB, Integer Holdings, Esterline, Molex, and Omron.

Communications Solutions

The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets. The primary products sold by the Communications Solutions segment include terminals and connector systems and components, relays, heat shrink tubing, and antennas. The Communications Solutions segment's products are used in the following end markets:

- *Data and devices (60% of segment's net sales)*—We deliver products and solutions that are used in a variety of equipment architectures within the networking equipment, data center equipment, and wireless infrastructure industries. Additionally, we deliver a range of connectivity solutions for the Internet of Things, smartphones, tablet computers, notebooks, and virtual reality applications to help our customers meet their current challenges and future innovations.
- *Appliances (40% of segment's net sales)*—We provide solutions to meet the daily demands of home appliances. Our products are used in many household appliances, including washers, dryers, refrigerators, air conditioners, dishwashers, cooking appliances, water heaters, air purifiers, floor care devices, and microwaves. Our expansive range of standard products is supplemented by an array of custom-designed solutions.

The Communications Solutions segment's major competitors include Amphenol, Molex, JST, and Korea Electric Terminal (KET).

Customers

As an industry leader, we have established close working relationships with many of our customers. These relationships allow us to better anticipate and respond to customer needs when designing new products and new technical solutions. By working with our customers in developing new products and technologies, we believe we can identify and act on trends and leverage knowledge about next-generation technology across our products.

Our approach to our customers is driven by our dedication to further develop our product families and ensure that we are globally positioned to best provide our customers with sales and engineering support. We believe that as electronic component technologies continue to proliferate, our broad product portfolio and engineering capability give us a potential competitive advantage when addressing the needs of our global customers.

We manufacture and sell a broad portfolio of products to customers in various industries. Our customers include many of the leaders in their respective industries, and our relationships with them typically date back many years. We believe that our diversified customer base provides us an opportunity to leverage our skills and experience across markets and reduce our exposure to individual end markets, thereby reducing the variability of our financial performance. Additionally, we believe that the diversity of our customer base reduces the level of cyclicalality in our results and distinguishes us from our competitors.

No single customer accounted for a significant amount of our net sales in fiscal 2020, 2019, or 2018.

Sales and Distribution

We maintain a strong local presence in each of the geographic regions in which we operate. Our net sales by geographic region⁽¹⁾ as a percentage of our total net sales were as follows:

	Fiscal		
	2020	2019	2018
Asia-Pacific	35 %	33 %	34 %
Europe/Middle East/Africa ("EMEA")	35	36	38
Americas	30	31	28
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

(1) Net sales to external customers are attributed to individual countries based on the legal entity that records the sale.

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We sell our products into approximately 140 countries primarily through direct selling efforts to manufacturers. In fiscal 2020, our direct sales represented approximately 80% of total net sales. We also sell our products indirectly via third-party distributors.

We maintain distribution centers around the world. Products are generally delivered to the distribution centers by our manufacturing facilities and then subsequently delivered to the customer. In some instances, however, products are delivered directly from our manufacturing facility to the customer. Our global coverage positions us near our customers' locations and allows us to assist them in consolidating their supply base and lowering their production costs. We contract with a wide range of transport providers to deliver our products globally via road, rail, sea, and air. We believe our balanced sales distribution lowers our exposure to any particular geography and improves our financial profile.

Seasonality and Backlog

Typically, we experience a slight seasonal pattern to our business. Overall, the third and fourth fiscal quarters are usually the strongest quarters of our fiscal year, whereas the first fiscal quarter is negatively affected by holidays and the second fiscal quarter may be affected by adverse winter weather conditions in some of our markets.

Certain of our end markets experience some seasonality. Our sales in the automotive market are dependent upon global automotive production, and seasonal declines in European production may negatively impact net sales in the fourth fiscal quarter. Also, our sales in the energy market typically increase in the third and fourth fiscal quarters as customer activity increases.

Customer orders and demand may fluctuate as a result of economic and market conditions. We have experienced, and expect to continue to experience, fluctuations as a result of the impacts of the COVID-19 pandemic. Backlog by reportable segment was as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Transportation Solutions	\$ 1,819	\$ 1,639
Industrial Solutions	1,260	1,315
Communications Solutions	439	361
Total	<u>\$ 3,518</u>	<u>\$ 3,315</u>

We expect that the majority of our backlog at fiscal year end 2020 will be filled during fiscal 2021. Backlog is not necessarily indicative of future net sales as unfilled orders may be cancelled prior to shipment of goods.

Competition

The industries in which we operate are highly competitive, and we compete with thousands of companies that range from large multinational corporations to local manufacturers. Competition is generally based on breadth of product offering, product innovation, price, quality, delivery, and service. We have experienced, and expect to continue to experience, downward pressure on prices.

Raw Materials

We use a wide variety of raw materials in the manufacture of our products. The principal raw materials that we use include plastic resins for molding; precious metals such as gold and silver for plating; and other metals such as copper, aluminum, brass, and steel for manufacturing cable, contacts, and other parts that are used for cable and component bodies and inserts. Many of these raw materials are produced in a limited number of countries around the world or are only available from a limited number of suppliers. The prices of these materials are driven by global supply and demand.

Intellectual Property

Patents and other proprietary rights are important to our business. We also rely upon trade secrets, manufacturing know-how, continuing technological innovations, and licensing opportunities to maintain and improve our competitive position. We review third-party proprietary rights, including patents and patent applications, as available, in an effort to

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develop an effective intellectual property strategy, avoid infringement of third-party proprietary rights, identify licensing opportunities, and monitor the intellectual property claims of others.

We own a large portfolio of patents that relate principally to electrical, optical, and electronic products. We also own a portfolio of trademarks and are a licensee of various patents and trademarks. Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. Trademark rights may potentially extend for longer periods of time and are dependent upon national laws and use of the trademarks.

While we consider our patents and trademarks to be valued assets, we do not believe that our competitive position or our operations are dependent upon or would be materially impacted by any single patent or group of related patents.

Human Capital Management

We have employees located throughout the world. As of fiscal year end 2020, we employed approximately 82,000 people worldwide, including contract employees. Approximately 22,000 were in the Asia-Pacific region, 31,000 were in the EMEA region, and 29,000 were in the Americas region. Of our total employees, approximately 52,000 were employed in manufacturing. Our strong employee base, along with their commitment to uncompromising values, provides the foundation of our company's success.

Our employees are responsible for upholding our purpose—to create a safer, sustainable, productive, and connected future; our values—integrity, accountability, teamwork, and innovation; and our strategy, execution, and talent (“SET”) leadership expectations. We track and report internally on key talent metrics including workforce demographics, critical role pipeline data, diversity data, and engagement and inclusion indices.

We embrace diversity and inclusion. A truly innovative workforce needs to be diverse and leverage the skills and perspectives of a wealth of backgrounds and experiences. To attract a global workforce, we strive to embed a culture where employees can bring their whole selves to work. Our employee resource groups (“ERGs”) are company-sponsored groups of employees that support and promote certain mutual objectives of both the employees and the company, including inclusion and diversity and the professional development of employees. The ERGs provide a space where employees can foster connections and develop in a supportive environment. As of fiscal year end 2020, we had six ERGs—ALIGN (LGBTQ), Women in Networking, TE Young Professionals, African Heritage, TE Veterans, and Asian Heritage. We are focused on recruitment of diverse candidates and on internal talent development of our diverse leaders so that they can advance their careers and move into leadership positions within the company. Also, during fiscal 2020, we conducted a fully digital, enterprise-wide engagement survey, our Every Connection Counts survey, which was available in 13 languages and focused on measuring engagement and inclusion.

We continue to emphasize employee development and training. To empower employees to unleash their potential, we provide a range of development programs and opportunities, skills, and resources they need to be successful. Our LEARN@TE platform supplements our talent development strategies. It is an online portal that enables employees to access instructor-led classroom or virtual courses and self-directed web-based courses. In fiscal 2019, we launched SET leadership expectations to all employees which focus on how we drive strategy, effectively execute, and build talent. We believe these behavioral expectations are integrated into the way we assess and select talent, manage performance, and develop our people. We are committed to identifying and developing the talents of our next generation leaders. We have a robust talent and succession planning process and have established specialized programs to support the development of our talent pipeline for critical roles in general management, engineering, and operations. On an annual basis, we conduct an Organization and Leadership Review process with our chief executive officer and all segment, business unit, and function leaders focusing on our high performing and high potential talent, diverse talent, and the succession for our most critical roles.

We believe our management team has the experience necessary to effectively execute our strategy and advance our product and technology leadership. Our chief executive officer and segment leaders average approximately 25 years of industry experience. They are supported by an experienced and talented management team who is dedicated to maintaining and expanding our position as a global leader in the industry. For discussion of the risks relating to the attraction and retention of management and executive management employees, see “Part 1. Item 1A. Risk Factors.”

Government Regulation and Supervision

The import and export of products are subject to regulation by the various jurisdictions where we conduct business. A small portion of our products, including defense-related products, may require governmental import and export licenses, whose issuance may be influenced by geopolitical and other events. We have a trade compliance organization and other systems in place to apply for licenses and otherwise comply with such regulations. Any failure to maintain compliance with domestic and foreign trade regulation could limit our ability to import and export raw materials and finished goods into or from the relevant jurisdiction.

Environmental

Our operations are subject to numerous environmental, health, and safety laws and regulations, including those regulating the discharge of materials into the environment, greenhouse gas emissions, hazardous materials in products, and chemical usage. We are committed to complying with these laws and to the protection of our employees and the environment. We maintain a global environmental, health, and safety program that includes appropriate policies and standards; staff dedicated to environmental, health, and safety issues; periodic compliance auditing; training; and other measures. We also have a program for compliance with the European Union (“EU”) Restriction of Hazardous Substances and Waste Electrical and Electronic Equipment Directives, the China Restriction of Hazardous Substances law, the EU Registration, Evaluation, Authorization, and Restriction of Chemicals (“REACH”) Regulation, and similar laws.

Compliance with these laws has increased our costs of doing business in a variety of ways and may continue to do so in the future. For example, laws regarding product content and chemical registration require extensive and costly data collection, management, and reporting, and laws regulating greenhouse gas emissions may increase our costs for energy and certain materials and products. We also have projects underway at a number of current and former manufacturing sites to investigate and remediate environmental contamination resulting from past operations. Based upon our experience, available information, and applicable laws, as of fiscal year end 2020, we concluded that we would incur investigation and remediation costs at these sites in the reasonably possible range of \$16 million to \$45 million, and we accrued \$20 million as the probable loss, which was the best estimate within this range. We do not anticipate any material capital expenditures during fiscal 2021 for environmental control facilities or other costs of compliance with laws or regulations relating to greenhouse gas emissions.

Available Information

All periodic and current reports, registration filings, and other filings that we are required to file with the United States Securities and Exchange Commission (“SEC”), including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”) are available free of charge through our internet website at www.te.com. Such documents are available as soon as reasonably practicable after electronic filing or furnishing of the material with the SEC. The information on our website is not incorporated by reference in this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Investors should carefully consider the risks described below before investing in our securities. These risks are not the only ones facing us. Our business is also subject to general risks that affect many other companies. Additional risks not currently known to us or that we currently believe are immaterial may also impair our business operations, financial condition, and liquidity. Many of the risks listed below are, and will be, exacerbated by the COVID-19 pandemic and any worsening of the economic environment.

Risks Relating to the Macroeconomic Environment and Our Global Presence

Conditions in global or regional economies, capital and money markets, and banking systems, and cyclical industry demand may adversely affect our results of operations, financial position, and cash flows.

Our business and operating results have been and will continue to be affected by economic conditions regionally or globally, including the cost and availability of consumer and business credit, end demand from consumer and industrial markets, and concerns as to sovereign debt levels including credit rating downgrades and defaults on sovereign debt and significant bank failures or defaults. Any of these economic factors could cause our customers to experience deterioration of their businesses, cash flow, and ability to obtain financing. As a result, existing or potential customers may delay or cancel plans to purchase our products and may not be able to fulfill their obligations to us in a timely fashion or in full. Further, our vendors may experience similar problems, which may impact their ability to fulfill our orders or meet agreed service and quality levels. If regional or global economic conditions deteriorate, our results of operations, financial position, and cash flows could be materially adversely affected. Also, deterioration in economic conditions, expectations for future revenue, projected future cash flows, or other factors have triggered and could trigger additional recognition of impairment charges for our goodwill or other long-lived assets. Impairment charges, if any, may be material to our results of operations and financial position.

Foreign currency exchange rates may adversely affect our results.

Our Consolidated Financial Statements are prepared in United States (“U.S.”) dollars; however, a significant portion of our business is conducted outside the U.S. Changes in the relative values of currencies may have a significant effect on our results of operations, financial position, and cash flows.

We are exposed to the effects of changes in foreign currency exchange rates on our costs and revenue. Approximately 60% of our net sales for fiscal 2020 were invoiced in currencies other than the U.S. dollar, and we expect non-U.S. dollar revenue to continue to represent a significant portion of our future net sales. We have elected not to hedge this foreign currency exposure. Therefore, when the U.S. dollar strengthens in relation to the currencies of the countries where we sell our products, such as the euro or Asian currencies, our U.S. dollar reported revenue and income will decrease.

We manage certain cash, intercompany, and other balance sheet currency exposures in part by entering into financial derivative contracts. In addition to the risk of non-performance by the counterparty to these contracts, our efforts to manage these risks might not be successful.

We have suffered and could continue to suffer significant business interruptions, including impacts resulting from the COVID-19 pandemic.

Our operations and those of our suppliers and customers, and the supply chains that support their operations, may be vulnerable to interruption by natural disasters such as earthquakes, tsunamis, typhoons, tornados, or floods; other disasters such as fires, explosions, acts of terrorism or war, or disease or other adverse health developments, including impacts resulting from the COVID-19 pandemic; or failures of management information or other systems due to internal or external causes. In addition, such interruptions could result in a widespread crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our end customers’ products. If a business interruption occurs and we are unsuccessful in our continuing efforts to minimize the impact of these events, our business, results of operations, financial position, and cash flows could be materially adversely affected. The COVID-19 pandemic is currently impacting countries, communities, workforces, supply chains, and markets around the world, and as a result, we have experienced disruptions and restrictions on our employees’ ability to travel, as well as temporary closures of our facilities and the facilities of our customers, suppliers, and other vendors in our supply chain. As a

result of the COVID-19 pandemic, some of our employees have transitioned to working from home on a full-time or part-time basis, which may increase our vulnerability to cyber and other information technology risks. The COVID-19 pandemic has had, and we expect that it will continue to have, a negative impact on our financial condition and results of operations in the near term and may have a material impact on our financial condition, liquidity, and results of operations in future periods. The extent to which the COVID-19 pandemic will further impact our business and our financial results will depend on future developments, which are highly uncertain and cannot be predicted. Such developments may include the further spread of the virus to additional persons and geographic regions; the severity of the virus; the duration of the pandemic; the impact on our suppliers' and customers' supply chains and financial positions, including their ability to pay us; the actions that may be taken by various governmental authorities in response to the outbreak in jurisdictions in which we operate; and the possible impact on the global economy and local economies in which we operate. Further, to the extent the COVID-19 pandemic adversely affects our business, results of operations, or financial condition, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

We could be adversely affected by a decline in the market value of our pension plans' investment portfolios or a reduction in returns on plan assets.

Concerns about deterioration in the global economy, together with concerns about credit, inflation, or deflation, have caused and could continue to cause significant volatility in the price of all securities, including fixed income and equity securities, which has reduced and could further reduce the value of our pension plans' investment portfolios. In addition, the expected returns on plan assets may not be achieved. A decrease in the value of our pension plans' investment portfolios or a reduction in returns on plan assets could have an adverse effect on our results of operations, financial position, and cash flows.

Disruption in credit markets and volatility in equity markets may affect our ability to access sufficient funding.

The global equity markets have been volatile and at times credit markets have been disrupted, which has reduced the availability of investment capital and credit. Downgrades of sovereign debt credit ratings have similarly affected the availability and cost of capital. As a result, we may be unable to access adequate funding to operate and grow our business. Our inability to access adequate funding or to generate sufficient cash from operations may require us to reconsider certain projects and capital expenditures. The extent of any impact will depend on several factors, including our operating cash flows, the duration of tight credit conditions and volatile equity markets, our credit ratings and credit capacity, the cost of financing, and other general economic and business conditions.

We are subject to global risks of political, economic, and military instability.

Our workforce; manufacturing, research, administrative, and sales facilities; markets; customers; and suppliers are located throughout the world. As a result, we are exposed to risks that could negatively affect sales or profitability, including:

- changes in global trade policies, including sanctions, tariffs, trade barriers, and trade disputes;
- regulations related to customs and import/export matters;
- variations in lengths of payment cycles and challenges in collecting accounts receivable;
- tax law and regulatory changes in Switzerland, the U.S., and the EU among other jurisdictions, including tax law and regulatory changes that may be effected as a result of tax policy recommendations from quasi-governmental organizations such as the Organisation for Economic Co-operation and Development ("OECD"), examinations by taxing authorities, variations in tax laws from country to country, changes to the terms of income tax treaties, and difficulties in the tax-efficient repatriation of cash generated or held in a number of jurisdictions;
- employment regulations and local labor conditions, including increases in employment costs, particularly in low-cost regions in which we currently operate;
- difficulties protecting intellectual property;
- instability in economic or political conditions, including sovereign debt levels, Eurozone uncertainty, inflation, recession, and actual or anticipated military or political conflicts;

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- the impact of the United Kingdom's withdrawal from the EU on January 31, 2020 (commonly referred to as "Brexit"), subject to a transition period that is set to end on December 31, 2020, could cause disruptions to, and create uncertainty surrounding, our business, including affecting our relationships with existing and potential customers and suppliers. The effects of Brexit, including long-lasting effects of Brexit on EU market access, will depend on more permanent agreements between the United Kingdom and the EU to be negotiated during the transition period; and
- the impact of each of the foregoing on our outsourcing and procurement arrangements.

We have sizeable operations in China, including 17 principal manufacturing sites. In addition, approximately 20% of our net sales in fiscal 2020 were made to customers in China. Economic conditions in China have been, and may continue to be, volatile and uncertain. In addition, the legal and regulatory system in China is still developing and subject to change. Accordingly, our operations and transactions with customers in China could be adversely affected by changes to market conditions, changes to the regulatory environment, or interpretation of Chinese law.

In addition, any downgrade by rating agencies of long-term U.S. sovereign debt or downgrades or defaults of sovereign debt of other nations may negatively affect global financial markets and economic conditions, which could negatively affect our business, financial condition, and liquidity.

Changes in U.S. federal tax laws could result in adverse consequences to U.S. persons treated as owning 10% or more of our shares.

Although we are a Swiss corporation, recent U.S. tax law changes have expanded application of certain ownership attribution rules and cause certain of our non-U.S. subsidiaries to be treated as Controlled Foreign Corporations ("CFCs") for U.S. federal income tax purposes. A U.S. person that is treated for U.S. federal income tax purposes as owning, directly, indirectly, or constructively, 10% or more of our shares may be required to annually report and include in its U.S. taxable income its pro rata share of certain types of income earned by our subsidiaries that are treated as CFCs, whether or not we make any distributions to such U.S. shareholder. A U.S. person that owns 10% or more of our shares should consult a tax adviser regarding the potential implications to it of these changes in U.S. federal income tax law. The risk of U.S. federal income tax reporting and compliance obligations with respect to our subsidiaries that now are treated as CFCs may deter our current shareholders from increasing their investment in us, and others from investing in us, which could impact the demand for, and value of, our shares.

Risks Relating to the Industry in Which We Operate

We are dependent on the automotive and other industries.

We are dependent on end market dynamics to sell our products, and our operating results could be adversely affected by cyclical and reduced demand in these markets. Periodic downturns in our customers' industries can significantly reduce demand for certain of our products, which could have a material adverse effect on our results of operations, financial position, and cash flows.

Approximately 40% of our net sales for fiscal 2020 were to customers in the automotive industry. The automotive industry is dominated by large manufacturers that can exert significant price pressure on their suppliers. Additionally, the automotive industry has historically experienced significant downturns during periods of deteriorating global or regional economic or credit conditions. As a supplier of automotive electronics products, our sales of these products and our profitability have been and could continue to be negatively affected by significant declines in global or regional economic or credit conditions and changes in the operations, products, business models, part-sourcing requirements, financial condition, and market share of automotive manufacturers, as well as potential consolidations among automotive manufacturers.

During fiscal 2020, approximately 10% of our net sales were to customers in the aerospace, defense, oil, and gas end market, 9% of our net sales were to customers in the industrial equipment end market, and 9% of our net sales were to customers in the commercial transportation market. The aerospace and defense industry has undergone significant fluctuations in demand as a result of economic and political conditions, including the impact of the COVID-19 pandemic. Demand in the oil and gas market is impacted by oil price volatility. The industrial equipment industry is dependent upon economic conditions, including customer investment in factory automation, intelligent buildings, and process control systems, as well as market conditions in the rail transportation, solar and lighting, and other major industrial markets we

serve. Demand in the commercial transportation industry is impacted by the economic environment and market conditions in the heavy truck, construction, agriculture, and recreational vehicle markets.

We encounter competition in substantially all areas of the electronic components industry.

We operate in highly competitive markets for electronic components and expect that both direct and indirect competition will increase in the future. Our overall competitive position depends on various factors including the price, quality, and performance of our products; the level of customer service; the development of new technology; our ability to participate in emerging markets; and customers' expectations relating to socially responsible operations. The competition we experience across product lines from other companies ranges in size from large, diversified manufacturers to small, highly specialized manufacturers. The electronic components industry has become increasingly concentrated and globalized in recent years, and our major competitors have significant financial resources and technological capabilities. A number of these competitors compete with us primarily on price, and in some instances may have the benefit of lower production costs for certain products. We cannot provide assurance that additional competitors will not enter our markets, or that we will be able to compete successfully against existing or new competitors. Increased competition may result in price reductions, reduced margins, or loss of market share, any of which could materially and adversely affect our results of operations, financial position, and cash flows.

We are dependent on market acceptance of our new product introductions and product innovations for future revenue.

Substantially all markets in which we operate are impacted by technological change or change in consumer tastes and preferences, which are rapid in certain end markets. Our operating results depend substantially upon our ability to continually design, develop, introduce, and sell new and innovative products; to modify existing products; and to customize products to meet customer requirements driven by such change. There are numerous risks inherent in these processes, including the risk that we will be unable to anticipate the direction of technological change or that we will be unable to develop and market profitable new products and applications in time to satisfy customer demands.

Like other suppliers to the electronics industry, we are subject to continuing pressure to lower our prices.

We have historically experienced, and we expect to continue to experience, continuing pressure to lower our prices. In recent years, we have experienced price erosion averaging from 1% to 2% each year. To maintain our margins, we must continue to reduce our costs by similar amounts. We cannot provide assurance that continuing pressures to reduce our prices will not have a material adverse effect on our margins, results of operations, financial position, and cash flows.

We may be negatively affected as our customers and vendors continue to consolidate.

Many of the industries to which we sell our products, as well as many of the industries from which we buy materials, have become more concentrated in recent years, including the automotive, data and devices, and aerospace and defense industries. Consolidation of customers may lead to decreased product purchases from us. In addition, as our customers buy in larger volumes, their volume buying power has increased, enabling them to negotiate more favorable pricing and find alternative sources from which to purchase. Our materials suppliers similarly have increased their ability to negotiate favorable pricing. These trends may adversely affect the margins on our products, particularly for commodity components.

The life cycles of certain of our products can be very short.

The life cycles of certain of our products can be very short relative to their development cycle. As a result, the resources devoted to product sales and marketing may not result in material revenue and, from time to time, we may need to write off excess or obsolete inventory or equipment. If we were to incur significant engineering expenses and investments in inventory and equipment that we were not able to recover, and we were not able to compensate for those expenses, our results of operations, financial position, and cash flows could be materially and adversely affected.

Risks Relating to Our Operations

Our results are sensitive to raw material availability, quality, and cost.

We are a large buyer of resins, chemicals, additives, and metals, including copper, gold, silver, aluminum, brass, steel, and zinc. Many of these raw materials are produced in a limited number of countries around the world or are only available from a limited number of suppliers. In addition, the prices of many of these raw materials continue to fluctuate. If we have difficulty obtaining these raw materials, the quality of available raw materials deteriorates, or there are significant price increases for these raw materials, it could have a substantial impact on the price we pay for raw materials. To the extent we cannot compensate for cost increases through productivity improvements or price increases to our customers, our margins may decline, materially affecting our results of operations, financial position, and cash flows. In addition, we use financial instruments to hedge the volatility of certain commodities prices. The success of our hedging program depends on accurate forecasts of planned consumption of the hedged commodity materials. We could experience unanticipated hedge gains or losses if these forecasts are inaccurate.

In accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC established annual disclosure and reporting requirements for those companies who use tin, tantalum, tungsten, or gold (“conflict minerals” or “3TG”) mined from the Democratic Republic of the Congo (“DRC”) and adjoining countries (together with the DRC, the “Covered Countries”) in their products. These requirements, as well as new and additional regulations like the EU’s Conflict Minerals Regulation, could affect the sourcing, pricing, and availability of 3TG used in the manufacture of certain of our products, and may result in only a limited pool of suppliers who can demonstrate that they do not source any 3TG from the Covered Countries. Accordingly, we cannot provide assurance that we will be able to obtain non-conflict 3TG in sufficient quantities or at competitive prices. Further, since our supply chain is complex, we may face reputational challenges with our customers and other stakeholders if we are unable to sufficiently verify the origins and chain of custody for all conflict minerals used in our products through our due diligence procedures.

We may use components and products manufactured by third parties.

We may rely on third-party suppliers for the components used in our products, and we may rely on third-party manufacturers to manufacture certain of our assemblies and finished products. Our results of operations, financial position, and cash flows could be adversely affected if such third parties lack sufficient quality control or if there are significant changes in their financial or business condition. If these third parties fail to deliver quality products, parts, and components on time and at reasonable prices, we could have difficulties fulfilling our orders, sales and profits could decline, and our commercial reputation could be damaged.

Our future success is significantly dependent on our ability to attract and retain management and executive management employees.

Our success depends to a significant extent upon our continued ability to retain our management and executive management employees and hire new management and executive management employees to replace, succeed, or add to members of our management team. Our management team has significant industry experience and would be difficult to replace. Competition for management talent is intense, and any difficulties we may have to retain or hire members of management to achieve our objectives may have an adverse effect on our results of operations, financial position, and cash flows.

Security breaches and other disruptions to our information technology infrastructure or violations of data privacy laws could interfere with our operations, compromise confidential information, and expose us to liability which could materially adversely impact our business and reputation.

Security breaches and other disruptions to our information technology infrastructure could interfere with our operations; compromise information belonging to us, our employees, customers, and suppliers; and expose us to liability which could adversely impact our business and reputation. In the normal course of business, we rely on information technology networks and systems, some of which are managed by third parties, to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store certain data, including proprietary business information and customer and employee data, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations, and customer-imposed controls. Specifically, we are subject to the laws of various states and countries where we operate or do business related to solicitation, collection, processing, transferring, storing, or use of consumer, customer, vendor, or

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employee information or related data, including the EU's General Data Protection Regulation, which went into effect in May 2018, and the California Consumer Privacy Act of 2018, which went into effect in January 2020. In addition, several other countries in which we operate or do business, such as China, have enacted or are considering enacting laws that require personal data relating to their citizens to be maintained on local servers and impose additional data transfer restrictions. If countries in which we operate or do business adopt data localization or data residency laws, we could be required to implement new or expand existing data storage protocols, build new storage facilities, and/or devote additional resources to comply with the requirements of such laws, any of which could have significant cost implications.

Despite our cybersecurity measures (including employee and third-party training, monitoring of networks and systems, and maintenance of backup and protective systems) which are continuously reviewed and upgraded to mitigate persistent and continuously evolving cybersecurity threats, our information technology networks and infrastructure may still be vulnerable to damage, disruptions, or shutdowns due to attack by hackers or breaches, employee error or malfeasance, power outages, computer viruses, telecommunication or utility failures, systems failures, natural disasters, pandemics (including COVID-19), or other catastrophic events. In recent years, we have been the target of attempted cyber intrusions, and must continuously monitor and develop our systems to protect the integrity and functionality of our information technology infrastructure and access to and the security of our employees', customers', and suppliers' data. Security breaches and other disruptions to our information technology infrastructure or violations of data privacy laws could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation which could materially adversely affect our business. While we have experienced, and expect to continue to experience, threats to our information technology networks and infrastructure, to date none of these threats have had a material impact on our business or operations. In addition, as a result of the COVID-19 pandemic, some of our employees have transitioned to working from home on a full-time or part-time basis, which may increase our vulnerability to cyber and other information technology risks.

Covenants in our debt instruments may adversely affect us.

Our five-year unsecured senior revolving credit facility ("Credit Facility") contains financial and other covenants, such as a limit on the ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) and limits on the amount of subsidiary debt and incurrence of liens. Our outstanding notes' indentures contain customary covenants including limits on incurrence of liens, sale and lease-back transactions, and our ability to consolidate, merge, and sell assets.

Although none of these covenants are presently restrictive to our operations, our continued ability to meet the Credit Facility financial covenant can be affected by events beyond our control, and we cannot provide assurance that we will continue to comply with the covenant. A breach of any of our covenants could result in a default under our Credit Facility or indentures. Upon the occurrence of certain defaults under our Credit Facility and indentures, the lenders or trustee could elect to declare all amounts outstanding thereunder to be immediately due and payable, and our lenders could terminate commitments to extend further credit under our Credit Facility. If the lenders or trustee accelerate the repayment of borrowings, we cannot provide assurance that we will have sufficient assets or access to lenders or capital markets to repay or fund the repayment of any amounts outstanding under our Credit Facility and our other affected indebtedness. Acceleration of any debt obligation under any of our material debt instruments may permit the holders or trustee of our other material debt to accelerate payment of debt obligations to the creditors thereunder.

The indentures governing our outstanding senior notes contain covenants that may require us to offer to buy back the notes for a price equal to 101% of the principal amount, plus accrued and unpaid interest to the repurchase date, upon a change of control triggering event (as defined in the indentures). We cannot provide assurance that we will have sufficient funds available or access to funding to repurchase tendered notes in that event, which could result in a default under the notes. Any future debt that we incur may contain covenants regarding repurchases in the event of a change of control triggering event.

The market price of our shares may fluctuate widely.

The market price of our shares may fluctuate widely, depending upon many factors, including:

- our quarterly or annual earnings;
- quarterly or annual sales or earnings guidance that we may provide or changes thereto;
- actual or anticipated fluctuations in our operating results;

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- volatility in financial markets and market fluctuations caused by global and regional economic conditions and investors' concerns about potential risks to future economic growth;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- changes in accounting standards, policies, guidance, interpretations, or principles;
- tax legislative and regulatory actions and proposals in Switzerland, the U.S., the EU, and other jurisdictions;
- announcements by us or our competitors of significant acquisitions or dispositions; and
- the operating and stock price performance of comparable companies and companies that serve end markets important to our business.

Risks Relating to Strategic Transactions

Future acquisitions may not be successful.

We regularly evaluate the possible acquisition of strategic businesses, product lines, or technologies which have the potential to strengthen our market position or enhance our existing product offerings, and we have completed a number of acquisitions in recent years. We anticipate that we will continue to pursue acquisition opportunities as part of our growth strategy. We cannot provide assurance that we will identify or successfully complete transactions with acquisition candidates in the future. We also cannot provide assurance that completed acquisitions will be successful. If an acquired business fails to operate as anticipated or cannot be successfully integrated with our existing business, our results of operations, financial position, and cash flows could be materially and adversely affected.

Future acquisitions could require us to issue additional debt or equity.

If we were to make a substantial acquisition with cash, the acquisition may need to be financed in part through funding from banks, public offerings or private placements of debt or equity securities, or other arrangements. This acquisition financing might decrease our ratio of earnings to fixed charges and adversely affect other leverage measures. We cannot provide assurance that sufficient acquisition financing would be available to us on acceptable terms if and when required. If we were to complete an acquisition partially or wholly funded by issuing equity securities or equity-linked securities, the issued securities may have a dilutive effect on the interests of the holders of our shares.

Divestitures of some of our businesses or product lines may have a material adverse effect on our results of operations, financial position, and cash flows.

We continue to evaluate the strategic fit of specific businesses and products which may result in additional divestitures. Any divestitures may result in significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on our results of operations and financial position. Divestitures could involve additional risks, including difficulties in the separation of operations, services, products, and personnel; the diversion of management's attention from other business concerns; the disruption of our business; and the potential loss of key employees. There can be no assurance that we will be successful in addressing these or any other significant risks encountered.

Risks Relating to Intellectual Property, Litigation, and Regulations

Our ability to compete effectively depends, in part, on our ability to maintain the proprietary nature of our products and technology.

The electronics industry is characterized by litigation regarding patent and other intellectual property rights. Within this industry, companies have become more aggressive in asserting and defending patent claims against competitors. There can be no assurance that we will not be subject to future litigation alleging infringement or invalidity of certain of our intellectual property rights or that we will not have to pursue litigation to protect our property rights. Depending on the importance of the technology, product, patent, trademark, or trade secret in question, an unfavorable outcome regarding one of these matters may have a material adverse effect on our results of operations, financial position, and cash flows.

We are a defendant to a variety of litigation in the course of our business that could cause a material adverse effect on our results of operations, financial position, and cash flows.

In the normal course of business, we are, from time to time, a defendant in litigation, including litigation alleging the infringement of intellectual property rights, anti-competitive behavior, product liability, breach of contract, and employment-related claims. In certain circumstances, patent infringement and antitrust laws permit successful plaintiffs to recover treble damages. The defense of these lawsuits may divert our management's attention, and we may incur significant expenses in defending these lawsuits. In addition, we may be required to pay damage awards or settlements, or become subject to injunctions or other equitable remedies, that could cause a material adverse effect on our results of operations, financial position, and cash flows.

If any of our operations are found not to comply with applicable antitrust or competition laws or applicable trade regulations, our business may suffer.

Our operations are subject to applicable antitrust and competition laws in the jurisdictions in which we conduct our business, in particular the U.S. and the EU. These laws prohibit, among other things, anticompetitive agreements and practices. If any of our commercial agreements and practices with respect to the electronic components or other markets are found to violate or infringe such laws, we may be subject to civil and other penalties. We may also be subject to third-party claims for damages. Further, agreements that infringe these antitrust and competition laws may be void and unenforceable, in whole or in part, or require modification to be lawful and enforceable. If we are unable to enforce our commercial agreements, whether at all or in material part, our results of operations, financial position, and cash flows could be adversely affected. Further, any failure to maintain compliance with trade regulations could limit our ability to import and export raw materials and finished goods into or from the relevant jurisdiction, which could negatively impact our results of operations, financial position, and cash flows.

We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the United Kingdom's Bribery Act, and similar worldwide anti-bribery laws.

The U.S. Foreign Corrupt Practices Act, the United Kingdom's Bribery Act, and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these anti-bribery laws. We operate in many parts of the world that have experienced governmental corruption to some degree, and in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. Despite our training and compliance program, we cannot provide assurance that our internal control policies and procedures always will protect us from reckless or criminal acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our results of operations, financial position, and cash flows.

Our operations expose us to the risk of material environmental liabilities, litigation, government enforcement actions, and reputational risk.

We are subject to numerous federal, state, and local environmental protection and health and safety laws and regulations in the various countries where we operate and where our products are sold. These laws and regulations govern, among other things:

- the generation, storage, use, and transportation of hazardous materials;
- emissions or discharges of substances into the environment;
- investigation and remediation of hazardous substances or materials at various sites;
- greenhouse gas emissions;
- product hazardous material content; and
- the health and safety of our employees.

We may not have been, or we may not always be, in compliance with all environmental and health and safety laws and regulations. If we violate these laws, we could be fined, criminally charged, or otherwise sanctioned by regulators. In

addition, environmental and health and safety laws are becoming more stringent, resulting in increased costs and compliance requirements.

Certain environmental laws assess liability on current or previous owners or operators of real property for the costs of investigation, removal, and remediation of hazardous substances or materials at their properties or at properties at which they have disposed of hazardous substances. Liability for investigation, removal, and remediation costs under certain federal and state laws is retroactive, strict, and joint and several. In addition to cleanup actions brought by governmental authorities, private parties could bring personal injury or other claims due to the presence of, or exposure to, hazardous substances. We have received notifications from the U.S. Environmental Protection Agency, other environmental agencies, and third parties that conditions at a number of currently and formerly-owned or operated sites where we and others have disposed of hazardous substances require investigation, cleanup, and other possible remedial action and require that we reimburse the government or otherwise pay for the costs of investigation and remediation and for natural resource damage claims from such sites. We also have independently investigated various sites and determined that further investigation and/or remediation is necessary.

While we plan for future capital and operating expenditures to maintain compliance with environmental laws, we cannot provide assurance that our costs of complying with current or future environmental protection and health and safety laws, or our liabilities arising from past or future releases of, or exposures to, hazardous substances will not exceed our estimates or adversely affect our results of operations, financial position, and cash flows or that we will not be subject to additional environmental claims for personal injury, property damage, and/or cleanup in the future based on our past, present, or future business activities.

Our products are subject to various requirements related to chemical usage, hazardous material content, and recycling.

The EU, China, and other jurisdictions in which our products are sold have enacted or are proposing to enact laws addressing environmental and other impacts from product disposal, use of hazardous materials in products, use of chemicals in manufacturing, recycling of products at the end of their useful life, and other related matters. These laws include but are not limited to the EU Restriction of Hazardous Substances, End of Life Vehicle, and Waste Electrical and Electronic Equipment Directives; the EU REACH Regulation; and the China law on Management Methods for Controlling Pollution by Electronic Information Products. These laws prohibit the use of certain substances in the manufacture of our products and directly and indirectly impose a variety of requirements for modification of manufacturing processes, registration, chemical testing, labeling, and other matters. These laws continue to proliferate and expand in these and other jurisdictions to address other materials and other aspects of our product manufacturing and sale. These laws could make the manufacture or sale of our products more expensive or impossible, could limit our ability to sell our products in certain jurisdictions, and could result in liability for product recalls, penalties, or other claims.

Risks Relating to Our Swiss Jurisdiction of Incorporation

As a Swiss corporation, we have less flexibility with respect to certain aspects of capital management involving the issuance of shares.

As a Swiss corporation, our board of directors may not declare and pay dividends or distributions on our shares or reclassify reserves on our standalone unconsolidated Swiss balance sheet without shareholder approval and without satisfying certain other requirements. In addition, our articles of association allow us to create authorized share capital that can be issued by the board of directors, but this authorization is limited to (i) authorized share capital up to 50% of the existing registered shares with such authorization valid for a maximum of two years, which authorization period ends on March 11, 2022, approved by our shareholders at our March 11, 2020 annual general meeting of shareholders and (ii) conditional share capital of up to 50% of the existing registered shares that may be issued only for specific purposes. Additionally, subject to specified exceptions, Swiss law grants preemptive rights to existing shareholders to subscribe for new issuances of shares from authorized share capital and advance subscription rights to existing shareholders to subscribe for new issuances of shares from conditional share capital. Swiss law also does not provide much flexibility in the various terms that can attach to different classes of shares, and reserves for approval by shareholders many types of corporate actions, including the creation of shares with preferential rights with respect to liquidation, dividends, and/or voting. Moreover, under Swiss law, we generally may not issue registered shares for an amount below par value without prior shareholder approval to decrease the par value of our registered shares. Any such actions for which our shareholders must vote will require that we file a preliminary proxy statement with the SEC and convene a meeting of shareholders, which would delay the timing to execute such actions. Such limitations provide the board of directors less flexibility with respect to our capital management. While we

do not believe that Swiss law requirements relating to the issuance of shares will have a material adverse effect on us, we cannot provide assurance that situations will not arise where such flexibility would have provided substantial benefits to our shareholders and such limitations on our capital management flexibility would make our stock less attractive to investors.

We might not be able to make distributions on our shares without subjecting shareholders to Swiss withholding tax.

We anticipate making distributions to shareholders through a reduction of contributed surplus (as determined for Swiss tax and statutory purposes) in order to make the distributions on our shares to shareholders free of Swiss withholding tax. Various tax law and corporate law proposals in Switzerland, if passed in the future, may affect our ability to pay dividends or distributions to our shareholders free from Swiss withholding tax. There can be no assurance that we will be able to meet the legal requirements for future distributions to shareholders through dividends from contributed surplus or through a reduction of registered share capital, or that Swiss withholding rules would not be changed in the future. In addition, over the long term, the amount of registered share capital available for reductions will be limited. Our ability to pay dividends or distributions to our shareholders free from Swiss withholding tax is a significant component of our capital management and shareholder return practices that we believe is important to our shareholders, and any restriction on our ability to do so could make our stock less attractive to investors.

Currency fluctuations between the U.S. dollar and the Swiss franc may limit the amount available for any future distributions on our shares without subjecting shareholders to Swiss withholding tax.

Under Swiss law, the registered share capital in our unconsolidated Swiss statutory financial statements is required to be denominated in Swiss francs. Although distributions that are effected through a return of contributed surplus or registered share capital are expected to be paid in U.S. dollars, shareholder resolutions with respect to such distributions must take into account the Swiss francs denomination of the registered share capital. If the U.S. dollar were to increase in value relative to the Swiss franc, the U.S. dollar amount of registered share capital available for future distributions without Swiss withholding tax will decrease.

We have certain limitations on our ability to repurchase our shares.

The Swiss Code of Obligations regulates a corporation's ability to hold or repurchase its own shares. We and our subsidiaries may only repurchase shares to the extent that sufficient freely distributable reserves (including contributed surplus as determined for Swiss tax and statutory purposes) are available. The aggregate par value of our registered shares held by us and our subsidiaries may not exceed 10% of our registered share capital. We may repurchase our registered shares beyond the statutory limit of 10%, however, only if our shareholders have adopted a resolution at a general meeting of shareholders authorizing the board of directors to repurchase registered shares in an amount in excess of 10% and the repurchased shares are dedicated for cancellation. Additionally, various corporate law proposals in Switzerland, if passed in the future, may affect our ability to repurchase our shares. Our ability to repurchase our shares is a significant component of our capital management and shareholder return practices that we believe is important to our shareholders, and any restriction on our ability to repurchase our shares could make our stock less attractive to investors.

Registered holders of our shares must be registered as shareholders with voting rights in order to vote at shareholder meetings.

Our articles of association contain a provision regarding voting rights that is required by Swiss law for Swiss companies like us that issue registered shares (as opposed to bearer shares). This provision provides that to be able to exercise voting rights, holders of our shares must be registered in our share register (Aktienbuch) as shareholders with voting rights. Only shareholders whose shares have been registered with voting rights on the record date may participate in and vote at our shareholders' meetings, but all shareholders will be entitled to dividends, distributions, preemptive rights, advance subscription rights, and liquidation proceeds. The board of directors may, in its discretion, refuse to register shares as shares with voting rights if a shareholder does not fulfill certain disclosure requirements in our articles of association. Additionally, various proposals in Switzerland for corporate law changes, if passed in the future, may require shareholder registration in order to exercise voting rights for shareholders who hold their shares in street name through brokerages and banks. Such a registration requirement could make our stock less attractive to investors.

Certain provisions of our articles of association may reduce the likelihood of any unsolicited acquisition proposal or potential change of control that our shareholders might consider favorable.

Our articles of association contain provisions that could be considered “anti-takeover” provisions because they would make it harder for a third party to acquire us without the consent of our incumbent board of directors. Under these provisions, among others:

- shareholders may act only at shareholder meetings and not by written consent, and
- restrictions will apply to any merger or other business combination between our company and any holder of 15% or more of our issued voting shares who became such without the prior approval of our board of directors.

These provisions may only be amended by the affirmative vote of the holders of 80% of our issued voting shares, which could have the effect of discouraging an unsolicited acquisition proposal or delaying, deferring, or preventing a change of control transaction that might involve a premium price, or otherwise be considered favorable by our shareholders. Our articles of association also contain provisions permitting our board of directors to issue new shares from authorized or conditional capital (in either case, representing a maximum of 50% of the shares presently registered in the commercial register and in case of issuances from authorized capital, until March 11, 2022 unless re-authorized by shareholders for a subsequent two-year period) without shareholder approval and without regard for shareholders’ preemptive rights or advance subscription rights, for the purpose of the defense of an actual, threatened, or potential unsolicited takeover bid, in relation to which the board of directors, upon consultation with an independent financial advisor, has not recommended acceptance to the shareholders. We note that Swiss courts have not addressed whether or not a takeover bid of this nature is an acceptable reason under Swiss law for withdrawing or limiting preemptive rights with respect to authorized share capital or advance subscription rights with respect to conditional share capital. In addition, the New York Stock Exchange (“NYSE”), on which our shares are listed, requires shareholder approval for issuances of shares equal to 20% or more of the outstanding shares or voting power, with limited exceptions.

Global legislative and regulatory actions and proposals could cause a material change in our worldwide effective corporate tax rate.

Various legislative and regulatory proposals have been directed at multinational companies with operations in lower-tax jurisdictions. There has been heightened focus on adoption of such legislation and on other initiatives, such as:

- the OECD’s initiative to develop agreed-upon best practices to prevent base erosion and profit shifting, which contemplate changes to numerous long-standing tax principles related to the distribution of profits between affiliated entities in different tax jurisdictions,
- EU and other country efforts to adopt certain OECD proposals and modified OECD proposals (including the Anti-Tax Avoidance Directive, state aid cases, and various transparency proposals), and
- tax policy changes in the U.S., such as additional federal tax reform measures, new tax regulations, and revisions to the Model Income Tax Treaty.

If these proposals are adopted in the main jurisdictions in which we do business, they could, among other things, cause double taxation, increase audit risk, and materially increase our worldwide corporate effective tax rate. We cannot predict the outcome of any specific legislative proposals or initiatives, and we cannot provide assurance that any such legislation or initiative will not apply to us.

Legislation in the U.S. could adversely impact our results of operations, financial position, and cash flows.

Various U.S. federal and state legislative proposals have been introduced in recent years that may negatively impact the growth of our business by denying government contracts to U.S. companies that have moved to lower-tax jurisdictions.

We expect the U.S. Congress to continue to consider implementation and/or expansion of policies that would restrict the federal and state governments from contracting with entities that have corporate locations abroad. We cannot predict the likelihood that, or final form in which, any such proposed legislation might become law, the nature of regulations that may be promulgated under any future legislative enactments, the effect such enactments and increased regulatory scrutiny may have on our business, or the outcome of any specific legislative proposals. Therefore, we cannot provide assurance that any such

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legislative action will not apply to us. In addition, we are unable to predict whether the final form of any potential legislation discussed above also would affect our indirect sales to U.S. federal or state governments or the willingness of our non-governmental customers to do business with us. As a result of these uncertainties, we are unable to assess the potential impact of any proposed legislation in this area and cannot provide assurance that the impact will not be materially adverse to us.

Swiss law differs from the laws in effect in the U.S. and may afford less protection to holders of our securities.

As we are organized under the laws of Switzerland, it may not be possible to enforce court judgments obtained in the U.S. against us in Switzerland based on the civil liability provisions of the U.S. federal or state securities laws. In addition, there is some uncertainty as to whether the courts of Switzerland would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liability provisions of the U.S. federal or state securities laws or hear actions against us or those persons based on those laws. We have been advised that the U.S. and Switzerland currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Some remedies available under the laws of U.S. jurisdictions, including some remedies available under the U.S. federal securities laws, would not be allowed in Swiss courts as they are contrary to Switzerland's public policy.

Swiss law differs in certain material respects from laws generally applicable to U.S. corporations and their shareholders. These differences include the manner in which directors must disclose transactions in which they have an interest, the rights of shareholders to bring class action and derivative lawsuits, and the scope of indemnification available to directors and officers. Thus, holders of our securities may have more difficulty protecting their interests than would holders of securities of a corporation incorporated in a jurisdiction of the U.S.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive office is located in Schaffhausen, Switzerland. As of fiscal year end 2020, we owned approximately 18 million square feet and leased approximately 9 million square feet of aggregate floor space, used primarily for manufacturing, warehousing, and office space. We believe our facilities are suitable for the conduct of our business and adequate for our current needs.

We manufacture our products in over 25 countries worldwide. Our manufacturing sites focus on various aspects of our manufacturing processes, including our primary processes of stamping, plating, molding, extrusion, beaming, and assembly. We consider the productive capacity of our manufacturing facilities sufficient. As of fiscal year end 2020, our principal centers of manufacturing output by segment and geographic region were as follows:

	<u>Transportation Solutions</u>	<u>Industrial Solutions</u>	<u>Communications Solutions</u>	<u>Total</u>
	<u>(number of manufacturing facilities)</u>			
Asia-Pacific	9	7	7	23
EMEA	22	22	3	47
Americas	10	24	3	37
Total	<u>41</u>	<u>53</u>	<u>13</u>	<u>107</u>

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, we are subject to various legal proceedings and claims, including product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. In addition, we operate in an industry susceptible to significant patent legal claims. At any given time in the normal course of business, we are involved as either a plaintiff or defendant in a number of patent infringement actions. If infringement of a third party's patent were to be determined against us, we might be required to make significant royalty or other payments or might be subject to an injunction or other limitation on our ability to manufacture or sell one or more products. If a patent owned by or licensed to us were determined to be invalid or unenforceable, we might be required to reduce the value of the patent on our Consolidated Balance Sheet and to record a corresponding charge, which could be significant in amount.

Management believes that these legal proceedings and claims likely will be resolved over an extended period of time. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

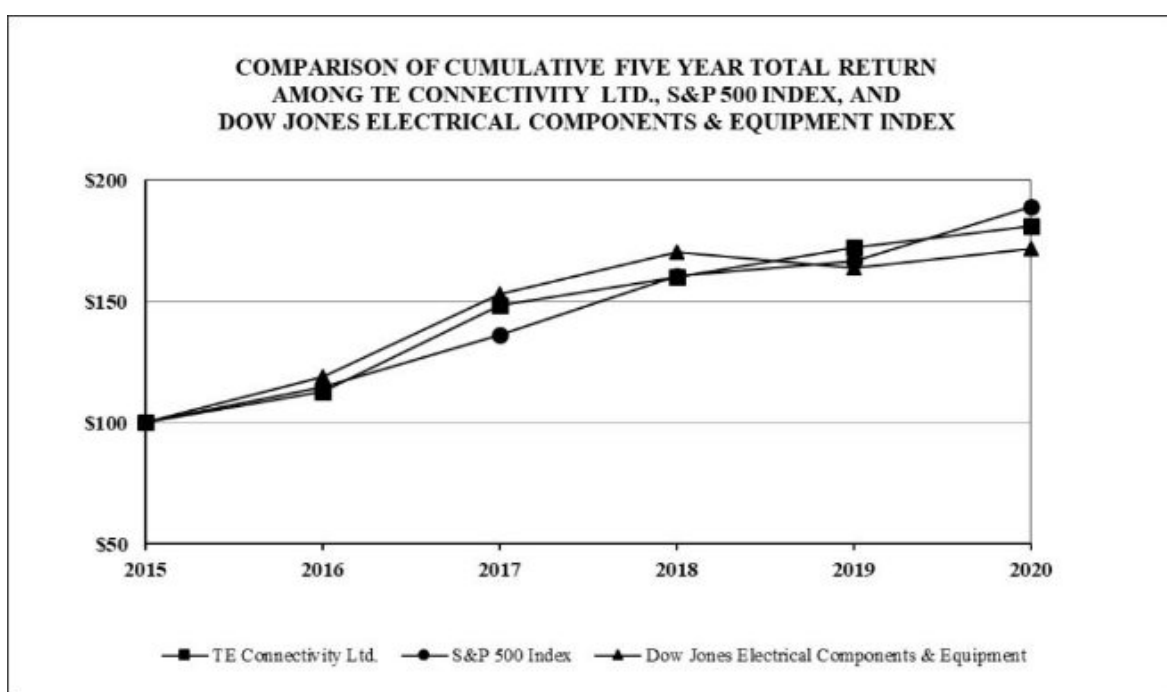
ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

Our common shares are listed and traded on the NYSE under the symbol “TEL.” As of November 4, 2020, there were 18,230 shareholders of record of our common shares.

Performance Graph

The following graph compares the cumulative total shareholder return on our common shares against the cumulative return on the S&P 500 Index and the Dow Jones Electrical Components and Equipment Index. The graph assumes the investment of \$100 in our common shares and in each index at fiscal year end 2015 and assumes the reinvestment of all dividends and distributions. The graph shows the cumulative total return for the last five fiscal years. The comparisons in the graph are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common shares.



	Fiscal Year End					
	2015	2016	2017	2018	2019	2020
TE Connectivity Ltd.	\$ 100.00	\$ 112.75	\$ 148.52	\$ 160.01	\$ 172.38	\$ 181.13
S&P 500 Index	100.00	114.80	136.17	160.55	166.53	189.01
Dow Jones Electrical Components and Equipment Index	100.00	118.71	153.08	170.22	163.89	171.79

(1) \$100 invested on September 25, 2015 in TE Connectivity Ltd.'s common shares and in indexes. Indexes calculated on month-end basis.

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Issuer Purchases of Equity Securities

The following table presents information about our purchases of our common shares during the quarter ended September 25, 2020:

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
June 27–July 24, 2020	295	\$ 81.09	—	\$ 995,115,788
July 25–August 28, 2020	6,752	88.11	—	995,115,788
August 29–September 25, 2020	8,106	99.26	—	995,115,788
Total	15,153	\$ 93.94	—	

- (1) These columns represent the acquisition of common shares from individuals to satisfy tax withholding requirements in connection with the vesting of restricted share awards issued under equity compensation plans.
- (2) Our share repurchase program authorizes us to purchase a portion of our outstanding common shares from time to time through open market or private transactions, depending on business and market conditions. The share repurchase program does not have an expiration date.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data. The data presented should be read in conjunction with our Consolidated Financial Statements and accompanying notes and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report. Our consolidated financial information may not be indicative of our future performance.

	As of or for Fiscal				
	2020	2019	2018	2017	2016 ⁽¹⁾
(in millions, except per share data)					
Statement of Operations Data					
Net sales	\$ 12,172	\$ 13,448	\$ 13,988	\$ 12,185	\$ 11,352
Acquisition and integration costs	36	27	14	6	22
Restructuring and other charges (credits), net ⁽²⁾	257	255	126	147	(2)
Impairment of goodwill ⁽³⁾	900	—	—	—	—
Other income (expense), net ⁽⁴⁾	20	2	1	(42)	(677)
Income tax (expense) benefit ⁽⁵⁾	(783)	15	344	(180)	826
Income (loss) from continuing operations	(259)	1,946	2,584	1,540	1,847
Income (loss) from discontinued operations, net of income taxes ⁽⁶⁾	18	(102)	(19)	143	162
Net income (loss)	(241)	1,844	2,565	1,683	2,009
Per Share Data					
Basic earnings (loss) per share:					
Income (loss) from continuing operations	\$ (0.78)	\$ 5.76	\$ 7.38	\$ 4.34	\$ 5.05
Net income (loss)	(0.73)	5.46	7.33	4.74	5.49
Diluted earnings (loss) per share:					
Income (loss) from continuing operations	\$ (0.78)	\$ 5.72	\$ 7.32	\$ 4.30	\$ 5.01
Net income (loss)	(0.73)	5.42	7.27	4.70	5.44
Dividends paid per common share	\$ 1.88	\$ 1.80	\$ 1.68	\$ 1.54	\$ 1.40
Balance Sheet Data					
Total assets	\$ 19,242	\$ 19,694	\$ 20,386	\$ 19,403	\$ 17,608
Long-term liabilities	6,057	5,584	5,145	5,805	6,057
Total shareholders’ equity	9,383	10,570	10,831	9,751	8,485

- (1) Fiscal 2016 was a 53-week year.

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- (2) Fiscal 2016 included a pre-tax gain of \$144 million on the sale of our Circuit Protection Devices business.
- (3) Fiscal 2020 included a goodwill impairment charge related to the Sensors reporting unit in our Transportation Solutions segment. See Note 8 to the Consolidated Financial Statements for additional information regarding the impairment of goodwill.
- (4) Fiscal 2016 net other income (expense) was recorded primarily pursuant to the Tax Sharing Agreement with Tyco International plc and Covidien plc and included \$604 million of other expense related to the effective settlement of tax matters for the years 1997 through 2000 and \$46 million of other expense related to a tax settlement in another tax jurisdiction.
- (5) For fiscal 2020, 2019, and 2018, see Note 16 to the Consolidated Financial Statements for additional information. Fiscal 2016 included a \$1,135 million income tax benefit related to the effective settlement of tax matters for the years 1997 through 2000, partially offset by a \$91 million income tax charge related to an increase to the valuation allowance for certain U.S. deferred tax assets. Additionally, fiscal 2016 included an \$83 million net income tax benefit related to tax settlements in certain other tax jurisdictions, partially offset by an income tax charge related to certain legal entity restructurings.
- (6) Fiscal 2019 included a pre-tax loss of \$86 million on the sale of our Subsea Communications business. For additional information regarding discontinued operations, see Note 4 to the Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Consolidated Financial Statements and the accompanying notes included elsewhere in this Annual Report. The following discussion may contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those factors discussed below and elsewhere in this Annual Report, particularly in "Risk Factors" and "Forward-Looking Information."

Our Consolidated Financial Statements have been prepared in U.S. dollars, in accordance with accounting principles generally accepted in the U.S. ("GAAP").

Discussion of our financial condition and results of operations for fiscal 2020 compared to fiscal 2019 is presented below. Discussion of our financial condition and results of operations for fiscal 2019 compared to fiscal 2018 can be found in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended September 27, 2019.

The following discussion includes organic net sales growth (decline) which is a non-GAAP financial measure. See "Non-GAAP Financial Measure" for additional information regarding this measure.

Overview

We are a global industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions, proven in the harshest environments, enable advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

Summary of Fiscal 2020 Performance

- Our fiscal 2020 net sales decreased 9.5% from fiscal 2019 levels due to sales declines in the Transportation Solutions segment and, to a lesser degree, the Industrial Solutions and Communications Solutions segments. On an organic basis, our net sales decreased 9.9% in fiscal 2020 as compared to fiscal 2019. Our net sales declines included significant unfavorable impacts from the COVID-19 pandemic.
- Our net sales by segment were as follows:
 - *Transportation Solutions*—Our net sales decreased 12.5% due to sales declines in the automotive end market and, to a lesser degree, the commercial transportation and sensors end markets.
 - *Industrial Solutions*—Our net sales decreased 6.1% primarily as a result of sales declines in the industrial equipment and the aerospace, defense, oil, and gas end markets.

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- *Communications Solutions*—Our net sales decreased 3.5% due to sales declines in both the appliances and the data and devices end markets.
- During fiscal 2020, our shareholders approved a dividend payment to shareholders of \$1.92 per share, payable in four equal quarterly installments of \$0.48 beginning in the third quarter of fiscal 2020 and ending in the second quarter of fiscal 2021.
- Net cash provided by continuing operating activities was \$1,991 million in fiscal 2020.
- We acquired approximately 72% of the outstanding shares of First Sensor AG (“First Sensor”), a provider of sensing solutions based in Germany, during fiscal 2020.

COVID-19 Pandemic and Economic Conditions

A novel strain of coronavirus (“COVID-19”) was first identified in China in December 2019 and subsequently declared a pandemic by the World Health Organization. To date, COVID-19 has surfaced in nearly all regions around the world and resulted in travel restrictions and business slowdowns or shutdowns in affected areas. The COVID-19 pandemic negatively affected our sales and operating results during fiscal 2020, and we expect that it will continue to have an impact on our financial condition and results of operations in the near term and may have a material impact on our financial condition, liquidity, and results of operations in future periods.

The COVID-19 pandemic is currently impacting, and we expect that it will continue to impact, our business operations globally, causing potential disruption in our suppliers’ and customers’ supply chains, some of our business locations to reduce or suspend operations, and a reduction in demand for certain products from direct customers or end markets. While a number of our businesses are operating as essential businesses, some have had and continue to have adjusted, reduced, or suspended operating activities at certain locations. In addition, the COVID-19 pandemic may have far-reaching impacts on many additional aspects of our operations, directly and indirectly, including with respect to its impacts on customer behaviors, business and manufacturing operations, inventory, our employees, and the market generally, and the scope and nature of these impacts continue to evolve each day. We expect to continue to assess the evolving impact of the COVID-19 pandemic and intend to adjust our operations accordingly. For example, throughout our operations, we have enacted additional health and safety measures for the protection of our employees, including providing personal protective equipment, enhanced cleaning and sanitizing of our facilities, and remote working arrangements.

We expect that the COVID-19 pandemic will continue to impact several of the markets we serve, in particular the automotive and commercial aerospace markets. We expect these markets to decline in the near term relative to fiscal 2020 and they may decline in future periods. However, despite these market declines, we expect a slight increase in our total net sales in the first quarter of fiscal 2021 as compared to the first quarter of fiscal 2020. See “Outlook” below for additional information.

In response to the current economic environment and our sales declines relative to fiscal 2019, we have taken and continue to focus on actions to manage costs. These include restructuring and other cost reduction initiatives, such as reducing discretionary spending, cutting capital expenditures, reducing travel, and furloughing certain employees. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required by federal, state, or local authorities or that we determine are in the best interests of our employees, customers, suppliers, shareholders, and the communities in which we operate.

For further discussion of the risks and uncertainties associated with the COVID-19 pandemic, see “Part I. Item 1A. Risk Factors.”

Outlook

In the first quarter of fiscal 2021, we expect our net sales to be approximately \$3.2 billion as compared to \$3.17 billion in the first quarter of fiscal 2020. This represents a slight increase resulting from sales growth in the Transportation Solutions and Communications Solutions segments, partially offset by sales declines in the Industrial Solutions segment. Additional information regarding expectations for our reportable segments is as follows:

- *Transportation Solutions*—In the automotive end market, we expect our net sales increase resulting from content growth to be offset by sales decreases resulting from declines in global automotive production in the

first quarter of fiscal 2021 as compared to the same period of fiscal 2020. We expect global automotive production in the first quarter of fiscal 2021 to decline compared to the first quarter of fiscal 2020, but to increase from the fourth quarter of fiscal 2020. We expect our net sales to increase in the sensors and commercial transportation end markets in the first quarter of fiscal 2021 over the first quarter of fiscal 2020. Our sales in the sensors end market are expected to benefit from the acquisition of First Sensor.

- *Industrial Solutions*—We expect our net sales to decline in the aerospace, defense, oil, and gas end market in the first quarter of fiscal 2021 as compared to the same period of fiscal 2020 primarily as a result of weakness in the commercial aerospace market. We expect the commercial aerospace market to decline over 20% in fiscal 2021 as compared to fiscal 2020.
- *Communications Solutions*—We expect our net sales to increase in both the data and devices and the appliances end markets in the first quarter of fiscal 2021 as compared to the same period of fiscal 2020. We expect to continue to benefit from cloud infrastructure spending and a recovery in the appliances market in fiscal 2021 as compared to fiscal 2020.

We expect diluted earnings per share from continuing operations to be approximately \$0.83 per share in the first quarter of fiscal 2021. This outlook reflects the positive impact of foreign currency exchange rates on net sales and earnings per share of approximately \$55 million and \$0.04 per share, respectively, in the first quarter of fiscal 2021 as compared to the same period of fiscal 2020.

The above outlook is based on foreign currency exchange rates and commodity prices that are consistent with current levels.

We are monitoring the current macroeconomic environment and its potential effects on our customers and the end markets we serve, including developments related to the COVID-19 pandemic. We have taken actions to manage costs and will continue to closely manage our costs in line with economic conditions. Additionally, we are managing our capital resources and monitoring capital availability to ensure that we have sufficient resources to fund future capital needs. See further discussion in “Liquidity and Capital Resources.”

Acquisitions

During fiscal 2020, we acquired approximately 72% of the outstanding shares of First Sensor for €181 million in cash (equivalent to \$201 million using an exchange rate of \$1.11 per €1.00), net of cash acquired. This business has been reported as part of our Transportation Solutions segment from the date of acquisition.

We acquired four additional businesses for a combined cash purchase price of \$135 million, net of cash acquired, during fiscal 2020. The acquisitions were reported as part of our Transportation Solutions and Industrial Solutions segments from the date of acquisition.

During fiscal 2019, we acquired three businesses for a combined cash purchase price of \$296 million, net of cash acquired. The acquisitions were reported as part of our Transportation Solutions segment from the date of acquisition.

See Note 5 to the Consolidated Financial Statements for additional information regarding acquisitions.

Discontinued Operations

In fiscal 2019, we sold our Subsea Communications (“SubCom”) business for net cash proceeds of \$297 million and incurred a pre-tax loss on sale of \$86 million. The SubCom business met the held for sale and discontinued operations criteria and has been reported as such in all periods presented on our Consolidated Financial Statements. Prior to reclassification to discontinued operations, the SubCom business was included in the Communications Solutions segment.

See Note 4 to the Consolidated Financial Statements for additional information regarding discontinued operations.

Results of Operations

Net Sales

The following table presents our net sales and the percentage of total net sales by segment:

	Fiscal			
	2020		2019	
	(\$ in millions)			
Transportation Solutions	\$ 6,845	56 %	\$ 7,821	58 %
Industrial Solutions	3,713	31	3,954	30
Communications Solutions	1,614	13	1,673	12
Total	\$ 12,172	100 %	\$ 13,448	100 %

The following table provides an analysis of the change in our net sales by segment:

	Change in Net Sales for Fiscal 2020 versus Fiscal 2019					
	Net Sales		Organic Net Sales		Translation	Acquisitions
	Growth (Decline)		Growth (Decline)			
	(\$ in millions)					
Transportation Solutions	\$ (976)	(12.5)%	\$ (1,066)	(13.5)%	\$ (65)	\$ 155
Industrial Solutions	(241)	(6.1)	(212)	(5.4)	(29)	—
Communications Solutions	(59)	(3.5)	(54)	(3.2)	(5)	—
Total	\$ (1,276)	(9.5)%	\$ (1,332)	(9.9)%	\$ (99)	\$ 155

Net sales decreased \$1,276 million, or 9.5%, in fiscal 2020 as compared to fiscal 2019. The decrease in net sales resulted from organic net sales declines of 9.9% and the negative impact of foreign currency translation of 0.8% due to the weakening of certain foreign currencies, partially offset by sales contributions from acquisitions of 1.2%. Price erosion adversely affected organic net sales by \$173 million in fiscal 2020. In fiscal 2020, our net sales declines included significant unfavorable impacts from the COVID-19 pandemic.

See further discussion of net sales below under “Segment Results.”

Net Sales by Geographic Region. Our business operates in three geographic regions—Asia-Pacific, EMEA, and the Americas—and our results of operations are influenced by changes in foreign currency exchange rates. Increases or decreases in the value of the U.S. dollar, compared to other currencies, will directly affect our reported results as we translate those currencies into U.S. dollars at the end of each fiscal period. We sell our products into approximately 140 countries, and approximately 60% of our net sales were invoiced in currencies other than the U.S. dollar in fiscal 2020. The percentage of net sales in fiscal 2020 by major currencies invoiced was as follows:

Currencies	Percentage
U.S. dollar	43 %
Euro	29
Chinese renminbi	15
Japanese yen	6
All others	7
Total	<u>100 %</u>

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The following table presents our net sales and the percentage of total net sales by geographic region:

	Fiscal			
	2020		2019	
	(\$ in millions)			
Asia-Pacific	\$ 4,246	35 %	\$ 4,401	33 %
EMEA	4,220	35	4,823	36
Americas	3,706	30	4,224	31
Total	\$ 12,172	100 %	\$ 13,448	100 %

The following table provides an analysis of the change in our net sales by geographic region:

	Change in Net Sales for Fiscal 2020 versus Fiscal 2019					
	Net Sales		Organic Net Sales			
	Growth (Decline)		Growth (Decline)		Translation	Acquisitions
	(\$ in millions)					
Asia-Pacific	\$ (155)	(3.5)%	\$ (123)	(2.8)%	\$ (32)	\$ —
EMEA	(603)	(12.5)	(676)	(14.0)	(28)	101
Americas	(518)	(12.3)	(533)	(12.6)	(39)	54
Total	\$ (1,276)	(9.5)%	\$ (1,332)	(9.9)%	\$ (99)	\$ 155

Cost of Sales and Gross Margin

The following table presents cost of sales and gross margin information:

	Fiscal		Change
	2020	2019	
	(\$ in millions)		
Cost of sales	\$ 8,437	\$ 9,054	\$ (617)
As a percentage of net sales	69.3 %	67.3 %	
Gross margin	\$ 3,735	\$ 4,394	\$ (659)
As a percentage of net sales	30.7 %	32.7 %	

In fiscal 2020, gross margin decreased \$659 million as compared to fiscal 2019 primarily as a result of lower volume and, to a lesser degree, price erosion and lower manufacturing productivity, partially offset by lower material costs.

We use a wide variety of raw materials in the manufacture of our products. Cost of sales and gross margin are subject to variability in raw material prices which continue to fluctuate for many of the raw materials we use, including copper, gold, and silver. In fiscal 2020, we purchased approximately 160 million pounds of copper, 107,000 troy ounces of gold, and 2.2 million troy ounces of silver. The following table presents the average prices incurred related to copper, gold, and silver:

	Measure	Fiscal	
		2020	2019
Copper	Lb.	\$ 2.78	\$ 2.93
Gold	Troy oz.	1,395	1,309
Silver	Troy oz.	16.21	16.42

In fiscal 2021, we expect to purchase approximately 155 million pounds of copper, 105,000 troy ounces of gold, and 2.2 million troy ounces of silver.

Operating Expenses

The following table presents operating expense information:

	Fiscal		
	2020	2019	Change
	(\$ in millions)		
Selling, general, and administrative expenses	\$ 1,392	\$ 1,490	\$ (98)
As a percentage of net sales	11.4 %	11.1 %	
Restructuring and other charges, net	\$ 257	\$ 255	\$ 2
Impairment of goodwill	900	—	900

Selling, General, and Administrative Expenses. In fiscal 2020, selling, general, and administrative expenses decreased \$98 million as compared to fiscal 2019 due primarily to reduced selling expenses, cost control measures, and savings attributable to restructuring actions.

Restructuring and Other Charges, Net. We are committed to continuous productivity improvements, and we evaluate opportunities to simplify our global manufacturing footprint, migrate facilities to lower-cost regions, reduce fixed costs, and eliminate excess capacity. These initiatives are designed to help us maintain our competitiveness in the industry, improve our operating leverage, and position us for future growth.

During fiscal 2020 and 2019, we initiated restructuring programs associated with footprint consolidation and structural improvements impacting all segments. The fiscal 2020 actions were due in part to the COVID-19 pandemic. We incurred net restructuring charges of \$257 million and \$255 million in fiscal 2020 and 2019, respectively. Annualized cost savings related to actions initiated in fiscal 2020 are expected to be approximately \$200 million and are expected to be realized by the end of fiscal 2022. Cost savings will be reflected primarily in cost of sales and selling, general, and administrative expenses. For fiscal 2021, we currently expect total restructuring charges to be approximately \$200 million and total spending, which will be funded with cash from operations, to be approximately \$250 million.

See Note 3 to the Consolidated Financial Statements for additional information regarding net restructuring and other charges.

Impairment of Goodwill. As a result of current and projected declines in sales and profitability, due in part to the impact of the COVID-19 pandemic and projected reductions in global automotive production as of March 2020, of the Sensors reporting unit of the Transportation Solutions segment during the second quarter of fiscal 2020, we determined that an indicator of impairment had occurred and goodwill impairment testing of this reporting unit was required.

As discussed in Note 2 to the Consolidated Financial Statements, during the second quarter of fiscal 2020, we adopted Accounting Standards Update (“ASU”) No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating step 2 of the goodwill impairment test. Under the new standard, goodwill impairment is measured as the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying value of goodwill. We determined the fair value of the Sensors reporting unit to be \$1.0 billion as of March 27, 2020. This valuation was based on a discounted cash flows analysis incorporating our estimate of future operating performance, which we consider to be a level 3 unobservable input in the fair value hierarchy, and was corroborated using a market approach valuation. The goodwill impairment test indicated that the carrying value of the reporting unit exceeded its fair value by \$900 million. As a result, we recorded a partial impairment charge of \$900 million in the second quarter of fiscal 2020. As of fiscal year end 2020, the Sensors reporting unit had a remaining goodwill allocation of \$511 million. See Note 8 to the Consolidated Financial Statements for additional information regarding the impairment of goodwill and our annual goodwill impairment test.

Operating Income

The following table presents operating income and operating margin information:

	Fiscal		Change
	2020	2019	
	(\$ in millions)		
Operating income	\$ 537	\$ 1,978	\$ (1,441)
Operating margin	4.4 %	14.7 %	

Operating income included the following:

	Fiscal	
	2020	2019
	(in millions)	
Acquisition-related charges:		
Acquisition and integration costs	\$ 36	\$ 27
Charges associated with the amortization of acquisition-related fair value adjustments	4	3
	40	30
Restructuring and other charges, net	257	255
Impairment of goodwill	900	—
Other items ⁽¹⁾	—	17
Total	\$ 1,197	\$ 302

(1) Represents the write-off of certain spare parts.

See discussion of operating income below under “Segment Results.”

Non-Operating Items

The following table presents select non-operating information:

	Fiscal		Change
	2020	2019	
	(\$ in millions)		
Interest expense	\$ 48	\$ 68	\$ (20)
Income tax expense (benefit)	783	(15)	798
Effective tax rate	149.4 %	(0.8)%	
Income (loss) from discontinued operations, net of income taxes	\$ 18	\$ (102)	\$ 120

Interest Expense. Interest expense decreased \$20 million during fiscal 2020 due primarily to a lower cost of debt and our cross-currency swap program that hedges our net investment in certain foreign operations. The aggregate notional value of the contracts under this program was \$1,664 million at fiscal year end 2020. Under the terms of these contracts, we receive interest in U.S. dollars at a weighted-average rate of 2.4% per annum and pay no interest. See Note 14 to the Consolidated Financial Statements for additional information regarding our cross-currency swap program.

Income Taxes. See Note 16 to the Consolidated Financial Statements for discussion of items impacting income tax expense (benefit) and the effective tax rate for fiscal 2020 and 2019, including the Switzerland Federal Act on Tax Reform and AHV Financing (“Swiss Tax Reform”), increases to the valuation allowance for certain deferred tax assets, and the termination of the Tax Sharing Agreement.

The valuation allowance for deferred tax assets was \$4,429 million and \$4,970 million at fiscal year end 2020 and 2019, respectively. See Note 16 to the Consolidated Financial Statements for further information regarding the valuation allowance for deferred tax assets.

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As of fiscal year end 2020, certain subsidiaries had approximately \$29 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. See Note 16 to the Consolidated Financial Statements for additional information regarding undistributed earnings.

Income (Loss) from Discontinued Operations, Net of Income Taxes. During fiscal 2019, we sold our SubCom business for net cash proceeds of \$297 million and incurred a pre-tax loss on sale of \$86 million. The net sales of the business were \$41 million in fiscal 2019. The results for fiscal 2019 represent one month of activity. See Note 4 to the Consolidated Financial Statements for additional information regarding discontinued operations.

Segment Results

Transportation Solutions

Net Sales. The following table presents the Transportation Solutions segment's net sales and the percentage of total net sales by industry end market⁽¹⁾:

	Fiscal			
	2020		2019	
	(\$ in millions)			
Automotive	\$ 4,903	72 %	\$ 5,686	73 %
Commercial transportation	1,051	15	1,221	15
Sensors	891	13	914	12
Total	<u>\$ 6,845</u>	<u>100 %</u>	<u>\$ 7,821</u>	<u>100 %</u>

- (1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

The following table provides an analysis of the change in the Transportation Solutions segment's net sales by industry end market:

	Change in Net Sales for Fiscal 2020 versus Fiscal 2019					
	Net Sales		Organic Net Sales		Translation	Acquisitions
	Growth (Decline)		Growth (Decline)			
	(\$ in millions)					
Automotive	\$ (783)	(13.8)%	\$ (742)	(12.9)%	\$ (41)	\$ —
Commercial transportation	(170)	(13.9)	(176)	(14.4)	(21)	27
Sensors	(23)	(2.5)	(148)	(16.3)	(3)	128
Total	\$ (976)	(12.5)%	\$ (1,066)	(13.5)%	\$ (65)	\$ 155

Net sales in the Transportation Solutions segment decreased \$976 million, or 12.5%, in fiscal 2020 from fiscal 2019 as a result of organic net sales declines of 13.5% and the negative impact of foreign currency translation of 0.9%, partially offset by sales contributions from acquisitions of 1.9%. Net sales declines in fiscal 2020 included significant unfavorable impacts of the COVID-19 pandemic. Our organic net sales by industry end market were as follows:

- *Automotive*—Our organic net sales decreased 12.9% in fiscal 2020 with declines of 18.0% in the Americas region, 16.7% in the EMEA region, and 6.4% in the Asia-Pacific region. Our overall organic net sales decreased as a result of declines in global automotive production; however, our sales decreased at a lesser rate than global automotive production due to content gains.
- *Commercial transportation*—Our organic net sales decreased 14.4% in fiscal 2020 due to market weakness in the Americas and EMEA regions, partially offset by growth in the Asia-Pacific region.
- *Sensors*—Our organic net sales decreased 16.3% in fiscal 2020 as a result of weakness across all markets.

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Operating Income (Loss). The following table presents the Transportation Solutions segment's operating income (loss) and operating margin information:

	Fiscal		Change
	2020	2019 (\$ in millions)	
Operating income (loss)	\$ (93)	\$ 1,226	\$ (1,319)
Operating margin	(1.4)%	15.7 %	

Operating income (loss) in the Transportation Solutions segment decreased \$1,319 million in fiscal 2020 as compared to fiscal 2019. The Transportation Solutions segment's operating income (loss) included the following:

	Fiscal	
	2020 (in millions)	2019 (in millions)
Acquisition-related charges:		
Acquisition and integration costs	\$ 28	\$ 17
Charges associated with the amortization of acquisition-related fair value adjustments	4	—
	32	17
Restructuring and other charges, net	113	144
Impairment of goodwill	900	—
Other items	—	14
Total	<u>\$ 1,045</u>	<u>\$ 175</u>

Excluding these items, operating income decreased in fiscal 2020 primarily as a result of lower volume and, to a lesser degree, price erosion and lower manufacturing productivity, partially offset by lower material costs.

Industrial Solutions

Net Sales. The following table presents the Industrial Solutions segment's net sales and the percentage of total net sales by industry end market⁽¹⁾:

	Fiscal			
	2020	2019	2020	2019
	(\$ in millions)			
Aerospace, defense, oil, and gas	\$ 1,201	32 %	\$ 1,306	33 %
Industrial equipment	1,098	30	1,242	31
Medical	697	19	707	18
Energy	717	19	699	18
Total	<u>\$ 3,713</u>	<u>100 %</u>	<u>\$ 3,954</u>	<u>100 %</u>

- (1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

The following table provides an analysis of the change in the Industrial Solutions segment's net sales by industry end market:

	Change in Net Sales for Fiscal 2020 versus Fiscal 2019				
	Net Sales		Organic Net Sales		Translation
	Growth (Decline)		Growth (Decline)		
	(\$ in millions)				
Aerospace, defense, oil, and gas	\$ (105)	(8.0)%	\$ (100)	(7.8)%	\$ (5)
Industrial equipment	(144)	(11.6)	(133)	(10.7)	(11)
Medical	(10)	(1.4)	(9)	(1.3)	(1)
Energy	18	2.6	30	4.3	(12)
Total	\$ (241)	(6.1)%	\$ (212)	(5.4)%	\$ (29)

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In the Industrial Solutions segment, net sales decreased \$241 million, or 6.1%, in fiscal 2020 from fiscal 2019 due primarily to organic net sales declines of 5.4%. Significant unfavorable impacts of the COVID-19 pandemic were included in our net sales declines in fiscal 2020. Our organic net sales by industry end market were as follows:

- *Aerospace, defense, oil, and gas*—Our organic net sales decreased 7.8% in fiscal 2020 due primarily to weakness in the commercial aerospace market, partially offset by strength in the defense market.
- *Industrial equipment*—Our organic net sales decreased 10.7% in fiscal 2020 as a result of market weakness in industrial applications across all regions.
- *Medical*—Our organic net sales decreased 1.3% in fiscal 2020 due primarily to delays in elective procedures.
- *Energy*—Our organic net sales increased 4.3% in fiscal 2020 primarily as a result of growth in the EMEA and Americas regions.

Operating Income. The following table presents the Industrial Solutions segment's operating income and operating margin information:

	Fiscal		Change
	2020	2019	
	(\$ in millions)		
Operating income	\$ 412	\$ 543	\$ (131)
Operating margin	11.1 %	13.7 %	

Operating income in the Industrial Solutions segment decreased \$131 million in fiscal 2020 from fiscal 2019. The Industrial Solutions segment's operating income included the following:

	Fiscal	
	2020	2019
	(in millions)	
Acquisition-related charges:		
Acquisition and integration costs	\$ 8	\$ 10
Charges associated with the amortization of acquisition-related fair value adjustments	—	3
	8	13
Restructuring and other charges, net	102	63
Other items	—	2
Total	\$ 110	\$ 78

Excluding these items, operating income decreased in fiscal 2020 primarily as a result of lower volume, partially offset by lower material costs.

Communications Solutions

Net Sales. The following table presents the Communications Solutions segment's net sales and the percentage of total net sales by industry end market⁽¹⁾:

	Fiscal	
	2020	2019
	(\$ in millions)	
Data and devices	\$ 973	60 % \$ 993
Appliances	641	40 680
Total	\$ 1,614	100 % \$ 1,673

- (1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.

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The following table provides an analysis of the change in the Communications Solutions segment's net sales by industry end market:

	Change in Net Sales for Fiscal 2020 versus Fiscal 2019				
	Net Sales		Organic Net Sales		
	Growth (Decline)		Growth (Decline)		Translation
	(\$ in millions)				
Data and devices	\$ (20)	(2.0)%	\$ (23)	(2.5)%	\$ 3
Appliances	(39)	(5.7)	(31)	(4.4)	(8)
Total	\$ (59)	(3.5)%	\$ (54)	(3.2)%	\$ (5)

Net sales in the Communications Solutions segment decreased \$59 million, or 3.5%, in fiscal 2020 as compared to fiscal 2019 due primarily to organic net sales declines of 3.2%. In fiscal 2020, our net sales declines included unfavorable impacts of the COVID-19 pandemic. Our organic net sales by industry end market were as follows:

- *Data and devices*—Our organic net sales decreased 2.5% in fiscal 2020 primarily as a result of market weakness in the Americas and EMEA regions, partially offset by increased sales to cloud infrastructure customers.
- *Appliances*—Our organic net sales decreased 4.4% in fiscal 2020 due primarily to market weakness in the EMEA and Americas regions.

Operating Income. The following table presents the Communications Solutions segment's operating income and operating margin information:

	Fiscal		Change
	2020	2019	
	(\$ in millions)		
Operating income	\$ 218	\$ 209	\$ 9
Operating margin	13.5 %	12.5 %	

In the Communications Solutions segment, operating income increased \$9 million in fiscal 2020 as compared to fiscal 2019. The Communications Solutions segment's operating income included the following:

	Fiscal	
	2020	2019
	(in millions)	
Restructuring and other charges, net	\$ 42	\$ 48
Other items	—	1
Total	<u>\$ 42</u>	<u>\$ 49</u>

Excluding these items, fiscal 2020 operating income was consistent with fiscal 2019 levels.

Liquidity and Capital Resources

Our ability to fund our future capital needs will be affected by our ability to continue to generate cash from operations and may be affected by our ability to access the capital markets, money markets, or other sources of funding, as well as the capacity and terms of our financing arrangements. We believe that cash generated from operations and, to the extent necessary, these other sources of potential funding will be sufficient to meet our anticipated capital needs for the foreseeable future, including the payments of \$250 million of 4.875% senior notes due in January 2021 and €350 million of fixed-to-floating rate senior notes due in June 2021, and compensation payments to First Sensor minority shareholders. We may use excess cash to purchase a portion of our common shares pursuant to our authorized share repurchase program, to acquire strategic businesses or product lines, to pay dividends on our common shares, or to reduce our outstanding debt. The cost or availability of future funding may be impacted by financial market conditions. We will continue to monitor financial markets and respond as necessary to changing conditions, including future developments related to the COVID-19 pandemic. There is uncertainty surrounding the duration and scope of the COVID-19 pandemic and it may have a material impact on our liquidity and financial conditions. We believe that we have sufficient financial resources and liquidity which, along with managing expenses and capital structure flexibility, will enable us to meet our ongoing working capital and other cash flow needs during the COVID-19 pandemic and resulting period of economic uncertainty which included reduced sales and net

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income levels for us in fiscal 2020 relative to fiscal 2019 and may include reduced sales and income levels in future periods. For further information on the risks and uncertainties associated with the COVID-19 pandemic, see “Part I. Item 1A. Risk Factors.”

As of fiscal year end 2020, our cash and cash equivalents were held in subsidiaries which are located in various countries throughout the world. Under current applicable laws, substantially all of these amounts can be repatriated to Tyco Electronics Group S.A. (“TEGSA”), our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company; however, the repatriation of these amounts could subject us to additional tax expense. We provide for tax liabilities on the Consolidated Financial Statements with respect to amounts that we expect to repatriate; however, no tax liabilities are recorded for amounts that we consider to be retained indefinitely and reinvested in our global manufacturing operations. As of fiscal year end 2020, we had approximately \$5.3 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA and TE Connectivity Ltd. but we consider to be permanently reinvested. We estimate that up to \$0.8 billion of tax expense would be recognized on the Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

Cash Flows from Operating Activities

Net cash provided by continuing operating activities decreased \$463 million to \$1,991 million in fiscal 2020 as compared to \$2,454 million in fiscal 2019. The decrease resulted primarily from lower pre-tax income levels.

The amount of income taxes paid, net of refunds, during fiscal 2020 and 2019 was \$257 million and \$338 million, respectively. We do not expect a significant change in our income tax payments as a result of Swiss Tax Reform. See Note 16 to the Consolidated Financial Statements for additional information regarding Swiss Tax Reform.

Pension contributions were \$47 million and \$45 million in fiscal 2020 and 2019, respectively. We expect pension contributions to be \$69 million in fiscal 2021, before consideration of any voluntary contributions. For additional information regarding pensions, see Note 15 to the Consolidated Financial Statements.

Cash Flows from Investing Activities

Capital expenditures were \$560 million and \$749 million in fiscal 2020 and 2019, respectively. We expect fiscal 2021 capital spending levels to be approximately 5% of net sales. We believe our capital funding levels are adequate to support new programs, and we continue to invest in our manufacturing infrastructure to further enhance productivity and manufacturing capabilities.

During fiscal 2020, we acquired five businesses, including First Sensor, for a combined cash purchase price of \$336 million, net of cash acquired. During fiscal 2019, we acquired three businesses for a combined cash purchase price of \$296 million, net of cash acquired. See Note 5 to the Consolidated Financial Statements for additional information regarding acquisitions.

During fiscal 2019, we received net cash proceeds of \$297 million related to the sale of our SubCom business. See additional information in Note 4 to the Consolidated Financial Statements.

Cash Flows from Financing Activities and Capitalization

Total debt at fiscal year end 2020 and 2019 was \$4,146 million and \$3,965 million, respectively. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.

During fiscal 2020, TEGSA, our wholly-owned subsidiary, issued €550 million aggregate principal amount of 0.00% senior notes due in February 2025. The notes are TEGSA’s unsecured senior obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur.

TEGSA has a five-year unsecured senior revolving credit facility (“Credit Facility”) with a maturity date of November 2023 and total commitments of \$1.5 billion. The Credit Facility contains provisions that allow for incremental commitments of up to \$500 million, an option to temporarily increase the financial ratio covenant following a qualified

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acquisition, and borrowings in designated currencies. TEGSA had no borrowings under the Credit Facility at fiscal year end 2020 or 2019.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants. None of our covenants are presently considered restrictive to our operations. As of fiscal year end 2020, we were in compliance with all of our debt covenants and believe that we will continue to be in compliance with our existing covenants for the foreseeable future.

Periodically, TEGSA issues commercial paper to U.S. institutional accredited investors and qualified institutional buyers in accordance with available exemptions from the registration requirements of the Securities Act of 1933 as part of our ongoing effort to maintain financial flexibility and to potentially decrease the cost of borrowings. Borrowings under the commercial paper program are backed by the Credit Facility.

TEGSA's payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed on an unsecured basis by its parent, TE Connectivity Ltd.

Payments of common share dividends to shareholders were \$625 million and \$608 million in fiscal 2020 and 2019, respectively. See Note 18 to the Consolidated Financial Statements for additional information regarding dividends on our common shares.

In March 2020, our shareholders approved a dividend payment to shareholders of \$1.92 per share, payable in four equal quarterly installments of \$0.48 per share beginning in the third quarter of fiscal 2020 and ending in the second quarter of fiscal 2021.

Future dividends on our common shares, if any, must be approved by our shareholders. In exercising their discretion to recommend to the shareholders that such dividends be approved, our board of directors will consider our results of operations, cash requirements and surplus, financial condition, statutory requirements of applicable law, contractual restrictions, and other factors that they may deem relevant.

In fiscal 2019, our board of directors authorized an increase of \$1.5 billion in our share repurchase program. We repurchased approximately 6 million of our common shares for \$505 million and approximately 12 million of our common shares for \$1,014 million under the share repurchase program during fiscal 2020 and 2019, respectively. At fiscal year end 2020, we had \$1.0 billion of availability remaining under our share repurchase authorization.

Summarized Guarantor Financial Information

In March 2020, the SEC adopted amendments to the financial disclosure requirements of Regulation S-X for subsidiary issuers and guarantors of registered debt securities and for affiliates whose securities are pledged as collateral for registered securities. The amended disclosure requirements permit alternative disclosures of summarized financial information for subsidiary issuers and guarantors and allow for these disclosures to be made outside the Consolidated Financial Statements and accompanying notes. We elected to early adopt these amendments in fiscal 2020.

As discussed above, our senior notes, commercial paper, and Credit Facility are issued by TEGSA and are fully and unconditionally guaranteed on an unsecured basis by TEGSA's parent, TE Connectivity Ltd. In addition to being the issuer of our debt securities, TEGSA owns, directly or indirectly, all of our operating subsidiaries. The following tables present

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summarized financial information, excluding investments in and equity in earnings of our non-guarantor subsidiaries, for TE Connectivity Ltd. and TEGSA on a combined basis.

	Fiscal Year End	
	2020	2019
	(in millions)	
Balance Sheet Data:		
Total current assets	\$ 134	\$ 89
Total noncurrent assets ⁽¹⁾	3,282	2,634
Total current liabilities	1,237	1,014
Total noncurrent liabilities ⁽²⁾	23,549	19,475

- (1) Includes \$3,275 million and \$2,562 million as of fiscal year end 2020 and 2019, respectively, of intercompany loans receivable from non-guarantor subsidiaries.
- (2) Includes \$20,016 million and \$16,033 million as of fiscal year end 2020 and 2019, respectively, of intercompany loans payable to non-guarantor subsidiaries.

	Fiscal	
	2020	2019
	(in millions)	
Statement of Operations Data:		
Loss from continuing operations	\$ (206)	\$ (341)
Net loss	(202)	(391)

Commitments and Contingencies

The following table provides a summary of our contractual obligations and commitments for debt, minimum lease payment obligations under non-cancelable leases, and other obligations at fiscal year end 2020:

	Total	Payments Due by Fiscal Year					
		2021	2022	2023	2024	2025	Thereafter
		(in millions)					
Debt ⁽¹⁾	\$ 4,161	\$ 693	\$ 506	\$ 641	\$ 352	\$ 641	\$ 1,328
Interest payments on debt ⁽²⁾	865	103	88	79	72	60	463
Operating leases ⁽³⁾	485	116	98	75	60	49	87
Purchase obligations ⁽⁴⁾	611	593	8	6	1	—	3
Total contractual cash obligations ⁽⁵⁾⁽⁶⁾⁽⁷⁾	\$ 6,122	\$ 1,505	\$ 700	\$ 801	\$ 485	\$ 750	\$ 1,881

- (1) Debt represents principal payments. See Note 11 to the Consolidated Financial Statements for additional information regarding debt.
- (2) Interest payments exclude the impact of our interest rate swap and cross-currency swap contracts. Interest payments on debt are projected for future periods using rates in effect as of fiscal year end 2020 and are subject to change in future periods.
- (3) Operating leases represents the undiscounted lease payments. See Note 12 to the Consolidated Financial Statements for additional information regarding leases.
- (4) Purchase obligations consist primarily of commitments for purchases of goods and services.
- (5) The above table does not reflect unrecognized income tax benefits of \$414 million and related accrued interest and penalties of \$42 million, the timing of which is uncertain. See Note 16 to the Consolidated Financial Statements for additional information regarding unrecognized income tax benefits, interest, and penalties.
- (6) The above table does not reflect pension obligations to certain employees and former employees. We are obligated to make contributions to our pension plans; however, we are unable to determine the amount of plan contributions due to the inherent uncertainties of obligations of this type, including timing, interest rate charges, investment performance, and amounts of benefit payments. We expect to contribute \$69 million to pension plans in fiscal 2021, before consideration of any voluntary contributions. See Note 15 to the Consolidated Financial Statements for additional information regarding these plans and our estimates of future contributions and benefit payments.

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- (7) Other long-term liabilities of \$874 million are excluded from the above table as we are unable to estimate the timing of payment for these items.

Legal Proceedings

In the normal course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows.

Off-Balance Sheet Arrangements

In certain instances, we have guaranteed the performance of third parties and provided financial guarantees for uncompleted work and financial commitments. The terms of these guarantees vary with end dates ranging from fiscal 2021 through the completion of such transactions. The guarantees would be triggered in the event of nonperformance, and the potential exposure for nonperformance under the guarantees would not have a material effect on our results of operations, financial position, or cash flows.

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not expect that these uncertainties will have a material adverse effect on our results of operations, financial position, or cash flows.

At fiscal year end 2020, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$249 million.

As discussed above, in fiscal 2019, we sold our SubCom business. In connection with the sale, we contractually agreed to continue to honor performance guarantees and letters of credit related to the SubCom business' projects that existed as of the date of sale. These guarantees had a combined value of approximately \$600 million as of fiscal year end 2020 and are expected to expire at various dates through fiscal 2025. Also, under the terms of the definitive agreement, we are required to issue up to \$300 million of new performance guarantees, subject to certain limitations, for projects entered into by the SubCom business following the sale for a period of up to three years. At fiscal year end 2020, there were no such new performance guarantees outstanding. We have contractual recourse against the SubCom business if we are required to perform on any SubCom guarantees; however, based on historical experience, we do not anticipate having to perform. See Note 4 to the Consolidated Financial Statements for additional information regarding the divestiture of the SubCom business.

Critical Accounting Policies and Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Our significant accounting policies are summarized in Note 2 to the Consolidated Financial Statements. We believe the following accounting policies are the most critical as they require significant judgments and assumptions that involve inherent risks and uncertainties. Management's estimates are based on the relevant information available at the end of each period.

Revenue Recognition

We account for revenue in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*. Our revenues are generated principally from the sale of our products. Revenue is recognized as performance obligations under the terms of a contract, such as a purchase order with a customer, are satisfied; generally this occurs with the transfer of control. We transfer control and recognize revenue when we ship product to our customers, the customers accept and have legal title for the product, and we have a right to payment for such product. Revenue is measured as the amount of consideration that we expect to receive in exchange for those products and excludes taxes assessed by governmental authorities and collected from customers concurrent with the sale of products. Shipping and handling costs are treated as fulfillment costs and are included in cost of sales. Since we typically invoice our customers when we satisfy our performance obligations, we do not have material contract assets or contract liabilities. Our credit terms are customary and do

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not contain significant financing components that extend beyond one year of fulfillment of performance obligations. We apply the practical expedient of ASC 606 with respect to financing components and do not evaluate contracts in which payment is due within one year of satisfaction of the related performance obligation. Since our performance obligations to deliver products are part of contracts that generally have original durations of one year or less, we have elected to use the optional exemption to not disclose the aggregate amount of transaction prices associated with unsatisfied or partially satisfied performance obligations as of fiscal year end 2020.

We generally warrant that our products will conform to our, or mutually agreed to, specifications and that our products will be free from material defects in materials and workmanship for a limited time. We limit our warranty to the replacement or repair of defective parts, or a refund or credit of the price of the defective product. We do not account for these warranties as separate performance obligations.

Although products are generally sold at fixed prices, certain distributors and customers receive incentives or awards, such as sales rebates, return allowances, scrap allowances, and other rights, which are accounted for as variable consideration. We estimate these amounts in the same period revenue is recognized based on the expected value to be provided to customers and reduce revenue accordingly. Our estimates of variable consideration and ultimate determination of the estimated amounts to include in the transaction price are based primarily on our assessment of anticipated performance and historical and forecasted information that is reasonably available to us.

Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*, as updated by ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*.

Intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with determinable lives primarily include intellectual property, consisting of patents, trademarks, and unpatented technology, and customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally amortized on a straight-line basis. Evaluations of the remaining useful lives of determinable-lived intangible assets are performed on a periodic basis and when events and circumstances warrant.

We test for goodwill impairment at the reporting unit level. A reporting unit is generally an operating segment or one level below an operating segment (a “component”) if the component constitutes a business for which discrete financial information is available and regularly reviewed by segment management. At fiscal year end 2020, we had five reporting units, all of which contained goodwill. There were two reporting units in both the Transportation Solutions and Industrial Solutions segments and one reporting unit in the Communications Solutions segment. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values. We review our reporting unit structure each year as part of our annual goodwill impairment test, or more frequently based on changes in our structure.

Goodwill impairment is evaluated by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on several reporting unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and marketplace data. There are inherent uncertainties related to these factors and management’s judgment in applying these factors to the impairment analysis.

When testing for goodwill impairment, we identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment charge will be recorded for the amount of the excess, limited to the total amount of goodwill allocated to the reporting unit.

Fair value estimates used in the goodwill impairment tests are calculated using an income approach based on the present value of future cash flows of each reporting unit. The income approach is supported by guideline analyses (a market approach). These approaches incorporate several assumptions including future growth rates, discount rates, income tax rates, and market activity in assessing fair value and are reporting unit specific. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

See Note 8 to the Consolidated Financial Statements for information regarding our early adoption of ASU 2017-04, our interim goodwill impairment test, and partial impairment charge of \$900 million recorded in the second quarter of fiscal

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2020. We completed our annual goodwill impairment test in the fourth quarter of fiscal 2020 and determined that no impairment existed.

Income Taxes

In determining income for financial statement purposes, we must make certain estimates and judgments. These estimates and judgments affect the calculation of certain tax liabilities and the determination of the recoverability of certain deferred tax assets, which arise from temporary differences between the income tax return and financial statement recognition of revenue and expense.

In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative losses in the most recent years, and our forecast of taxable income. In estimating future taxable income, we develop assumptions including the amount of pre-tax operating income in various tax jurisdictions, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of taxable income and are consistent with the plans and estimates we are using to manage the underlying businesses.

We currently have recorded significant valuation allowances that we intend to maintain until it is more likely than not the deferred tax assets will be realized. Our income tax expense recorded in the future will be reduced to the extent of decreases in our valuation allowances. The realization of our remaining deferred tax assets is dependent primarily on future taxable income in the appropriate jurisdictions. Any reduction in future taxable income including any future restructuring activities may require that we record an additional valuation allowance against our deferred tax assets. An increase in the valuation allowance would result in additional income tax expense in such period and could have a significant impact on our future earnings.

Changes in tax laws and rates also could affect recorded deferred tax assets and liabilities in the future. Management is not aware of any such changes that would have a material effect on our results of operations, financial position, or cash flows.

The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, *Income Taxes*, we recognize liabilities for tax and related interest for issues in tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest. These tax liabilities and related interest are recorded in income taxes and accrued and other current liabilities on the Consolidated Balance Sheets.

Pension Plans

Our defined benefit pension plan expense and obligations are developed from actuarial assumptions. The funded status of our plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the projected benefit obligation at the measurement date. The projected benefit obligation represents the actuarial present value of benefits projected to be paid upon retirement factoring in estimated future compensation levels. The fair value of plan assets represents the current market value of cumulative company and participant contributions made to irrevocable trust funds, held for the sole benefit of participants, which are invested by the trustee of the funds. The benefits under our defined benefit pension plans are based on various factors, such as years of service and compensation.

Net periodic pension benefit cost is based on the utilization of the projected unit credit method of calculation and is charged to earnings on a systematic basis over the expected average remaining service lives of current participants, or, for inactive plans, over the remaining life expectancy of participants.

Two critical assumptions in determining pension expense and obligations are the discount rate and expected long-term return on plan assets. We evaluate these assumptions at least annually. Other assumptions reflect demographic factors such as retirement, mortality, and employee turnover. These assumptions are evaluated periodically and updated to reflect our actual experience. Actual results may differ from actuarial assumptions. The discount rate represents the market rate for high-

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quality fixed income investments and is used to calculate the present value of the expected future cash flows for benefit obligations to be paid under our pension plans. A decrease in the discount rate increases the present value of pension benefit obligations. At fiscal year end 2020, a 25-basis-point decrease in the discount rate would have increased the present value of our pension obligations by \$143 million; a 25-basis-point increase would have decreased the present value of our pension obligations by \$131 million. We consider the current and expected asset allocations of our pension plans, as well as historical and expected long-term rates of return on those types of plan assets, in determining the expected long-term rate of return on plan assets. A 50-basis-point decrease or increase in the expected long-term return on plan assets would have increased or decreased, respectively, our fiscal 2020 pension expense by \$12 million.

At fiscal year end 2020, the long-term target asset allocation in our U.S. plans' master trust is 5% return-seeking assets and 95% liability-hedging assets. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status. We expect to reach our target allocation when the funded status of the plans exceeds 115%. Based on the funded status of the plans as of fiscal year end 2020, our target asset allocation is 67% return-seeking and 33% liability-hedging.

Accounting Pronouncements

See Note 2 to the Consolidated Financial Statements for information regarding recently adopted accounting pronouncements.

Non-GAAP Financial Measure

Organic Net Sales Growth (Decline)

We present organic net sales growth (decline) as we believe it is appropriate for investors to consider this adjusted financial measure in addition to results in accordance with GAAP. Organic net sales growth (decline) represents net sales growth (decline) (the most comparable GAAP financial measure) excluding the impact of foreign currency exchange rates, and acquisitions and divestitures that occurred in the preceding twelve months, if any. Organic net sales growth (decline) is a useful measure of our performance because it excludes items that are not completely under management's control, such as the impact of changes in foreign currency exchange rates, and items that do not reflect the underlying growth of the company, such as acquisition and divestiture activity.

Organic net sales growth (decline) provides useful information about our results and the trends of our business. Management uses this measure to monitor and evaluate performance. Also, management uses this measure together with GAAP financial measures in its decision-making processes related to the operations of our reportable segments and our overall company. It is also a significant component in our incentive compensation plans. We believe that investors benefit from having access to the same financial measures that management uses in evaluating operations. The tables presented in "Results of Operations" and "Segment Results" provide reconciliations of organic net sales growth (decline) to net sales growth (decline) calculated in accordance with GAAP.

Organic net sales growth (decline) is a non-GAAP financial measure and should not be considered a replacement for results in accordance with GAAP. This non-GAAP financial measure may not be comparable to similarly-titled measures reported by other companies. The primary limitation of this measure is that it excludes the financial impact of items that would otherwise either increase or decrease our reported results. This limitation is best addressed by using organic net sales growth (decline) in combination with net sales growth (decline) to better understand the amounts, character, and impact of any increase or decrease in reported amounts.

Forward-Looking Information

Certain statements in this Annual Report are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, among others, the information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, acquisitions, divestitures, the effects of competition, and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," and "should," or the negative of these terms or similar expressions.

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Forward-looking statements involve risks, uncertainties, and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. Investors should not place undue reliance on any forward-looking statements. We do not have any intention or obligation to update forward-looking statements after we file this report except as required by law.

The following and other risks, which are described in greater detail in “Part I. Item 1A. Risk Factors,” as well as other risks described in this Annual Report, could cause our results to differ materially from those expressed in forward-looking statements:

- conditions in the global or regional economies and global capital markets, and cyclical industry conditions;
- conditions affecting demand for products in the industries we serve, particularly the automotive industry;
- risk of future goodwill impairment;
- competition and pricing pressure;
- market acceptance of our new product introductions and product innovations and product life cycles;
- raw material availability, quality, and cost;
- fluctuations in foreign currency exchange rates and impacts of offsetting hedges;
- financial condition and consolidation of customers and vendors;
- reliance on third-party suppliers;
- risks associated with current and future acquisitions and divestitures;
- global risks of business interruptions due to natural disasters or other disasters such as the COVID-19 pandemic, which have and could continue to negatively impact our results of operations as well as customer behaviors, business, and manufacturing operations as well as our facilities and the facilities of our suppliers, and other aspects of our business;
- global risks of political, economic, and military instability, including volatile and uncertain economic conditions in China;
- risks associated with security breaches and other disruptions to our information technology infrastructure;
- risks related to compliance with current and future environmental and other laws and regulations;
- our ability to protect our intellectual property rights;
- risks of litigation;
- our ability to operate within the limitations imposed by our debt instruments;
- the possible effects on us of various non-U.S. and U.S. legislative proposals and other initiatives that, if adopted, could materially increase our worldwide corporate effective tax rate and negatively impact our U.S. government contracts business;
- various risks associated with being a Swiss corporation;
- the impact of fluctuations in the market price of our shares; and
- the impact of certain provisions of our articles of association on unsolicited takeover proposals.

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There may be other risks and uncertainties that we are unable to predict at this time or that we currently do not expect to have a material adverse effect on our business.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, our financial position is routinely subject to a variety of risks, including market risks associated with interest rate and foreign currency movements on outstanding debt and non-U.S. dollar denominated assets and liabilities and commodity price movements. We utilize established risk management policies and procedures in executing derivative financial instrument transactions to manage a portion of these risks.

We do not execute transactions or hold derivative financial instruments for trading or speculative purposes. Substantially all counterparties to derivative financial instruments are limited to major financial institutions with at least an A/A2 credit rating. There is no significant concentration of exposures with any one counterparty.

Foreign Currency Exposures

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts and foreign currency forward contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. In addition, we utilize cross-currency swap contracts to hedge our net investment in certain foreign operations. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts or foreign currency forward contracts from the fiscal year end 2020 market rates would have changed the unrealized value of our contracts by \$265 million. A 10% appreciation or depreciation of the underlying currency in our cross-currency swap contracts or foreign currency forward contracts from the fiscal year end 2019 market rates would have changed the unrealized value of our contracts by \$282 million. Such gains or losses on these contracts would generally be offset by the losses or gains on the revaluation or settlement of the underlying transactions.

Interest Rate and Investment Exposures

We issue debt, as needed, to fund our operations and capital requirements. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swap contracts to convert a portion of fixed rate debt into variable rate debt. Based on our floating rate debt balances at fiscal year end 2020 and 2019, a 50-basis-point increase in the levels of the U.S. dollar interest rates, with all other variables held constant, would have resulted in an immaterial increase in interest expense in both fiscal 2020 and 2019.

We may use forward starting interest rate swap contracts to manage interest rate exposure in periods prior to the anticipated issuance of fixed rate debt. At fiscal year end 2020 and 2019, we had forward starting interest rate swap contracts which had an aggregate notional value of \$450 million and \$350 million, respectively, and were designated as cash flow hedges.

We utilize investment swap contracts to manage earnings exposure on certain nonqualified deferred compensation liabilities.

Commodity Exposures

Our worldwide operations and product lines may expose us to risks from fluctuations in commodity prices. To limit the effects of fluctuations in the future market price paid and related volatility in cash flows, we utilize commodity swap contracts designated as cash flow hedges. We continually evaluate the commodity market with respect to our forecasted usage requirements over the next eighteen months and periodically enter into commodity swap contracts to hedge a portion of usage requirements over that period. At fiscal year end 2020, our commodity hedges, which related primarily to expected purchases of gold, silver, and copper, were in a net gain position of \$41 million and had a notional value of \$312 million. At fiscal year end 2019, our commodity hedges, which related to expected purchases of gold, silver, and copper, were in a net gain position of \$1 million and had a notional value of \$316 million. A 10% appreciation or depreciation of commodity prices from the fiscal year end 2020 prices would have changed the unrealized value of our forward contracts by \$35 million. A 10% appreciation or depreciation of commodity prices from the fiscal year end 2019 prices would have changed the unrealized value of our forward contracts by \$32 million.

See Note 14 to the Consolidated Financial Statements for additional information regarding financial instruments.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following Consolidated Financial Statements and schedule specified by this Item, together with the reports thereon of Deloitte & Touche LLP, are presented following Item 15 and the signature pages of this report:

Financial Statements:

Reports of Independent Registered Public Accounting Firm

Consolidated Statements of Operations for the Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

Consolidated Statements of Comprehensive Income (Loss) for the Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

Consolidated Balance Sheets as of September 25, 2020 and September 27, 2019

Consolidated Statements of Shareholders' Equity for the Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

Consolidated Statements of Cash Flows for the Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

Notes to Consolidated Financial Statements

Financial Statement Schedule:

Schedule II—Valuation and Qualifying Accounts

All other financial statements and schedules have been omitted since the information required to be submitted has been included on the Consolidated Financial Statements and related notes or because they are either not applicable or not required under the rules of Regulation S-X.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 25, 2020. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 25, 2020.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded our internal control over financial reporting was effective as of September 25, 2020.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Deloitte & Touche LLP, an independent registered public accounting firm, has issued an attestation report on our internal control over financial reporting as of September 25, 2020, which is included in this Annual Report.

Changes in Internal Control Over Financial Reporting

During the quarter ended September 25, 2020, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information concerning directors, executive officers, and corporate governance may be found under the captions “Agenda Item No. 1—Election of Directors,” “Nominees for Election,” “Corporate Governance,” “The Board of Directors and Board Committees,” and “Executive Officers” in our definitive proxy statement for our 2021 Annual General Meeting of Shareholders (the “2021 Proxy Statement”), which will be filed with the SEC within 120 days after the close of our fiscal year. Such information is incorporated herein by reference. The information in the 2021 Proxy Statement under the caption “Delinquent Section 16(a) Reports” is incorporated herein by reference.

Code of Ethics

We have adopted a guide to ethical conduct, which applies to all employees, officers, and directors. Our Guide to Ethical Conduct meets the requirements of a “code of ethics” as defined by Item 406 of Regulation S-K and applies to our Chief Executive Officer, Chief Financial Officer, and Chief Accounting Officer, as well as all other employees and directors. Our Guide to Ethical Conduct also meets the requirements of a code of business conduct and ethics under the listing standards of the NYSE. Our Guide to Ethical Conduct is posted on our website at www.te.com under the heading “Corporate Responsibility—Governance—Compliance.” We also will provide a copy of our Guide to Ethical Conduct to shareholders upon request. We intend to disclose any amendments to our Guide to Ethical Conduct, as well as any waivers for executive officers or directors, on our website.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation may be found under the captions “Compensation Discussion and Analysis,” “Management Development and Compensation Committee Report,” “Compensation Committee Interlocks and Insider Participation,” “Executive Officer Compensation,” and “Compensation of Non-Employee Directors” in our 2021 Proxy Statement. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information in our 2021 Proxy Statement under the caption “Security Ownership of Certain Beneficial Owners and Management” is incorporated herein by reference.

Equity Compensation Plan Information

The following table provides information as of fiscal year end 2020 with respect to common shares issuable under our equity compensation plans:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b) ⁽³⁾	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) ⁽⁴⁾
Equity compensation plans approved by security holders ⁽¹⁾	7,098,225	\$ 77.38	17,234,923
Equity compensation plans not approved by security holders ⁽²⁾	1,583,175	79.71	—
Total	8,681,400		17,234,923

- (1) Includes securities issuable upon exercise of outstanding options and rights under the TE Connectivity Ltd. 2007 Stock and Incentive Plan, amended and restated as of September 17, 2020 (the “2007 Plan”), and the Tyco Electronics Limited Savings Related Share Plan. The 2007 Plan provides for the award of annual performance bonuses and long-term performance awards, including share options; restricted, performance, and deferred share units; and other share-based awards (collectively, “Awards”) to board members, officers, and non-officer employees. The 2007 Plan provides for a maximum of 69,843,452 common shares to be issued as Awards, subject to adjustment as provided under the terms of the 2007 Plan.

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- (2) In connection with the acquisition of ADC Telecommunications, Inc. (“ADC”) in fiscal 2011, we assumed equity awards issued under plans sponsored by ADC and the remaining pool of shares available for grant under the plans. Subsequent to the acquisition, we registered 6,764,455 shares related to the plans via Forms S-3 and S-8 and renamed the primary ADC plan the TE Connectivity Ltd. 2010 Stock and Incentive Plan, amended and restated as of March 9, 2017 (the “2010 Plan”). Grants under the 2010 Plan are settled in TE Connectivity common shares.
- (3) Does not take into account restricted, performance, or deferred share unit awards that do not have exercise prices.
- (4) Includes securities remaining available for future issuance under the 2007 Plan, the Tyco Electronics Limited Savings Related Plan, and the Employee Stock Purchase Plan. The 2007 Plan applies a weighting of 1.80 to outstanding nonvested restricted, performance, deferred share units, and other share-based awards. The remaining shares issuable under the 2007 Plan and the Tyco Electronics Limited Savings Plan are increased by forfeitures and cancellations, among other factors. Amounts include 930,609 shares remaining available for issuance under our Tyco Electronics Limited Savings Related Share Plan and 1,509,673 shares remaining available for issuance under our Employee Stock Purchase Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information in our 2021 Proxy Statement under the captions “Corporate Governance,” “The Board of Directors and Board Committees,” and “Certain Relationships and Related Transactions” is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information in our 2021 Proxy Statement under the caption “Agenda Item No. 7—Election of Auditors—Agenda Item No. 7.1” is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a)
1. Financial Statements. See Item 8.
 2. Financial Statement Schedule. See Item 8.
 3. Exhibit Index:

Exhibit Number	Description	Incorporated by Reference Herein		
		Form	Exhibit	Filing Date
2.1	Stock Purchase Agreement, dated as of September 16, 2018, by and between Tyco Electronics Group S.A. and Crown Subsea AcquisitionCo LLC⁽¹⁾	Current Report on Form 8-K	2.1	September 17, 2018
3.1	Articles of Association of TE Connectivity Ltd., as amended and restated	Current Report on Form 8-K	3.1	May 19, 2020
3.2	Organizational Regulations of TE Connectivity Ltd., as amended and restated	Current Report on Form 8-K	3.2	March 6, 2015
4.1	* Description of Registrant's Securities			
4.2(a)	Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007	Annual Report on Form 10-K for the fiscal year ended September 28, 2007	4.1(a)	December 14, 2007
4.2(b)	Third Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of September 25, 2007	Annual Report on Form 10-K for the fiscal year ended September 28, 2007	4.1(d)	December 14, 2007
4.2(c)	Fifth Supplemental Indenture among Tyco Electronics Group S.A., Tyco Electronics Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of December 20, 2010	Current Report on Form 8-K	4.1	December 20, 2010
4.2(d)	Seventh Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 3, 2012	Current Report on Form 8-K	4.2	February 3, 2012
4.2(e)	Tenth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of July 31, 2014	Current Report on Form 8-K	4.2	July 31, 2014
4.2(f)	Twelfth Supplemental Indenture among Tyco Electronics Group S.A., TE Connectivity Ltd. and Deutsche Bank Trust Company Americas, as trustee, dated as of February 27, 2015	Current Report on Form 8-K	4.1	February 27, 2015

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Exhibit Number	Description	Incorporated by Reference Herein		
		Form	Exhibit	Filing Date
4.2(g)	Thirteenth Supplemental Indenture among Tyco Electronics Group S.A., as issuer, TE Connectivity Ltd., as guarantor, and Deutsche Bank Trust Company Americas, as trustee, dated as of January 28, 2016	Current Report on Form 8-K	4.1	January 28, 2016
4.2(h)	Fourteenth Supplemental Indenture among Tyco Electronics Group S.A., as issuer, TE Connectivity Ltd., as guarantor, and Deutsche Bank Trust Company Americas, as trustee, dated as of August 3, 2017	Current Report on Form 8-K	4.2	August 3, 2017
4.2(i)	Sixteenth Supplemental Indenture among Tyco Electronics Group S.A., as issuer, TE Connectivity Ltd., as guarantor, and Deutsche Bank Trust Company Americas, as trustee, dated February 14, 2020	Current Report on Form 8-K	4.1	February 14, 2020
10.1	Amended and Restated Five-Year Senior Credit Agreement dated as of November 14, 2018 among Tyco Electronics Group S.A., as borrower, TE Connectivity Ltd., as guarantor, the lenders party thereto and Bank of America, N.A., as administrative agent	Current Report on Form 8-K	10.1	November 14, 2018
10.2	† TE Connectivity Ltd. Annual Incentive Plan (as amended and restated)	Quarterly Report on Form 10-Q for the quarterly period ended December 27, 2019	10.1	January 29, 2020
10.3	†* TE Connectivity Ltd. 2007 Stock and Incentive Plan (amended and restated as of September 17, 2020)			
10.4	† TE Connectivity Ltd. Employee Stock Purchase Plan (amended and restated as of April 8, 2020)	Quarterly Report on Form 10-Q for the quarterly period ended March 27, 2020	10.1	May 4, 2020
10.5	† Form of Option Award Terms and Conditions	Quarterly Report on Form 10-Q for the quarterly period ended December 24, 2010	10.3	January 24, 2011
10.6	† Form of Option Award Terms and Conditions for Option Grants Beginning in November 2017	Annual Report on Form 10-K for the fiscal year ended September 29, 2017	10.8	November 14, 2017
10.7	† Form of Option Award Terms and Conditions for Option Grants Beginning in November 2019	Annual Report on Form 10-K for the fiscal year ended September 27, 2019	10.8	November 12, 2019
10.8	†* Form of Option Award Terms and Conditions for Option Grants beginning in September 2020			

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Exhibit Number		Description	Incorporated by Reference Herein		
			Form	Exhibit	Filing Date
10.9	†	Form of Restricted Unit Award Terms and Conditions	Quarterly Report on Form 10-Q for the quarterly period ended December 24, 2010	10.4	January 24, 2011
10.10	†	Form of Restricted Stock Unit Award Terms and Conditions for RSU Grants Beginning in November 2017	Annual Report on Form 10-K for the fiscal year ended September 29, 2017	10.10	November 14, 2017
10.11	†	Form of Restricted Stock Unit Award Terms and Conditions for RSU Grants Beginning in November 2019	Annual Report on Form 10-K for the fiscal year ended September 27, 2019	10.11	November 12, 2019
10.12	†*	Form of Restricted Stock Unit Award Terms and Conditions for RSU Grants Beginning in September 2020			
10.13	†	Form of Performance Stock Unit Award Terms and Conditions	Quarterly Report on Form 10-Q for the quarterly period ended December 28, 2012	10.1	January 25, 2013
10.14	†	Form of Performance Stock Unit Award Terms and Conditions for Performance Cycles Starting in Fiscal Year 2016 and Fiscal Year 2017	Annual Report on Form 10-K for the fiscal year ended September 30, 2016	10.11	November 15, 2016
10.15	†	Form of Performance Stock Unit Award Terms and Conditions for Performance Cycles Starting in and After Fiscal Year 2018	Annual Report on Form 10-K for the fiscal year ended September 29, 2017	10.13	November 14, 2017
10.16	†	Form of Performance Stock Unit Award Terms and Conditions for Performance Cycles Starting in and After Fiscal Year 2019	Annual Report on Form 10-K for the fiscal year ended September 27, 2019	10.15	November 12, 2019
10.17	†*	Form of Performance Stock Unit Award Terms and Conditions for Performance Cycles Starting in and After Fiscal Year 2021			
10.18	†	TE Connectivity Change in Control Severance Plan for Certain U.S. Executives (amended and restated as of December 17, 2014)	Annual Report on Form 10-K for the fiscal year ended September 25, 2015	10.10	November 10, 2015
10.19	†	TE Connectivity Severance Plan for U.S. Executives (amended and restated as of September 13, 2018)	Annual Report on Form 10-K for the fiscal year ended September 28, 2018	10.15	November 13, 2018
10.20	†	Tyco Electronics Ltd. Deferred Compensation Plan for Directors	Annual Report on Form 10-K for the fiscal year ended September 28, 2007	10.16	December 14, 2007
10.21	†	TE Connectivity Supplemental Savings and Retirement Plan (amended and restated as of January 1, 2018)	Annual Report on Form 10-K for the fiscal year ended September 25, 2009	10.13	November 18, 2009

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Exhibit Number	Description	Incorporated by Reference Herein		
		Form	Exhibit	Filing Date
10.22	† TE Connectivity Ltd. Savings Related Share Plan (amended and restated as of March 14, 2018)	Current Report on Form 8-K	10.1	March 14, 2018
10.23	Form of Indemnification Agreement	Annual Report on Form 10-K for the fiscal year ended September 30, 2016	10.17	November 15, 2016
10.24	† TE Connectivity Ltd. 2010 Stock and Incentive Plan (amended and restated as of March 9, 2017)	Annual Report on Form 10-K for the fiscal year ended September 29, 2017	10.20	November 14, 2017
10.25	† Employment Agreement between Terrence R. Curtin and Tyco Electronics Corporation dated December 15, 2015	Current Report on Form 8-K	10.2	December 16, 2015
10.26	† Employment Agreement between Steven T. Merkt and Tyco Electronics Corporation dated December 15, 2015	Current Report on Form 8-K	10.6	December 16, 2015
10.27	† Employment Agreement between Heath A. Mitts and Tyco Electronics Corporation dated September 30, 2016	Current Report on Form 8-K	10.1	October 3, 2016
10.28	† Employment Agreement between John S. Jenkins and Tyco Electronics Corporation dated December 15, 2015	Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2017	10.1	January 24, 2018
10.29	†* Letter Agreement between Kevin N. Rock and TE Connectivity Corporation dated October 30, 2020			
10.30	Credit Support Agreement dated November 2, 2018 by and between Tyco Electronics Group S.A. and Crown Subsea Communications Holding, Inc.	Annual Report on Form 10-K for the fiscal year ended September 27, 2019	10.28	November 12, 2019
21.1	* Subsidiaries of TE Connectivity Ltd.			
22.1	* Guaranteed Securities			
23.1	* Consent of Independent Registered Public Accounting Firm			
24.1	* Power of Attorney			
31.1	* Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2	* Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1	** Certification by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101.INS	Inline XBRL Instance Document ⁽²⁾⁽³⁾			
101.SCH	Inline XBRL Taxonomy Extension Schema Document ⁽³⁾			
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document ⁽³⁾			

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Exhibit Number	Description	Incorporated by Reference Herein		
		Form	Exhibit	Filing Date
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document ⁽³⁾			
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document ⁽³⁾			
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document ⁽³⁾			
104	Cover Page Interactive Data File ⁽⁴⁾			

† Management contract or compensatory plan or arrangement

* Filed herewith

** Furnished herewith

(1) The schedules to the Stock Purchase Agreement have been omitted from this filing pursuant to Item 601(b)(2) of Regulation S-K. We will furnish copies of such schedules to the SEC upon its request; provided, however, that we may request confidential treatment pursuant to Rule 24b-2 of the Exchange Act for any schedule so furnished.

(2) Submitted electronically with this report in accordance with the provisions of Regulation S-T

(3) The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

(4) Formatted in Inline XBRL and contained in exhibit 101

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TE CONNECTIVITY LTD.

By: /s/ Heath A. Mitts
Heath A. Mitts
*Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)*

Date: November 10, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Terrence R. Curtin</u> Terrence R. Curtin	Chief Executive Officer and Director (Principal Executive Officer)	November 10, 2020
<u>/s/ Heath A. Mitts</u> Heath A. Mitts	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	November 10, 2020
<u>/s/ Robert J. Ott</u> Robert J. Ott	Senior Vice President and Corporate Controller (Principal Accounting Officer)	November 10, 2020
<u>*</u> Pierre R. Brondeau	Director	November 10, 2020
<u>*</u> Carol A. Davidson	Director	November 10, 2020
<u>*</u> Lynn A. Dugle	Director	November 10, 2020
<u>*</u> William A. Jeffrey	Director	November 10, 2020
<u>*</u> David M. Kerko	Director	November 10, 2020
<u>*</u> Thomas J. Lynch	Director	November 10, 2020
<u>*</u> Yong Nam	Director	November 10, 2020
<u>*</u> Daniel J. Phelan	Director	November 10, 2020

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<hr/> * Abhijit Y. Talwalkar	Director	November 10, 2020
<hr/> * Mark C. Trudeau	Director	November 10, 2020
<hr/> * Dawn C. Willoughby	Director	November 10, 2020
<hr/> * Laura H. Wright	Director	November 10, 2020

* John S. Jenkins, Jr., by signing his name hereto, does sign this document on behalf of the above noted individuals, pursuant to powers of attorney duly executed by such individuals, which have been filed as Exhibit 24.1 to this Report.

By: /s/ John S. Jenkins, Jr.
John S. Jenkins, Jr.
Attorney-in-fact

TE CONNECTIVITY LTD.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of TE Connectivity Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TE Connectivity Ltd. and subsidiaries (the "Company") as of September 25, 2020 and September 27, 2019, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows, for each of the three years in the period ended September 25, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 25, 2020 and September 27, 2019, and the results of its operations and its cash flows for each of the three years in the period ended September 25, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 25, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 10, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, effective September 28, 2019, the Company adopted FASB Accounting Standards Update 2016-02 which codified Accounting Standards Codification 842, *Leases*, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Goodwill —Sensors Reporting Unit within the Transportation Solutions Reportable Segment — Refer to Notes 2 and 8 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves comparing the carrying amount of each reporting unit to its fair value on the first day of the fourth fiscal quarter or whenever the Company believes a triggering event requiring a more frequent assessment has occurred. The Company uses the income approach based on the present value of future cash flows to estimate fair value. The income approach is supported by guideline analyses (a market approach). These approaches incorporate several assumptions including future growth rates, discount rates, and market activity in assessing fair value and are reporting unit specific. The goodwill balance was \$5.2 billion as of September 25, 2020, of which \$0.5 billion was allocated to the Sensors reporting unit within the Transportation Solutions reportable segment. As a result of current and projected declines in sales and profitability, due in part to the impact of the COVID-19 pandemic and projected reductions in global automotive production, the Company recorded a partial impairment charge of \$900 million during the quarter ended March 27, 2020 for the Sensors reporting unit. The fair value of this reporting unit exceeded its carrying amount as of the annual measurement date and, therefore, no additional impairment was recognized.

We identified goodwill for the Sensors reporting unit as a critical audit matter because of the significant judgments made by management to estimate its fair value, especially considering the reduction of future revenue growth rates and resulting cash flows. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future revenue and operating margin and the selection of a discount rate.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures for the \$900 million impairment charge and the annual quantitative assessment related to the forecasts of future revenue and operating margin (the "forecasts"), and the selection of a discount rate for the Sensors reporting unit included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the determination of the fair value, such as controls related to forecasts and management's selection of the discount rate.
- We evaluated management's ability to accurately forecast future revenue and operating margin by comparing actual results to management's historical forecasts.
- We evaluated the reasonableness of management's forecasts by comparing the forecasts to:
 - Historical operating results of the reporting unit.
 - Historical operating results of the Company's other reporting units.
 - Internal communications to management and the board of directors.
 - External communications made by management to analysts and investors.
 - Third-party industry reports for similar products.
 - The effects of the COVID-19 pandemic on projections.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology and (2) discount rate by:
 - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation.
 - Developing a range of independent estimates and comparing those to the discount rate selected by management.

Income Taxes — Realizability of Deferred Tax Assets — Refer to Notes 2 and 16 to the financial statements

Critical Audit Matter Description

The Company recognizes deferred income taxes for temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. A valuation allowance is provided to offset deferred tax assets

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if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. Future realization of deferred tax assets depends on the existence of sufficient taxable income of the appropriate character prior to expiration. Sources of taxable income include future reversals of deferred tax assets and liabilities, expected future taxable income, taxable income in prior carryback years if permitted under the tax law, and tax planning strategies. Management has determined that it is more likely than not that sufficient taxable income will be generated in the future to realize a portion of its deferred tax assets, and therefore, a valuation allowance of \$4.4 billion has been recorded to offset the Company's gross deferred tax assets as of September 25, 2020 of \$6.7 billion.

We identified the realizability of deferred tax assets as a critical audit matter because of the Company's tax structure and the significant judgments and estimates made by management to determine that sufficient taxable income will be generated in the future prior to expiration to realize a portion of its deferred tax assets. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our income tax specialists, when performing audit procedures to evaluate the appropriateness of qualifying tax planning strategies and the reasonableness of management's estimates of taxable income prior to expiration.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the determination that it is more likely than not that sufficient taxable income will be generated in the future to realize deferred tax assets included the following, among others:

- We tested the effectiveness of controls over management's estimates of the realization of the deferred tax assets, including those over the estimates of taxable income, the approval of tax planning strategies and the determination of whether it is more likely than not that the deferred tax assets will be realized prior to expiration.
- We evaluated the reasonableness of management's assessment of the significance and weighting of negative evidence and positive evidence that is objectively verifiable.
- We evaluated management's ability to accurately estimate taxable income by comparing actual results to management's historical estimates and evaluating whether there have been any changes that would impact management's ability to continue accurately estimating taxable income.
- We tested the reasonableness of management's estimates of taxable income by comparing the estimates to:
 - Historical taxable income.
 - Internal communications to management and the board of directors.
 - Management's history of carrying out its stated plans and its ability to carry out its plans considering contractual commitments, available financing, or debt covenants.
- We evaluated whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit, including the effects of the COVID-19 pandemic on projections.
- We evaluated whether the taxable income in prior carryback years was of the appropriate character and available under the tax law.
- With the assistance of our income tax specialists, we evaluated (1) the appropriateness of qualifying tax planning strategies, including that they were prudent, feasible and would more likely than not result in the realization of deferred tax assets and (2) management's assessment that sufficient taxable income will be generated in the future to realize a portion of the deferred tax assets prior to expiration.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 10, 2020

We have served as the Company's auditor since 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of TE Connectivity Ltd.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of TE Connectivity Ltd. and subsidiaries (the “Company”) as of September 25, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 25, 2020, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the financial statements as of and for the fiscal year ended September 25, 2020, of the Company and our report dated November 10, 2020 expressed an unqualified opinion on those financial statements and included an explanatory paragraph regarding the Company’s adoption of FASB Accounting Standards Update 2016-02 which codified Accounting Standards Codification 842, *Leases*.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 10, 2020

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

	Fiscal		
	2020	2019	2018
	(in millions, except per share data)		
Net sales	\$ 12,172	\$ 13,448	\$ 13,988
Cost of sales	8,437	9,054	9,243
Gross margin	3,735	4,394	4,745
Selling, general, and administrative expenses	1,392	1,490	1,594
Research, development, and engineering expenses	613	644	680
Acquisition and integration costs	36	27	14
Restructuring and other charges, net	257	255	126
Impairment of goodwill	900	—	—
Operating income	537	1,978	2,331
Interest income	15	19	15
Interest expense	(48)	(68)	(107)
Other income, net	20	2	1
Income from continuing operations before income taxes	524	1,931	2,240
Income tax (expense) benefit	(783)	15	344
Income (loss) from continuing operations	(259)	1,946	2,584
Income (loss) from discontinued operations, net of income taxes	18	(102)	(19)
Net income (loss)	<u>\$ (241)</u>	<u>\$ 1,844</u>	<u>\$ 2,565</u>
Basic earnings (loss) per share:			
Income (loss) from continuing operations	\$ (0.78)	\$ 5.76	\$ 7.38
Income (loss) from discontinued operations	0.05	(0.30)	(0.05)
Net income (loss)	(0.73)	5.46	7.33
Diluted earnings (loss) per share:			
Income (loss) from continuing operations	\$ (0.78)	\$ 5.72	\$ 7.32
Income (loss) from discontinued operations	0.05	(0.30)	(0.05)
Net income (loss)	(0.73)	5.42	7.27
Weighted-average number of shares outstanding:			
Basic	332	338	350
Diluted	332	340	353

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

	<u>2020</u>	<u>Fiscal 2019 (in millions)</u>	<u>2018</u>
Net income (loss)	\$ (241)	\$ 1,844	\$ 2,565
Other comprehensive income (loss):			
Currency translation	(11)	(48)	(117)
Adjustments to unrecognized pension and postretirement benefit costs, net of income taxes	34	(195)	83
Gains (losses) on cash flow hedges, net of income taxes	40	46	(74)
Other comprehensive income (loss)	63	(197)	(108)
Comprehensive income (loss)	(178)	1,647	2,457
Less: comprehensive income attributable to noncontrolling interests	(5)	—	—
Comprehensive income (loss) attributable to TE Connectivity Ltd.	<u>\$ (183)</u>	<u>\$ 1,647</u>	<u>\$ 2,457</u>

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED BALANCE SHEETS

As of September 25, 2020 and September 27, 2019

	Fiscal Year End	
	2020	2019
	(in millions, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 945	\$ 927
Accounts receivable, net of allowance for doubtful accounts of \$29 and \$25, respectively	2,377	2,320
Inventories	1,950	1,836
Prepaid expenses and other current assets	512	471
Total current assets	5,784	5,554
Property, plant, and equipment, net	3,650	3,574
Goodwill	5,224	5,740
Intangible assets, net	1,593	1,596
Deferred income taxes	2,178	2,776
Other assets	813	454
Total assets	\$ 19,242	\$ 19,694
Liabilities, redeemable noncontrolling interests, and shareholders' equity		
Current liabilities:		
Short-term debt	\$ 694	\$ 570
Accounts payable	1,276	1,357
Accrued and other current liabilities	1,720	1,613
Total current liabilities	3,690	3,540
Long-term debt	3,452	3,395
Long-term pension and postretirement liabilities	1,336	1,367
Deferred income taxes	143	156
Income taxes	252	239
Other liabilities	874	427
Total liabilities	9,747	9,124
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	112	—
Shareholders' equity:		
Common shares, CHF 0.57 par value, 338,953,381 shares authorized and issued, and 350,951,381 shares authorized and issued, respectively	149	154
Accumulated earnings	10,348	12,256
Treasury shares, at cost, 8,295,878 and 15,862,337 shares, respectively	(669)	(1,337)
Accumulated other comprehensive loss	(445)	(503)
Total shareholders' equity	9,383	10,570
Total liabilities, redeemable noncontrolling interests, and shareholders' equity	\$ 19,242	\$ 19,694

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

	Common Shares		Treasury Shares		Contributed	Accumulated	Accumulated	Total
	Shares	Amount	Shares	Amount	Surplus	Earnings	Other Comprehensive Loss	Shareholders' Equity
					(in millions)			
Balance at fiscal year end 2017	357	\$ 157	(5)	\$ (421)	\$ —	\$ 10,175	\$ (160)	\$ 9,751
Adoption of ASU No. 2018-02	—	—	—	—	—	38	(38)	—
Net income	—	—	—	—	—	2,565	—	2,565
Other comprehensive loss	—	—	—	—	—	—	(108)	(108)
Share-based compensation expense	—	—	—	—	98	—	—	98
Dividends	—	—	—	—	—	(610)	—	(610)
Exercise of share options	—	—	1	100	—	—	—	100
Restricted share award vestings and other activity	—	—	2	153	(98)	(54)	—	1
Repurchase of common shares	—	—	(10)	(966)	—	—	—	(966)
Balance at fiscal year end 2018	357	\$ 157	(12)	\$ (1,134)	\$ —	\$ 12,114	\$ (306)	\$ 10,831
Adoption of ASU No. 2016-16	—	—	—	—	—	(443)	—	(443)
Net income	—	—	—	—	—	1,844	—	1,844
Other comprehensive loss	—	—	—	—	—	—	(197)	(197)
Share-based compensation expense	—	—	—	—	75	—	—	75
Dividends	—	—	—	—	—	(613)	—	(613)
Exercise of share options	—	—	1	85	—	—	—	85
Restricted share award vestings and other activity	—	—	1	154	(75)	(77)	—	2
Repurchase of common shares	—	—	(12)	(1,014)	—	—	—	(1,014)
Cancellation of treasury shares	(6)	(3)	6	572	—	(569)	—	—
Balance at fiscal year end 2019	351	\$ 154	(16)	\$ (1,337)	\$ —	\$ 12,256	\$ (503)	\$ 10,570
Net loss	—	—	—	—	—	(241)	—	(241)
Other comprehensive income	—	—	—	—	—	—	58	58
Share-based compensation expense	—	—	—	—	74	—	—	74
Dividends	—	—	—	—	—	(634)	—	(634)
Exercise of share options	—	—	1	55	—	—	—	55
Restricted share award vestings and other activity	—	—	1	143	(74)	(63)	—	6
Repurchase of common shares	—	—	(6)	(505)	—	—	—	(505)
Cancellation of treasury shares	(12)	(5)	12	975	—	(970)	—	—
Balance at fiscal year end 2020	339	\$ 149	(8)	\$ (669)	\$ —	\$ 10,348	\$ (445)	\$ 9,383

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

	Fiscal		
	2020	2019	2018
	(in millions)		
Cash flows from operating activities:			
Net income (loss)	\$ (241)	\$ 1,844	\$ 2,565
(Income) loss from discontinued operations, net of income taxes	(18)	102	19
Income (loss) from continuing operations	(259)	1,946	2,584
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Impairment of goodwill	900	—	—
Depreciation and amortization	711	690	667
Deferred income taxes	535	(218)	(791)
Non-cash lease cost	108	—	—
Provision for losses on accounts receivable and inventories	14	43	30
Share-based compensation expense	74	75	95
Other	54	51	5
Changes in assets and liabilities, net of the effects of acquisitions and divestitures:			
Accounts receivable, net	(63)	31	(269)
Inventories	(89)	64	(247)
Prepaid expenses and other current assets	51	144	(63)
Accounts payable	(80)	(178)	201
Accrued and other current liabilities	(99)	(15)	5
Income taxes	(9)	(135)	54
Other	143	(44)	30
Net cash provided by continuing operating activities	1,991	2,454	2,301
Net cash provided by (used in) discontinued operating activities	1	(32)	150
Net cash provided by operating activities	1,992	2,422	2,451
Cash flows from investing activities:			
Capital expenditures	(560)	(749)	(935)
Proceeds from sale of property, plant, and equipment	17	43	23
Acquisition of businesses, net of cash acquired	(339)	(283)	(153)
Proceeds from divestiture of discontinued operation, net of cash retained by sold operation	—	297	—
Other	17	2	(8)
Net cash used in continuing investing activities	(865)	(690)	(1,073)
Net cash used in discontinued investing activities	—	(2)	(21)
Net cash used in investing activities	(865)	(692)	(1,094)
Cash flows from financing activities:			
Net increase (decrease) in commercial paper	(219)	(51)	270
Proceeds from issuance of debt	593	746	119
Repayment of debt	(352)	(691)	(708)
Proceeds from exercise of share options	55	85	100
Repurchase of common shares	(523)	(1,091)	(879)
Payment of common share dividends to shareholders	(625)	(608)	(588)
Transfers (to) from discontinued operations	1	(34)	129
Other	(34)	(33)	(36)
Net cash used in continuing financing activities	(1,104)	(1,677)	(1,593)
Net cash provided by (used in) discontinued financing activities	(1)	34	(129)
Net cash used in financing activities	(1,105)	(1,643)	(1,722)
Effect of currency translation on cash	(4)	(8)	(5)
Net increase (decrease) in cash, cash equivalents, and restricted cash	18	79	(370)
Cash, cash equivalents, and restricted cash at beginning of fiscal year	927	848	1,218
Cash, cash equivalents, and restricted cash at end of fiscal year	\$ 945	\$ 927	\$ 848
Supplemental cash flow information:			
Interest paid on debt, net	\$ 50	\$ 75	\$ 127
Income taxes paid, net of refunds	257	338	393

See Notes to Consolidated Financial Statements.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The Consolidated Financial Statements reflect the consolidated operations of TE Connectivity Ltd. and its subsidiaries and have been prepared in United States (“U.S.”) dollars in accordance with accounting principles generally accepted in the U.S. (“GAAP”).

Description of the Business

TE Connectivity Ltd. (“TE Connectivity” or the “Company,” which may be referred to as “we,” “us,” or “our”) is a global industrial technology leader creating a safer, sustainable, productive, and connected future. Our broad range of connectivity and sensor solutions, proven in the harshest environments, enable advancements in transportation, industrial applications, medical technology, energy, data communications, and the home.

We operate through three reportable segments:

- *Transportation Solutions*—The Transportation Solutions segment is a leader in connectivity and sensor technologies. Our products, which must withstand harsh conditions, are used in the automotive, commercial transportation, and sensors markets.
- *Industrial Solutions*—The Industrial Solutions segment is a leading supplier of products that connect and distribute power, data, and signals. Our products are used in the aerospace, defense, oil, and gas; industrial equipment; medical; and energy markets.
- *Communications Solutions*—The Communications Solutions segment is a leading supplier of electronic components for the data and devices and the appliances markets.

Use of Estimates

The preparation of the Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Fiscal Year

We have a 52- or 53-week fiscal year that ends on the last Friday of September. Fiscal 2020, 2019, and 2018 were each 52 weeks in length and ended on September 25, 2020, September 27, 2019, and September 28, 2018, respectively. For fiscal years in which there are 53 weeks, the fourth quarter reporting period includes 14 weeks, with the next such occurrence taking place in fiscal 2022.

2. Summary of Significant Accounting Policies

Principles of Consolidation

We consolidate entities in which we own or control more than 50% of the voting shares or otherwise control through similar rights. All intercompany transactions have been eliminated. The results of companies acquired or disposed of are included on the Consolidated Financial Statements from the effective date of acquisition or up to the date of disposal.

Revenue Recognition

We account for revenue in accordance with Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, which is a single, comprehensive, five-step revenue recognition model. Our revenues are generated principally from the sale of our products. Revenue is recognized as performance obligations under the terms of a contract, such as a purchase order with a customer, are satisfied; generally this occurs with the transfer of control. We transfer control and recognize revenue when we ship product to our customers, the customers accept and have legal title for the

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

product, and we have a right to payment for such product. Revenue is measured as the amount of consideration that we expect to receive in exchange for those products and excludes taxes assessed by governmental authorities and collected from customers concurrent with the sale of products. Shipping and handling costs are treated as fulfillment costs and are included in cost of sales. Since we typically invoice our customers when we satisfy our performance obligations, we do not have material contract assets or contract liabilities. Our credit terms are customary and do not contain significant financing components that extend beyond one year of fulfillment of performance obligations. We apply the practical expedient of ASC 606 with respect to financing components and do not evaluate contracts in which payment is due within one year of satisfaction of the related performance obligation. Since our performance obligations to deliver products are part of contracts that generally have original durations of one year or less, we have elected to use the optional exemption to not disclose the aggregate amount of transaction prices associated with unsatisfied or partially satisfied performance obligations as of fiscal year end 2020. See Note 21 for net sales disaggregated by industry end market and geographic region which is summarized by segment and that we consider meaningful to depict the nature, amount, timing, and uncertainty of revenue and cash flows affected by economic factors.

We generally warrant that our products will conform to our, or mutually agreed to, specifications and that our products will be free from material defects in materials and workmanship for a limited time. We limit our warranty to the replacement or repair of defective parts, or a refund or credit of the price of the defective product. We do not account for these warranties as separate performance obligations.

Although products are generally sold at fixed prices, certain distributors and customers receive incentives or awards, such as sales rebates, return allowances, scrap allowances, and other rights, which are accounted for as variable consideration. We estimate these amounts in the same period revenue is recognized based on the expected value to be provided to customers and reduce revenue accordingly. Our estimates of variable consideration and ultimate determination of the estimated amounts to include in the transaction price are based primarily on our assessment of anticipated performance and historical and forecasted information that is reasonably available to us.

Inventories

Inventories are recorded at the lower of cost or net realizable value using the first-in, first-out cost method.

Property, Plant, and Equipment, Net

Property, plant, and equipment is recorded at cost less accumulated depreciation. Maintenance and repair expenditures are charged to expense when incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are 10 to 20 years for land improvements, 5 to 40 years for buildings and improvements, and 1 to 15 years for machinery and equipment.

We periodically evaluate, when events and circumstances warrant, the net realizable value of property, plant, and equipment and other long-lived assets, relying on several factors including operating results, business plans, economic projections, and anticipated future cash flows. When indicators of potential impairment are present, the carrying values of the asset group are evaluated in relation to the operating performance and estimated future undiscounted cash flows of the underlying asset group. Impairment of the carrying value is recognized whenever anticipated future undiscounted cash flow estimates are less than the carrying value of the asset. Fair value estimates are based on assumptions concerning the amount and timing of estimated future cash flows and discount rates, reflecting varying degrees of perceived risk.

Goodwill and Other Intangible Assets

We account for goodwill and other intangible assets in accordance with ASC 350, *Intangibles—Goodwill and Other*, as updated by Accounting Standards Update (“ASU”) No. 2017-04, *Simplifying the Test for Goodwill Impairment*.

Intangible assets include both indeterminable-lived residual goodwill and determinable-lived identifiable intangible assets. Intangible assets with determinable lives primarily include intellectual property, consisting of patents, trademarks, and unpatented technology, and customer relationships. Recoverability estimates range from 1 to 50 years and costs are generally

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

amortized on a straight-line basis. Evaluations of the remaining useful lives of determinable-lived intangible assets are performed on a periodic basis and when events and circumstances warrant.

At fiscal year end 2020, we had five reporting units, all of which contained goodwill. There were two reporting units in both the Transportation Solutions and Industrial Solutions segments and one reporting unit in the Communications Solutions segment. When changes occur in the composition of one or more reporting units, goodwill is reassigned to the reporting units affected based on their relative fair values.

Goodwill impairment is evaluated by comparing the carrying value of each reporting unit to its fair value on the first day of the fourth fiscal quarter of each year or whenever we believe a triggering event requiring a more frequent assessment has occurred. In assessing the existence of a triggering event, management relies on several reporting unit-specific factors including operating results, business plans, economic projections, anticipated future cash flows, transactions, and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors to the impairment analysis.

When testing for goodwill impairment, we identify potential impairment by comparing the fair value of a reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment charge will be recorded for the amount of the excess, limited to the total amount of goodwill allocated to the reporting unit.

Fair value estimates used in the goodwill impairment tests are calculated using an income approach based on the present value of future cash flows of each reporting unit. The income approach is supported by guideline analyses (a market approach). These approaches incorporate several assumptions including future growth rates, discount rates, income tax rates, and market activity in assessing fair value and are reporting unit specific. Changes in economic and operating conditions impacting these assumptions could result in goodwill impairments in future periods.

Research and Development

Research and development expenditures are expensed when incurred and are included in research, development, and engineering expenses on the Consolidated Statements of Operations. Research and development expenses include salaries, direct costs incurred, and building and overhead expenses. The amounts expensed in fiscal 2020, 2019, and 2018 were \$539 million, \$572 million, and \$606 million, respectively.

Income Taxes

Income taxes are computed in accordance with the provisions of ASC 740, *Income Taxes*. Deferred tax liabilities and assets are recognized for the expected future tax consequences of events that have been reflected on the Consolidated Financial Statements. Deferred tax liabilities and assets are determined based on the differences between the book and tax bases of particular assets and liabilities and operating loss carryforwards using tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is provided to offset deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The calculation of our tax liabilities includes estimates for uncertainties in the application of complex tax regulations across multiple global jurisdictions where we conduct our operations. Under the uncertain tax position provisions of ASC 740, we recognize liabilities for tax and related interest for issues in tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. These tax liabilities and related interest are reflected net of the impact of related tax loss carryforwards, as such tax loss carryforwards will be applied against these tax liabilities and will reduce the amount of cash tax payments due upon the eventual settlement with the tax authorities. These estimates may change due to changing facts and circumstances. Due to the complexity of these uncertainties, the ultimate resolution may result in a settlement that differs from our current estimate of the tax liabilities and related interest.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Financial Instruments

Our financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, debt, and derivative financial instruments.

We account for derivative financial instrument contracts on the Consolidated Balance Sheets at fair value. For instruments not designated as hedges under ASC 815, *Derivatives and Hedging*, the changes in the instruments' fair value are recognized currently in earnings. For instruments designated as cash flow hedges, the effective portion of changes in the fair value of a derivative is recorded in other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the underlying hedged item affects earnings. Amounts excluded from the hedging relationship are recognized currently in earnings. Changes in the fair value of instruments designated as fair value hedges affect the carrying value of the asset or liability hedged, with changes in both the derivative instrument and the hedged asset or liability being recognized currently in earnings.

We determine the fair value of our financial instruments by using methods and assumptions that are based on market conditions and risks existing at each balance sheet date. Standard market conventions are used to determine the fair value of financial instruments, including derivatives.

The cash flows related to derivative financial instruments are reported in the operating activities section of the Consolidated Statements of Cash Flows.

Our derivative financial instruments present certain market and counterparty risks. Concentration of counterparty risk is mitigated, however, by our use of financial institutions worldwide, substantially all of which have long-term Standard & Poor's, Moody's, and/or Fitch credit ratings of A/A2 or higher. In addition, we utilize only conventional derivative financial instruments. We are exposed to potential losses if a counterparty fails to perform according to the terms of its agreement. With respect to counterparty net asset positions recognized at fiscal year end 2020, we have assessed the likelihood of counterparty default as remote. We currently provide guarantees from a wholly-owned subsidiary to the counterparties to our commodity swap derivatives and exchange cash collateral with the counterparties to certain of our cross-currency swap contracts. The likelihood of performance on the guarantees has been assessed as remote. For all other derivative financial instruments, we are not required to provide, nor do we require counterparties to provide, collateral or other security.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, specifies a fair value hierarchy based upon the observable inputs utilized in valuation of certain assets and liabilities. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. Fair value measurements are classified under the following hierarchy:

- *Level 1*—Quoted prices in active markets for identical assets and liabilities.
- *Level 2*—Quoted prices in active markets for similar assets and liabilities, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3*—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flows methodologies, and similar techniques that use significant unobservable inputs.

Derivative financial instruments measured at fair value on a recurring basis are generally valued using level 2 inputs.

Financial instruments other than derivative instruments include cash and cash equivalents, accounts receivable, accounts payable, and debt. These instruments are recorded on the Consolidated Balance Sheets at book value. For cash and cash equivalents, accounts receivable, and accounts payable, we believe book value approximates fair value due to the short-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

term nature of these instruments. See Note 11 for disclosure of the fair value of debt. The following is a description of the valuation methodologies used for the respective financial instruments:

- *Cash and cash equivalents*—Cash and cash equivalents are valued at book value, which we consider to be equivalent to unadjusted quoted prices (level 1).
- *Accounts receivable*—Accounts receivable are valued based on the net value expected to be realized. The net realizable value generally represents an observable contractual agreement (level 2).
- *Accounts payable*—Accounts payable are valued based on the net value expected to be paid, generally supported by an observable contractual agreement (level 2).
- *Debt*—The fair value of debt, including both current and non-current maturities, is derived from quoted market prices or other pricing determinations based on the results of market approach valuation models using observable market data such as recently reported trades, bid and offer information, and benchmark securities (level 2).

Pension Plans

The funded status of our defined benefit pension plans is recognized on the Consolidated Balance Sheets and is measured as the difference between the fair value of plan assets and the projected benefit obligation at the measurement date. The projected benefit obligation represents the actuarial present value of benefits projected to be paid upon retirement factoring in estimated future compensation levels. The fair value of plan assets represents the current market value of cumulative company and participant contributions made to irrevocable trust funds, held for the sole benefit of participants, which are invested by the trustee of the funds. The benefits under our defined benefit pension plans are based on various factors, such as years of service and compensation.

Net periodic pension benefit cost is based on the utilization of the projected unit credit method of calculation and is charged to earnings on a systematic basis over the expected average remaining service lives of current participants, or, for inactive plans, over the remaining life expectancy of participants.

The measurement of benefit obligations and net periodic benefit cost is based on estimates and assumptions determined by our management. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age, and years of service, as well as certain assumptions, including estimates of discount rates, expected return on plan assets, rate of compensation increases, interest crediting rates, and mortality rates.

Share-Based Compensation

We determine the fair value of share awards on the date of grant. Share options are valued using the Black-Scholes-Merton valuation model; restricted share awards and performance awards are valued using our end-of-day share price on the date of grant. The fair value is expensed ratably over the expected service period, with an allowance made for estimated forfeitures based on historical employee activity. Estimates regarding the attainment of performance criteria are reviewed periodically; the cumulative impact of a change in estimate regarding the attainment of performance criteria is recorded in the period in which that change is made.

Earnings Per Share

Basic earnings per share is computed by dividing net income by the basic weighted-average number of common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding adjusted for the potentially dilutive impact of share-based compensation arrangements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Leases

We have facility, land, vehicle, and equipment leases that expire at various dates. We determine if a contract qualifies as a lease at inception. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use of an asset includes the right to obtain substantially all of the economic benefits of the identified asset and the right to direct the use of the identified asset.

Lease right-of-use (“ROU”) assets and lease liabilities are recognized at the commencement date of the lease based on the present value of remaining lease payments over the lease term. Lease ROU assets represent our right to use the underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. We do not recognize ROU assets or lease liabilities that arise from short-term leases. Since our lease contracts do not contain a readily determinable implicit rate, we determine a fully-collateralized incremental borrowing rate that reflects a similar term to the lease and the economic environment of the applicable country or region in which the asset is leased.

We have elected to account for fixed lease and non-lease components in our real estate leases as a single lease component; other leases generally do not contain non-lease components. The non-lease components in our real estate leases include logistics services, warehousing, and other operational costs. Many of these costs are variable, fluctuating based on services provided, such as pallets shipped in and out of a location or square footage of space occupied. These costs, and any other variable rental costs, are excluded from our ROU assets and lease liabilities, and instead are expensed as incurred. Some of our leases may include options to either renew or early terminate the lease. The exercise of these options is generally at our sole discretion and would only occur if there is an economic, financial, or business reason to do so. Such options are included in the lease term if we determine it is reasonably certain they will be exercised.

Currency Translation

For our non-U.S. dollar functional currency subsidiaries, assets and liabilities are translated into U.S. dollars using fiscal year end exchange rates. Sales and expenses are translated at average monthly exchange rates. Foreign currency translation gains and losses are included as a component of accumulated other comprehensive income (loss) within equity. Gains and losses resulting from foreign currency transactions are included in earnings.

Restructuring Charges

Restructuring activities involve employee-related termination costs, facility exit costs, and asset impairments resulting from reductions-in-force, migration of facilities or product lines from higher-cost to lower-cost countries, or consolidation of facilities within countries. We recognize termination costs based on requirements established by severance policy, government law, or previous actions. Facility exit costs generally reflect the accelerated rent expense for ROU assets, expected lease termination costs, or costs that will continue to be incurred under the facility lease without future economic benefit to us. Restructuring activities often result in the disposal or abandonment of assets that require an acceleration of depreciation or impairment reflecting the excess of the assets’ carrying values over fair value.

The recognition of restructuring costs require that we make certain judgments and estimates regarding the nature, timing, and amount of costs associated with the planned exit activity. To the extent our actual results differ from our estimates and assumptions, we may be required to revise the estimated liabilities, requiring the recognition of additional restructuring costs or the reduction of liabilities already recognized. At the end of each reporting period, we evaluate the remaining accrued balances to ensure these balances are properly stated and the utilization of the reserves are for their intended purpose in accordance with developed exit plans.

Contingent Liabilities

We record a loss contingency when the available information indicates it is probable that we have incurred a liability and the amount of the loss is reasonably estimable. When a range of possible losses with equal likelihood exists, we record the low end of the range. The likelihood of a loss with respect to a particular contingency is often difficult to predict, and determining a meaningful estimate of the loss or a range of loss may not be practicable based on information available. In addition, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

new information must continuously be evaluated to determine whether a loss is probable and a reasonable estimate of that loss can be made. When a loss is probable but a reasonable estimate cannot be made, or when a loss is at least reasonably possible, disclosure is provided.

Recently Adopted Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2017-04, an update to ASC 350. The update simplifies the subsequent measurement of goodwill by eliminating step 2 of the goodwill impairment test. Under the amendments in the update, goodwill impairment should be tested by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendments are to be applied on a prospective basis. We elected to early adopt this update and applied it during the quarter ended March 27, 2020. See Note 8 for additional information regarding our interim and annual goodwill impairment tests.

In February 2016, the FASB issued ASU No. 2016-02 which codified ASC 842, *Leases*. This guidance, as subsequently amended, requires lessees to recognize a lease liability and a ROU asset for most leases. We adopted ASC 842, as amended, in fiscal 2020 using the optional transition method permitted by ASU No. 2018-11, which allows for application of the standard at the adoption date and no restatement of comparative periods. We elected to use the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allows the carry forward of historical lease classification of existing and expired leases. In addition, we elected to use the hindsight practical expedient in determining the lease term for existing leases. As a result of adoption, we recorded ROU assets and related lease liabilities of approximately \$520 million on the Consolidated Balance Sheet. Adoption did not have a material impact on our results of operations or cash flows. See Note 12 for additional information regarding leases.

3. Restructuring and Other Charges, Net

Net restructuring and other charges consisted of the following:

	Fiscal		
	2020	2019	2018
		(in millions)	
Restructuring charges, net	\$ 257	\$ 255	\$ 140
Gain on divestiture	—	—	(2)
Other credits, net	—	—	(12)
Restructuring and other charges, net	<u>\$ 257</u>	<u>\$ 255</u>	<u>\$ 126</u>

Net restructuring charges by segment were as follows:

	Fiscal		
	2020	2019	2018
		(in millions)	
Transportation Solutions	\$ 113	\$ 144	\$ 42
Industrial Solutions	102	63	83
Communications Solutions	42	48	15
Restructuring charges, net	<u>\$ 257</u>	<u>\$ 255</u>	<u>\$ 140</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Activity in our restructuring reserves was as follows:

	Balance at Beginning of Fiscal Year	Charges	Changes in Estimate	Cash Payments (in millions)	Non-Cash Items	Currency Translation and Other	Balance at End of Fiscal Year
Fiscal 2020 Activity:							
Fiscal 2020 Actions:							
Employee severance	\$ —	\$ 214	\$ —	\$ (35)	\$ —	\$ 1	\$ 180
Facility and other exit costs	—	8	—	—	—	—	8
Property, plant, and equipment	—	28	—	—	(28)	—	—
Total	—	250	—	(35)	(28)	1	188
Fiscal 2019 Actions:							
Employee severance	188	7	(20)	(107)	—	4	72
Facility and other exit costs	1	11	—	(11)	—	1	2
Property, plant, and equipment	—	7	—	—	(7)	—	—
Total	189	25	(20)	(118)	(7)	5	74
Fiscal 2018 Actions:							
Employee severance	52	—	—	(32)	—	—	20
Facility and other exit costs	1	2	—	(3)	—	1	1
Property, plant, and equipment	—	2	—	—	(2)	—	—
Total	53	4	—	(35)	(2)	1	21
Pre-Fiscal 2018 Actions:							
Employee severance	21	—	(6)	(14)	—	—	1
Facility and other exit costs	1	4	—	(4)	—	—	1
Total	22	4	(6)	(18)	—	—	2
Total fiscal 2020 activity	<u>\$ 264</u>	<u>\$ 283</u>	<u>\$ (26)</u>	<u>\$ (206)</u>	<u>\$ (37)</u>	<u>\$ 7</u>	<u>\$ 285</u>
Fiscal 2019 Activity:							
Fiscal 2019 Actions:							
Employee severance	\$ —	\$ 252	\$ (3)	\$ (55)	\$ (3)	\$ (3)	\$ 188
Facility and other exit costs	—	2	—	(1)	—	—	1
Property, plant, and equipment	—	3	—	—	(3)	—	—
Total	—	257	(3)	(56)	(6)	(3)	189
Fiscal 2018 Actions:							
Employee severance	114	3	(5)	(57)	—	(3)	52
Facility and other exit costs	4	4	(2)	(5)	—	—	1
Property, plant, and equipment	—	2	(2)	—	—	—	—
Total	118	9	(9)	(62)	—	(3)	53
Pre-Fiscal 2018 Actions:							
Employee severance	49	6	(7)	(25)	—	(2)	21
Facility and other exit costs	—	4	—	(3)	—	—	1
Property, plant, and equipment	—	1	(3)	—	2	—	—
Total	49	11	(10)	(28)	2	(2)	22
Total fiscal 2019 activity	<u>\$ 167</u>	<u>\$ 277</u>	<u>\$ (22)</u>	<u>\$ (146)</u>	<u>\$ (4)</u>	<u>\$ (8)</u>	<u>\$ 264</u>
Fiscal 2018 Activity:							
Fiscal 2018 Actions:							
Employee severance	\$ —	\$ 130	\$ —	\$ (16)	\$ —	\$ —	\$ 114
Facility and other exit costs	—	6	—	(2)	—	—	4
Property, plant, and equipment	—	6	—	—	(6)	—	—
Total	—	142	—	(18)	(6)	—	118
Pre-Fiscal 2018 Actions:							
Employee severance	137	12	(19)	(79)	—	(2)	49
Facility and other exit costs	1	8	—	(8)	—	(1)	—
Property, plant, and equipment	—	2	(5)	5	(2)	—	—
Total	138	22	(24)	(82)	(2)	(3)	49
Total fiscal 2018 activity	<u>\$ 138</u>	<u>\$ 164</u>	<u>\$ (24)</u>	<u>\$ (100)</u>	<u>\$ (8)</u>	<u>\$ (3)</u>	<u>\$ 167</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Fiscal 2020 Actions

During fiscal 2020, we initiated a restructuring program associated with footprint consolidation and structural improvements, due in part to the COVID-19 pandemic, across all segments. In connection with this program, during fiscal 2020, we recorded restructuring charges of \$250 million. We expect to complete all restructuring actions commenced during fiscal 2020 by the end of fiscal 2022 and to incur additional charges of approximately \$45 million related to all three classes of costs.

The following table summarizes expected, incurred, and remaining charges for the fiscal 2020 program by segment:

	Total Expected Charges	Cumulative Charges Incurred (in millions)	Remaining Expected Charges
Transportation Solutions	\$ 140	\$ 115	\$ 25
Industrial Solutions	114	99	15
Communications Solutions	41	36	5
Total	<u>\$ 295</u>	<u>\$ 250</u>	<u>\$ 45</u>

Fiscal 2019 Actions

During fiscal 2019, we initiated a restructuring program associated with footprint consolidation and structural improvements impacting all segments. In connection with this program, during fiscal 2020 and 2019, we recorded net restructuring charges of \$5 million and \$254 million, respectively. We expect to complete all restructuring actions commenced during fiscal 2019 by the end of fiscal 2021. We anticipate that any additional charges will be insignificant for restructuring actions commenced during fiscal 2019.

Fiscal 2018 Actions

During fiscal 2018, we initiated a restructuring program associated with footprint consolidation and structural improvements primarily impacting the Industrial Solutions and Transportation Solutions segments. In connection with this program, during fiscal 2020 and 2018, we recorded net restructuring charges of \$4 million and \$142 million, respectively. We anticipate that any additional charges will be insignificant for restructuring actions commenced during fiscal 2018.

Pre-Fiscal 2018 Actions

During fiscal 2020, 2019, and 2018, we recorded net restructuring credits of \$2 million, charges of \$1 million, and credits of \$2 million, respectively, related to pre-fiscal 2018 actions. We anticipate that any additional charges will be insignificant for restructuring actions commenced prior to fiscal 2018.

Total Restructuring Reserves

Restructuring reserves included on the Consolidated Balance Sheets were as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Accrued and other current liabilities	\$ 229	\$ 245
Other liabilities	56	19
Restructuring reserves	<u>\$ 285</u>	<u>\$ 264</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Discontinued Operations

In fiscal 2019, we sold our Subsea Communications (“SubCom”) business for net cash proceeds of \$297 million and incurred a pre-tax loss on sale of \$86 million, related primarily to the recognition of cumulative translation adjustment losses of \$67 million and the guarantee liabilities discussed below. The sale of the SubCom business, which was previously included in our Communications Solutions segment, represented our exit from the telecommunications market and was significant to our sales and profitability, both to the Communications Solutions segment and to the consolidated company. We concluded that the divestiture was a strategic shift that had a major effect on our operations and financial results. As a result, the SubCom business met the held for sale and discontinued operations criteria and has been reported as such in all periods presented on our Consolidated Financial Statements.

Upon entering into the definitive agreement, which we consider a level 2 observable input in the fair value hierarchy, we assessed the carrying value of the SubCom business and determined that it was in excess of its fair value. In fiscal 2018, we recorded a pre-tax impairment charge of \$19 million, which was included in income (loss) from discontinued operations on the Consolidated Statement of Operations, to write the carrying value of the business down to its estimated fair value less costs to sell.

In connection with the sale, we contractually agreed to continue to honor performance guarantees and letters of credit related to the SubCom business’ projects that existed as of the date of sale. These guarantees had a combined value of approximately \$600 million as of fiscal year end 2020 and are expected to expire at various dates through fiscal 2025. At the time of sale, we determined that the fair value of these guarantees was \$12 million, which we recognized by a charge to pre-tax loss on sale. Also, under the terms of the definitive agreement, we are required to issue up to \$300 million of new performance guarantees, subject to certain limitations, for projects entered into by the SubCom business following the sale for a period of up to three years. At fiscal year end 2020, there were no such new performance guarantees outstanding. We have contractual recourse against the SubCom business if we are required to perform on any SubCom guarantees; however, based on historical experience, we do not anticipate having to perform.

The following table presents the summarized components of income (loss) from discontinued operations, net of income taxes, for the SubCom business and prior divestitures:

	2020	Fiscal 2019 (in millions)	2018
Net sales	\$ —	\$ 41	\$ 702
Cost of sales	—	50	602
Gross margin	—	(9)	100
Selling, general, and administrative expenses	1	11	48
Research, development, and engineering expenses	—	3	39
Restructuring and other charges, net	—	3	30 ⁽¹⁾
Operating loss	(1)	(26)	(17)
Non-operating expense, net	(1)	—	—
Pre-tax loss from discontinued operations	(2)	(26)	(17)
Pre-tax gain (loss) on sale of discontinued operations	4	(86)	(2)
Income tax benefit	16	10	—
Income (loss) from discontinued operations, net of income taxes	<u>\$ 18</u>	<u>\$ (102)</u>	<u>\$ (19)</u>

(1) Included a \$19 million impairment charge recorded in connection with the sale of our SubCom business.

TE CONNECTIVITY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****5. Acquisitions****First Sensor AG**

During fiscal 2020, we acquired approximately 72% of the outstanding shares of First Sensor AG (“First Sensor”), a provider of sensing solutions based in Germany, for €181 million in cash (equivalent to \$201 million using an exchange rate of \$1.11 per €1.00), net of cash acquired. As a result of the transaction, we recognized a noncontrolling interest with a fair value of €96 million (equivalent to \$107 million) as of the acquisition date. The fair value of the noncontrolling interest for First Sensor common shares that were not acquired was determined using the stated price in the Domination and Profit and Loss Transfer Agreement (“DPLTA”) which is considered to be a level 2 observable input under the fair value hierarchy. The First Sensor business has been reported as part of our Transportation Solutions segment from the date of acquisition.

We and First Sensor entered into a DPLTA which was approved by First Sensor shareholders and became effective in July 2020 following registration in the commercial register in Germany. Under the terms of the DPLTA, upon its effectiveness, First Sensor minority shareholders can elect either (1) to remain First Sensor minority shareholders and receive recurring annual compensation of €0.56 per First Sensor share or (2) to put their First Sensor shares in exchange for compensation of €33.27 per First Sensor share. The ultimate amount and timing of any future cash payments related to the DPLTA is uncertain. Following the registration of the DPLTA, the First Sensor noncontrolling interest balance of €96 million (equivalent to \$108 million using an exchange rate of \$1.13 per €1.00) was reclassified and is now presented as redeemable noncontrolling interest outside of equity on the Consolidated Balance Sheet as the exercise of the put right by First Sensor minority shareholders is not within our control.

Other Acquisitions

During fiscal 2020, we acquired four additional businesses for a combined cash purchase price of \$135 million, net of cash acquired. The acquisitions were reported as part of our Transportation Solutions and Industrial Solutions segments from the date of acquisition.

During fiscal 2019, we acquired three businesses for a combined cash purchase price of \$296 million, net of cash acquired. The acquisitions were reported as part of our Transportation Solutions segment from the date of acquisition.

We acquired two businesses during fiscal 2018 for a combined cash purchase price of \$153 million, net of cash acquired. In fiscal 2019, we received \$13 million as a result of a customary net working capital settlement for one of the acquisitions. The acquisitions were reported as part of our Industrial Solutions segment from the date of acquisition.

6. Inventories

Inventories consisted of the following:

	Fiscal Year End	
	2020	2019
	(in millions)	
Raw materials	\$ 251	\$ 260
Work in progress	851	739
Finished goods	848	837
Inventories	<u>\$ 1,950</u>	<u>\$ 1,836</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. Property, Plant, and Equipment, Net

Net property, plant, and equipment consisted of the following:

	Fiscal Year End	
	2020	2019
	(in millions)	
Property, plant, and equipment, gross:		
Land and improvements	\$ 147	\$ 152
Buildings and improvements	1,442	1,393
Machinery and equipment	7,849	7,298
Construction in process	516	637
	<u>9,954</u>	<u>9,480</u>
Accumulated depreciation	<u>(6,304)</u>	<u>(5,906)</u>
Property, plant, and equipment, net	<u>\$ 3,650</u>	<u>\$ 3,574</u>

Depreciation expense was \$529 million, \$510 million, and \$487 million in fiscal 2020, 2019, and 2018, respectively.

8. Goodwill

The changes in the carrying amount of goodwill by segment were as follows:

	Transportation Solutions	Industrial Solutions	Communications Solutions	Total
	(in millions)			
Balance at fiscal year end 2018 ⁽¹⁾	\$ 1,993	\$ 3,104	\$ 587	\$ 5,684
Acquisitions	167	—	—	167
Purchase price adjustments	—	(12)	—	(12)
Currency translation	(36)	(53)	(10)	(99)
Balance at fiscal year end 2019 ⁽¹⁾	2,124	3,039	577	5,740
Impairment of goodwill	(900)	—	—	(900)
Acquisitions	276	18	—	294
Purchase price adjustments	(1)	—	—	(1)
Currency translation	28	53	10	91
Balance at fiscal year end 2020 ⁽²⁾	<u>\$ 1,527</u>	<u>\$ 3,110</u>	<u>\$ 587</u>	<u>\$ 5,224</u>

(1) At fiscal year end 2019 and 2018, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were \$2,191 million, \$669 million, and \$489 million, respectively.

(2) At fiscal year end 2020, accumulated impairment losses for the Transportation Solutions, Industrial Solutions, and Communications Solutions segments were \$3,091 million, \$669 million, and \$489 million, respectively.

During fiscal 2020, we completed the acquisition of First Sensor and recognized goodwill of \$215 million in the Transportation Solutions segment. Further adjustments to the purchase price allocation may be needed in fiscal 2021. In addition, during fiscal 2020 and 2019, we recognized goodwill in connection with other recent acquisitions. See Note 5 for additional information regarding acquisitions.

We test goodwill allocated to reporting units for impairment annually during the fourth fiscal quarter, or more frequently if events occur or circumstances exist that indicate that a reporting unit's carrying value may exceed its fair value. As a result of current and projected declines in sales and profitability, due in part to the impact of the COVID-19 pandemic and projected reductions in global automotive production as of March 2020, of the Sensors reporting unit of the Transportation Solutions segment during the quarter ended March 27, 2020, we determined that an indicator of impairment had occurred and goodwill impairment testing of this reporting unit was required.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

As discussed in Note 2, during the quarter ended March 27, 2020, we adopted ASU No. 2017-04 which simplifies the subsequent measurement of goodwill by eliminating step 2 of the goodwill impairment test. Under the new standard, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying value of goodwill. We determined the fair value of the Sensors reporting unit to be \$1.0 billion as of March 27, 2020. This valuation was based on a discounted cash flows analysis incorporating our estimate of future operating performance, which we consider to be a level 3 unobservable input in the fair value hierarchy, and was corroborated using a market approach valuation. The goodwill impairment test indicated that the carrying value of the reporting unit exceeded its fair value by \$900 million. As a result, we recorded a partial impairment charge of \$900 million in the quarter ended March 27, 2020. As of fiscal year end 2020, the Sensors reporting unit had a remaining goodwill allocation of \$511 million.

We completed our annual goodwill impairment test in the fourth quarter of fiscal 2020 and determined that no impairment existed.

9. Intangible Assets, Net

Intangible assets consisted of the following:

	Fiscal Year End					
	2020		2019		2018	
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
			(in millions)			
Customer relationships	\$ 1,648	\$ (554)	\$ 1,094	\$ 1,513	\$ (459)	\$ 1,054
Intellectual property	1,225	(739)	486	1,260	(734)	526
Other	19	(6)	13	33	(17)	16
Total	<u>\$ 2,892</u>	<u>\$ (1,299)</u>	<u>\$ 1,593</u>	<u>\$ 2,806</u>	<u>\$ (1,210)</u>	<u>\$ 1,596</u>

Intangible asset amortization expense was \$182 million, \$180 million, and \$180 million for fiscal 2020, 2019, and 2018, respectively. At fiscal year end 2020, the aggregate amortization expense on intangible assets is expected to be as follows:

	(in millions)
Fiscal 2021	\$ 190
Fiscal 2022	190
Fiscal 2023	189
Fiscal 2024	158
Fiscal 2025	141
Thereafter	725
Total	<u>\$ 1,593</u>

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	Fiscal Year End	
	2020	2019
	(in millions)	
Accrued payroll and employee benefits	\$ 460	\$ 455
Dividends payable to shareholders	317	308
Restructuring reserves	229	245
Lease liability	116	—
Income taxes payable	113	94
Deferred revenue	47	36
Interest payable	30	31
Other	408	444
Accrued and other current liabilities	<u>\$ 1,720</u>	<u>\$ 1,613</u>

11. Debt

Debt was as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Principal debt:		
Commercial paper, at a weighted-average interest rate of 2.20% at fiscal year end 2019	\$ —	\$ 219
Floating rate senior notes due 2020 ⁽¹⁾	—	350
4.875% senior notes due 2021	250	250
Euro-denominated fixed-to-floating rate senior notes due 2021 ⁽²⁾	407	383
3.50% senior notes due 2022	500	500
1.10% euro-denominated senior notes due 2023	639	602
3.45% senior notes due 2024	350	350
0.00% euro-denominated senior notes due 2025	639	—
3.70% senior notes due 2026	350	350
3.125% senior notes due 2027	400	400
7.125% senior notes due 2037	477	477
Other	149	94
	<u>4,161</u>	<u>3,975</u>
Unamortized discounts, premiums, and debt issuance costs, net	(23)	(19)
Effects of fair value hedge-designated interest rate swap contracts	8	9
Total debt	<u>\$ 4,146</u>	<u>\$ 3,965</u>

(1) The floating rate senior notes due 2020 bore interest at a rate of three-month London Interbank Offered Rate (“LIBOR”) plus 0.45% per year.

(2) The euro-denominated fixed-to-floating rate senior notes due 2021 bore interest at a rate of 0% until June 2020 and then bear interest at a rate of three-month Euro Interbank Offered Rate (“EURIBOR”) plus 0.30%, with the minimum interest rate of 0%, per year until maturity.

During fiscal 2020, Tyco Electronics Group S.A. (“TEGSA”), our wholly-owned subsidiary, issued €550 million aggregate principal amount of 0.00% senior notes due in February 2025. The notes are TEGSA’s unsecured senior

TE CONNECTIVITY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

obligations and rank equally in right of payment with all existing and any future senior indebtedness of TEGSA and senior to any subordinated indebtedness that TEGSA may incur.

TEGSA has a five-year unsecured senior revolving credit facility (“Credit Facility”) with a maturity date of November 2023 and total commitments of \$1.5 billion. The Credit Facility contains provisions that allow for incremental commitments of up to \$500 million, an option to temporarily increase the financial ratio covenant following a qualified acquisition, and borrowings in designated currencies. TEGSA had no borrowings under the Credit Facility at fiscal year end 2020 or 2019.

Borrowings under the Credit Facility bear interest at a rate per annum equal to, at the option of TEGSA, (1) LIBOR plus an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA, or (2) an alternate base rate equal to the highest of (i) Bank of America, N.A.’s base rate, (ii) the federal funds effective rate plus $\frac{1}{2}$ of 1%, and (iii) one-month LIBOR plus 1%, plus, in each case, an applicable margin based upon the senior, unsecured, long-term debt rating of TEGSA. TEGSA is required to pay an annual facility fee ranging from 5.0 to 12.5 basis points based upon the amount of the lenders’ commitments under the Credit Facility and the applicable credit ratings of TEGSA.

The Credit Facility contains a financial ratio covenant providing that if, as of the last day of each fiscal quarter, our ratio of Consolidated Total Debt to Consolidated EBITDA (as defined in the Credit Facility) for the then most recently concluded period of four consecutive fiscal quarters exceeds 3.75 to 1.0, an Event of Default (as defined in the Credit Facility) is triggered. The Credit Facility and our other debt agreements contain other customary covenants.

Periodically, TEGSA issues commercial paper to U.S. institutional accredited investors and qualified institutional buyers in accordance with available exemptions from the registration requirements of the Securities Act of 1933 as part of our ongoing effort to maintain financial flexibility and to potentially decrease the cost of borrowings. Borrowings under the commercial paper program are backed by the Credit Facility.

TEGSA’s payment obligations under its senior notes, commercial paper, and Credit Facility are fully and unconditionally guaranteed on an unsecured basis by its parent, TE Connectivity Ltd.

At fiscal year end 2020, principal payments required for debt are as follows:

	(in millions)
Fiscal 2021	\$ 693
Fiscal 2022	506
Fiscal 2023	641
Fiscal 2024	352
Fiscal 2025	641
Thereafter	1,328
Total	<u>\$ 4,161</u>

The fair value of our debt, based on indicative valuations, was approximately \$4,550 million and \$4,278 million at fiscal year end 2020 and 2019, respectively.

12. Leases

The components of lease cost were as follows:

	Fiscal 2020 (in millions)
Operating lease cost	\$ 108
Variable lease cost	49
Total lease cost	<u>\$ 157</u>

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Amounts recognized on the Consolidated Balance Sheet were as follows:

	Fiscal Year End 2020 (\$ in millions)
Operating lease ROU assets:	
Other assets	\$ 453
Operating lease liabilities:	
Accrued and other current liabilities	\$ 116
Other liabilities	347
Total operating lease liabilities	\$ 463
Weighted-average remaining lease term (in years)	5.8
Weighted-average discount rate	1.6 %

Cash flow information, including significant non-cash transactions, related to leases was as follows:

	Fiscal 2020 (in millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Payments for operating leases ⁽¹⁾	\$ 108
ROU assets obtained in exchange for new operating lease liabilities	28

- (1) These payments are included in cash flows from continuing operating activities, primarily in changes in other liabilities.

At fiscal year end 2020, the maturities of operating lease liabilities were as follows:

	(in millions)
Fiscal 2021	\$ 116
Fiscal 2022	98
Fiscal 2023	75
Fiscal 2024	60
Fiscal 2025	49
Thereafter	87
Total lease payments	485
Less: interest	(22)
Present value of lease liabilities	\$ 463

ASC 840 Comparative Disclosures

Prior to fiscal 2020, we accounted for our leases in accordance with ASC 840, *Leases*. Under ASC 840, rental expense for operating leases was \$162 million and \$141 million for fiscal 2019 and 2018, respectively.

TE CONNECTIVITY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The following table presents the future minimum lease payments under non-cancelable operating lease obligations as of September 27, 2019 under ASC 840:

	(in millions)
Fiscal 2020	\$ 117
Fiscal 2021	102
Fiscal 2022	81
Fiscal 2023	67
Fiscal 2024	55
Thereafter	118
Total	<u>\$ 540</u>

13. Commitments and Contingencies**Legal Proceedings**

In the normal course of business, we are subject to various legal proceedings and claims, including patent infringement claims, product liability matters, employment disputes, disputes on agreements, other commercial disputes, environmental matters, antitrust claims, and tax matters, including non-income tax matters such as value added tax, sales and use tax, real estate tax, and transfer tax. Although it is not feasible to predict the outcome of these proceedings, based upon our experience, current information, and applicable law, we do not expect that the outcome of these proceedings, either individually or in the aggregate, will have a material effect on our results of operations, financial position, or cash flows.

Environmental Matters

We are involved in various stages of investigation and cleanup related to environmental remediation matters at a number of sites. The ultimate cost of site cleanup is difficult to predict given the uncertainties regarding the extent of the required cleanup, the interpretation of applicable laws and regulations, and alternative cleanup methods. As of fiscal year end 2020, we concluded that we would incur investigation and remediation costs at these sites in the reasonably possible range of \$16 million to \$45 million, and we accrued \$20 million as the probable loss, which was the best estimate within this range. We believe that any potential payment of such estimated amounts will not have a material adverse effect on our results of operations, financial position, or cash flows.

Guarantees

In disposing of assets or businesses, we often provide representations, warranties, and/or indemnities to cover various risks including unknown damage to assets, environmental risks involved in the sale of real estate, liability for investigation and remediation of environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not expect that these uncertainties will have a material adverse effect on our results of operations, financial position, or cash flows.

At fiscal year end 2020, we had outstanding letters of credit, letters of guarantee, and surety bonds of \$249 million.

We sold our SubCom business during fiscal 2019. In connection with the sale, we contractually agreed to honor certain performance guarantees and letters of credit related to the SubCom business. See Note 4 for additional information regarding these guarantees and the divestiture of the SubCom business.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. Financial Instruments and Fair Value Measurements

We use derivative and non-derivative financial instruments to manage certain exposures to foreign currency, interest rate, investment, and commodity risks.

Foreign Currency Exchange Rate Risk

As part of managing the exposure to changes in foreign currency exchange rates, we utilize cross-currency swap contracts and foreign currency forward contracts, a portion of which are designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in foreign currency exchange rates on intercompany and other cash transactions. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the cash flow hedge-designated instruments addressing foreign exchange risks will be reclassified into the Consolidated Statement of Operations within the next twelve months.

During fiscal 2015, we entered into cross-currency swap contracts to reduce our exposure to foreign currency exchange rate risk associated with certain intercompany loans. The aggregate notional value of these contracts was €700 million and €1,000 million at fiscal year end 2020 and 2019, respectively. Certain contracts were terminated during fiscal 2020; the remaining contracts mature in fiscal 2022. Under the terms of these contracts, which have been designated as cash flow hedges, we make interest payments in euros at 3.50% per annum and receive interest in U.S. dollars at a weighted-average rate of 5.34% per annum. Upon maturity, we will pay the notional value of the contracts in euros and receive U.S. dollars from our counterparties. In connection with the cross-currency swap contracts, both counterparties to each contract are required to provide cash collateral.

These cross-currency swap contracts were recorded on the Consolidated Balance Sheets as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Other assets	\$ 1	\$ 19
Other liabilities	9	—

At fiscal year end 2020 and 2019, collateral received from or paid to our counterparties approximated the net derivative position. Collateral is recorded in accrued and other current liabilities when the contracts are in a net asset position, or prepaid expenses and other current assets when the contracts are in a net liability position on the Consolidated Balance Sheets. The impacts of these cross-currency swap contracts were as follows:

	2020	Fiscal 2019	2018
		(in millions)	
Gains (losses) recorded in other comprehensive income (loss)	\$ 28	\$ 53	\$ (25)
Gains (losses) excluded from the hedging relationship ⁽¹⁾	(48)	66	21

- (1) Gains and losses excluded from the hedging relationship are recognized prospectively in selling, general, and administrative expenses and are offset by losses and gains generated as a result of re-measuring certain intercompany loans to the U.S. dollar.

Hedge of Net Investment

We hedge our net investment in certain foreign operations using intercompany loans and external borrowings denominated in the same currencies. The aggregate notional value of these hedges was \$3,511 million and \$3,374 million at fiscal year end 2020 and 2019, respectively.

We also use a cross-currency swap program to hedge our net investment in certain foreign operations. The aggregate notional value of the contracts under this program was \$1,664 million and \$1,844 million at fiscal year end 2020 and 2019, respectively. Under the terms of these contracts, we receive interest in U.S. dollars at a weighted-average rate of 2.4% per annum and pay no interest. Upon the maturity of these contracts at various dates through fiscal 2024, we will pay the notional

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

value of the contracts in the designated foreign currency and receive U.S. dollars from our counterparties. We are not required to provide collateral for these contracts.

These cross-currency swap contracts were recorded on the Consolidated Balance Sheets as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Prepaid expenses and other current assets	\$ 1	\$ 27
Other assets	3	46
Accrued and other current liabilities	6	2
Other liabilities	16	1

The impacts of our hedge of net investment programs were as follows:

	Fiscal		
	2020	2019	2018
	(in millions)		
Foreign currency exchange gains (losses) on intercompany loans and external borrowings ⁽¹⁾	\$ (172)	\$ 162	\$ 36
Gains (losses) on cross-currency swap contracts designated as hedges of net investment ⁽¹⁾	(69)	74	—

(1) Recorded as currency translation, a component of accumulated other comprehensive income (loss).

Interest Rate and Investment Risk Management

We issue debt, as needed, to fund our operations and capital requirements. Such borrowings can result in interest rate exposure. To manage the interest rate exposure, we use interest rate swap contracts to convert a portion of fixed rate debt into variable rate debt. We may use forward starting interest rate swap contracts to manage interest rate exposure in periods prior to the anticipated issuance of fixed rate debt. During fiscal 2020 and 2019, we entered into forward starting interest rate swap contracts which had an aggregate notional value of \$450 million and \$350 million at fiscal year end 2020 and 2019, respectively, and were designated as cash flow hedges. These forward starting interest rate swap contracts were recorded on the Consolidated Balance Sheets as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Other liabilities	\$ 64	\$ 34

The impacts of these forward starting interest rate swap contracts were as follows:

	Fiscal		
	2020	2019	2018
	(in millions)		
Losses recorded in other comprehensive income (loss)	\$ (30)	\$ (34)	\$ —

We also utilize investment swap contracts to manage earnings exposure on certain nonqualified deferred compensation liabilities.

Commodity Hedges

As part of managing the exposure to certain commodity price fluctuations, we utilize commodity swap contracts designated as cash flow hedges. The objective of these contracts is to minimize impacts to cash flows and profitability due to changes in prices of commodities used in production.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

At fiscal year end 2020 and 2019, our commodity hedges had notional values of \$312 million and \$316 million, respectively. We expect that significantly all of the balance in accumulated other comprehensive income (loss) associated with the commodity hedges will be reclassified into the Consolidated Statement of Operations within the next twelve months.

Fair Value Measurements

Financial instruments recorded at fair value on a recurring basis, which consist of marketable securities and derivative instruments not discussed above, were immaterial at fiscal year end 2020 and 2019.

15. Retirement Plans

Defined Benefit Pension Plans

We have several contributory and noncontributory defined benefit retirement plans covering certain of our non-U.S. and U.S. employees, designed in accordance with local customs and practice.

The net periodic pension benefit cost (credit) for all non-U.S. and U.S. defined benefit pension plans was as follows:

	Non-U.S. Plans			U.S. Plans		
	Fiscal			Fiscal		
	2020	2019	2018	2020	2019	2018
	(\$ in millions)					
Operating expense:						
Service cost	\$ 52	\$ 47	\$ 46	\$ 10	\$ 13	\$ 14
Other (income) expense:						
Interest cost	25	42	42	36	46	43
Expected return on plan assets	(61)	(64)	(69)	(59)	(58)	(59)
Amortization of net actuarial loss	41	24	24	9	17	22
Amortization of prior service credit and other	(6)	(8)	(6)	—	—	—
Net periodic pension benefit cost (credit)	<u>\$ 51</u>	<u>\$ 41</u>	<u>\$ 37</u>	<u>\$ (4)</u>	<u>\$ 18</u>	<u>\$ 20</u>
<i>Weighted-average assumptions used to determine net pension benefit cost (credit) during the fiscal year:</i>						
Discount rate	1.01 %	1.94 %	1.87 %	3.14 %	4.35 %	3.77 %
Expected return on plan assets	4.07 %	4.65 %	4.92 %	6.50 %	6.57 %	6.45 %
Rate of compensation increase	2.53 %	2.57 %	2.53 %	— %	— %	— %

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The following table represents the changes in benefit obligation and plan assets and the net amount recognized on the Consolidated Balance Sheets for all non-U.S. and U.S. defined benefit pension plans:

	Non-U.S. Plans		U.S. Plans	
	Fiscal		Fiscal	
	2020	2019	2020	2019
	(\$ in millions)			
Change in benefit obligation:				
Benefit obligation at beginning of fiscal year	\$ 2,483	\$ 2,220	\$ 1,195	\$ 1,093
Service cost	52	47	10	13
Interest cost	25	42	36	46
Actuarial (gains) losses	(44)	347	65	125
Benefits and administrative expenses paid	(88)	(82)	(87)	(82)
Currency translation	111	(92)	—	—
Other	(20)	1	—	—
Benefit obligation at end of fiscal year	2,519	2,483	1,219	1,195
Change in plan assets:				
Fair value of plan assets at beginning of fiscal year	1,489	1,390	937	917
Actual return on plan assets	39	186	114	100
Employer contributions	43	43	4	2
Benefits and administrative expenses paid	(88)	(82)	(87)	(82)
Currency translation	52	(42)	—	—
Other	2	(6)	—	—
Fair value of plan assets at end of fiscal year	1,537	1,489	968	937
Funded status	\$ (982)	\$ (994)	\$ (251)	\$ (258)
Amounts recognized on the Consolidated Balance Sheets:				
Other assets	\$ 120	\$ 128	\$ —	\$ —
Accrued and other current liabilities	(28)	(25)	(5)	(5)
Long-term pension and postretirement liabilities	(1,074)	(1,097)	(246)	(253)
Net amount recognized	\$ (982)	\$ (994)	\$ (251)	\$ (258)
Pre-tax amounts included in accumulated other comprehensive income (loss) which have not yet been recognized in net periodic pension benefit cost:				
Net actuarial loss	\$ (597)	\$ (656)	\$ (291)	\$ (290)
Prior service (cost) credit	37	43	(2)	(2)
Total	\$ (560)	\$ (613)	\$ (293)	\$ (292)
Weighted-average assumptions used to determine pension benefit obligation at fiscal year end:				
Discount rate	1.13 %	1.01 %	2.57 %	3.14 %
Rate of compensation increase	2.50 %	2.53 %	— %	— %

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The pre-tax amounts recognized in accumulated other comprehensive income (loss) for all non-U.S. and U.S. defined benefit pension plans were as follows:

	Non-U.S. Plans		U.S. Plans	
	Fiscal		Fiscal	
	2020	2019	2020	2019
	(in millions)			
Current year net actuarial gain (loss) recorded in accumulated other comprehensive income (loss)	\$ 18	\$ (204)	\$ (10)	\$ (83)
Amortization of net actuarial loss	41	24	9	17
Current year prior service cost recorded in accumulated other comprehensive income (loss)	—	(8)	—	—
Amortization of prior service credit	(6)	(7)	—	—
	<u>\$ 53</u>	<u>\$ (195)</u>	<u>\$ (1)</u>	<u>\$ (66)</u>

In fiscal 2020, unrecognized actuarial gains recorded in accumulated other comprehensive income (loss) were primarily the result of favorable asset performance for our U.S. defined benefit pension plans, partially offset by lower U.S. discount rates and unfavorable asset performance for our non-U.S. defined benefit pension plans as compared to fiscal 2019. In fiscal 2019, unrecognized actuarial losses recorded in accumulated other comprehensive income (loss) were primarily the result of lower discount rates, partially offset by favorable asset performance for both non-U.S. and U.S. defined benefit pension plans as compared to fiscal 2018.

The estimated amortization of actuarial losses from accumulated other comprehensive income (loss) into net periodic pension benefit cost for non-U.S. and U.S. defined benefit pension plans in fiscal 2021 is expected to be \$31 million and \$9 million, respectively. The estimated amortization of prior service credit from accumulated other comprehensive income (loss) into net periodic pension benefit cost for non-U.S. defined benefit pension plans in fiscal 2021 is expected to be \$6 million.

In determining the expected return on plan assets, we consider the relative weighting of plan assets by class and individual asset class performance expectations.

The investment strategies for non-U.S. and U.S. pension plans are governed locally. Our investment strategy for our pension plans is to manage the plans on a going concern basis. Current investment policy is to achieve a reasonable return on assets, subject to a prudent level of portfolio risk, for the purpose of enhancing the security of benefits for participants. Projected returns are based primarily on pro forma asset allocation, expected long-term returns, and forward-looking estimates of active portfolio and investment management.

At fiscal year end 2020, the long-term target asset allocation in our U.S. plans' master trust is 5% return-seeking assets and 95% liability-hedging assets. Return-seeking assets, including non-U.S. and U.S. equity securities, are assets intended to generate returns in excess of pension liability growth. Liability-hedging assets, including government and corporate bonds, are assets intended to have characteristics similar to pension liabilities and are used to better match asset cash flows with expected obligation cash flows. Asset re-allocation to meet that target is occurring over a multi-year period based on the funded status. We expect to reach our target allocation when the funded status of the plans exceeds 115%. Based on the funded status of the plans as of fiscal year end 2020, our target asset allocation is 67% return-seeking and 33% liability-hedging.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Target weighted-average asset allocation and weighted-average asset allocation for non-U.S. and U.S. pension plans were as follows:

	Non-U.S. Plans			U.S. Plans		
	Target	Fiscal Year End 2020	Fiscal Year End 2019	Target	Fiscal Year End 2020	Fiscal Year End 2019
Asset category:						
Equity securities	27 %	25 %	26 %	67 %	45 %	41 %
Fixed income	54	55	53	33	55	59
Other	19	20	21	—	—	—
Total	100 %	100 %	100 %	100 %	100 %	100 %

Our common shares are not a direct investment of our pension funds; however, the pension funds may indirectly include our shares. The aggregate amount of our common shares would not be considered material relative to the total pension fund assets.

Our funding policy is to make contributions in accordance with the laws and customs of the various countries in which we operate as well as to make discretionary voluntary contributions from time to time. We expect to make the minimum required contributions of \$45 million and \$24 million to our non-U.S. and U.S. pension plans, respectively, in fiscal 2021. We may also make voluntary contributions at our discretion.

At fiscal year end 2020, benefit payments, which reflect future expected service, as appropriate, are expected to be paid as follows:

	Non-U.S. Plans (in millions)	U.S. Plans
Fiscal 2021	\$ 117	\$ 78
Fiscal 2022	85	74
Fiscal 2023	90	74
Fiscal 2024	86	74
Fiscal 2025	91	74
Fiscal 2026-2030	516	354

Presented below is the accumulated benefit obligation for all non-U.S. and U.S. pension plans as well as additional information related to plans with an accumulated benefit obligation in excess of plan assets and plans with a projected benefit obligation in excess of plan assets.

	Non-U.S. Plans		U.S. Plans	
	Fiscal Year End 2020	Fiscal Year End 2019	Fiscal Year End 2020	Fiscal Year End 2019
	(in millions)			
Accumulated benefit obligation	\$ 2,394	\$ 2,340	\$ 1,219	\$ 1,195
Pension plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligation	1,324	1,304	1,219	1,195
Fair value of plan assets	338	316	968	937
Pension plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligation	1,458	1,453	1,219	1,195
Fair value of plan assets	356	331	968	937

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

We value our pension assets based on the fair value hierarchy of ASC 820, *Fair Value Measurements and Disclosures*. Details of the fair value hierarchy are described in Note 2. The following table presents our defined benefit pension plans' asset categories and their associated fair value within the fair value hierarchy:

	Fiscal Year End 2020							
	Non-U.S. Plans				U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Equity:								
Commingled equity funds ⁽¹⁾	\$ —	\$ 357	\$ —	\$ 357	\$ —	\$ 447	\$ —	\$ 447
Fixed income:								
Government bonds ⁽²⁾	—	347	—	347	—	—	—	—
Corporate bonds ⁽³⁾	—	146	—	146	—	—	—	—
Commingled bond funds ⁽⁴⁾	—	366	—	366	—	494	—	494
Other ⁽⁵⁾	—	167	141	308	—	26	—	26
Subtotal	\$ —	\$ 1,383	\$ 141	1,524	\$ —	\$ 967	\$ —	967
Items to reconcile to fair value of plan assets ⁽⁶⁾				13				1
Fair value of plan assets				\$ 1,537				\$ 968
	Fiscal Year End 2019							
	Non-U.S. Plans				U.S. Plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	(in millions)							
Equity:								
Commingled equity funds ⁽¹⁾	\$ —	\$ 339	\$ —	\$ 339	\$ —	\$ 385	\$ —	\$ 385
Fixed income:								
Government bonds ⁽²⁾	—	315	—	315	—	—	—	—
Corporate bonds ⁽³⁾	—	137	—	137	—	—	—	—
Commingled bond funds ⁽⁴⁾	—	359	—	359	—	540	—	540
Other ⁽⁵⁾	—	162	157	319	—	11	—	11
Subtotal	\$ —	\$ 1,312	\$ 157	1,469	\$ —	\$ 936	\$ —	936
Items to reconcile to fair value of plan assets ⁽⁶⁾				20				1
Fair value of plan assets				\$ 1,489				\$ 937

- (1) Commingled equity funds are pooled investments in multiple equity-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.
- (2) Government bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.
- (3) Corporate bonds are marked to fair value based on quoted market prices or market approach valuation models using observable market data such as quotes, spreads, and data points for yield curves.
- (4) Commingled bond funds are pooled investments in multiple debt-type securities. Fair value is calculated as the closing price of the underlying investments, an observable market condition, divided by the number of shares of the fund outstanding.
- (5) Other investments are composed of insurance contracts, derivatives, short-term investments, structured products such as collateralized obligations and mortgage- and asset-backed securities, real estate investments, and hedge funds. Insurance contracts are valued using cash surrender value, or face value of the contract if a cash surrender value is unavailable (level 2), as these values represent the amount that the plan would receive on termination of the underlying contract. Derivatives, short-term investments, and structured products are marked to fair value using models that are supported by observable market-based data (level 2). Real estate investments include investments in commingled real estate funds and are valued at net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3). Hedge funds are valued at their net asset value which is calculated using unobservable inputs that are supported by little or no market activity (level 3).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (6) Items to reconcile to fair value of plan assets include amounts receivable for securities sold, amounts payable for securities purchased, and any cash balances, considered to be carried at book value, that are held in the plans.

Changes in Level 3 assets in non-U.S. plans were primarily the result of net investment losses in fiscal 2020 and purchases in 2019.

Defined Contribution Retirement Plans

We maintain several defined contribution retirement plans, the most significant of which is located in the U.S. These plans include 401(k) matching programs, as well as qualified and nonqualified profit sharing and share bonus retirement plans. Expense for the defined contribution plans is computed as a percentage of participants' compensation and was \$60 million, \$63 million, and \$62 million for fiscal 2020, 2019, and 2018, respectively.

Deferred Compensation Plans

We maintain nonqualified deferred compensation plans, which permit eligible employees to defer a portion of their compensation. A record keeping account is set up for each participant and the participant chooses from a variety of measurement funds for the deemed investment of their accounts. The measurement funds correspond to several funds in our 401(k) plans and the account balance fluctuates with the investment returns on those funds. At fiscal year end 2020 and 2019, total deferred compensation liabilities were \$218 million and \$203 million, respectively, and were recorded in other liabilities on the Consolidated Balance Sheets. See Note 14 for additional information regarding our risk management strategy related to deferred compensation liabilities.

Postretirement Benefit Plans

In addition to providing pension and 401(k) benefits, we also provide certain health care coverage continuation for qualifying retirees from the date of retirement to age 65 or lifetime, as applicable. The accumulated postretirement benefit obligation was \$17 million and \$18 million at fiscal year end 2020 and 2019, respectively, and the underfunded status of the postretirement benefit plans was included primarily in long-term pension and postretirement liabilities on the Consolidated Balance Sheets. Activity during fiscal 2020, 2019, and 2018 was not significant.

16. Income Taxes

Income Tax Expense (Benefit)

Significant components of the income tax expense (benefit) were as follows:

	Fiscal		
	2020	2019	2018
	(in millions)		
Current income tax expense (benefit):			
U.S. Federal	\$ 9	\$ (28)	\$ 20
U.S. State	(23)	2	21
Non-U.S.	262	229	406
	<u>248</u>	<u>203</u>	<u>447</u>
Deferred income tax expense (benefit):			
U.S. Federal	(16)	(25)	499
U.S. State	(10)	(8)	(30)
Non-U.S.	561	(185)	(1,260)
	<u>535</u>	<u>(218)</u>	<u>(791)</u>
Income tax expense (benefit)	<u>\$ 783</u>	<u>\$ (15)</u>	<u>\$ (344)</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The U.S. and non-U.S. components of income from continuing operations before income taxes were as follows:

	2020	Fiscal 2019 (in millions)	2018
U.S.	\$ (1,053)	\$ (216)	\$ (245)
Non-U.S.	1,577	2,147	2,485
Income from continuing operations before income taxes	<u>\$ 524</u>	<u>\$ 1,931</u>	<u>\$ 2,240</u>

The reconciliation between U.S. federal income taxes at the statutory rate and income tax expense (benefit) was as follows:

	2020	Fiscal 2019 (in millions)	2018
Notional U.S. federal income tax expense at the statutory rate ⁽¹⁾	\$ 110	\$ 406	\$ 551
Adjustments to reconcile to the income tax expense (benefit):			
U.S. state income tax benefit, net	(26)	(5)	(7)
Tax law changes	349	15	638
Tax credits	(13)	(22)	(8)
Non-U.S. net earnings ⁽²⁾	(88)	(166)	(213)
Change in accrued income tax liabilities	30	(61)	13
Valuation allowance	231	(163)	33
Divestitures and goodwill impairments	185	—	—
Legal entity restructuring and intercompany transactions	—	3	(1,329)
Excess tax benefits from share-based payments	(6)	(8)	(24)
Other	11	(14)	2
Income tax expense (benefit)	<u>\$ 783</u>	<u>\$ (15)</u>	<u>\$ (344)</u>

(1) The U.S. federal statutory rate was 21% for fiscal 2020 and 2019 and 24.58% for fiscal 2018.

(2) Excludes items which are separately presented.

The income tax expense for fiscal 2020 included \$355 million of income tax expense related to the tax impacts of certain measures of the Switzerland Federal Act on Tax Reform and AHV Financing (“Swiss Tax Reform”) and an income tax benefit of \$31 million related to pre-separation tax matters and the termination of the Tax Sharing Agreement. See “Swiss Tax Reform” and “Tax Sharing Agreement” below for additional information. In addition, the income tax expense for fiscal 2020 included \$226 million of income tax expense related to increases to the valuation allowance for certain deferred tax assets, related primarily to the COVID-19 pandemic. As a result of the pandemic and its negative impact on our current and expected future operating profit and taxable income, we believed it was more likely than not that a portion of our deferred tax assets will not be realized. Depending on the duration and severity of COVID-19 disruptions to our business, additional adjustments to our valuation allowance may be required in future periods. The pre-tax goodwill impairment charge of \$900 million recorded during fiscal 2020 resulted in a tax benefit of \$4 million as the associated goodwill was primarily not deductible for income tax purposes. See Note 8 for additional information regarding the impairment of goodwill.

The income tax benefit for fiscal 2019 included a \$216 million income tax benefit related to the tax impacts of certain measures of Swiss Tax Reform, a \$90 million income tax benefit related to the effective settlement of a tax audit in a non-U.S. jurisdiction, and \$15 million of income tax expense associated with the tax impacts of certain legal entity restructurings and intercompany transactions. See “Swiss Tax Reform” below for additional information regarding Swiss Tax Reform.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

The income tax benefit for fiscal 2018 included a \$1,222 million net income tax benefit associated with the tax impacts of certain legal entity restructurings and intercompany transactions that occurred in the quarter ended September 28, 2018. The net income tax benefit of \$1,222 million related primarily to the recognition of certain non-U.S. loss carryforwards and basis differences in subsidiaries expected to be utilized against future taxable income, partially offset by a \$46 million increase in the valuation allowance for certain U.S. federal tax credit carryforwards. The income tax benefit for fiscal 2018 also included \$567 million of income tax expense related to the tax impacts of the Tax Cuts and Jobs Act (the “Act”) and a \$61 million net income tax benefit related to the tax impacts of certain legal entity restructurings that occurred in the quarter ended December 29, 2017. See “Tax Cuts and Jobs Act” below for additional information regarding the Act.

Deferred Tax Assets and Liabilities

Deferred income taxes result from temporary differences between the amount of assets and liabilities recognized for financial reporting and tax purposes. The components of the net deferred income tax asset were as follows:

	Fiscal Year End	
	2020	2019
	(in millions)	
Deferred tax assets:		
Accrued liabilities and reserves	\$ 248	\$ 245
Tax loss and credit carryforwards	5,338	6,041
Inventories	45	43
Intangible assets	572	964
Pension and postretirement benefits	223	248
Deferred revenue	4	4
Interest	180	134
Unrecognized income tax benefits	3	7
Lease liabilities	106	—
Other	11	8
Gross deferred tax assets	6,730	7,694
Valuation allowance	(4,429)	(4,970)
Deferred tax assets, net of valuation allowance	2,301	2,724
Deferred tax liabilities:		
Property, plant, and equipment	(108)	(57)
Lease ROU assets	(93)	—
Other	(65)	(47)
Total deferred tax liabilities	(266)	(104)
Net deferred tax assets	\$ 2,035	\$ 2,620

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Our tax loss and credit carryforwards (tax effected) at fiscal year end 2020 were as follows:

	Expiration Period			Total
	Through Fiscal 2025	Fiscal 2026 Through Fiscal 2040	No Expiration	
				(in millions)
U.S. Federal:				
Net operating loss carryforwards	\$ 155	\$ 386	\$ 42	\$ 583
Tax credit carryforwards	53	122	—	175
Capital loss carryforwards	1	—	—	1
U.S. State:				
Net operating loss carryforwards	65	35	—	100
Tax credit carryforwards	9	8	7	24
Non-U.S.:				
Net operating loss carryforwards	177	2,575	1,668	4,420
Tax credit carryforwards	—	1	1	2
Capital loss carryforwards	—	3	30	33
Total tax loss and credit carryforwards	<u>\$ 460</u>	<u>\$ 3,130</u>	<u>\$ 1,748</u>	<u>\$ 5,338</u>

The valuation allowance for deferred tax assets of \$4,429 million and \$4,970 million at fiscal year end 2020 and 2019, respectively, related principally to the uncertainty of the utilization of certain deferred tax assets, primarily tax loss, capital loss, and credit carryforwards in various jurisdictions. During fiscal 2020, tax loss and credit carryforwards decreased primarily as a result of a \$818 million (tax effected) recovery of prior years' net write-downs of investments in subsidiaries in certain jurisdictions, offset by a corresponding decrease to the valuation allowance. We believe that we will generate sufficient future taxable income to realize the income tax benefits related to the remaining net deferred tax assets on the Consolidated Balance Sheet.

We have provided income taxes for earnings that are currently distributed as well as the taxes associated with several subsidiaries' earnings that are expected to be distributed in the future. No additional provision has been made for Swiss or non-Swiss income taxes on the undistributed earnings of subsidiaries or for unrecognized deferred tax liabilities for temporary differences related to basis differences in investments in subsidiaries, as such earnings are expected to be permanently reinvested, the investments are essentially permanent in duration, or we have concluded that no additional tax liability will arise as a result of the distribution of such earnings. As of fiscal year end 2020, certain subsidiaries had approximately \$29 billion of cumulative undistributed earnings that have been retained indefinitely and reinvested in our global manufacturing operations, including working capital; property, plant, and equipment; intangible assets; and research and development activities. A liability could arise if our intention to permanently reinvest such earnings were to change and amounts are distributed by such subsidiaries or if such subsidiaries are ultimately disposed. It is not practicable to estimate the additional income taxes related to permanently reinvested earnings or the basis differences related to investments in subsidiaries. As of fiscal year end 2020, we had approximately \$5.3 billion of cash, cash equivalents, and intercompany deposits, principally in our subsidiaries, that we have the ability to distribute to TEGSA, our Luxembourg subsidiary, which is the obligor of substantially all of our debt, and to TE Connectivity Ltd., our Swiss parent company, but we consider to be permanently reinvested. We estimate that up to \$0.8 billion of tax expense would be recognized on the Consolidated Financial Statements if our intention to permanently reinvest these amounts were to change. Our current plans do not demonstrate a need to repatriate cash, cash equivalents, and intercompany deposits that are designated as permanently reinvested in order to fund our operations, including investing and financing activities.

Uncertain Tax Positions

As of fiscal year end 2020, we had total unrecognized income tax benefits of \$414 million. If recognized in future years, \$393 million of these currently unrecognized income tax benefits would reduce income tax expense and the effective tax rate. As of fiscal year end 2019, we had total unrecognized income tax benefits of \$542 million. If recognized in future

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

years, \$397 million of these currently unrecognized income tax benefits would reduce income tax expense and the effective tax rate. The following table summarizes the activity related to unrecognized income tax benefits:

	2020	Fiscal 2019 (in millions)	2018
Balance at beginning of fiscal year	\$ 542	\$ 566	\$ 501
Additions related to prior years tax positions	29	13	14
Reductions related to prior years tax positions	(87)	(101)	(11)
Additions related to current year tax positions	39	98	105
Settlements	(12)	(2)	(7)
Reductions due to lapse of applicable statute of limitations	(97)	(32)	(36)
Balance at end of fiscal year	<u>\$ 414</u>	<u>\$ 542</u>	<u>\$ 566</u>

We record accrued interest and penalties related to uncertain tax positions as part of income tax expense (benefit). As of fiscal year end 2020 and 2019, we had \$42 million of accrued interest and penalties related to uncertain tax positions on the Consolidated Balance Sheets, recorded primarily in income taxes. During fiscal 2020, 2019, and 2018, we recognized income tax benefits of \$1 million, benefits of \$14 million, and expense of \$5 million, respectively, related to interest and penalties on the Consolidated Statements of Operations.

We file income tax returns on a unitary, consolidated, or stand-alone basis in multiple state and local jurisdictions, which generally have statutes of limitations ranging from 3 to 4 years. Various state and local income tax returns are currently in the process of examination or administrative appeal.

Our non-U.S. subsidiaries file income tax returns in the countries in which they have operations. Generally, these countries have statutes of limitations ranging from 3 to 10 years. Various non-U.S. subsidiary income tax returns are currently in the process of examination by taxing authorities.

As of fiscal year end 2020, under applicable statutes, the following tax years remained subject to examination in the major tax jurisdictions indicated:

Jurisdiction	Open Years
Brazil	2015 through 2020
China	2010 through 2020
Czech Republic	2017 through 2020
France	2017 through 2020
Germany	2013 through 2020
Hong Kong	2014 through 2020
Ireland	2015 through 2020
Italy	2015 through 2020
Japan	2014 through 2020
Luxembourg	2015 through 2020
Mexico	2015 through 2020
Singapore	2015 through 2020
South Korea	2015 through 2020
Spain	2016 through 2020
Switzerland	2015 through 2020
Thailand	2018 through 2020
United Kingdom	2018 through 2020
U.S.—federal	2017 through 2020

In most jurisdictions, taxing authorities retain the ability to review prior tax years and to adjust any net operating loss and tax credit carryforwards from these years that are utilized in a subsequent period.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Although it is difficult to predict the timing or results of our worldwide examinations, we estimate that approximately \$50 million of unrecognized income tax benefits, excluding the impact relating to accrued interest and penalties, could be resolved within the next twelve months.

We are not aware of any other matters that would result in significant changes to the amount of unrecognized income tax benefits reflected on the Consolidated Balance Sheet as of fiscal year end 2020.

Other Income Tax Matters

Swiss Tax Reform

Swiss Parliament approved the Federal Act on Tax Reform and AHV Financing in September 2018, and it was approved by public vote on May 19, 2019. Swiss Tax Reform eliminates certain preferential tax items and implements new tax rates at both the federal and cantonal levels.

On May 24, 2019, the federal tax authority issued guidance abolishing certain interest deductions effective January 1, 2020. As a result, during fiscal 2019, we recorded a \$216 million income tax benefit related primarily to the reduction to the valuation allowance for deferred tax assets. Based on our forecast of taxable income and the abolishment of certain interest deductions, we believed it was more likely than not that additional deferred tax assets for tax loss carryforwards in Switzerland would be realized in the future. The federal provisions of Swiss Tax Reform were enacted into law in the quarter ended September 27, 2019.

In October 2019, the canton of Schaffhausen enacted Swiss Tax Reform into law, including reductions in tax rates. During fiscal 2020, we recognized \$355 million of income tax expense related primarily to cantonal implementation and the resulting write-down of certain deferred tax assets to the lower tax rates.

Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act, which was enacted in December 2017, included numerous significant changes to existing tax law, including a permanent reduction in the U.S. federal corporate income tax rate to 21%, effective January 1, 2018; further limitations on the deductibility of interest expense and certain executive compensation; repeal of the corporate Alternative Minimum Tax; and imposition of a territorial tax system with a one-time repatriation tax on deemed repatriated earnings of foreign subsidiaries. In the period of enactment, we revalued our U.S. federal deferred tax assets and liabilities at the 21% tax rate and recorded income tax expense of \$567 million primarily in connection with the write-down of our U.S. federal deferred tax asset for net operating loss and interest carryforwards to the lower tax rate. Included in the expense of \$567 million was an income tax benefit of \$34 million related to the reduction in the existing valuation allowance recorded against certain U.S. federal tax credit carryforwards.

Tax Sharing Agreement

Upon our separation from Tyco International plc in fiscal 2007, we entered into a Tax Sharing Agreement with Tyco International plc (now part of Johnson Controls International plc) and Covidien plc (now part of Medtronic plc) under which we shared certain income tax liabilities for periods prior to and including June 29, 2007. Pursuant to the Tax Sharing Agreement, we entered into certain guarantee commitments and indemnifications.

In fiscal 2020, we, Johnson Controls International plc, and Medtronic plc entered into an agreement to terminate the Tax Sharing Agreement. We believe that substantially all income tax matters that may be subject to the Tax Sharing Agreement have been settled with tax authorities and we do not expect any remaining tax matters to have a material effect on our results of operations, financial position, or cash flows. Accordingly, during fiscal 2020, we recognized an income tax benefit of \$31 million and net other income of \$8 million representing settlement of the remaining shared pre-separation income tax matters and indemnification balances.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. Earnings (Loss) Per Share

The weighted-average number of shares outstanding used in the computations of basic and diluted earnings (loss) per share were as follows:

	2020	Fiscal 2019	2018
		(in millions)	
Basic	332	338	350
Dilutive impact of share-based compensation arrangements	—	2	3
Diluted	<u>332</u>	<u>340</u>	<u>353</u>

For fiscal 2020, there were two million nonvested share awards and options outstanding with underlying exercise prices less than the average market prices of our common shares; however, these were excluded from the calculation of diluted loss per share as inclusion would be antidilutive as a result of our loss during the period.

The following share options were not included in the computation of diluted earnings (loss) per share because the instruments' underlying exercise prices were greater than the average market prices of our common shares and inclusion would be antidilutive:

	2020	Fiscal 2019	2018
		(in millions)	
Antidilutive share options	3	1	1

18. Shareholders' Equity

Common Shares

We are organized under the laws of Switzerland. The rights of holders of our shares are governed by Swiss law, our Swiss articles of association, and our Swiss organizational regulations. Accordingly, the par value of our common shares is stated in Swiss francs ("CHF"). We continue to use the U.S. dollar, however, as our reporting currency on the Consolidated Financial Statements.

Subject to certain conditions specified in our articles of association, we are authorized to increase our conditional share capital by issuing new shares in aggregate not exceeding 50% of our authorized shares. In March 2020, our shareholders reapproved and extended through March 11, 2022, our board of directors' authorization to issue additional new shares, subject to certain conditions specified in the articles of association, in aggregate not exceeding 50% of the amount of our authorized shares.

Common Shares Held in Treasury

At fiscal year end 2020, approximately 8 million common shares were held in treasury, of which 5 million were owned by one of our subsidiaries. At fiscal year end 2019, approximately 16 million common shares were held in treasury, of which 4 million were owned by one of our subsidiaries. Shares held both directly by us and by our subsidiary are presented as treasury shares on the Consolidated Balance Sheets.

In fiscal 2020 and 2019, our shareholders approved the cancellation of 12 million and 6 million shares, respectively, purchased under our share repurchase program. These capital reductions by cancellation of shares were subject to a notice period and filing with the commercial register in Switzerland.

TE CONNECTIVITY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****Contributed Surplus**

As a result of cumulative equity transactions, including dividend activity and treasury share cancellations, our contributed surplus balance was reduced to zero with residual activity recorded against accumulated earnings as reflected on the Consolidated Statement of Shareholders' Equity. To the extent that the contributed surplus balance continues to be zero, the impact of future transactions that normally would have been recorded as a reduction of contributed surplus will be recorded in accumulated earnings. Contributed surplus established for Swiss tax and statutory purposes ("Swiss Contributed Surplus") is not impacted by our GAAP treatment.

Swiss Contributed Surplus, subject to certain conditions, is a freely distributable reserve. As of fiscal year end 2020 and 2019, Swiss Contributed Surplus was CHF 5,513 million and CHF 6,107 million, respectively (equivalent to \$4,561 million and \$5,195 million, respectively).

Dividends

We paid cash dividends to shareholders of \$1.88, \$1.80, and \$1.68 per share in fiscal 2020, 2019, and 2018, respectively.

Under Swiss law, subject to certain conditions, dividends paid from reserves from capital contributions (equivalent to Swiss Contributed Surplus) are exempt from Swiss withholding tax. Dividends on our shares must be approved by our shareholders.

Our shareholders approved the following dividends on our common shares:

Approval Date	Annual Payment Per Share	Payment Timing
March 2017	\$1.60, payable in four quarterly installments of \$0.40	Third quarter of fiscal 2017 Fourth quarter of fiscal 2017 First quarter of fiscal 2018 Second quarter of fiscal 2018
March 2018	\$1.76, payable in four quarterly installments of \$0.44	Third quarter of fiscal 2018 Fourth quarter of fiscal 2018 First quarter of fiscal 2019 Second quarter of fiscal 2019
March 2019	\$1.84, payable in four quarterly installments of \$0.46	Third quarter of fiscal 2019 Fourth quarter of fiscal 2019 First quarter of fiscal 2020 Second quarter of fiscal 2020
March 2020	\$1.92, payable in four quarterly installments of \$0.48	Third quarter of fiscal 2020 Fourth quarter of fiscal 2020 First quarter of fiscal 2021 Second quarter of fiscal 2021

Upon shareholders' approval of a dividend payment, we record a liability with a corresponding charge to shareholders' equity. At fiscal year end 2020 and 2019, the unpaid portion of the dividends recorded in accrued and other current liabilities on the Consolidated Balance Sheets totaled \$317 million and \$308 million, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Share Repurchase Program

In both fiscal 2019 and 2018, our board of directors authorized increases of \$1.5 billion in our share repurchase program. Common shares repurchased under the share repurchase program were as follows:

	2020	Fiscal 2019 (in millions)	2018
Number of common shares repurchased	6	12	10
Repurchase value	\$ 505	\$ 1,014	\$ 966

At fiscal year end 2020, we had \$1.0 billion of availability remaining under our share repurchase authorization.

19. Accumulated Other Comprehensive Income (Loss)

The changes in each component of accumulated other comprehensive income (loss) were as follows:

	Foreign Currency Translation Adjustments ⁽¹⁾	Unrecognized Pension and Postretirement Benefit Costs (in millions)	Gains (Losses) on Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at fiscal year end 2017	\$ 353	\$ (496)	\$ (17)	\$ (160)
Adoption of ASU No. 2018-02	—	(39)	1	(38)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	(117)	64	(60)	(113)
Amounts reclassified from accumulated other comprehensive income (loss)	—	40	(23)	17
Income tax (expense) benefit	—	(21)	9	(12)
Other comprehensive income (loss), net of tax	(117)	83	(74)	(108)
Balance at fiscal year end 2018	236	(452)	(90)	(306)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	(115)	(295)	35	(375)
Amounts reclassified from accumulated other comprehensive income (loss)	67 ⁽²⁾	34	15	116
Income tax (expense) benefit	—	66	(4)	62
Other comprehensive income (loss), net of tax	(48)	(195)	46	(197)
Balance at fiscal year end 2019	188	(647)	(44)	(503)
Other comprehensive income (loss), net of tax:				
Other comprehensive income (loss) before reclassifications	(11)	8	58	55
Amounts reclassified from accumulated other comprehensive income (loss)	—	44	(13)	31
Income tax expense	—	(18)	(5)	(23)
Other comprehensive income (loss), net of tax	(11)	34	40	63
Less: other comprehensive income attributable to noncontrolling interests	(5)	—	—	(5)
Balance at fiscal year end 2020	\$ 172	\$ (613)	\$ (4)	\$ (445)

(1) Includes hedges of net investment foreign currency exchange gains or losses which offset foreign currency exchange losses or gains attributable to the translation of the net investments.

(2) Represents net foreign currency translation adjustments reclassified as a result of the sale of the SubCom business. This net loss is included in income (loss) from discontinued operations on the Consolidated Statement of Operations. See Note 4 for additional information regarding the divestiture of SubCom.

TE CONNECTIVITY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)****20. Share Plans**

Our equity compensation plans, of which the TE Connectivity Ltd. 2007 Stock and Incentive Plan, amended and restated as of September 17, 2020 (the “2007 Plan”), is the primary plan, provide for the award of annual performance bonuses and long-term performance awards, including share options; restricted, performance, and deferred share units; and other share-based awards (collectively, “Awards”) and allow for the use of unissued shares or treasury shares to be used to satisfy such Awards. As of fiscal year end 2020, our plans provided for a maximum of 77 million shares to be issued as Awards, subject to adjustment as provided under the terms of the plans. A total of 15 million shares remained available for issuance under the 2007 Plan as of fiscal year end 2020.

Share-Based Compensation Expense

Share-based compensation expense, which was included primarily in selling, general, and administrative expenses on the Consolidated Statements of Operations, was as follows:

	Fiscal		
	2020	2019	2018
	(in millions)		
Share-based compensation expense	\$ 74	\$ 75	\$ 95

We recognized a related tax benefit associated with our share-based compensation arrangements of \$15 million, \$16 million, and \$20 million in fiscal 2020, 2019, and 2018, respectively.

Restricted Share Awards

Restricted share awards, which are generally in the form of restricted share units, are granted subject to certain restrictions. Conditions of vesting are determined at the time of grant. All restrictions on an award will lapse upon death or disability of the employee. If the employee satisfies retirement requirements, all or a portion of the award may vest, depending on the terms and conditions of the particular grant. Recipients of restricted share units have no voting rights, but do receive dividend equivalents. For grants that vest through passage of time, the fair value of the award at the time of the grant is amortized to expense over the period of vesting. The fair value of restricted share awards is determined based on the closing value of our shares on the grant date. Restricted share awards generally vest in increments over a period of four years as determined by the management development and compensation committee.

Restricted share award activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at fiscal year end 2019	1,402,419	\$ 78.36
Granted	716,886	92.94
Vested	(574,628)	75.98
Forfeited	(125,250)	83.40
Nonvested at fiscal year end 2020	<u>1,419,427</u>	<u>\$ 86.15</u>

The weighted-average grant-date fair value of restricted share awards granted during fiscal 2020, 2019, and 2018 was \$92.94, \$77.77, and \$93.45, respectively.

The total fair value of restricted share awards that vested during fiscal 2020, 2019, and 2018 was \$44 million, \$48 million, and \$50 million, respectively.

As of fiscal year end 2020, there was \$72 million of unrecognized compensation expense related to nonvested restricted share awards, which is expected to be recognized over a weighted-average period of 1.8 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Performance Share Awards

Performance share awards, which are generally in the form of performance share units, are granted with pay-out subject to vesting requirements and certain performance conditions that are determined at the time of grant. Based on our performance, the pay-out of performance share units can range from 0% to 200% of the number of units originally granted. The grant-date fair value of performance share awards is expensed over the period of performance once achievement of the performance criteria is deemed probable. Recipients of performance share units have no voting rights but do receive dividend equivalents. Performance share awards generally vest after a period of three years as determined by the management development and compensation committee.

Performance share award activity was as follows:

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at fiscal year end 2019	585,123	\$ 77.44
Granted	277,126	83.30
Vested	(343,750)	67.44
Forfeited	(4,254)	84.18
Outstanding at fiscal year end 2020	<u>514,245</u>	<u>\$ 87.30</u>

The weighted-average grant-date fair value of performance share awards granted during fiscal 2020, 2019, and 2018 was \$83.30, \$71.38, and \$92.96, respectively.

The total fair value of performance share awards that vested during fiscal 2020, 2019, and 2018 was \$20 million, \$30 million, and \$19 million, respectively.

As of fiscal year end 2020, there was \$15 million of unrecognized compensation expense related to nonvested performance share awards, which is expected to be recognized over a weighted-average period of 1.1 years.

Share Options

Share options are granted to purchase our common shares at prices which are equal to or greater than the market price of the common shares on the date the option is granted. Conditions of vesting are determined at the time of grant. All restrictions on the award will lapse upon death or disability of the employee. If the employee satisfies retirement requirements, all or a portion of the award may vest, depending on the terms and conditions of the particular grant. Options generally vest and become exercisable in equal annual installments over a period of four years and expire ten years after the date of grant.

Share option award activity was as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in millions)
Outstanding at fiscal year end 2019	6,344,943	\$ 70.72		
Granted	1,543,450	93.39		
Exercised	(973,754)	55.42		
Expired	(34,982)	82.91		
Forfeited	(221,941)	83.25		
Outstanding at fiscal year end 2020	<u>6,657,716</u>	\$ 77.73	6.9	\$ 117
Vested and expected to vest at fiscal year end 2020	6,316,850	\$ 70.66	6.9	\$ 114
Exercisable at fiscal year end 2020	3,243,765	\$ 69.46	5.5	\$ 84

TE CONNECTIVITY LTD.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The weighted-average exercise price of share option awards granted during fiscal 2020, 2019, and 2018 was \$93.39, \$76.91, and \$93.44, respectively.

The total intrinsic value of options exercised during fiscal 2020, 2019, and 2018 was \$39 million, \$58 million, and \$106 million, respectively. We received cash related to the exercise of options of \$55 million, \$85 million, and \$100 million in fiscal 2020, 2019, and 2018, respectively.

As of fiscal year end 2020, there was \$31 million of unrecognized compensation expense related to nonvested share options granted under our share option plans, which is expected to be recognized over a weighted-average period of 1.7 years.

Share-Based Compensation Assumptions

The grant-date fair value of each share option grant was estimated using the Black-Scholes-Merton option pricing model. Use of a valuation model requires management to make certain assumptions with respect to selected model inputs. We employ our historical share volatility when calculating the grant-date fair value of our share option grants using the Black-Scholes-Merton option pricing model. Currently, we do not have exchange-traded options of sufficient duration to employ an implied volatility assumption in the calculation and therefore rely solely on the historical volatility calculation. The average expected life was based on the contractual term of the option and expected employee exercise and post-vesting employment termination behavior. The risk-free interest rate was based on U.S. Treasury zero-coupon issues with a remaining term that approximated the expected life assumed at the date of grant. The expected annual dividend per share was based on our expected dividend rate. The recognized share-based compensation expense was net of estimated forfeitures, which are based on voluntary termination behavior as well as an analysis of actual option forfeitures.

The weighted-average grant-date fair value of options granted and the weighted-average assumptions we used in the Black-Scholes-Merton option pricing model were as follows:

	Fiscal		
	2020	2019	2018
Weighted-average grant-date fair value	\$ 15.49	\$ 13.40	\$ 16.49
Assumptions:			
Expected share price volatility	21 %	20 %	20 %
Risk-free interest rate	1.7 %	3.0 %	2.2 %
Expected annual dividend per share	\$ 1.84	\$ 1.76	\$ 1.60
Expected life of options (in years)	5.1	5.2	5.3

21. Segment and Geographic Data

We operate through three reportable segments: Transportation Solutions, Industrial Solutions, and Communications Solutions. See Note 1 for a description of the segments in which we operate.

Segment performance is evaluated based on net sales and operating income. Generally, we consider all expenses to be of an operating nature and, accordingly, allocate them to each reportable segment. Costs specific to a segment are charged to the segment. Corporate expenses, such as headquarters administrative costs, are allocated to the segments based on segment operating income. Intersegment sales are not material. Corporate assets are allocated to the segments based on segment assets.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Net sales by segment and industry end market⁽¹⁾ were as follows:

	2020	Fiscal 2019 (in millions)	2018
Transportation Solutions:			
Automotive	\$ 4,903	\$ 5,686	\$ 6,092
Commercial transportation	1,051	1,221	1,280
Sensors	891	914	918
Total Transportation Solutions	<u>6,845</u>	<u>7,821</u>	<u>8,290</u>
Industrial Solutions:			
Aerospace, defense, oil, and gas	1,201	1,306	1,157
Industrial equipment	1,098	1,242	1,322
Medical ⁽²⁾	697	707	665
Energy	717	699	712
Total Industrial Solutions	<u>3,713</u>	<u>3,954</u>	<u>3,856</u>
Communications Solutions:			
Data and devices	973	993	1,068
Appliances	641	680	774
Total Communications Solutions	<u>1,614</u>	<u>1,673</u>	<u>1,842</u>
Total	<u><u>\$ 12,172</u></u>	<u><u>\$ 13,448</u></u>	<u><u>\$ 13,988</u></u>

- (1) Industry end market information is presented consistently with our internal management reporting and may be revised periodically as management deems necessary.
- (2) Effective for fiscal 2020, we are separately presenting net sales in the medical end market. Such amounts were previously included in net sales in the industrial equipment end market.

Net sales by geographic region and segment were as follows:

	2020	Fiscal 2019 (in millions)	2018
Asia-Pacific:			
Transportation Solutions	\$ 2,662	\$ 2,812	\$ 3,025
Industrial Solutions	604	625	668
Communications Solutions	980	964	1,069
Total Asia-Pacific	<u>4,246</u>	<u>4,401</u>	<u>4,762</u>
Europe/Middle East/Africa ("EMEA"):			
Transportation Solutions	2,625	3,099	3,417
Industrial Solutions	1,359	1,466	1,534
Communications Solutions	236	258	304
Total EMEA	<u>4,220</u>	<u>4,823</u>	<u>5,255</u>
Americas:			
Transportation Solutions	1,558	1,910	1,848
Industrial Solutions	1,750	1,863	1,654
Communications Solutions	398	451	469
Total Americas	<u>3,706</u>	<u>4,224</u>	<u>3,971</u>
Total	<u><u>\$ 12,172</u></u>	<u><u>\$ 13,448</u></u>	<u><u>\$ 13,988</u></u>

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Operating income by segment was as follows:

	Fiscal		
	2020	2019	2018
	(in millions)		
Transportation Solutions	\$ (93)	\$ 1,226	\$ 1,578
Industrial Solutions	412	543	465
Communications Solutions	218	209	288
Total	<u>\$ 537</u>	<u>\$ 1,978</u>	<u>\$ 2,331</u>

No single customer accounted for a significant amount of our net sales in fiscal 2020, 2019, or 2018.

As we are not organized by product or service, it is not practicable to disclose net sales by product or service.

Depreciation and amortization and capital expenditures were as follows:

	Depreciation and Amortization			Capital Expenditures		
	Fiscal			Fiscal		
	2020	2019	2018	2020	2019	2018
	(in millions)					
Transportation Solutions	\$ 463	\$ 442	\$ 416	\$ 365	\$ 530	\$ 711
Industrial Solutions	184	181	178	139	145	145
Communications Solutions	64	67	73	56	74	79
Total	<u>\$ 711</u>	<u>\$ 690</u>	<u>\$ 667</u>	<u>\$ 560</u>	<u>\$ 749</u>	<u>\$ 935</u>

Segment assets and a reconciliation of segment assets to total assets were as follows:

	Segment Assets		
	Fiscal Year End		
	2020	2019	2018
	(in millions)		
Transportation Solutions	\$ 4,973	\$ 4,781	\$ 4,707
Industrial Solutions	2,117	2,100	2,049
Communications Solutions	887	849	959
Total segment assets ⁽¹⁾	7,977	7,730	7,715
Other current assets	1,457	1,398	1,981
Other non-current assets	9,808	10,566	10,690
Total assets	<u>\$ 19,242</u>	<u>\$ 19,694</u>	<u>\$ 20,386</u>

- (1) Segment assets are composed of accounts receivable, inventories, and net property, plant, and equipment.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Net sales and net property, plant, and equipment by geographic region were as follows:

	Net Sales ⁽¹⁾			Property, Plant, and Equipment, Net		
	Fiscal			Fiscal Year End		
	2020	2019	2018	2020	2019	2018
	(in millions)					
Asia-Pacific:						
China	\$ 2,459	\$ 2,443	\$ 2,739	\$ 659	\$ 642	\$ 627
Other Asia-Pacific	1,787	1,958	2,023	418	449	436
Total Asia-Pacific	4,246	4,401	4,762	1,077	1,091	1,063
EMEA:						
Switzerland	2,878	3,251	3,478	79	92	94
Germany	343	404	443	559	443	448
Other EMEA	999	1,168	1,334	871	851	829
Total EMEA	4,220	4,823	5,255	1,509	1,386	1,371
Americas:						
U.S.	3,348	3,794	3,583	963	991	964
Other Americas	358	430	388	101	106	99
Total Americas	3,706	4,224	3,971	1,064	1,097	1,063
Total	<u>\$ 12,172</u>	<u>\$ 13,448</u>	<u>\$ 13,988</u>	<u>\$ 3,650</u>	<u>\$ 3,574</u>	<u>\$ 3,497</u>

(1) Net sales to external customers are attributed to individual countries based on the legal entity that records the sale.

22. Quarterly Financial Data (unaudited)

Summarized quarterly financial data was as follows:

	Fiscal							
	2020				2019			
	First Quarter ⁽¹⁾	Second Quarter ⁽²⁾	Third Quarter ⁽³⁾	Fourth Quarter	First Quarter ⁽⁴⁾	Second Quarter	Third Quarter ⁽⁵⁾	Fourth Quarter
	(in millions, except per share data)							
Net sales	\$ 3,168	\$ 3,195	\$ 2,548	\$ 3,261	\$ 3,347	\$ 3,412	\$ 3,389	\$ 3,300
Gross margin	1,030	1,029	707	969	1,114	1,118	1,110	1,052
Acquisition and integration costs	7	12	8	9	5	7	9	6
Restructuring and other charges, net	24	22	98	113	75	42	67	71
Impairment of goodwill	—	900	—	—	—	—	—	—
Income (loss) from continuing operations	23	(452)	(58)	228	383	429	758	376
Income (loss) from discontinued operations, net of income taxes	3	(4)	17	2	(107)	10	(1)	(4)
Net income (loss)	26	(456)	(41)	230	276	439	757	372
Basic earnings (loss) per share:								
Income (loss) from continuing operations	\$ 0.07	\$ (1.35)	\$ (0.18)	\$ 0.69	\$ 1.12	\$ 1.27	\$ 2.25	\$ 1.12
Net income (loss)	0.08	(1.37)	(0.12)	0.70	0.81	1.30	2.25	1.11
Diluted earnings (loss) per share:								
Income (loss) from continuing operations	\$ 0.07	\$ (1.35)	\$ (0.18)	\$ 0.69	\$ 1.11	\$ 1.26	\$ 2.24	\$ 1.11
Net income (loss)	0.08	(1.37)	(0.12)	0.69	0.80	1.29	2.23	1.10

(1) Results for the quarter ended December 27, 2019 included \$355 million of income tax expense related to the tax impacts of certain measures of Swiss Tax Reform. See Note 16 for additional information regarding income taxes.

TE CONNECTIVITY LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

- (2) Results for the quarter ended March 27, 2020 included a pre-tax goodwill impairment charge of \$900 million relating to the Sensors reporting unit in our Transportation Solutions segment. See Note 8 for additional information regarding goodwill impairment.
- (3) Results for the quarter ended June 26, 2020 included \$170 million of income tax expense related to an increase to the valuation allowance for certain non-U.S. deferred tax assets. See Note 16 for additional information regarding income taxes.
- (4) Results for the quarter ended December 28, 2018 included a pre-tax loss of \$86 million on the sale of our SubCom business which was reported as a discontinued operation on our Consolidated Financial Statements. See Note 4 for additional information regarding discontinued operations.
- (5) Results for the quarter ended June 28, 2019 included a \$214 million income tax benefit related to the tax impacts of certain measures of Swiss Tax Reform and a \$93 million income tax benefit related to the effective settlement of a tax audit in a non-U.S. jurisdiction. See Note 16 for additional information regarding income taxes.

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SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

Fiscal Years Ended September 25, 2020, September 27, 2019, and September 28, 2018

Description	Balance at Beginning of Fiscal Year	Additions Charged to Costs and Expenses	Acquisitions, Divestitures, and Other (in millions)	Write-offs and Deductions	Balance at End of Fiscal Year
Fiscal 2020:					
Allowance for doubtful accounts receivable	\$ 25	\$ 10	\$ (1)	\$ (5)	\$ 29
Valuation allowance on deferred tax assets	4,970	493	—	(1,034)	4,429
Fiscal 2019:					
Allowance for doubtful accounts receivable	\$ 22	\$ 9	\$ —	\$ (6)	\$ 25
Valuation allowance on deferred tax assets	2,191	3,248	—	(469)	4,970
Fiscal 2018:					
Allowance for doubtful accounts receivable	\$ 18	\$ 7	\$ (1)	\$ (2)	\$ 22
Valuation allowance on deferred tax assets	3,627	261	—	(1,697)	2,191

Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934

As of November 9, 2020, TE Connectivity Ltd., a Swiss corporation, had one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): Common Shares, par value CHF 0.57 per share (the “Common Shares”). The following summary includes a brief description of the Common Shares, as well as certain related additional information. Unless the context requires otherwise, references to “we,” “us,” “our” and the “Company” refer to TE Connectivity Ltd.

Share Capital

Our share capital is CHF 193,203,427.17, which is divided into 338,953,381 registered shares with a par value of CHF 0.57 each.

Authorized Share Capital

Our Articles of Association (the “Articles”) authorize our board of directors to increase share capital at any time until March 11, 2022 by an amount not exceeding CHF 96,601,713.30 through the issuance of up to 169,476,690 fully paid up registered shares with a par value of CHF 0.57 each. In an authorized capital increase, our shareholders would have preemptive rights to obtain newly issued registered shares in an amount proportional to the par value of the registered shares they already hold. Our board of directors, however, may withdraw or limit these preemptive rights in certain circumstances as set forth in our Articles and as described under “–Preemptive Rights and Advance Subscription Rights–Withdrawal or Limitation of Preemptive Rights with Respect to Authorized Share Capital.”

Conditional Share Capital

Our Articles provide that the share capital of the Company shall be increased by an amount not exceeding CHF 96,601,713.30 through the issuance of a maximum of 169,476,690 registered shares, payable in full, with a par value of CHF 0.57 each:

- through the exercise of conversion, option, exchange, warrant or similar rights for the subscription of shares granted to third parties or shareholders in connection with bonds (including convertible bonds and bonds with options), options, warrants or other securities issued or to be issued in national or international capital markets or new or already existing contractual obligations by or of the Company, one of its group companies or any of their respective predecessors (hereinafter the “Rights-Bearing Obligations”); and/or
- the exercise of rights attached to Rights-Bearing Obligations granted to members of the board of directors, members of the executive management, employees, contractors, consultants or other persons providing services to the Company, group companies or a person that directly, or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with another person.

Preemptive Rights and Advance Subscription Rights

Under the Swiss Code of Obligations (the “Swiss Code”), the prior approval of a general meeting of shareholders generally is required to authorize the issuance of registered shares or rights to subscribe for, or convert into, registered shares. In addition, shareholders have preemptive rights or advance subscription rights (which are essentially the same as preemptive rights) in relation to such registered shares or rights in proportion to the respective par values of their holdings. With the affirmative vote of shareholders holding two-thirds of the voting rights and a majority of the par value of the registered shares represented at the general meeting, shareholders may withdraw or limit the preemptive rights or advance subscription rights.

Withdrawal or Limitation of Preemptive Rights with Respect to Authorized Share Capital

Our board of directors is authorized pursuant to our Articles to withdraw or limit the preemptive rights with respect to the issuance of registered shares from authorized capital:

- if the issue price of the new registered shares is determined by reference to the market price;
- if the registered shares are issued in connection with the acquisition of an enterprise or business or any part of an enterprise, business or investment, the financing or refinancing of any such transactions;
- if the registered shares are issued in connection with the financing of new investment plans;
- if the registered shares are issued in connection with the intended broadening of the shareholder constituency in certain financial or investor markets, for the purposes of the investment of strategic partners or in connection with the listing of the registered shares on domestic or foreign stock exchanges;
- in connection with a placement or sale of registered shares, the grant of an over-allotment option of up to 20% of the total number of registered shares in a placement or sale of registered shares to the initial purchasers or underwriters; or
- for the participation of directors, executive officers, employees, contractors, consultants and other persons performing services for our benefit or that of our subsidiaries and affiliates.

Withdrawal or Limitation of Advance Subscription Rights with Respect to Conditional Share Capital

In connection with the issuance of Rights-Bearing Obligations convertible into or exercisable or exchangeable for our registered shares, our board of directors is authorized pursuant to our Articles to withdraw or limit the advance subscription rights of shareholders with respect to registered shares issued from our conditional share capital:

- if the issuance is for purposes of financing or refinancing the acquisition of an enterprise, part(s) of an enterprise, investments in equity or other investments;
- if the issuance occurs in national or international capital markets or through a private placement; or
- for purposes of the defense of an actual, threatened or potential unsolicited takeover bid, in relation to which our board of directors, upon consultation with an independent financial adviser, has not recommended acceptance to the shareholders.

If the advance subscription rights are withdrawn or limited:

- the Rights-Bearing Obligations shall be issued or entered into at market conditions;
- the Rights-Bearing Obligations may be converted, exchanged or exercised during a maximum period of 30 years from the date on which the Rights-Bearing Obligations are issued; and
- the conversion, exchange or exercise price of the Rights-Bearing Obligations is to be set at least in line with the market conditions prevailing at the date on which the Rights-Bearing Obligations are issued.

Preemptive and advance subscription rights are excluded with respect to issuances from our conditional share capital to directors, officers, employees and other persons providing services to any of our subsidiaries or affiliates.

Dividends and Distributions Rights

Under Swiss law, dividends may be paid only if the Company has sufficient distributable profits from the previous fiscal year, or if the corporation has freely distributable reserves, each as presented on the audited annual unconsolidated Swiss statutory balance sheet of the Company. Reserves from capital contributions (as determined for Swiss tax purposes) qualify as freely distributable reserves and may be paid out as dividends to shareholders subject to certain conditions and to the extent permissible under the Swiss Code. Payments out of the registered share capital—the aggregate par value of a company’s registered share capital—must be made by way of a capital reduction.

The affirmative vote of shareholders holding a majority of the registered shares represented at a general meeting must approve reserve reclassifications and distributions of dividends. Distributions also may take the form of a distribution of cash or property that results in a reduction of our share capital recorded in the commercial register. Such a capital reduction requires the affirmative vote of shareholders holding a majority of the registered shares represented at the general meeting. A special audit report must confirm that creditors’ claims remain fully covered by assets despite the reduction in the share capital recorded in the commercial register. Upon approval by the general meeting of shareholders of the capital reduction, the board of directors must give public notice of the capital reduction resolution in the Swiss Official Gazette of Commerce three times and notify creditors that they may request, within two months of the third publication, satisfaction of or security for their claims.

Under the Swiss Code, if our general reserves amount to less than 20% of the share capital recorded in the commercial register, then at least 5% of our annual profit must be retained as general reserves. The Swiss Code permits us to accrue additional general reserves. In addition, we are required to create a special reserve on our stand-alone annual statutory balance sheet in the amount of the purchase price of registered shares that any of our subsidiaries own and this amount may not be used for dividends or subsequent repurchases.

Swiss corporations generally must maintain a separate company, unconsolidated statutory balance sheet for the purpose of determining the amounts available for the return of capital to shareholders, including by way of a distribution of dividends. Our auditor must confirm that a dividend proposal made to shareholders conforms with the requirements of the Swiss Code and our Articles. Dividends are due and payable in accordance with the terms of the shareholders’ resolution approving the payment.

We make dividend payments to shareholders in US dollars. The reduction to our reserves in our Swiss statutory balance sheet, which is required to be made in Swiss francs, is determined based on the aggregate amount of the dividend and converted from US dollars to Swiss francs at the exchange rate in effect on the date of the relevant shareholder resolution. We are required under Swiss law to make any distributions which are in the form of a capital reduction out of registered share capital as denominated in Swiss francs.

Voting Rights

Each registered share carries one vote at a general meeting of shareholders. Pursuant to our Articles, shareholders generally pass resolutions and elect directors and auditors by the affirmative vote of an absolute majority of the registered shares represented at the general meeting of shareholders unless otherwise provided by law or our articles of association. An absolute majority means at least half plus one additional vote represented at the meeting.

With respect to the election of directors, each holder of registered shares entitled to vote at the election has the right to vote, in person or by proxy, the number of registered shares held by him or her and entitled to vote for as many persons as there are directors to be elected.

Supermajority Voting

The Swiss Code and our Articles require the affirmative vote of at least two-thirds of the share votes and a majority of the par value of the registered shares, each as represented at a general meeting, to approve the following matters:

- change of the Company's purpose;
- the creation of shares with preferred voting rights;
- the restriction on the registration of shares;
- an authorized or conditional increase in the nominal share capital;
- an increase in the nominal share capital through the conversion of capital surplus, through a contribution in kind, or in exchange for an acquisition of assets, or a grant of special privileges;
- the restriction or withdrawal of preemptive or advance subscription rights;
- a change in our place of incorporation;
- our dissolution; and
- a merger, demerger, conversion or other transaction as enumerated in Switzerland's Federal Act on Mergers, Demergers, Transformations and the Transfer of Assets (the "Merger Act") to the extent required by the Merger Act.

In addition, the amendment of certain provisions of our Articles requires the affirmative vote of at least two-thirds of the share votes represented and a majority of the par value of the registered shares represented, and in certain instances, the affirmative vote of 80% of the total votes of shares entitled to vote.

Rights upon Liquidation; Restrictions on Transfer

Under Swiss law, any surplus arising out of liquidation, after the settlement of all claims of all creditors, will be distributed to shareholders in proportion to the paid-up par value of registered shares held, subject to Swiss withholding tax requirements.

We have not imposed any restrictions applicable to the transfer of our registered shares.

No Redemption or Conversion

The registered shares are not convertible into shares of any other class or series or subject to redemption either by us or by the holder of the shares.

Mergers and Other Business Combinations

Our Articles require a special supermajority for any resolution of the general meeting of shareholders to engage in a business combination with an "interested shareholder" (one who acquired 15% or more of the share capital recorded in the commercial register without prior approval of the board of directors) for a period of three years following the time that such person became a 15% shareholder, subject to certain exceptions discussed below.

The supermajority required is the affirmative vote of at least two-thirds of all the shares entitled to vote which are not owned by the interested shareholder. Such a vote will not be required if:

- the board of directors approved the business combination prior to the time the shareholder became an interested shareholder; or
- upon consummation of the transaction which resulted in the shareholder becoming an interested shareholder, the interested shareholder owned at least 85% of the voting shares outstanding at the time the transaction commenced, excluding for purposes of determining the voting shares outstanding (but not the outstanding voting shares owned by the interested shareholders) those shares owned (i) by persons who are directors and also officers and (ii) employee share plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer.

Certain Other Provisions of Our Articles of Association

Our Articles include the following provisions, not previously discussed above, that may have an effect of delaying, deferring or preventing a change of control of the Company: (i) an advance notice procedure for shareholders to nominate directors or present other proposals at general meetings; and (ii) shareholders may act only at shareholder meetings and not by written consent.

The foregoing summary does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Articles and Organizational Regulations of the Company, each of which are exhibits to our Annual Report on Form 10-K. We encourage you to read both as well as the applicable provisions of the Swiss Code.

TE CONNECTIVITY LTD.
2007 STOCK AND INCENTIVE PLAN
(AMENDED AND RESTATED AS OF SEPTEMBER 17, 2020)

ARTICLE I
PURPOSE

1.1 *Purpose.* The purposes of this TE Connectivity Ltd. 2007 Stock and Incentive Plan (Amended and Restated as of September 17, 2020)) (the “Plan”) are to promote the interests of TE Connectivity Ltd. (and any successor thereto) by (i) aiding in the recruitment and retention of Directors and Employees, (ii) providing incentives to such Directors and Employees by means of performance-related Awards to achieve short-term and long-term performance goals, (iii) providing Directors and Employees an opportunity to participate in the growth and financial success of the Company, and (iv) promoting the growth and success of the Company’s business by aligning the financial interests of Directors and Employees with that of the other stockholders of the Company. Toward these objectives, the Plan provides for the grant of Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long Term Performance Awards and other Stock-Based Awards.

1.2 *Effective Dates; Shareholder Approval.* The Plan was originally effective June 29, 2007. The Plan has been amended and restated from time to time since its original effective date. The Plan was most recently approved by shareholders on March 8, 2017 to provide for the issuance of additional shares under the Plan, and to make certain technical revisions and improvements. This amended and restated Plan was adopted by the Board of Directors of the Company on September 17, 2020 for the purpose of adding certain administrative amendments relating to the vesting and/or forfeiture of Awards.

ARTICLE II
DEFINITIONS

For purposes of the Plan, the following terms have the following meanings, unless another definition is clearly indicated by particular usage and context, and except as otherwise provided in an Award Certificate:

“*Acquired Company*” means any business, corporation or other entity acquired by the Company or any Subsidiary.

“*Acquired Grantee*” means the grantee of a stock-based award of an Acquired Company and may include a current or former Director of an Acquired Company.

“*Annual Performance Bonus*” means an Award of cash or Shares granted under Section 4.4 that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures.

“*Award*” means any form of incentive or performance award granted under the Plan, whether singly or in combination, to a Participant by the Committee pursuant to any terms and conditions that the Committee may establish and set forth in the applicable Award Certificate. Awards granted under the Plan may consist of:

- (a) “*Stock Options*” awarded pursuant to Section 4.3;
- (b) “*Stock Appreciation Rights*” awarded pursuant to Section 4.3;
- (c) “*Annual Performance Bonuses*” awarded pursuant to Section 4.4;
- (d) “*Long Term Performance Awards*” awarded pursuant to Section 4.5;
- (e) “*Other Stock-Based Awards*” awarded pursuant to Section 4.6;
- (f) “*Director Awards*” awarded pursuant to Section 4.7; and
- (g) “*Substitute Awards*” awarded pursuant to Section 4.8.

“*Award Certificate*” means the document issued, either in writing or through an electronic medium, by the Committee or its designee to a Participant evidencing the grant of an Award.

“*Board*” means the Board of Directors of the Company.

“*Cause*” means misconduct that is willfully or wantonly harmful to the Company or any of its Subsidiaries, monetarily or otherwise, including, without limitation, conduct that violates the Company’s Code of Ethical Conduct.

“*Change in Control*” means the first to occur of any of the following events:

(a) any “person” (as defined in Section 13(d) and 14(d) of the Exchange Act, excluding for this purpose, (i) the Company or any Subsidiary or (ii) any employee benefit plan of the Company or any Subsidiary (or any person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan that acquires beneficial ownership of voting securities of the Company), is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act) directly or indirectly of securities of the Company representing more than 30 percent of the combined voting power of the Company’s then outstanding securities; provided, however, that no Change in Control will be deemed to have occurred as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company; or

(b) persons who, as of the Effective Date constitute the Board (the “Incumbent Directors”) cease for any reason (including without limitation, as a result of a tender offer, proxy contest, merger or similar transaction) to constitute at least a majority thereof, provided that any person becoming a Director of the Company subsequent to the Effective Date shall be considered an Incumbent Director if such person’s election or nomination for election was approved by a vote of at least 50 percent of the Incumbent Directors; but provided further, that any such person whose initial assumption of office is in connection with an actual or threatened proxy contest relating to the election of members of the Board or other actual or threatened solicitation of proxies or consents (including through the use of any proxy access procedures that are included in the Company’s organizational documents) by or on behalf of a “person” (as defined in Section 13(d) and 14(d) of the Exchange Act) other than the Board, including by reason of agreement intended to avoid or settle any such actual or threatened contest or solicitation, shall not be considered an Incumbent Director; or

(c) consummation of a reorganization, merger or consolidation or sale or other disposition of at least 80 percent of the assets of the Company (a “Business Combination”), in each case, unless, following such Business Combination, all or substantially all of the individuals and entities who were the beneficial owners of outstanding voting securities of the Company immediately prior to such Business Combination beneficially own directly or indirectly more than 50 percent of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, of the company resulting from such Business Combination (including, without limitation, a company which, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the outstanding voting securities of the Company; or

(d) consummation of a complete liquidation or dissolution of the Company;

provided, however, that if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a “Change in Control,” or would change the timing and/or form of any payment of deferred compensation that is subject to Code Section 409A(a)(2) upon a specified date or event occurring after a “Change in Control” or upon a “Change in Control Termination,” then such payment shall not be made, or such change in timing or form of payment shall not occur, unless such “Change in Control” is also a “change in ownership or effective control” of the Company within the meaning of Code Section 409A(a)(2)(A)(v) and applicable regulations and rulings thereunder.

“*Change in Control Termination*” means a Participant’s involuntary termination of employment following a Change in Control under one of the following circumstances:

(a) termination of the Participant's employment by the Company for any reason other than for Cause, Disability or death during the twelve (12) month period immediately following the Change in Control;

(b) termination of the Participant's employment by the Participant after one of the following events that occurs during the twelve (12) month period immediately following the Change in Control:

i. the Company (1) assigns or causes to be assigned to the Participant duties inconsistent in any material respect with his or her position as in effect immediately prior to the Change in Control; (2) makes or causes to be made any material adverse change in the Participant's position, authority, duties or responsibilities; or (3) takes or causes to be taken any other action which, in the reasonable judgment of the Participant, would cause him or her to violate his or her ethical or professional obligations (after written notice of such judgment has been provided by the Participant to the Company and the Company has been given a 15-day period within which to cure such action), or which results in a significant diminution in such position, authority, duties or responsibilities; or

ii. the Company, without the Participant's consent, (1) requires the Participant to relocate to a principal place of employment more than fifty (50) miles from his or her existing place of employment; or (2) reduces the Participant's base salary, annual bonus, or retirement, welfare, stock incentive, perquisite (if any) and other benefits taken as a whole.

provided, however, that none of the events described in this sentence shall constitute a Change in Control Termination unless and until (w) the Participant first notifies the Company in writing describing in reasonable detail the condition which constitutes an event described in this clause (b) within ninety (90) days of its occurrence, (x) the Company fails to cure such condition within thirty (30) days after the Company's receipt of such written notice, (y) notwithstanding such efforts, the condition continues to exist, and (z) the Participant terminates employment within sixty (60) days after the end of such thirty (30)-day cure period.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Committee" means the Management Development and Compensation Committee of the Board or any successor committee or subcommittee of the Board, which committee is comprised solely of two or more persons who are outside directors within the meaning of Section 162(m)(4)(C)(i) of the Code and the applicable regulations and nonemployee directors within the meaning of Rule 16b-3(b)(3) under the Exchange Act.

"Common Stock" means the common stock of the Company, \$.57 (CHF) par value, and such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 5.3.

"Company" means TE Connectivity Ltd., a Swiss company, or any successor thereto.

"Deferred Stock Unit" means a Unit granted under Section 4.6 to acquire Shares upon Termination of Directorship or Termination of Employment, subject to any restrictions that the Committee, in its discretion, may determine.

"Director" means a member of the Board who is a "non-employee director" within the meaning of Rule 16b-3(b)(3) under the Exchange Act.

"Director Shares" means the award of fully-vested Shares to a Director under Section 4.6 as part of the Director's annual compensation, or under such circumstances as are deemed appropriate by the Board.

"Disabled" or "Disability" means the inability of the Director or Employee to perform the material duties pertaining to such Director's directorship or such Employee's employment due to a physical or mental injury, infirmity or incapacity for 180 days (including weekends and holidays) in any 365-day period. The existence or nonexistence of a Disability shall be determined by an independent physician selected by the Company and reasonably acceptable to the Director or Employee. Notwithstanding the above, if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a "Disability" or upon a person becoming "Disabled," or would cause a change in the timing or form of payment of such deferred compensation upon the occurrence of a "Disability" or upon a person becoming "Disabled," then such payment shall not be made, or such change in timing

or form of payment shall not occur, unless such “Disability” or condition of being “Disabled” satisfies the requirements of Code Section 409A(a)(2)(C) and applicable regulations and rulings thereunder.

“*Dividend Equivalent*” means an amount equal to the cash dividend or the Fair Market Value of the stock dividend that would be paid on each Share underlying an Award if the Share were duly issued and outstanding on the date on which the dividend is payable. Dividend Equivalents will not be awarded in connection with stock option or Stock Appreciation Rights Awards.

“*Effective Date*” means September 17, 2020.

“*Employee*” means any individual who performs services as an officer or employee of the Company or a Subsidiary.

“*Exchange Act*” means the United States Securities Exchange Act of 1934, as amended.

“*Exercise Price*” means the price of a Share, as fixed by the Committee, which may be purchased under a Stock Option or with respect to which the amount of any payment pursuant to a Stock Appreciation Right is determined.

“*Fair Market Value*” of a Share means the closing sales price on the New York Stock Exchange (or, if not listed on such exchange, on any other principal securities exchange on which the Common Stock is listed) on the date as of which the determination of Fair Market Value is being made or, if no sale is reported for such day, on the next preceding day on which a sale of Shares was reported. Notwithstanding anything to the contrary herein, the Fair Market Value of a Share will in no event be determined to be less than par value.

“*Fair Market Value Stock Option*” means a Stock Option the Exercise Price of which is fixed by the Committee at a price equal to the Fair Market Value of a Share on the date of grant.

“*GAAP*” means United States generally accepted accounting principles.

“*Incentive Stock Option*” means a Stock Option granted under Section 4.3 that is intended to meet the requirements of Section 422 of the Code and any related regulations and is designated in the Award Certificate to be an Incentive Stock Option.

“*Key Employee*” means an Employee who is a “covered employee” within the meaning of Section 162(m)(3) of the Code.

“*Key Performance Indicator*” means a Performance Measure identified at the business unit level (or other business level) to reflect growth, productivity or quality, as appropriate, for the business’ key initiatives for the Performance Cycle.

“*Long Term Performance Award*” means an Award granted under Section 4.5 that is paid solely on account of the attainment of a specified performance target in relation to one or more Performance Measures or other performance criteria as selected in the discretion of the Committee.

“*Non-Employee Director*” means any member of the Board, elected or appointed, who is not otherwise an Employee of the Company or a Subsidiary. An individual who is elected to the Board at an annual meeting of the stockholders of the Company will be deemed to be a member of the Board as of the date of the meeting.

“*Nonqualified Stock Option*” means any Stock Option granted under Section 4.3 of the Plan that is not an Incentive Stock Option.

“*Other Stock-Based Awards*” means Awards which consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares and are issued under Section 4.6.

“*Participant*” means a Director, Employee or Acquired Grantee who has been granted an Award under the Plan.

“*Performance Cycle*” means, with respect to any Award that vests based on Performance Measures, the period of 12 months or longer over which the level of performance will be assessed.

“*Performance Measure*” means, with respect to any Annual Performance Bonus or Long Term Performance Award, the business criteria selected by the Committee to measure the level of performance of the Company during the Performance Cycle. The Committee may select as the Performance Measure for a Performance Cycle for an Award made to a Key Employee that is intended to be a Qualified Performance-Based Award any one or combination of the following Company measures, as interpreted by the Committee, which measures (to the extent applicable) will be determined in accordance with GAAP and which measures may be defined on an absolute, relative, growth or other appropriate basis as is determined by the Committee and also may be determined at the corporate or business unit/segment level as deemed appropriate by the Committee:

- (a) Net operating profit after taxes;
- (b) Net operating profit after taxes, per Share;
- (c) Return on equity or invested capital;
- (d) Return on assets (including, without limitation, designated assets, net assets employed or net assets);
- (e) Total shareholder return;
- (f) Earnings (including, without limitation, pre-tax earnings, retained earnings, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization);
- (g) Earnings per Share or book value per share;
- (h) Net income or operating income;
- (i) Cash flow (including without limitation, operating cash flow and free cash flow);
- (j) Free cash flow per Share or cash flow return on investment;
- (k) Revenue (or any component thereof);
- (l) Key Performance Indicator
- (m) Return on sales, sales, sales per dollar of assets, sales per employee;
- (n) Economic value added;
- (o) Expenses or reductions in costs or debt; or
- (p) Achievements relating to asset management, environmental health and/or safety goals, regulatory achievements, recruiting or maintaining key personnel, customer growth, research and development activities, strategic sustainability metrics, mergers, acquisitions, dispositions or similar business transactions, business or operating goals such as market share, business development and/or customer objectives.

The Committee may specify that Performance Measures may include adjustments to include or exclude the effects of certain events, including any of the following events: the impairment of tangible or intangible assets; asset write-downs; litigation or claim judgments or settlements; acquisitions or divestitures; gains or losses on the sale of assets; severance, contract termination and other costs relating to certain business activities; gains or losses from the disposition of businesses or assets or from the early extinguishment of debt; foreign exchange gains and/or losses; changes in tax law, accounting principles, accounting estimates or other such laws or provisions affecting reported results; the effect of any statements issued by the Financial Accounting Standards Board or its committees; business combinations, reorganizations and/or restructuring programs, including, but not limited to reductions in force and early retirement incentives; currency fluctuations; any unusual, infrequent or non-recurring items, including, but

not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company's annual report for the applicable period; and expenses related to goodwill and other intangible assets, stock offerings, stock repurchases and loan loss provisions. In addition, if the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Performance Measures unsuitable, the Committee may in its discretion modify such Performance Measures or the related level or levels of achievement, in whole or in part, as the Committee deems appropriate and equitable, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

"Performance Unit" means a Long Term Performance Award denominated in dollar Units.

"Plan" means the TE Connectivity Ltd. 2007 Stock and Incentive Plan (Amended and Restated as of September 17, 2020), as it may be amended from time to time.

"Premium-Priced Stock Option" means a Stock Option the Exercise Price of which is fixed by the Committee at a price that exceeds the Fair Market Value of a Share on the date of grant.

"Qualified Performance-Based Compensation" means any Annual Performance Bonus, Long Term Performance Award or Performance Units to a Key Employee that is intended to satisfy the requirements for "qualified performance-based compensation" under Section 162(m) of the Code.

"Reporting Person" means a Director or an Employee who is subject to the reporting requirements of Section 16(a) of the Exchange Act.

"Restricted Stock" means Shares issued pursuant to Section 4.6 that are subject to any restrictions that the Committee, in its discretion, may impose.

"Restricted Unit" means a Unit granted under Section 4.6 to acquire Shares or an equivalent amount in cash, which Unit is subject to any restrictions that the Committee, in its discretion, may impose.

"Retirement" or *"Retired"* means (i) with respect to an Award issued prior to the Effective Date, Termination of Employment on or after a Participant has attained age fifty-five (55) and has completed at least five years of service with the Company and its Subsidiaries; and (ii) with respect to an Award issued on or after the Effective Date, Termination of Employment on or after a Participant has attained age 55 and has completed at least five years of service, provided that the sum of the Participant's age and years of service with the Company is 65 or higher.

"Retirement Notice" means a written notice provided by a Participant to the Company of the Participant's Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to the Participant's Termination of Employment as a result of Retirement.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Share" means a share of Common Stock.

"Stock Appreciation Right" means a right granted under Section 4.3 to an amount in cash or Shares equal to any difference between the Fair Market Value of the Shares as of the date on which the right is exercised and the Exercise Price, where the amount of Shares attributable to each Stock Appreciation Right is set forth on or before the grant date.

"Stock-Based Award" means an Award granted under Section 4.6 and denominated in Shares.

"Stock Option" means a right granted under Section 4.3 to purchase from the Company a stated number of Shares at a specified price. Stock Options awarded under the Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options.

“*Subsidiary*” means a subsidiary company (wherever incorporated) of the Company; provided, that in the case of any Award that provides deferred compensation subject to Code Section 409A, “Subsidiary” shall not include any subsidiary company as defined above unless such company is within a controlled group of corporations with the Company as defined in Code Sections 1563(a)(1), (2) and (3) where the phrase “at least 50%” is substituted in each place “at least 80%” appears or is with the Company part of a group of trades or businesses under common control as defined in Code Section 414(c) and Treas. Reg. § 1.414(c)-2 where the phrase “at least 50%” is substituted in each place “at least 80%” appears, provided, however, that when the relevant determination is to be based upon legitimate business criteria (as described in Treas. Reg. § 1.409A-1(b)(5)(iii)(E) and § 1.409A-1(h)(3)), the phrase “at least 20%” shall be substituted in each place “at least 50%” appears as described above with respect to both a controlled group of corporations and trades or business under common control.

“*Target Amount*” means the amount of Performance Units that will be paid if the Performance Measure is fully (100%) attained, as determined by the Committee.

“*Target Vesting Percentage*” means the percentage of performance- based Restricted Units or Shares of Restricted Stock that will vest if the Performance Measure is fully (100%) attained, as determined by the Committee.

“*Termination of Directorship*” means the date of cessation of a Director’s membership on the Board for any reason, with or without Cause, as determined by the Company; provided, that if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a Termination of Directorship or would change the timing and/or form of any payment of deferred compensation that is subject to Code Section 409A(a)(2) upon a person’s Termination of Directorship, then such payment shall not be made, or such change in timing and/or form of payment shall not occur, unless such Termination of Directorship would be deemed a “separation from service” within the meaning of Code Section 409A(a)(2)(A)(i) and applicable regulations and rulings thereunder, and shall not include any services provided in the capacity of an employee or otherwise.

“*Termination of Employment*” means the date of cessation of an Employee’s employment relationship with the Company or a Subsidiary for any reason, with or without Cause, as determined by the Company; provided, that if and to the extent that any provision of this Plan or an Award Certificate would cause a payment of deferred compensation that is subject to Code Section 409A(a)(2) to be made upon the occurrence of a Termination of Employment or would change the timing and/or form of any payment of deferred compensation that is subject to Code Section 409A(a)(2) upon a person’s Termination of Employment, then such payment shall not be made or such change in timing and/or form of payment shall not occur, unless such Termination of Employment would be deemed a “separation from service” within the meaning of Code Section 409A(a)(2)(A)(i) and applicable regulations and rulings thereunder. Effective December 2, 2015, for purposes of the Plan, a Termination of Employment will not be deemed to have occurred in the case of an Employee who has terminated the employment relationship with the Company but continues to provide services to the Company as a member of the Board in a non-executive board position. In such case, the Employee’s termination date for purposes of the vesting, exercise and other applicable provisions of the Plan shall mean the Termination of Directorship.

“*Unit*” means, for purposes of Performance Units, the potential right to an Award equal to a specified amount denominated in such form as is deemed appropriate in the discretion of the Committee and, for purposes of Restricted Units or Deferred Stock Units, the potential right to acquire one Share.

ARTICLE III ADMINISTRATION

3.1 *Committee.* The Plan will be administered by the Committee.

3.2 *Authority of the Committee.* The Committee or, to the extent required by applicable law, the Board will have the authority, in its sole and absolute discretion and subject to the terms of the Plan, to:

- (a) Interpret and administer the Plan and any instrument or agreement relating to the Plan;
- (b) Prescribe the rules and regulations that it deems necessary for the proper operation and administration of the Plan, and amend or rescind any existing rules or regulations relating to the Plan;

- (c) Select Employees to receive Awards under the Plan;
- (d) Determine the form of an Award, the number of Shares subject to each Award, all the terms and conditions of an Award, including, without limitation, the conditions on exercise or vesting, the designation of Stock Options as Incentive Stock Options or Nonqualified Stock Options, and the circumstances in which an Award may be settled in cash or Shares or may be cancelled, forfeited or suspended, and the terms of the Award Certificate;
- (e) Determine whether Awards will be granted singly, in combination or in tandem;
- (f) Establish and interpret Performance Measures (or, as applicable, other performance criteria) in connection with Annual Performance Bonuses and Long Term Performance Awards, evaluate the level of performance over a Performance Cycle and certify the level of performance attained with respect to Performance Measures (or other performance criteria, as applicable);
- (g) Except as provided in Section 6.1, waive or amend any terms, conditions, restrictions or limitations on an Award, except that the prohibition on the repricing of Stock Options and Stock Appreciation Rights, as described in Section 4.3(g), may not be waived and further provided that any such waiver or amendment shall either comply with the requirements of Section 409A or preserve any exemption from the application of Code Section 409A;
- (h) Make any adjustments to the Plan (including but not limited to adjustment of the number of Shares available under the Plan or any Award) and any Award granted under the Plan as may be appropriate pursuant to Section 5.3;
- (i) Determine and set forth in the applicable Award Certificate the circumstances under which Awards may be deferred and the extent to which a deferral will be credited with Dividend Equivalents and interest thereon;
- (j) Establish any subplans and make any modifications to the Plan or to Awards made hereunder (including the establishment of terms and conditions not otherwise inconsistent with the terms of the Plan) that the Committee may determine to be necessary or advisable for grants made in countries outside the United States to comply with, or to achieve favorable tax treatment under, applicable foreign laws or regulations;
- (k) Appoint such agents as it shall deem appropriate for proper administration of the Plan; and
- (l) Take any and all other actions it deems necessary or advisable for the proper operation or administration of the Plan.

3.3 Effect of Determinations. All determinations of the Committee (or any applicable delegates) will be final, binding and conclusive on all persons having an interest in the Plan.

3.4 Delegation of Authority. The Board or, if permitted under applicable corporate law, the Committee, in its discretion and consistent with applicable law and regulations, may delegate to the Chief Executive Officer of the Company or any other officer or group of officers as it deems to be advisable, the authority to select Employees to receive an Award and to determine the number of Shares under any such Award, subject to any terms and conditions that the Board or the Committee, as appropriate, may establish. When the Board or the Committee delegates authority pursuant to the foregoing sentence, it will limit, in its discretion, the number of Shares or aggregate value that may be subject to Awards that the delegate may grant. Only the Committee will have authority to grant and administer Awards to Directors, Key Employees and other Reporting Persons or to delegates of the Committee, and to establish and certify Performance Measures.

3.5 Retention of Advisors. The Committee may retain attorneys, consultants, accountants and other advisors, and the Committee, the Company and the officers and directors of the Company may rely upon the advice, opinions or valuations of the advisors retained.

3.6 No Liability. No member of the Committee or any person acting as a delegate of the Committee with respect to the Plan will be liable for any losses resulting from any action, interpretation or construction made in good faith with respect to the Plan or any Award granted under the Plan.

ARTICLE IV AWARDS

4.1 *Eligibility.* All Employees and Directors are eligible to be designated to receive Awards granted under the Plan, except as otherwise provided in this Article IV.

4.2 *Form of Awards.* Awards will be in the form determined by the Committee, in its discretion, and will be evidenced by an Award Certificate. Awards may be granted singly or in combination or in tandem with other Awards.

4.3 *Stock Options and Stock Appreciation Rights.* The Committee may grant Stock Options and Stock Appreciation Rights under the Plan to those Employees whom the Committee may from time to time select, in the amounts and pursuant to the other terms and conditions that the Committee, in its discretion, may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Form.* Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Certificate, be in the form of Incentive Stock Options, Nonqualified Stock Options or a combination of the two. If an Incentive Stock Option and a Nonqualified Stock Option are granted to the same Participant under the Plan at the same time, the form of each will be clearly identified, and they will be deemed to have been granted in separate grants. In no event will the exercise of one Award affect the right to exercise the other Award. Stock Appreciation Rights may be granted either alone or in connection with concurrently or previously granted Nonqualified Stock Options.

(b) *Exercise Price.* The Committee will set the Exercise Price of Fair Market Value Stock Options or Stock Appreciation Rights granted under the Plan at a price that is not less than the Fair Market Value of a Share on the date of grant, subject to adjustment as provided in Section 5.3. The Committee will set the Exercise Price of Premium-Priced Stock Options at a price that is higher than the Fair Market Value of a Share as of the date of grant, provided that such price is no higher than 150 percent of such Fair Market Value. The Exercise Price of Incentive Stock Options will be equal to or greater than 110 percent of the Fair Market Value of a Share as of the date of grant if the Participant receiving the Stock Options owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code. The Exercise Price of a Stock Appreciation Right granted in tandem with a Stock Option will equal the Exercise Price of the related Stock Option. The Committee will set forth the Exercise Price of a Stock Option or Stock Appreciation Right in the Award Certificate. Stock Options granted under the Plan will, at the discretion of the Committee and as set forth in the Award Certificate, be Fair Market Value Stock Options, Premium-Priced Stock Options or a combination of Fair Market Value Stock Options and Premium- Priced Stock Options.

(c) *Term and Timing of Exercise.* Each Stock Option or Stock Appreciation Right granted under the Plan will be exercisable in whole or in part, subject to the following conditions, unless determined otherwise by the Committee:

(i) The Committee will determine and set forth in the Award Certificate the date on which any Award of Stock Options or Stock Appreciation Rights to a Participant may first be exercised. Unless the applicable Award Certificate provides otherwise, a Stock Option or Stock Appreciation Right will become vested and exercisable in equal annual installments over a period of four years beginning immediately after the date on which the Stock Option or Stock Appreciation Right was granted. The right to exercise a Stock Option or Stock Appreciation Right will lapse no later than 10 years after the date of grant (or five years in the case of an Incentive Stock Option granted to an Employee who owns stock possessing more than 10 percent of the total combined voting power of all classes of stock of the Company or any subsidiary or parent corporation of the Company, as defined in Section 424 of the Code), except to the extent necessary to comply with applicable laws outside of the United States or to preserve the tax advantages of the Award outside the United States.

(ii) Unless the applicable Award Certificate provides otherwise, upon the death or Disability of a Participant who has outstanding Stock Options or Stock Appreciation Rights, the unvested Stock Options or Stock Appreciation Rights will become fully vested and will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is three years after the date on which the Participant dies or incurs a Disability.

(iii) With respect to Awards granted prior to the Effective Date, unless the applicable Award Certificate provides otherwise, upon the Retirement of a Participant, a pro rata portion of the Participant's Stock Options and Stock Appreciation Rights will vest so that the total number of vested Stock Options or Stock Appreciation Rights held by the Participant at Termination of Employment (including those that have already vested as of such date) will be equal to (A) the total number of Stock Options or Stock Appreciation Rights originally granted to the Participant under each Award multiplied by (ii) a fraction, the numerator of which is the period of time (in whole months) that have elapsed since the date of grant, and the denominator of which is four years (or such other applicable vesting term as is set forth in the Award Certificate). With respect to Awards granted on or after the Effective Date, unless the applicable Award Certificate provides otherwise, upon the Retirement of a Participant, provided that the Participant has provided Retirement Notice in the case of a voluntary Termination of Employment relating to Retirement, the Participant's Stock Options and Stock Appreciation Rights will continue to vest under the terms and conditions of the Stock Option and Stock Appreciation Right following the Termination of Employment to the same extent the Participant would have vested had the Participant not had a Termination of Employment, provided that the Participant continues to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of the Termination of Employment with respect to such continued vesting. Unless the Award Certificate provides otherwise, such Participant's Stock Options and Stock Appreciation Rights will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is three years after the date of Termination of Employment (or, for Awards granted on or after the Effective Date in the case of Retirement, five years after Termination of Employment).

(iv) Upon the Termination of Employment of a Participant that does not meet the requirements of paragraphs (ii) or (iii) above, or as otherwise provided in Section 5.4 (Change in Control), any unvested Stock Options or Stock Appreciation Rights will be forfeited unless the Award Certificate provides otherwise. Any Stock Options or Stock Appreciation Rights that are vested as of such Termination of Employment will lapse, and will not thereafter be exercisable, upon the earlier of (A) their original expiration date or (B) the date that is ninety (90) days after the date of such Termination of Employment unless the Award Certificate provides otherwise.

(v) Stock Options and Stock Appreciation Rights of a deceased Participant may be exercised only by the estate of the Participant or by the person given authority to exercise the Stock Options or Stock Appreciation Rights by the Participant's will or by operation of law. If a Stock Option or Stock Appreciation Right is exercised by the executor or administrator of a deceased Participant, or by the person or persons to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or the applicable laws of descent and distribution, the Company will be under no obligation to deliver Shares or cash until the Company is satisfied that the person exercising the Stock Option or Stock Appreciation Right is the duly appointed executor or administrator of the deceased Participant or the person to whom the Stock Option or Stock Appreciation Right has been transferred by the Participant's will or by applicable laws of descent and distribution.

(vi) A Stock Appreciation Right granted in tandem with a Stock Option is subject to the same terms and conditions as the related Stock Option and will be exercisable only to the extent that the related Stock Option is exercisable.

(d) *Payment of Exercise Price.* The Exercise Price of a Stock Option must be paid in full when the Stock Option is exercised. Stock certificates will be registered and delivered only upon receipt of payment. Payment of the Exercise Price may be made in cash or by certified check, bank draft, wire transfer, or postal or express money order, provided that the format is approved by the Company or a designated third-party administrator. The Committee, in its discretion may also allow payment to be made by any of the following methods, as set forth in the Award Certificate:

(i) Delivering a properly executed exercise notice to the Company or its agent, together with irrevocable instructions to a broker to deliver to the Company, within the typical settlement cycle for the sale of equity securities on the relevant trading market (or otherwise in accordance with the provisions of Regulation T issued by the Federal Reserve Board), the amount of sale proceeds with respect to the portion of the Shares to be acquired having a Fair Market Value on the date of exercise equal to the sum of the applicable portion of the Exercise Price being so paid;

(ii) Tendering (actually or by attestation) to the Company previously acquired, and that have a Fair Market Value on the day prior to the date of exercise equal to the applicable portion of the Exercise Price being so paid, provided that the Board has specifically approved the repurchase of such Shares (unless such approval is not required by the terms of the bye-laws of the Company) and the Committee has determined that, as of the date of repurchase, the Company is, and after the repurchase will continue to be, able to pay its liabilities as they become due; or

(iii) Provided such payment method has been expressly authorized by the Board or the Committee in advance and subject to any requirements of applicable law and regulations, instructing the Company to reduce the number of Shares that would otherwise be issued by such number of Shares as have in the aggregate a Fair Market Value on the date of exercise equal to the applicable portion of the Exercise Price being so paid.

(e) *Incentive Stock Options.* Incentive Stock Options granted under the Plan will be subject to the following additional conditions, limitations and restrictions:

(i) *Eligibility.* Incentive Stock Options may be granted only to Employees of the Company or a Subsidiary that is a subsidiary or parent corporation of the Company, within the meaning of Section 424 of the Code.

(ii) *Timing of Grant.* No Incentive Stock Option will be granted under the Plan after March 7, 2027.

(iii) *Amount of Award.* Subject to Section 5.3, no more than 10 million Shares may be available for grant in the form of Incentive Stock Options. The aggregate Fair Market Value (as of the date of grant) of the Shares with respect to which the Incentive Stock Options awarded to any Employee first become exercisable during any calendar year may not exceed \$100,000 (U.S.). For purposes of this \$100,000 (U.S.) limit, the Employee's Incentive Stock Options under this Plan and all other plans maintained by the Company and its Subsidiaries will be aggregated. To the extent any Incentive Stock Option would exceed the \$100,000 (U.S.) limit, the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option for all purposes to the extent required by the Code and underlying regulations and rulings.

(iv) *Timing of Exercise.* If the Committee exercises its discretion in the Award Certificate to permit an Incentive Stock Option to be exercised by a Participant more than three months after the Participant has ceased being an Employee (or more than 12 months if the Participant is permanently and totally disabled, within the meaning of Section 22(e) of the Code), the Incentive Stock Option will afterwards be treated as a Nonqualified Stock Option to the extent required by the Code and underlying regulations and rulings. For purposes of this paragraph (iv), an Employee's employment relationship will be treated as continuing intact while the Employee is on military leave, sick leave or another approved leave of absence if the period of leave does not exceed 90 days, or a longer period to the extent that the Employee's right to reemployment with the Company or a Subsidiary is guaranteed by statute or by contract. If the period of leave exceeds 90 days and the Employee's right to reemployment is not guaranteed by statute or contract, the employment relationship will be deemed to have ceased on the 91st day of the leave.

(v) *Transfer Restrictions.* In no event will the Committee permit an Incentive Stock Option to be transferred by an Employee other than by will or the laws of descent and distribution, and any Incentive Stock Option awarded under this Plan will be exercisable only by the Employee during the Employee's lifetime.

(f) *Exercise of Stock Appreciation Rights.* Upon exercise of a Participant's Stock Appreciation Rights, the Company will pay cash or Shares or a combination of cash and Shares, in the discretion of the Committee and as described in the Award Certificate. Cash payments will be equal to the excess of the Fair Market Value of a Share on the date of exercise over the Exercise Price, for each Share for which a Stock Appreciation Right was exercised. If Shares are paid for the Stock Appreciation Right, the Participant will receive a number of whole Shares equal to the quotient of the cash payment amount divided by the Fair Market Value of a Share on the date of exercise.

(g) *No Repricing.* Except as otherwise provided in Section 5.3, in no event will the Committee (i) decrease the Exercise Price of a Stock Option or Stock Appreciation Right after the date of grant or (ii) cancel outstanding Stock Options or Stock Appreciation Rights in exchange for a cash payment or for a grant of replacement Stock Options or Stock Appreciation Rights with a lower Exercise Price than that of the replaced Stock Options or Stock Appreciation Rights or other Awards, without first obtaining the approval of the holders of a majority of the Shares who are present in person or by proxy at a meeting of the Company's stockholders and entitled to vote.

4.4 *Annual Performance Bonuses.* The Committee may grant Annual Performance Bonuses under the Plan in the form of cash or Shares to the Reporting Persons and Key Employees that the Committee may from time to time select, in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Performance Cycles.* Annual Performance Bonuses will be awarded in connection with a 12-month (or longer) Performance Cycle, which will be the fiscal year of the Company.

(b) *Eligible Participants.* The Committee will determine the Reporting Persons and Key Employees who will be eligible to receive an Annual Performance Bonus that are Qualified Performance-Based Awards under the Plan within 90 days after the commencement of the relevant Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code).

(c) *Performance Measures; Targets; Award Criteria.*

(i) For Annual Performance Bonuses that are Qualified Performance-Based Awards, within 90 days after the commencement of a Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code), and while the attainment of the Performance Measures remains substantially uncertain, the Committee will fix and establish in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) the Target Amount payable to each Participant; and (C) subject to subsection (d) below, the criteria for computing the amount that will be paid with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on objective factors, that must be attained during the Performance Cycle before any Annual Performance Bonus will be paid and the percentage of the Target Amount that will become payable upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee may, in its discretion, select Performance Measures that measure the performance of the Company or one or more business units, divisions or Subsidiaries of the Company. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(iii) The Committee, in its discretion, may, on a case-by-case basis, modify the amount payable to any Reporting Person or Key Employee with respect to any given Performance Cycle, provided, however, that with respect to Qualified Performance-Based Awards, the amount payable under any such Award may not be increased and no reduction will result in an increase in the amount payable under any Annual Performance Bonus of another Key Employee.

(d) *Payment, Certification.* No Annual Performance Bonus pursuant to a Qualified Performance-Based Award will vest until the Committee certifies in writing the level of performance attained for the Performance Cycle in relation to the applicable Performance Measures.

(e) *Form of Payment.* Annual Performance Bonuses will be paid in cash or Shares. All such Performance Bonuses shall be paid no later than the 15th day of the third month following the end of the calendar year (or, if later, following the end of the Company's fiscal year) in which such Performance Bonuses are no longer subject to a substantial risk of forfeiture (as determined for purposes of Section 409A of the Code), except to the extent that a Participant has elected to defer payment under the terms of a duly authorized deferred compensation arrangement in which case the terms of such arrangement shall govern.

(f) *Section 162(m) of the Code.* It is the intent of the Company that Annual Performance Bonuses that are Qualified Performance-Based Awards satisfy the requirements for "performance-based compensation" for purposes of Section 162(m) of the Code, that this Section 4.4 be interpreted in a manner that permits such Awards to satisfy the applicable requirements of Section 162(m)(C) of the Code and related regulations, and that the Plan be operated so that the Company may take a full tax deduction for Annual Performance Bonuses that are Qualified Performance-

Based Awards. If any provision of this Plan or any Annual Performance Bonus would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

(g) *Retirement, Death, Disability and Other Events.* Unless otherwise determined by the Committee, if a Participant would be entitled to an Annual Performance Bonus but for the fact that the Participant's employment with the Company terminated prior to the end of the Performance Cycle as a result of the Participant's Retirement, death or Disability, or such other event as designated by the Committee, the Participant may, in the Committee's discretion, receive an Annual Performance Bonus Award, pro rated for the portion of the Performance Cycle that the Participant completed and which is payable at the same time after the end of the Performance Cycle that payments to other Annual Performance Bonus Award recipients are made.

4.5 *Long Term Performance Awards.* The Committee may grant Long Term Performance Awards under the Plan in the form of Performance Units, Restricted Units or Restricted Stock to any Employee who the Committee may from time to time select, in the amounts and pursuant to the terms and conditions that the Committee may determine and set forth in the Award Certificate, subject to the provisions below:

(a) *Performance Cycles.* Long Term Performance Awards will be awarded in connection with a Performance Cycle, as determined by the Committee in its discretion, provided, however, that a Performance Cycle may be no shorter than 12 months and no longer than 5 years.

(b) *Eligible Participants.* The Committee will determine the Employees who will be eligible to receive a Long Term Performance Award for the Performance Cycle that are Qualified Performance-Based Awards within 90 days after the commencement of the relevant Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code), provided that the Committee may determine the eligibility of a Participant who receives a Long Term Performance Award for the Performance Cycle that is not a Qualified Performance-Based Award after the expiration of the 90-day period.

(c) *Performance Measures; Targets; Award Criteria.*

(i) For Long Term Performance Awards that are Qualified Performance-Based Awards, within 90 days after the commencement of a Performance Cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m) of the Code), and while the attainment of the Performance Measures remains substantially uncertain, the Committee will fix and establish in writing (A) the Performance Measures that will apply to that Performance Cycle; (B) with respect to Performance Units, the Target Amount payable to each Participant; (C) with respect to Restricted Units and Restricted Stock, the Target Vesting Percentage for each Participant; and (D) subject to subsection (d) below, the criteria for computing the amount that will be paid or will vest with respect to each level of attained performance. The Committee will also set forth the minimum level of performance, based on objective factors, that must be attained during the Performance Cycle before any Long Term Performance Award will be paid or vest, and the percentage of Performance Units that will become payable and the percentage of performance-based Restricted Units or Shares of Restricted Stock that will vest upon attainment of various levels of performance that equal or exceed the minimum required level.

(ii) The Committee may, in its discretion, select Performance Measures that measure the performance of the Company or one or more business units, divisions or Subsidiaries of the Company. The Committee may select Performance Measures that are absolute or relative to the performance of one or more comparable companies or an index of comparable companies.

(iii) The Committee, in its discretion, may, on a case-by-case basis, modify the amount of Long Term Performance Awards payable to any Key Employee with respect to any given Performance Cycle, provided, however, that with respect to Qualified Performance-Based Awards, the amount payable under any such Award may not be increased and no reduction will result in an increase in the dollar amount or number of Shares payable under any Long Term Performance Award of another Key Employee.

(iv) With respect to a Long Term Performance Award (or any portion thereof) that is not a Qualified Performance-Based Award, the Committee may establish, in its discretion, performance criteria other than the Performance Measures that will be applicable for the Performance Cycle.

(d) *Payment, Certification.* No Long Term Performance Award granted pursuant to a Qualified Performance-Based Award will vest with respect to any Employee until the Committee certifies in writing the level of performance attained for the Performance Cycle in relation to the applicable Performance Measures. Long Term Performance Awards that are not Qualified Performance-Based will be based on the Performance Measures, or other applicable performance criteria, and payment formulas that the Committee, in its discretion, may establish for these purposes. These Performance Measures, or other performance criteria, and formulas may be the same as or different than the Performance Measures and formulas that apply to Qualified Performance-Based Awards.

(e) *Form of Payment.* Long Term Performance Awards in the form of Performance Units may be paid in cash or full Shares, in the discretion of the Committee, and as set forth in the Award Certificate. Performance-based Restricted Units and Restricted Stock will be paid in full Shares. Payment with respect to any fractional Share will be in cash in an amount based on the Fair Market Value of the Share as of the date the Performance Unit becomes payable. All such Long Term Performance Awards shall be paid no later than the 15th day of the third month following the end of the calendar year (or, if later, following the end of the Company's fiscal year) in which such Long Term Performance Awards are no longer subject to a substantial risk of forfeiture (as determined for purposes of Code Section 409A), except to the extent that a Participant has elected to defer payment under the terms of a duly authorized deferred compensation arrangement, in which case the terms of such arrangement shall govern.

(f) *Section 162(m) of the Code.* It is the intent of the Company that Long Term Performance Awards that are Qualified Performance-Based Awards satisfy the requirements for "performance-based compensation" for purposes of Section 162(m) of the Code, that this Section 4.5 be interpreted in a manner that permits such Awards to satisfy the applicable requirements of Section 162(m)(C) of the Code and related regulations with respect to Long Term Performance awards made to Key Employees, and that the Plan be operated so that the Company may take a full tax deduction for Long Term Performance Awards that are Qualified Performance-Based Awards. If any provision of this Plan or any Long Term Performance Award would otherwise frustrate or conflict with this intent, the provision will be interpreted and deemed amended so as to avoid this conflict.

(g) *Retirement, Death, Disability and Other Events.* Unless the Award Certificate provides otherwise, if a Participant would be entitled to a Long Term Performance Award but for the fact that the Participant's employment with the Company terminated prior to the end of the Performance Cycle as a result of the Participant's Retirement (for any Award granted prior to the Effective Date), death or Disability, or such other event as designated by the Committee, the Participant may, in the Committee's discretion, receive a Long Term Performance Award, prorated for the portion of the Performance Cycle that the Participant completed and payable at the same time after the end of the Performance Cycle that payments to other Long Term Performance Award recipients are made. Unless the Award Certificate provides otherwise, for any Award granted on or after the Effective Date, if a Participant would be entitled to a Long Term Performance Award but for the fact that the Participant's employment with the Company terminated prior to the end of the Performance Cycle as a result of the Participant's Retirement, provided that the Participant has provided Retirement Notice in the case of a voluntary Termination of Employment relating to Retirement, the Long Term Performance Award will continue to vest under the terms and conditions of the Award Certificate following the Termination of Employment to the same extent the Participant would have vested had the Participant not had a Termination of Employment, and such Long Term Performance Award will be payable at the same time after the end of the Performance Cycle that payments to other Long Term Performance Award recipients are made, provided that the Participant continues to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of the Retirement with respect to such continued vesting.

(h) *Dividends and Dividend Equivalents.* In the event of a payment of dividends on Common Stock, the Committee may credit Long Term Performance Awards made under this Section 4.5 with Dividend Equivalents in accordance with terms and conditions established in the discretion of the Committee. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be subject to the same vesting requirements as the underlying Long-Term Performance Award and will become payable or deliverable only to the extent that the underlying Long-Term Performance Award vests and becomes payable or deliverable. In no event will Dividend Equivalents be payable or deliverable prior to the vesting date of the underlying Long-Term Performance Award. The number of any Dividend Equivalents credited to a Participant's Award upon the payment of a dividend on Common Shares will be equal to the quotient produced by dividing the cash value of the dividend by the Fair Market Value of one Share as of the date the dividend is paid.

4.6 *Other Stock-Based Awards.* The Committee may, from time to time, grant Awards (other than Stock Options, Stock Appreciation Rights, Annual Performance Bonuses or Long Term Performance Awards) to any Employee who the Committee may from time to time select, which Awards consist of, or are denominated in, payable in, valued in whole or in part by reference to, or otherwise related to, Shares. These Awards may include, among other forms, Restricted Stock,

Restricted Units, or Deferred Stock Units. The Committee will determine, in its discretion, the terms and conditions that will apply to Awards granted pursuant to this Section 4.6, which terms and conditions will be set forth in the applicable Award Certificate.

(a) *Vesting.* Unless the Award Certificate provides otherwise, restrictions on Stock-Based Awards granted under this Section 4.6 will lapse in equal annual installments over a period of four years beginning immediately after the date of grant. If the restrictions on Stock-Based Awards have not lapsed or been satisfied as of the Participant's Termination of Employment, the Shares will be forfeited by the Participant if the termination is for any reason other than the Retirement, death or Disability of the Participant or a Change in Control, unless as otherwise provided in the Award Certificate. Unless the Award Certificate provides otherwise, (i) all restrictions on Stock-Based Awards granted pursuant to this Section 4.6 will lapse upon the death or Disability of the Participant, (ii) in the event of Retirement for any Award granted prior to the Effective Date, the Award will vest pro rata with respect to the portion of the four-year vesting term (or such other vesting term as is set forth in the Award Certificate) that the Participant has completed as of the Participant's Termination of Employment and provided that the Participant has satisfied all other applicable conditions established by the Committee with respect to such pro rata vesting, (iii) in the event of Retirement for any Award granted on or after the Effective Date, provided that the Participant has provided Retirement Notice in the case of a voluntary Termination of Employment relating to Retirement, the Award will continue to vest under the terms and conditions of the Award Certificate following the Termination of Employment to the same extent the Participant would have vested had the Participant not had a Termination of Employment, provided that the Participant continues to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of Retirement with respect to such continued vesting, and (iv) in the event of a Change in Control, Stock-Based Awards will be treated in accordance with Section 5.4. In no event may the vesting period of a time-based full-value share award be less than three years (on either a cliff or graded vesting basis), except that the Committee may award up to 10 percent of the shares authorized for issuance under Section 5.1 with a vesting period of less than three years under such circumstances as it deems appropriate.

(b) *Grant of Restricted Stock.* The Committee may grant Restricted Stock to any Employee, which Shares will be registered in the name of the Participant and held for the Participant by the Company. The Participant will have all rights of a stockholder with respect to the Shares, including the right to vote and to receive dividends or other distributions, except that the Shares may be subject to a vesting schedule and will be forfeited if the Participant attempts to sell, transfer, assign, pledge or otherwise encumber or dispose of the Shares before the restrictions are satisfied or lapse.

(c) *Grant of Restricted Units.* The Committee may grant Restricted Units to any Employee, which Units will be paid in cash or whole Shares or a combination of cash and Shares, as determined in the discretion of the Committee. The Committee will determine the terms and conditions applicable to the grant of Restricted Units, which terms and conditions will be set forth in the Award Certificate. For each Restricted Unit that vests, one Share will be paid or an amount in cash equal to the Fair Market Value of a Share, as set forth in the Award Certificate, will be delivered to the Participant on the applicable delivery date.

(d) *Grant of Deferred Stock Units.* The Committee may grant Deferred Stock Units to any Employee, which Units will be paid in whole Shares upon the Employee's Termination of Employment if the restrictions on the Units have lapsed. One Share will be paid for each Deferred Stock Unit that becomes payable.

(e) *Dividends and Dividend Equivalents.* In the event of a payment of dividends on Common Stock, the Committee may credit Other Stock-Based Awards made under this Section 4.6 with Dividend Equivalents in accordance with terms and conditions established in the discretion of the Committee. Unless otherwise provided in the applicable Award Certificate, Dividend Equivalents will be subject to the same vesting requirements as the underlying Other Stock-Based Award and will become payable or deliverable only to the extent that the underlying Other Stock-Based Award vests and becomes payable or deliverable. In no event will Dividend Equivalents be payable or deliverable prior to the vesting date of the underlying Other Stock-Based Award. The number of any Dividend Equivalents credited to a Participant's Award upon the payment of a dividend on Common Shares will be equal to the quotient produced by dividing the cash value of the dividend by the Fair Market Value of one Share as of the date the dividend is paid.

4.7 Director Awards.

(a) The Committee may grant Deferred Stock Units to each Director in such an amount as the Board, in its discretion, may approve in advance. Each such Deferred Stock Unit will vest as determined by the Committee and set forth in the Award Certificate and will be paid in Shares within 30 days following the recipient's Termination of Directorship, subject to deferral under any applicable deferred compensation plan approved by the Committee, in which case the terms of such arrangement shall govern. Dividend Equivalents or additional Deferred Stock Units will be credited to each Director's

account when dividends are paid on Common Stock to the shareholders, and will be paid to the Director at the same time that the Deferred Stock Units are paid to the Director.

(b) The Committee may grant Director Shares to each Director in such amounts as the Board, in its discretion, may approve in advance.

(c) The Committee may, in its discretion, grant Stock Options, Stock Appreciation Rights and other Stock-Based Awards to Directors.

4.8 *Substitute Awards.* The Committee may make Awards under the Plan to Acquired Grantees through the assumption of, or in substitution for, outstanding stock-based awards previously granted to such Acquired Grantees by the Acquired Company. Such assumed or substituted Awards will be subject to the terms and conditions of the original awards made by the Acquired Company, with such adjustments therein as the Committee considers appropriate to give effect to the relevant provisions of any agreement for the acquisition of the Acquired Company, provided that any such adjustment with respect to Nonqualified Stock Options and Stock Appreciation Rights shall satisfy the requirements of Treas. Reg. § 1.409A-1(b)(5)(v)(D) and otherwise ensure that such awards continue to be exempt from Code Section 409A and provided that any adjustment to Awards that are subject to Code Section 409A is in compliance with Code Section 409A and the regulations and rulings thereunder. Any grant of Incentive Stock Options pursuant to this Section 4.8 will be made in accordance with Section 424 of the Code and any final regulations published thereunder.

4.9 *Limit on Individual Grants.* Subject to Sections 5.1 and 5.3, no Employee may be granted more than 6 million Shares over any calendar year pursuant to Awards of Stock Options, Stock Appreciation Rights and performance-based Restricted Stock and performance-based Restricted Units, except that an incentive Award of no more than 10 million Shares may be made pursuant to Stock Options, Stock Appreciation Rights, performance-based Restricted Stock and performance-based Restricted Units (based upon the Award level as of the date of grant) to any person who has been hired within the calendar year as a Key Employee. The maximum amount that may be paid in cash or Shares pursuant to Annual Performance Bonuses or Long Term Performance Awards paid in Performance Units to any one Employee is \$10 million (U.S.) (based upon the Award level as of the date of grant) for any Performance Cycle of 12 months. For any longer Performance Cycle, this maximum will be adjusted proportionally.

4.10 *Termination for Cause; Clawback.* (a) Notwithstanding anything to the contrary herein, if a Participant incurs a Termination of Directorship or Termination of Employment for Cause, then all Stock Options, Stock Appreciation Rights, Annual Performance Bonuses, Long Term Performance Awards, Restricted Units, Restricted Stock and other Stock-Based Awards are subject to immediate cancellation at the discretion of the Company. The exercise of any Stock Option or Stock Appreciation Right or the payment of any Award may be delayed, in the Company's discretion, in the event that a potential termination for Cause is pending, subject to ensuring an exemption from or compliance with Code Section 409A and the underlying regulations and rulings. If a Participant incurs a Termination of Employment for Cause, or the Company becomes aware (after the Participant's Termination of Employment) of conduct on the part of the Participant that would be grounds for a Termination of Employment for Cause, then, as determined in the discretion of the Company, the Participant will be required to deliver to the Company (i) Shares (or, in the discretion of the Committee, cash) in an amount that is equal in value to the amount of any profit the Participant realized upon the exercise of an Option during the period beginning six (6) months prior to the Participant's Termination of Employment and ending on the later of two (2) year anniversary of such Termination of Employment and the date you fully exercised any stock option granted hereunder; and (ii) the number of Shares (or, in the discretion of the Committee, the cash value of said shares) the Participant received for Restricted Shares, Restricted Units or other Stock-Based Awards that vested during the period described in (i) above.

(b) In addition, any Award Certificate (or any part thereof) may provide for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Committee in accordance with any Company claw-back or forfeiture policy, as may be amended from time to time, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to awards and recovery of amounts relating thereto. By accepting Awards under the Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any award or amount paid under this Plan subject to claw-back pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any award or amounts paid under this Plan from a Participant's accounts, or pending or future compensation awards.

ARTICLE V
SHARES SUBJECT TO THE PLAN; ADJUSTMENTS

5.1 *Shares Available.* The Shares issuable under the Plan will be authorized but unissued Shares, and, to the extent permissible under applicable law, Shares acquired by the Company, any Subsidiary or any other person or entity designated by the Company. The shareholders of the Company have authorized for issuance the following number of Shares:

- (a) June 29, 2007: five percent (5%) of the Shares outstanding as of that date;
- (b) March 10, 2010: an additional fifteen million (15,000,000) Shares;
- (c) March 7, 2012: an additional twenty million (20,000,000) Shares; and
- (d) March 8, 2017: an additional ten million (10,000,000) Shares, subject to adjustment in accordance with Section 5.3.

No more than 10 million Shares of the total Shares issuable under the Plan may be available for grant in the form of Incentive Stock Options, subject to adjustment in accordance with Section 5.3. Notwithstanding anything to the contrary in this Section 5.1, (i) when Shares are issued pursuant to a grant of Stock Options or Stock Appreciation Rights, the total number of Shares remaining available for grant will be decreased by one per Share issued, and (ii) when Shares are issued pursuant to a grant of Restricted Stock, Restricted Units, Deferred Stock Units, Performance Units or as payment of an Annual Performance Bonus or other Stock-Based Award, the total number of Shares remaining available for grant will be decreased by a margin of at least 1.8 per Share issued. In addition, in the case of the settlement of any stock-settled Stock Appreciation Right, the total number of Shares available for grant will be decreased by the total number of Shares underlying the Award, regardless of the number of Shares used to the Stock Appreciation Right on the day of settlement.

5.2 *Counting Rules.* The following Shares related to Awards under this Plan may again be available for issuance under the Plan, in addition to the Shares described in Section 5.1:

- (a) Shares related to Awards paid in cash;
- (b) Shares related to Awards that expire, are forfeited or cancelled or terminate for any other reason without issuance of Shares, and provided that each such forfeited, cancelled or terminated Share that was originally issued pursuant to a grant of Restricted Stock, Restricted Units, Deferred Stock Units, Performance Units or as payment of an Annual Performance Bonus or other Stock- Based Award shall be counted as 1.8 Shares;
- (c) Any Shares issued in connection with Awards that are assumed, converted or substituted as a result of the acquisition of an Acquired Company by the Company or a combination of the Company with another company; and
- (d) Any Shares of Restricted Stock that are returned to the Company upon a Participant's Termination of Employment.

Shares that are (i) tendered by a Participant or withheld by the Company in payment of the exercise, base or purchase price relating to an Award, (ii) tendered by the Participant or withheld by the Company to satisfy any taxes or tax withholding obligations with respect to an Award, or (iii) not issued or delivered as a result of the net settlement of an outstanding Stock Option or Stock Appreciation Right under the Plan, as applicable, will not be available for future Awards under the Plan.

5.3 *Adjustments.* In the event of a change in the outstanding Shares by reason of a stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities or similar corporate transaction or event, the Committee shall make an appropriate adjustment to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. Any such adjustment with respect to Nonqualified Stock Options and Stock Appreciation Rights shall satisfy the requirements of Treas. Reg. § 1.409A-1(b)(5)(v)(D) and otherwise ensure that such awards continue to be exempt from Code Section 409A, and any adjustment to Awards that are subject to Code Section 409A shall comply with Code Section 409A and the regulations and rulings thereunder. Any adjustment made by the Committee under this Section 5.3 will be conclusive and binding for all purposes under the Plan.

5.4 Change in Control.

(a) Unless otherwise provided under the terms of an applicable Award Certificate, (i) all outstanding Stock Options and Stock Appreciation Rights will become exercisable as of the effective date of a Participant's Change in Control Termination if the Awards are not otherwise vested, and all conditions will be waived with respect to outstanding Restricted Stock, Restricted Units and other Stock-Based Awards (other than Long Term Performance Awards) and Deferred Stock Units, and (ii) each Participant who has been granted an Annual Performance Bonus or Long Term Performance Award that is outstanding as of the date of such Participant's Change in Control Termination will be deemed to have achieved a level of performance, as of the Change in Control Termination, that would cause all (100%) of the Participant's Target Amounts to become payable, except with respect to portions of the Bonus or Award that have already been determined and certified by the Committee, in which case those portions of the Bonus or Award will become payable at the certified performance level. Unless the Committee determines otherwise in its discretion (either when the award is granted or any time thereafter), in the event that Awards outstanding as of the date of a Change in Control that are payable in shares of Company Common Stock will not be substituted with comparable awards payable or redeemable in shares of publicly-traded stock after the Change in Control, each such outstanding Award (i) will become fully vested (at target, where applicable) immediately prior to the Change in Control and (ii) each such Award that is a Stock Option will be settled in cash, without the Participant's consent, for an amount equal to the amount that could have been attained upon the exercise of such Award immediately prior to the Change in Control had such Award been exercisable or payable at such time.

(b) In addition to or in lieu of the other actions described in Section 5.4(a), the Committee has the authority in the event of a Change in Control to exercise its discretion in good faith to take such other actions with respect to outstanding Awards as are deemed reasonable and appropriate under the circumstances to assure that the value of such Awards and Participants' opportunities to recognize the value of such Awards are preserved. Such actions may be taken without the consent of the Participant and may include without limitation the following: (i) the Committee may determine that outstanding Stock Options and Stock Appreciation Rights shall be fully exercisable, and restrictions on Restricted Stock, Restricted Units, Deferred Stock Units and other Stock-Based Awards shall lapse, as of the date of the Change in Control or such other time (prior to a Participant's Change in Control Termination) as the Committee determines appropriate under the existing circumstances, (ii) the Committee may require that a Participant surrender outstanding Stock Options and Stock Appreciation Rights in exchange for one or more payments by the Company, in cash or Common Stock as determined by the Committee, in an amount equal to the amount by which the then Fair Market Value of the shares of Common Stock subject to the Participant's unexercised Stock Options and Stock Appreciation Rights exceeds the exercise price, if any, and on such terms as the Committee determines (it being understood that if the per share Fair Market Value is less than or equal to the per share exercise price, the Stock Option or Stock Appreciation Right, as applicable, shall be cancelled for no consideration), (iii) after giving Participants an opportunity to exercise their outstanding Stock Options and Stock Appreciation Rights, the Committee may terminate any or all unexercised Stock Options and Stock Appreciation Rights at such time as the Committee deems appropriate, (iv) the Committee may determine that Annual Performance Bonuses and/or Long Term Performance Awards will be paid out at their target level, in cash or Common Stock as determined by the Committee, or (v) the Committee may determine that Awards that remain outstanding after the Change in Control shall be converted to similar grants of, or assumed by, the surviving corporation (or a parent or subsidiary of the surviving corporation or successor). Such acceleration, surrender, termination, settlement or conversion shall take place as of the date of the Change in Control or such other date as the Committee may specify. The Committee may specify how an Award will be treated in the event of a Change in Control either when the Award is granted or at any time thereafter, including without limitation by approval of language included in an agreement entered into by the Company in connection with a Change in Control, except as otherwise provided herein.

5.5 Fractional Shares. No fractional Shares will be issued under the Plan. Except as otherwise provided in Section 4.5(e), if a Participant acquires the right to receive a fractional Share under the Plan, the Participant will receive, in lieu of the fractional Share, a full Share as of the date of settlement, unless otherwise provided by the Committee.

ARTICLE VI AMENDMENT AND TERMINATION

6.1 *Amendment.* The Plan may be amended at any time and from time to time by the Board without the approval of stockholders of the Company, except that no material revision to the terms of the Plan will be effective until the amendment is approved by the stockholders of the Company. A revision is “material” for this purpose if, among other changes, it materially increases the number of Shares that may be issued under the Plan (other than an increase pursuant to Section 5.3), expands the types of Awards available under the Plan, materially expands the class of persons eligible to receive Awards under the Plan, materially extends the term of the Plan, materially decreases the Exercise Price at which Stock Options or Stock Appreciation Rights may be granted, reduces the Exercise Price of outstanding Stock Options or Stock Appreciation Rights, or results in the replacement of outstanding Stock Options and Stock Appreciation Rights with new Awards that have an Exercise Price that is lower than the Exercise Price of the replaced Stock Options and Stock Appreciation Rights, or if approval by stockholders of the Company is necessary to comply with any applicable law, tax or regulatory requirement, or listing requirement of the New York Stock Exchange or any other national exchange on which the Shares are listed, for which or with which the Board deems it necessary or desirable to qualify or comply. No amendment of the Plan or any outstanding Award made without the Participant’s written consent may materially impact any right of a Participant with respect to an outstanding Award.

6.2 *Termination.* The Plan will terminate upon the earlier of the following dates or events to occur:

- (a) the adoption of a resolution of the Board terminating the Plan; or
- (b) June 27, 2027.

No Awards will be granted under this Plan after it has terminated. The termination of the Plan, however, will not alter or impair any of the rights or obligations of any person under any Award previously granted under the Plan without such person’s consent. After the termination of the Plan, any previously granted Awards will remain in effect and will continue to be governed by the terms of the Plan and the applicable Award Certificate.

ARTICLE VII GENERAL PROVISIONS

7.1 *Nontransferability of Awards.* Effective March 8, 2017, no Award under the Plan (regardless of when granted) will be subject in any manner to alienation, anticipation, sale, assignment, pledge, encumbrance or transfer, and no other persons will otherwise acquire any rights therein, except by will or by the laws of descent or distribution. Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered, provided, however, that Restricted Stock awarded to an affiliate of the Company may be transferred only pursuant to Rule 144 under the Securities Act, or pursuant to an effective registration for resale under the Securities Act. For purposes of this subsection (d), “affiliate” will have the meaning assigned to that term under Rule 144.

7.2 *Withholding of Taxes.* The Committee, in its discretion, may satisfy a Participant’s tax withholding obligations by any of the following methods or any method as it determines to be in accordance with the laws of the jurisdiction in which the Participant resides, has domicile or performs services.

(a) *Stock Options and Stock Appreciation Rights.* As a condition to the delivery of Shares pursuant to the exercise of a Stock Option or Stock Appreciation Right, the Committee may require that the Participant, at the time of exercise, pay to the Company by cash, certified check, bank draft, wire transfer or postal or express money order an amount sufficient to satisfy any applicable tax withholding obligations. The Committee may also, in its discretion, accept payment of tax withholding obligations through any of the Exercise Price payment methods described in Section 4.3(d).

(b) *Other Awards Payable in Shares.* The Participant shall satisfy the Participant’s tax withholding obligations arising in connection with the release of restrictions on Restricted Units, Restricted Stock and other Stock- Based Awards by payment to the Company in cash or by certified check, bank draft, wire transfer or postal or express money order, provided that the format is approved by the Company or a designated third-party administrator. However, subject to any requirements of applicable law, the Company may also satisfy the Participant’s tax withholding obligations by other methods, including selling or withholding Shares that would otherwise be available for delivery, provided that the Board or the Committee has specifically approved such payment method in advance.

(c) *Cash Awards.* The Company may satisfy a Participant's tax withholding obligation arising in connection with the payment of any Award in cash by withholding cash from such payment.

7.3 Special Forfeiture Provision. The Committee may, in its discretion, provide in an Award Certificate that if the Participant engages in acts that are deemed to be detrimental to the best interests of the Company, including without limitation, (i) any breach of the Company's Guide to Ethical Conduct or engagement in any other act that could result in the Participant's Termination of Employment for Cause, or (ii) the Participant's engagement in activities that are deemed to be competitive or potentially competitive to the interests of the Company or any Subsidiary, including entering into any employment or consultation arrangement with any entity or person engaged in any business in which the Company or any Subsidiary is engaged without prior written approval of the Company if, in the sole judgment of the Company, the business is competitive with the Company or any Subsidiary or business unit or such employment or consultation arrangement would present a risk that the Participant would likely disclose Company proprietary information (as determined by the Company), then the Participant's outstanding Awards can be forfeited and any profits realized or Shares delivered as a result of the payment, vesting or exercise of Awards before or after the Participant's Termination of Employment will be subject to forfeiture and reimbursement to the Company under such terms and conditions as are deemed appropriate by the Committee.

7.4 No Implied Rights. The establishment and operation of the Plan, including the eligibility of a Participant to participate in the Plan, will not be construed as conferring any legal or other right upon any Director for any continuation of directorship or any Employee for the continuation of employment through the end of any Performance Cycle or other period. The Company expressly reserves the right, which may be exercised at any time and in the Company's sole discretion, to discharge any individual or treat him or her without regard to the effect such discharge might have upon him or her as a Participant in the Plan.

7.5 No Obligation to Exercise Awards. The grant of a Stock Option or Stock Appreciation Right will impose no obligation upon the Participant to exercise the Award.

7.6 No Rights as Stockholders. A Participant who is granted an Award under the Plan will have no rights as a stockholder of the Company with respect to the Award unless and until certificates for the Shares underlying the Award are registered in the Participant's name and (other than in the case of Restricted Stock) delivered to the Participant. The right of any Participant to receive an Award by virtue of participation in the Plan will be no greater than the right of any unsecured general creditor of the Company.

7.7 Indemnification of Committee. The Company will indemnify, to the fullest extent permitted by law, each person made or threatened to be made a party to any civil or criminal action or proceeding by reason of the fact that the person, or the executor or administrator of the person's estate, is or was a member of the Committee or a delegate of the Committee.

7.8 No Required Segregation of Assets. Neither the Company nor any Subsidiary will be required to segregate any assets that may at any time be represented by Awards granted pursuant to the Plan.

7.9 Nature of Payments. All Awards made pursuant to the Plan are in consideration of services for the Company or a Subsidiary. Any gain realized pursuant to Awards under the Plan constitutes a special incentive payment to the Participant and will not be taken into account as compensation for purposes of any other employee benefit plan of the Company or a Subsidiary, except as the Committee otherwise provides. The adoption of the Plan will have no effect on Awards made or to be made under any other benefit plan covering an employee of the Company or a Subsidiary or any predecessor or successor of the Company or a Subsidiary.

7.10 Securities Law Compliance. Awards under the Plan are intended to satisfy the requirements of Rule 16b-3 under the Exchange Act. If any provision of this Plan or any grant of an Award would otherwise frustrate or conflict with this intent, that provision will be interpreted and deemed amended so as to avoid conflict. No Participant will be entitled to a grant, exercise, transfer or payment of any Award if the grant, exercise, transfer or payment would violate the provisions of the Sarbanes-Oxley Act of 2002 or any other applicable law.

7.11 Section 409A Compliance. To the extent applicable, it is intended that the Plan and all Awards hereunder comply with, or be exempt from, the requirements of Section 409A of the Code and the Treasury Regulations and other guidance issued thereunder, and that the Plan and all Award Agreements shall be interpreted and applied by the Committee in a manner consistent with this intent in order to avoid the imposition of any additional tax under Section 409A of the Code. To the extent any Award granted under the Plan either qualifies for an exemption from the requirements of Section 409A of the Code or is subject to Section 409A of the Code, the Plan and the Award Certificate will be interpreted such that the Award qualifies for an exemption or, if Section 409A of the Code is applicable, in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such

regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan, in the event that the Committee determines that any Award may be subject to Section 409A of the Code, the Committee may adopt such amendments to the Plan and/or the applicable Award Certificate or adopt policies and procedures or take any other action or actions, including an action or amendment with retroactive effect, that the Committee determines is necessary or appropriate to (i) exempt the Award from the application of Section 409A of the Code or (ii) comply with the requirements of Section 409A of the Code. Any Award that provides for a payment to any Participant who is a "specified employee" of deferred compensation that is subject to Code Section 409A(a)(2) and that becomes payable upon, or that is accelerated upon, such Participant's Termination of Employment, shall not be made on or before the date which is six months following such Participant's Termination of Employment (or, if earlier, such Participant's death). A specified employee for this purpose shall be determined by the Committee or its delegate in accordance with the provisions of Code Section 409A and the regulations and rulings thereunder. If a grant under the Plan is subject to Section 409A of the Code, then (i) distributions shall only be made in a manner and upon an event permitted under Section 409A of the Code, (ii) payments to be made upon termination of employment shall only be made upon a "separation from service" under Section 409A of the Code, (iii) unless the grant agreement specifies otherwise, each installment payment shall be treated as a separate payment for purposes of Section 409A of the Code, and (iv) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except as permitted in accordance with Section 409A of the Code. Neither a Participant nor any of a Participant's creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A of the Code) payable under the Plan and grants of deferred compensation hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A of the Code, any deferred compensation (within the meaning of Section 409A of the Code) payable to a Participant or for a Participant's benefit under the Plan and grants of deferred compensation hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its affiliates. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with the Plan and grants hereunder (including any taxes, interest and/or penalties under Section 409A of the Code), and neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes, interest and/or penalties.

7.12 *Governing Law, Severability.* The Plan and all determinations made and actions taken under the Plan will be governed by the law of Switzerland and construed accordingly. If any provision of the Plan is held unlawful or otherwise invalid or unenforceable in whole or in part, the unlawfulness, invalidity or unenforceability will not affect any other parts of the Plan, which parts will remain in full force and effect.

7.13. *Non U.S. Participants.* In order to facilitate the making of any grant or combination of grants under the Plan, the Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, to comply with applicable foreign laws or facilitate the offering and administration of the Plan in view of such foreign laws and to allow for tax-preferred treatment of Awards. Moreover, the Committee may approve such supplements to or amendments, restatements or alternative versions of the Plan (including, without limitation, sub-plans) and modify exercise procedures, and other terms and procedures, as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of the Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as the Plan. No such special terms, supplements, amendments, restatements, sub-plans or modifications, however, will include any provisions that are inconsistent with the terms of the Plan as then in effect unless the Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

**TE Connectivity Ltd.
2007 Stock and Incentive Plan**

**TERMS AND CONDITIONS
OF
STOCK OPTION AWARD**

< XXXX >

STOCK OPTION AWARD made as of [XXXX] (the “Grant Date”).

1. **Grant of Stock Option.** TE Connectivity Ltd. (the “Company”) has granted you a Stock Option to purchase [XXXX] Shares, subject to the provisions of this Award Agreement, including any special terms and conditions for your country in the appendix attached hereto (the “Appendix”). This Stock Option is a nonqualified Stock Option.
2. **Exercise Price.** The purchase price per Share underlying the Stock Option is \$[XX.XX] (the “Exercise Price”).
3. **Vesting.** The Stock Option will vest and become exercisable in four (4) equal installments, with the first installment vesting on the first November 15 that is at least twelve (12) months from the Grant Date and the remaining three (3) installments on the following three (3) anniversaries of the first vesting date (the “Normal Vesting Terms”).
4. **Term of the Stock Option.** Unless the Stock Option is earlier forfeited or cancelled, the Stock Option must be exercised before the close of the New York Stock Exchange (“NYSE”) on the day that is the 10th anniversary of the Grant Date, and if the NYSE is not open for business on the Expiration Date, the Stock Option will expire at the close of the NYSE’s prior business day (the “Expiration Date”).
5. **Termination of Employment.**
 - (a) Any portion of the Stock Option that has not vested as of your Termination of Employment, other than as set forth under Sections 6, 7, 8 and 9 herein, will be immediately forfeited, and your rights with respect to such portion of the Stock Option will end.
 - (b) You may exercise the portion of the Stock Option that has vested prior to your Termination of Employment by the earlier of (a) the Expiration Date, and (b) ninety (90) days from your Termination of Employment, subject to Sections 6, 7, 8 and 9 herein, as applicable.
6. **Retirement Eligible.**
 - (a) If, at the time of your Termination of Employment, you attained age 55 and have completed at least five years of service, provided that the sum of your age and years of service

with the Company is 65 or higher, your Stock Option will continue to vest under the terms and conditions hereunder following your Termination of Employment to the same extent you would have vested had you not had a Termination of Employment, provided that (i) you continue to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of your Termination of Employment with respect to such continued vesting, (ii) you are not terminated for Cause and (iii) if your Termination of Employment is due to your voluntary Retirement, you shall have provided written notice to the Company of your Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to your Retirement.

(b) If you meet the requirements for retirement described in Section 6(a), then any portion of the Stock Option that has vested prior to your Termination of Employment or will vest thereafter will expire on the earlier of (i) Expiration Date, and (ii) the fifth anniversary of your Termination of Employment.

(c) Notwithstanding the foregoing, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable retirement treatment, which otherwise would apply to the Stock Option pursuant to this Section 6, being deemed unlawful and/or discriminatory, then the Company will not apply the favorable retirement treatment at the time of your Termination of Employment and the Stock Option will be treated as they would under the rules that otherwise would have applied as if your Termination of Employment did not qualify as a retirement pursuant to this Section 6.

7. **Death or Disability.** If your Termination of Employment is a result of your death or Disability, any unvested portion of the Stock Option will immediately vest and become exercisable, and your Stock Option will expire on the earlier of (i) the Expiration Date, and (ii) the third anniversary of your Termination of Employment due to death or Disability.

8. **Change in Control.** Except as may be otherwise provided by the Committee, if your Termination of Employment occurs after a Change in Control, your Stock Option (or any other form of equity award or compensation that replaces your Stock Option as a result of the Change in Control) will immediately become fully vested, and you will be entitled to exercise the Stock Option until the earlier of (x) the Expiration Date or (y) the third anniversary of your Termination of Employment, provided that:

(a) your employment is terminated by the Company or, if different, the Subsidiary employing you (the "Employer"), for any reason other than Cause, Disability or death in the twelve (12) month period following the Change in Control; or

(b) you terminate your employment with the Company or the Employer after one of the following events within the twelve (12) month period following the Change in Control:

- i. the Company or the Employer (1) assigns or causes to be assigned to you duties inconsistent in any material respect with your position as in effect immediately prior to the Change in Control; (2) makes or causes to be made any material adverse change in your position, authority, duties or responsibilities; or (3) takes

or causes to be taken any other action which, in your reasonable judgment, would cause you to violate your ethical or professional obligations (after written notice of such judgment has been provided by you to the Company or the Employer and the Company or the Employer has been given a fifteen (15) day period within which to cure such action) or

- ii. the Company or the Employer, without your consent, (1) requires you to relocate to a principal place of employment more than fifty (50) miles from your existing place of employment; or (2) materially reduces your base salary, annual bonus, or retirement, welfare, stock incentive, perquisite (if any) and other benefits taken as a whole (collectively, a “Change in Control Termination”).

provided, however, that none of the events described in this sentence shall constitute a Change in Control Termination unless and until (w) you first notify the Company in writing describing in reasonable detail the condition which constitutes a Change in Control Termination within ninety (90) days of its occurrence, (x) the Company fails to cure such condition within thirty (30) days after the Company’s receipt of such written notice, (y) notwithstanding such efforts, the condition continues to exist, and (z) you terminate employment within sixty (60) days after the end of such thirty (30)-day cure period.

9. Termination of Employment as a Result of a Divestiture or Outsourcing. If the business in which you are employed is being separated from the Company as a result of a Disposition of Assets, Disposition of a Subsidiary or an Outsourcing Agreement, and, as of the closing date of the applicable transaction you are designated in the transaction documents (either individually or by classification) as a “business employee” (or similar designation) who will be terminating employment with the Company and its Subsidiaries either because (i) you will remain with the separated business after the transaction or be transferred to the employment of the buyer or Outsourcing Agent as a result of the transaction; or (ii) you will not be offered continued employment by the Company or a Subsidiary, buyer or Outsourcing Agent after the close of the transaction, then your Stock Option Award will vest and become exercisable pro rata (standard rounding to the nearest Share in full-month increments) based on (a) the number of whole months that you have completed from the Grant Date through the end of the month of the closing date of the applicable transaction over the original number of months of the vesting period, times (b) the total number of Shares subject to the Stock Option on the Grant Date minus (c) the number of Shares previously vested pursuant to the Normal Vesting Terms. If you become entitled to the pro rata vesting described in this Section 9, you will not be entitled to any further vesting in your Stock Option Award, unless you are transferred to employment with the Company or a Subsidiary in a position outside of the business that is being separated from the Company (with the intent of continued employment with the Company or a Subsidiary outside of the separated business) prior to your Termination of Employment as a result of the Disposition of Assets, Disposition of a Subsidiary or an Outsourcing Agreement. The vested portion of your Stock Option Award will expire on the earlier of (x) the Expiration Date and (y) the third anniversary of your Termination of Employment.

Notwithstanding the foregoing, you shall not be eligible for such pro rata vesting and extended expiration date if (i) your Termination of Employment occurs on or prior to the closing date of such Disposition of Assets or Disposition of a Subsidiary, as applicable, or on such later date as is specifically provided in the applicable transaction agreement or related agreements, or

on the effective date of such Outsourcing Agreement applicable to you (the “Applicable Employment Date”), and (ii) you are offered Comparable Employment with the buyer, successor company or outsourcing agent, as applicable, but do not commence such employment on the Applicable Employment Date.

For the purpose of this Section 9, (i) “Comparable Employment” shall mean employment at a base salary rate and bonus target that is at least equal to the base salary rate and bonus target in effect immediately prior to your Termination of Employment and at a location that is no more than 50 miles from your existing place of employment; (ii) “Disposition of Assets” shall mean the disposition by the Company or a Subsidiary of all or a portion of the assets used by the Company or Subsidiary in a trade or business to an unrelated corporation or entity; (iii) “Disposition of a Subsidiary” shall mean the disposition by the Company or a Subsidiary of its interest in a Subsidiary to an unrelated individual or entity, provided that such Subsidiary ceases to be a Subsidiary as a result of such disposition; and (iv) “Outsourcing Agreement” shall mean a written agreement between the Company or a Subsidiary and an unrelated third party (“Outsourcing Agent”) pursuant to which (a) the Company transfers the performance of services previously performed by employees of the Company or Subsidiary to the Outsourcing Agent, and (b) the Outsourcing Agreement includes an obligation of the Outsourcing Agent to offer employment to any employee whose employment is being terminated as a result of or in connection with said Outsourcing Agreement.

10. **Payment of Exercise Price.** To exercise the Stock Option, you must pay the Exercise Price for the Shares underlying the exercised portion of the Stock Option. You may pay the Exercise Price in cash, or by certified check, bank draft, wire transfer or postal or express money order. You may also pay the Exercise Price by using one or more of the following methods: (i) delivering to the Company or its agent a properly executed exercise notice, together with irrevocable instructions to a broker to deliver promptly (within the typical settlement cycle for the sale of equity securities on the relevant trading market, or otherwise in accordance with Regulation T issued by the Federal Reserve Board) to the Company sale or loan proceeds adequate to satisfy the portion of the Exercise Price being so paid; (ii) if expressly approved by the Committee, tendering to the Company (by physical delivery or attestation) or its agent certificates of Shares that you have held for six (6) months or longer (unless the Committee, in its discretion, waives this six-month period) and that have an aggregate Fair Market Value as of the day prior to the date of exercise that is enough to satisfy the Exercise Price and any applicable taxes being so paid; or (iii) if such form of payment is expressly authorized by Board or Committee, instructing the Company to withhold Shares that would otherwise be issued were the Exercise Price to be paid in cash and that have an aggregate Fair Market Value as of the date of exercise that is enough to satisfy the Exercise Price and any applicable taxes being so paid. Notwithstanding the foregoing, you may not tender any form of payment that the Company determines, in its sole and absolute discretion, could violate any law or regulation. You are not required to purchase all Shares subject to the Stock Option at one time, but you must pay the full Exercise Price for all Shares that you elect to purchase before they will be delivered.

11. **Exercise of Stock Option.** Subject to the terms and conditions of this Award Agreement, the Stock Option may be exercised by contacting the stock plan administrator. If the Stock Option is exercised after your death, the Company will deliver Shares only after the Committee or its designee has determined that the person exercising the Stock Option is the duly

appointed executor or administrator of your estate or the person to whom the Stock Option has been transferred by your will or by the applicable laws of descent and distribution.

12. **Responsibility for Taxes.** Regardless of any action the Company or the Employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”), by accepting the Award, you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Stock Option, including, but not limited to, the grant, vesting or exercise of the Stock Option, the issuance of Shares upon exercise of the Stock Option, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Stock Option to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- i. withholding from your wages or other cash compensation paid to you by the Company and/or the Employer;
- ii. withholding from proceeds of the sale of Shares acquired upon exercise of the Stock Option either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); or
- iii. withholding in Shares to be issued upon exercise of the Stock Option.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum rates, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the Shares equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the exercised Stock Option, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

Finally, you shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The

Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

13. **Transfer of Stock Option.** You may not transfer any interest in the Stock Option except by will or the laws of descent and distribution. Any other attempt to dispose of your interest in the Stock Option will be null and void.

14. **Covenant; Forfeiture of Award; Agreement to Reimburse Company.**

(a) If you have been terminated for Cause, any Stock Option shall be immediately rescinded and, in addition, you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said Shares) you received for Stock Options that were exercised during the six (6) month period prior to your Termination of Employment.

(b) If, after your Termination of Employment, the Committee determines in its sole discretion that while you were an employee of the Company or a Subsidiary you engaged in activity that would have constituted grounds for the Company or Subsidiary to terminate your employment for Cause, then the Company will immediately rescind any vested but unexercised portion of the Stock Option and you will immediately forfeit any and all rights you have remaining on the date the Committee makes such determination with respect to the Stock Option. In addition, you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said Shares) you received for Stock Options (i) that were exercised during the six (6) month period prior to your Termination of Employment and (ii) that were exercised following your Termination of Employment.

(c) If the Committee determines, in its sole discretion, that at anytime after your Termination of Employment and prior to the later of (i) second anniversary of your Termination of Employment; and (ii) the date you fully exercised any Stock Options granted hereunder you (i) disclosed business confidential or proprietary information related to any business of the Company or Subsidiary or (ii) have entered into an employment or consultation arrangement (including any arrangement for employment or service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in a business and (1) such employment or consultation arrangement would likely (in the sole judgment of the Committee) result in the disclosure of business confidential or proprietary information related to any business of the Company or a Subsidiary to a business that is competitive with any Company or Subsidiary business as to which you have had access to business strategic or confidential information, and (2) the Committee has not approved the arrangement in writing, then any Stock Option that you have not exercised (whether vested or unvested) will immediately be rescinded, and you will forfeit any rights you have with respect to this Stock Option as of the date of the Committee's determination. In addition, you hereby agree and promise immediately to deliver to the Company, Shares (or, in the discretion of the Committee, cash) equal in value to the amount of any profit you realized upon an exercise of the Stock Option during the period beginning six (6) months prior to your Termination of Employment and ending on the Committee's determination date.

(d) The Committee shall be entitled to require that you repay all or part of any amount received (whether in cash or Shares) pursuant to the terms of this Award (i) to the extent it deems it necessary or appropriate to comply with any current or future rules of the U.S. Securities Exchange Commission, the NYSE or any other governmental agency, as they may be amended from time to time, (ii) to the extent it deems it necessary or appropriate to comply with the requirements of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, or (iii) to the extent otherwise deemed appropriate by the Committee to recover any overpayment or mistaken payment that was based on deficient financial information, and you hereby agree and promise to promptly remit to the Company any such amount.

15. **Adjustments.** In the event of any stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities, the issuance of warrants or other rights to purchase Shares or other securities, or other similar corporate transaction or event, the Committee shall adjust the number and kind of Shares covered by the Stock Option, the Exercise Price and other relevant provisions to the extent necessary to prevent dilution or enlargement of the benefits or potential benefits intended to be provided by the Stock Option.

16. **Restrictions on Exercise.** Exercise of the Stock Option is subject to the conditions that, to the extent required at the time of exercise, (a) the Shares underlying the Stock Option will be duly listed, upon official notice of issuance, upon the NYSE, and (b) a Registration Statement under the Securities Act with respect to the Shares will be effective or an exemption from registration will apply. The Company will not be required to deliver any Shares until all applicable federal, state, foreign and local laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel of the Company.

17. **Insider Trading; Market Abuse Laws.** By accepting the Award, you acknowledge that you have read and understand the Company's insider trading policy, and are aware of and understand your obligations under federal securities laws in respect of trading in the Company's securities. The Company will have the right to recover, or receive reimbursement for, any compensation or profit realized on the exercise of the Stock Option or the disposition of Shares received upon exercise of the Stock Option to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.

You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (*e.g.*, Stock Option) or rights linked to the value of Shares under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in your country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing inside information to any third party,

including fellow employees (other than on a “need to know” basis) and (ii) “tipping” third parties or causing them otherwise to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company’s insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

18. **Plan Terms Govern.** The exercise of the Stock Option, the disposition of any Shares received upon exercise of the Stock Option, and the treatment of any gain on the disposition of these Shares are subject to the terms of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Award Agreement. Capitalized terms used in this Award Agreement have the meaning set forth in the Plan, unless otherwise stated in this Award Agreement. In the event of any conflict between the terms of the Plan and the terms of this Award Agreement, the Plan will control. By accepting the Award, you acknowledge receipt of the Plan, as in effect on the date of this Award Agreement.

19. **Data Privacy.** By accepting the Award, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement and any other grant materials by and among, as applicable, the Company, your Employer and any other Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Stock Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to any third parties assisting the Company with the implementation, administration and management of the Plan. You understand that these recipients of Data may be located in the United States or elsewhere, and that the recipients’ country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States you may request a list with the names and addresses of any potential recipients of Data by contacting your local Human Resources Representative. You authorize the Company and the recipients assisting the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that if you reside outside the United States you may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local Human Resources Representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke the consents, your employment or service with the

Employer will not be affected; the only consequence of refusing or withdrawing the consents is that the Company would not be able to grant Stock Options or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local Human Resources Representative.

20. **Nature of Grant.** By accepting the Award, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;
- (b) the grant of the Stock Option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of stock options, or benefits in lieu of stock options, even if stock options have been granted repeatedly in the past;
- (c) all decisions with respect to future stock option grants, if any, will be at the sole discretion of the Company;
- (d) your participation in the Plan shall not be interpreted to form an employment contract or relationship with the Company or any Subsidiary nor create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate your employment relationship at any time;
- (e) you are voluntarily participating in the Plan;
- (f) the Stock Option and the Shares subject to the Stock Option, and the value of and income from same, are not intended to replace any pension rights or compensation;
- (g) the Stock Option and the Shares subject to the Stock Option, and the value of and income from same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension or retirement or welfare benefits or similar mandatory payments;
- (h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (i) if the underlying Shares do not increase in value, the Stock Option will have no value;
- (j) if you exercise the Stock Option and obtain Shares, the value of the Shares acquired upon exercise may increase or decrease in value, even below the Exercise Price;
- (k) in consideration of the Stock Option Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Stock Option resulting from your Termination of Employment with the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws); and except where expressly prohibited under applicable laws, you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of

competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;

(l) the Stock Option and the Shares subject to the Stock Option, and the value of and income from same, are not granted as consideration for, or in connection with, any service you may provide as a director of any Subsidiary;

(m) the Stock Option and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability;

(n) you have no rights as a stockholder of the Company pursuant to the Stock Option until you exercise the Stock Option and Shares are actually delivered to you; and

(o) if you reside outside the United States,

(A) the Stock Option and the Shares subject to the Stock Option, and the value of and income from same, are not part of normal or expected compensation or salary for any purpose; and

(B) neither the Company, the Employer, nor any other Subsidiary will be liable for any foreign exchange rate fluctuation between any local currency and the U.S. dollar that may affect the value of the Stock Option, any amounts due to you pursuant to the exercise of the Stock Option or the subsequent sale of any Shares acquired upon exercise.

21. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, the exercise of your Stock Option or your acquisition or sale of the underlying Shares. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

22. **Incorporation of Other Agreements.** This Award Agreement and the Plan constitute the entire understanding between you and the Company regarding the Stock Option. This Award Agreement supersedes any prior agreements, commitments or negotiations concerning the Stock Option.

23. **Severability.** The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of this Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

24. **Language.** You acknowledge that you are sufficiently proficient in English to understand the terms and conditions of the Award Agreement or have had the ability to consult with an advisor who is sufficiently proficient in the English language. Furthermore, if you have received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

25. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

26. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Stock Option Award and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

27. **Governing Law and Venue.** The Award Agreement is to be governed by and construed in accordance with the laws of Switzerland, without regard to the conflict of laws principles thereof.

For purposes of litigating any dispute that arises under this grant or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Pennsylvania and agree that such litigation shall be conducted in the courts of Chester County, Pennsylvania, or the federal courts for the United States for the Eastern District of Pennsylvania, where this Award is made and/or to be performed.

28. **Waiver.** You acknowledge that a waiver by the Company of breach of any provision of the Award Agreement will not operate or be construed as a waiver of any other provision of the Award Agreement, or of any subsequent breach by you or any other Participant.

29. **Appendix.** Notwithstanding any provisions in the Award Agreement, the Stock Option will be subject to any special terms and conditions for your country set forth in the Appendix attached hereto. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of the Award Agreement.

30. **Foreign Asset/Account Reporting; Exchange Control Requirements.** Certain applicable foreign asset and/or foreign account reporting requirements and exchange controls may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares acquired under the Plan) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that you are responsible for complying with any applicable regulations, and that you should speak to your personal legal advisor for any details.

* * * * *

By accepting this Award, you agree to the following:

- (i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Award Agreement and the Plan; and
- (ii) you understand and agree that this Award Agreement and the Plan constitute the entire understanding between you and the Company regarding the Stock Option, and that any prior agreements, commitments or negotiations concerning the Stock Option are replaced and superseded.

(iii) FOR EU/EEA PARTICIPANTS ONLY: you declare that you expressly agree with the data processing practices described in the “Data Privacy Information and Consent” section of the EU/EEA Countries appendix (the “Data Privacy Provisions”), and consent to the collection, processing and use of data by the Company and the transfer of data to the recipients mentioned in the Data Privacy Provisions, including recipients located in countries that do not provide an adequate level of protection from an EU/EEA data protection law perspective, for the purposes described in the Data Privacy Provisions. You understand that providing your signature below (or accepting the award agreement electronically) is a condition of receiving the equity award under the equity incentive plan and that the Company may cancel the equity award if a signature is not provided. You understand that you may withdraw your consent at any time with future effect for any or no reason as described in the Data Privacy Provisions.

Terrence R. Curtin
Chief Executive Officer,
TE Connectivity
12/21

APPENDIX
TO THE
TERMS AND CONDITIONS
OF
STOCK OPTION AWARD
UNDER THE
TE CONNECTIVITY LTD.
2007 STOCK AND INCENTIVE PLAN

Capitalized terms not specifically defined in this Appendix have the same meaning assigned to them in the Plan and/or the Award Agreement to which this Appendix is attached.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the grant of Stock Options in your country. If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer residency and/or employment to another country after the grant but prior to the vesting and/or exercise of the Stock Options, or are considered a resident of another country for local law purposes, the Company may, in its discretion, determine to what extent the additional terms and conditions contained herein will apply to you.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities and other laws in effect in the respective countries as of November 2019. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the vesting or exercise of the Stock Options, receipt of any dividends or the subsequent sale of the Shares. In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation. If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer residency and/or employment to another country after the Stock Options are granted to you, or are considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to you.

EU/EEA COUNTRIES

Terms and Conditions

The following terms and conditions will apply if you work or reside in a European Union ("EU") / European Economic Area ("EEA") country.

Data Privacy Information and Consent. The following provisions replace Section 19 of the Award Agreement:

- (a) *Data Collection and Usage. The Company and the Employer collect, process and use certain personal information about you, including, but not limited to, your name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all Stock Options, and any other rights to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor ("Data"), for purposes of implementing, administering and managing your participation in the Plan. The legal basis, where required, for the processing of Data is the explicit declaration of the consent you provide when signing or electronically agreeing to the Award Agreement.*
- (b) *Stock Plan Administration Service Providers. The Company transfers Data to UBS Financial Services Inc. and certain of its affiliates ("UBS"), which is assisting the Company with the implementation, administration and management of the Plan. You may be asked to agree on separate terms and data processing practices with UBS, with such agreement being a condition to your ability to participate in the Plan.*
- (c) *Other Service Provider Data Recipients. The Company and the Employer also may transfer Data to other third party service providers, if necessary to ensure compliance with applicable tax, exchange control, securities and labor law. Such third party service providers may include the Company's legal counsel as well as its auditor/accountant/third party vendor (currently Deloitte, Willis Towers Watson). Wherever possible, the Company will anonymize data, but you understand that your Data may need to be transferred to such providers to ensure compliance with applicable law and/or tax requirements.*
- (d) *International Data Transfers. The Company, UBS and its other service providers described above under (c) have operations in the United States. Your country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company has registered for the EU-U.S. Privacy Shield program and, as such, may transfer Data from the EU to the U.S. in reliance on the program.*
- (e) *Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond your employment with the Employer. When the Company or the Employer no longer need Data for any of the above purposes, they will cease processing it in this*

context and remove it from all of their systems used for such purposes to the fullest extent practicable.

(f) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke the consent, your salary from or employment relationship with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to grant the Stock Option under the Plan or administer or maintain your participation in the Plan. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*

(g) **Data Subject Rights.** *You may have a number of rights under data privacy laws in your jurisdiction. Depending on where you are based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) restrict the portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you can contact your local human resources representative.*

AUSTRIA

There are no country-specific provisions.

CANADA

Terms and Conditions

Payment of Exercise Price. The following provision supplements Section 10 of the Award Agreement:

Due to regulatory requirements, you understand that you are prohibited from surrendering Shares that you already own to pay the Exercise Price or any Tax-Related Items in connection with the exercise of the Stock Options. The Company reserves the right to permit this method of payment depending upon the development of local law.

The following terms and conditions will apply if you are a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Award Agreement, including this Appendix, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée. *Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention [“Award Agreement”], ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

Data Privacy. The following provisions supplement Section 19 of the Award Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel involved in the administration and operation of the Plan. You further authorize the Company, the Employer, and any other Subsidiary to disclose and discuss the Plan with their advisors. You further authorize the Company, the Employer and any other Subsidiary to record such information and to keep such information in your employee file.

Notifications

Securities Law Information. You will not be permitted to sell or otherwise dispose of the Shares acquired upon exercise of the Stock Option within Canada. You will only be permitted to sell or dispose of any Shares if such sale or disposal takes place outside of Canada on the facilities on which such Shares are traded. This requirement should be satisfied if you sell Shares acquired upon exercise of the Stock Option on the NYSE.

CHINA

Terms and Conditions

The following terms and conditions will apply if you are subject to exchange control restrictions and regulations in China, including the requirements imposed by the State Administration of Foreign Exchange ("SAFE"), as determined by the Company in its sole discretion.

Retirement Eligible. The following provisions replace Section 6 of the Award Agreement:

(a) If, at the time of your Termination of Employment, you attained age 55 and have completed at least five years of service, provided that the sum of your age and years of service with the Company is 65 or higher, your Stock Option will vest and become exercisable pro rata (standard rounding to the nearest Share in full month increments) based on (i) the number of whole months that you have completed from the Grant Date through the end of the month in which your Termination of Employment occurs, over the original number of months of the vesting period, times (ii) the total number of Shares subject to the Stock Option on the Grant Date minus (iii) the number of Shares subject to the Stock Option previously vested under the Normal Vesting Terms, provided that (i) you continue to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of your Termination of Employment with respect to such continued vesting, (ii) you are not terminated for Cause and (iii) if your Termination of Employment is due to your voluntary Retirement, you shall have provided written notice to the Company of your Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to your Retirement

(b) If you meet the requirements for retirement described in Section 6(a) on or before your Termination of Employment, then any portion of the option that has vested as of the date of your Termination of Employment will expire on the earlier of (i) Expiration Date, and (ii) the six month anniversary of your Termination of Employment.

(c) Notwithstanding the foregoing, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable retirement treatment, which otherwise would apply to the Stock Option pursuant to this Section 6, being deemed unlawful and/or discriminatory, then the Company will not apply the favorable retirement treatment at the time of your termination and the Stock Option will be treated as they would under the rules that otherwise would have applied as if your termination did not qualify as a retirement pursuant to this Section 6.

Payment of Exercise Price. The following provision supplements Section 10 of the Award Agreement:

Notwithstanding any terms to the contrary in the Plan or the Award Agreement, due to legal restrictions in China, you will be required to exercise your Stock Option using a cashless sell-all exercise method pursuant to which all Shares subject to the exercised Stock Option will be sold immediately upon exercise and the proceeds of sale, less the Exercise Price, any Tax-Related Items and broker's fees or commissions, will be remitted to you in cash in accordance with any applicable exchange control laws and regulations. You will not be permitted to hold Shares after exercise. The Company reserves the right to provide additional methods of exercise depending on the development of local laws.

Post-Termination Exercise Period. The following provisions supplement Sections 7, 8 and 9 of the Award Agreement:

Notwithstanding Sections 7, 8 and 9 herein, you may exercise the portion of your Stock Option that has vested prior to your Termination of Employment by the earlier of (a) the Expiration Date, and (b) ninety (90) days from the date of your Termination of Employment. Any portion of the vested Stock Option that has not been exercised as of the earlier of the two dates will be immediately forfeited, and your rights with respect to such portion of your Stock Option will end.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the cashless sell-all exercise of the Stock Option to China. You further understand that, under applicable laws, such repatriation of your cash proceeds will need to be effectuated through a special exchange control account established by the Company, the Employer or any other Subsidiary, and you hereby consent and agree that any funds realized under the Plan will be transferred to such special account prior to being delivered to you. You also understand that the Company will deliver the proceeds to you as soon as possible, but there may be delays in distributing the funds to you due to exchange control requirements in China. Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to you in U.S. dollars, you may be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Additional Restrictions. The Stock Option will not vest and become exercisable, and no Shares will be issued, unless the Company determines that such vesting, exercise, and the issuance and delivery of Shares complies with all applicable laws. Further, the Company is under no obligation to issue Shares if the Company's SAFE approval becomes invalid or ceases to be in effect by the time you exercise the Stock Option.

GERMANY

There are no country-specific provisions.

HONG KONG

Terms and Conditions

Sale Restriction. In the event that Shares are issued to you or your estate or heirs within six (6) months of the Grant Date, such Shares may not be sold prior to the six-month anniversary of the Grant Date.

Notifications

Securities Law Information. *WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You should exercise caution in relation to the Award. If you have any questions regarding the contents of the Award Agreement or the Plan, you should obtain independent professional advice. Neither the Award nor the issuance of Shares upon exercise of the Stock Option constitutes a public offering of securities under Hong Kong law and is available only to eligible employees and other service providers of the Company or Subsidiaries. The Award Agreement, the Plan and other incidental communication materials distributed in connection with the Stock Option (i) have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong and (ii), are intended only for the personal use of each eligible employee or other service provider of the Company or Subsidiaries, and may not be distributed to any other person.*

INDIA

Terms and Conditions

Payment of Exercise Price. The following provision supplements Section 10 of the Award Agreement:

Notwithstanding any terms to the contrary in the Plan or the Award Agreement, you will be required to exercise your Stock Option using a cashless sell-all exercise method pursuant to which all Shares subject to the exercised Stock Option will be sold immediately upon exercise and the proceeds of sale, less the Exercise Price, any Tax-Related Items and broker's fees or commissions, will be remitted to you in cash in accordance with any applicable exchange control laws and regulations. You will not be permitted to hold Shares after exercise. The Company reserves the right to provide additional methods of exercise depending on the development of local laws.

IRELAND

There are no country-specific provisions.

JAPAN

There are no country-specific provisions.

SINGAPORE

Terms and Conditions

Sale Restriction. You agree that any Shares acquired under the Plan will not be offered for sale in Singapore prior to the six-month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chapter 289, 2006 Ed.) (“SFA”), or pursuant to, and in accordance with the condition of, any other applicable provision of the SFA.

Notifications

Securities Law Information. The Award is being made pursuant to the “Qualifying Person” exemption under section 273(1)(f) of the SFA, under which it is exempt from the prospectus and registration requirements and is not made with a view to the underlying Shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore.

SWITZERLAND

Notifications

Securities Law Information. Neither this document nor any other materials relating to the Stock Option (i) constitutes a prospectus according to article 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”), (ii) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than an employee of the Company or a Subsidiary, or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (FINMA).

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. The following provisions supplement Section 12 of the Award Agreement:

Without limitation to Section 12 of the Award Agreement, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer, as applicable, or by Her Majesty’s Revenue &

Customs (“HMRC”) (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company and the Employer, as applicable, against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the terms of immediately foregoing provision will not apply. In this case, the amount of the income tax not collected within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the Tax-Related Items occurs may constitute a benefit to you on which additional income tax and National Insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer, as applicable, for the value of any National Insurance contributions due on this additional benefit, which may be recovered from you by the Company or the Employer at any time thereafter by any of the means referred to in this Section 12.

UNITED STATES

Terms and Conditions

Restrictive Covenants. Notwithstanding anything in the Award Agreement to the contrary, by accepting the Award, you acknowledge, understand and agree to the following provisions:

(a) **Restrictions on Solicitation of Company’s Employees.** You agree that during your employment with your Employer, the Company and any Subsidiary and for a period of twelve (12) months following your Termination of Employment, for any reason, you will not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee or contract/temporary employee of the Company or any of its Subsidiaries to leave his/her employment with the Company or respective Subsidiary, or to otherwise hire or employ any employee of Company or any of its Subsidiaries who at any time worked for, under, or with you.

The following provisions apply to all US employees except for those whose work site is in California:

(a) **Restrictions on Competition.** You agree that during the period of your employment with your Employer, the Company and any Subsidiary and for a period of twelve (12) months following your Termination of Employment, for any reason, you will not, in any country of the world in which you have done business on behalf of your Employer, the Company or any Subsidiary at any time during the last twelve (12) months prior to the date of your Termination of Employment, engage in or enter into any kind of employment or gainful occupation, directly or indirectly, in any Competing Business where your responsibilities include the manufacture, sale, purchasing, research, development, or business plans of any product, process, function or service which is directly competitive with or similar to any Company or Subsidiary product, process, function or service that you were exposed to within twelve (12) months prior to your Termination of Employment. For purposes of this Agreement, the term “Competing Business” shall mean any person or other entity which sells or attempts to sell any products or services

which are the same as or similar to the products and services sold, leased or otherwise distributed by Company or any Subsidiary at any time during the last twelve (12) months prior to your Termination of Employment, or which has under development a product or service that is in competition with a product or service, whether existing or under development, of Company or any Subsidiary.

(b) **Restrictions on Solicitation of Company's Customers.** You agree that during your employment with your Employer, Company and any Subsidiary and for twelve (12) months following your Termination of Employment, for any reason, you will not directly or indirectly encourage any customers or suppliers to refrain from or stop doing business with the Company or any Subsidiary, either on your behalf or on behalf of any other party or entity.

**TE Connectivity Ltd.
2007 Stock and Incentive Plan**

**TERMS AND CONDITIONS
OF
RESTRICTED UNIT AWARD**

< XXXX >

RESTRICTED UNIT AWARD made as of [XXXX] (the “Grant Date”).

1. **Grant of Award.** TE Connectivity Ltd. (the “Company”) has granted you [XXX] Restricted Units, subject to the provisions of this Award Agreement, including any special terms and conditions for your country in the appendix attached hereto (the “Appendix”). The Company will hold the Restricted Units in a bookkeeping account on your behalf until they become payable or are forfeited or cancelled.

2. **Payment Amount.** Each Restricted Unit represents one (1) share of common stock of the Company (the “Share”).

3. **Form of Payment.** Vested Restricted Units will be settled solely in Shares, subject to Section 16 herein and any special terms and conditions set forth in the Appendix.

4. **Dividends and Dividend Equivalents.** Restricted Units are a promise to deliver Shares upon vesting. For each Restricted Unit that is unvested, you will be credited with a Dividend Equivalent Unit (the “DEU”) for any cash or stock dividends distributed by the Company on its Shares. DEUs will be calculated at the same dividend rate paid to other holders of Shares. The number of DEUs to be credited to your account upon payment of a dividend will be equal to the quotient produced by dividing the cash value of the dividend earned on the Restricted Units by the fair market value of the Shares, defined as the closing price per Share as quoted on the New York Stock Exchange (the “NYSE”) on the date the dividend is paid. DEUs will vest and be delivered in the form of Shares in accordance with the vesting and payment schedules applicable to the underlying Restricted Units.

5. **Time of Delivery.** Except as otherwise provided for in this Award Agreement, Shares issuable upon vesting of the Restricted Units and DEUs will be delivered to you in whole Shares rounding down for any fractional Shares as soon as is administratively feasible following the date of vesting set forth in Section 6 or other applicable vesting date or event set forth in this Award Agreement, except as otherwise set forth in Section 24.

6. **Normal Vesting.** Your Restricted Unit Award will vest in four (4) equal installments, with the first installment on the first November 15 that is at least twelve (12) months from the Grant Date and the remaining three (3) installments on the following three (3) anniversaries of the first vesting date (the “Normal Vesting Terms”). The value of the Shares

issued at vesting will be calculated using the average of the high and low per Share price as reported on the NYSE on the date of vesting.

7. **Termination of Employment.** Any Restricted Units and DEUs that have not vested as of your Termination of Employment, other than as set forth under Sections **8, 9, 10 and 11 herein**, will immediately be forfeited, and your rights with respect to those Restricted Units and DEUs will end.

8. **Death or Disability.** If your Termination of Employment is a result of your death or Disability, your Restricted Unit Award will immediately become fully vested and Shares issuable upon vesting of the Restricted Units and DEUs will be delivered in accordance with Section 5. If you are deceased, the Company will deliver Shares to your estate immediately after the Committee or its designee has determined the duly appointed executor or administrator of your estate.

9. **Retirement Eligible.** If, at the time of your Termination of Employment, you have attained age 55 and have completed at least five years of service, provided that the sum of your age and years of service with the Company is 65 or higher, your Restricted Unit Award will continue to vest under the terms and conditions hereunder following your Termination of Employment to the same extent you would have vested had you not had a Termination of Employment, provided that (i) you continue to satisfy all other applicable conditions established by the Committee on or prior to the date of your Retirement with respect to such continued vesting, (ii) you are not terminated for Cause, and (iii) if your Termination of Employment is due to your voluntary Retirement, you shall have provided written notice to the Company of your Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to your Retirement; Shares issuable for any portion of your Restricted Unit Award and DEUs that vest pursuant to this Section 9 will be delivered in accordance with Section 5.

Notwithstanding the foregoing, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable retirement treatment, which otherwise would apply to the Restricted Units pursuant to this Section 9, being deemed unlawful and/or discriminatory, then the Company will not apply the favorable retirement treatment at the time of your Termination of Employment and the Restricted Units will be treated as they would under the rules that otherwise would have applied as if your Termination of Employment did not qualify as a retirement pursuant to this Section 9.

10. **Change in Control.** Except as may be otherwise provided by the Committee, if your Termination of Employment occurs after a Change in Control, as defined in the Plan, your Restricted Unit Award (or any other form of equity award or compensation that replaces your Restricted Unit Award as a result of the Change in Control) will immediately become fully vested, provided that:

(a) your employment is terminated by the Company or, if different, the Subsidiary employing you (the "Employer") for any reason other than Cause, Disability or death in the twelve (12)-month period following the Change in Control; or

(b) you terminate your employment with the Company or the Employer after one of the following events within the twelve (12)-month period following the Change in Control:

- i. the Company or the Employer (1) assigns or causes to be assigned to you duties inconsistent in any material respect with your position as in effect immediately prior to the Change in Control; (2) makes or causes to be made any material adverse change in your position, authority, duties or responsibilities; or (3) takes or causes to be taken any other action which, in your reasonable judgment, would cause you to violate your ethical or professional obligations (after written notice of such judgment has been provided by you to the Company or the Employer and the Company or the Employer has been given a 15-day period within which to cure such action); or
- ii. the Company or the Employer, without your consent, (1) requires you to relocate to a principal place of employment more than 50 miles from your existing place of employment; or (2) materially reduces your base salary, annual bonus, or retirement, welfare, stock incentive, perquisite (if any) and other benefits taken as a whole (collectively, a “Change in Control Termination”);

provided, however, that none of the events described in this sentence shall constitute a Change in Control Termination unless and until (w) you first notify the Company in writing describing in reasonable detail the condition which constitutes a Change in Control Termination within ninety (90) days of its occurrence, (x) the Company fails to cure such condition within (thirty) 30 days after the Company’s receipt of such written notice, (y) notwithstanding such efforts, the condition continues to exist, and (z) you terminate employment within sixty (60) days after the end of such (thirty) 30-day cure period. Shares issuable for any portion of your Restricted Unit Award that vests pursuant to this Section 10 and DEUs will be delivered in accordance with Section 5.

11. Termination of Employment as a Result of a Divestiture or Outsourcing. If the business in which you are employed is being separated from the Company as a result of a Disposition of Assets, Disposition of a Subsidiary or an Outsourcing Agreement, and, as of the closing date of the applicable transaction you are designated in the transaction documents (either individually or by classification) as a “business employee” (or similar designation) who will be terminating employment with the Company and its Subsidiaries either because (i) you will remain with the separated business after the transaction or be transferred to the employment of the buyer or Outsourcing Agent as a result of the transaction, or (ii) you will not be offered continued employment by the Company or a Subsidiary, buyer or Outsourcing Agent after the close of the transaction, then your Restricted Unit Award will vest pro rata (standard rounding to the nearest Unit in full-month increments) and Shares and DEUs issuable upon vesting of the Restricted Units will be delivered as soon as administratively feasible after the closing date of the transaction, unless the Award is subject to the requirements of Section 409A of the Code, in which case the Shares and DEUs will not be distributed until the earlier of the next Normal Vesting date or your separation from service with the Company or a Subsidiary. The pro rata vesting will be based on (i) the number of whole months that you have completed from the Grant Date through the end of the month of the closing date of the applicable transaction over the original number of months of the vesting period, times (ii) the total number of Restricted Units awarded on the Grant Date minus (iii) the number of Restricted Units previously vested pursuant

to the Normal Vesting Terms. If you become entitled to the pro rata vesting described in this Section 11, you will not be entitled to any further vesting in your Restricted Unit Award, unless you are transferred to employment with the Company or a Subsidiary in a position outside of the business that is being separated from the Company (with the intent of continued employment with the Company or a Subsidiary outside of the separated business) prior to your Termination of Employment as a result of the Disposition of Assets, Disposition of a Subsidiary or an Outsourcing Agreement.

Notwithstanding the foregoing, you shall not be eligible for such pro rata vesting if, (i) your Termination of Employment occurs on or prior to the closing date of such Disposition of Assets or Disposition of a Subsidiary, as applicable, or on such later date as is specifically provided in the applicable transaction agreement or related agreements, or on the effective date of such Outsourcing Agreement applicable to you (the “Applicable Employment Date”), and (ii) you are offered Comparable Employment with the buyer, successor company or outsourcing agent, as applicable, but do not commence such employment on the Applicable Employment Date.

For the purposes of this Section 11, (a) “Comparable Employment” shall mean employment at a base salary rate and bonus target that is at least equal to the base salary rate and bonus target in effect immediately prior to your Termination of Employment and at a location that is no more than 50 miles from your existing place of employment; (b) “Disposition of Assets” shall mean the disposition by the Company or a Subsidiary of all or a portion of the assets used by the Company or Subsidiary in a trade or business to an unrelated corporation or entity; (c) “Disposition of a Subsidiary” shall mean the disposition by the Company or a Subsidiary of its interest in a Subsidiary to an unrelated individual or entity, provided that such Subsidiary ceases to be a Subsidiary as a result of such disposition; and (d) “Outsourcing Agreement” shall mean a written agreement between the Company or a Subsidiary and an unrelated third party (“Outsourcing Agent”) pursuant to which the Company transfers the performance of services previously performed by employees of the Company or Subsidiary to the Outsourcing Agent, and the Outsourcing Agreement includes an obligation of the Outsourcing Agent to offer employment to any employee whose employment is being terminated as a result of or in connection with said Outsourcing Agreement.

12. **Responsibility for Taxes.** Regardless of any action the Company or the Employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”), by accepting the Award, you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Units, including, but not limited to, the grant, vesting or settlement of the Restricted Units, the issuance of Shares upon settlement of the Restricted Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any DEUs; and (b) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Restricted Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to tax in more than one jurisdiction, you acknowledge that the

Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- i. withholding from your wages or other cash compensation paid to you by the Company and/or the Employer;
- ii. withholding from proceeds of the sale of Shares acquired upon vesting of the Restricted Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); or
- iii. withholding in Shares to be issued upon vesting of the Restricted Units;

provided, however, that if you are a Section 16 officer under the Exchange Act, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case the obligation for Tax-Related Items may be satisfied by one or a combination of methods (i) and (ii) above.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum rates, in which case you may receive a refund of any over-withheld amount in cash and you will have no entitlement to the Shares equivalent. Notwithstanding the foregoing, to avoid a prohibited acceleration under Section 409A of the Code, if Shares are withheld to satisfy any Tax-Related Items arising prior to the date of settlement of the Restricted Units for any portion of the Award that is subject to Section 409A, the number of Shares withheld will not exceed the number of Shares that equals the liability for the Tax-Related Items. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Restricted Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

Finally, you shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

13. **Transfer of Award.** You may not transfer any interest in the Restricted Units except by will or the laws of descent and distribution. Any other attempt to dispose of your interest in the Restricted Units will be null and void.

14. Covenant; Forfeiture of Award; Agreement to Reimburse Company.

(a) If you have been terminated for Cause, any Restricted Units shall be immediately rescinded and, in addition, you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said Shares) you received for Restricted Units that vested during the six (6) month period prior to your Termination of Employment.

(b) If, after your Termination of Employment, the Committee determines in its sole discretion that while you were an employee of the Company or a Subsidiary you engaged in activity that would have constituted grounds for the Company or Subsidiary to terminate your employment for Cause, then you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said Shares) you (i) received for Restricted Units that vested during the six (6) month period prior to your Termination of Employment and (ii) received for Restricted Units that vested following your Termination of Employment.

(c) If the Committee determines, in its sole discretion, that at any time after your Termination of Employment and prior to the later of (i) the second anniversary of your Termination of Employment and (ii) the final vesting date of any Restricted Units and DEUs granted hereunder you (i) disclosed business confidential or proprietary information related to any business of the Company or Subsidiary or (ii) have entered into an employment or consultation arrangement (including any arrangement for employment or service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in a business and (A) such employment or consultation arrangement would likely (in the Committee's sole discretion) result in the disclosure of business confidential or proprietary information related to any business of the Company or a Subsidiary to a business that is competitive with any Company or Subsidiary business as to which you have had access to business strategic or confidential information, and (B) the Committee has not approved the arrangement in writing, then you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said shares) you (i) received for Restricted Units that vested during the six (6) month period prior to your Termination of Employment and (ii) you received for Restricted Units that vested following your Termination of Employment.

(d) *The Committee shall be entitled to require that you repay all or part of any amount received (whether in cash or Shares) pursuant to the terms of this Award (i) to the extent it deems it necessary or appropriate to comply with any current or future rules of the U.S. Securities Exchange Commission, the NYSE or any other governmental agency, as they may be amended from time to time, (ii) to the extent it deems it necessary or appropriate to comply with the requirements of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, or (iii) to the extent otherwise deemed appropriate by the Committee to recover any overpayment or mistaken payment that was based on deficient financial information, and you hereby agree and promise to promptly remit to the Company any such amount.*

15. **Adjustments.** In the event of any stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities, the issuance of warrants or other rights to purchase Shares or other securities, or other similar corporate transaction or event, the Committee shall adjust the number and kind of Shares covered by the Restricted Units and other relevant provisions to the extent necessary to prevent dilution or enlargement of the benefits or potential benefits intended to be provided by the Restricted Units.

16. **Restrictions on Payment of Shares.** Payment of Shares for your Restricted Units is subject to the conditions that, to the extent required at the time of delivery, (a) the Shares underlying the Restricted Units will be duly listed, upon official notice of settlement, upon the NYSE, and (b) a Registration Statement under the Securities Act with respect to the Shares will be effective. The Company will not be required to deliver any Shares until all applicable federal, state, foreign and local laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel of the Company.

17. **Insider Trading; Market Abuse Laws.** By accepting the Award, you acknowledge that you have read and understand the Company's insider trading policy, and are aware of and understand your obligations under federal securities laws in respect of trading in the Company's securities. The Company will have the right to recover, or receive reimbursement for, any compensation or profit realized on the disposition of Shares received for Restricted Units to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.

You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (*e.g.*, Restricted Units) or rights linked to the value of Shares under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in your country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

18. **Plan Terms Govern.** The vesting and settlement of Restricted Units, the disposition of any Shares received for Restricted Units, and the treatment of any gain on the disposition of these Shares are subject to the terms of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Award Agreement. Capitalized terms used in this Award Agreement have the meaning set forth in the Plan, unless otherwise stated in this Award Agreement. In the event of any conflict between the terms of the Plan and the terms of this Award Agreement, the Plan will control. By accepting the Award, you acknowledge receipt of the Plan, as in effect on the date of this Award Agreement.

19. **Data Privacy.** By accepting the Award, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement and any other grant materials by and among, as applicable, the Company, your Employer and any other Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address, email address and telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to any third parties assisting the Company with the implementation, administration and management of the Plan. You understand that these recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States you may request a list with the names and addresses of any potential recipients of Data by contacting your local Human Resources Representative. You authorize the Company and the recipients assisting the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that if you reside outside the United States you may at any time view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local Human Resources Representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke the consents, your employment or service with the Employer will not be affected; the only consequence of refusing or withdrawing the consents is that the Company would not be able to grant Restricted Units or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local Human Resources Representative.

20. **Nature of Grant.** By accepting the Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(b) the grant of the Restricted Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of restricted units, or benefits in lieu of restricted units, even if restricted units have been granted repeatedly in the past;

(c) all decisions with respect to future restricted unit grants, if any, will be at the sole discretion of the Company;

(d) your participation in the Plan shall not be interpreted to form an employment contract or relationship with the Company or any Subsidiary nor create a right to

further employment with the Employer and shall not interfere with the ability of the Employer to terminate your employment relationship at any time;

(e) you are voluntarily participating in the Plan;

(f) the Restricted Units and the Shares subject to the Restricted Units, and the value of and income from same, are not intended to replace any pension rights or compensation;

(g) the Restricted Units and the Shares subject to the Restricted Units, and the value of and income from same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension or retirement or welfare benefits or similar mandatory payments;

(h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(i) in consideration of the grant of the Restricted Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Units resulting from your Termination of Employment with the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws); and except where expressly prohibited under applicable law, you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;

(j) the Restricted Units and the Shares subject to the Restricted Units, and the value of and income from same, are not granted as consideration for, or in connection with, any service you may provide as a director of any Subsidiary;

(k) the Restricted Units and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability;

(l) payment of your Restricted Units is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of this Award or the account established on your behalf;

(m) you have no rights as a stockholder of the Company pursuant to the Restricted Units until Shares are actually delivered to you; and

(n) if you reside outside the United States,

(A) the Restricted Units and the Shares subject to the Restricted Units, and the value of and income from same, are not part of normal or expected compensation or salary for any purpose; and

(B) neither the Company, the Employer, nor any other Subsidiary will be liable for any foreign exchange rate fluctuation between any local currency and the U.S. dollar that may affect the value of the Restricted Units, any amounts due to you pursuant to the settlement of the Restricted Units or the subsequent sale of any Shares acquired upon settlement.

21. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying Shares. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

22. **Incorporation of Other Agreements.** This Award Agreement and the Plan constitute the entire understanding between you and the Company regarding the Restricted Units. This Award Agreement supersedes any prior agreements, commitments or negotiations concerning the Restricted Units.

23. **Severability.** The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of the Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

24. **Delayed Payment.** Notwithstanding anything in this Award Agreement to the contrary, if you are a “specified employee” within the meaning of section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, and some or all of your Award is subject to Section 409A of the Code, then any payment of Restricted Units and DEUs subject to Section 409A of the Code that is made on account of your Termination of Employment shall be delayed until six (6) months following such Termination of Employment.

25. **Language.** You acknowledge that you are sufficiently proficient in English to understand the terms and conditions of the Award Agreement or have had the ability to consult with an advisor who is sufficiently proficient in the English language. Furthermore, if you have received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

26. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

27. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, on the Restricted Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

28. **Governing Law and Venue.** The Award Agreement is to be governed by and construed in accordance with the laws of Switzerland, without regard to the conflict of laws principles thereof.

For purposes of litigating any dispute that arises under this grant or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Pennsylvania and agree that such litigation shall be conducted in the courts of Chester County, Pennsylvania, or the federal courts for the United States for the Eastern District of Pennsylvania, where this Award is made and/or to be performed.

29. **Waiver.** You acknowledge that a waiver by the Company of breach of any provision of the Award Agreement will not operate or be construed as a waiver of any other provision of the Award Agreement, or of any subsequent breach by you or any other Participant.

30. **Appendix.** Notwithstanding any provisions in the Award Agreement, the Restricted Unit Award will be subject to any special terms and conditions for your country set forth in the Appendix attached hereto. Moreover, if you relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of the Award Agreement.

31. **Foreign Asset/Account Reporting; Exchange Control Requirements.** Certain applicable foreign asset and/or foreign account reporting requirements and exchange controls may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares acquired under the Plan) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that you are responsible for complying with any applicable regulations, and that you should speak to your personal legal advisor for any details.

* * * * *

By accepting this Award, you agree to the following:

(i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Award Agreement and the Plan; and

(ii) you understand and agree that this Award Agreement and the Plan constitute the entire understanding between you and the Company regarding the Award, and that any prior agreements, commitments or negotiations concerning the Restricted Units are replaced and superseded.

(iii) FOR EU/EEA PARTICIPANTS ONLY: you declare that you expressly agree with the data processing practices described in the “Data Privacy Information and Consent” section of the EU/EEA Countries appendix (the “Data Privacy Provisions”), and consent to the collection, processing and use of data by the Company and the transfer of data to the recipients mentioned in the Data Privacy Provisions, including recipients located in countries that do not provide an adequate level of protection from an EU/EEA data protection law perspective, for the purposes described in the Data Privacy Provisions. You understand that providing your signature below (or accepting the award agreement electronically) is a condition of receiving the equity award under the equity incentive plan and that the Company may cancel the equity award if a signature is not provided. You understand that you may withdraw your consent at any time with future effect for any or no reason as described in the Data Privacy Provisions.

Terrence R. Curtin
Chief Executive Officer,
TE Connectivity

**APPENDIX
TO THE

TERMS AND CONDITIONS
OF
RESTRICTED UNIT AWARD

UNDER THE
TE CONNECTIVITY LTD.
2007 STOCK AND INCENTIVE PLAN**

Capitalized terms not specifically defined in this Appendix have the same meaning assigned to them in the Plan and/or the Award Agreement to which this Appendix is attached.

Terms and Conditions

This Appendix includes additional terms and conditions that govern the grant of Restricted Units in your country. If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer residency and/or employment to another country after the grant but prior to the vesting of the Restricted Units, or are considered a resident of another country for local law purposes, the Company may, in its discretion, determine to what extent the additional terms and conditions contained herein will apply to you.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities and other laws in effect in the respective countries as of November 2019. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date when the Restricted Units or DEUs vest, the receipt of any dividends or the subsequent sale of the Shares. In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation. If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer residency and/or employment to another country after the Restricted Units are granted to you, or are considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to you.

EU/EEA COUNTRIES

Terms and Conditions

The following terms and conditions will apply if you work or reside in a European Union (“EU”) / European Economic Area (“EEA”) country.

Data Privacy Information and Consent. The following provisions replace Section 19 of the Award Agreement:

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about you, including, but not limited to, your name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all Restricted Units, and any other rights to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for purposes of implementing, administering and managing your participation in the Plan. The legal basis, where required, for the processing of Data is the explicit declaration of the consent you provide when signing or electronically agreeing to the Award Agreement.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to UBS Financial Services Inc. and certain of its affiliates (“UBS”), which is assisting the Company with the implementation, administration and management of the Plan. You may be asked to agree on separate terms and data processing practices with UBS, with such agreement being a condition to your ability to participate in the Plan.*

(c) **Other Service Provider Data Recipients.** *The Company and the Employer also may transfer Data to other third party service providers, if necessary to ensure compliance with applicable tax, exchange control, securities and labor law. Such third party service providers may include the Company’s legal counsel as well as its auditor/accountant/third party vendor (currently Deloitte, Willis Towers Watson). Wherever possible, the Company will anonymize data, but you understand that your Data may need to be transferred to such providers to ensure compliance with applicable law and/or tax requirements.*

(d) **International Data Transfers.** *The Company, UBS and its other service providers described above under (c) have operations in the United States. Your country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company has registered for the EU-U.S. Privacy Shield program and, as such, may transfer Data from the EU to the U.S. in reliance on the program.*

(e) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond your employment with the Employer. When the Company or the Employer no longer need Data for any of the above purposes, they will cease*

processing it in this context and remove it from all of their systems used for such purposes to the fullest extent practicable.

(f) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke the consent, your salary from or employment relationship with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to grant the Restricted Units under the Plan or administer or maintain your participation in the Plan. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*

(g) **Data Subject Rights.** *You may have a number of rights under data privacy laws in your jurisdiction. Depending on where you are based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) restrict the portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you can contact your local human resources representative.*

ARGENTINA

Notifications

Securities Law Information. Neither the Restricted Units, the DEUs nor the underlying Shares are publicly offered or listed on any stock exchange in Argentina and, as a result, have not been and will not be registered with the Argentine Securities Commission (*Comisión Nacional de Valores*). Neither this nor any other offering material related to the Restricted Units, the DEUs nor the underlying Shares may be utilized in connection with any general offering to the public in Argentina. Argentine residents who acquire Restricted Units under the Plan do so according to the terms of a private offering made from outside Argentina.

AUSTRALIA

Terms and Conditions

Australia Offer Document. You understand that the offering of the Plan in Australia is intended to qualify for an exemption from the prospectus requirements under Class Order 14/1000 issued by the Australian Securities and Investments Commission. Participation in the Plan is subject to the terms and conditions set forth in the Australian Offer Document and the Plan documentation provided to you.

Notifications

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the “Act”) applies (subject to the conditions in the Act).

AUSTRIA

There are no country-specific provisions.

BELGIUM

There are no country-specific provisions.

BRAZIL

Terms and Conditions

Nature of Grant. The following provisions supplement Section 20 of the Award Agreement:

By accepting the Restricted Units, you acknowledge, understand and agree that (i) you are making an investment decision, (ii) you will be entitled to vest in, and receive Shares pursuant to, the Restricted Units and DEUs only if the vesting conditions are met and any necessary services are rendered by you between the Grant Date and the vesting date(s), and (iii) the value of the underlying Shares is not fixed and may increase or decrease without compensation to you.

Compliance with Laws. By accepting the Restricted Units, you agree that you will comply with Brazilian law when you vest in your Restricted Units and DEUs and subsequently sell Shares. You also agree to report and pay applicable Tax-Related Items associated with the vesting and settlement of the Restricted Units and DEUs, the receipt of any dividends and the subsequent sale of the Shares acquired at settlement.

CANADA

Terms and Conditions

The following terms and conditions will apply if you are a resident of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Award Agreement, including this Appendix, as well as all documents, notices, and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Consentement relatif à la langue utilisée. *Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention [“Award Agreement”], ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à la présente convention, soient rédigés en langue anglaise.*

Data Privacy. The following provisions supplement Section 19 of the Award Agreement:

You hereby authorize the Company and the Company’s representatives to discuss with and obtain all relevant information from all personnel involved in the administration and operation of the Plan. You further authorize the Company, the Employer, and any other Subsidiary to disclose and discuss the Plan with their advisors. You further authorize the Company, the

Employer and any other Subsidiary to record such information and to keep such information in your employee file.

Notifications

Securities Law Information. You will not be permitted to sell or otherwise dispose of the Shares acquired upon vesting of the Restricted Units and DEUs within Canada. You will only be permitted to sell or dispose of any Shares if such sale or disposal takes place outside of Canada on the facilities on which such Shares are traded.

CHINA

Terms and Conditions

The following terms and conditions will apply if you are subject to exchange control restrictions and regulations in China, including the requirements imposed by the State Administration of Foreign Exchange ("SAFE"), as determined by the Company in its sole discretion.

Retirement Eligible. The following provisions replace Section 9 of the Award Agreement:

If, at the time of your Termination of Employment, you have attained age 55 and have completed at least five years of service, provided that the sum of your age and years of service with the Company is 65 or higher, your Restricted Unit Award will vest pro rata (standard rounding to the nearest Unit, in full-month increments) based on (i) the number of whole months that you have completed from the Grant Date through the end of the month in which your Termination of Employment occurs, over the original number of months of the vesting period, times (ii) the total number of Restricted Units awarded on the Grant Date minus (iii) the number of Restricted Units previously vested under the Normal Vesting Terms, provided that (i) you continue to satisfy all other applicable conditions established by the Committee on or prior to the date of your Retirement with respect to such pro rata vesting, (ii) you are not terminated for Cause, and (iii) if your Termination of Employment is due to your voluntary Retirement, you shall have provided written notice to the Company of your Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to your Retirement. Shares issuable for any portion of your Restricted Unit Award and DEUs that vest pursuant to this Section 9 will be delivered in accordance with Section 5.

Notwithstanding the foregoing, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in your jurisdiction that likely would result in the favorable retirement treatment, which otherwise would apply to the Restricted Units pursuant to this Section 9, being deemed unlawful and/or discriminatory, then the Company will not apply the favorable retirement treatment at the time of your Termination of Employment and the Restricted Units will be treated as they would under the rules that otherwise would have applied as if your Termination of Employment did not qualify as a retirement pursuant to this Section 9.

Vesting and Termination. The following provisions supplement Sections 6, 7, 8, 9 and 10 of the Award Agreement:

You agree to maintain any Shares you obtain upon vesting in an account with the designated broker prior to sale. You understand and agree that any Shares acquired under the Plan must be sold no later than sixty (60) days from your Termination of Employment, or within any such other period as may be permitted by the Company or requested by SAFE. You understand that any Shares acquired under the Plan that have not been sold within sixty (60) days of your Termination of Employment or within such other period as may be permitted by the Company or required by SAFE will be automatically sold by the designated broker pursuant to this authorization. You acknowledge that the broker is not required to sell the Shares at any particular price and that the Company, the Employer or any other Subsidiary, as well as the broker, cannot be held responsible for any loss of proceeds due to the sale.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the sale of the Shares issued upon the vesting of the Restricted Units and the DEUs as well as any cash dividends paid on such Shares to China. You further understand that, under applicable laws, such repatriation of your cash proceeds will need to be effectuated through a special exchange control account established by the Company, the Employer or any other Subsidiary, and you hereby consent and agree that any proceeds from the sale of any Shares you acquire or from cash dividends paid on such Shares will be transferred to such special account prior to being delivered to you. You also understand that the Company will deliver the proceeds to you as soon as possible, but there may be delays in distributing the funds to you due to exchange control requirements in China. Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to you in U.S. dollars, you may be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Additional Restrictions. The Restricted Units and DEUs will not vest and the Shares will not be issued at vesting unless the Company determines that such vesting and the issuance and delivery of Shares complies with all applicable laws. Further, the Company is under no obligation to vest the Restricted Units / DEUs and/or issue Shares if the Company's SAFE approval becomes invalid or ceases to be in effect by the time you vest in the Restricted Units and DEUs.

COLOMBIA

Terms and Conditions

Nature of Grant. The following provisions supplement Section 20 of the Award Agreement:

You acknowledge that, pursuant to Article 128 of the Colombian Labor Code, the Restricted Units and related benefits do not constitute a component of your "salary" for any legal purpose. Therefore, the Restricted Units and related benefits will not be included and/or considered for purposes of calculating any and all labor benefits, such as legal/fringe benefits, vacations,

indemnities, payroll taxes, social insurance contributions and/or any other labor-related amount which may be payable.

COSTA RICA

There are no country-specific provisions.

CZECH REPUBLIC

There are no country-specific provisions.

FRANCE

Terms and Conditions

Language Consent. By accepting the grant of Restricted Units and the Award Agreement, which provides for the terms and conditions of your Restricted Units, you confirm having read and understood the documents relating to this Award (the Plan and the Award Agreement, including this Appendix) which were provided to you in English. You accept the terms of those documents accordingly.

En acceptant l'Attribution d'Actions Attribuées et ce Contrat d'Attribution qui contient les termes et conditions de vos Actions Attribuées, vous confirmez avoir lu et compris les documents relatifs à cette attribution (le Plan et le Contrat d'Attribution, ainsi que la présente Annexe) qui vous ont été transmis en langue anglaise. Vous acceptez ainsi les conditions et termes de ces documents.

Notifications

Tax Information. The Restricted Units are not intended to be French tax-qualified Awards.

GERMANY

There are no country-specific provisions.

HONG KONG

Terms and Conditions

Sale of Shares. In the event the Restricted Units and DEUs vest and Shares are issued to you within six (6) months of the Grant Date, you agree that you will not dispose of any Shares acquired prior to the six-month anniversary of the Grant Date.

Notifications

Securities Law Warning: *The Restricted Units and Shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company, the Employer or any other Subsidiary. The Award Agreement, the Plan and any Award documentation have not been prepared in accordance with and are not intended to*

constitute a “prospectus” for a public offering of securities under the applicable securities legislation in Hong Kong, nor has the Award Agreement, the Plan or the other Award documentation been reviewed by any regulatory authority in Hong Kong. The Restricted Units are intended only for the personal use of each eligible person and may not be distributed to any other person. If you are in any doubt about any of the contents of the Award Agreement, the Plan or the other Award documentation, you should obtain independent professional advice.

HUNGARY

There are no country-specific provisions.

INDIA

There are no country-specific provisions.

IRELAND

There are no country-specific provisions.

ISRAEL

Terms and Conditions

Form of Payment. The following provisions supplement Section 3 of the Award Agreement:

Notwithstanding any provision in the Award Agreement to the contrary, vested Restricted Units and DEUs will be settled solely in payment of cash and the value will be calculated using the average of the high and low of the stock price reported on the NYSE on the date of vesting. Notwithstanding the foregoing, the Company reserves the right to settle Restricted Units and DEUs in Shares in its discretion, depending upon the development of local law.

Notifications

Securities Law Information. This offer of Restricted Units does not constitute a public offering under the Securities Law, 1968.

ITALY

Terms and Conditions

Plan Document Acknowledgment. By accepting the Award, you acknowledge that you have received a copy of the Plan and the Award Agreement and have reviewed the Plan and the Award Agreement, including this Appendix, in their entirety and fully understand and accept all provisions of the Plan and the Award Agreement, including this Appendix. You further acknowledge that you have read and specifically and expressly approve the Sections of the Award Agreement relating to the following: vesting of Restricted Units and DEUs, settlement of Restricted Units, tax withholding, tax and legal advice, data privacy, and nature of grant.

JAPAN

There are no country-specific provisions.

KOREA

There are no country-specific provisions.

LUXEMBOURG

There are no country-specific provisions.

MALAYSIA

Terms and Conditions

Data Privacy. The following provisions replace Section 19 of the Award Agreement:

You hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in the Award Agreement and any other Award materials by and among, as applicable, the Employer, the Company and any other Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., national registration identification card number), salary, nationality, job title, any Shares or directorships held in the Company, details of all awards or any other entitlement to Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in your favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan. Data is supplied by the Company and also by you through information collected in connection with the Award Agreement and the Plan.

You understand that Data will be transferred to UBS Financial Services Inc. or such other stock plan service provider as may be selected by the Company in the future ("UBS"), which is assisting the Company with the implementation, administration and management of the Plan. You understand that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country may have different data privacy laws and protections than your country. You understand that you may request a list with the names and addresses of any potential recipients of Data by contacting your local human resources representative, Angela Woon, Head of HR, South East Asia, + 603 78067703. You authorize the Company, UBS and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom any Shares acquired under the Plan may be deposited. You understand that Data will be held only as long as is necessary to

implement, administer and manage your participation in the Plan. You understand that you may, at any time, view Data, request information about the storage and processing of Data, require any necessary amendments to Data, limit the processing of Data or refuse or withdraw the consents herein, in any case without cost, by contacting your local human resources representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke your consent, your employment or service with the Employer will not be affected; the only consequence of refusing or withdrawing your consent is that the Company would not be able to grant you Restricted Units or other equity awards or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.

Privasi Data. Peruntukan berikut menggantikan Seksyen 19 Perjanjian Anugerah:

Anda dengan ini secara eksplisit dan tanpa sebarang keraguan mengizinkan pengumpulan, penggunaan dan pemindahan, dalam bentuk elektronik atau lain-lain, data peribadi anda seperti yang diterangkan dalam Perjanjian Anugerah dan apa-apa bahan Anugerah yang lain oleh dan di antara, seperti yang berkenaan, Majikan, Syarikat dan mana-mana Anak-anak Syarikat lain untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan penyertaan anda di dalam Pelan.

Anda memahami bahawa Syarikat dan Majikan mungkin memegang maklumat peribadi tertentu tentang anda, termasuk, tetapi tidak terhad kepada, nama anda, alamat rumah dan nombor telefon, alamat emel, tarikh lahir, nombor insurans sosial, pasport atau pengenalan lain (seperti, nombor kad pengenalan), gaji, kewarganegaraan, jawatan, apa-apa Syer atau jawatan pengarah yang dipegang dalam Syarikat, butir-butir semua anugerah atau apa-apa hak lain untuk Syer atau faedah bersamaan yang dianugerahkan, dibatalkan, dibeli, dilaksanakan, terletak hak, tidak diletak hak ataupun yang tertunggak demi faedah anda (“Data”), untuk tujuan eksklusif bagi melaksanakan, mentadbir dan menguruskan Pelan tersebut. Data tersebut dibekalkan oleh Syarikat dan juga oleh anda melalui maklumat yang dikumpul berkaitan dengan Perjanjian Anugerah dan Pelan.

Anda memahami bahawa Data ini akan dipindahkan kepada UBS Financial Services Inc. atau pembekal perkhidmatan pelan saham lain yang mungkin dipilih oleh Syarikat pada masa depan (“UBS”), yang membantu Syarikat dengan pelaksanaan, pentadbiran dan pengurusan Pelan. Anda memahami bahawa penerima-penerima Data mungkin berada di Amerika Syarikat atau di tempat lain, dan bahawa negara penerima-penerima mungkin mempunyai undang-undang privasi data dan perlindungan yang berbeza daripada negara anda. Anda memahami bahawa anda boleh meminta satu senarai yang mengandungi nama-nama dan alamat-alamat penerima-penerima Data yang berpotensi dengan menghubungi wakil sumber manusia tempatan anda, iaitu Angela Woon, Head of HR, South East Asia, + 603 78067703. Anda memberi kuasa kepada Syarikat, UBS dan mana-mana penerima-penerima lain yang mungkin membantu Syarikat (pada masa sekarang atau pada masa depan) dengan melaksanakan, mentadbir dan menguruskan Pelan untuk menerima, memiliki, menggunakan, mengekalkan dan memindahkan Data, dalam bentuk elektronik atau lain-lain, bagi tujuan tunggal melaksanakan, mentadbir dan menguruskan penyertaan anda di dalam Pelan, termasuk apa-apa keperluan pemindahan Data

seperti yang dikehendaki kepada broker, ejen escrow atau pihak ketiga yang lain dengan sesiapa sebarang Syer yang diperolehi di bawah Pelan boleh didepositkan. Anda memahami bahawa Data hanya akan disimpan selagi ia adalah diperlukan untuk melaksanakan, mentadbir dan menguruskan penyertaan anda dalam Pelan. Anda memahami bahawa anda boleh, pada bila-bila masa, melihat Data, meminta maklumat mengenai penyimpanan dan pemprosesan Data, meminta mana-mana pindaan yang perlu ke atas Data, hadkan pemprosesan Data, atau menolak atau menarik balik persetujuan dalam ini, dalam mana-mana kes tanpa kos, dengan menghubungi wakil sumber manusia tempatan anda. Selanjutnya, anda memahami bahawa anda memberikan persetujuan di sini secara sukarela semata-mata. Sekiranya anda tidak bersetuju, atau sekiranya anda kemudian membatalkan persetujuan anda, status pekerjaan atau perkhidmatan anda dengan Majikan tidak akan terjejas; satu-satunya akibat sekiranya tidak bersetuju atau menarik balik persetujuan anda adalah bahawa Syarikat tidak akan dapat memberikan anda Unit-unit Terbatas atau anugerah ekuiti lain atau mentadbir atau mengekalkan anugerah-anugerah tersebut. Oleh itu, anda memahami bahawa keengganan atau penarikan balik persetujuan anda boleh menjejaskan keupayaan anda untuk mengambil bahagian dalam Pelan. Untuk maklumat lebih lanjut mengenai akibat-akibat keengganan anda untuk memberikan keizinan atau penarikan balik keizinan, anda memahami bahawa anda boleh menghubungi wakil sumber manusia tempatan anda.

MEXICO

Terms and Conditions

Policy Statement. The Award of Restricted Units is a unilateral and discretionary award and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability.

The Company, with offices at Muhlenstrasse 26 20, CH-8200 Schaffhausen, Switzerland, is solely responsible for the administration of the Plan, and participation in the Plan and the Award of the Restricted Units does not, in any way, establish an employment relationship between you and the Company since you are participating in the Plan on a wholly commercial basis and the sole employer is a Mexican Subsidiary, nor does it establish any rights between you and the Employer.

Plan Document Acknowledgment. By accepting the Restricted Units, you acknowledge that you have received copies of the Plan, have reviewed the Plan and the Award Agreement in their entirety, and fully understand and accept all provisions of the Plan and the Award Agreement, including this Appendix.

In addition, you expressly approve that: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company, the Employer and any other Subsidiary are not responsible for any decrease in the value of the Shares acquired upon vesting of the Restricted Units or DEUs.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of your participation in the Plan and

therefore grant a full and broad release to the Company, the Employer and any other Subsidiary with respect to any claim that may arise under the Plan.

Spanish Translation

Declaración de Política. *El Otorgamiento de Unidades de Acciones es un otorgamiento unilateral y discrecional y, por lo tanto, la Compañía se reserva el derecho absoluto de modificar y discontinuar el Plan en cualquier tiempo, sin responsabilidad alguna.*

La Compañía, con oficinas registradas ubicadas en Muhlenstrasse 26, CH-8200 Schaffhausen, Switzerland, es únicamente responsable de la administración del Plan, y la participación en el Plan y el Otorgamiento de Unidades de Acciones Restringidas no establecen, de forma alguna, una relación de trabajo entre usted y la Compañía, ya usted está participando en el Plan sobre una base comercial y el único patrón es una Afiliada Mexicana y tampoco establece ningún derecho entre usted y el Patrón.

Reconocimiento del Documento del Plan. *Al aceptar el Otorgamiento de las Unidades de Acciones Restringidas, usted reconoce que ha recibido copias del Plan, ha revisado el Plan y el Contrato del Otorgamiento en su totalidad y que entiende y acepta completamente todas las disposiciones contenidas en el Plan y en el Contrato del Otorgamiento, incluyendo este Apéndice.*

Adicionalmente, usted aprueba que (i) la participación en el Plan no constituye un derecho adquirido; (ii) el Plan y la participación en el Plan se ofrecen por la Compañía de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, cualquier Afiliada y el Patrón no son responsables por cualquier disminución en el valor de las Acciones adquiridas al momento de tener derecho en relación con las Unidades de Acciones Restringidas.

Finalmente, usted declara que no se reserva ninguna acción o derecho para interponer una reclamación o demanda en contra de la Compañía por compensación, daño o perjuicio alguno como resultado de su participación en el Plan y, por lo tanto, otorga el más amplio y total finiquito al Patrón, la Compañía y sus Afiliadas en relación con cualquier reclamación demanda que pudiera surgir de conformidad con el Plan.

MOROCCO

Terms and Conditions

Form of Payment. The following provisions supplement Section 3 of the Award Agreement:

Notwithstanding any provision in the Award Agreement to the contrary, vested Restricted Units and DEUs will be settled solely in payment of cash and the value will be calculated using the average of the high and low of the stock price reported on the NYSE on the date of vesting. Notwithstanding the foregoing, the Company reserves the right to settle Restricted Units and DEUs in Shares in its discretion, depending upon the development of local law.

NETHERLANDS

There are no country-specific provisions.

NORWAY

There are no country-specific provisions.

POLAND

There are no country-specific provisions.

PORTUGAL

Terms and Conditions

Language Consent. You hereby expressly declare that you have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Award Agreement.

Conhecimento da Língua. O Contratado, pelo presente instrumento, declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo de Atribuição (Award Agreement em inglês).

SINGAPORE

Term and Conditions

Sale of Shares. The Shares subject to the Restricted Units and DEUs may not be offered for sale in Singapore prior to the six (6) month anniversary of the Grant Date, unless such sale or offer is made pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the Securities and Futures Act (Chap. 289, 2006 Ed.) (“SFA”) or pursuant to, and in accordance with the condition of, any other applicable provisions of the SFA.

Notifications

Securities Law Information. The Award of Restricted Units is being made pursuant to the “Qualifying Person” exemption under Section 273(1)(f) of the SFA and is not made with a view to the Restricted Units or underlying Shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. The following provisions supplement Section 20 of the Award Agreement:

By accepting the Restricted Units, you consent to participation in the Plan and acknowledge that you have received a copy of the Plan documents.

You understand that the Company has unilaterally, gratuitously and in its sole discretion decided to grant Restricted Units under the Plan to individuals who may be eligible persons throughout the world. The decision is limited and entered into based upon the express assumption and condition that any Restricted Units will not economically or otherwise bind the Company, the Employer or any other Subsidiary on an ongoing basis, other than as expressly set forth in the Award Agreement. Consequently, you understand that the Restricted Units are granted on the assumption and condition that the Restricted Units are not, and will not become, part of any employment contract (whether with the Company, the Employer or any other Subsidiary) and shall not be considered a mandatory benefit or salary for any purpose (including severance compensation) or any other right whatsoever. Furthermore, you understand and freely accept that there is no guarantee that any benefit whatsoever will arise from the grant of Restricted Units, which is gratuitous and discretionary, since the future value of the Restricted Units and the underlying Shares is unknown and unpredictable. You also understand that this grant of Restricted Units would not be made but for the assumptions and conditions set forth hereinabove; thus, you understand, acknowledge and freely accept that, should any or all of the assumptions be mistaken or any of the conditions not be met for any reason, the Restricted Units and any right to the underlying Shares will be null and void.

Further, the vesting of the Restricted Units and DEUs is expressly conditioned on your status as an eligible person such that if your status terminates for any reason whatsoever, your Restricted Units and DEUs cease vesting immediately effective the date of your Termination of Employment for any reason including, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause (*i.e.*, subject to a “*despido improcedente*”), individual or collective dismissal on objective grounds, whether adjudged or recognized to be with or without cause, material modification of the terms of employment under Article 41 of the Workers’ Statute, relocation under Article 40 of the Workers’ Statute, and/or Article 50 of the Workers’ Statute, unilateral withdrawal by the Employer and under Article 10.3 of the Royal Decree 1382/1985.

Notifications

Securities Law Information. No “offer to the public,” as defined under Spanish law, has taken place or will take place in the Spanish territory in connection with the Restricted Units. The Plan, the Award Agreement (including this Appendix) and any other documents evidencing the grant of the Restricted Units have not been, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (the Spanish securities regulator), and none of those documents constitutes a public offering prospectus.

SWEDEN

There are no country-specific provisions.

SWITZERLAND

Notifications

Securities Law Information. Neither this document nor any other materials relating to the Restricted Units (i) constitutes a prospectus according to article 35 et seq. of the Swiss Federal Act on Financial Services (“FinSA”), (ii) may be publicly distributed or otherwise made publicly available to Switzerland to any person other than an employee of the Company or a Subsidiary, or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss authority, including the Swiss Financial Market Supervisory Authority (FINMA).

TAIWAN

Notifications

Securities Law Information. The Restricted Units and the underlying Shares are available only for certain eligible persons. It is not a public offer of securities by a Taiwanese company. Therefore, it is exempt from registration in Taiwan.

THAILAND

There are no country-specific provisions.

UNITED ARAB EMIRATES

Notifications

Securities Law Information. The Plan is only being offered to eligible persons and constitutes an “exempt personal offer” of equity incentives to such individuals in the United Arab Emirates. The Plan and the Award Agreement are intended for distribution only to eligible persons and must not be delivered to, or relied on by, any other person.

The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with this statement or the Plan. The Ministry of Economy, the Dubai Department of Economic Development, the Emirates Securities and Commodities Authority, Central Bank and the Dubai Financial Securities Authority, depending on the employee’s location in the United Arab Emirates, have not approved this statement, the Plan, the Award Agreement or any other documents you may receive in connection with the Restricted Units or taken steps to verify the information set out therein, and have no responsibility for such documents.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. The following provisions supplement Section 12 of the Award Agreement:

Without limitation to Section 12 of the Award Agreement, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer, as applicable, or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also hereby agree to indemnify and keep indemnified the Company and the Employer, as applicable, against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the terms of immediately foregoing provision will not apply. In this case, the amount of the income tax not collected within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the Tax-Related Items occurs may constitute a benefit to you on which additional income tax and National Insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer, as applicable, for the value of any National Insurance contributions due on this additional benefit, which may be recovered from you by the Company or the Employer at any time thereafter by any of the means referred to in this Section 12.

UNITED STATES

Terms and Conditions

Restrictive Covenants. Notwithstanding anything in the Award Agreement to the contrary, by accepting the Award, you acknowledge, understand and agree to the following provisions:

(a) **Restrictions on Solicitation of Company's Employees.** You agree that during your employment with your Employer, the Company and any Subsidiary and for a period of twelve (12) months following your Termination of Employment, for any reason, you will not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee or contract/temporary employee of the Company or any of its Subsidiaries to leave his/her employment with the Company or respective Subsidiary, or to otherwise hire or employ any employee of Company or any of its Subsidiaries who at any time worked for, under, or with you.

The following provisions apply to all US employees except for those whose work site is in California:

(a) **Restrictions on Competition.** You agree that during the period of your employment with your Employer, the Company and any Subsidiary and for a period of twelve (12) months following your Termination of Employment, for any reason, you will not, in any country of the world in which you have done business on behalf of your Employer, the Company or any Subsidiary at any time during the last twelve (12) months prior to the date of your Termination of Employment, engage in or enter into any kind of employment or gainful occupation, directly or indirectly, in any Competing Business where your responsibilities include the manufacture, sale, purchasing, research, development, or business plans of any product, process, function or service which is directly competitive with or similar to any Company or Subsidiary product,

process, function or service that you were exposed to within twelve (12) months prior to your Termination of Employment. For purposes of this Award Agreement, the term “Competing Business” shall mean any person or other entity which sells or attempts to sell any products or services which are the same as or similar to the products and services sold, leased or otherwise distributed by Company or any Subsidiary at any time during the last twelve (12) months prior to your Termination of Employment, or which has under development a product or service that is in competition with a product or service, whether existing or under development, of Company or any Subsidiary.

(b) Restrictions on Solicitation of Company’s Customers. You agree that during your employment with your Employer, Company and any Subsidiary and for twelve (12) months following your Termination of Employment, for any reason, you will not directly or indirectly encourage any customers or suppliers to refrain from or stop doing business with the Company or any Subsidiary, either on your behalf or on behalf of any other party or entity.

**TE Connectivity Ltd.
2007 Stock and Incentive Plan**

**TERMS AND CONDITIONS
OF
PERFORMANCE STOCK UNIT AWARD**

< XXXX >

PERFORMANCE STOCK UNIT AWARD made as of [XXXX] (the “Grant Date”).

1. **Grant of Award.** TE Connectivity Ltd. (the “Company”) has granted you [XXX] Performance Stock Units (the “Target Award”), subject to the provisions of this Award Agreement, including the performance metrics set forth in Appendix A attached hereto and any special terms and conditions for your country as set forth in Appendix B attached hereto. The Company will hold the Performance Stock Units in a bookkeeping account on your behalf until they become payable or are forfeited or cancelled.

2. **Payment Amount.** Each Performance Stock Unit represents one (1) share of common stock of the Company (a “Share”).

3. **Form of Payment.** Vested Performance Stock Units will be settled solely in Shares, subject to Section 16 herein and any special terms and conditions set forth in Appendix B.

4. **Performance Stock Units/Dividends.** Performance Stock Units are a promise to deliver Shares upon a specified delivery date, provided that certain vesting and performance requirements are met, as described in this Award Agreement and Appendix A. For each Performance Stock Unit that is unvested (based on the Target Award), you will be credited with a Dividend Equivalent Unit (“DEU”) for any cash or stock dividends distributed by the Company on its Shares. DEUs will be calculated at the same dividend rate paid to other holders of Shares. The number of DEUs to be credited to your account upon payment of a dividend will be equal to the quotient produced by dividing the cash value of the dividend earned on the Target Award number of Performance Stock Units by the fair market value of the Shares, defined as the closing price per Share as quoted on the New York Stock Exchange (the “NYSE”) on the date the dividend is paid. DEUs will vest and be delivered to you in the form of Shares in accordance with the vesting and payment schedules applicable to the underlying Performance Stock Units, and proportional to the actual number of Performance Stock Units that are earned and vested. Thus, the number of Shares delivered in conjunction with the DEUs credited to your Performance Stock Unit Award may be adjusted (upward or downward) to reflect the actual number of Performance Stock Units that are earned and vested.

5. **Time of Delivery.** Except as otherwise provided for in this Award Agreement, Shares issuable upon vesting of the Performance Stock Units and DEUs will be delivered to you

in whole Shares rounding down for any fractional Shares as soon as is administratively feasible following the delivery date specified in Section 6 below, except as otherwise set forth in Section 24.

6. **Normal Vesting.** Subject to the attainment of the performance metrics described in Appendix A and your continued employment other than as set forth in Sections 8, 9, 10 or 11 below, your Performance Stock Unit Award will vest on the later of (a) the third anniversary of the Grant Date or (b) the “Certification Date” (as defined in Appendix A) for the performance results of the “Performance Cycle” (as defined in Appendix A). Except as provided in paragraphs 8, 9, 10 and 11 below, the delivery date of the Shares will be after the November 30th following the end of the Performance Cycle, but in any case, no earlier than the Certification Date following the close of the Performance Cycle and no later than 90 days after such November 30th. The value of the Shares issued at vesting will be the average of the high and low per Share price as reported on the NYSE on the date of vesting.

7. **Termination of Employment.** Any Performance Stock Units and DEUs that have not vested as of your Termination of Employment, other than as set forth under Sections 8, 9, 10 and 11 herein, will immediately be forfeited, and your rights with respect to those Performance Stock Units and DEUs will end.

8. **Death or Disability.** If your Termination of Employment is a result of your death or Disability, your Performance Stock Unit Award will vest in full at 100% of the original target shares granted to you. Such vested Performance Stock Units and DEUs will be delivered to you as soon as administratively feasible following the date of Death or Disability event, but in no case after the later of the end of the calendar year in which the death or Disability occurs or two and a half months following the death or disability date. If you are deceased, the payment of your vested Performance Stock Units, consistent with the delivery timing described in the preceding sentence, will be made to your estate after the Committee or its designee has determined that the payee is the duly appointed executor or administrator of your estate.

9. **Retirement Eligible.** If, at the time of your Termination of Employment, you have attained age 55 and have completed at least five years of service, provided that the sum of your age and years of service with the Company is 65 or higher, your Performance Stock Unit Award will continue to vest under the terms and conditions hereunder following your Termination of Employment to the same extent you would have vested had you not had a Termination of Employment, provided that (i) you continue to satisfy all other applicable conditions as may be established by the Committee on or prior to the date of your Termination of Employment with respect to such continued vesting, (ii) you have performed satisfactorily, as determined in the sole discretion of your manager, (iii) you are not terminated for Cause, and (iv) if your Termination of Employment is due to your voluntary Retirement, you shall have provided written notice to the Company of your Retirement at least six months (or one year in the case of a Band 0, Band 1 or Band 2 Employee) prior to your Retirement. Shares issuable for any portion of your Performance Stock Unit Award and DEUs that vest pursuant to this Section 9 will be delivered to you pursuant to Section 6.

Notwithstanding the foregoing, if the Company receives an opinion of counsel that there has been a legal judgment and/or legal development in your jurisdiction that likely would result

in the favorable retirement treatment, which otherwise would apply to the Performance Stock Units pursuant to this Section 9, being deemed unlawful and/or discriminatory, then the Company will not apply the favorable retirement treatment at the time of your Termination of Employment and the Performance Stock Units will be treated as they would under the rules that otherwise would have applied as if your Termination of Employment did not qualify as a retirement pursuant to this Section 9.

10. **Change in Control.** Except as may be otherwise provided by the Committee, if your Termination of Employment occurs after a Change in Control, as defined in the Plan, your Performance Stock Unit Award (or any other form of equity award or compensation that replaces your Performance Stock Unit Award as a result of the Change in Control) will immediately become fully vested at the Target Award, provided that:

(a) your employment is terminated by the Company or, if different, the Subsidiary employing you (the “Employer”) for any reason other than Cause, Disability or death in the twelve (12)-month period following the Change in Control; or

(b) you terminate your employment with the Company or the Employer after one of the following events within the twelve (12)-month period following the Change in Control:

- i. the Company or the Employer (1) assigns or causes to be assigned to you duties inconsistent in any material respect with your position as in effect immediately prior to the Change in Control; (2) makes or causes to be made any material adverse change in your position, authority, duties or responsibilities; or (3) takes or causes to be taken any other action which, in your reasonable judgment, would cause you to violate your ethical or professional obligations (after written notice of such judgment has been provided by you to the Company or the Employer and the Company or the Employer has been given a 15-day period within which to cure such action); or
- ii. the Company or the Employer, without your consent, (1) requires you to relocate to a principal place of employment more than fifty (50) miles from your existing place of employment; or (2) materially reduces your base salary, annual bonus, or retirement, welfare, stock incentive, perquisite (if any) and other benefits taken as a whole (collectively, a “Change in Control Termination”);

provided, however, that none of the events described in this sentence shall constitute a Change in Control Termination unless and until (w) you first notify the Company in writing describing in reasonable detail the condition which constitutes a Change in Control Termination within ninety (90) days of its occurrence, (x) the Company fails to cure such condition within thirty (30) days after the Company’s receipt of such written notice, (y) notwithstanding such efforts, the condition continues to exist, and (z) you terminate employment within sixty (60) days after the end of such thirty (30)-day cure period.

If you meet the requirements described in the previous sentences, your Performance Stock Unit Award will vest in full at 100% of your Target Award (or any other equity or compensation award granted in replacement of your Performance Stock Unit Award as a result of the Change

in Control, as applicable). Such vested Performance Stock Units (or other equity or compensation award granted in replacement of your Performance Stock Unit Award as a result of the Change in Control, as applicable) will be delivered as soon as administratively practicable after your Change in Control Termination.

11. Termination of Employment as a Result of a Divestiture or Outsourcing. If the business in which you are employed is being separated from the Company as a result of a Disposition of Assets, Disposition of a Subsidiary or an Outsourcing Agreement, and, as of the closing date of the applicable transaction you are designated in the transaction documents (either individually or by classification) as a business employee (or similar designation) who will be terminating employment with the Company or a Subsidiary either because (i) you will remain with the separated business after the transaction or be transferred to the employment of the buyer or Outsourcing Agent as a result of the transaction, or (ii) you will not be offered continued employment by the Company or a Subsidiary, buyer or Outsourcing Agent after the close of the transaction, then (a) your Performance Stock Unit Award will vest pro rata (standard rounding to the nearest Unit, in full-month increments) on the closing date based on (i) the number of whole months from the first day of the Performance Cycle through the closing date of the applicable transaction divided by thirty-six (36), times (ii) the Target Award number of Performance Stock Units and (b) any remaining Performance Stock Units will be forfeited. In the case of a Divestiture through a Disposition of Assets or an Outsourcing Agreement for participants who have not reached Retirement eligibility (as described in paragraph 9. above) as of the close of the Disposition of Assets or the Outsourcing Agreement date, such vested Performance Stock Units will be delivered as soon as administratively practicable following the close of the Divestiture. In no event will such vested shares be delivered after the later of the end of the calendar year in which the Divestiture takes place or the date that is two and a half months after the Divestiture closing date. In the case of a Divestiture through a Disposition of Assets or an Outsourcing Agreement for participants who have reached Retirement eligibility (as described in paragraph 9. above) as of the close Disposition of Assets or the Outsourcing Agreement date, such vested Performance Stock Units will be delivered after the November 30th following the end of the Performance Cycle, but in any case, no earlier than the Certification Date for the performance results for the Performance Cycle and no later than 90 days after such November 30th. In the case of a Divestiture through a Disposition of a Subsidiary, the vested Performance Stock Units will be delivered as soon as administratively practicable following the close of the Divestiture. In no event will such vested shares be delivered after the later of the end of the calendar year in which the Divestiture takes place or the date that is two and a half months after the Divestiture closing date. If you become entitled to the pro-rated vesting described in this Section 11, you will not be entitled to any further vesting in your Performance Stock Unit Award unless you are transferred to employment with the Company in a position outside of the business that is being separated from the Company (with the intent of continued employment with the Company outside of the separated business) after the closing date of the applicable transaction, but prior to your Termination of Employment as a result of the Disposition of Assets, Disposition of a Subsidiary or an Outsourcing Agreement.

Notwithstanding the foregoing, you will not be eligible for such pro-rata vesting if, (i) your Termination of Employment occurs on or prior to the closing date of such Disposition of Assets or Disposition of a Subsidiary, as applicable, or on such later date as is specifically provided in the applicable transaction agreement or related agreements, or on the effective date

of such Outsourcing Agreement applicable to you (the “Applicable Employment Date”), and (ii) you are offered Comparable Employment with the buyer, successor company or outsourcing agent, as applicable, but do not commence such employment on the Applicable Employment Date.

For the purposes of this Section 11, (a) “Comparable Employment” shall mean employment at a base salary rate and bonus target that is at least equal to the base salary rate and bonus target in effect immediately prior to your Termination of Employment and at a location that is no more than fifty (50) miles from your existing place of employment; (b) “Disposition of Assets” shall mean the disposition by the Company or a Subsidiary of all or a portion of the assets used by the Company or Subsidiary in a trade or business to an unrelated corporation or entity; (c) “Disposition of a Subsidiary” shall mean the disposition by the Company or a Subsidiary of its interest in a subsidiary or controlled entity to an unrelated individual or entity, provided that such subsidiary or entity ceases to be an affiliated company as a result of such disposition; and (d) “Outsourcing Agreement” shall mean a written agreement between the Company or a Subsidiary and an unrelated third party (“Outsourcing Agent”) pursuant to which the Company transfers the performance of services previously performed by employees of the Company or Subsidiary to the Outsourcing Agent, and the Outsourcing Agreement includes an obligation of the Outsourcing Agent to offer employment to any employee whose employment is being terminated as a result of or in connection with said Outsourcing Agreement.

12. **Responsibility for Taxes.** Regardless of any action the Company or the Employer takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you (“Tax-Related Items”), by accepting the Award, you acknowledge that the ultimate liability for all Tax-Related Items is and remains your responsibility and may exceed the amount actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Stock Units, including, but not limited to, the grant, vesting or settlement of the Performance Stock Units, the issuance of Shares upon settlement of the Performance Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends and/or any DEUs; and (b) do not commit to and are under no obligation to structure the terms of the Award or any aspect of the Performance Stock Units to reduce or eliminate your liability for Tax-Related Items or achieve any particular tax result. Further, if you become subject to tax in more than one jurisdiction, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, you will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following:

- i. withholding from your wages or other cash compensation paid to you by the Company and/or the Employer;

- ii. withholding from proceeds of the sale of Shares acquired upon vesting of the Performance Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization); or
- iii. withholding in Shares to be issued upon vesting of the Performance Stock Units;

provided, however, that if you are a Section 16 officer under the Exchange Act, then the Company will withhold in Shares upon the relevant taxable or tax withholding event, as applicable, unless the use of such withholding method is problematic under applicable tax or securities law or has materially adverse accounting consequences, in which case the obligation for Tax-Related Items may be satisfied by one or a combination of methods (i) and (ii) above.

The Company may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum rates, in which case you may receive a refund of any over-withheld amount in cash and you will have no entitlement to the Shares equivalent. Notwithstanding the foregoing, to avoid a prohibited acceleration under Section 409A of the Code, if Shares are withheld to satisfy any Tax-Related Items arising prior to the date of settlement of the Performance Stock Units for any portion of the Award that is subject to Section 409A, the number of Shares withheld will not exceed the number of Shares that equals the liability for the Tax-Related Items. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, you are deemed to have been issued the full number of Shares subject to the vested Performance Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of your participation in the Plan.

Finally, you shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if you fail to comply with your obligations in connection with the Tax-Related Items.

13. **Transfer of Award.** You may not transfer any interest in the Performance Stock Units except by will or the laws of descent and distribution. Any other attempt to dispose of your interest in the Performance Stock Units will be null and void.

14. **Covenant; Forfeiture of Award; Agreement to Reimburse Company.**

(a) If you have been terminated for Cause, any Performance Stock Units shall be immediately rescinded and, in addition, you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said Shares) you received for Performance Stock Units that vested during the six (6) month period prior to your Termination of Employment.

(b) If, after your Termination of Employment, the Committee determines in its sole discretion that while you were an employee of the Company or a Subsidiary you engaged in activity that would have constituted grounds for the Company or Subsidiary to terminate your employment for Cause, then you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said

Shares) you received for Performance Stock Units (i) that were delivered during the six (6) month period prior to your Termination of Employment and (ii) that were delivered following your Termination of Employment.

(c) If the Committee determines, in its sole discretion, that at any time after your Termination of Employment and prior to the later of (i) second anniversary of your Termination of Employment and (ii) the final delivery of shares representing any Performance Stock Units granted hereunder you (i) disclosed business confidential or proprietary information related to any business of the Company or Subsidiary or (ii) have entered into an employment or consultation arrangement (including any arrangement for employment or service as an agent, partner, stockholder, consultant, officer or director) with any entity or person engaged in a business and (A) such employment or consultation arrangement would likely (in the Committee's sole discretion) result in the disclosure of business confidential or proprietary information related to any business of the Company or a Subsidiary to a business that is competitive with any Company or Subsidiary business as to which you have had access to business strategic or confidential information, and (B) the Committee has not approved the arrangement in writing, then you hereby agree and promise immediately to deliver to the Company the number of Shares (or, in the discretion of the Committee, the cash value of said shares) you received for Performance Stock Units (i) that were delivered during the six (6) month period prior to your Termination of Employment and (ii) that were delivered following your Termination of Employment.

(d) *The Committee shall be entitled to require that you repay all or part of any amount received (whether in cash or Shares) pursuant to the terms of this Award (i) to the extent it deems it necessary or appropriate to comply with any current or future rules of the U.S. Securities Exchange Commission, the NYSE or any other governmental agency, as they may be amended from time to time, (ii) to the extent it deems it necessary or appropriate to comply with the requirements of the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, or (iii) to the extent otherwise deemed appropriate by the Committee to recover any overpayment or mistaken payment that was based on deficient financial information, and you hereby agree and promise to promptly remit to the Company any such amount.*

15. **Adjustments.** In the event of any stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, other securities or other property), extraordinary cash dividend, recapitalization, merger, consolidation, split-up, spin-off, reorganization, combination, repurchase or exchange of Shares or other securities, the issuance of warrants or other rights to purchase Shares or other securities, or other similar corporate transaction or event, the Committee shall adjust the number and kind of Shares covered by the Performance Stock Units and other relevant provisions to the extent necessary to prevent dilution or enlargement of the benefits or potential benefits intended to be provided by the Performance Stock Units.

16. **Restrictions on Payment of Shares.** Payment of Shares for your Performance Stock Units is subject to the conditions that, to the extent required at the time of delivery, (a) the Shares underlying the Performance Stock Units will be duly listed, upon official notice of

redemption, upon the NYSE, and (b) a Registration Statement under the Securities Act, with respect to the Shares will be effective. The Company will not be required to deliver any Shares until all applicable federal, state, foreign and local laws and regulations have been complied with and all legal matters in connection with the issuance and delivery of the Shares have been approved by counsel of the Company.

17. **Insider Trading; Market Abuse Laws.** By accepting the Award, you acknowledge that you have read and understand the Company's insider trading policy, and are aware of and understand your obligations under federal securities laws in respect of trading in the Company's securities. The Company will have the right to recover, or receive reimbursement for, any compensation or profit realized on the disposition of Shares received for Performance Stock Units to the extent that the Company has a right of recovery or reimbursement under applicable securities laws.

You acknowledge that, depending on your or your broker's country of residence or where the Shares are listed, you may be subject to insider trading restrictions and/or market abuse laws, which may affect your ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (*e.g.*, Performance Stock Units) or rights linked to the value of Shares under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws or regulations in your country). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, including fellow employees (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell Company securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy. You acknowledge that it is your responsibility to comply with any applicable restrictions, and you should speak to your personal advisor on this matter.

18. **Plan Terms Govern.** The vesting and settlement of Performance Stock Units, the disposition of any Shares received for Performance Stock Units, and the treatment of any gain on the disposition of these Shares are subject to the terms of the Plan and any rules that the Committee may prescribe. The Plan document, as may be amended from time to time, is incorporated into this Award Agreement. Capitalized terms used in this Award Agreement have the meaning set forth in the Plan, unless otherwise stated in this Award Agreement. In the event of any conflict between the terms of the Plan and the terms of this Award Agreement, the Plan will control. By accepting the Award, you acknowledge receipt of the Plan, as in effect on the date of this Award Agreement.

19. **Data Privacy.** By accepting the Award, you hereby explicitly and unambiguously consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this Award Agreement and any other grant materials by and among, as applicable, the Company, your Employer and any other Subsidiaries for the exclusive purpose of implementing, administering and managing your participation in the Plan.

You understand that the Company and the Employer may hold certain personal information about you, including, but not limited to, your name, home address, email address

and telephone number, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Performance Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

You understand that Data may be transferred to any third parties assisting the Company with the implementation, administration and management of the Plan. You understand that these recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than your country. You understand that if you reside outside the United States you may request a list with the names and addresses of any potential recipients of Data by contacting your local Human Resources Representative. You authorize the Company and the recipients assisting the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing your participation in the Plan. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You understand that if you reside outside the United States you may at any time view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing your local Human Resources Representative. Further, you understand that you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke the consents, your employment or service with the Employer will not be affected; the only consequence of refusing or withdrawing the consents is that the Company would not be able to grant Performance Stock Units or other equity awards to you or administer or maintain such awards. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local Human Resources Representative.

20. **Nature of Grant.** By accepting the Award, you acknowledge, understand and agree that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;
- (b) the grant of the Performance Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of performance stock units, or benefits in lieu of performance stock units, even if performance stock units have been granted repeatedly in the past;
- (c) all decisions with respect to future performance stock unit grants, if any, will be at the sole discretion of the Company;
- (d) your participation in the Plan shall not be interpreted to form an employment contract or relationship with the Company or any Subsidiary nor create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate your employment relationship at any time;

- (e) you are voluntarily participating in the Plan;
- (f) the Performance Stock Units and the Shares subject to the Performance Stock Units, and the value of and income from same, are not intended to replace any pension rights or compensation;
- (g) the Performance Stock Units and the Shares subject to the Performance Stock Units, and the value of and income from same, are not part of normal or expected compensation or salary for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, holiday pay, bonuses, long-service awards, leave-related payments, pension or retirement or welfare benefits or similar mandatory payments;
- (h) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (i) in consideration of the grant of the Performance Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Stock Units resulting from your Termination of Employment with the Company or the Employer (for any reason whatsoever and whether or not in breach of local labor laws); and except where expressly prohibited under applicable law, you irrevocably release the Company and the Employer from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, you shall be deemed irrevocably to have waived your entitlement to pursue such claim;
- (j) the Performance Stock Units and the Shares subject to the Performance Stock Units, and the value of and income from same, are not granted as consideration for, or in connection with, any service you may provide as a director of any Subsidiary;
- (k) the Performance Stock Units and the benefits under the Plan, if any, will not automatically transfer to another company in the case of a merger, take-over or transfer of liability;
- (l) payment of your Performance Stock Units is not secured by a trust, insurance contract or other funding medium, and you do not have any interest in any fund or specific asset of the Company by reason of this Award or the account established on your behalf;
- (m) you have no rights as a stockholder of the Company pursuant to the Performance Stock Units until Shares are actually delivered to you; and
- (n) if you reside outside the United States,
 - (A) the Performance Stock Units and the Shares subject to the Performance Stock Units, and the value of and income from same, are not part of normal or expected compensation or salary for any purpose; and
 - (B) neither the Company, the Employer, nor any other Subsidiary will be liable for any foreign exchange rate fluctuation between any local currency and the U.S. dollar that may affect the value of the Performance Stock Units, any amounts due to you pursuant to the settlement of the Performance Stock Units or the subsequent sale of any Shares acquired upon settlement.

21. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan or your acquisition or sale of the underlying Shares. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

22. **Incorporation of Other Agreements.** This Award Agreement and the Plan constitute the entire understanding between you and the Company regarding the Performance Stock Units. This Award Agreement supersedes any prior agreements, commitments or negotiations concerning the Performance Stock Units.

23. **Severability.** The invalidity or unenforceability of any provision of this Award Agreement will not affect the validity or enforceability of the other provisions of the Award Agreement, which will remain in full force and effect. Moreover, if any provision is found to be excessively broad in duration, scope or covered activity, the provision will be construed so as to be enforceable to the maximum extent compatible with applicable law.

24. **Delayed Payment.** Notwithstanding anything in this Award Agreement to the contrary, if you are a “specified employee” within the meaning of section 409A(a)(2)(B)(i) of the Code and the regulations thereunder, and some or all of your Award is subject to Section 409A of the Code, then any payment of Performance Stock Units and DEUs subject to Section 409A of the Code that is made on account of your Termination of Employment shall be delayed until six (6) months following such Termination of Employment.

25. **Language.** You acknowledge that you are sufficiently proficient in English to understand the terms and conditions of the Award Agreement or have had the ability to consult with an advisor who is sufficiently proficient in the English language. Furthermore, if you have received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

26. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. You hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

27. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on your participation in the Plan, including but not limited to such requirements as described in Appendix A, if applicable, on the Performance Stock Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with applicable law or facilitate the administration of the Plan, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

28. **Governing Law and Venue.** The Award Agreement is to be governed by and construed in accordance with the laws of Switzerland, without regard to the conflict of laws principles thereof.

For purposes of litigating any dispute that arises under this grant or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Pennsylvania and agree that such litigation shall be conducted in the courts of Chester County, Pennsylvania, or the federal courts for the United States for the Eastern District of Pennsylvania, where this Award is made and/or to be performed.

29. **Waiver.** You acknowledge that a waiver by the Company of breach of any provision of the Award Agreement will not operate or be construed as a waiver of any other provision of the Award Agreement, or of any subsequent breach by you or any other Participant.

30. **Country Specific Terms.** Notwithstanding any provisions in the Award Agreement, the Performance Stock Unit Award will be subject to any special terms and conditions for your country set forth in Appendix B attached hereto. Moreover, if you relocate to one of the countries included in Appendix B, the special terms and conditions for such country will apply to you, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. Appendix B constitutes part of the Award Agreement.

31. **Foreign Asset/Account Reporting; Exchange Control Requirements.** Certain applicable foreign asset and/or foreign account reporting requirements and exchange controls may affect your ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares acquired under the Plan) in a brokerage or bank account outside your country. You may be required to report such accounts, assets or transactions to the tax or other authorities in your country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker and/or within a certain time after receipt. You acknowledge that you are responsible for complying with any applicable regulations, and that you should speak to your personal legal advisor for any details.

* * * * *

By accepting this Award, you agree to the following:

(i) you have carefully read, fully understand and agree to all of the terms and conditions described in this Award Agreement and the Plan; and

(ii) you understand and agree that this Award Agreement and the Plan constitute the entire understanding between you and the Company regarding the Award, and that any prior agreements, commitments or negotiations concerning the Performance Stock Units are replaced and superseded.

(iii) FOR EU/EEA PARTICIPANTS ONLY: you declare that you expressly agree with the data processing practices described in the “Data Privacy Information and Consent” section of the EU/EEA Countries appendix (the “Data Privacy Provisions”), and consent to the collection, processing and use of data by the Company and the transfer of data to the recipients mentioned in the Data Privacy Provisions, including recipients located in countries that do not provide an adequate level of protection from an EU/EEA data protection law perspective, for the purposes described in the Data Privacy Provisions. You understand that providing your signature below (or accepting the award agreement electronically) is a condition of receiving the equity award under the equity incentive plan and that the Company may cancel the equity award if a signature is not provided. You understand that you may withdraw your consent at any time with future effect for any or no reason as described in the Data Privacy Provisions.

Terrence R. Curtin
Chief Executive Officer,
TE Connectivity

APPENDIX A

PERFORMANCE METRICS APPLICABLE TO FISCAL YEAR 2021 PERFORMANCE STOCK UNIT AWARDS

1. Purpose – This Appendix A to the Award Agreement provides the terms and conditions of your Performance Stock Unit Award granted on [XXXX], 2020. The purpose of this Appendix A is to describe the terms under which you will earn Performance Stock Units (“PSUs”) granted to you under your Performance Stock Unit Award through the applicable Performance Cycle. (Note that the Shares earned under the Performance Stock Unit Award will not be delivered to you unless the applicable vesting requirements set forth in the Award Agreement are met.) For purposes of your Performance Stock Unit Award, the “Performance Cycle” is the three fiscal year period beginning with the first day of fiscal year 2021 and ending on the last day of fiscal year 2023.

2. Vesting – The vesting terms applicable to your Performance Stock Unit Award are described in the Award Agreement. This Appendix A describes how many PSUs you will earn pursuant to the performance metrics under Performance Stock Unit Award and that will be eligible to vest, provided that you also meet the applicable vesting requirements described in the Award Agreement.

3. Performance Metric – The performance metric which will be measured to determine how many PSUs will be earned and eligible to vest is the three-year average growth rate of adjusted earnings per share (“relative EPS performance”) from continuing operations, evaluated over the three-year Performance Cycle. In determining the relative EPS performance, the Company will use the Diluted EPS before Abnormal Items data published in Bloomberg News for the companies included in the benchmark described below.

The relative EPS performance will be calculated by ranking the Company’s three-year average EPS growth rate versus that of all eligible S&P 500 Non-Financial companies. The calculation of the Company’s relative EPS performance will be conducted under written procedures adopted by the Committee at the time the Performance Stock Unit Award is granted. (The approved calculation procedures will be made available to you upon written request sent to Executive Compensation, Attention Director of Executive Compensation, 1050 Westlakes Drive, Berwyn, PA 19312, USA)

4. Determination of PSUs Earned – The number of PSUs earned over the Performance Cycle will be determined based on the Company’s relative EPS performance for the Performance Cycle. The performance results, as determined at the end of the Performance Cycle based on the performance metric, will be applied to the Target Award. Depending on the Company’s relative EPS performance during the Performance Cycle, 0% to 200% of the Target Award will vest, based on the following scale:

	Threshold	Target	Maximum
Performance Zone (relative EPS growth % ranking)	25 th	50 th	75 th
PSUs Earned (% of PSUs earned and eligible to vest)	50%	100%	200%

Performance results below the 25th percentile result in zero PSUs earned for the Performance Cycle. Performance results between the 25th and 75th percentile will be interpolated on a straight-line basis. Performance results at or above the 75th percentile are capped at 200%.

5. Certification Date – The date on which the Committee certifies performance results at the end of the Performance Cycle is the Certification Date for purposes of the Award Agreement.

6. PSUs Earned – Once the Committee determines the number of PSUs that are earned based on the performance metric, that number of units will be credited to your Performance Stock Unit account and will be eligible to vest, subject to the other terms of this Award Agreement.

7. Committee Discretion – All decisions regarding the interpretation of your Performance Stock Unit Award and the calculation of Performance Stock Units earned under your Performance Stock Unit Award, including without limitation, any and all matters relating to the calculation of the Company’s relative EPS performance, will be made in the sole and absolute discretion of the Committee. All determinations of the Committee will be final, binding and conclusive on all parties.

8. Governing Document – This Appendix A is incorporated into and constitutes a part of the Award Agreement.

**APPENDIX B
TO THE
TERMS AND CONDITIONS
OF
PERFORMANCE STOCK UNIT AWARD

UNDER THE
TE CONNECTIVITY LTD.
2007 STOCK AND INCENTIVE PLAN**

Capitalized terms not specifically defined in this Appendix B have the same meaning assigned to them in the Plan and/or the Award Agreement to which this Appendix B is attached.

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the grant of Performance Stock Units in your country. If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer residency and/or employment to another country after the grant but prior to the vesting of the Performance Stock Units, or are considered a resident of another country for local law purposes, the Company may, in its discretion, determine to what extent the additional terms and conditions contained herein will apply to you.

Notifications

This Appendix B also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities and other laws in effect in the respective countries as of November 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date when the Performance Stock Units or DEUs vest, the receipt of any dividends or the subsequent sale of the Shares. In addition, the information is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the relevant laws in your country may apply to your situation. If you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer residency and/or employment to another country after the Performance Stock Units are granted to you, or are considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to you.

EU/EEA COUNTRIES

Terms and Conditions

The following terms and conditions will apply if you are a resident in a European Union (“EU”) / European Economic Area (“EEA”) country.

Data Privacy Information and Consent. The following provisions replace Section 19 of the Award Agreement:

(a) **Data Collection and Usage.** *The Company and the Employer collect, process and use certain personal information about you, including, but not limited to, your name, home address, telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any shares or directorships held in the Company, details of all Performance Stock Units, and any other rights to Shares awarded, canceled, exercised, vested, unvested or outstanding in your favor (“Data”), for purposes of implementing, administering and managing your participation in the Plan. The legal basis, where required, for the processing of Data is the explicit declaration of the consent you provide when signing or electronically agreeing to the Award Agreement.*

(b) **Stock Plan Administration Service Providers.** *The Company transfers Data to UBS Financial Services Inc. and certain of its affiliates (“UBS”), which is assisting the Company with the implementation, administration and management of the Plan. You may be asked to agree on separate terms and data processing practices with UBS, with such agreement being a condition to your ability to participate in the Plan.*

(c) **Other Service Provider Data Recipients.** *The Company and the Employer also may transfer Data to other third party service providers, if necessary to ensure compliance with applicable tax, exchange control, securities and labor law. Such third party service providers may include the Company’s legal counsel as well as its auditor/accountant/third party vendor (currently Deloitte, Willis Towers Watson). Wherever possible, the Company will anonymize data, but you understand that your Data may need to be transferred to such providers to ensure compliance with applicable law and/or tax requirements.*

(d) **International Data Transfers.** *The Company, UBS and its other service providers described above under (c) have operations in the United States. Your country or jurisdiction may have different data privacy laws and protections than the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program. The Company has registered for the EU-U.S. Privacy Shield program and, as such, may transfer Data from the EU to the U.S. in reliance on the program.*

(e) **Data Retention.** *The Company will hold and use Data only as long as is necessary to implement, administer and manage your participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax, exchange control, labor and securities laws. This period may extend beyond your employment with the Employer. When the Company or the Employer no longer need Data for any of the above purposes, they will cease*

processing it in this context and remove it from all of their systems used for such purposes to the fullest extent practicable.

(f) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *Participation in the Plan is voluntary and you are providing the consents herein on a purely voluntary basis. If you do not consent, or if you later seek to revoke the consent, your salary from or employment relationship with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to grant the Performance Stock Units under the Plan or administer or maintain your participation in the Plan. Therefore, you understand that refusing or withdrawing your consent may affect your ability to participate in the Plan. For more information on the consequences of your refusal to consent or withdrawal of consent, you understand that you may contact your local human resources representative.*

(g) **Data Subject Rights.** *You may have a number of rights under data privacy laws in your jurisdiction. Depending on where you are based, such rights may include the right to (i) request access to or copies of Data the Company processes, (ii) rectify incorrect Data, (iii) delete Data, (iv) restrict the processing of Data, (v) restrict the portability of Data, (vi) lodge complaints with competent authorities in your jurisdiction, and/or (vii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, you can contact your local human resources representative.*

CHINA

Terms and Conditions

The following terms and conditions will apply if you are subject to exchange control restrictions and regulations in China, including the requirements imposed by the State Administration of Foreign Exchange (“SAFE”), as determined by the Company in its sole discretion.

Vesting and Termination. The following provisions supplement Sections 6, 7, 8, 9 and 10 of the Award Agreement:

Notwithstanding anything in Section 9 of the Award Agreement to the contrary, if your Performance Stock Unit Award and DEUs vest pursuant to Section 9 of the Award Agreement upon your Termination of Employment, they will vest on a pro rata basis based on the most recent performance metrics available to the Company at your Termination of Employment. Shares issuable pursuant to Section 9 will be delivered to you as soon as is administratively feasible following your Termination of Employment. For purposes of this section, pro rata vesting shall mean (standard rounding to the nearest Unit, in full month increments) based on (i) the number of whole months that you have completed from the first day of the Performance Cycle through the end of the month in which your Termination of Employment occurs, divided by thirty-six (36), times (ii) the number of Performance Stock Units that are actually earned for the Performance Cycle in accordance with the terms of Appendix A; and (b) any remaining Performance Stock Units will be forfeited.

You agree to maintain any Shares you obtain upon vesting in an account with the designated broker prior to sale.

You understand and agree that, regardless of the reason for your Termination of Employment, any Shares acquired under the Plan must be sold no later than sixty (60) days from your Termination of Employment, or within any such other period as may be permitted by the Company or requested by SAFE. You understand that any Shares acquired under the Plan that have not been sold within sixty (60) days of your termination or within such other period as may be permitted by the Company or required by SAFE will be automatically sold by the designated broker pursuant to this authorization. You acknowledge that the broker is not required to sell the Shares at any particular price and that the Company, the Employer or any other Subsidiary, as well as the broker, cannot be held responsible for any loss of proceeds due to the sale.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the sale of the Shares issued upon the vesting of the Performance Stock Units and the DEUs as well as any cash dividends paid on such Shares to China. You further understand that, under applicable laws, such repatriation of your cash proceeds will need to be effectuated through a special exchange control account established by the Company, the Employer or any other Subsidiary, and you hereby consent and agree that any proceeds from the sale of any Shares you acquire or from cash dividends paid on such Shares will be transferred to such special account prior to being delivered to you. You also understand that the Company will deliver the proceeds to you as soon as possible, but there may be delays in distributing the funds to you due to exchange control requirements in China. Proceeds may be paid to you in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid to you in U.S. dollars, you may be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to you in local currency, the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

Additional Restrictions. The Performance Stock Units and DEUs will not vest and the Shares will not be issued at vesting unless the Company determines that such vesting and the issuance and delivery of Shares complies with all applicable laws. Further, the Company is under no obligation to vest the Performance Stock Units / DEUs and/or issue Shares if the Company's SAFE approval becomes invalid or ceases to be in effect by the time you vest in the Performance Stock Units and DEUs.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes. The following provisions supplement Section 12 of the Award Agreement:

Without limitation to Section 12 of the Award Agreement, you hereby agree that you are liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer, as applicable, or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). You also

hereby agree to indemnify and keep indemnified the Company and the Employer, as applicable, against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on your behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if you are a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the terms of immediately foregoing provision will not apply. In this case, the amount of the income tax not collected within ninety (90) days of the end of the U.K. tax year in which an event giving rise to the Tax-Related Items occurs may constitute a benefit to you on which additional income tax and National Insurance contributions may be payable. You will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer, as applicable, for the value of any National Insurance contributions due on this additional benefit, which may be recovered from you by the Company or the Employer at any time thereafter by any of the means referred to in this Section 12.

UNITED STATES

Terms and Conditions

Restrictive Covenants. Notwithstanding anything in the Award Agreement to the contrary, by accepting the Award, you acknowledge, understand and agree to the following provisions:

(a) **Restrictions on Solicitation of Company's Employees.** You agree that during your employment with your Employer, the Company and any Subsidiary and for a period of twelve (12) months following your Termination of Employment, for any reason, you will not, directly or indirectly, solicit or induce, or attempt to solicit or induce, any employee or contract/temporary employee of the Company or any of its Subsidiaries to leave his/her employment with the Company or respective Subsidiary, or to otherwise hire or employ any employee of Company or any of its Subsidiaries who at any time worked for, under, or with you.

The following provisions apply to all US employees except for those whose work site is in California:

(a) **Restrictions on Competition.** You agree that during the period of your employment with your Employer, the Company and any Subsidiary and for a period of twelve (12) months following your Termination of Employment, for any reason, you will not, in any country of the world in which you have done business on behalf of your Employer, the Company or any Subsidiary at any time during the last twelve (12) months prior to the date of your Termination of Employment, engage in or enter into any kind of employment or gainful occupation, directly or indirectly, in any Competing Business where your responsibilities include the manufacture, sale, purchasing, research, development, or business plans of any product, process, function or service which is directly competitive with or similar to any Company or Subsidiary product, process, function or service that you were exposed to within twelve (12) months prior to your Termination of Employment. For purposes of this Agreement, the term "Competing Business" shall mean any person or other entity which sells or attempts to sell any products or services which are the same as or similar to the products and services sold, leased or otherwise distributed

by Company or any Subsidiary at any time during the last twelve (12) months prior to your Termination of Employment, or which has under development a product or service that is in competition with a product or service, whether existing or under development, of Company or any Subsidiary.

(b) **Restrictions on Solicitation of Company's Customers.** You agree that during your employment with your Employer, Company and any Subsidiary and for 12 months following your Termination of Employment, for any reason, you will not directly or indirectly encourage any customers or suppliers to refrain from or stop doing business with the Company or any Subsidiary, either on your behalf or on behalf of any other party or entity.

1050 Westlakes Drive
Berwyn, PA 19312
Tel (+1) 610 893 9700
Fax (+1) 610 893 9702



te.com

September 30, 2020

Kevin Rock

Dear Kevin,

The purpose of this letter agreement is to confirm the changes that will be taking place with respect to your employment relationship with TE Connectivity in connection with your decision to retire. Effective October 1, 2020, you will be stepping out of your roles as President, Industrial Solutions Segment, and executive officer of TE Connectivity Corporation and its affiliates (the "Company"). You will remain with the Company as the Interim President and General Manager for the AD&M business unit until a new General Manager is hired, onboarded and transitioned. The terms of your employment effective October 1, 2020, are as follows:

Title: Interim General Manager, Aerospace Defense & Marine business unit

Employment Status: Full time, Band 0, reporting to TE Chief Executive Officer

Salary: Your current annualized salary rate will remain in effect.

AIP: You will be eligible to receive an AIP award on a pro-rated basis based upon your termination date.

LTI Awards: You will not be eligible to receive any further long-term incentive awards. You will continue to vest in your outstanding long-term incentive awards during your employment with TE.

Employee Benefits: You will continue to receive all elected benefits at active employee rates through the term of your employment.

Duration: As agreed between you and the TE Chief Executive Officer.

Service for Other Companies: You will not be permitted to assume an employment or consulting position with any other company during the term of your employment with TE. You continue to be subject to any/all confidentiality, non-compete and non-solicitation obligations under the terms of the TE Connectivity Confidentiality and Invention Assignment Agreement previously executed by you in connection with your employment with TE and the Limited Non-Competition Agreement previously executed by you upon your acceptance of the terms and conditions of the Annual Incentive Plan, which agreements (collectively, the “Surviving Agreements”) remain in full force and effect.

As a result of your stepping out of your role of President, Industrial Solutions, you will no longer be a Section 16 officer of the Company under U.S. securities laws and no longer be a member of the Swiss executive management under the Swiss Code of Obligations. However, since you will continue to have access to material non-public information regarding TE Connectivity, you will remain part of the trading window group and you will continue to be notified by email when the trading window opens and closes.

With the exception of the Surviving Agreements, this letter agreement supersedes any and all prior employment agreements including your Executive Employment Agreement dated December 15, 2015, which shall terminate effective October 1, 2020, unless earlier terminated pursuant to its terms.

Please sign below to signify your agreement.

Sincerely,

/s/ Tim Murphy

Timothy Murphy
SVP, Chief Human Resources Officer

ACCEPTED:

/s/ Kevin Rock
Kevin Rock

Date: September 30, 2020

SUBSIDIARIES OF TE CONNECTIVITY LTD.
(as of November 7, 2020)

Argentina	TE Connectivity Argentina S.R.L.
	Tyco Networks (Argentina) S.R.L.
	Tyco Submarine Systems de Argentina S.A.
Australia	Grangehurst Enterprises Pty. Ltd.
	TE Connectivity Australia Pty Ltd
Austria	Tyco Electronics Austria GmbH
Barbados	Corcom West Indies Limited
	TE Connectivity Atlantic Holding Ltd.
Belgium	TE Connectivity Belgium BV
Bermuda	Tyco Electronics Eta Limited
	Tyco Electronics Holdings (Bermuda) No. 7 Limited
	Tyco Electronics Lambda
Brazil	Seacon Produtos e Servicos Opticos e Eletricos Ltda.
	TE Connectivity Brasil Indústria de Eletrônicos Ltda.
British Virgin Islands	Kenabell Holding Limited
Canada	First Sensor Corp. (71.90%)
	TE Connectivity ULC
	Tyco Electronics Canada ULC
Chile	TE Connectivity Industrial y Comercial Chile Limitada
China	Alpha Technics (Xiamen) Limited
	Deutsch Connectors Trading (Shanghai) Co., Ltd.
	Hirschmann Car Communication (Shanghai) Co. Ltd.
	MEAS Shenzhen Limited
	Measurement Specialties (Chengdu) Ltd.
	Measurement Specialties (China) Ltd.
	Measurement Technology (Chengdu) Ltd.
	Raychem Shanghai Cable Accessories Limited
	Raychem (Shanghai) Trading Ltd.
	Shanghai CII Electronics Co., Ltd (50%)
	Sibas Electronics (Xiamen) Co., Ltd.
	TE Connectivity Connectors (Suzhou) Co., Ltd.
	TE Connectivity (Kunshan) Company Limited
	TE Connectivity (Suzhou) Co., Ltd.
	TE Connectivity (Weifang) Ltd.
	Tyco Electronics AMP Guangdong Ltd
	Tyco Electronics AMP Qingdao Ltd.
	Tyco Electronics AMP Shanghai Ltd. (92.31%)
	Tyco Electronics (Dongguan) Ltd
	Tyco Electronics (Kunshan) Ltd
	Tyco Electronics (Qingdao) Ltd.

	Tyco Electronics (Shanghai) Co., Ltd
	Tyco Electronics (Shenzhen) Co. Ltd.
	Tyco Electronics (Suzhou) Ltd.
	Tyco Electronics Technology (SIP) Ltd.
	Tyco Electronics (Zhuhai) Ltd
	Wema Environmental Technologies (Shanghai) Co., Ltd.
Colombia	TE Connectivity Colombia S.A.S.
Costa Rica	Creganna Medical, Sociedad de Responsabilidad Limitada
Cyprus	Acalon Holdings Limited
	Raychem Technologies Limited
Czech Republic	Tyco Electronics Czech s.r.o.
	Tyco Electronics EC Trutnov s.r.o.
Denmark	TE Connectivity (Denmark) ApS
Dominican Republic	Raychem Dominicana S.A.
Finland	Tyco Electronics Finland Oy
France	Carrier Kheops BAC
	Compagnie Deutsch Distribution
	Connecteurs Electriques Deutsch
	Deutsch
	Deutsch Group
	First Sensor France SAS
	Hirschmann Car Communication S.A.S.
	MEAS Europe
	MEAS France
	Tyco Electronics France SAS
	Tyco Electronics Group S.A. (French Branch)
	Tyco Electronics Holding France
	Tyco Electronics Idento
	TYCO ELECTRONICS-SIMEL
Germany	First Sensor AG (71.90%)
	First Sensor Lewicki GmbH (71.90%)
	First Sensor Mobility GmbH (71.90%)
	Grundbesitz "Bohnland 16" GmbH
	Hirschmann Car Communication GmbH
	TE Connectivity EMEA Holding GmbH
	TE Connectivity Germany GmbH
	TE Connectivity Industrial GmbH
	TE Connectivity KISSLING Products GmbH
	TE Connectivity Sensors Germany GmbH
	TE Connectivity Sensors Germany Holding AG
	Tyco Electronics EC Verwaltungsgesellschaft mbH
	Tyco Electronics Germany Holdings GmbH
	Tyco Electronics Raychem GmbH
Gibraltar	Tyco Electronics (Gibraltar) Limited

Greece	Tyco Electronics Hellas MEPE
Guernsey	Cregstar Bidco Limited
Hong Kong	Alpha Technics Asia Limited F.A.I. Technology (Hong Kong) Limited MEAS Asia Limited Raychem China Limited TE Connectivity (HKZ) Holding Limited TE Connectivity HK Limited Tyco Electronics H.K. Limited Tyco Electronics Hong Kong Holdings No. 2 Limited Tyco Electronics Hong Kong Holdings No. 3 Limited Wema System Hong Kong Limited Wema System Production and Distribution HK Limited
Hungary	Hirschmann Car Communication Kft. Tyco Electronics Hungary Termelő Kft
India	CII Guardian International Limited (39.43%) Deutsch India Power Connectors (Pvt) Ltd DRI India Relays Pvt. Ltd. RAYCHEM-RPG Private Limited (50%) TE Connectivity India Private Limited TE Connectivity Services India Private Limited
Indonesia	PT KRONE Indonesia (70%) PT. Tyco Electronics Indonesia
Ireland	Creganna Finance Ireland Limited Creganna Medical Ireland Limited Creganna Unlimited Company MEAS Ireland (Betatherm) Limited TE Connectivity Ireland Limited Tyco Electronics Group S.A. (Branch Office)
Isle Of Man	Creganna Solutions Limited
Israel	TE Connectivity Israel Ltd.
Italy	TE Connectivity Italia Distribution S.r.l. TE Connectivity Italia S.r.l.
Japan	Nikkiso-Therm Co., Ltd. (50.06%) Tyco Electronics Japan G.K.
Kenya	Tyco Electronics UK Ltd. (Kenya Branch)
Luxembourg	TE Connectivity Holding International I S.A. TE Connectivity Holding International II S.a r.l. TE Connectivity Investments Holding S.à r.l.

	TE Connectivity LATAM Holding S.à r.l.
	TE Connectivity MOG Europe S.a r.l.
	TE Connectivity MOG Holding S.a r.l.
	TE Connectivity (US) Holding I S.à r.l.
	TE Connectivity (US) Holding II S.à r.l.
	Tyco Electronics Group S.A.
Malaysia	Tyco Electronics (Malaysia) Sdn. Bhd.
Mexico	AMP Amermex, S.A. de C.V.
	Cima de Acuna S.A. de C.V.
	Corcom, S.A. de C.V.
	Hirschmann Car Communication, S. de R.L. de C.V.
	Kemex Holding Company, S.A. de C.V.
	Potter & Brumfield de Mexico, S.A. de C.V.
	Seacon Global Production, S. de R.L. de C.V.
	TE Sensores, S. de R.L. de C.V.
	Termistores de Tecate, S.A. de C.V.
	Tyco Electronics Mexico, S. de R.L. de C.V.
	Tyco Electronics Tecnologias S. de R.L. de C.V.
	Tyco Submarine Systems, S.A. de C.V.
Morocco	TE Connectivity Morocco SARL
Netherlands	Klay Instruments BV (71.90%)
	TE Connectivity Nederland B.V.
	TE Connectivity Netherlands (Turkey) B.V.
	Tyco Electronics Netherlands (India) Cooperatief U.A.
New Zealand	Tyco Electronics NZ Limited
Nigeria	TE Connectivity Technology Solutions Limited
Norway	Precision Subsea AS
	TE Connectivity Norge AS
Paraguay	TE Connectivity Paraguay S.R.L.
Peru	TE Connectivity Peru S.A.C.
Philippines	Tyco Electronics Philippines, Inc.
Poland	TE Connectivity Industrial Poland sp. z o.o.
	TE Connectivity Poland Services sp. z o.o.
	TYCO Electronics Polska Sp.z.o.o.
Portugal	Tyco Electronics Componentes Electromecanicos Lda.
Romania	TE Connectivity Sensor Solutions S.R.L.
Russia	Tyco Electronics RUS Limited Liability Company
Saudi Arabia	Tyco Electronics Saudi Arabia Limited

Singapore	Creganna Medical Pte. Limited
	Tyco Electronics Singapore Pte Ltd
Slovakia	Kissling Invest Slovensko s.r.o.
	TE Connectivity Slovakia s.r.o.
South Africa	TE Connectivity South Africa Proprietary Limited
South Korea	Advanced Tube Technologies, Ltd. (50%)
	Tyco Electronics AMP Korea Co., Ltd.
	Tyco Electronics Raychem Korea Limited
Spain	Electro Mecánica Cormar S.A.
	TE Connectivity Spain S.L.U.
	Tyco Iberia, S.L.
	Tyco Networks Iberica, S.L.
Sweden	First Sensor Scandinavia AB (71.90%)
	TE Connectivity Svenska AB
Switzerland	Jaquet Technology Group AG
	Kissling Swiss Switches AG
	MEAS Switzerland S.a r.l.
	TE Connectivity Atlantic Switzerland GmbH
	TE Connectivity Finance Alpha I GmbH
	TE Connectivity Finance Alpha II GmbH
	TE Connectivity Holding GmbH
	TE Connectivity Holding International II S.a r.l., Luxembourg (LU), Schaffhausen branch
	TE Connectivity Holding International II S.a r.l., Luxembourg (LU), Schaffhausen E-Finance branch
	TE Connectivity Ltd.
	TE Connectivity MOG Sales GmbH
	TE Connectivity (Schweiz) Management AG
	TE Connectivity Services GmbH
	TE Connectivity Solutions GmbH
	Tyco Electronics Finance Alpha GmbH
	Tyco Electronics (Schweiz) Holding II GmbH
	Tyco International Services GmbH (49.9375%)
	Wema System AG
Taiwan	Tyco Electronics Holdings (Bermuda) No. 7 Limited, Taiwan Branch
Thailand	TE Connectivity Distribution (Thailand) Limited
	TE Connectivity Manufacturing (Thailand) Company Limited
	Wema Environmental Technologies Ltd.
Tunisia	TE Connectivity Tunisia Sarl
Turkey	Tyco Elektronik AMP Ticaret Limited Sirketi
Ukraine	Tyco Electronics Ukraine Limited
United Arab Emirates	Tyco Electronics Middle East FZE
United Kingdom	ADC Communications (UK) Ltd.

	Advanced Fiber Products Limited
	Critchley Group Limited
	Deutsch UK
	First Sensor Technics Limited (71.90%)
	Polamco Limited
	Seacon (Europe) Limited
	TE Connectivity Limited
	Tyco Electronics Corby Limited
	Tyco Electronics Motors Ltd
	Tyco Electronics Precision Engineering Ltd.
	Tyco Electronics UK Holdings Ltd
	Tyco Electronics UK Ltd.
United States	60 Manufacturing LLC
	999 Arques Corp. (37.5%)
	AdvancedCath Technologies, LLC
	Alpha Sensors, Inc.
	Brantner and Associates, Inc.
	Brantner Holding LLC
	Codenoll Technology Corporation (73.99%)
	Cotsworks LLC (40%)
	Creganna Medical Devices, Inc.
	DRI Relays Inc.
	First Sensor, Inc.
	Foundry Medical Innovations, Inc.
	Hirschmann Car Communication, Inc.
	Howard A. Schaevitz Technologies, Inc.
	LADD Distribution LLC
	Lafayette USA Inc.
	Measurement Specialties, Inc.
	MicroGroup, Inc.
	Precision Interconnect LLC
	Precision Wire Components, LLC
	Raychem International LLC
	Raychem International Manufacturing LLC
	Silicon Microstructures, Inc.
	TacPro, LLC
	TE Connectivity Corporation
	TE Connectivity MOG Inc.
	TE Connectivity US Group Holding II Inc.
	TE Connectivity US Group Holding Inc.
	TE Connectivity (US) Holding LLC
	The Whitaker LLC
	Tyco Electronics Latin America Holding LLC
	Tyco Electronics RIMC Holding LLC
	Wema Americas LLC
Uruguay	Tyco Electronics Uruguay S.A. (in liquidation)
Venezuela	AMP de Venezuela, C.A.
	Tyco Electronics de Venezuela, C.A.
Vietnam	TE Connectivity Vietnam Holding Company Limited

GUARANTEED SECURITIES

Pursuant to Item 601(b)(22) of Regulation S-K, set forth below are registered securities issued by Tyco Electronics Group S.A. ("TEGSA") (Issuer) and guaranteed by TEGSA's parent, TE Connectivity Ltd. (Guarantor).

Description of securities

4.875% senior notes due 2021

3.50% senior notes due 2022

1.10% euro-denominated senior notes due 2023

3.45% senior notes due 2024

0.00% euro-denominated senior notes due 2025

3.70% senior notes due 2026

3.125% senior notes due 2027

7.125% senior notes due 2037

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (File No. 333-228859) and Form S-8 (File Nos. 333-216677, 333-180085, 333-144355, 333-144369, 333-167445, and 333-171127) of our reports dated November 10, 2020, relating to the financial statements of TE Connectivity Ltd. and subsidiaries and the effectiveness of TE Connectivity Ltd. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of TE Connectivity Ltd. for the fiscal year ended September 25, 2020.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania
November 10, 2020

POWER OF ATTORNEY

Each person whose signature appears below, as a Director of TE Connectivity Ltd. (the “Company”), a Swiss corporation with its general offices at Mühlenstrasse 26, CH-8200 Schaffhausen, Switzerland, does hereby make, constitute and appoint Terrence R. Curtin, Chief Executive Officer, Heath A. Mitts, Executive Vice President and Chief Financial Officer, John S. Jenkins, Jr., Executive Vice President and General Counsel, or any one of them acting alone, his or her true and lawful attorneys, with full power of substitution and resubstitution, in his or her name, place and stead, in any and all capacities, to execute and sign the Company’s Annual Report on Form 10-K for the fiscal year ended September 25, 2020, and any and all amendments thereto, and documents in connection therewith, to be filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, giving and granting unto said attorneys full power and authority to do and perform such actions as fully as they might have done or could do if personally present and executing any of said documents.

Dated and effective as of the 6th of November 2020.

/s/ Thomas J. Lynch

Thomas J. Lynch, Director

/s/ Yong Nam

Yong Nam, Director

/s/ Pierre R. Brondeau

Pierre R. Brondeau, Director

/s/ Daniel J. Phelan

Daniel J. Phelan, Director

/s/ Terrence R. Curtin

Terrence R. Curtin, Director

/s/ Abhijit Y. Talwalkar

Abhijit Y. Talwalkar, Director

/s/ Carol A. Davidson

Carol A. Davidson, Director

/s/ Mark C. Trudeau

Mark C. Trudeau, Director

/s/ Lynn A. Dugle

Lynn A. Dugle, Director

/s/ Dawn C. Willoughby

Dawn C. Willoughby, Director

/s/ William A. Jeffrey

William A. Jeffrey, Director

/s/ Laura H. Wright

Laura H. Wright, Director

/s/ David M. Kerko

David M. Kerko, Director

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Terrence R. Curtin, certify that:

1. I have reviewed this Annual Report on Form 10-K of TE Connectivity Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2020

/s/ Terrence R. Curtin
Terrence R. Curtin
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Heath A. Mitts, certify that:

1. I have reviewed this Annual Report on Form 10-K of TE Connectivity Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2020

/s/ Heath A. Mitts

Heath A. Mitts

Executive Vice President and Chief Financial Officer

**TE CONNECTIVITY LTD.
CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned officers of TE Connectivity Ltd. (the “Company”) hereby certify to their knowledge that the Company’s Annual Report on Form 10-K for the fiscal year ended September 25, 2020 (the “Report”), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Terrence R. Curtin

Terrence R. Curtin

Chief Executive Officer

November 10, 2020

/s/ Heath A. Mitts

Heath A. Mitts

Executive Vice President and Chief Financial Officer

November 10, 2020
