Annual Report & Accounts 2021

2021 highlights

Management reporting measures

Revenue

€2,957m

2020: €2,815m
Revenue 4.9% higher (+5.6% at constant currency or +220bps above global light vehicle production decrease)

Adjusted EBIT

€213m

2020: €173m
Adjusted EBIT margin of 7.2% (2020: 6.2%)

Adjusted Net Income

€58m

2020: €14m

Adjusted Basic EPS (€ cents)

11.2c

2020: 2.6c

Adjusted Free Cash Flow

€117m

2020: €148m

Statutory reporting measures

Operating Profit

€127m

2020: €176m Operating Loss
Operating margin of 4.3% (2020: (6.3%))

Profit for the year

€16m

2020: €252m Loss

Basic EPS (€ cents)

2.8c

2020: (48.9)c

Dividend per share

3.39c

2020: 6.74c

Financial highlights

2021 results again demonstrated the operational strength of our business in a volatile year with EBIT margin growth and Free Cash Flow generation returning to pre-COVID-19 levels

Please see page 56 for definitions of the non-IFRS measures.

Overview

2021 highlights and
What we do and Our purpose

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Our purpose is to partner with our OEM customers to develop technology and deliver innovative products which enable our customers to make greener vehicles that help keep our environment clean and make our world a better place to live.

We design and manufacture award-winning, industry-leading automotive fluid systems in a sustainable manner for OEMs across the globe, operating out of 104 manufacturing locations in 29 countries.

Strategic report: Take the Turn T³

Chief Executive Officer's statement

Page 8

Our approach to sustainability

Page 36

Chair's statement

Dear Shareholder,
As announced in January 2022, I have decided to step down and retire following the Annual General Meeting to be held on 18 May 2022. So, this will be my last report to you as Chair of the Board.

The Board and I are delighted that Tim Cobbold, our current Senior Independent Director and Remuneration Committee Chair, will be taking over the Chair role when I retire. Tim knows the business extremely well and is exceptionally qualified to lead the Board and the Company. More on his background and experience can be seen in my Chair's Introduction to Corporate Governance on pages 74-75 and in the Nomination Committee report on pages 84-85.

It has been an honour to serve this great Company over the last five years. During that time, I have seen TI Fluid Systems list on the London Stock Exchange, significantly reduce its debt, develop a resilient business model and strategy, and put in place a highly capable, independent Board and an experienced management team. As a result, the Group has not only successfully managed through many recent changes and challenges with impressive results but is now well positioned to continue to grow and progress as it capitalises on recovering volumes and the increasing electrification of the automotive market.

Our response to COVID-19

In 2021, as in 2020, our response to the COVID-19 global pandemic has continued to focus on the safety of our workforce. The use of masks, social distancing, screening, and quarantine procedures at our plants as well as working from home and hybrid work models for office-based personnel has allowed the Group to operate and manage our business in a manner that protects our employees, our customers, our suppliers and our communities. I would like to personally thank our entire global organisation, comprised of more than 25,600 employees, for their shared sacrifice, dedication, patience, perseverance, and excellent performance through this prolonged period of challenges.

Financial resilience

The Group performed well overall in 2021 and delivered sales outperformance relative to the market and margin progression over 2020 despite supply chain disruptions and order volatility.

More information on our financial position can be viewed in the Chief Financial Officer's report on pages 48-56.

Governance and stakeholder engagement

The Board remains committed to strong governance. Adherence to the highest standards of compliance, corporate governance, sustainability, and financial integrity together with the Group's business model and strategy are the foundations for long-term growth and success.

Our strong and sound relationships with a wide range of stakeholders, cultivated over many years and decades, have allowed us to successfully navigate another difficult year. Our people, customers, suppliers, and communities have continued to effectively work together to manage and sustain our business through the many ongoing operational difficulties arising from the COVID-19 pandemic. Importantly, members of the Board of Directors have engaged directly with our shareholders, management, and wider workforce throughout the year.

We continue to place particular emphasis on engaging with our shareholders in order to provide them with a clear understanding and insight into how we strategically manage our business.

In addition to regular calls with shareholders in connection with the release of our trading updates and financial results, we hosted a virtual capital markets day in April 2021 for both analysts and investors that included an in-depth review of our electrification strategy together with a showcase of our products and technology.

Tim Cobbold, Chair of the Remuneration Committee, consulted with shareholders following the 2021 AGM regarding implementation of our Remuneration Policy. More information on that consultation and results, can be found in the Statement by the chair of the remuneration committee on pages 92-99.

John Smith, our designated Non-Executive Director for workforce engagement, has continued to attend and take part in All Employee meetings and reviewed the results of our employee surveys. We are pleased with the positive feedback from workforce surveys, particularly with respect to the Group's strategy and focus on sustainability and learning.

The Board also conducted an externally facilitated evaluation process that, this year, was extended to include the feedback from the Company's executive management.

More information about how we, as a Board, have sought to exercise our duties under Section 172 of the Companies Act 2006 can be found on pages 32-35.

Focus on environmental and social matters

As a business, TI Fluid Systems is playing a key role in the decarbonisation of the automotive industry. Our technology and products are helping to address several climate, environmental and social issues by enabling our customers to make greener vehicles that help keep our environment clean and make our world a better place to live.

At the same time, we also clearly recognise that operating our business in a sustainable and responsible manner is just as important as our advanced and innovative products and financial results. So, without losing our focus on generating profit for our shareholders, the Group is also undertaking several initiatives to meet environmental and social goals.

"It has been an honour to serve this great Company over the last five years. During that time, I have seen TI Fluid Systems list on the London Stock Exchange, significantly reduce its debt, develop a resilient strategy, and put in place a highly capable, independent Board and an experienced management team. The Group has successfully managed through many recent changes and challenges with impressive results and is now well positioned to continue to grow and progress as it capitalises on recovering production volumes and the increasing electrification of the automotive market."

Manfred Wennemer
Chair

The Board is committed to our sustainability mission and appreciates the guidance of the ESG Steering Committee, chaired by Elaine Sarsynski, that was established in 2021 to provide long-term vision and oversight of our sustainability strategy.

This year, under the guidance of the ESG Steering Committee, the Company revised and published our updated targets to reduce our Scope 1 and Scope 2 CO_2(e) emissions and has started to implement conservation and renewable energy programmes to make those objectives a reality. This coming year, the Group will also begin to measure and incorporate Scope 3 emissions into our plans. Of course, we will continue to evaluate our greenhouse gas reduction programme to ensure that our objectives and efforts remain appropriate as the world improves its collective understanding of what action is required to respond to climate change.

Regarding social matters, the Group updated and enhanced its safety policy, procedures and processes and updated its human rights policy. We also introduced and rolled out a new learning platform to support education and career development for all our employees. Other initiatives and educational programmes to promote ethics, diversity and inclusion within our organisation are also underway.

To further demonstrate our environmental and social commitment, we have publicly disclosed a wide range of environmental, safety, water and risk management data through CDP (formerly the Carbon Disclosure Project), an international non-governmental organisation. In addition, we continue to incorporate environmental and social performance targets as a significant element of our long-term incentive programme for Executive Directors and senior management, as described in more detail in the Remuneration report on pages 93-98.

Our sustainability activities are described in more detail in Our approach to sustainability on pages 36-47.

Executive management changes

Hans Dieltjens became our new Chief Executive Officer in October 2021. Hans joined the Group in 1996 and served for many years as Executive Vice President of the FTDS division and, most recently, as Chief Operating Officer. Hans has an extensive understanding of the Group’s products, technology, people, operations, and customers. He has played a key role in the continuing development and refinement of our electrification strategy. As a leader, he is committed to the Company’s core values, including a renewed focus on sustainability. His first Chief Executive Officer’s report can be found on pages 8-11.

The Board has also supported several additions to the executive management of the Group with the appointment of Stephanie Jett as Chief Commercial Officer, Johannes Helmich as Chief Technology Officer and Mark Sullivan as Chief Operating Officer. These important additions to an already experienced and capable executive team will further strengthen the Company’s ability to execute both our electrification strategy and deliver on our near-term objectives.

The Board believes that Hans is the right leader to guide the Group through its next chapter with the support of the entire management team.

Tim Cobbold appointed new Chair in May 2022

Tim's experience

Tim joined the Board in November 2019 and has over 30 years of experience in a variety of sectors with more than 10 years as Chief Executive Officer of FTSE-listed organisations.

Selection process

A special Chair Succession Committee of the Board, consisting of three Independent Non-Executive Directors, was established to identify a successor Chair. Working with Spencer Stuart, the Committee assessed Tim's qualifications and concluded that Tim was ideally suited to serve as Chair given his experience and knowledge of the Group. Based on the Committee's recommendation, the Board appointed Tim to serve as Chair following the AGM on 18 May 2022.

Read more in the Chair's Introduction to Corporate Governance on pages 74-75 and the Compliance Statements on pages 61-63

Board and Committee changes

During the year, the Board appointed Tim Cobbold, Senior Independent Director, to serve as Chair of the Remuneration Committee following Andrea Dunstan's decision to step down. His Statement of the chair of the remuneration committee can be found on pages 92-99.

In August 2021, Julie Baddeley was appointed as an independent Non-Executive Director and has brought extensive experience and knowledge to our Board, particularly with respect to remuneration, governance, and climate change, all of which will further strengthen and enhance the capabilities of our Board.

In December 2021, Jeffrey Vanneste, independent Non-Executive Director and current Chair of the Audit & Risk Committee, indicated his intention to step down following the upcoming AGM but has agreed to stand for re-election if requested by the Board in order to provide the Company with additional time for an orderly transition to a new Audit & Risk Chair.

The Nomination Committee is in the process of recruiting additional independent non-executive directors to ensure that the Board maintains a broad mix of market knowledge and relevant experience. Also, necessary changes to the composition of the Remuneration, Audit & Risk and Nomination Committees, as well as the Senior Independent Director, are under consideration and are expected to be put in place at or just following the upcoming AGM.

The Nomination Committee report can be found on pages 84-85 and biographies of the Board are shown on pages 76-77.

Dividend

Based on the overall strength of the Group's financial position and prospects, the Board approved and declared an interim dividend of 6.74 Euro cents per share (5.91 pence per ordinary share), amounting to approximately €35.0 million, that was paid on 19 February 2021. Considering the amount of that dividend and the nominal amount of Adjusted Net Income for the 2020 financial year, the Board decided not to recommend a final year 2020 dividend. However, in respect of the first half 2021 results, an interim 2021 dividend of 1.93 Euro cents per ordinary share (1.66 pence per ordinary share), was paid on 30 September 2021 amounting to approximately €10.0 million.

The Board remains committed to its stated annual dividend policy (30% Adjusted Net Income) paid on an interim and final basis for each financial year. As such, we propose to pay a final dividend in respect of 2021 of 1.46 Euro cents per share, amounting to approximately €7.5 million in line with the annual dividend policy. Subject to shareholder approval at the Annual General Meeting on 18 May 2022, the final dividend will be paid on 23 June 2022 to shareholders on the register on 27 May 2022, the dividend record date.

Outlook

The negative impact of COVID-19 to our industry, our Company and our people has been significant and, unfortunately, continued beyond 2020 and through 2021. Rising geopolitical tensions around the world also have the potential to create significant business disruptions. Russia's tragic military invasion of Ukraine does not have a direct material impact on the Group, but the resulting production and supply chain disruptions are effecting the entire automotive industry.

On behalf of the Board, I would like to say that I am proud of the way that TI Fluid Systems responded to the prolonged production downturn and operational disruptions. Despite the challenges, the business achieved strong results under the circumstances. Again, my sincere thanks to all our employees around the globe for their considerable efforts and contributions to the success of our Company.

While many uncertainties and challenges remain in 2022, we are confident that our business model and strategy, particularly regarding electrification, is sound and that the Group is well positioned to be successful as global production volumes recover and hybrid and battery electric vehicles continue to gain market share.

Finally, I would like to thank our shareholders. I am grateful both for the continued support and engagement that we have received during 2021 and for the confidence of our new shareholders who have decided to join TI Fluid Systems on its journey forward.

Manfred Wennemer
Chair
14 March 2022

"In a world that is rapidly changing, the Group is strategically positioned to actively support, and lead, vehicle electrification and the increasing sustainability of the automotive industry by supplying advanced products that enable our customers to make greener vehicles while, at the same time, operating our business in an environmentally and socially responsible manner for the benefit of all of our stakeholders".

Hans Dieltjens
Chief Executive Officer and President

Chief Executive Officer's statement

Dear Shareholder,
I am pleased and proud to give my first report as the CEO of TI Fluid Systems and it is especially meaningful given that 2022 is our Company's historic centennial year. I have been a part of TI Fluid Systems for nearly 25 years and feel very privileged to have the opportunity to lead this great Company at such a pivotal time.

Unfortunately, as I write this statement, the entire world is reacting to Russia's terrible military invasion of Ukraine. We are profoundly shocked and saddened by the events unfolding in Ukraine and our thoughts are with all those affected. While we do not have any facilities in Ukraine, we do have two facilities in St. Petersburg and Tolyatti, Russia. Production at those facilities is being suspended in an orderly manner. While our operations in Russia do not represent a material portion of our global business, we are monitoring the situation closely for any potential wider impacts resulting from the conflict on the Group, such as inflationary cost increases and disruptions to wider supply chains and vehicle production.

Over the longer term, the automotive industry must play a key role in addressing climate change and is doing so by accelerating the transition to electric vehicles and striving to produce those vehicles and their components in a sustainable way. This transformation is happening faster than many would have imagined. The Group's technology, products, engineering capabilities, customer relationships and global footprint, built over the last 100 years, put us in an ideal strategic position to be a leader in this new era for the automotive industry. The Company is now going to **Take the Turn** so that our next century will be even more successful than our past.

While we plan and prepare for the future, I am happy to report strong performance in 2021 despite the ongoing impact of the COVID-19 pandemic. Our results, achieved in the face of lower production volumes, global supply disruptions, labour shortages, rising costs, and volatile customer orders, demonstrate the resilience of our business and our ability to successfully manage through difficult market conditions, all supported by the hard work and dedication of our most important asset, our people.

2021 performance
Global light vehicle production volume increased from 2020 by 3.4%, albeit this still remains some 13.3% below 2019 levels. The Group delivered revenue of €2.96 billion (+5.6% at constant currency), a 2.2% (220 basis points) outperformance of global light vehicle production growth. Including the impact of currency translation, revenue increased by 4.9%.

Against this backdrop, we continued to generate robust results which compared well with our sector. Adjusted EBITDA was €353 million (11.9% margin) and Adjusted EBIT €213 million (7.2% margin). Profit for the year was €16 million (2020: €252 million loss) and Adjusted Free Cash Flow amounted to €117 million.

The Group also continued its restructuring initiatives that started in 2020 by downsizing or closing certain manufacturing plants and optimising fixed costs.

Maintaining our financial performance with consistent margins and positive cash flow in the face of the prevailing market conditions demonstrated the strength and resilience of our strategy, business model and management focus.

Continuing impact of the COVID-19 pandemic
The COVID-19 pandemic that began to quickly spread around the globe in early 2020 has, unfortunately, continued throughout 2021. The pandemic created persistent supply chain disruptions and shortages together with cost inflation, all of which continue to create difficulties for our business and the entire automotive industry.

The increasing availability of vaccines, testing and therapeutic treatments is encouraging, and we are optimistic that COVID-19 will become more manageable with less impact on people and businesses. However, with new variants and transmission surges, it is uncertain when conditions might return to normal.

Health and safety
At all times, the Group prioritises the health of our employees. At the beginning of the COVID-19 pandemic in 2020, the Group moved swiftly to implement a range of safety protocols at our locations around the world, including the use of masks, social distancing, enhanced cleaning, screening, and quarantine procedures. In addition, travel was, and continues to be, limited and remote work and hybrid work arrangements have been put in place. We have encouraged vaccination for all employees through education and messaging and have also provided paid time off for vaccinations and coordinated with local health authorities to host vaccine clinics at or near many of our manufacturing locations.

As a result of these health and safety actions, the Group was able to protect our workforce while maintaining operations and avoiding any significant disruptions to our customers in 2021.

Microchip and other shortages
The COVID-19 pandemic has precipitated a number of material shortages and supply chain disruptions. The most notable for the automotive industry being the microchip shortage that started in 2020 and continued throughout 2021.

For the most part, the Group is impacted only indirectly by these shortages. For example, when our OEM customers are unable to obtain microchips (or components that include microchips), they slow, reduce, or suspend their vehicle production and, in turn, adjust orders (releases) for our products, sometimes at short notice. Lower production volumes reduced our revenues and margins. Order volatility compounded the problem by creating supply chain difficulties and driving extra costs and working capital.

The lagging impact of these shortages and disruptions is reflected in 2021 light vehicle production volume which was only marginally higher than 2020 (by 3.4%) and was 14.5% lower in the second half of 2021 compared to the second half of 2020. By comparison, light vehicle production volume in 2021 was 13.3% lower than 2019 (before COVID-19 and the shortages).

Production volume forecasts for 2022 and 2023 reflect the general industry expectation that the supply of microchips and other key materials will gradually stabilise and improve throughout 2022, especially during the second half of the year. Nonetheless, significant uncertainty remains with cautious messaging from key microchip manufacturers and potential impacts of the Russia-Ukraine conflict.

Take the Turn T³

The Group has further refined its strategy, referred to as Take the Turn or **T3**, to reflect three main pillars that we believe will combine to drive sustainable growth: **Technology** (Electrification), **Transformation** (Sustainability) and **Talent** (Learning).

Technology

At the heart of our **Take the Turn** strategy is product development and application engineering to support the electrification of the automotive industry. To meet the unique requirements of HEVs and BEVs, the Group is capitalising on its extensive knowledge of fluid components, lighter weight materials, systems architecture and manufacturing processes to provide our OEM customers with advanced designs and products, especially thermal management systems, that are efficient and economical.

Our OEM customers have all introduced ambitious plans to launch a record number of hybrid electric vehicle (HEV) and battery electric vehicle (BEV) programmes in the next several years. HEVs and BEVs are forecast to become a significant portion of the global light vehicle market – from 13.2% of total production volume in 2021 (10 million units) to 47.3% in 2028 (48.2 million units) according to IHS Markit's recent production forecast by propulsion system (issued in January 2022).

The introduction of HEVs and BEVs will result in a gradual decline in revenues from our ICE products. However, that decline will be offset by a significant opportunity to increase the Group's revenue on HEVs and BEVs, especially thermal products to manage the heating and cooling of EV batteries. Our engineering and capital investment efforts are being re-allocated accordingly, balancing our manufacturing footprint and resources in order to build a long-term sustainable business.

In 2021, the Group was awarded BEV business with €1 billion of expected lifetime revenue, representing 30% of our total 2021 awards and increasing our share of the EV market.

Our products are present in over 37% of the BEV vehicles for nameplates launched during 2021. We are also pleased that, in the last two years, HEV programmes represent 19% of our bookings (based on expected lifetime revenue).

Of particular note, and to provide a good example of our EV progress, in the first quarter of 2021, we launched production of thermal fluid management lines and hoses on Mercedes newly introduced EQS and C Class BEV models. Also, in Q4 2021, we launched the production of heat pump AC lines on small and mid-range BEVs for Stellantis.

Transformation

Climate change is a significant issue, and the need to decarbonise our industry is crucial. The Group is committed to being an automotive industry leader to reduce greenhouse gas emissions and build a more sustainable future. While it is key that our technology and advanced products support the automotive industry's transition to cleaner and greener electric vehicles with lightweight, energy efficient system solutions, we recognise that we must also transform our business in line with new standards and expectations of environmental responsibility in order to deliver sustainable value to our stakeholders – investors, customers, suppliers, employers and the communities where we operate.

The Group has begun a number of initiatives to reduce our CO_2(e) emissions and impact on the environment, including energy conservation programmes, increased use of energy from renewable sources, water reduction, and waste elimination. All of these initiatives will be driven by data, clear targets and enhanced reporting. Although we are at the beginning of our transformational journey, I am very proud of the commitment and enthusiasm shown by the entire organisation as we embrace our sustainability mission.

Talent

At the core of our **T3** strategy is the talent of our entire workforce. The Group's success is directly linked to our ability to recruit, retain, motivate, educate, and develop a diverse and talented workforce ready for the new electrified future. In 2021, we introduced our 'Fluid Learning' online learning platform that provides every salaried employee with access to a variety of relevant educational and developmental tools to improve their skills and ability to be a valuable and enthusiastic participant in our collaborative organisation.

This year we again engaged directly with our workforce though our Global Employee Engagement Survey. We were pleased to see that our engagement levels have not diminished, despite the prolonged work from home due to COVID-19. We learned the importance that our employees place on work-life balance and implemented a Group-wide hybrid work model that provides many employees the opportunity to work from home 40% of the time. We continue to evaluate the effectiveness of this hybrid work model and will make enhancements where possible.

We are also progressing our diversity initiatives, including inclusivity education and assessment for top management, regional diversity committees, programmes to increase gender diversity, and mentoring programmes for women. I am pleased that we continued to increase the gender diversity of our senior executive team.

The Group has also sharpened its focus on safety for the wider workforce with enhanced procedures, reporting, audits, and education together with the expansion of our ISO 45001 safety management scheme which will cover every manufacturing location within the next few years. I could not be more proud of, and impressed by, the Group's more than 25,600 employees everywhere around the world for their outstanding personal commitment in 2021. The entire executive leadership team and I continue to strive to ensure that all of our employees are happy, engaged, and proud to work for TI Fluid Systems.

Cost increases

Many raw materials used by the Group experienced extraordinary price increases in 2021. Similarly, transportation and energy costs rose sharply. Wages in most countries also increased due to labour shortages and rising cost of living.

The Group is seeking recovery from customers through ongoing commercial discussions. Such discussions are complex and take time. These recoveries will, in most cases, significantly trail the initial cost impact.

Climate Change

The recently published World Economic Forum 2022 Global Risks Report highlights climate change as the top risk concern for global world economic leaders. The COP26 Conference held in November 2021 resulting in adoption of the Glasgow Climate Pact by nearly 200 countries which recognises the global climate emergency and expressing 'alarm and utmost concern that human activities have caused around 1.1°C of global warming to date and that impacts are already being felt in every region.' The Glasgow Climate Pact stresses the urgency of action 'in this critical decade' and calls on all countries to present stronger national climate action plans next year given that, despite many pledges and commitments, scientists expect a global temperature increase of 1.8°C by the end of the century with significant negative impacts.

The Group is taking climate change impacts very seriously and has performed various analysis of the potential impacts on our business. We have moved quickly to adapt our business planning and processes to ensure that the risks and opportunities driven by climate change are incorporated as we position the Group for future growth and success. Our Take the Turn strategy, **T3**, addresses the transitional risks and opportunities associated with vehicle electrification as well as the need to operate our business in a more sustainable manner to address climate change.

Leadership changes

In addition to my appointment as CEO, the Company also expanded its executive team in 2021.

Stephanie Jett joined as Chief Commercial Officer, Johannes Helmich as Chief Technology Officer and Mark Sullivan as Chief Operating Officer.

These talented additions to our already strong executive group will help reinforce and support our **Take the Turn** strategy and facilitate better coordination with our customers, cross divisional know-how and technology transfer, and the balancing of resources.

Looking ahead

We expect 2022 to be a year of stabilisation with many of the challenges in 2021 gradually diminishing. Although the timing and degree of any recovery is uncertain, especially given the unknown impact of the Russian invasion of Ukraine, IHS Markit forecasts that global light vehicle production will return to 2019 production levels in 2023.

With the benefit of prior restructurings, cost containment initiatives and management focus, I am confident the Group can continue to deliver steady performance and then capitalise on the recovery, when it comes.

In the longer term, the Group is well positioned to increase its BEV market share with revenue growth outperforming vehicle production increases and consistent cash generation and margins.

I am honoured to lead the Group as, together, we celebrate our 100-year anniversary and **Take the Turn** towards an exciting future.

Hans Dieltjens
Chief Executive Officer and President
14 March 2022

Our strategy
Pages 26-27

A history of supporting a changing world

The Bundy Corporation is founded in Detroit, Michigan, USA.

1922

First contract from Ford Motor Company for unfabricated gas lines on the Model T
First production site on Bellevue Avenue in Detroit, Michigan

Harry Warren Bundy invented the double-walled steel tube "sweated" together with solder

1929
"Bundyweld" invented, which enhanced torsion and bending qualities, increased resistance to corrosion and improved fatigue strength of tubes

1946
Company president Wendell Anderson, Jr. featured in the Nov. 4, 1946 issue of TIME magazine for introducing an incentive wage plan in a union plant

1962
First facility opened in Spain as ARMCO

1966
Bundy adapted "b" trademark 1966

1967
American Stock Exchange listed Bundy (BNY) on March 20, 1967

1984
Bundy began to sell completely pre-assembled tubing bundles encompassing both fuel lines and brake lines on a given vehicle

1985
First facility opened in China

1922

1936
Bundy entered into licensing agreement with ARMCO International Corporation with locations in England and France

1941-1945
Bundy converted operations to total war production Detroit produced $30 billion of military hardware, 20% of the total production for World War II

1970
United States Congress passed Clean Air Act; vehicle horsepower reduced to address emission controls

1975
Tube production started by Bundy in South Africa

1976
New York Stock Exchange listed Bundy common stock for first time on December 9, 1976

1980
Bundy introduced the new Z-Coat process on Bundyweld and Electricweld tubing for GM's new front-wheel drive vehicles

1988
TI Group plc acquired Bundy

1997
Bundy supplied the brake and fuel lines for the Thrust SSC (Super Sonic Car) that broke the land speed record at 714.44 mph (1,149.30 km/h) on 25 September 1997

1999
TI Group acquired Walbro Corporation (USA) Creation of TI Group Automotive Systems

2001
TI Automotive Ltd. formed as an independent company in England

TI Automotive is first to market with its 'ship in a bottle' self-contained fuel tank that packages the fuel pump and fuel-level sensor inside the tank and meets the future LEV II evaporative emissions standards 2005

2003
TI Automotive acquired Pierburg Fuel Pumps (Germany) 2003

2008
William L. Kozyra, Jr. appointed as Chief Executive Officer and President

2010
Automotive News PACE Award for Dual Channel Single Stage (DCSS) fuel pump

TI Automotive rebranded itself with a new logo

2014
TI Automotive won Automotive News PACE Award for Tank Advanced Process Technology (TAPT)

2019
TI Automotive rebrands as TI Fluid Systems

2020
Successful transition to the emerging BEV market by supplying thermal lines and battery chiller lines for the new Ford Mustang Mach-E BEV as well as the launch of various thermal coolant assemblies and sole supply of the cabin comfort CO_2 based heat pump valve unit for Volkswagen's ID.3 and ID.4 BEVs

2021
Hans Dieltjens appointed as Chief Executive Officer and President

TI acquires 100% of Hanil operations in Korea

2022

2009
Automotive News PACE award for PZEV Fuel Tank

2010
TI Automotive won largest new business award in history of the company to be the global supplier of fuel tank systems for several Mercedes-Benz model lines

2016
TI Automotive moved corporate offices to Auburn Hills, Michigan, USA.

2017
TI Fluid Systems plc, the parent company of the TI Automotive Group, is admitted to the London Stock Exchange; ticker symbol TIFS.

2022
TI celebrates its centennial and looks to the future of electrification and sustainability with T^3 strategy

Our market

Market share

Supplier of brake and fuel lines globally

30%

#1 market position globally in brake and fuel lines

No.1

Number of 20 top-selling nameplates in China

10

Number of the 20 top-selling nameplates in North America

12

Number of the 20 top-selling nameplates in Europe

19

Global capacity

Manufacturing locations

104

Employees

25,600

Revenue by division

Fluid carrying systems

54%

Fuel tank and delivery systems

46%

Our market strengths

Leading technology

Technology leader in highly engineered automotive fluid systems

- Award-winning product innovations and technologies aligned with automotive industry megatrends of emissions reduction, fuel efficiency and electrification
- Working closely with customers on design and engineering capabilities to maximise product development
- Extensive knowledge of materials and manufacturing processes together with optimal level of vertical integration
- Industry recognised innovation awards for plastic fuel tank technologies, e.g. pressurised fuel tanks for hybrid electric vehicles (HEVs)
- Successfully secured design, engineering and supply of thermal management products for battery electric vehicles (BEVs) with high volume global leading OEMs with a combination of traditional and lightweight materials
- Well positioned for growth in thermal management systems for EVs with global multi-layer nylon line capabilities

30%

of BEVs produced in 2021 have TIFS content

48%

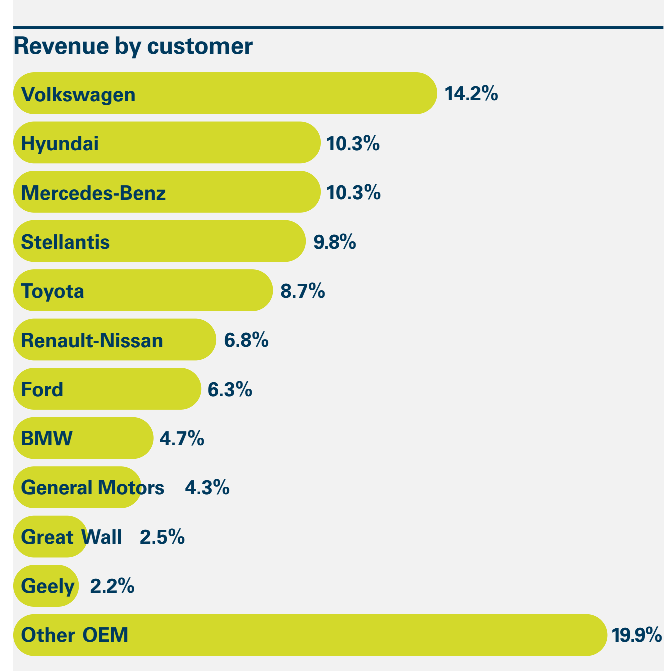
awards won in 2021 were on HEV and BEV platforms

Strong relationships

Strong customer relationships and global optimised footprint

- Highly diversified customer base
- Facilities in every major automotive manufacturing market
- Footprint includes regional manufacturing centres and assembly locations in close proximity to customers which provide logistics competitiveness and customer service
- Significant amount of revenue generated from global OEM platforms (i.e. platforms produced in three or more regions)
- Well positioned through the global manufacturing footprint to cost-effectively expand fluid handling content, business and infrastructure to OEMs transitioning to the EV market
- Locations predominantly managed by local staff with strong stakeholder relationships and performance responsibility

Revenue by customer



Our market strengths

Significant growth potential

Significant growth opportunities aligned with electrification including our strength in thermal management

- Opportunity to increase content per vehicle in growing HEV and BEV markets compared to our content on more traditional internal combustion engine (ICE) vehicles
- Ability to use existing brake line, fuel tank and thermal management technology for HEVs
- Potential addressable market increases significantly with BEV market development as this typically requires battery, chassis, electric motor and electronics thermal management (heating and cooling) in addition to traditional passenger cabin comfort lines
- The Group is well positioned for growth in thermal management for HEVs and BEVs due to:
  - Existing expertise to design and engineer performance-critical components and modules to meet customer specifications using in-house 'know-how'
  - Introduction of nylon as a lightweight solution to thermal requirements that can operate at high temperatures, providing significant weight-saving advantage
  - Existing nylon extrusion and quick-connectors capabilities and capacity in each region, optimising costs and reducing supply chain risk and carbon emissions related to transport
  - Long-standing customer relationships and viewed as a trusted and strategic partner to the OEMs
  - Ability to produce from existing and efficient manufacturing locations close to customers
  - BEV awards during 2021 accounted for €1 billion of lifetime revenue.
- Continuing to collaborate with key customers on design and engineering for HEVs, and BEVs, thanks to our close relationships in every region

€1bn

Revenue awards won in 2021 on BEV platforms only

Long-term performance

Global market leader with strong market positions and above-market revenue performance

- Customer, platform, regional and product diversity
- Leading supplier of brake and fuel lines, with approximately 30% share of the global brake and fuel line market and #1 market position globally
- Leading supplier of plastic fuel tanks, with approximately 16% of the global plastic fuel tank market
- Embedded, long-term global customer relationships and strong close engineering collaboration provide business award opportunities
- Products typically single-sourced for life of programme
- Competitive global manufacturing footprint with flexible cost structure and approximately 70% of employees located in low-cost countries

Management team with solid automotive experience and long track record of strong revenue growth, profitability and cash flow generation

- History of achieving leading financial metrics:
  - Revenue growth above global vehicle production (market outperformance)
  - Adjusted EBITDA, Adjusted EBIT, Adjusted Net Income
  - Adjusted Free Cash Flow
- Strong industry reputation for technology innovation and product quality
- Financial discipline in quoting new contracts and capital allocation
- Continuous focus on business improvement efficiencies and managing fixed costs
- Flexible organisation responding fast to challenging situations like COVID 19 and the microchip shortage crisis

€2,957m

Total 2021 Revenue

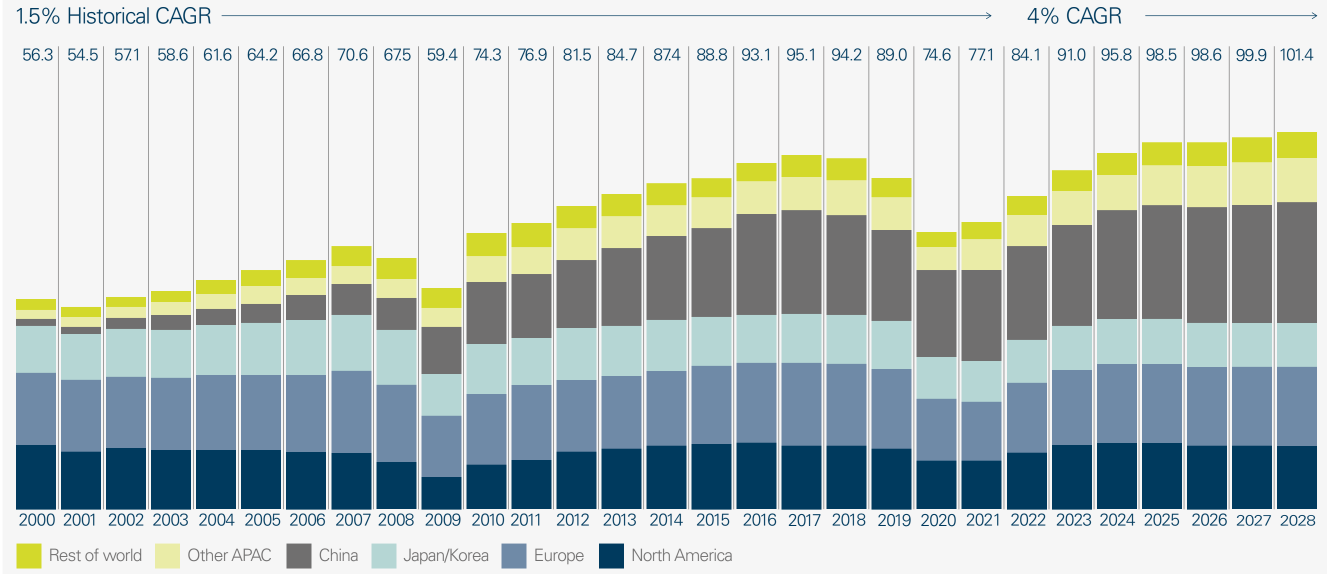
Revenue by region

Region	Revenue
EU and Africa	€1,138.4m
North America	€713.6m
China	€672.4m
South Korea	€254.7m
Other Asia Pacific	€131.0m
Latin America	€46.5m

Our current market is resilient

Global light vehicle production 2000-2028

From 2021 to 2028, Hybrid Electric Vehicles (HEVs) CAGR expected to be 19% and Battery Electric Vehicles (BEVs) CAGR expected to be 29%.



Source: IHS Markit, February 2022 and Company estimates

By region

(2021 light vehicle production)

Europe (including Middle East and Africa)

17.9m

North America

13.0m

Asia Pacific

43.6m

Latin America

2.6m

Potential for increase in addressable market

HEV was 13% of the global light vehicle production market in 2021

13%

BEV was 6% of the global light vehicle production market in 2021

6%

HEV is forecast to be 35% of the global light vehicle production market by 2028

35%

BEV is forecast to be 30% of the global light vehicle production market by 2028

30%

According to IHS Markit, February 2022.

Long-term growth drivers

Growth in emerging economies

- According to IHS Markit, global light vehicle production grew at a compound annual growth rate (CAGR) of 1.5% from 2000 to 2021, notwithstanding the volume decline during the 2008-2009 global economic downturn and the COVID pandemic in 2020-2021. It is forecast to grow at a CAGR of 4.0% from 2021 to 2028
- Prior to 2000, the more developed markets of North America, Western Europe, South Korea and Japan accounted for a substantial majority of global production. However, since 2000, global light vehicle production growth has largely been driven by emerging markets and, in particular, China, where production volume grew at a CAGR of 12.2% between 2000 and 2021
- According to IHS Markit, approximately 32.2% of global vehicle production in 2021 was generated in China, with growth expected to continue in the long term
- The more developed markets of North America, Western Europe, South Korea and Japan are expected to grow at a CAGR of 3.4% with an increase of approximately 8.9 million units from 2021 to 2028, while emerging markets are forecast to grow at a CAGR of 4.4% with an increase of 15.3 million units during the same period
- The Group has significant presence in the world's largest vehicle market, China, where it has wholly owned operations and makes up 23% of the Group's 2021 revenue

Increasing use by OEMs of highly reliable suppliers with strong technical capabilities

- OEMs increasingly require global suppliers with a long-term track record of providing high-quality products, particularly for performance-critical components, such as fluid storage, carrying and delivery systems and thermal management products and systems
- As a result of more stringent regulatory requirements and rapidly changing consumer preferences, OEMs must continue to innovate and are therefore becoming more reliant on suppliers who can introduce new products and technologies which meet design and validation requirements in a short period of time
- The Group has award-winning technologies and products aligned with automotive megatrends, including new product offerings designed for hybrid electric vehicle (HEV) and battery electric vehicle (BEV) applications

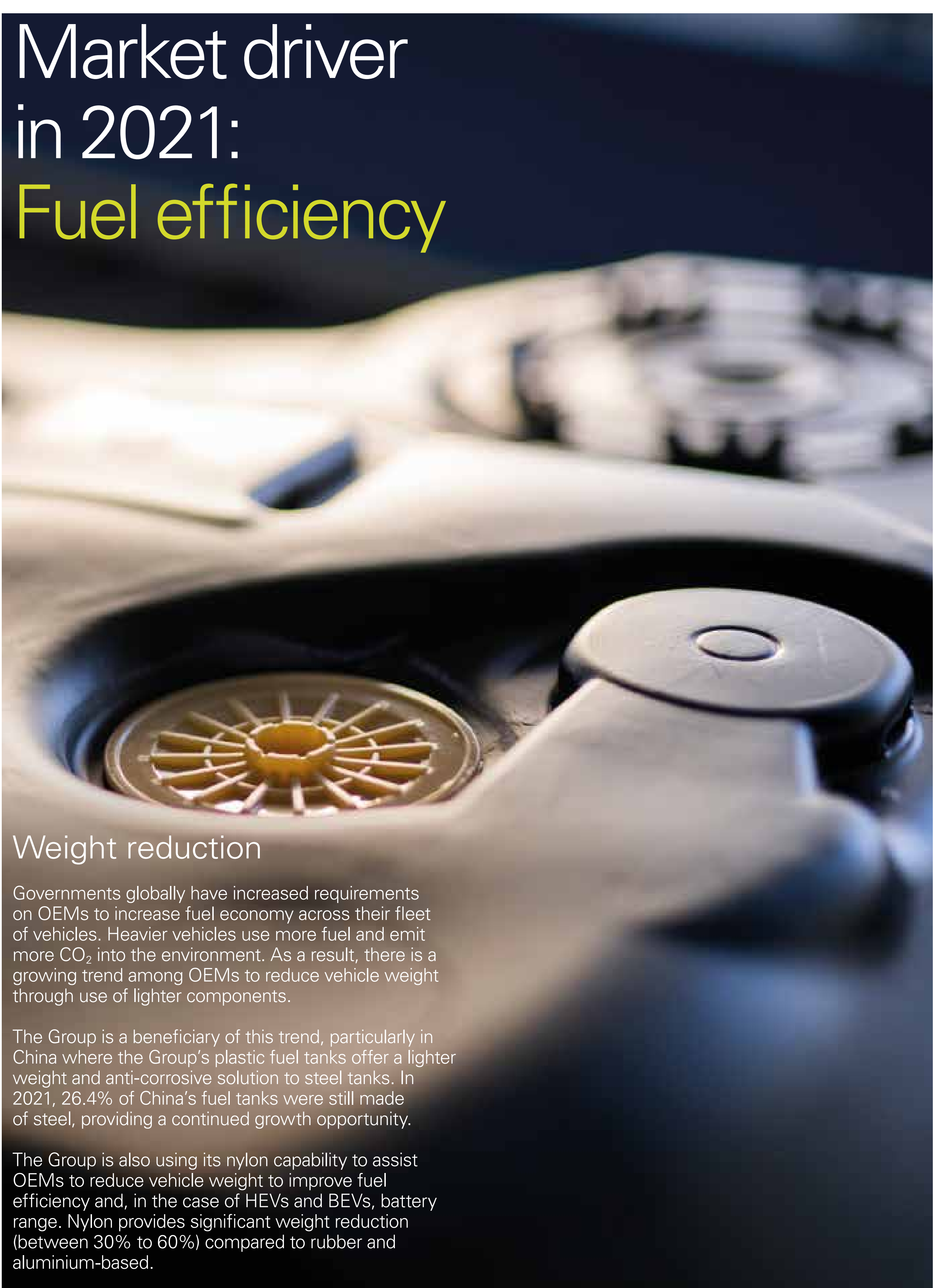
Global platform standardisation

- Many OEMs are standardising vehicle platforms globally in an effort to reduce costs and become more competitive
- By maximising the number of nameplates that can be produced on each platform and minimising differences in platforms between regions, OEMs can reduce design and development costs
- IHS Markit projects that vehicle platforms that are produced in two or more regions will increase from 72% of global production in 2021 to 77% in 2028, while platforms manufactured in one region will reduce from 28% of global production to 23% in the same period
- Accordingly, global design, manufacturing and supply chain capabilities are significant factors for certain OEMs when awarding contracts to suppliers
- The Group is already benefiting from this platform globalisation trend. In 2021, the Group tracked 84% of its total revenue by individual platform, of which approximately 90% was from global platforms produced in two or more regions

More stringent regulatory requirements to reduce emissions and increase fuel economy

- OEMs are required to reduce exhaust and evaporative emissions and improve fuel economy in order to meet increasingly stringent regulatory requirements in every major market
- The relevant authorities in the United States, the European Union, China, India, Japan, South Korea and Brazil amongst others, have all instituted regulations requiring significant emissions reductions and more stringent fuel economy targets over time
- OEMs have accelerated their electrification plans, with 30% of vehicles manufactured by 2028 expected to be BEVs

Market driver in 2021: Fuel efficiency



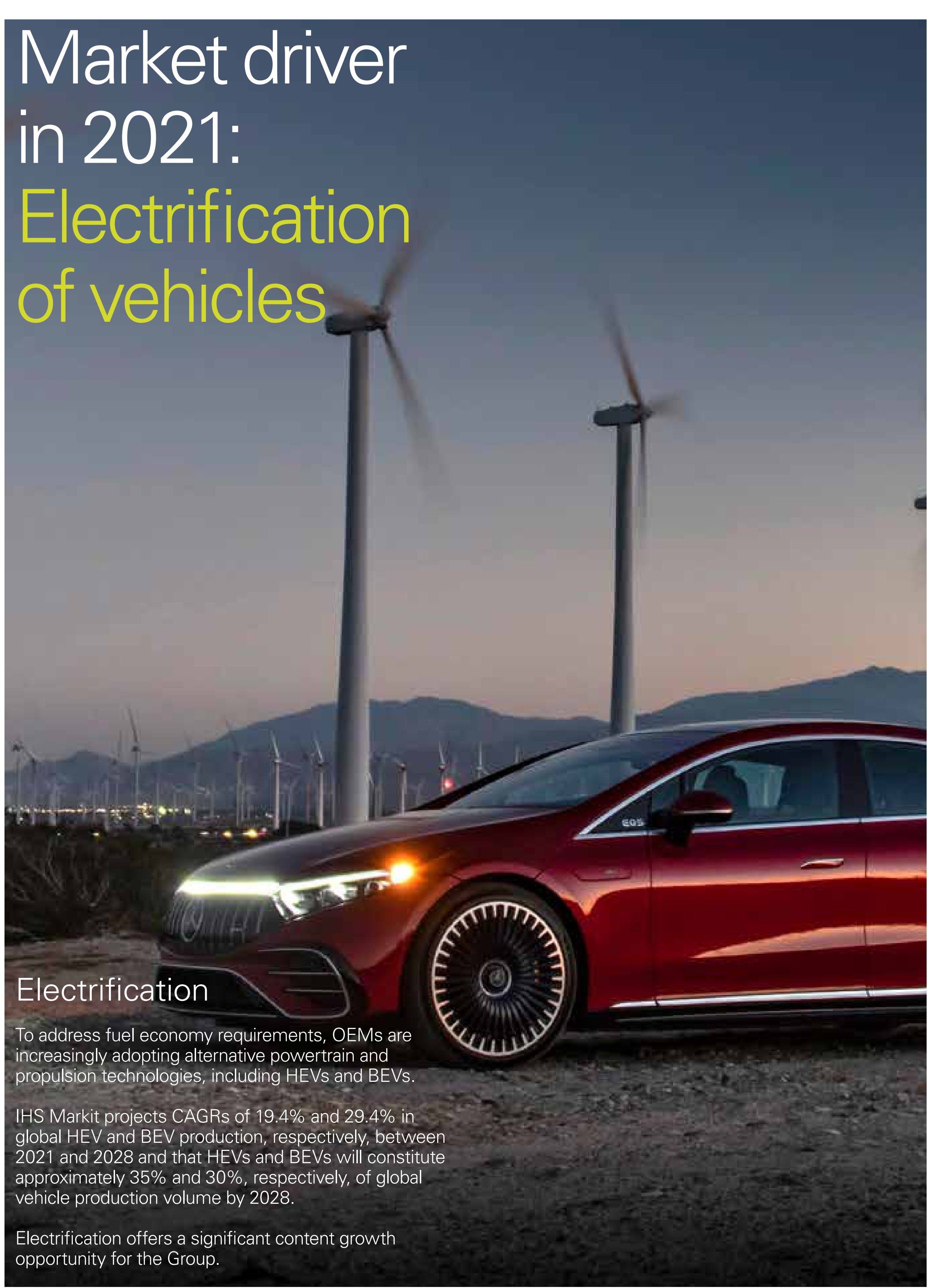
Weight reduction

Governments globally have increased requirements on OEMs to increase fuel economy across their fleet of vehicles. Heavier vehicles use more fuel and emit more CO_2 into the environment. As a result, there is a growing trend among OEMs to reduce vehicle weight through use of lighter components.

The Group is a beneficiary of this trend, particularly in China where the Group's plastic fuel tanks offer a lighter weight and anti-corrosive solution to steel tanks. In 2021, 26.4% of China's fuel tanks were still made of steel, providing a continued growth opportunity.

The Group is also using its nylon capability to assist OEMs to reduce vehicle weight to improve fuel efficiency and, in the case of HEVs and BEVs, battery range. Nylon provides significant weight reduction (between 30% to 60%) compared to rubber and aluminium-based.

Market driver in 2021: Electrification of vehicles



Electrification

To address fuel economy requirements, OEMs are increasingly adopting alternative powertrain and propulsion technologies, including HEVs and BEVs.

IHS Markit projects CAGRs of 19.4% and 29.4% in global HEV and BEV production, respectively, between 2021 and 2028 and that HEVs and BEVs will constitute approximately 35% and 30%, respectively, of global vehicle production volume by 2028.

Electrification offers a significant content growth opportunity for the Group.

Long-term growth drivers

Exhaust emissions

- In an effort to address climate change, governments have adopted requirements, focused on reducing exhaust emissions from automobiles, including, in some jurisdictions, a phase out of sales of new ICE vehicles over an extended period of time. Certain developed markets have mandated CO_2 emission reductions, with emerging markets increasingly following a similar trend
- OEMs have sought to introduce higher-pressure fuel systems and turbochargers in order to improve the efficiency of the combustion reaction in an engine to achieve lower exhaust emissions
- The Group's product offering includes products which optimise the efficiency of the internal combustion engine process including GDI fuel rails, fuel pumps and turbocharger engine lines
- For example, the Group designs, engineers and manufactures efficient fuel pumps so an ICE vehicle will burn less fuel and, as a result, reduce the level of CO_2 emitted into the environment

Evaporative emissions

- Evaporation of fuel while stored in the fuel tank has historically been a source of hydrocarbon emissions resulting from permeation through the walls and various other components on the tank
- Regulations have been enacted that require OEMs to reduce these evaporative emissions from automotive fuel systems
- For example, in California, USA, low emissions vehicle (LEV) standards dictate the evaporative emissions thresholds that OEMs are required to achieve. LEV II standards, which came into effect in 2004, lowered emissions thresholds by approximately 75% and new LEV III standards, which are expected to be gradually phased in over the next decade through to the 2025 model year, are expected to require a reduction of 30% in emission thresholds from 2010 levels
- Similarly, the European Union has established an emissions target for 2021 that will require an emissions reduction of 27% from 2015 levels. In addition, China has introduced its Beijing-6 evaporative emissions targets which are similar to California's LEV II standards
- The Group has specific technology in fuel tanks to reduce evaporative emissions. The six-layer structure includes a barrier layer which captures the hydrocarbons inside the wall of the fuel tank and prevents them from being emitted into the environment
- The Group is the only supplier with a fully integrated design, development, manufacturing and supply capability for the fuel tank system. The FTDS division made up 46% of the Group's revenue in 2021

Weight reduction

- Governments globally have increased requirements on OEMs to increase fuel economy across their fleet of vehicles
- Heavier vehicles use more fuel and emit more CO_2 into the environment. As a result, there is a growing trend among OEMs to reduce vehicle weight through the replacement of metal components with lighter plastic components
- The Group is a beneficiary of this trend, particularly in China where the Group's plastic fuel tanks offer a lighter weight and anti-corrosive solution to steel tanks. In 2021, 26.4% of China's fuel tanks were still made of steel, providing a continued growth opportunity

Electrification

- To address fuel economy requirements, OEMs are increasingly adopting alternative powertrain and propulsion technologies, including HEVs and BEVs
- IHS Markit projects CAGRs of 19.4% and 29.4% in global HEV and BEV production, respectively, between 2021 and 2028 and that HEVs and BEVs will constitute approximately 35% and 30%, respectively, of global vehicle production volume by 2028
- Electrification offers a significant content growth opportunity for the Group as the Content per Vehicle for HEVs and BEVs exceeds that provided by ICEs

Hybrid Electric Vehicle (HEV)

- Traditional vehicles with internal combustion engines (ICE) typically have two main thermal management loops. HEVs generally contain traditional ICE fluid systems and can also have additional fluid handling systems to manage electrification-related component temperatures including advanced thermal management systems for the chassis, power electronics, electric motor drive and battery systems. As a result, HEVs may have up to six thermal loops
- HEV thermal management systems typically include fluid lines and tubes, pumps, quick connectors, sensors and valves
- In addition to increased thermal management requirements, the Group produces fuel tank systems for HEVs that can accommodate increased fuel vapour pressure which builds up during the period when the internal combustion engine is not operating and is not available to purge the fuel vapour

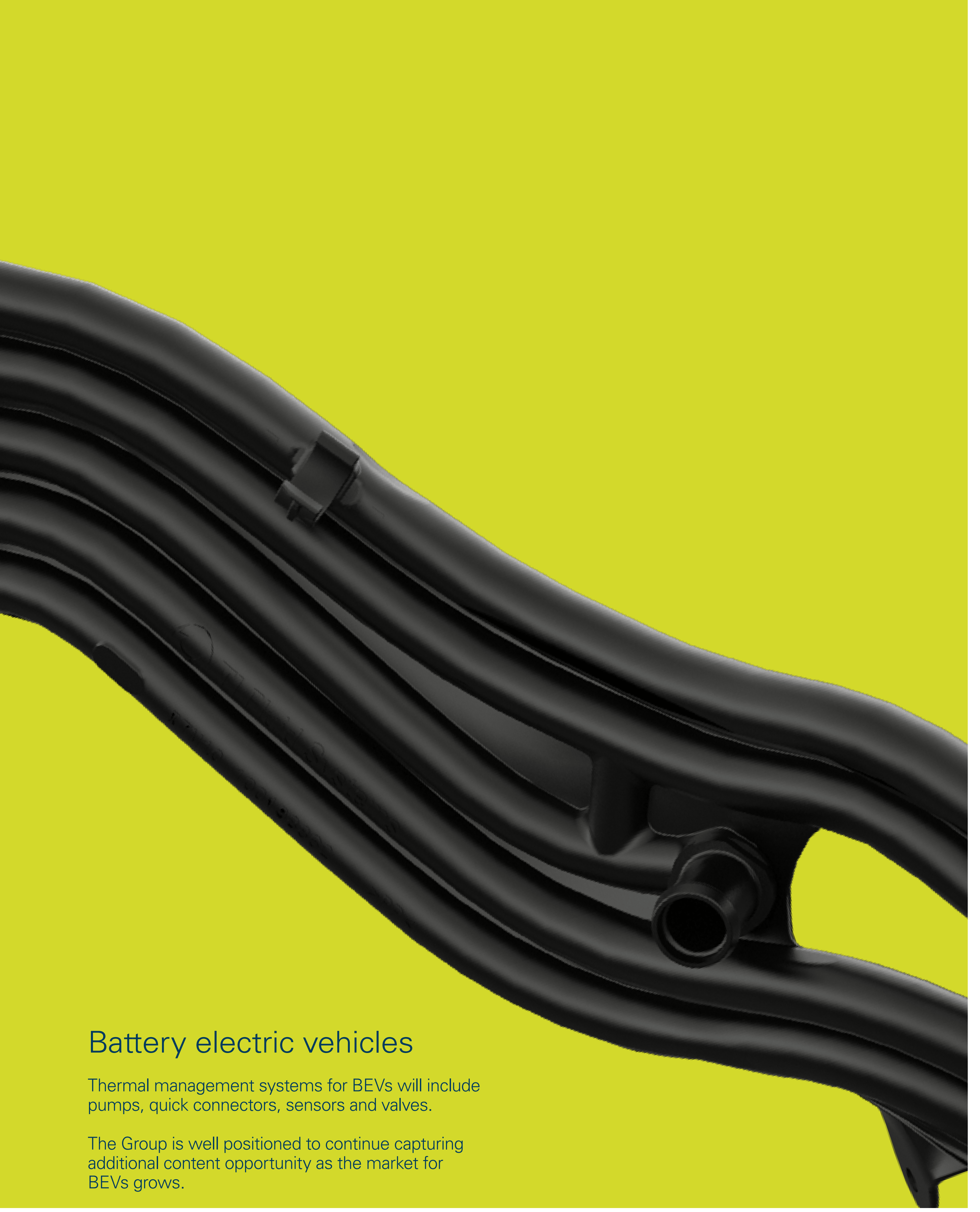
Battery Electric Vehicle (BEV)

- BEVs are expected to have additional thermal management loops. Based on recent platform launches, we expect significantly higher line and tubing content than traditional ICEs, depending on vehicle size and system design
- As thermal components and systems in BEVs may not be exposed to the same heat generated by ICEs, the systems may utilise different materials, such as nylon, to help optimise system weight, temperature and pressure
- Nylon lines have an approximate 30% to 60% weight advantage as compared to rubber and aluminium lines. Therefore, the use of nylon lines would reduce vehicle weight and help to extend battery life (required for extended driving range) of EVs. The Group has existing material 'know-how' in nylon and aims to utilise its existing industrialised capacity to support nylon usage

Autonomous Electric Vehicle (AEV)

- Autonomous vehicles increase the requirement of thermal lines, as more electronic components require cooling

Market driver in 2021: Innovative products



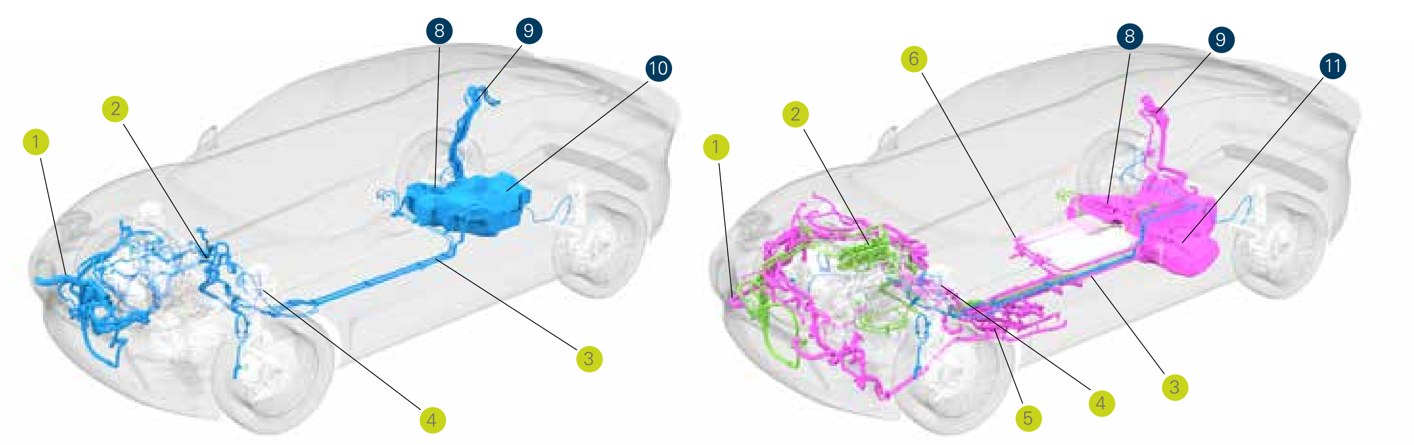
Battery electric vehicles

Thermal management systems for BEVs will include pumps, quick connectors, sensors and valves.

The Group is well positioned to continue capturing additional content opportunity as the market for BEVs grows.

Responding to market and environmental needs

Internal combustion engine vehicle (ICE) | **Hybrid electric vehicle (HEV)**

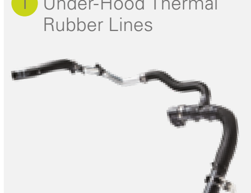


Our innovative and versatile products

Fluid carrying systems

The FCS division manufactures brake and fuel lines and thermal management fluid systems, including thermal management products.

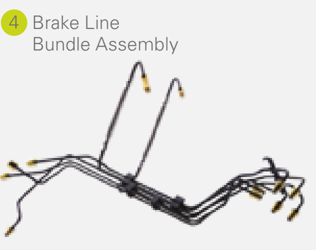
1 Under-Hood Thermal Rubber Lines



2 AC Cabin Climate Control Lines

3 Brake and Fuel Bundle Assembly

4 Brake Line Bundle Assembly

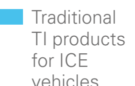


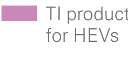
Fuel tank and delivery systems

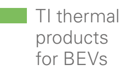
The FTDS division manufactures plastic fuel tanks, plastic filler pipes and electric fuel pumps and modules.

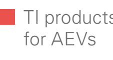
8 Brushless Fuel Pump Module w/Electronics

9 Plastic Fuel Filler Pipe & Emissions Vent Line

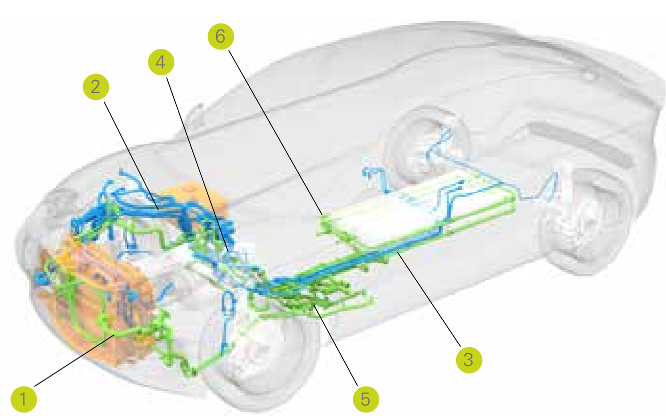

Traditional TI products for ICE vehicles


TI products for HEVs

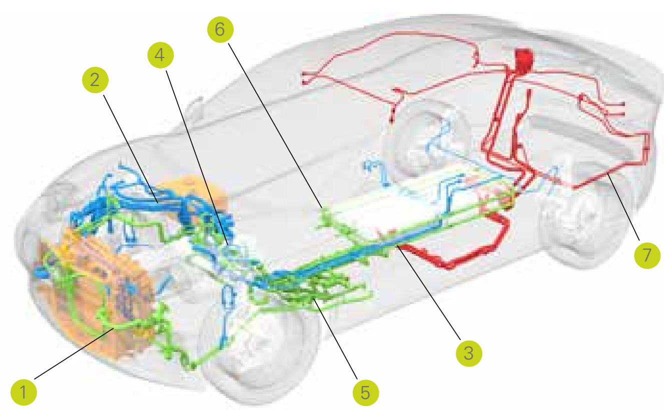

TI thermal products for BEVs


TI products for AEVs

Battery electric vehicle (BEV)



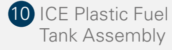
Autonomous electric vehicle (AEV)

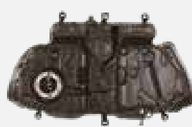


5 Chassis Thermal Plastic Manifolds

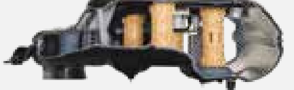
6 Battery Thermal Plastic Lines and Connectors

7 Autonomous Vehicle Thermal Plastic Lines


10 ICE Plastic Fuel Tank Assembly



11 HEV Pressure Resistant Fuel Tank Assembly



Our purpose is to develop technology and deliver innovative products in a sustainable manner to enable our OEM customers to make greener vehicles and help keep our environment clean and make our world a better place to live.

Our strategic objective is to leverage our position as a leading global supplier of automotive fluid systems to provide advanced technology products that support the world's transition to greener vehicles and, thereby, deliver revenue that outperforms global light vehicle production along with strong profitability and cash flow generation.

"We are Taking the Turn to electrification by leveraging the Group's position as a leading global supplier."

Hans Dieltjens
Chief Executive Officer and President

Objective 1

Use our strength in key products to drive the Group's market share position

- Extend the Group's strong leadership positions in brake and fuel lines and plastic fuel tanks
- Leverage technology, OEM relationships and competitive global footprint to drive organic business growth in thermal with leading products targeted for global platforms

No.1
Supplier of brake and fuel lines globally

No.3
Supplier of plastic fuel tanks globally

Our progress this year:

- #1 supplier position of brake and fuel lines in all key regions globally
- #3 supplier position of plastic fuel tanks globally
- Trending towards >20% market share in the HEV fuel tank market
- Successfully launched one of the biggest thermal product programmes awarded by Mercedes for global EV platforms.
- Ongoing collaboration with key OEMs for the design and engineering of thermal products for EVs
- Projects are across different regions including China
- Booked significant new business awards in all regions. €1 billion bookings in products for BEV during 2021

Read more in Our business model
Pages 30-31

Objective 2

Capitalise on the Group's global scale, footprint and position to ensure balanced customer platforms supporting regional and product diversification

- To mitigate the impact of regional market cyclicality and customer concentration, we strive to maintain a balanced level of customer, platform, regional and fluid handling product diversification
- Leverage the industry trend of increasing standardisation of OEM platforms through the depth and scale of operations
- Reduce supply disruption risks and environmental impacts with vertical integration where appropriate
- Decentralised business model with locally based nationals in regions and countries, including China, with profit and cash flow responsibility as well as strong regional customer relationship

104
Manufacturing locations

29
Countries

Our progress this year:

- Regional diversity with 38% of revenue in Europe, 36% in Asia, 24% in North America and 2% in Latin America
- Balanced and diversified customer portfolio with no single customer representing more than 16% of 2021 revenue
- Long-standing relationships with OEMs
- Reputation for developing high-quality products including brake and fuel lines, plastic fuel tanks and thermal management systems
- Many existing and planned collaborative design and engineering opportunities with OEMs in new technologies for HEVs and BEVs
- Establishing relationships with new OEM entrants, specifically for EV programmes

Read more in Our market and products
Pages 14-25

Objective 3

Strengthen the Group's position as an advanced technology leader in fluid systems to address industry shift to greener vehicles to make the environment cleaner

– Continue to invest in R&D to develop products that facilitate OEMs meeting regulated emissions and fuel economy requirements
– Pursue content expansion in the electric market, where advanced thermal management systems and pressure resistant fuel tanks have the potential to increase the Group's fluid handling content
– Leverage our existing nylon and lightweight 'know-how' and manufacturing capabilities to target key OEMs with thermal management system requirements for HEVs and BEVs
– Continue advancing our market position in pressure resistant fuel tanks for the increasing HEV market

2021
Focus on products that facilitate OEMs meeting emission reduction and fuel economy requirements

Our progress this year:
– Continued to focus on our advanced technology development centres and regional application engineering centres
– Ongoing design, development and supply of advanced systems and components on a global basis to OEMs
– Emphasis on products that facilitate OEMs meeting emission reduction and fuel economy requirements, e.g. pressurised fuel tanks and thermal management products
– Developed lightweight nylon thermal products to support industry move to BEVs

Read more in Our market and products Pages 14-25

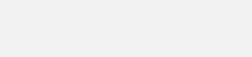
Objective 4

Increase the sustainability of the Group by conserving energy and resources, reducing greenhouse gas emissions, building a culture embracing safety and social responsibility and maintaining the highest level of ethical standards and compliance

– Take active actions to reduce emissions in our production processes
– Increase consumption of renewable energies
– Talent development and retention
– Embrace culture of social responsibility, diversity and inclusion

37.5%
Published target for reduction of Scope 1 and 2 CO_2(e) emissions by 2039 compared to 2019

Our progress this year:
– Published ESG and Sustainability pages on our website
– Updated and published our CO_2(e) emission reduction targets
– Updated our Environmental, Health & Safety and Human Rights policies
– Established energy conservation targets for all manufacturing facilities
– Increased use of electricity from renewable sources
– Published CO_2(e) emissions, safety, water and risk management data on CDP platform
– Added 30 plants to our ISO 45001 Occupational Health and Safety Management Systems
– Added 8 plants to our ISO 14001 Environmental Management Systems to cover all manufacturing locations by 2022
– Established regional Diversity & Inclusion Committees
– Conducted inclusion assessment for top management



Read more in Our Approach to sustainability report Pages 36-47

Objective 5

Deliver strong growth, profitability and cash flow generation

– Leadership in technology, global manufacturing footprint and competitive cost structure supporting growth in revenue, Adjusted EBIT and Cash Flow generation
– Continue to prioritise variable and fixed cost management and capital allocation
– Continue to adjust costs in line with OEM production volume fluctuations
– Selectively invest capital in projects that offer attractive rates of return

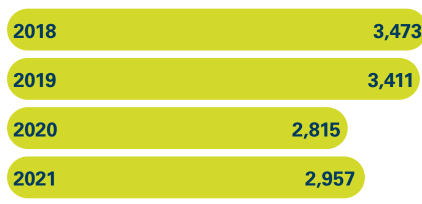
€117m
Adjusted Free Cash Flow generation

Our progress this year:
– Revenue outperformance of 2.2% on a constant currency basis and Adjusted EBIT of €213 million in 2021
– Delivered Adjusted Free Cash Flow of €117 million in 2021
– Successfully managed fixed costs and profitability despite an unprecedented global health pandemic and significantly lower global light vehicle production volumes in 2021
– Successfully managed significant cost and cash preservation activities in order to continue delivering strong margins and free cash flow despite historic volume decline
– Continued to demonstrate the successful execution of the Group's electrification strategy with the launch of products on Volkswagen's ID.3 and ID.4 battery electric vehicles and continued wins in BEV and HEV across all main production regions
– Strengthening our culture of continuous improvement and results orientation

Read more in Key performance indicators Pages 28-29

Key performance indicators
Financial and non-financial

Revenue €m

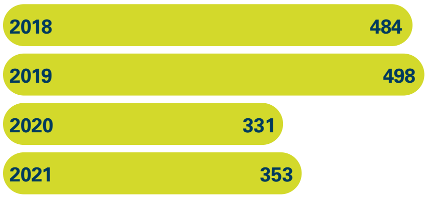


Definition
Defined as revenue excluding the effects of currency translation.

2021 performance
- In 2021, global light vehicle production grew by 3.4% to 77.1 million vehicles
- We delivered revenue of €3.0 billion (5.6% growth at constant currency) compared to the prior year
- 220 bps revenue outperformance at constant currency

Link to Strategy
- Objective 1 – Use our strength in key products to drive the Group's market share

Adjusted EBITDA €m

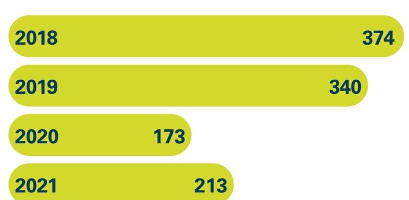


Definition
Defined as profit or loss before tax for the period before exceptional items, net finance expense, share of profits or losses of associates, foreign exchange gains or losses and depreciation, amortisation & impairments of tangible and intangible assets adjusted for net restructuring charges, associate dividends received and the impact of any business acquisitions or disposals.

2021 performance
- Adjusted EBITDA was €353 million in 2021
- Adjusted EBITDA margin was 11.9% in 2021, a 10 bps increase from the prior year

Link to Strategy
- Objective 5 – Deliver strong growth, profitability and cash flow generation

Adjusted EBIT €m

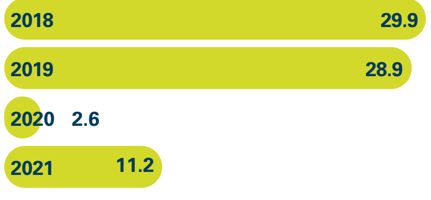


Definition
Adjusted EBIT is defined as Adjusted EBITDA less depreciation, amortisation and non-exceptional impairment on tangible and intangible assets net of depreciation and amortisation on purchase price accounting.

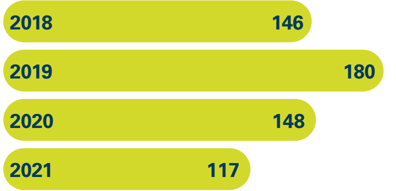
2021 performance
- Adjusted EBIT was €213 million in 2021
- Adjusted EBIT margin of 7.2% was 100 bps increase from the prior year

Link to Strategy
- Objective 5 – Deliver strong growth, profitability and cash flow generation

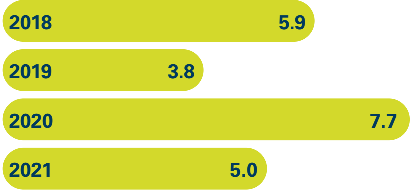
Adjusted Basic EPS € cents



Adjusted free cash flow €m



Customer satisfaction PPM



Definition

Defined as Adjusted Net Income divided by the weighted average number of shares in the year.

Adjusted Net Income is defined as Profit or Loss for the period attributable to the ordinary shareholders before exceptional items adjusted to reflect associate dividends received and eliminate the impact of net restructuring charges, foreign exchange gains or losses and the impact of any business acquisitions or disposals.

2021 performance

– Adjusted EPS was 11.23 Euro cents in 2021, representing an Increase of 8.59 Euro cents over the prior year

Link to Strategy

– Objective 5 – Deliver strong growth, profitability and cash flow generation

Definition

Defined as cash generated from operating activities, less cash used by investing activities, cash movements in financial assets at fair value through the profit and loss, cash payments related to IPO costs, net cash flows relating to restructuring, settlement of derivatives and the impact of any business acquisitions or disposals.

2021 performance

– Adjusted Free Cash Flow was €117 million in 2021, representing a decrease of 21% over the prior year reflecting a return to normalised cash returns

Link to Strategy

– Objective 5 – Deliver strong growth, profitability and cash flow generation

Definition

Defined as the quantity of non-conforming pieces rejected by external customers versus pieces sold, measured in parts per million.

2021 performance

– The global external quality rating for 2021 year end was 5.0 ppm. This result is 29% lower than our benchmark global target of 7 ppm

Link to Strategy

– Objective 1 – Use our strength in key products to drive the Group's market share

We design and manufacture award-winning, industry-leading automotive fluid systems for OEM customers across the globe, operating out of 104 manufacturing locations in 29 countries

manufacturing locations

104

WHAT WE DO

Design and development

- Our advanced engineering team develops new products and technologies that respond to new market trends and needs, with a recent focus on the unique thermal management requirements for HEVs and BEVs
- We provide our customers with innovative components and system solutions that are critical to performance, reduce emissions, and enhance quality
- Our application engineering teams work closely with our customers to providing necessary flexibility to introduce design changes and adjustments throughout the vehicle design and launch phases
- We have approximately 1,200 issued and pending patents worldwide (650 in our Fluid Carrying Systems division and 550 in our Fuel Tank & Delivery Systems division)
- Our metal tubes, used mainly in brake applications, are the market leader and meet the requirements of all OEM customers
- Our plastic tubes and connectors provide solutions for multiple thermal applications and allow our customers to migrate away from heavier metal products
- Our award-winning plastic tank designs meet the high-pressure requirements for HEVs

Manufacturing

- Our competitive global footprint with regional manufacturing and small final assembly facilities located near our OEM customer plants has been established to deliver quality products, efficient manufacturing, optimised capital allocation and optimised logistics
- We are able to deploy reliable and uniform manufacturing processes and equipment in all global regions to support the increasing transition to global platforms by our OEM customers
- We are able to align our manufacturing footprint with the needs of our OEM customers.
- Our increasing vertical Integration in each region reduces transportation and the risk of supply chain disruptions

HOW WE CREATE VALUE

We are market leaders

- We have a 100-year heritage in the automotive industry and now supply performance-critical products to nearly every OEM In the world for light vehicles of every style and type
- Our highly engineered, advanced products, long-term customer relationships and global footprint, including China, combine to make the Group highly competitive while delivering strong financial returns
- We are the #1 supplier of brake and fuel lines in all key regions globally and #3 supplier of plastic fuel tanks globally

We have a global workforce

- We employ 25,600 people globally at our technical centres, corporate offices and manufacturing plants
- We have 10,600 employees in Europe and Africa, 6,300 in North America and 8,700 in Asia Pacific and Latin America
- Our diverse and decentralised workforce and management provides us first-hand understanding of local markets and customer needs
- We maintain effective relationships with our OEM customers through their headquarters, technology centres and assembly plants

We have long-standing relationships with suppliers

- We purchase raw materials, including resin, steel and aluminium, as well as sub-components from suppliers located around the world
- We pursue strategic sourcing based on price, quality, reliability of supply, technology and logistics efficiency
- In some instances, certain suppliers are directed and mandated by our OEM customers

supplier of brake and fuel

No.1

supplier of plastic fuel tanks globally

No.3

- We invest in technology and innovation
- We have award-winning technologies and products aligned with automotive megatrends, including new product offerings for HEV and BEV applications
- We are increasing our investment in technology and innovation, including the build out of E-Technology Centres in each region to showcase our capabilities to support vehicle electrification
- We continue to protect our intellectual property in all major markets

We have a wide and diverse customer base
- Our products are sold to all major global OEMs for a wide range of light vehicle platforms and brands, reducing our "mix" risks
- We have long-standing customer relationships with purchasing, engineering and management teams at our OEM customers and are seen as a trusted strategic partner
- We collaborate with our OEM customers on the design and engineering of new systems and products, particularly for HEV, and BEV applications and, most recently, also AEVs, providing us with a comprehensive view of the changing market landscape

We are committed to sustainability
- We are developing products that support the electrification of the automotive industry and contribute to a cleaner environment
- We have set science-based targets to reduce our Scope 1 and 2 CO_2 (e) emissions by 37.5% by 2039 on an absolute basis compared to 2019
- We are committed to compliance and conducting our business in an ethical manner and aligned with the highest standards of social and environmental responsibility

THE VALUE WE CREATE

Customers
- We provide value to our OEM customers through our leading product technology, strong manufacturing and quality capabilities, and efficient global footprint
- Our performance-critical products support our OEM customers to reduce automobile emissions and increase fuel efficiency, including through alternate HEV and BEV powertrains
- We efficiently and effectively support our customers through our global footprint, supplying products locally with consistent manufacturing processes and quality while reducing the risk and environmental impact of long logistics chains

Employees
- We seek to ensure that our workforce of 25,600 people located in 29 countries is skilled, motivated and competitively compensated
- We have policies and programmes in place to provide a safe and inclusive work environment and to promote ethical conduct and culture of compliance
- We have established diversity and inclusion committees in each region to help shape initiatives and further engage our employees
- We strive to provide our employees at all levels with opportunities for professional development and personal programmes through our training, education and learning programmes

Suppliers
- We work to build strong, collaborative relationships with our suppliers, including cooperative development activities
- We assist our suppliers to meet best-in-class quality levels and improve their manufacturing efficiency
- We support our suppliers to meet the high standards of business ethics and compliance expected by us and our customers

Shareholders
- We aim to generate long-term sustainable shareholder returns through the execution of our business strategy
- Our dividend policy targets 30% of Adjusted Net Income
- Our annual and long-term incentive plans include performance criteria to align management with the interests of our shareholders

Engaging with, and considering the interests of, our stakeholders is crucial for the long-term success and sustainability of our business

Section 172(1) statement

The Board recognises that considering our stakeholders in key business decisions is crucial and will allow for the long-term sustainability of the Group. Board Directors are bound by their duties under the Companies Act 2006 (the Act) to promote the success of the Group for the benefit of members as a whole. Section 172 requires that Directors act in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its stakeholders as a whole. Our shareholders together with our customers, employees, suppliers and community represent our key stakeholders. Engaging with, and giving consideration to, these stakeholders is central to our corporate purpose and strategy to achieve the long-term success and sustainability of our business. In doing so the Directors consider the likely consequences of any decision in the long term; the interests of employees; the need to foster sound relationships with suppliers and customers and others; the impact of our operations on the community and the environment; the desirability of maintaining of our reputation for high standards of business conduct; and the need to act fairly. Throughout the year, the Board's decision-making is required to take into consideration the interests of these wider stakeholders within the framework set out in Section 172(1) of the Companies Act 2006. The following table summarises how our Directors have, and how the Group as a whole, has engaged with, and considered the interests of, stakeholders and some of the outcomes and actions arising from such engagement and consideration.

Stakeholder engagement

How we engage with and consider our key stakeholders

Stakeholder
Shareholders In addition to the significant interest held by funds managed by Bain Capital (the 'Bain Shareholders'), our shares are held by both institutional and retail investors with a range of investment styles based throughout the world Why we engage – Quality of governance – Effectiveness of the Board and management – Growth potential and profitability – Share price appreciation – Dividends
Employees We have a global workforce made up of 25,600 employees and contractors, including approximately 4,100 salaried employees, that work in 29 countries Why we engage – Good communications improves motivation, morale and productivity – Fosters retention and reduces employee turnover – Identify issues and solutions quickly – Identify needs for resources and support

Engagement	Outcomes and actions
– Executive Directors, supported by our investor relations team, had numerous one-on-one and group meetings and calls, engaging with shareholders representing over 80% of our current shareholders (by shareholding value) – The Company held its second Capital Markets Day in April 2021 on a virtual basis to provide an in-depth review of our business model, strategy and product portfolio to all shareholders – Our Remuneration Chair communicated with all of our top 20 shareholders, also meeting with many, to gain their input on our remuneration practices and policies – The two Non-Executive Directors who represent the Bain Shareholders attend and actively participate in our Board meetings – All shareholders are kept informed of the performance of the business on a regular basis through trading updates in January, May and November, half and full year announcements in August and March, and our full annual report in April	– Regular updates to the entire Board by Executive Directors and brokers on share performance, shareholder register and shareholder views and sentiment – Considering investor feedback and the long-term impact to the Company and its stakeholders, the Board reviewed our capital allocation strategy, resulting in continued debt reduction, strategic capital expenditure and a return to the Company's dividend policy for 2021 – The Board continued to review the development, and monitor implementation, of the Company's strategy, with particular emphasis on product development for HEV and BEV platforms, in order to promote the sustainability and viability of the business – Review of trading updates and results announcements resulted in additional information and reporting on strategic progress – Compliance with the Relationship Agreement in place with the Bain Shareholders, which ensures the relationship is at arm's length – Decision to not propose a final dividend for 2020 but to pay an interim dividend in February 2021 (see Dividend Note 14 on page 161) – Changes to the manner by which the Company implements our remuneration policy based on shareholder feedback – Changes to our LTIP metrics to better align with shareholder interests, including ROCE and ESG performance targets – Adding a sustainability section to our website and reporting our various sustainability data through CDP – Making Investor Q&A available on our website
– Conducted an Employee Engagement and Culture Survey in North America (see page 10 for more information on the survey process and results) – Held 'all employee' meetings and calls throughout the year to provide updates on COVID-19 response, financial performance, leadership changes, and strategic objectives, – Our designated Non-Executive Director for workforce engagement attended an 'all employee' meeting and reviewed our survey results, employee feedback and whistleblower reports – Held several top management meetings to review our Take the Turn strategy, including review and incorporation of management input and ideas on our technology and products, sustainability and learning initiatives	– Conducted diversity training and assessment for the Top 300 management to identify areas to improve leadership skills – Regular review of injury and turnover data with the Board to ensure focus and support for safety training and protocols and competitive workforce remuneration – The Board continues to direct and support management to finds ways of improving diversity and inclusion throughout the organisation – Supported implementation of work from home and hybrid work arrangements for office personnel – Reviewed succession planning throughout the organisation – Approved the creation of new COO, CTO and CCO executive positions and the hiring of experienced candidates for those roles to provide the organisation with additional leadership and capabilities – Approved and adopted an updated Health and Safety Policy – Approved and adopted an updated Human Rights Policy

Stakeholders

Customers

Our primary customers are multinational and local automotive OEMs (original equipment manufacturers)

Why we engage
- Drive revenue growth and business success
- Identify sourcing opportunities
- Align product and technology development with customer needs
- Effectively and efficiently address any supply or quality issues

Community

As a global company, our community encompasses our wider society and environment as well as the local communities in 29 countries around the world where we operate

Why we engage
- Promote our reputation as a responsible and ethical business
- Attract, motivate and retain employees
- Conserve resources and reduce our impact on the environment to ensure a sustainable business

Suppliers

Our suppliers are located around the world and provide us with raw materials, including resin, steel and aluminium, as well as sub-components

Why we engage
- To build strong, collaborative and strategic relationships in order to obtain competitive pricing, quality, reliability of supply, and logistics efficiency
- To ensure we have access to advanced materials and components that meet our technical requirements
- To ensure responsible sourcing and ethical business practices and conduct by our supply base

Engagement	Outcomes and actions
– We have extensive and regular contact with our OEM customers at all organisational levels and in all regions regarding sourcing, commercial matters, product performance and quality, programme launches and the development and planning of new products – With respect to significant commercial matters and strategic initiatives, our Executive Vice Presidents, CCO and CEO communicate directly with senior executives at our customers	– The Board receives regular updates from the Executive Directors and other senior management on commercial matters and customer relationships, including new business awards and strategic development programmes – Our corporate purpose and business strategy has been established and is monitored by the Board – The Board reviews and approves major capital investment and product development strategy to promote manufacturing footprint and technology alignment with our customers, including supporting new business and development activities focused on HEV and BEV platforms – Annual budget and medium-term plan approved by the Board incorporates our strategic growth with our customers, including through medium-term product development and technology alignment – Approved restructuring plans that align with customer manufacturing footprint and promote efficient supply arrangements – Support implementation of a range of greenhouse gas reduction initiatives in line with expectations and similar programmes of our OEM customers – Approved the creation of the new CCO position to better coordinate and enhance customer relationships – Approved the creation of the new CTO position to ensure our advanced engineering and R&D is effectively managed and aligned with customer needs – Strong executive recruitment to support implementation of our customer-focused strategy: new Chief Operating Officer, Chief Technology Officer and Chief Commercial Officer
– Consistent with our Core Values, each of our facilities around the world seeks to be a responsible member of its local community – Strive to consistently operate our business in a manner that minimises our impact on the environment through energy efficiency, waste reduction and conservation of resources – Expansion of our EHS group has improved our processes to measure, report and assess our greenhouse gas emissions and the environmental impact that our operations have on the wider community – Our Code of Business Conduct includes policies and principles to promote our reputation in our community for high standards of business conduct, including anti-corruption, anti-bribery, fair competition (anti-trust), and positive work environment and inclusion (anti-discrimination and anti-harassment)	– ESG Steering Committee provided oversight and guidance for numerous initiatives to reduce our greenhouse gas emissions, improve sustainability reporting and disclosure, manage water use, and reduce waste – Developed and launched production of advanced products, such as thermal systems and high pressure fuel tanks, for BEV and HEV platforms that contribute to a cleaner world – Recognised by the London Stock Exchange with the Green Economy Mark in recognition of the positive environmental impact our product technologies have by helping make cars greener – Approved and adopted an updated Environmental Policy
– Our purchasing organisation has extensive and regular contact with our suppliers regarding specific quoting and sourcing opportunities, delivery logistics and quality controls and testing – Our engineering organisation works closely with suppliers on development activities, validation testing and cost reduction initiatives (value engineering) – We communicate our compliance expectations and how to do business with us through our Global Supplier Requirements Manual, our dedicated Supplier Portal on our website and our purchasing terms and conditions	– Coordinated closely with suppliers to manage supply shortages and disruptions to ensure continued production – Addressed requests for price increases in a fair and consistent manner – Managed supplier payments consistent with contractual terms to avoid negative impact on our supply base – Ongoing coordination with key suppliers to develop and engineer their materials and components in order to allow, in turn, the Group to provide products and systems that meet the requirements for HEVs and BEVs

Our approach to sustainability

"Our mission is to be a responsible and sustainable business that creates value for all of our stakeholders."

Elaine Sarsynski
Chair, ESG Steering Committee

Overview

As a global market leader in automotive fluid systems, the Group's purpose is to partner with our OEM customers to develop technology and deliver innovative products which enable our customers to make greener vehicles that help keep our environment clean and make our world a better place to live.

For almost 100 years, the Group has provided advanced fluid handling and thermal management solutions that enable our customers to make increasingly efficient internal combustion vehicles. As the automotive industry seeks to address climate change by transitioning to electric vehicles (EVs), we are using our expertise and technologies to support electrification by supplying our customers with fluid handling products specifically designed to meet the requirements of hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), contributing to a greener and cleaner environment and making the world a better place to live.

In addition to our technology and products that support EVs, the Group is focused on operating all aspects of its business in a more environmentally and socially responsible manner. We strive to reduce our own impact on the environment by reducing our CO_2(e) emissions (through energy efficiency and renewable energy sourcing), conserving water and eliminating waste. We conduct our business in an ethical and compliant manner, with a diverse and inclusive workforce, in accordance with our Core Values and Code of Business Conduct. We invest in our local communities through the creation of employment and advancement opportunities as well as many charitable and outreach activities.

The Group's purpose and sustainability focus aligns with many UN Sustainable Development Goals, including:
3: Good Health and Well-Being
5: Gender Equality
6: Clean Water and Sanitation
7: Affordable and Clean Energy
12: Responsible Consumption and Production
13: Climate Action
14: Life Below Water

We remain committed to strengthening our ESG programme in order to deliver a sustainable business for the benefit of all our stakeholders.

ESG oversight and management

The Board of Directors recognises that sustainability is essential to the Group's long-term success and that sound environmental, social and governance (ESG) practices are fundamental and necessary to a sustainable business. To assist the Board in its oversight of ESG matters for the Group, the ESG Steering Committee was formed in early 2021. The ESG Steering Committee is charged with recommending the overarching sustainability vision and strategy to the Board, together with annual plans and targets for ESG matters, as well as supporting management to prioritise sustainability within the Group's overall corporate strategy. The ESG Steering Committee seeks to solicit and understand the views of the Group's stakeholders, including employees, investors, suppliers, customers, and local communities to inform the Group's long-term strategic decisions and identify the relevant sustainability priorities that most significantly impact the Group and its stakeholders, its reputation and public interest role.

The Group's Corporate Environmental, Health and Safety (EHS) organisation reports through the Chief Legal Officer and ESG Director to the CEO. The Corporate EHS team works closely with regional managing directors to develop and implement standardised management systems and procedures to reduce risks to our people, the environment, and our facilities. The Corporate EHS management team issues regular bulletins and holds monthly calls in all regions to discuss current EHS issues facing the organisation and conducts education and training to drive consistent safety procedures and practices at all plants. The EHS group is also responsible for collecting data related to safety, energy consumption, waste generation, and water consumption that is used to set the Group's sustainability goals.

The Group's global Human Resources (HR) organisation reports through the Chief HR Officer to the CEO. The HR organisation is primarily responsible for implementing our Diversity and Inclusion (D&I) programme, working with local and regional HR teams.

Environmental

Our products

As the automotive industry seeks to address climate change by transitioning to electric vehicles (EVs), the Group is using its expertise and technologies to develop and supply our customers with fluid handling products specifically designed to meet the requirements of hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), contributing to a greener and cleaner environment and making the world a better place to live.

The Company has been awarded the London Stock Exchange's Green Economy Mark in recognition of the positive environmental impact our product technologies have by helping make cars greener. We are proud that our technology and products support the green economy.

For more information on our technology and products, see Our strategy on pages 26-27.

Our operations

Introduction

We have a variety of procedures and policies in place to monitor the impact of our operations on the environment.

We have put systems in place to collect and verify energy data and calculate CO_2(e) emissions for all our manufacturing locations. In the past several years we have continued to improve the manner and method by which we collect and verify waste generation and water consumption data across all our global locations.

As part of our longstanding approach to efficient manufacturing operations, we have already taken basic steps to reduce energy waste at our facilities, such as shifting to LED lighting, eliminating compressed air leaks, balancing heating and cooling systems, installing automatic shutoff controls, and using variable motors wherever possible. We are now actively assessing further conservation actions to reduce our use of energy.

Using this baseline data, we have established CO_2(e) emissions reduction targets as well as water conservation goals. We are also in the process of setting waste elimination objectives.

In 2021 we made a broad range of climate-related information and data available to the public both on our own website and through the widely recognised CDP platform. The Group expects to continue to use our website, CDP and other third-party services to report our sustainability progress, including our environmental targets, in a transparent manner.

Environmental management system

The corporate Environmental, Health and Safety (EHS) team continues to manage the Group's ISO 14001 environmental management system in order to promote consistent environmental compliance at all global facilities. This system has resulted in a better understanding and compliance with environmental regulations and requirements across the globe. The vast majority of the Group's plants globally are currently certified to the ISO 14001 Environmental Management System. In 2021, we initiated our plan to expand our ISO 14001 system and expect to complete certification of all remaining manufacturing locations in 2022.

CO_2(e) Emissions Reduction Goal

Working with the ESG Steering Committee, the Group's CO_2(e) emissions reduction targets were updated in 2021. The Group's target is a 37.5% reduction by 2039 of our Scope 1 and 2 emissions compared to 2019 measured levels on a like-for-like basis. The following interim milestones have been established to track progress towards the target by 2039:

- 2029 – reduce Scope 1 and 2 emissions by 16% compared to 2019
- 2034 – reduce Scope 1 and 2 emissions by 26% compared to 2019
- 2039 – reduce Scope 1 and 2 emissions by 37.5% compared to 2019

Importantly, this updated reduction target is based on absolute contraction consistent with the "Well Below 2 Degree" scenario and in support of UN Sustainable Development Goal 13 – Climate Action. This absolute contraction approach means that we will compare the Group's actual mass of emissions in 2039 to the baseline year of 2019, without adjustment for expected growth and increased production levels between 2019 and 2039. In 2019, the Group emitted 307,083 tonnes of CO_2(e) Scope 1 and 2 combined emissions. As such, our goal is to achieve a maximum annual emission mass of 191,927 tonnes by 2039.

The ESG Steering Committee will continue to review the Group's CO_2(e) emissions reduction targets in light of current science and community expectations. Specifically, in the coming year, we will consider our current Scope 1 and Scope 2 targets in light of the Glasgow Climate Pact that was adopted at the COP26 Conference in November 2021 which urges more ambitious plans to cut emissions by 2030 in order to keep global temperature rise to 1.5°C. In addition, we are actively assessing software platforms to measure our Scope 3 emissions in 2022 so that we can then more formally engage our largest suppliers to assess their plans and progress on emissions reductions. Consistent with, and as an extension of, our review of our CO_2(e) emissions and corresponding reduction targets, we ultimately aspire to establish plans and timeline to become carbon-neutral across our entire value chain.

In order to achieve our CO_2(e) emissions reduction goal, a number of energy initiatives are in process to increase our use of renewable-sourced electricity and make operational and process changes to conserve electricity.

Energy consumption and CO_2(e) emissions data

The Group's Global and UK Scope 1 and 2 emissions are described in the graphs below. Scope 1 estimates include emissions from fossil fuel used on premises. Scope 2 estimates are emissions from purchased electricity. Emissions for 2019-2021 have been calculated using UL Pure Credit 360 software. Calculations are transparently shown in the system and produce results in accordance with the methods in the GHG Protocol. The Group implemented this software between 2018 and 2019 and the software utilises the UK government GHG Conversion Factors for Company Reporting for fuel conversions.

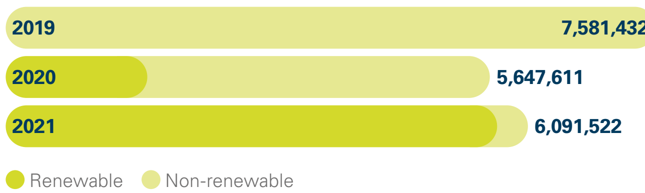
The Group's reduction target was updated in 2021 and, as such, comparison to that target cannot yet be made. We anticipate providing commentary and information related to our emissions reduction compared to our target next year.

It is also important to note that part of our strategy is purchasing renewable energy to reduce our greenhouse gas emissions. We have already taken a significant step in the UK with our largest plant using 100% wind generated electricity in 2021.

Energy consumption

We have a global energy monitoring programme which we use to calculate our CO_2(e) greenhouse gas emissions based on consumption data. This programme is used to accurately report both Scope 1 and Scope 2 energy consumption and associated GHG emissions. Ultimately, we will see our energy efficiency projects resulting in reduced energy consumption and a shrinking of our carbon footprint.

UK electricity consumption (kWh)



Over the past three years we have significantly increased the amount of renewable electricity purchased in the UK. In 2021 over 94% of the energy purchased for our locations in the UK was from renewable energy. The increase in consumption seen from 2020 to 2021 is primarily due to our locations being shut down for approximately two months in 2020 due to COVID-19.

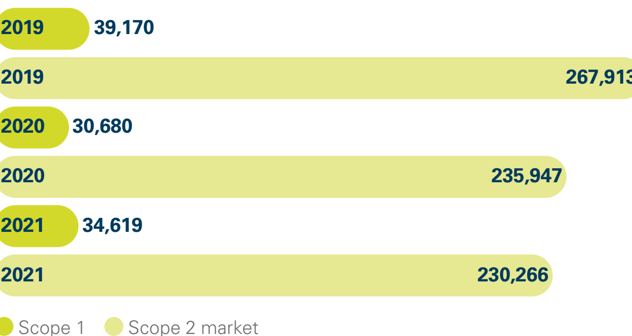
The Group's global electricity consumption is provided in the graph below.

Global electricity consumption* (kWh)

*2019 and 2020 global electricity consumption was adjusted from prior reporting on account of minor corrections made as part of our continued efforts to improve validation and reconciliation of data.

Greenhouse Gas Emissions

Global: Scope 1 and 2 emissions (CO_2(e)T)*

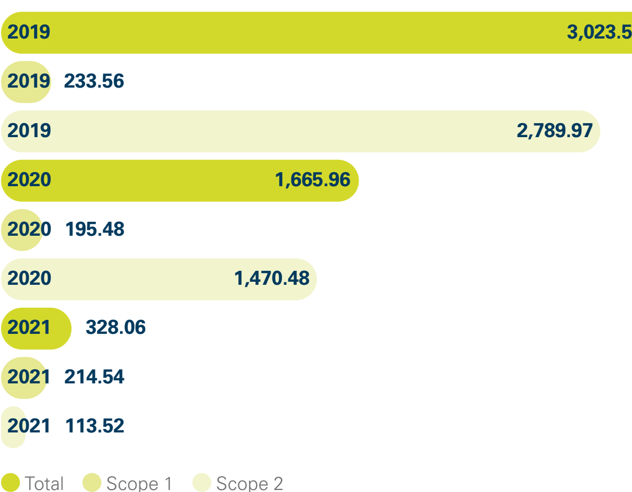


*2019 and 2020 global Scope 1 and 2 emissions was adjusted from prior reporting on account of minor corrections made as part of our continued efforts to improve validation and reconciliation of data.

UK Total: Scope 1 and 2 emissions (CO_2(e)T)

Our UK emissions have decreased by over 94% from our baseline 2019 year. This decrease in emissions is principally driven by our largest energy consuming plant transitioning to purchasing 100% renewable electricity and our other UK locations migrating to renewable electricity in Q4 of 2021.

UK Total: Scope 1 and 2 emissions (CO_2(e)T)



The Group's intensity factor is shown below and is based on total carbon dioxide equivalent emissions divided by revenue for the corresponding year. The increase from 2019 to 2020 in our CO_2(e) intensity factor is a direct result of the temporary facility shutdowns due to the COVID-19 pandemic. During these shutdowns, plants were still using some baseline level of electricity and/or fuel for heat and/or air conditioning to protect our facilities and equipment. This baseline use of electricity and/or fuel coupled with lower sales volumes slightly increased our intensity factor.

Intensity factor (CO_2(e)T per million Euro revenue)

Water Conservation Goals

Water is a critical natural resource, and the Group strives to use water in an efficient and responsible way.

In 2020, the first year that we had systems in place to measure our water use, the Group used approximately 896,165 cubic metres of water.

We are implementing a strategy to reduce the use of water and increase our conservation efforts particularly in areas that have water scarcity issues. In 2021, the following water conservation targets were established for the Group to be achieved by 2030:

- **FCS Process Plants:** 25% reduction from 2020 baseline (3.00% annual reduction)
- **FCS Thermal Plants:** 10% reduction from 2020 baseline (1.25% annual reduction)
- **FCS Systems, FTDS Pump & FTDS Tank Plants:** Change to 100% low flow fixtures by 2030

Given that 2020 production volumes were lower due to the impacts of COVID-19, we may adjust our baseline in the future to be more representative of our production levels.

Water consumption

The water that we use in our operations is obtained through local municipal water systems or private commercial sources. We do not directly withdraw water from rivers, streams, lakes, or ponds.

After being used for industrial activities, such as non-contact cooling, we discharge the vast majority of our water to local sewer and wastewater treatment systems. A small number of our facilities treat wastewater before it is released to the local sewer systems or surface water body, in order to meet applicable effluent specifications.

The graphic below shows the total volume of water in cubic metres consumed by divisional unit (type of plant).

GLOBAL: Divisional Unit breakdown consumption in m³

The target for water conservation was issued in 2021 and, as such, comparison to that target cannot yet be made. Next year we anticipate providing commentary and information related to water conservation compared to the divisional targets.

The graphic below shows the total volume of water in cubic metres withdrawn as well as a breakdown by source.

GLOBAL: Total water withdrawal by source in m³

TI is committed to preventing significant environmental releases to the ground surface, subsurface, or surface water, thus protecting ground and surface water resources in the communities that we operate and live in.

Our TCFD Disclosures
Page 64-68

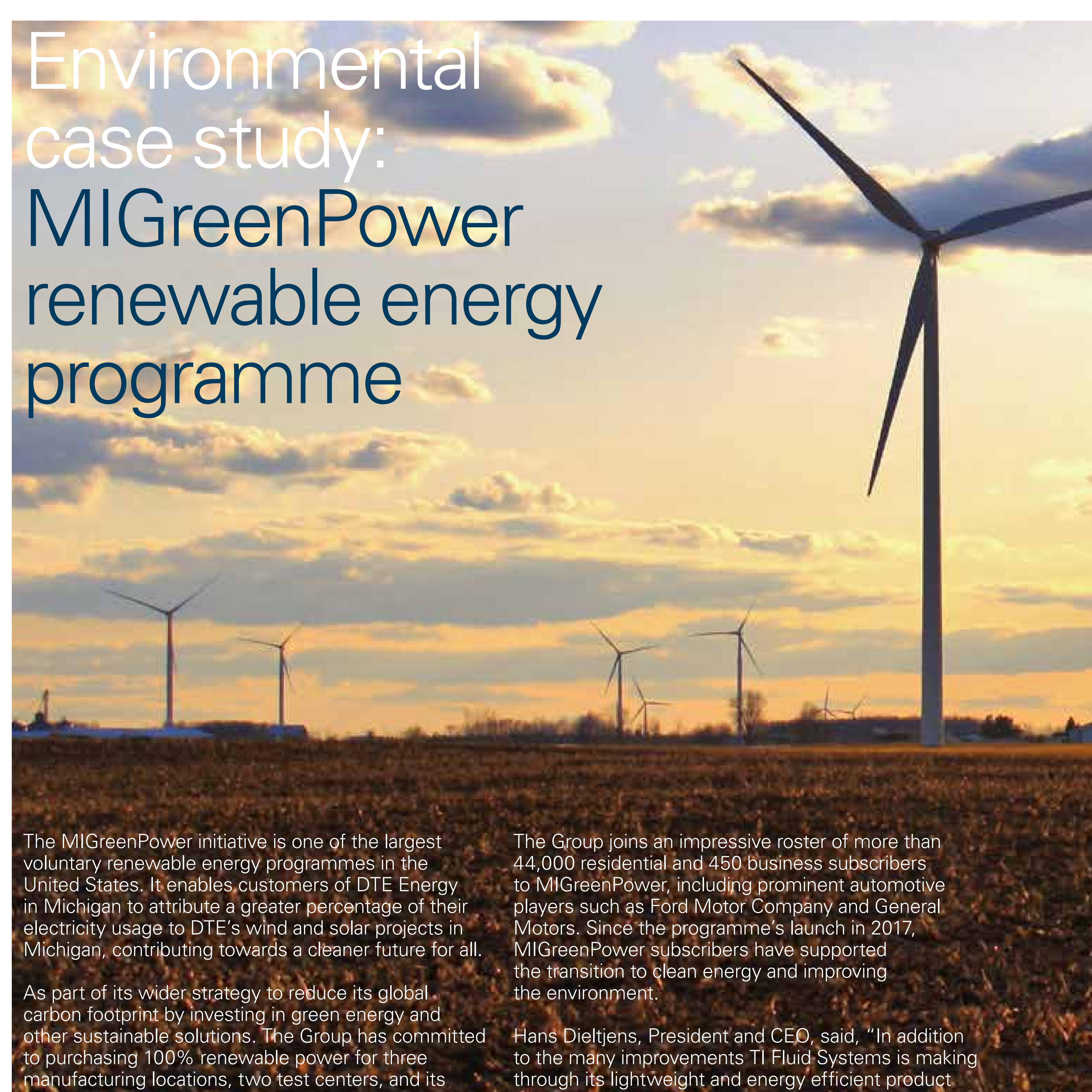
Environmental case study: Waste reduction

Marysville, Michigan

The Group continues to work diligently in the specification and commissioning of state of the art technologies when making asset purchases. This strategic approach has resulted in a reduction of energy and water consumption as well as waste generation.

The recent installation of cutting-edge tube coating technology in our facility in Marysville, Michigan, USA, exemplifies our deliberate commitment to established ESG Initiatives. This significant, critical investment not only improves product quality for our OEM customers, but it provides measurable reductions in the areas most critical to our environment.

We are now recognising zero solid waste and near-zero wastewater generated by this new process. Compared to prior technology, a 35% reduction in chemical consumption and a 60% reduction in rinsing water significantly reduce resource consumption, a 30% reduction in the required electrical energy load yields a notable reduction in CO_2 (e) emissions.



Environmental case study: MIGreenPower renewable energy programme

The MIGreenPower initiative is one of the largest voluntary renewable energy programmes in the United States. It enables customers of DTE Energy in Michigan to attribute a greater percentage of their electricity usage to DTE's wind and solar projects in Michigan, contributing towards a cleaner future for all.

As part of its wider strategy to reduce its global carbon footprint by investing in green energy and other sustainable solutions. The Group has committed to purchasing 100% renewable power for three manufacturing locations, two test centers, and its corporate offices in Michigan. Its contract with DTE will begin in January 2024, with approximately 19% of its electricity use in North America being attributed to DTE's renewable energy projects.

Over the course of a year, the Group will use an estimated 22 million kWh of renewable energy under the MIGreenPower initiative. This will have a significant impact on our greenhouse gas emissions – reducing our annual CO_2(e) emission by 15,600 metric tonnes which is equivalent to eliminating more than 7.8 million kg (17.2 million pounds) of burned coal.

The Group joins an impressive roster of more than 44,000 residential and 450 business subscribers to MIGreenPower, including prominent automotive players such as Ford Motor Company and General Motors. Since the programme's launch in 2017, MIGreenPower subscribers have supported the transition to clean energy and improving the environment.

Hans Dieltjens, President and CEO, said, "In addition to the many improvements TI Fluid Systems is making through its lightweight and energy efficient product lines we supply to our automotive customers, we have made a firm commitment to decarbonising our manufacturing and support business, reducing global greenhouse gas emissions and investing in green energy. Working with a renewable energy pioneer like DTE Energy, we can make significant strides towards our goals in North America, while also supporting community projects in Michigan. I look forward to seeing the positive benefits our enrollment will have in the coming years with all of TI Fluid Systems facilities in Michigan powered 100% by green energy."

Social

Introduction

Our strength and success as a global tier one automotive supplier depends on the talent and motivation of our workforce. We seek to recruit and retain employees with a range of backgrounds and perspectives who share our passion for learning and innovation and are aligned with our Core Values that promote building collaborative customer relationships and making a positive contribution to our larger communities. We are committed to diversity, inclusion, and ethical business practices. Our people are considered for employment, training, career development and promotion on the basis of their abilities without regard to age, gender, sexual orientation, religion or ethnic origin.

Safety

Consistent with our Core Values and focus on our employees, we continue to develop and improve all aspects of our global safety programme.

The Safety Steering Committee consists of the Chief Executive Officer, Chief Operations Officer, Chief Legal Officer, Vice President of HR, the Divisional Executive Vice Presidents, and the Global EHS Director. The Committee is responsible for providing the architecture and direction for the Group's safety policies, procedures, and standards. This Committee also determines our safety KPIs and collects data to monitor the Group's safety performance.

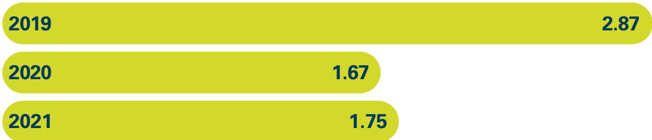
The EHS organisation is responsible for managing the implementation of the Group's safety policies and procedures, including holding monthly virtual safety reviews in each region and overseeing the Group's ISO 45001 Occupational Health and Safety Management System. The ISO 45001 systems supports consistent safety practices, compliance, and data transparency and is subject to an annual third-party audit and certification. The Group currently has 42 plants certified under the ISO 45001 system, including 29 plants that were added in a corporate certification programme in 2021. We have training and plans in place to expand the ISO 45001 to all our remaining plants by the end of 2024.

At a local level, each plant is required to have a safety committee that is comprised of the plant manager, at least one other senior manager as well as operators and supervisors working on the plant floor. The mandates of local safety committees vary depending on the plant but, generally, include hazard identification and assessments, accident investigations, safety audits, safety training, and recommending personnel protective equipment.

Safety data reporting

In 2020, the Group began measuring lost time injury frequency (LTIF) at each plant, by region and on a global consolidated basis and believes that LTIF is the most appropriate indicator of the overall effectiveness of our safety programme. LTIF is calculated in accordance with guidance issued by the UK Health and Safety Executive (http://www.hse.gov.uk/statistics/). The Group's global LTIF for the period 2019 to 2021 is shown below. We are pleased that our LTIF has decreased from 2019 and believe this reduction has been driven, in part, by our strict COVID-19 protocols and regular safety meetings with EHS plant teams. The slight increase in LTIF from 2020 to 2021 is primarily driven by our initiative to have more accurate and timely safety reporting by our Asia Pacific plants. The Group's LTIF compares very favourably to industrial benchmarks.
We report safety statistics to the Board at every meeting, including all potentially life-threatening incidents and consolidated LTIF for the Group. This same information with a detailed breakdown of injury by plant and open injury reports is provided to each regional Managing Director on a monthly basis to ensure that safety remains a top priority, including accurate reporting. We are in the process of implementing new safety incident reporting software that will allow for easier reporting of incidents, injuries, near misses, and hazard observations.

GLOBAL – Lost Time Injury Frequency
(Lost time incidents ÷ hours worked) x 1m hours



Human rights

TI Fluid Systems is committed to conducting business in an ethical and professional manner at all times. The foundation for our Human Rights Policy is respect for the fundamental and essential human rights of our employees, customers, suppliers and other stakeholders. Our Human Rights Policy aligns with internationally recognised human rights standards, including the United Nations Guiding Principles on Business and Human Right and the International Labour Organization Declaration on Fundamental Principles and Rights at Work.

This Human Rights Policy is intended to serve as a supplement to our Code of Business Conduct.
Our management team works to eliminate or reduce the risk of human rights violations in all areas of our business across all global locations. We recognise the diverse racial, social and economic conditions where we operate and seek to uniformly apply our Human Rights Policy and Code of Business Conduct at all of our global locations. Consistent with our commitment to fundamental human rights, we seek to maintain the highest standards and values across all global locations while, of course, fully complying with any specific human rights regulations applicable in the jurisdictions where we operate.

Social case study: Diversity and social responsibility award

Montornès, Spain

The Group's manufacturing facility in Montornès has won the fifth edition of the Lismivo Award celebrating diversity and social responsibility. The award ceremony took place in November 2021 in Can Saurina (Montornès), Spain. The award is an initiative of the Lismivo Network, coordinated by the County Council, and distinguishes companies with a work centre in the county that are committed to the labour integration of people with functional diversity and corporate social responsibility.

The Lismivo Awards, which are presented annually, establish the percentage of recruitment of people with disabilities, with the awards broken down into the following criteria: age range, percentage of indefinite and full-time contracts, contracts for people with a diverse background with special difficulties, and the recruitment of women that have a degree of disability equal to or greater than 33%. The awards also takes the purchase of products or services from special employment centres into account, as well as collaborations with organisations that find work for people with functional diversity, and also looks at internships. On top of this, the awards consider other aspects of corporate social responsibility, such as obtaining electricity from suppliers that guarantee a low environmental impact on production, utilising low-emission vehicles, using an EMAS or ISO 14001 certified environmental management system, and generating energy independently.

Patrícia Rodríguez, who has been Human Resources Director for 9 years, collected the award. "Achieving this award, with the difficulties of the last two years, is a recognition of the work of our Department of Human Resources, and characterises the value we give to the people in the company," said Rodríguez. "We promote social inclusion and take on the challenge of reconciling business needs with social needs."

Social case study: Women's mentoring programme

The Women's Network Mentoring Programme provides opportunities for women across the organisation to accelerate their careers and navigate the Group's culture through meaningful connections with organisational leaders. The programme helps to build effectiveness in new talent quickly, providing visibility and improving promotion which ultimately leads to increased productivity and retention of female employees. The programme participants learn important aspects of our culture, processes, and tools to be effective in their roles while the mentors build network connections across the organisation and increase depth of expertise. Skip level communication is improved as well as the opportunity for cross functional interaction and understanding the motivational factors of our employees.

The programme pairs women employees with women senior executives based on surveys identifying elements such as background and experience, expertise and interests, and a visual personality survey. The pairs met at least once a month and tracked milestones within the MentorCliq software.

"The career mentoring helped me to find new goals and has significantly increased my ability to progress achieving these targets." K. Goldbeck, Programme Manager, Rastatt

The Group is committed to developing and fostering a true "Learning Organisation". This programme is one of many others we are working on that helps to deliver our goals and drive diversity and inclusivity within our culture.

Diversity and inclusion

We are committed to treating individuals with respect and to building and maintaining a positive culture that values and promotes ethical business practices, compliance, diversity and inclusion. We welcome employees with diverse perspectives who share our vision of a world marked by knowledge and compassion.

The Company does not discriminate on the grounds of gender, age, ethnicity, sexual orientation, religion or belief, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, colour, nationality, political affiliation, socio-economic or veteran status.

Our people are considered for employment, training, career development and promotion on the basis of their abilities, aptitudes and merit, regardless of age, gender, sexual orientation, religion or ethnic origin. These messages are re-enforced by our Core Values.

To ensure that our practices are consistent with our policy, we conduct an annual gender pay equity analysis on a country-by-country basis for each job code within the organisation. In the few instances where we identified a gap between average male and female salaries of 10% or more, we investigated and determined that the differences were due to non-gender issues, such as years of service, location, or the application of union or tariff pay rules.

We seek to ensure that our people benefit from effective communications and engagement, with regular all employee meetings and divisional departmental meetings. We also encourage our management teams to hold regular informal update meetings to keep our employees informed and engaged.

Inclusion is the foundation to our Diversity and Inclusion (D&I) programme. With this in mind, the Group engaged a third party advisor to help shape our D&I initiatives and conduct inclusivity assessments of our top 300 managers which were completed in 2021. Also in 2021, the Group further progressed its D&I programme by establishing regional D&I Committees in Asia, the Americas, and Europe. Regional D&I committees continue to review and implement D&I initiatives. In 2022, we plan to conduct further diversity and inclusion training and are also in the process of developing gender diversity targets.

In 2021, the Group had approximately 4,129 staff employees that received an annual salary (not compensated on an hourly basis). Our gender split in 2021 across these salaried employees was 2.31:1 (Male:Female) as shown in the table below.

Gender split table

2021 update

	M	Percent Men	F	Percent Women	Grand total
CEO	1	100%	0	0%	1
Executive Committee	7	88%	1	13%	8
Direct Reports to Executive Committee	34	76%	11	24%	45
Other Salaried	2847	70%	1237	30%	4084
Grand total	**2889**	**70%**	**1249**	**30%**	**4138**

Ratio of men to women: 2.31

Communities

We operate in 29 countries worldwide. Our people and all of our operations are encouraged to develop a local strategy to make positive contributions to their communities through participation in local community and charitable events. In 2021, our employees around the globe participated in and contributed to many community and charitable projects and programmes. Unfortunately, we were unable to participate in these types of events to the same degree as in prior years due to ongoing COVID-19 restrictions.

For 2022, we are in the process of establishing a scholarship programme in several countries to support and provide opportunities for students to pursue their STEM studies at colleges and universities in countries where TI has significant operations. In addition, we will seek to align our community engagement activities with our environmental and sustainability objectives.

Our suppliers

We are actively seeking ways to partner with our supply base to promote and extend appropriate sustainability measures.

We published updated Environmental, Health and Safety, and Human Rights policies in 2021. These three policies have been shared with the supply base through our supplier portal. Our contractual terms with suppliers address several key compliance issues by prohibiting child and forced labour, bribery, and anti-competitive practices.

In 2022 the Group will more formally engage our largest suppliers to assess their progress on sustainability.

We are actively assessing software platforms to measure our Scope 3 CO_2(e) emissions in 2022.

In addition, we are also exploring putting in place systems that will provide the ability to assess multiple sustainability criteria across our supply base, including energy consumption and greenhouse gas emissions, water consumption, product end-of-life, employee health and safety, child labour, forced labour, human trafficking, diversity, corruption, anti-competitive practices, environmental practices and social practices.

Governance

Read more about our governance structure and processes in our Governance report on pages 70-119

Chief Financial Officer's statement

"In the face of global challenges, we continue to deliver value through proactive financial management."

Ron Hundzinski
Chief Financial Officer

We are pleased to report another year of successful business performance through further headwinds in the global light vehicle production volume environment which saw the industry impacted by logistics and supply chain disruptions including microchip supply shortages. In 2021, we continued to deliver revenue growth outperforming the growth in global light vehicle production, progressed our margin recovery efforts and maintained cash generation despite working capital challenges. We have seen the benefits of our action and restructuring plans to protect the business and ensure the Group is positioned for an even stronger and more competitive future. Our balance sheet remains strong, and our liquidity position is very healthy with the in-year refinancing actions delivering a more balanced maturity profile to our external borrowing.

Global light vehicle production remains the principal driver of the Group's performance. In 2021, global light vehicle production increased to 77.1 million vehicles or by 3.4% compared to the prior year, with all the increase in the first half of the year. The accelerated post-COVID-19 recovery seen in the first half of 2021 year was partially offset by the impact of significant second half customer production volume volatility as adjustments were made in response to microchip shortages and other supply chain disruptions.

Despite these challenges, revenue increased by €157.0 million, or 5.6% year over year on a constant currency basis, to €2,956.6 million, outperforming global light vehicle production by 220 bps in the year. If we include the negative currency impact of €14.9 million, reported revenue increased by €142.1 million, or 4.9% year over year.

We generated Adjusted EBIT of €212.6 million with a margin of 7.2%, an increase of 100 bps from the prior year. The increase in margin is directly related to the conversion of higher sales, as well as lower fixed costs in the period as we continue to focus on cost management to address short term market conditions. On an 'as reported' basis, we achieved an operating profit of €126.8 million, up €303.1 million from the prior year operating loss of €176.3 million which included an exceptional impairment charge of €304.6 million. This is discussed in more detail in the Operating Profit, Adjusted EBITDA and Adjusted EBIT section of this report.

Adjusted Net Income rose by €44.6 million to €58.3 million, compared to €13.7 million in the prior year. The reported profit for the year was €16.0 million compared to €252.2 million loss in 2020. Basic EPS was 2.76 Euro cents (2020: (48.88) Euro cents) and Adjusted Basic EPS was 11.23 Euro cents, an increase from 2.64 Euro cents in 2020.

Despite the adverse impact on working capital management from the volatile production environment the Group delivered a respectable Adjusted Free Cash Flow of €117.3 million (2020: €148.2 million). With financing net cash outflows amounting to €122.5 million (2020: €51.6 million) including €45.0 million (2020: €nil) in respect of dividend payments and a favourable currency impact of €24.3 million (2020: €36.5 million unfavourable), year end net debt was €600.3 million (2020: €590.0 million), inclusive of cash balances of €499.1 million (2020: €485.8 million).

Table 1: Key performance measures €m

	Management basis*			As reported		
	2021	2020	Change	**2021**	2020	Change
Revenue	**2,956.6**	2,814.5	142.1	**2,956.6**	2,814.5	142.1
% Change at constant / actual currency			5.6%			4.9%
Adjusted EBITDA	**352.9**	330.9	22.0			
Margin	**11.9%**	11.8%	0.1%			
Adjusted EBIT / Operating Profit or (Loss)	**212.6**	173.3	39.3	**126.8**	(176.3)	303.1
Margin	**7.2%**	6.2%	1.0%	**4.3%**	(6.3%)	10.6%
Adjusted Net Income / Profit or (Loss) for the year	**58.3**	13.7	44.6	**16.0**	(252.2)	268.2
Earnings per share (€ cents)	**11.23**	2.64	8.59	**2.76**	(48.88)	51.64
Adjusted Free Cash Flow **	**117.3**	148.2	(30.9)			
Dividend (€ cents)	**3.39**	6.74	(3.35)	**3.39**	6.74	(3.35)

*Management basis metrics are non – IFRS measures as defined on page 56
**No equivalent GAAP measure – see table 8a for reconciliation to statutory cash flow items

Automotive markets

Global light vehicle production volumes increased by 3.4% in 2021 to 77.1 million vehicles as shown in table 2 – with the strong recovery in the first half of the year hampered by supply chain disruptions in the second half of the year.

Table 2: Global light vehicle production volumes: millions of units

	2021	% Change
Europe, including Middle East and Africa	**17.9**	-2.3%
Asia Pacific	**43.6**	6.4%
North America	**13.0**	0.2%
Latin America	**2.6**	16.1%
Total global volumes	**77.1**	3.4%

Source: IHS Markit, February 2022 and Company estimates
Change percentages calculated using unrounded data

Revenue

Our revenue in each of the regions and by segment is included in table 3.

Table 3: Revenue by region and by segment €m

	2021	2020	Change	% Change	% Change at constant currency
Total Group Revenue	**2,956.6**	2,814.5	142.1	4.9%	5.6%
By Region					
Europe and Africa	**1,138.4**	1,077.5	60.9	5.7%	5.6%
Asia Pacific	**1,058.1**	982.5	75.6	7.7%	6.2%
North America	**713.6**	714.7	(1.1)	(0.2)%	3.5%
Latin America	**46.5**	39.8	6.7	16.8%	29.3%
By segment					
Fluid Carrying Systems ('FCS')	**1,603.5**	1,526.9	76.6	5.0%	6.0%
Fuel Tank and Delivery Systems ('FTDS')	**1,353.1**	1,287.6	65.5	5.1%	5.3%

Group revenue in 2021 was €2,956.6 million, an increase of 5.6% year over year at constant currency. In comparison, global light vehicle production volume increased by 3.4% in the year, resulting in a 220 bps outperformance primarily driven by our materialising electrification strategy.

In Europe and Africa, revenue at constant currency increased by 5.6% year over year compared to a light vehicle production volume change of -2.3%, giving an outperformance of 790 bps. This outperformance was driven by the successful launch of new HEV/BEV programmes for both FTDS and FCS, as well as full trading in 2021 compared to 2020 when the region experienced wide-ranging factory shutdowns.

In Asia Pacific, revenue at constant currency increased by 6.2% year over year compared to light vehicle production volume increase of 6.4%, for a slight underperformance of 20 bps. This underperformance was driven by the timing of programme ramp downs in FTDS and customer production volatilities which offset the benefit of new programme launches in FCS.

In North America, revenue at constant currency increased by 3.5% year over year compared to light vehicle production volume increase of 0.2%, reflecting an outperformance of 330 bps. Outperformance in this region was mainly driven by strong growth in FTDS due to new business launches and ramp ups, partially offset by the ramp down of powertrain programmes. FTDS outperformed the market in that region by 910 bps.

FCS revenue increased by €91.0 million, or 6.0% at constant currency from the prior year to €1,603.5 million, giving an outperformance of 260 bps when compared to global light vehicle production volume growth. The strong FCS revenue increase is driven by successful launches of thermal programmes in Europe and Asia Pacific.

FTDS revenue at constant currency increased by 5.3% to €1,353.1 million, outperforming global light vehicle production growth by 190 bps, primarily driven by new business launches in Europe and North America. Asia Pacific outperformance slowed down due to the timing of programme ramp downs and disruptions resulting from microchip shortages.

Revenue increased by 4.9% to €2,956.6 million at reported rates due to a net adverse currency exchange rate impact of €14.9 million compared with the prior year. This was mostly due to weakening of the US dollar and Korean Won against the Euro, partially offset by the strengthening of other key currencies in countries where the Group has manufacturing operations. Table 4 sets out the movement in exchange rates most relevant to our operations.

Table 4: Exchange rates

Key Euro exchange rates	2021 Average	2020 Average	% Change	31 December 2021 Year End	31 December 2020 Year End	% Change
US dollar	**1.182**	1.141	3.6%	**1.137**	1.224	(7.1)%
Chinese renminbi	**7.628**	7.869	(3.1)%	**7.228**	7.988	(9.5)%
South Korean won	**1,354**	1,344	0.7%	**1,352**	1,331	1.6%

Operating profit, Adjusted EBITDA* and Adjusted EBIT*

We use several financial measures to manage our business, including Adjusted EBITDA and Adjusted EBIT, which are non-IFRS measures, but are measures of profitability that have been used consistently by the Group and give insight into the operating performance of the business. The metrics are also used in certain of our compensation plans and to communicate to our investors. Table 5 shows a reconciliation between the reported measure, operating profit, Adjusted EBITDA and Adjusted EBIT.

Table 5: Calculation of Adjusted EBITDA* and Adjusted EBIT* €m

	2021	2020
Operating profit / (loss)	**126.8**	(176.3)
Depreciation and impairment of PP&E	**92.0**	104.6
Depreciation and impairment of right-of-use assets	**29.8**	31.9
Amortisation and impairment of intangible assets	**70.2**	76.7
Share of loss of associate	**(0.9)**	(3.5)
Exceptional impairment	–	304.6
EBITDA	**317.9**	338.0
Net foreign exchange losses / (gains)	**6.9**	(27.2)
Dividend received from associate	–	0.5
Net restructuring costs	**26.8**	16.1
Share of loss of associate	**0.9**	3.5
Other reconciling adjustments	**0.4**	–
Adjusted EBITDA	**352.9**	330.9
Less:		
Depreciation and impairment of PP&E	**(92.0)**	(104.6)
Depreciation and impairment of right-of-use assets	**(29.8)**	(31.9)
Amortisation and impairment of intangible assets	**(70.2)**	(76.7)
Add back:		
Depreciation uplift arising on purchase accounting	**10.6**	12.9
Amortisation uplift arising on purchase accounting	**41.1**	42.7
Adjusted EBIT	**212.6**	173.3

*See Non-IFRS measures on page 56

The operating profit of €126.8 million (2020: €176.3 million loss) represents a significant increase on the prior year principally as there was no repeat of the 2020 exceptional impairment charge of €304.6 million which was recognised following a full impairment review triggered by the significant change in projected volumes and forecast cash flows projected at that time. Our 2021 full impairment review (see Note 18) indicated no further impairment charges were necessary. Operating profit before exceptional items was €126.8 million, €1.5 million lower than last year (2020: €128.3 million) where the operating gains from higher revenues, were more than offset by the impact of the net foreign exchange gains/losses which moved from a gain of €27.2 million in the prior year, to a loss of €6.9 million in 2021.

The restructuring programme started in 2020 continued to be implemented in 2021, and in this regard we incurred further restructuring charges of €26.8 million related to permanent headcount reductions across all our businesses and the planned closure and downsizing of manufacturing plants in Europe, North America and Latin America. At the end of 2021 there was a restructuring provision of €15.8 million (2020: €11.0 million).

In December 2021 the Group sold its 20% associate stake in SeAH for €15.5 million. The impact of the disposal, which is not a trading item, was a pre-tax loss of €0.2 million. The disposal incurred a tax charge of €3.1 million.

Adjusted EBITDA was €352.9 million (2020: €330.9 million) and Adjusted EBITDA margin was 11.9% (2020: 11.8%) with the increase mainly attributable to the increase of operating profit due to the conversion on higher revenue. Our operating costs have been impacted by challenges in the supply chain relating to pricing pressure, inflation of input costs for metals and resin, and the adverse impact of non-flexed labour costs due to production level volatility. These cost increases have been offset by the benefits of the restructuring programme. In 2021 we have managed to weather this storm and deliver margin growth compared to the prior year.

Adjusted EBIT was €212.6 million (2020: €173.3 million) and Adjusted EBIT margin was 7.2% (2020: 6.2%), mainly reflecting the benefit of lower depreciation and amortisation charges in the year as a result of the large impairment recognised in the prior year. During the year there were programme specific impairment charges of €2.0 million (2020: €9.2 million).

By segment, FCS Adjusted EBIT grew by €20.7 million to €117.9 million (2020: €97.2 million) with Adjusted EBIT margin of 7.4% (2020: 6.4%). The year over year margin growth reflects the strong rebound from COVID-19 impacts, particularly in Europe and Asia Pacific.

FTDS Adjusted EBIT increased by €18.6 million to €94.7 million (2020: €76.1 million) with Adjusted EBIT margin of 7.0% (2020: 5.9%). The increase in margin reflects the conversion of higher revenues in 2021.

As a direct consequence of unwinding the Group's hedging programme in March 2020 to release 'in the money' contractual positions to cash, the Group has borne the translation impact on unhedged non-Euro currency inter-company loan positions. This is the primary constituent of the €6.9 million foreign exchange loss arising in the year, which was primarily incurred in the first half of the year. The refinancing completed in April 2021 sought to rebalance the currency split of the external borrowings to reduce the unhedged exposures.

Net finance expense

Net finance expense, before exceptional items for the year was €60.0 million, a decrease of €14.0 million from the prior year. The decrease was mainly due to fair value net losses on financial instruments and derivatives that were incurred in 2020, and reduced interest expense due to lower interest rates from our refinancing carried out in April 2021. As a result of the refinancing, an exceptional expense of €11.8 million associated with a non-cash capitalised fee write-off has been incurred. The expected annualised saving of the reduced interest expense as a result of the refinancing in April 2021 is expected to be approximately €9.0 million.

Taxation

The Group income tax charge, before exceptional items, is €40.9 million, up €12.8 million over 2020. This higher income tax charge results in an increase in the Effective Tax Rate to 62.0% (2020: 55.3%) on Group Profit Before Tax of €65.9 million. Adjusting for the one-off effect of the 2021 €3.1 million tax charge related to the disposal of the associate investment and the impact of accounting for associates on an after tax basis, the 2021 Effective Tax Rate is 56.4% (2020: 51.7%). The unusually high effective tax rate is reflective of the mix effect of the increase in the level of profits generating a tax charge and an increase in the level of losses where no deferred tax asset is recognised. The effective tax rate for those entities which are ordinarily subject to tax or where deferred tax assets are recognised is broadly consistent year on year, 26.3% (2020: 22.4%). The level of losses not subject to a tax charge was €46.9 million (2020: 38.6 million). More detail is available in Note 12.

The 2021 Adjusted Effective Tax Rate is 36.7% (2020: 42.6%). The Adjusted Effective Tax Rate, as shown in table 6, adjusts for the impact of the UK accounting loss of €42.5 million (2020 €26.4 million) on which no tax benefit is recognised and the prior year tax benefit movements of €2.4 million (2020: €6.3 million). The decreased Adjusted Effective Tax Rate of 36.7% reflects the adjusted income tax charge of €40.2 million on adjusted Group Profit Before Tax of €109.5 million.

The 2020 exceptional impairment charge of €304.6 million has an associated deferred tax credit of €29.7 million, an effective tax rate of 9.8%. The lower effective tax rate is due to the fact that the majority of the impairment is related to goodwill that does not carry a deferred tax balance and therefore this portion of the impairment is not tax effected.

For 2021, the Group is reporting an exceptional US refinancing charge of €11.8 million with a corporate tax benefit of €1.8 million and a deferred tax benefit of €1.0 million which results in an exceptional effective tax rate of 23.7% (the US 2021 effective tax rate).

Table 6: Calculation of Effective and Adjusted Effective Tax rates for 2021 and 2020* €m

	2021			2020		
	Profit before tax	**Tax charge**	**Tax rate**	Profit before tax	Tax charge	Tax rate
As reported	**65.9**	**(40.9)**	**62.0%**	50.8	(28.1)	55.3%
Add back:						
Disposal of associate investment impact	**0.2**	**3.1**		–	–	
Share of associate loss	**0.9**	**–**		3.5	–	
	67.0	**(37.8)**	**56.4%**	54.3	(28.1)	51.7%
UK accounting loss**	**42.5**	**–**		26.4	–	
Prior year deferred tax benefit / charge		**0.3**			(0.7)	
Prior year corporate tax benefit		**(2.7)**			(5.6)	
Adjusted	**109.5**	**(40.2)**	**36.7%**	80.7	(34.4)	42.6%

*See Non-IFRS measures on page 56
**UK accounting loss is not tax effected due to the UK historical tax loss position

Adjusted Net Income* and profit for the year

Adjusted Net Income is a component of the Adjusted Basic EPS calculation and is also used to guide our dividend policy calculation. The calculation of Adjusted Net Income is shown in table 7a.

Table 7a: Adjusted Net Income* €m

	2021	2020
Adjusted EBITDA (see table 5)	**352.9**	330.9
Less:		
Net finance expense before exceptional items	**(60.0)**	(74.0)
Income tax expense before exceptional items	**(40.9)**	(28.1)
Depreciation and impairment of PP&E	**(92.0)**	(104.6)
Depreciation and impairment of right-of-use assets	**(29.8)**	(31.9)
Amortisation and impairment of intangible assets	**(70.2)**	(76.7)
Non-controlling interests' share of profit	**(1.7)**	(1.9)
Adjusted Net Income	**58.3**	13.7

Table 7b: Reconciliation of profit for the year to Adjusted Net Income* €m

	2021	2020
Profit /(loss) for the year	**16.0**	(252.2)
Less:		
Non-controlling interests' share of profit	**(1.7)**	(1.9)
Net foreign exchange losses/ (gains)	**6.9**	(27.2)
Exceptional deferred tax credit	**(2.8)**	(29.7)
Add back:		
Exceptional finance expenses	**11.8**	–
Exceptional asset impairment cost	**–**	304.6
Net restructuring costs	**26.8**	16.1
Associate loss less dividend received	**0.9**	4.0
Other reconciling items	**0.4**	—
Adjusted Net Income	**58.3**	13.7

*See Non-IFRS measures on page 56

Adjusted Net Income was €58.3 million in 2021, a significant increase from €13.7 million in 2020, primarily driven by the flow through of higher revenues in the year.

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was 2.76 Euro cents for the year (2020: (48.88) Euro cents), reflecting the significantly improved profit for the year. Adjusted Basic EPS was 11.23 Euro cents per share for the year (2020: 2.64 Euro cents per share) reflecting the increase in Adjusted Net Income as noted above.

*See Non-IFRS measures on page 56

Dividend

The Company's dividend policy is to target an annual dividend of approximately 30% of Adjusted Net Income, one third payable following half year results and two thirds following the Group's final results.

The Board has decided to recommend a final dividend of 1.46 Euro cents per share amounting to €7.5 million. This final dividend together with the 2021 interim dividend of 1.93 Euro cents per share paid in September 2021, makes a total dividend for 2021 of 3.39 Euro cents per share totalling €17.5 million. The total dividend is 30% of Adjusted net income. Subject to shareholder approval at the Annual General Meeting on 18 May 2022, the final dividend will be paid on 23 June 2022 to those on the register on 27 May 2022, the Dividend Record Date and will be converted to Sterling at a fixed rate on the same date.

The Board paid a dividend of 6.74 Euro cents per share, amounting to €35.0 million on 19 February 2021. This dividend payment was not considered in determining the proposed final dividend.

The Group continues to remain confident in its business model, cost flexibility, strong cash generation, experienced management team, and successful transition to electrification.

Cash flow performance

The Group uses Adjusted Free Cash Flow as its primary operating measure of cash flow performance.

Table 8a: Adjusted Free Cash Flow* €m

	2021	2020
Net cash generated from operating activities	**215.1**	257.6
Net cash used by investing activities	**(103.6)**	(95.4)
Free Cash Flow*	**111.5**	162.2
Deduct:		
Cash received on settlement of derivatives	**–**	(16.6)
Proceeds from the sale of associate	**(15.5)**	–
Restructuring proceeds on sale of facilities	**–**	(10.4)
Add back: Net restructuring cash spend	**21.3**	13.0
Adjusted Free Cash Flow	**117.3**	148.2

Table 8b: Reconciliation of Adjusted EBITDA to Adjusted Free Cash Flow* €m

	2021	2020
Adjusted EBITDA	**352.9**	330.9
Less:		
Net cash interest paid	**(47.5)**	(54.1)
Cash taxes paid	**(54.1)**	(59.7)
Payment for property, plant and equipment	**(88.2)**	(82.1)
Payment for intangible assets	**(35.4)**	(30.1)
Movement in working capital	**(9.3)**	63.0
Movement in retirement benefit obligations	**(4.6)**	(9.1)
Movement in provisions and other	**(2.3)**	3.4
Free Cash Flow*	**111.5**	162.2
Deduct:		
Cash received on settlement of derivatives	**–**	(16.6)
Proceeds from the sale of associate	**(15.5)**	–
Restructuring proceeds on sale of facilities	**–**	(10.4)
Add back: Net restructuring cash spend	**21.3**	13.0
Adjusted Free Cash Flow	**117.3**	148.2

*See Non-IFRS measures on page 56

In 2021, we generated Adjusted Free Cash Flow of €117.3 million (2020: €148.2 million). The Adjusted EBITDA generated by the Group was used to fund investment in capital equipment and intangibles. There was a €11.4 million increase in property, plant and equipment and intangibles expenditure showing a return to pre-COVID-19 capital expenditure levels. Tax cash payments were €5.6 million higher primarily due to higher taxable profits. The outflow from working capital of €9.3 million was driven by the increase in working capital balances due to the recovery of activity levels compared to last year and higher inventory levels attributable to production level volatility. The net cash outflow on restructuring was €21.3 million, predominantly severance payments (2020: €13.0 million). In 2020 €16.6 million was received from foreign exchange hedges which were closed out in March 2020, and €10.4 million was received from the sale of facilities as part of our restructuring action.

Free cash flows of €111.5 million (2020: €162.2 million) were offset by cash outflows from financing of €122.5 million (2020: €51.6 million), resulting in a reported decrease in cash and cash equivalents of €11.0 million (2020: increase of €110.6 million). Financing outflows include the net impact of the 2021 refinancing and other borrowing repayments of €22.1 million (2020: €19.0 million), and €31.6 million (2020: €28.6 million) lease principal repayments. In December 2021 the Associate holding in SeAH FS Co. Ltd was sold for €15.5 million; the proceeds of this transaction are excluded from the calculation of Adjusted Free Cash Flow. Further details of the sale are included in note 19.

The 2021 total dividend cash outflow amounted to €45.0 million (2020: €nil).

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes, which represent 52% of our net unfunded position at 31 December 2021 (2020: 54%). We also have funded schemes in the UK and Canada 1% (2020: 2%) and Germany 20% (2020: 18%). While all our major plans are closed to new entrants, a few allow for future accrual. Our schemes are subject to periodic actuarial valuations. Our net unfunded position decreased by €32.6 million from December 2020 to €128.1 million at 31 December 2021 due primarily to discount rates differential year-on-year and overall pension investment performance.

Net debt* and net leverage*

Net debt, a non-IFRS measure, as at 31 December 2021 was €600.3 million, a slight increase of €10.3 million from the prior year end with amortising payments, additional fees capitalised in association with the refinancing transaction, offset by adverse foreign exchange movements of €28.7 million. On 16 April 2021, the Group successfully completed the issue of a €600.0 million unsecured bond. The proceeds were used to pay down the existing term loans; in addition the term loan interest rates were lowered, and the maturity dates extended from December 2024 to December 2026. These facilities also include an additional $225.0 million revolving credit facility with an undrawn amount of $223.1 million (€196.2 million) at 31 December 2021. Full details of these changes are given in Note 27. These changes resulted in incremental costs of €9.1 million which were capitalised, as well as reduced interest costs, the annual impact of which is estimated at €9.0 million. Issuance fees and discounts of €24.6 million on the loans are carried forward for future amortisation.

The Group's net leverage ratio, also a non-IFRS measure, was 1.7 times Adjusted EBITDA as at 31 December 2021 (31 December 2020: 1.8 times); the decrease reflects the higher Adjusted EBITDA.

The Group excludes IFRS 16 lease liabilities from its net debt and net leverage ratio. If the IFRS 16 lease liabilities were to be included, the Group's net debt would be €750.2 million (31 December 2020: € 741.0 million) and net leverage ratio would be 2.1 times Adjusted EBITDA (31 December 2020: 2.2 times).

Liquidity

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, that currently consist of a revolving facility under our cash flow credit agreement of $225.0 million (€197.9 million). The refinancing completed in April 2021 maintains existing levels of liquidity, lowered our cost of debt and extended debt maturities to December 2026. Total available liquidity (cash plus available facilities) on 31 December 2021 was €695.3 million (31 December 2020: €666.5 million).

*See Non-IFRS measures on page 56

Outlook

While annual global light vehicle production volumes are forecast to return to pre-COVID levels by the end of 2023, we expect industry production volumes to remain uncertain and volatile in the near term given the geopolitical conflicts and macro-economic environment. Assuming no material and prolonged impact to the market and our business, we continue to expect our 2022 revenue to outperform global light vehicle production volume while delivering resilient margins and Cash Flow.

Non-IFRS measures

In addition to the results reported under IFRS, we use certain non-IFRS financial measures to monitor and measure performance of our business and operations and the profitability of our Divisions. Such measures are also utilised by the Board as targets in determining compensation of certain executives and key members of management, as well as in our communications with investors. In particular, we use Adjusted EBIT, Adjusted EBITDA, Adjusted Net Income, Adjusted Basic EPS, Adjusted Free Cash Flow and Adjusted Effective Tax Rate. These non-IFRS measures are not recognised measurements of financial performance or liquidity under IFRS, and should be viewed as supplemental and not replacements or substitutes for any IFRS measures.

EBITDA is defined as profit or loss before tax, net finance expense, depreciation, amortisation and impairment of tangible and intangible assets, and associate share of profits or losses.

Adjusted EBITDA is defined as EBITDA adjusted for exceptional operating costs, net foreign exchange gains/(losses), net restructuring charges, associate share of profits or losses, associate dividends received and the impact of any business acquisitions or disposals.

Adjusted EBIT is defined as Adjusted EBITDA less depreciation, amortisation and non-exceptional impairment on tangible and intangible assets net of depreciation and amortisation on purchase price accounting.

Constant currency refers to the statement of prior year results at current exchange rates to eliminate fluctuations in translation rates and achieve a like-for-like comparison.

Revenue outperformance is defined as the growth in revenue at constant currency compared to the growth in global light vehicle production volumes.

Operating profit margin is defined as operating profit expressed as a percentage of revenue.

Adjusted Net Income is defined as Profit or Loss for the year attributable to the ordinary shareholders before exceptional items adjusted to reflect associate dividends received and eliminate the impact of net restructuring charges, foreign exchange gains or losses and the impact of any business acquisitions or disposals.

Adjusted Basic EPS is defined as Adjusted Net Income divided by the weighted average number of shares in issue in the year.

Free Cash Flow is defined as the total of net cash generated from operating activities and net cash used by investing activities.

Adjusted Free Cash Flow is defined as Free Cash Flow adjusted for cash movements in financial assets at fair value through the profit or loss, cash payments related to IPO costs, net cash flows relating to restructuring, settlement of derivatives and the impact of any business acquisitions or disposals. The restructuring cash adjustment is made to align the treatment of restructuring with the other adjusted measures.

Adjusted Income Tax before Exceptional items is defined as income tax before exceptional items adjusted for the tax impact of prior year tax provisions and adjustments, and tax arising on the impact of any business acquisitions or disposals.

Adjusted Profit before Income Tax is defined as profit before income tax adjusted for UK losses, share of associate loss, and the impact of any business acquisitions or disposals.

Adjusted Effective Tax Rate is defined as adjusted income tax before exceptional items as a percentage of adjusted profit before income tax.

Net debt is defined as the total of current and non-current borrowings excluding lease liabilities, net of cash and cash equivalents and financial assets at fair value through the profit and loss.

Net leverage is defined as net debt divided by last 12 months' Adjusted EBITDA.

Ronald Hundzinski
Chief Financial Officer
14 March 2022

Strategic developments and market volatilities dominate our risk landscape

The Board is responsible for the Group’s system of risk management and internal controls. The Audit & Risk Committee supports the Board by advising on the Group’s overall risk appetite, tolerance and strategy, current risk exposures and future risk strategy.

A review of the Group’s risk management framework used to assess and manage business-critical risks was presented to the Audit & Risk Committee in March 2022. Our 2022 risk assessment focussed on a management review process involving senior executive management from both divisional and corporate functions. The Board and the Audit & Risk Committee were satisfied that a balanced and robust assessment of the Group’s principal risks had been undertaken.

The Group’s global operations remain exposed to a number of risks which could, either on their own, or in combination with others, have an adverse impact on the Group’s results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns. The following section highlights the major risks that may affect the Group’s ability to deliver the strategy, as set out on pages 26-27.

The management and mitigation activities described below will help to reduce the impact or likelihood of the major risk occurring, although the Board recognises it will not be possible to eliminate these risks entirely. The Board also recognises there could be risks that may be unknown or that may be judged to be insignificant at present, but may later prove to be significant.

The impact of the COVID-19 pandemic over the last two years has dramatically demonstrated that the world is more volatile than ever before, and this volatility continues to provide many operating performance challenges for us and the automotive industry generally. Disruption to our customers’ production activity levels, the efficiency and operations of the automotive market supply chain and the availability of resources, both human and material, remain significant challenges. Nonetheless, we believe that the continuing impact of COVID-19 into 2022 will not introduce new risks beyond those risks that we have already identified.

In addition to those existing challenges the Group is now faced with a period of significant inflationary pricing pressure across all aspects of our operations. Furthermore, as described in our TCFD commentary on pages 64-68, climate change, while not currently expected to create fundamentally new risks to our business, is certainly driving the pace and potential severity of many of the principal risks that are already being managed. Specifically, climate change is increasing our technology and product development risk as the rate of vehicle electrification accelerates across the industry and broadening our business continuity risk as we seek to transition to lower carbon, more efficient manufacturing operations and address physical risks to our facilities. As we respond by actioning our Take the Turn (T^3) strategy, our technological agility to develop and adapt our product offerings to meet the EV requirements of our customers will come under heightened pressure. Vehicle electrification also has a significant human capital aspect to it – the need to reskill and recruit engineering resource better and more able to support necessary product development. Continual regulatory change is now a business constant that arises across all aspects of the environmental, social and governance spectrum.

The importance of certain constituent elements of our risk profile, e.g. raw material sourcing and pricing, product offering, financial resilience, and operational leverage, continue to take on heightened relevance. However, we currently believe that none have heightened into strategic long-term risks.

Developing risks

The Board recognises that an essential part of risk management is the ability to monitor and respond to new and emerging risks.

As the Board has continued to review and refine the Group's approach to vehicle electrification, operational sustainability and talent development – all of which are embodied in the Take the Turn (T^3) strategy – it has been conscious of any new strategic risks that may need to be factored into its consideration, including, but not limited to, the technological obsolescence risk associated with the Group's ICE product lines (i.e., fuel tanks, fuel pumps, and fuel lines), the need for rapid product portfolio changes along with securing new product capabilities and the challenges of securing the right talent and skills mix across the organisation. If the Group chooses to address the need to enhance the Group's product capabilities other than organically then this may necessitate additional resources and expertise and would naturally come with management and value delivery risk.

The Board remains acutely aware of the changing market dynamics that will continue to arise from climate change and the growing demand for BEVs. The Board feels that the T3 strategy will position the Group well to respond positively to these market changes. However, it is recognised that increased frequency of future climate-related risk events (severe storms, floods, rising sea levels) and the transition to a low carbon economy may also adversely impact asset values and financial performance over time and as such will continue to be monitored and mitigated where practical to do so.

Currently widening geopolitical fractures may result in global business disruptions. Competition and political tension between the United States and China is increasing whilst there are political tensions within Europe. Russia’s recent tragic military invasion of Ukraine further demonstrates the fragility of international relations and the consequential adverse impact on the automotive supply chain and world financial markets. Therefore, potential exists for these geopolitical tensions to lead to significant disruptions in how the automotive sector operates and does business and hence create risk for the Group.

On reflection, the Board continues to believe that the current year risk assessment has been sufficiently robust and confirms that are no new distinct risks that are material to the Group at the date of this report.

The Board expects executive management to enhance its current enterprise risk assessment processes from 2022 onwards to be supportive to the strategic change agenda and continuing volatile operational risk landscape.

Principal risks

Global light vehicle production volumes

Description
The Group has 104 manufacturing locations in 29 countries on five continents and a substantial amount of its revenue is closely linked to the economic cycle, the general macroeconomic environment and the trends in product offerings from the vehicle manufacturers.

Impact
Historically, there has been close correlation between economic growth and global light vehicle production volumes. The cost structure of the business, operating across manufacturing facilities in 104 locations, means that a large reduction in revenue will have an impact on profitability. The transition from ICEs as the predominant vehicle powertrain towards HEVs and BEVs will continue to necessitate changes in our product portfolio offering.

Controls and mitigation
- The Group's presence in 29 countries supplying a wide range of customers acts as a hedge to neutralise localised economic volatility
- The Group has an extensive manufacturing presence in emerging and other low cost markets which currently have relatively low rates of light vehicle penetration per head of population and are believed to have strong growth potential
- Although the Group's products are primarily for light vehicles, it operates across both a broad geographic footprint and a diversified range of vehicle platforms, brands and models
- A proportion of the Group's workforce in a number of local markets are employed on temporary contracts, which provides some flexibility in the cost base
- The Group monitors closely and responds to any changes in customer demand on a local or Group-wide basis. Active development of new and enhanced products to response to the transition to full electrification remains a major focus. More detail is given in the Product Development and changes in technology section below

Product quality

Description
The Group's business is based on the repeatable supply and delivery of components and parts to an agreed specification and time.

Impact
Failure to meet customer requirements or specifications can have financial consequences, such as the loss of a customer, warranty claims and product liability, and cause long-term damage to the Group's reputation.

Controls and mitigation
- The Group operates rigorous quality control systems designed to ensure a high-quality standard for all products, including testing and validation during the design and production phases
- The Group collaborates with key customers to evaluate and improve quality control standards and to confirm the compliance of its manufacturing processes with customers' quality standards
- Quality systems and processes operated at local manufacturing level are subject to oversight by divisional quality teams
- Where necessary, the Group's manufacturing facilities maintain relevant industry accreditations, such as TS 16949
- The Group monitors the field performance of its products in order to seek to continuously improve product quality

Competition and customer pricing pressure

Description
This risk encompasses a number of identified global trends in the markets in which the Group operates. The Group operates in a dynamic competitive environment and faces competition from other manufacturers and suppliers of automotive components in each of the market segments in which it operates. The Group may be subject to pressure from customers to reduce costs on current contracts.

Impact
The Group's customers face constant pressure to lower their selling and production costs to be competitive against their peers and may require reductions in the selling price of the Group's systems and components over the term of a vehicle platform or model. Commercial activity by competitors, or changes in their products or technologies, could impact upon the Group's market share and profitability. The environment for bidding and securing new contract awards from OEM customers is competitive with the increasing need to balance the economics of recovering current inflationary impacts with securing increased penetration on new BEV business.

Controls and mitigation
- The Group seeks to offset pricing pressure by achieving improved operating efficiencies and cost reductions
- A growing trend by customers to standardise and globalise vehicle platforms has the potential to minimise the Group's exposure to the cancellation of any single vehicle platform or model
- The Group has a strong reputation and industry-leading technology which supports its status as a key supplier to its customers
- The Group engages in extensive and regular dialogue and has strong commercial and engineering relationships with key customers
- The Group uses market intelligence and competitor analysis to support its market activities and inform investment decisions
- Across the Group there is an emphasis on research and development and improving the technical content of products
- The Group also leverages a robust screening process to evaluate new business proposals
- The Group is considered to be a top supplier or strategic supplier by many of its OEM customers

Business continuity

Description
The Group's business is based upon reliable, high-volume manufacturing across all its locations in order to supply products to customers, often on a just-in-time basis. Business continuity encompasses a number of areas of risk to the Group, including fire, flood and other casualties, equipment breakdown, key supplier failure, exposure to price fluctuations of key raw materials, maintaining stable labour relations, and ensuring the reliability of the Group's business management systems and IT infrastructure. In addition, the Group is exposed to risks from accidents and incidents arising from health and safety failures.

Impact
A loss of production capability at a facility could lead to an inability to supply customers, reduce volumes and/or increase claims made against the business. In periods of high demand or in the event of supplier difficulties, availability of raw materials may be constrained which could interrupt production or result in price increases, all of which could have an impact on the profitability of the Group's operations. In certain circumstances the loss of a supplier, or supplier quality failing, could lead to an inability to obtain materials and sub-components necessary to supply products in a timely or efficient manner. As our product portfolio pivots in response to the electrification trend the capability and capacity of our current supply base to respond may heighten risk.

The loss of systems capability at a Group facility, as a result of IT failure or cyber-attack, could impact the Group's ability to operate one or more plants and supply its customers. Injuries arising from health and safety incidents could result in lost time, reduce employee morale and possible changes in working practices. Serious incidents can also have a detrimental impact on the Group's reputation.

Controls and mitigation
- The Group continues to expand its business continuity planning ('BCP') to enhance the localised continuity planning strategy operated at each facility
- The Group's global network of facilities provides a degree of backup capacity
- The Group maintains a scheduled programme of maintenance and inspection of all equipment
- The wide geographic spread of operations, purchasing and supply chain functions allows the Group to use a range of techniques to address potential supply disruption, such as long-term purchase contracts, dual sourcing and ongoing research and development into alternative materials and solutions
- In certain markets the Group uses preferred suppliers for key components and materials
- The Group maintains casualty, property and business interruption insurance
- The Group participates in a number of works councils and other represented employee forums and seeks to establish and maintain good relationships with its employees and unions
- The Group continues to assess and strengthen its cyber security programme. The Group has continued to expand its systems penetration testing and data security audits
- The Group's decentralised IT systems worldwide provide some resilience against the loss of production or systems capability to the Group as a whole
- IT has a disruption recovery plan for the organisation
- The Group has an embedded health and safety culture and operates a global health and safety policy, with local health and safety operations in place in each manufacturing facility
- In 2020 our health and safety protocols were enhanced in response to COVID-19 such as to facilitate safe return to our operating facilities when permitted. Our IT infrastructure has been able to support the seamless operation of our worldwide office and administrative functions when remote working has been in place
- Health and safety performance is monitored regularly by each division and by the Group

Product development and changes in technology

Description
The automotive industry is subject to changes in technology and the Group's products are subject to changes in regulatory requirements to reduce emissions and increase fuel economy. Operating across numerous markets and territories requires compliance with a wide variety of regulations. Changes in consumer demand, e.g. the popularity of a particular vehicle type, model, platform or technology such as HEVs and BEVs, may also impact on demand for the Group's products. In addition, the Group's products have performance-critical applications and have high levels of technical content and know-how.

Impact
Failure to keep up with changes in technology in the light vehicle automotive industry or in competitive technologies may render certain existing products obsolete or less attractive as well as damage the Group's market position and reputational strength. Failure to comply with all relevant regulatory requirements could affect the Group's reputation and/or its ability to operate in certain markets or territories. Changing environmental regulations could affect demand for certain products. The Group's technologies and intellectual property rights need to be kept current through continuous improvement and research and development and are susceptible to theft, infringement, loss and/or replication by competitors.

Controls and mitigation
- The Group is engaged in continued investment in alternative engineering solutions and the development of more advanced designs and innovative products to ensure compliance with changes to environmental regulations and customer demand
- The Group has developed and is actioning an engineering skills transition plan to ensure our engineering resource has the necessary skills to support an enhanced electric vehicle product offering
- The Group has an international network of technical centres which focus on research and development
- The Group seeks to maintain close relationships and technical partnerships with key customers

Principal risks

- The Group has established regional application centres which focus on application engineering worldwide
- Both Group and divisional management monitor and assess relevant regulatory requirements and the likelihood and impact of any changes
- The Group's products, materials and processes are continually developed and enhanced through research and development and technical input
- The Group actively registers, manages and enforces its intellectual property rights
- The Group operates in the automotive industry where performance-critical technology evolves and is adopted in a deliberate and measured manner

Operating globally and regulatory compliance

Description
The Group has operations globally, with manufacturing facilities in 29 countries across five continents. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements and may also be subject to cycles, structural change and other external factors, such as changes in tariffs, customs arrangements and other regulations.
In addition, operating across a number of territories exposes the Group to currency exchange rate variations.

Impact
A substantial downturn in one or more key markets could have a material adverse impact on the Group's profitability, cash flow and carrying value of its assets. Significant changes to the different regulatory systems and compliance requirements in and between the countries and regions in which the Group operates may have a negative impact on the Group's operations in a particular country or market. The accelerating pace of change towards full electrification of vehicles is expected to continue to bring tightening legislative requirements. High foreign exchange volatility may increase financing costs.

Controls and mitigation
- The Group's international footprint provides some protection against a downturn in particular territories or regions
- The markets and any changes to the regulatory environment in which the Group operates, including tariffs and trade policies, are continually monitored and assessed
- Changes to the Group's investment strategy and cross-border relocation might result from a significant change in the regulatory environment in a particular country or region
- The Board is actively monitoring the opportunities and threats posed by climate change, via the ESG Steering Committee, to both the Group's product offering and its operations and proactively refocusing development and engineering work in this area
- The Group's treasury policy covers, inter alia, the use of currency contracts, investment hedging policy and regular reporting of foreign exchange exposure
- Focus throughout the Group on adherence to our Code of Business Conduct ('COBC'), including ongoing training and review of policies and procedures

Key personnel dependencies

Description
The future success of the Group is dependent upon the continued services of key personnel and the acquisition of new talent to address skills gap as our end markets and product offerings change over time. Succession and change management planning is a routine consideration given some of the Group's key global positions at all levels, including business unit, division and Group.

Impact
The Group competes globally to attract and retain personnel in a number of key roles. A lack of new talent with new skills, the inability to retain and develop existing talent, replace retiring senior management or effectively manage leadership transitions could hinder the Group's operations and strategy delivery. A loss of key personnel, with associated intellectual property and know-how, could disrupt our business and strategy. In a number of local markets the Group may experience a shortage of skilled and experienced personnel for certain key roles.
Global social trends and events may focus current and potential employees on the desirability of our businesses as a place of employment.

Controls and mitigation
- The Group applies bespoke terms and conditions of employment for key personnel where appropriate
- The Group has in place incentive arrangements, including bonuses, pensions and long-term incentive plans
- The Group continues to enhance its activities to further embrace equality and diversity across its operations. Culture awareness training is ongoing across our organisation
- A new, skills focussed, training and development initiative is being rolled out across the Group in 2022
- The Group operates established recruitment and development programmes
- Succession plans continue to be reviewed for relevant key positions

Compliance statements

Going concern

The Directors have reviewed the likely performance of the Group for the period to end of 2023 by reference to an outlook using the approved Budget and Medium Term Plan as a base case scenario (volumes used: 2022 80.0 million units, 2023 89.1 million units). The volumes used were reduced from externally available data to anticipate a slower recovery to normalised production volumes in light of the microchip supply issue facing the industry. A severe but plausible downside scenario, mindful of developing geopolitical tensions and hostilities, was produced comprising a 10% reduction in global light vehicle production volumes (volumes used: 2022 72.0 million units, 2023 80.0 million units), a 5% annual reduction in operating margin due to increased costs, a 0.5% annual sales price reduction and also a €25 million annual supply chain disruption. These scenarios reflect the principal risks facing the business which are the movement in global light vehicle production volumes, cost pressures (commodities and energy costs), customer price reduction pressures and the impact of a significant disruption in the supply chain. A reverse stress test was performed as part of the Viability review, and indicates there would need to be a catastrophic reduction in volumes to use all the cash. The current banking facilities were also considered and specifically the available headroom under the downside scenario and also their availability during the review period as well as any associated covenants. The downside model showed the availability of significant liquidity headroom without use of the revolving credit facility. The only covenant measure that exists is a leverage ratio which must be below 3.8x Adjusted EBITDA when the revolving facility is drawn over 35%, there were no covenant breaches in the review period.

The Directors have concluded after reviewing the future funding requirements for the Group over the period to the end of 2023 by reference to the headroom on the committed banking facilities and the expected performance of the Group, that it is appropriate for the financial statements to be prepared on a going concern basis with no material uncertainties.

Viability statement

In accordance with paragraph 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a period to 31 December 2026 which aligns to the internal planning horizon and to the same data set used in the Impairment Review. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy, business model and the potential impact of the principal risks and how these are managed, as detailed in this Strategic report.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirement and cash flows. These plans provide information to the Directors which is used to ensure the adequacy of resources available to the Group to meet its strategic business objectives, both in the short and long term. The plans for the period commencing on 1 January 2022 were reviewed and approved by the Board on 7 December 2021 and this formed the base case model to which downside scenarios were applied.

In making their assessment the Directors' have used a combination of scenarios and stress tests to the Group's financial projections to 31 December 2026 which model the impact the principal risks likely to have a significant financial impact. The severe but plausible downside scenario assumed:

- 10% lower annual global production volumes compared to the current global light vehicle production forecasts – volumes used: 2022 72.0 million units, 2023 80.1 million units, 2024 84.8 million units, 2025 86.2 million units, 2026 86.2 million units (Risk: Global Light Vehicle production volumes)
- 5% operating margin reduction caused by increased costs due to increased commodity pricing and costs associated with purchasing energy to meet our carbon reduction commitments (Risk: Competitor and Customer Pricing Pressure)
- 0.5% sales price reduction (Risk: Competitor and Customer Pricing Pressure)
- €25 million annual supply chain disruption (Risk: Business Continuity)

The combination of the above was felt appropriate to capture any sustained impact arising from current geopolitical tensions and hostilities. The other principal risks were not considered to have a significant sustained financial impact.

The impact of this scenario would be to reduce available liquidity by €777 million at the end of the review period compared to the base case which showed €1,235 million available liquidity. Actual available liquidity on 31 December 2021 was €695 million. The Directors also considered the beneficial impact arising from potential further remediation actions, but these were not factored into the downside calculations. The only covenant measure that exists is a leverage ratio which must be below 3.8x Adjusted EBITDA when the revolving facility is drawn over 35% which was not breached in the severe but plausible downside model as no use was required of the revolving facility.

A reverse stress test was also performed to determine the level of global light vehicle production which would extinguish all cash. It was found that a reduction of 31% for each year compared to the base case (volumes used: 2022 55.1 million units, 2023 61.3 million units, 2024 64.9 million units, 2025 66.0 million units, 2026 65.9 million) for the five years under review, excluding any mitigating actions would be required to use all the Group's cash without utilising the $225 million revolving credit facility. This contrasts with the 2020 global light vehicle production drop of 16.1% compared to 2019 – the Directors do not believe that a sustained 31% drop is likely and therefore do not regard this as a probable outcome.

As described in note 27 on page 178-181, the Group successfully refinanced its borrowings on 16 April 2021 by issuing an eight year unsecured bond which was used to repay portions of the USD and EUR secured term loans. At the same time the $225 million revolving credit facility and the USD and EUR term loans were repriced and the maturities extended by two years from 2024 to 2026. This transaction served to diversify, stagger and extend the average maturity from four years to seven years and lower the weighted average cost of debt to 3.6% from 4.5%. These facilities are in place until 2026 and it is assumed they will be renewed.

The prospects of the Group in the timescale of the review are likely to be influenced by its ability to adapt to the speed at which its customers migrate to vehicle electrification. In the medium term the Group is well placed to pick up considerable business on the Hybrid Electric vehicles with high content from high pressure tanks in addition to the traditional brake and fuel line products. The Group has also demonstrated its ability to supply its thermal product knowledge to full electric vehicles and the management are preparing to leverage its technology, products, engineering capabilities, customer relationships and global footprint, built over the last 100 years to put it in an ideal strategic position to quickly adapt, grow and be a leader in this new era for the automotive industry.

The adverse impact on the Group's performance and management's response to the business downturn caused by the COVID-19 pandemic and the extended secondary impacts caused by microchip shortages on the industry are discussed in the CEO's statement on pages 8-11 and in the CFO's statement on pages 48-56. The longer-term risks associated with climate change on the business are considered to be outside the time horizon of this review, but are modelled in the impairment review in note 18. The base case already includes additional capital expenditure related to carbon reduction projects and also additional costs arising from increasing energy costs.

Considering the Group's current financial position, the geographic spread of its operations, its established customer relationships, its principal risks, headroom under the committed banking facilities and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be viable and able to continue in operation meeting its liabilities as they fall due over the period to 31 December 2026.

The Strategic report, which has been prepared in accordance with the requirements of the Companies Act 2006, has been approved by the Board and signed on its behalf by

Matthew Paroly
Company Secretary
14 March 2022

Non-financial information statement

Under the Non-financial Reporting Requirements of the Companies Act 2006, the Group is required to disclose additional non-financial information in certain specified categories. The table below highlights how we have met the requirements and where to locate the information.

Reporting requirement	Non-financial information	Pages
Business model	The Group uses non-financial information in all aspects of its business, from development of its business model and strategy to reviewing and measuring principal risks and the performance of the business. Our key non-financial performance indicator is customer satisfaction (PPM) which measures our product quality and, indirectly, customer satisfaction.	
	Our business model	30-31
	Our strategy	26-27
	Key performance indicators	28-29
	Principal risks and uncertainties	57-60
	Audit & Risk Committee report	86-91
Environmental matters	Our business strategy places a focus on developing and supplying leading technology products to help our customers make more environmentally-friendly vehicles. In addition, our own impact on the environment, including our greenhouse gas emissions, is being measured and reduction initiatives are underway. We also seek to ensure responsible sourcing through our Global Supplier Requirements Manual as well as our purchasing terms and conditions, which can be found on our website.	
	Business model: Contribution to environmentally-friendly products	30-31
	Energy consumption	39
	Water conservation	40
Employees	We value our workforce. We are strongly committed to the engagement, development and recognition of our employees and seek to provide a positive culture together with an inclusive work environment. We have programmes to protect their health and safety.	
	Business Model: Employee skills and motivation	31
	Principal risks and uncertainties: Succession of key personnel	60
	Code of Business Conduct	37
	Core Values	37
	Corporate responsibility:	
	– Employment policies, culture, diversity and employee engagement	44
	– Health and safety programmes	44
	Talent in the workforce	10
Business practices and social matters	The Group continues to develop and strengthen its culture of compliance and has articulated to all employees that each employee is expected to conduct business in an ethical and legal manner consistent with our Core Values and in strict accordance with our Code of Business Conduct (COBC). The Group conducts regular training on our COBC which includes elements related to anti-trust and anti-bribery (including the UK Bribery Act). We take the protection of human rights seriously and have zero tolerance for the use of slave and child labour. We also seek to make a positive impact in the many local communities where we operate through local charitable and outreach activities.	44-45
	Business model: Compliance with laws and regulations	31
	Principal risks and uncertainties: Operating globally and regulatory compliance	60
	Sustainability report:	
	– Code of Business Conduct	44
	– Ethics and Compliance	44
	– Community involvement	47
	– Whistleblowing	82
	Details of the Group's Tax Strategy as well as our policy regarding Slavery and Human Trafficking can be found on our website	

Climate-Related Risks, Opportunities, and Financial Impacts

Background and Framework

The final report of the Taskforce on Climate-Related Financial Disclosures (TCFD) issued in June 2017 provided the following introductory context with respect to the issue of climate change:

"It is widely recognised that continued emission of greenhouse gases will cause further warming of the Earth and that warming above 2° Celsius (2°C), relative to the pre-industrial period, could lead to catastrophic economic and social consequences. As evidence of the growing recognition of the risks posed by climate change, in December 2015, nearly 200 governments agreed to strengthen the global response to the threat of climate change by "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre industrial levels," referred to as the Paris Agreement. The large scale and long-term nature of the problem makes it uniquely challenging, especially in the context of economic decision making. Moreover, the current understanding of the potential financial risks posed by climate change – to companies, investors, and the financial system as a whole – is still at an early stage."

In the nearly five years since the TCFD report was issued, the world – governments, investors, and industry – has come to realise that urgent and impactful collective response to climate change is now needed to achieve the goal of the Paris Agreement. Automotive OEMs in every major market have announced ambitious plans to address climate change through the electrification of the vehicle fleet and significant decarbonisation of their own manufacturing operations and supply bases. In addition to public announcements and press coverage, the Group's commercial and engineering teams are in regular contact with our OEM customers and, over the last several years, we have seen firsthand the growing investment, activity and definition around both powertrain electrification and supplier sustainability in the form of advanced development activities and quoting packages for BEV and HEV programmes as well as business awards that include supplier commitments to reduce greenhouse gas emissions. Likewise, investors, regulators, and consumers have clearly communicated the expectation that all businesses must take demonstrable actions to improve environmental sustainability as well as climate-related analysis and disclosures.

As a global supplier and leader in the automotive industry, TI-Fluid Systems is committed to support vehicle electrification with its advanced products and to reduce CO_2(e) emissions from its operations. The financial impact of climate change on the Group can be viewed as falling into the following three broad categories of risks and opportunities:

- **Vehicle Electrification.** The Group will have **market and technology** risks and opportunities as our OEM customers shift to a lower carbon economy by increasing the electrification of vehicles (i.e., HEVs and BEVs replacing ICEs).
- **Sustainability Transition.** The Group will have **operational** risks and opportunities as it strives to manufacture its products in a more environmentally responsible and sustainable manner.
- **Direct Climate Impact.** The Group will have **physical** risks and opportunities from climate change, such as flooding, sea level rise, and changing water availability and quality, that could affect some of the Group's global locations.

In keeping with the disclosure framework recommended by the TCFD, the following discussion of climate related financial impact will be organized around four elements: strategy and financial planning, governance, risk management, and metrics and targets.

Strategy and financial planning

The impacts of climate-related risks and opportunities on the Group's strategy, business, and financial planning

Vehicle Electrification
The automotive industry is responding to climate change primarily through the electrification of vehicle powertrains. Over the next decade, HEV and BEV platforms are forecasted to grow dramatically while ICE platforms will decline. This change in the market is the largest risk and the largest opportunity for the Group.

Electrification is at the heart of the Group's strategy. We recognize the risk of a declining addressable market for our FTDS division due to the reduction of ICE products and the opportunity of an increasing addressable market our thermal products due to the increased content in EVs. See Our strategy on pages 26-27 for more information.

The Group has modelled the potential financial impact of the expected change in mix between ICE, HEV and BEV platforms over the medium- and long-term.

Our analysis is based on current business awards, IHS Markit forecasted production volumes and mix through 2028, and management estimates, supported by third party analysis, for longer term production volumes and mix. The model also uses management estimates of contribution margin, fixed cost, research and development expenditure, capital expenditure and working capital. With respect to our FTDS division, management has modelled the rate of decline for ICE and HEV products after 2026 under two potential climate change scenarios: (i) a base case scenario reflecting the current commitment from the COP21 Paris Agreement to limit global temperature increases over the next century to 2°C and (i) a downside scenario reflecting the risk of a 4°C global temperature rise trajectory and associated acceleration in global climate change mitigations. With respect to the FCS division, a conventional single-scenario positive long-term expected growth rate was used to reflect the increased rate of BEV adoption and the related opportunity for sales growth in thermal management and other BEV-specific product offerings. We expect to expand and refine our scenario analysis for both FTDS and FCS in the coming years.

A gradual decline in ICE and HEV platforms is expected after 2028 as BEVs represent a rapidly increasing share of the market. During this transition time, the FTDS division will optimize the usage of its current investment base for ICE and HEV products and new capex will be limited to support our customers in specific ICE and HEV projects, with special focus on Asia where our plastic fuel tank business continues to grow as the market converts from metal to plastic tanks. FTDS technical and staff resources will be gradually deployed to our FCS thermal business. Our FTDS manufacturing footprint will be also assessed with available capacity expected to be used to support FCS thermal business growth opportunities.

According to our modeling, both of the Group's divisions (FTDS and FCS) are expected to continue to have revenue growth in the short and medium term (5 years) with outperformance of production volume in line with past performance. In the long-term (6-15 years) the Group expects a gradual and steady reduction of FTDS revenues that will be offset by increasing FCS revenues from our existing thermal products for BEV platforms.

Revenue expansion from new thermal products and systems, including opportunities for M&A for adjacent thermal products, have not been taken into consideration in the model and would create further revenue growth opportunities. We expect to further refine our modeling in further years.

Further details of how climate-change has been considered in our impairment testing model are set out in the Note 18 to Financial Statements on pages 167-172.

Sustainability Transition
In response to climate-related regulatory requirements and the expectations of our stakeholders, including our customers, investors, and employees, the Group must strive to manufacture our products in a more environmentally responsible and sustainable manner.

The Group will need to make operational changes and investments to support reduced CO_2(e) emissions, more efficient use of water and the elimination of waste. In addition, the Group will need to comply with enhanced disclosure and, potentially, increased regulation and taxes related to energy and CO_2(e) emissions. Over time, the Group may recognize lower energy and operational costs from conservation and efficiency investments as well as reputational benefits with our customers, investors, employees and communities from decarbonisation.

The Group has incorporated this necessary transformation to more sustainable operations into its strategy. We will not just make products for a "greener world" but will transform business processes and operations to become a more sustainable and socially responsible organisation. For more information see Our approach to sustainability on pages 36-47.

Costs to support our sustainability initiatives have been incorporated in our financial planning and forecasted cash flows. These costs include capital expenditure to improve efficiencies in the production process as well as reducing the Group's carbon footprint, and additional budget for increasing the mix of renewable energy within the Group's electricity consumption. Our current sustainability initiatives, including our CO_2(e) emissions reduction targets, and related financial analysis and planning are based on a base case scenario reflecting the current commitment from the COP21 Paris Agreement to limit global temperature increases over the next century to 2°C. In coming years, we expect to expand our analysis to include a downside scenario reflecting the risk of a 4°C global temperature rise trajectory and associated acceleration in global climate change mitigations.

See Note 18 to Financial Statements on pages 167-172 for more information.

Direct Impacts
The Group may have potential physical risks from climate change, such as flooding, sea level rise, and changing water availability and quality, which could affect the Group's locations and operations and the need to re-locate several facilities.

The Group has assessed, and will continue to assess, all of its manufacturing locations under both a 2°C and 4°C global temperature rise. At this time, no short- or medium- term physical risks have been identified. Several long-term impact have been identified.

See Climate-related physical risks on pages 64-66 for more information.

Where we have identified long-term risks, we expect that our existing business processes will be sufficient to mitigate and manage the risks. For example, we will locate new manufacturing facilities (or re-locate existing facilities) through our property leases acquisition and renewal procedures which are being updated to incorporate climate-related issues. Of course, as our understanding of the longer term impacts of climate change are better understood, we will continue to further assess our risks and refine our financial planning as appropriate.

Governance

The Group's governance around climate-related risks and opportunities

Board of Directors
The Board of Directors, directly and through its committees, provides significant governance and oversight of climate related matters.

Over the course of several years, the Board has reviewed, refined, and approved the Group's strategy to address vehicle electrification driven by climate change. The Board provides ongoing oversight and receives regular updates from executive management on relevant metrics in order to assess execution of the strategy and whether any changes to the strategy are needed, including engineering and commercial resources, product portfolio and technology roadmap, EV business awards and opportunities and the status of the inorganic process.

The ESG Steering Committee of the Board provides guidance and oversight on all elements of the Group's sustainability programme, including the scope of environmental initiatives to address the sustainability transition driven by climate change. The ESG Steering Committee meets regularly with Senior Management throughout the year and reports to the Board on its activities and sustainability progress by the Group. In particular, the ESG Steering Committee will continue to review the Group's CO_2(e) emissions reduction targets in light of current science and community expectations.

The Remuneration Committee of the Board, with input from the ESG Steering Committee, establishes performance targets for the Company's Annual Bonus and Long Term Incentive Plans that align with both the Group's electrification strategy and its sustainability transition in order to align Senior Management with interests of the Group's wider stakeholders. The Remuneration Committee regularly reports to the Board on its activities. See Remuneration report on pages 96-98 for more information.

In addition, the Board reviews and approves the Group's annual budget and medium-term plan to ensure that the financial and human resources needed to implement the Group's electrification strategy and environmental initiatives are properly contemplated and included in budgets and business planning.

Management
Within the Group's management organisation, the Executive Committee (CEO and other C-level Executives and EVPs) together with the Global EHS Director and VP – Investor Relations & Corporate Finance are primarily responsible for identifying and assessing climate-related impacts and leading implementation of the Group's electrification strategy and sustainability transition.

Several cross functional teams, led by the Global EHS Director, have been established to manage specific aspects of the Group's environmental initiatives, including arrangements to increase the Group's use of renewable-sourced electricity and identifying capex and other energy conservation projects to reduce the level of the Group's CO_2(e)emissions. The Global EHS Director, with support from the Group's risk management team, is responsible for assessing potential direct physical climate-related impacts.

Budgeting and action plans relating to the Group's electrification strategy and environmental initiatives are communicated to the entire organisation in a top-down manner and incorporated into the annual budget and medium term plan through the Group's finance organisation. Over the next several years, we expect to conduct more quantitative analysis in order to present a more detailed model of potential financial (budget) impacts.

Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks

Generally. The Group does not have a separate process to identify and assess climate-related risks per se. At this stage, climate related risks appear to be included within already identified and assessed risk categories: production volume, technology change, regulation, manufacturing costs/efficiency, and business continuity. In other words, climate change appears to be increasing the pace and intensity of previously identified risks rather than presenting fundamentally new or different risks to our business. For more information on our process to identify and assess risks, see Our Principal Risks on pages 57-60.

Vehicle Electrification. We identify, assess, and manage the impact of vehicle electrification through our existing commercial, engineering and purchase processes. For the medium term we work closely with our OEM customers through our commercial and engineering organisations to understand their fluid system requirements and to identify advanced engineering and quoting opportunities for upcoming vehicle programmes. For the long-term, we not only utilize planning and development information from our OEM customers but also reference production volume forecasts from IHS Markit and other industry sources. All quoting and pricing arrangements go through our screening process to ensure that business awards meet

expected financial metrics. Necessary capital investments must, depending on magnitude, be approved by various levels of management and, in certain cases, the Board of Directors.

Sustainability Transition. Environmental initiatives to progress our sustainability transition are identified, assessed and managed by cross functional teams, led by the Global EHS Director, who work with division management, including regional and plant-level management, within our existing facilities, manufacturing engineering and capital expenditure processes. The Group's actions with respect to the sustainability transition are currently based on well below a 2°C scenario but would be expected to have to accelerate (with increased costs) to meet a 1.5°C scenario.

Direct Climate Impact. To identify and assess direct physical impacts of climate change, we modelled both a 2°C and 4°C global temperature increase. We used the Intergovernmental Panel on Climate Change IPCC Interactive Atlas to help predict when temperatures would reach 2°C and 4°C respectively. We did this by taking the median date using the 34 models available for the 2°C scenario and 20 models for the 4°C scenario. We estimated the 2°C change to occur in 2040 and the 4°C degree change to occur in 2068.

We then evaluated weather-related conditions (wind/storm, hail, tornado, wildfire, and lightning hazards) for the short- and medium-term in collaboration with our global insurance broker. We also modelled the overall risk to water quality for our locations using the Aqueduct Water Atlas Risk and sea level risk and associated predictions for annual coastal flooding using sea level rise and coastal flooding maps from Climate Central.

- Weather Risks: None of our locations are expected to have an increased impact from climate-related weather conditions in the short term. We would expect long term trends to increase sever weather events. This has not been evaluated, but we are continuing to look at methodology to improve this evaluation.
- Water Risk: Of our current 129 locations, 30 are expected, in the long-term, to experience high or extremely high overall water quality risk. One location is currently experiencing difficulty in procuring water. We have now established water conservation targets for all locations globally.
- Flooding Risks: we identified 12 plants and 2 offices that would expect to experience annual coastal flooding in 2°C scenario and an addition 3 plants and 1 office that would be expected to experience annual coastal flooding in 4°C scenario. Of those plant locations, all but 3 are in areas that are currently planning, building, or have in place, sea level rise defense measures. The 3 unprotected plant sites may need to be relocated in the next 10-15 years which is not considered to be a material impact on operations or represent a material cost and could be accomplished as part of our normal facilities and restructuring processes. All office locations are situated in large urban settings likely to be protected.

Read more in Our Approach to sustainability on page 36-47

Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Metrics

Vehicle Electrification. The Group tracks its annual revenue, as well as expected lifetime revenue for new business awards, by location, division, country, and region as well as vehicle programme/platform type (ICE, HEV and BEV) in order to monitor progress with respect to our vehicle electrification strategy.

Sustainability Transition. In 2021, the Group tracked the following metrics to assess risks and opportunities in line with our sustainability transition:

- Scope 1 CO_2(e) emissions by location, division, country, and region.
- Scope 2 CO_2(e) emissions by location, division, country, and region.
- Energy consumption including fuel and purchased or acquired electricity.
- Energy generated at our locations.
- Water withdrawals, discharges, and consumption.
- Waste generated at our sites.

We also monitor and review our ISS QualityScores as well as our rating reports from by CDP and EcoVadis.

Scope 3 CO_2(e) emissions are relevant to our business, but we have not yet had systems in place to collect and calculate that data. We are assessing third party software and expect to begin collecting Scope 3 data in 2022 for a portion of our supply base. Consistent with the GHG Protocol, we will augment this data with estimations to develop a Scope 3 emission next year.

See Our Approach to sustainability on pages 36-47 for more information.

Direct Climate Impact. Given the relatively gradual and long-term nature of direct climate impact on our manufacturing facilities (weather, water and flooding), we do not currently have applicable metrics as these risks would be expected to be handled as part of our normal footprint and facility management processes.

Targets

Vehicle Electrification. The Group has established annual booking targets for HEV and BEV programmes which have been incorporated into the Annual Bonus Plan as performance criteria. See Remuneration report on pages 96-98 for more information.

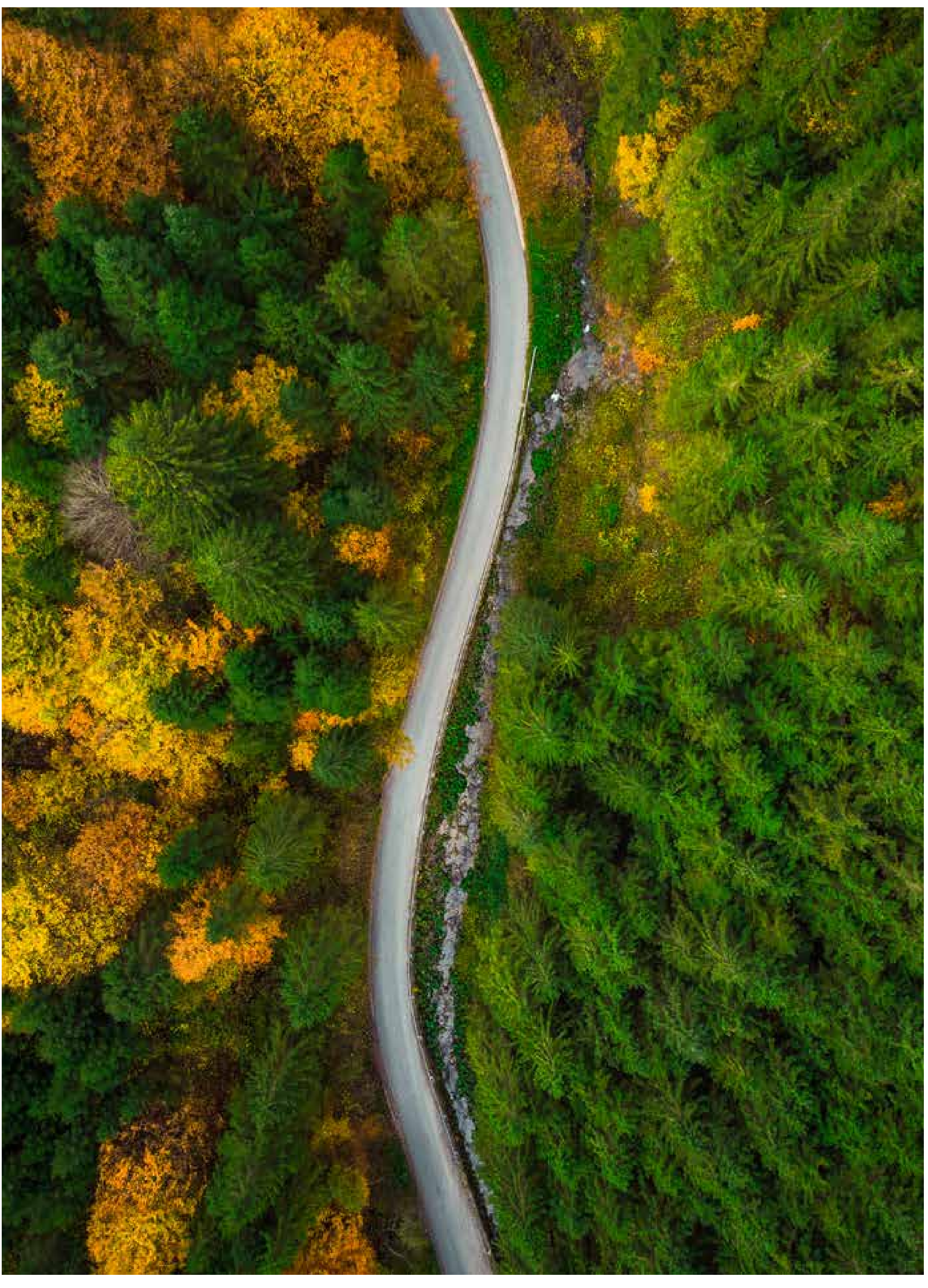
Sustainability Transition. In 2021, the Group updated its targets for the absolute reduction of Scope 1 and Scope 2 CO_2(e) emissions and also established water conservation objectives. See Our Approach to sustainability on pages 36-47 for more information.

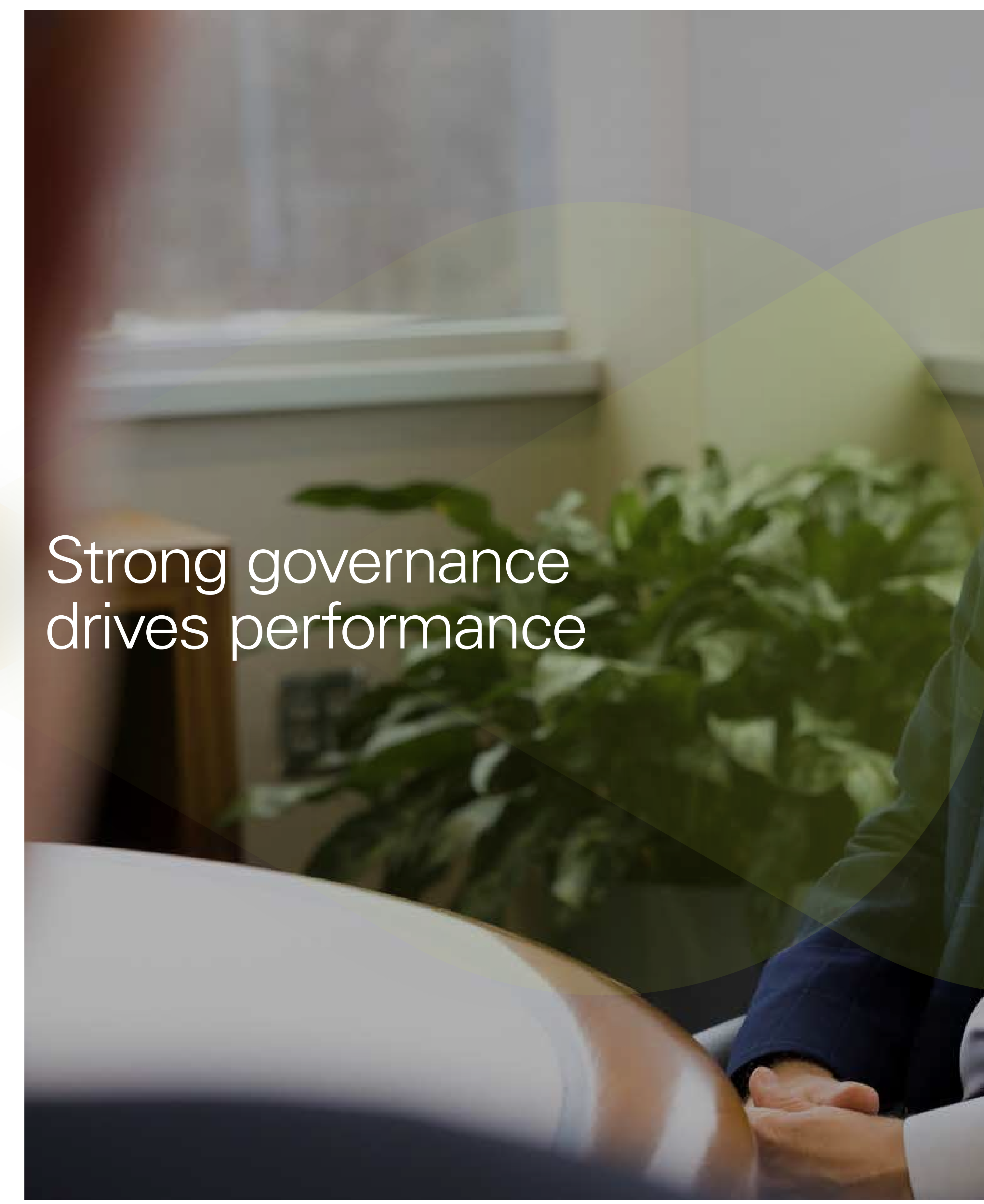
Direct Climate Impact. Given the relatively gradual and long-term nature of direct climate impact on our manufacturing facilities (weather, water and flooding), we do not currently have applicable targets as these risks would be expected to be handled as part of our normal footprint and facility management processes.

In accordance with Listing Rule 9.8.6 R(8), the table below maps the Company's climate-related financial disclosures in the foregoing section to the specific Recommendations and Recommended Disclosures of the Task Force on Climate-Related Financial Disclosure.

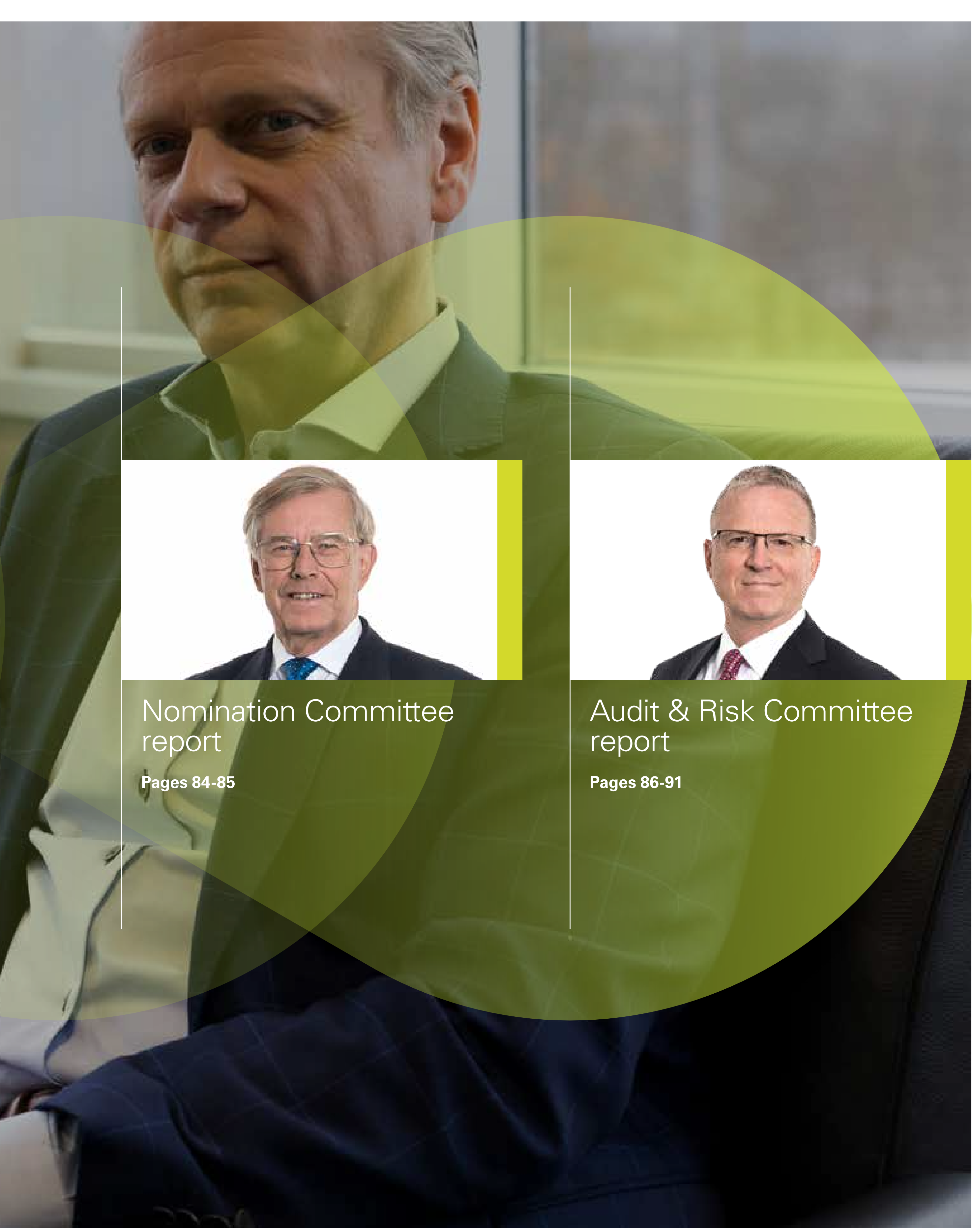
The Company's disclosures are consistent with the TCFD Recommendations and Recommended Disclosures except in the two instances noted below (with the reasons for not including such disclosures, steps being taken to make the disclosures in the future and expected timeframe to make the disclosures as set forth in the referenced pages).

	TCFD Recommended Disclosures	Reference Pages	Compliance
Governance	Describe the board's oversight of climate-related risks and opportunities	See Governance – Board of Directors on pages 76-77	Full Compliance
	Describe management's role in assessing and managing climate-related risks and opportunities	See Governance – Management on page 66	Full Compliance
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	See Background and Framework and Strategy and Financial Planning on pages 64-66	Full Compliance
	Describe the impact of climate-related risks and opportunities on the organisations business, strategy, and financial planning	See Strategy and Financial Planning on pages 65-66	Full Compliance
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	See Strategy and Financial Planning on pages 65-66	Compliance except only one scenario used for Sustainability transition with additional scenarios to be used in coming years
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks	See Risk Management on pages 66-67	Full Compliance
	Describe the organisation's processes for managing climate-related risks	See Risk Management on pages 66-67	Full Compliance
	Describe how processes for managing climate-related risks are integrated into the organisations overall risk management	See Risk Management on pages 66-67	Full Compliance
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	See Metrics and Targets on page 67	Full Compliance
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	See Metrics and Targets on page 67 and Our Approach to sustainability on page 36	Compliance except Scope 3 GHG to be initially measured in 2022
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See Metrics and Targets on page 67	Full Compliance





Strong governance drives performance



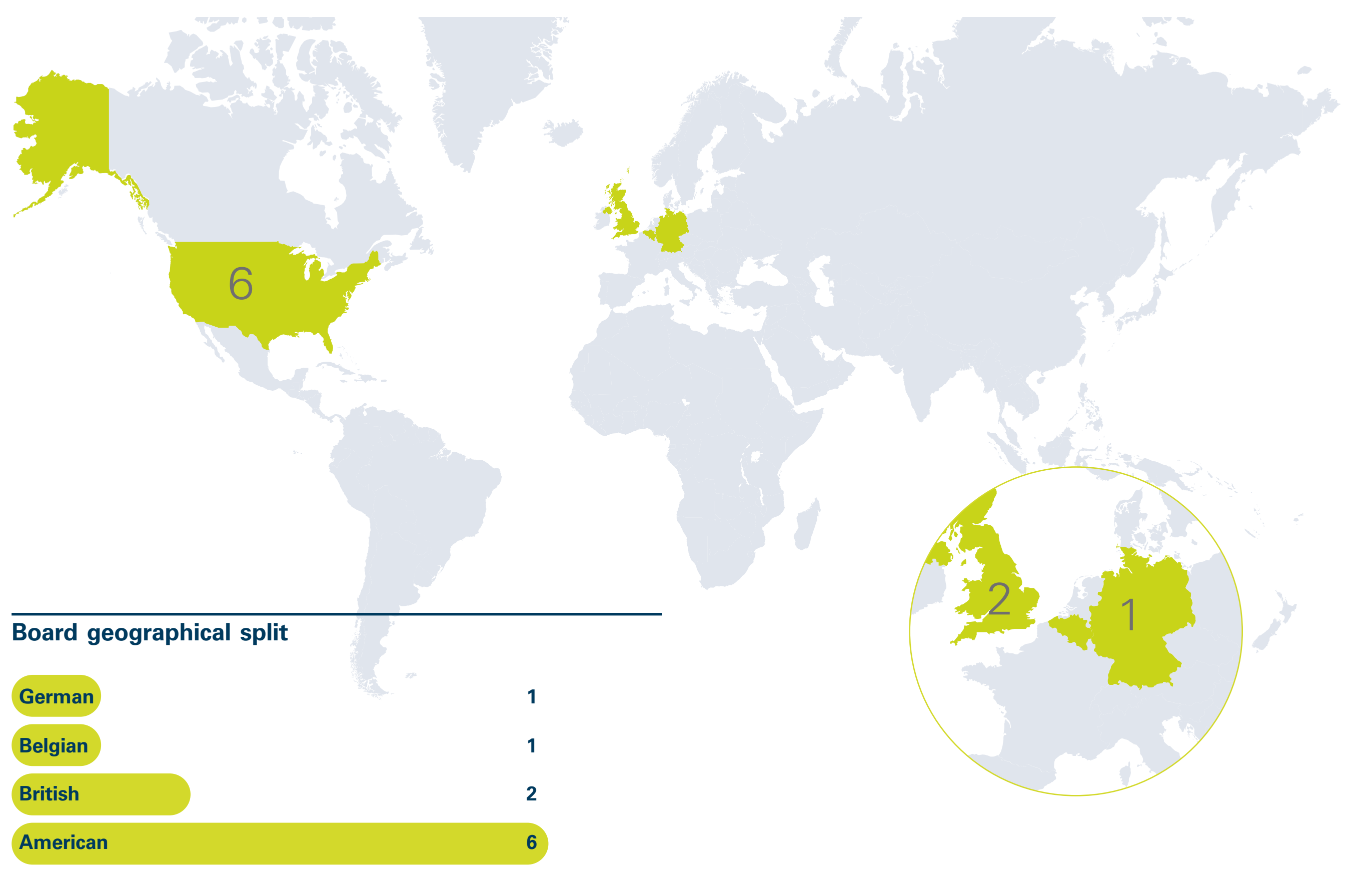
Nomination Committee report

Pages 84-85

Audit & Risk Committee report

Pages 86-91

Corporate Governance at a glance



Board geographical split

German	1
Belgian	1
British	2
American	6

Meeting attendance

100%

Board meeting attendance

Manfred Wennemer	6/6
William L. Kozyra (resigned 1 October 2021)	4/4
Hans Dieltjens	2/2
Ronald Hundzinski	6/6
Julie Baddeley	3/3
Tim Cobbold	6/6
Andrea Dunstan (resigned 13 May 2021)	2/2
Susan Levine	6/6
Elaine Sarsynski	6/6
John Smith	6/6
Stephen Thomas	6/6
Jeffrey Vanneste	6/6

The table above shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 1 January 2021 to 31 December 2021.

Board composition

Board gender balance

Male – 7	70%
Female – 3	30%

Board independence

Executive Directors	2
Non-Executive Directors	6

Non-Executive Directors including Non-Executive Chair who was independent on appointment and continues to exercise objective judgement in line with the role

The Governance structure

The Board
Leadership, strategy and development; controls and values.

Manfred Wennemer
Independent Non-Executive Chair

Hans Dieltjens
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Julie Baddeley
Independent Non-Executive Director

Tim Cobbold
Senior Independent Director

Susan Levine
Non-Executive Director

Elaine Sarsynski
Independent Non-Executive Director

John Smith
Independent Non-Executive Director

Stephen Thomas
Non-Executive Director

Jeffrey Vanneste
Independent Non-Executive Director

Nomination Committee

Manfred Wennemer
Chair

Tim Cobbold
Stephen Thomas
Members

Key responsibilities
Evaluating the size, structure and composition of the Board

Assisting the Board in relation to the composition of the Board, including evaluating the balance of skills, knowledge, experience and diversity

Consideration of succession planning

More information
Nomination Committee report on pages 84-85

Audit & Risk Committee

Jeffrey Vanneste
Chair

Elaine Sarsynski
John Smith
Members

Key responsibilities
Reviewing and monitoring the integrity of the financial statements

Ensuring effective systems of internal controls, internal audit and risk management are maintained

Advising on the appointment of the external auditors and monitoring non-audit work undertaken by the external auditor

More information
Audit & Risk Committee report on pages 86-91

Remuneration Committee

Tim Cobbold
Chair

John Smith
Jeffrey Vanneste
Members

Key responsibilities
Setting the Remuneration Policy for all Executive Directors and the Chair

Determine remuneration packages, including bonuses and awards, for Executive Directors and Senior Management in consultation with the Chair and Chief Executive Officer, as appropriate

More information
Remuneration Committee report on pages 92-114

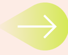
ESG Steering Committee

Elaine Sarsynski
Chair

Julie Baddeley
Hans Dieltjens
Ronald Hundzinski
Members

Key responsibilities
Recommending the overarching Environmental, Social and Governance (ESG) vision and strategy road map to the Board in order to ensure that sustainability priorities are met.

Monitors the Group's corporate responsibility, sustainability and stakeholder engagement activities



More information
ESG Steering Committee report on pages 115

For the year ended 31 December 2021, the Company has applied all the main provisions of the UK Governance Code and has complied with all of the provisions. Further details can be found in the Nomination Committee report on pages 84-85 and the Directors' report on pages 116-118

Chair's introduction to Corporate Governance

Manfred Wennemer
Chair

2022 focus areas

- Monitor the Group's response to the continuing impacts of COVID-19 prioritising the health, safety and well-being of employees
- Induction of the new independent non-Executive Chair, Tim Cobbold and new NED Julie Baddeley
- Review the effectiveness of the new Chief Executive Officer and the expanded Executive Committee
- Enhance shareholder engagement by holding an in-person Capital Markets Event

"At TI Fluid Systems we recognise the importance of effective oversight of our Corporate Governance Framework and that it supports the successful delivery of our strategy."

Read more in the Nomination Committee report on pages 84-85

Dear Shareholder,
On behalf of the Board, I am pleased to present the Group's Corporate Governance report for 2021. As the automotive industry accelerates the transition to electrification and sustainability and continues to manage the impacts of COVID-19, governance remains a top priority for the Board and executive leadership in order to promote the strategic development and sustainable success of the Group. I can confirm that the Group is currently in full compliance with the recommended governance principles and practices set forth in the UK Corporate Governance Code 2018 (the 'UK Governance Code') issued by the Financial Reporting Council (FRC), and associated guidance are available on the FRC website at www.frc.org.uk.

Corporate Governance

The Group recognises the importance of effective Corporate Governance in supporting the long-term success and sustainability of our business. Our robust governance framework not only satisfies the provisions of the UK Governance Code but also supports the effective operation of our business enabling us to deliver our strategy. This section of the Annual Report covers our governance arrangements, the operation of the Board and its Committees, and describes how the Board discharged its collective responsibilities over the past year. The Board's decision-making reflects the balancing of stakeholder interests throughout the year and how we have engaged is explained in our Section 172(1) statement on pages 32-35.

Shareholder Engagement

In leading the Group, the Board has actively engaged with our shareholders on many matters including sustainability and remuneration. Setting the tone for the organisation, including the culture, values and behaviours, is viewed as a vital responsibility of the Board. Added focus on our Purpose, page 1, has helped the Board and Group continue to be aligned with the business strategies outlined in the Strategic report on pages 26-27. We recognise that sound Corporate Governance enables informed, clear and consistent management and decision-making from the Board and the entire management team which, in turn, promotes effective stewardship to ensure the delivery of our strategic objectives and sustained success.

While the restrictions on travel and meeting sizes imposed around the world has affected plans for increasing our face-to-face stakeholder engagement and site visits in the year, finding new ways of working and interactions within the Company and with stakeholders more broadly has brought benefits. The Executive Directors have engaged in numerous virtual meetings with investors, employees, customers and stakeholders more generally. In addition, our Remuneration Committee Chair has met and written to a number of key shareholders regarding our Remuneration plans following the AGM voting results to ensure our approach is understood.

The Board recommends that investors regularly review our website for trading updates, press releases and virtual Q&A sessions.

The Directors' and Corporate Governance reports which follow this introduction further explain how we are approaching important governance issues.

Board and Committee composition

We have a qualified and capable Board comprised of Directors with a broad range of relevant skills, independence, experience and diversity. Full biographies of each of the Directors in place on 31 December 2021 are set out on pages 76-77.

As I discussed in greater detail in my Chair's statement, our Board composition is undergoing changes. The Nomination Committee was supported by Spencer Stuart, recruitment consultants, in facilitating a robust and transparent procedure following Andrea Dunstan's decision to step down from the Board in May 2021, and the appointment of Julie Baddeley who joined us in August 2021. The Nomination Committee is also seeking to find suitable candidates to replace Jeff Vanneste and myself when we step down. Our focus on Board succession and composition has been discussed at both Nomination Committee and Board meetings.

To assist the Board in its oversight functions, the Audit & Risk, Nomination, Remuneration and ESG Steering Committees have met and carried out their areas of responsibility as noted on page 73. The Directors' time commitments are in line with the key institutional investor and investor body guidelines.

Your Board and its Committees have responded to rapidly changing circumstances and new challenges this year by working closely with management, reviewing trading updates, analysing revised forecasts and understanding supply chain issues.

Ongoing Board and Committee evaluation

I am pleased to report the Board and its Committees are operating effectively. That said, and as noted previously, the Board and its Committee performance has been kept under ongoing review. In 2021, we re-engaged our external advisor, Lintstock, to conduct a review of the Board's effectiveness in keeping with the recommendation of the UK Governance Code that externally facilitated reviews be completed at least every three years. We asked Lintstock to conduct the review again this year to help us follow-up on areas for development identified in prior evaluations and to consider additional areas of Board performance with reference to relevant external guidance and best practice. More details can be found in the Directors' Report on pages 116-118.

Overall the results of the Board effectiveness review were very positive with progress identified in several key areas compared to 2021. The evaluation also highlighted a number of ongoing priorities for the Board which we look forward to progressing in 2022.

The Group has an exciting future and we have a strong and committed team to make the most of the opportunities that lie ahead. The challenges presented by the COVID-19 pandemic have provided further confidence in our corporate governance structure. Our resilience was demonstrated as necessary decisions were taken to deliver a comprehensive set of measures including cost reduction and cash management allowing the business to manage through a difficult market environment. More detail can be found in the Chief Financial Officer's report on pages 48-56.

Engagement by Chairs

As always, I and all of our Committee Chairs are available for engagement and may be reached through me at chairman@tifs.com.

Chair Transition

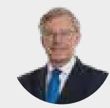
A focus for the first half of 2022, will be the handover of the Chair's responsibility to my successor, Tim Cobbold. I am sure that Tim will prove to be a valued, respected and a highly effective Chair. I hand over with every confidence in Tim's future success.

I have greatly enjoyed my role and seeing the Group develop a sound strategy to position it for long-term success as the automotive industry transforms itself for a sustainable future. I would like to thank you for your support over the years.

Manfred Wennemer
Chair

Board of directors

Manfred Wennemer



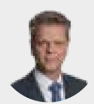
Independent Non-Executive Chair
Appointment: September 2016
Nationality: German

Skills and experience
Manfred was appointed as Non-Executive Chair of TI Fluid Systems in October 2017, having been appointed to the Board in September 2016. He has held a number of positions at Continental, including Chief Executive Officer and Chairman of ContiTech. Manfred is Chairman of the Supervisory Board of Jost Werke. He is also Chairman of the Shareholder Committee of Hella KGaA Hueck and a member of the Supervisory Board of PIAB International.

Manfred has decided not to stand for re-election at the 2022 AGM.

Committee membership
Nomination Committee (Chair)

Hans Dieltjens



Chief Executive Officer and President
Appointment: October 2021
Nationality: Belgium

Skills and experience
Hans was appointed as Chief Executive Officer and President of TI Fluid Systems in October 2021. Hans joined TI Fluid Systems in 1996 where he gained broad commercial and operational experience through his divisional leadership positions. Hans led the Global Fuel Tank and Delivery Systems Division in developing and manufacturing products that enhance vehicle performance and safety while exceeding strict emissions regulations to preserve the environment. In October 2021, Hans was appointed to the role of Chief Operating Officer and President.

Committee membership
ESG Steering Committee

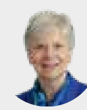
Ronald Hundzinski

Chief Financial Officer
Appointment: January 2020
Nationality: United States of America

Skills and experience
Ronald was appointed as Chief Financial Officer of TI Fluid Systems in January 2020. Ronald was previously Executive Vice President – Finance at Tenneco, Inc. During the past 35 years, Ronald held a variety of leadership positions in finance at Emerson Electric, GKN, Meridian Automotive and BorgWarner. Ronald served as Chief Financial Officer and Executive Vice President of BorgWarner from 2012 to 2018 and is a Non-Executive Director of Gentherm.

Committee membership
ESG Steering Committee

Julie Baddeley

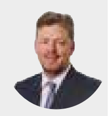


Independent Non-Executive Director
Appointment: August 2021
Nationality: United Kingdom

Skills and experience
Julie was appointed as an Independent Non-Executive Director of TI Fluid Systems in August 2021. Julie is currently the Senior Independent Director and Chair of the Remuneration Committee at Marshall of Cambridge (Holdings) Ltd. as well as Chair of the Remuneration Committee at Ebiquity Plc. She also chairs Chapter Zero, a network established under the auspices of the World Economic Forum, and is a By-Fellow at Hughes Hall College (Cambridge) and Co-Director of the Hughes Hall Centre for Climate Change Engagement.

Committee membership
ESG Committee

Tim Cobbold



Independent Non-Executive Director
Appointment: November 2019
Nationality: United Kingdom

Skills and experience
Tim was appointed as the Senior Independent Director of TI Fluid Systems in November 2019. Tim is a qualified Chartered Accountant and has a degree in Engineering from Imperial College, London, Tim was formerly Chief Executive Officer of Chloride Group plc, De La Rue plc and UBM plc. He served as a Non-Executive Director of Drax Group plc for nine years until September 2019 and is currently a Non-Executive Director at Rotork plc following his appointment in 2018.

Tim has agreed to become Chair following the AGM on 18 May 2022.

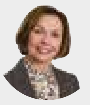
Committee membership
Nomination Committee
Remuneration Committee (Chair)

Susan Levine

Non-Executive Director
Appointment: December 2019
Nationality: United States of America

Skills and experience
Susan was appointed as a Non- Executive Director of TI Fluid Systems in December 2019. Susan joined Bain Capital in 2006 and has been a Managing Director since 2018. Prior to joining Bain Capital, Susan was a Manager at Bain & Company. Susan is a Non-Executive Director at Diversey. She serves on the Boards of the Massachusetts Society for the Prevention of Cruelty to Children, The Fessenden School, 3Point Foundation and the Board of Governors for the Georgetown University Alumni Association. She is also on the Board of Directors Academy, a non-profit which provides corporate governance and training for future board members from diverse backgrounds.

Elaine Sarsynski



Independent Non-Executive Director
Appointment: August 2018
Nationality: United States of America

Skills and experience
Elaine was appointed as a Non-Executive Director of TI Fluid Systems in August 2018. Elaine is currently a Non-Executive Director of Horace Mann Educators Corporation. Elaine is also a Non-Executive Director of Horizon Technology Finance Corporation and is a member of its Audit Committee and Chair of its Nominating and Corporate Governance Committee. Elaine was previously President of MassMutual Retirement Services and Chairwoman, CEO and President of MassMutual International.

Committee membership
Audit Committee
ESG Steering Committee (Chair)

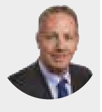
John Smith

Independent Non-Executive Director
Appointment: October 2017
Nationality: United States of America

Skills and experience
John was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. John has over 48 years of experience in the automotive industry, including 42 years working with General Motors in developing new technologies. John held a range of senior positions with General Motors, most recently as Group Vice President, Corporate Planning & Alliances. John is principal of Eagle Advisors and is also a Non-Executive Director of American Axle & Manufacturing Holdings, serving on its Audit Committee and as Chair of its Technology Committee.

Committee membership
Remuneration Committee
Audit Committee

Stephen Thomas



Non-Executive Director
Appointment: July 2015
Nationality: United States of America

Skills and experience
Stephen was appointed as a Director of TI Fluid Systems in July 2015 and was formally appointed as a Non-Executive Director of the Company in October 2017. Stephen joined Bain Capital in 2007 and has been a Managing Director since 2015. Prior to joining Bain Capital, Stephen was a Manager at Bain & Company. Stephen is a Non-Executive Director of American Trailer Works, FXI and US LBM.

Committee membership
Nomination Committee

Jeffrey Vanneste

Independent Non-Executive Director
Appointment: October 2017
Nationality: United States of America

Skills and experience
Jeff was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. Jeff was Senior Vice President, Chief Financial Officer and a member of the Executive Council of Lear Corporation for more than seven years until October 2019 when he transitioned to a non-executive advisory role before retiring at the end of February 2020. Prior to joining Lear, Jeff was Executive Vice President and Chief Financial Officer for International Automotive Components Group. Jeff qualified as an accountant with Coopers & Lybrand (currently, PricewaterhouseCoopers LLP).

Jeff intends to step down after the 2022 AGM but has agreed to stand for re-election if requested by the Board in order to provide the Company with additional time for an orderly transition.

Committee membership
Remuneration Committee Audit Committee (Chair)

Matthew Paroly

Company Secretary
Appointment: July 2014
Nationality: United States of America

Skills and experience
Matthew was appointed as Chief Legal Officer and Company Secretary of TI Fluid Systems in July 2014. Matthew has more than 30 years of experience in private law practice and in-house executive and legal positions with both public and private companies. Prior to joining TI Fluid Systems, Matthew worked with several automotive suppliers and manufacturers, including Nexteer Automotive, Fisker Automotive, Meridian Automotive Systems and Delphi Corporation. Matthew is a member of the State Bar of Michigan. In 2021, Matthew was appointed ESG Director.

Nomination Committee
Audit Committee
Remuneration Committee
ESG Steering Committee

A summary of the main matters reserved for decision by the Board is set out below:

Strategy and management
- Oversight of the Group's operations
- Approval of the long-term objectives and commercial strategy review
- Approval of the annual financial budget and four-year Medium Term Plan
- Review of performance in light of the Group's strategic aims, objectives, business plan and budgets

Remuneration
- Determine the Remuneration Policy for Directors, Chief Executive Officer and other senior executives
- Determine the remuneration of the Non-Executive Directors
- Introduction of new share incentive plans or major changes to existing plans
- Approval of new incentive plans to be put to shareholders for approval

Corporate structure and share capital
- Changes to the Group's capital structure
- Major changes to the Group's corporate structure
- Significant changes to the Group's management and control structure
- Issues of public debt by the Company

Delegation of authority
- Approval of the written division of responsibilities between the Chair and the Chief Executive Officer
- Establishing Board Committees, approving their terms of reference and receiving reports from the Board Committees

Financial reporting and controls
- Approval of financial statements
- Setting the Company's dividend policy
- Approval of significant changes in accounting policy

Corporate governance
- Review the Group's overall Corporate Governance structure
- Determining the independence of Non-Executive Directors
- Undertaking a formal and rigorous review of the Board's performance, that of its Committees and individual Directors and the division of responsibilities
- Consider the balance of interests between shareholders, employees, customers and the community

Internal controls
- Ensuring maintenance of a sound system of internal control and risk management
- Approval of the Group's compliance policies

Policies
- Approval of policies, including the Code of Business Conduct, as well as the Anti-Corruption, Diversity and Inclusion, Health & Safety, Environmental, Modern Slavery, Group Dealing and Tax Strategy policies

Contracts
- Approval of major capital projects
- Approval of larger-scale non-standard contracts
- Approval of acquisitions and joint ventures

Other areas
- Making of political donations
- Approve the overall levels of insurance for the Group
- Appointment of external auditors
- –Shareholder engagement and general meetings
- Annual budgets and financial expenditure and commitments above levels set by the Board

Board membership
- Changes to the structure, size and composition of the Board
- Appointments to the Board, including selection and appointment of the Chair, Chief Executive Officer, Senior Independent Director and Company Secretary
- Membership and chairs of Board Committees
- Approval of the continuation in office of Directors, including Executive Directors

The role and structure of the Board

The Board is responsible for the leadership and oversight of the Group and has overall authority for the management of the Group's business, strategy and culture. The Board is also responsible for ensuring the maintenance of a sound system of internal controls and risk management (including operational, financial and compliance controls) and for reviewing the overall effectiveness of systems in place as well as for the approval of any changes to the capital, corporate and/or management structure of the Group.

The Board operates in accordance with the Company's Articles of Association and the Board's written 'Delegation of Authority' which were approved by the Board in July 2015 and updated in October 2017. The Board has established a number of Committees, as set out on page 73. Each Committee has its own terms of reference which are reviewed at least annually.

The Board currently consists of ten members: the Independent Non-Executive Chair, the Senior Independent Director, four other Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors (who are nominees of the Bain Shareholders under the relationship agreement discussed on page 82).

The Board generally meets five times a year, with additional ad-hoc meetings called as and when circumstances require. There is an annual calendar of agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate time in the financial year.

In the period from 1 January 2021 to 31 December 2021 there were six Board meetings. In addition, in the same period, there were five meetings of the Audit & Risk Committee, five meetings of the Remuneration Committee and four meetings of the Nomination Committee.

The table below shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 1 January 2021 to 31 December 2021:

Directors' attendance at meetings of the Board and Committee(s)

	Board	Audit & Risk	Remuneration	Nomination	ESG Steering
Manfred Wennemer	6/6	–	–	4/4	–
William L. Kozyra (resigned 1 October 2021)	4/4	–	–	–	3/3
Hans Dieltjens	2/2	–	–	–	1/1
Ronald Hundzinski	6/6	–	–	–	4/4
Julie Baddeley	3/3	–	–	–	1/1
Tim Cobbold	6/6	–	2/2	4/4	–
Andrea Dunstan (resigned 13 May 2021)	2/2	–	3/3	–	–
Susan Levine	6/6	–	–	–	–
Elaine Sarsynski	6/6	5/5	–	–	4/4
John Smith	6/6	5/5	5/5	–	–
Stephen Thomas	6/6	–	–	4/4	–
Jeffrey Vanneste	6/6	5/5	5/5	–	–

A summary of the key areas of responsibility of the Chair and Chief Executive Officer are set out below:

Manfred Wennemer
Chair

Responsibilities
- Responsibility for the leadership and effective running of the Board and chairing its meetings
- Ensuring the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives
- Setting the agenda for and frequency of meetings of the Board and ensuring the Board receives accurate, timely and clear information on which to base decisions
- Ensuring that adequate time is available for the Board to consider all agenda items
- Promoting a culture of openness and debate and facilitate the effective contribution and active engagement of all Directors
- Ensuring there is effective communication between the Group and its shareholders and that the Board understands the views of major investors in the Group
- Promoting the highest standards of integrity, probity and corporate governance
- Ensuring constructive relations between the Non-Executive and Executive Directors
- Regularly considering the Board's succession planning and composition
- Ensuring that the performance of the Board, its Committees and individual Directors are formally and rigorously evaluated at least once a year
- Providing an independent perspective and constructive challenge

Hans Dieltjens
Chief Executive

Responsibilities
- Responsible for running the business of the Company and its subsidiaries
- Proposing and developing the Group's strategy and overall commercial objectives
- Regularly reviewing the Group's operational performance, cost control and operating efficiencies and recommending to the Board the annual budget and financial plans for the Group
- Reporting to the Chair and the Board on the progress of the strategy, the Group's performance and operational matters
- Maintaining a dialogue with the Chair and the Board on important and strategic issues facing the Group
- Providing a structure for the timely and accurate disclosure of information
- Ensuring the Board's strategies, objectives and decisions are implemented in a timely and effective manner
- Developing senior talent and succession planning
- Progressing in conjunction with the Chief Financial Officer and, where relevant, the Chair, the Company's communication programme with its shareholders
- Ensuring effective communication with shareholders, employees and other stakeholders, in order to understand their concerns and communicate issues to the Board
- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and Corporate Governance
- Safeguarding the reputation of the Group and managing the Group's risk profile
- Maintaining strong relationships with OEM customers

All Directors are expected to attend all meetings of the Board and any Committees of which they are a member and are expected to devote sufficient time to the Company's affairs to fulfil their duties as Directors.

Key Board roles and responsibilities

There is a clear division of responsibilities between the Chair and the Chief Executive Officer which is written and approved by the Board. The roles of the Chair and Chief Executive Officer are separately held and the role of each is clear and distinct. The division of responsibilities between the Chair and Chief Executive Officer is set out in written terms of reference which were adopted by the Board on 24 October 2017.

Board evaluation

The Nomination Committee initiated an externally facilitated annual review of the effectiveness of the Board and Committees in December 2021. This was undertaken by the third-party advisory firm, Lintstock (who have no connection with the Group, and are considered by the Board to be independent). The review was additional to the UK Governance Code recommendation requiring external reviews to be undertaken at least every three years.

The review was designed to follow-up on areas for development identified in last year's internal evaluation and to consider additional areas of Board and Committee performance with reference to relevant external guidance and best practice.

More details of the outcome of this review can be found in the Nominations Committee report on pages 84-85.

Senior Independent Director

The UK Corporate Governance Code recommends that the Board of Directors of a company with a premium listing on the Official List should appoint one of the Non-Executive Directors to be the Senior Independent Director to act as a sounding board for the Chair and to support him in the delivery of his objectives. The Senior Independent Director is also responsible for leading the Non-Executive Directors in monitoring and evaluating the performance of the Chair and being available to shareholders if they have any concerns which contact through the normal channels of the Chair, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or for which such communication is inappropriate. Tim Cobbold continues to serve as the Company's Senior Independent Non-Executive Director until AGM and his successor will be announced in due course.

The Audit & Risk Committee

The Audit & Risk Committee is comprised of three Independent Non-Executive Directors. The Audit & Risk Committee Chair is Jeffrey Vanneste who intends not to stand at the AGM but has agreed to stand for re-election if requested by the Board in order to provide the Company with additional time for an orderly transition. His successor will be announced in due course.

The main roles and responsibilities of the Audit & Risk Committee are set out in written terms of reference and are available on the Company's website.

Details of the Audit & Risk Committee's activities can be found in the Audit & Risk Committee report on pages 86-91.

The Remuneration Committee

The Remuneration Committee is comprised of three Independent Non-Executive Directors. The Remuneration Committee Chair is Tim Cobbold and his successor will be announced in due course.

The main roles and responsibilities of the Remuneration Committee are set out in written terms of reference and are available on the Company's website.

Details of the Remuneration Committee's activities can be found in the Remuneration Committee report on pages 92-114.

The Nomination Committee

The Nomination Committee is comprised of the Independent Chair, the Senior Independent Director and a Non-Executive Director. The Nomination Committee Chair is Manfred Wennemer who has decided not to stand at the AGM. His successor will be announced in due course.

The main roles and responsibilities of the Nomination Committee are set out in written terms of reference and are available on the Company's website.

Details of the Nomination Committee's activities can be found in the Nomination Committee report on pages 84-85.

The ESG Steering Committee

The ESG Steering Committee is comprised of two Independent Non-Executive Directors and the two Executive Directors. The ESG Steering Committee Chair is Elaine Sarsynski.

The main roles and responsibilities of the ESG Steering Committee are set out in written terms of reference and are available on the Company's website.

Details of the ESG Steering Committee's activities can be found in the ESG Steering Committee report on page 115.

Balance and independence

In accordance with Principle K of the Corporate Governance Code, the Board and its Committees have a combination of skills, experience and knowledge of the Group. The size, composition and length of service of the Board is kept under review by the Nomination Committee to ensure an appropriate balance of skills and experience is maintained.

The Code recommends, in the case of a FTSE 350 company, that at least half the Board of Directors (excluding the Chair) should comprise 'independent' Non-Executive Directors. The Board satisfies that recommendation and comprises the Non-Executive Chair, who is considered to be independent, two Executive Directors and seven Non-Executive Directors, of whom five are considered to be independent. The five Non-Executive Directors that are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement, are Julie Baddeley, Tim Cobbold, Elaine Sarsynski, John Smith and Jeffrey Vanneste.

As the Board composition changes over time and when evaluating candidates for Board membership, candidates are considered on merit, taking account of their relevant skills and experience as well as recognising the benefits of diversity including gender, nationality, ethnicity and age.

Disclosure of relationship agreement with Bain

Details of substantial shareholdings in the Company's ordinary share capital are set out in the Directors' report on pages 116-118.

On 25 October 2017, the Company entered into a relationship agreement with its largest shareholders, the funds managed by Bain Capital and BC Omega Holdco, Ltd. (the 'Bain Shareholders'). The principal purpose of the relationship agreement is to ensure that following the Company's Admission and Listing, the Company is able to carry on its business independently of the Bain Shareholders and that transactions and relationships between the Company and the Bain Shareholders are conducted at arm's length and on normal commercial terms. The Board confirms that the Company and, so far as it is aware, Bain Capital, BC Omega Holdco, Ltd. and the Bain Shareholders have complied with all of their respective undertakings and obligations set forth in the relationship agreement.

Under the relationship agreement, the Bain Shareholders have a right to nominate for appointment to the Board: (a) two Directors for so long as the Bain Shareholders and their associates' shareholding in the Company is equal to or more than 25%; and (b) one Director for so long as the Bain Shareholders and their associates' shareholding in the Company is equal to more than 10% but less than 25%. The terms of the appointment of these Directors under the relationship agreement does not specify the amount of time they are expected to devote to the Company's business. However, it is estimated they will commit a minimum of one day per month which is calculated based on the time required to prepare for attending Board and Committee meetings, and additional duties such as attendance at the Annual General Meeting and meetings with shareholders.

Length of appointment

Non-Executive Directors are appointed for terms of three years, subject to the particular Director being re-elected by shareholders, for up to the normal maximum of three terms (nine years).

Conflicts of interest

The Company's Articles of Association set out the policy for dealing with Directors' conflicts of interest and are in line with the Companies Act 2006. The Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Diversity

The Company's Diversity and Inclusion Policy confirms that the Company does not discriminate on the grounds of gender, age, ethnicity, sexual orientation, religion or belief, disability, gender reassignment, marital or civil partnership status, pregnancy or maternity, race, colour, nationality, political affiliation, socio-economic or veteran status. The policy notes the Company strives to make progress on diversity, equity and inclusion in its workforce and treats all associates with dignity and respect, and on a fair and equitable basis.

Training and development

In preparation for admission, all Directors received an induction briefing from the Company's legal advisers on the duties and responsibilities as Directors of a publicly quoted company. In addition, upon their appointment, all Directors receive an induction programme arranged by the Company Secretary, including plant visits to Germany and meetings with key members of senior management in order to familiarise themselves with the Group. Specific training on Directors' Duties and the new Corporate Governance requirements has been provided to new Board members by our legal advisers and refresher training was provided in 2021.

Information and support

To enable the Board to function effectively and to assist the Directors in discharging their responsibilities, full and timely access is given to all relevant information to the Board. In the case of Board meetings this consists of a formal agenda and a comprehensive set of papers including regular business progress reports. An established procedure is in place to ensure that such information is provided to Directors in a timely manner in advance of meetings. Specific business-related presentations are given by senior management when appropriate.

The Company Secretary works closely with the Chair, the Chief Executive Officer and the chairs of the Board Committees to ensure that Board procedures, including setting agendas and the timely distribution of papers, are complied with and that there are good communications flows between the Board and its Committees, and between senior management and Non-Executive Directors. The Company Secretary is also available to all Directors to provide advice and support, including facilitating induction programmes. All Directors are able to take independent professional advice at the Company's expense in the furtherance of their duties where considered necessary.

Election or re-election of Directors

At the forthcoming Annual General Meeting on 18 May 2022 all the current Directors, apart from Manfred Wennemer and, possibly, Jeff Vanneste, will be offering themselves for re-election and Julie Baddeley will be offering herself for election as she was appointed by the Board during the year.

Whistleblowing

The Company has established procedures by which employees may, in confidence, raise concerns relating to fraud, non-compliance or other illegal or unethical conduct in the workplace. The Whistleblowing Policy applies to all employees of the Group. The Audit & Risk Committee is responsible for monitoring the Group's whistleblowing arrangements and the policy is reviewed periodically by the Board. A new external provider has been engaged to provide a confidential approach with additional features and which is available globally.

Shareholder engagement

Prior to the IPO, the Company's shareholders comprised funds managed by Bain Capital and a number of members of management. As a result of the IPO, a larger shareholder base has developed. Investor relations activity and a review of the shareholder register are regular items in the Board information pack.

The Executive Directors regularly meet with a large number of investors and have active discussions with shareholders and investors, both on an individual basis and through roadshow events. The Company aims to maintain a constructive dialogue with key stakeholders, including institutional investors, to discuss issues relating to the performance of the Group, including strategy and new developments. The annual Capital Markets Event was held in April 2021 virtually. The Company has an investor relations website which is publicly available and provides relevant information to both institutional investors and private shareholders, including performance updates and announcements by the Company.

Annual General Meeting

The Company's Annual General Meeting (AGM) will take place on 18 May 2022. A separate notice convening the AGM is being sent out with this Annual Report and Accounts. Separate votes are held for each proposed resolution. All Directors attend the meeting. Details of the resolutions to be proposed and an explanation of the items of special business can be found in the circular that contains the notice convening the AGM and it will be available on our website with the proxy voting card for all shareholders.

Directors' duties – compliance with Section 172 of the Companies Act 2006

In accordance with the requirements of Section 172 of the Companies Act 2006, the Board seeks to promote the success of the Company for the benefit of its members as a whole and in doing so have regard for the interests of stakeholders including customers, employees, suppliers, regulators and the wider society in which it operates. A summary of considerations undertaken by the Board in accordance with Section 172 is set forth on pages 32-35.

Approved by order of the Board

Manfred Wennemer
Chair
14 March 2022

18 May 2022

Annual General Meeting
The Company's Annual General Meeting (AGM) will take place on 18 May 2022

Nomination Committee Report

Manfred Wennemer
Nomination Committee Chair

Nomination committee at a glance

Committee membership

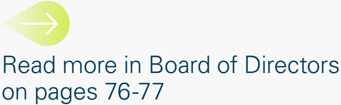
	Meetings attended
Manfred Wennemer (Chair)	4/4
Tim Cobbold	4/4
Stephen Thomas	4/4

Committee areas of focus

– Board composition
– Board appointments
– Board effectiveness

Committee highlights

– Support the nomination for appointment/re-appointment of Directors standing at the AGM 2021
– Nominate the appointment of Julie Baddeley as a new independent non-executive director
– Nominate the appointment of Hans Dieltjens as successor CEO
– Expand the Group's Executive Committee



Read more in Board of Directors on pages 76-77

Dear Shareholder,
On behalf of the Board, I am pleased to present the Nomination Committee's report for the year ended 31 December 2021 which will be my last report to you as Chair of the Nominations Committee and the Board. My successor as Chair of this Committee will be announced in due course and I hope I can introduce my successor to you at the AGM on 18 May 2022.

Board Composition

During the year, the Committee undertook a thorough review of the Board's composition, placing strong focus on succession planning and training development across all levels of leadership to ensure we have the strongest team to deliver the Group's purpose and strategy. The Committee leads the process for nominations to the Board, making recommendations based on achieving the appropriate size, mix of skills, knowledge, and experience to drive the strategic objectives of the business, aided by the results of the annual Board and Committee effectiveness process.

The Committee is confident that the Directors that comprise our Board, possess the necessary experience, perspective, diversity and skills to lead the Group. The Board will continue to engage with the business by focusing on product and technology strategy and sustainability supported by the ESG Steering Committee.

Terms of reference

The Committee reviewed its activities over the last 12 months against its terms of reference and confirmed that it had fully discharged its responsibilities in line with its remit. It has met formally twice. The Chair briefs the Board on key discussions and ensures that the papers and reports presented to the Committee are made available to all Non-executive Directors. The current Terms of Reference of the Nomination Committee, approved in October 2017 and confirmed as appropriate each subsequent year, are available to view on the Company's website.

Board appointments and inductions

Appointing a new Chief Executive Officer, following engagement with the Board and an outside advisor, Spencer Stuart (who have no connection with the Group, and are considered by the Board to be independent), we were pleased with the results of this process which validated the appointment of Hans Dieltjens on 18 October 2021. He has the experience, credentials and credibility in the automotive space that make him the right choice to be the next CEO of the Group.

In conjunction with our CEO change, the Group expanded its Executive Committee to nine members to further implementation of its strategy with the appointments of Stephanie Jett as Chief Commercial Officer, Johannes Helmich as Chief Technology Officer and Mark Sullivan, who succeeded Hans Dieltjens as Chief Operating Officer. The Executive Committee structure can be seen on our website.

A new independent non-Executive Director, Julie Baddeley, took up her position in August 2021, making an important addition to our skill set with her sustainability knowledge and Board experience. Her biography can be found on page 76.

Selection process for Chair of the Board

A special Chair Succession Committee of the Board, consisting of three Independent Non-Executive Directors,

was established to identify a successor Chair. Working with Spencer Stuart, the Committee assessed Tim's qualifications and concluded that Tim was ideally suited to serve as Chair given his experience and knowledge of the Group. Based on the Committee's recommendation, the Board appointed Tim to serve as Chair following the AGM on 18 May 2022.

Diversity
The Committee recognises the importance of diversity and remains committed to having a diverse Board. We are pleased that women now comprise 30% of our Board. We are committed to increasing the number of women on the Board in 2022. We are also committed to adding at least one ethnically diverse Director to the Board before then end of 2024.

Of course, diversity does not apply only to the Board but extends to the senior leadership team and beyond. As such, we are committed to support management to achieve a broader, more diverse senior leadership team while ensuring that promotions and appointments are made on merit and there is an appropriate balance of skills and experience at all levels of the organisation. To that end, widened search criteria were used to encourage a diverse set of candidates for senior leadership positions comprised of both internal and external candidates.

Women represented approximately 30% of the Group's total salaried workforce and 11% of the Executive Committee together with the CEO. 11 senior managers who report to the Executive Committee are women.

Board independence
The 2018 Corporate Governance Code requires that at least half the Board, excluding the Chair, should consist of Non-Executive Directors determined by the Board to be independent. Throughout the year the Board has been fully compliant on independence. At 31 December 2021, the Board was comprised of ten Directors, including the Independent Non-Executive Chair, the Senior Independent Director, four other Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM.

Board time commitment
Each Director is aware of the need to allocate sufficient time to the Company to discharge his/her responsibilities effectively and the Committee reviews this annually. In addition to time spent at Board and Committee meetings, the Directors participate in several Company-related events; details are set out on page 33.

Committee memberships
The Nomination Committee is currently comprised of the Independent Chair, Manfred Wennemer, the Senior Independent Director, Tim Cobbold and Stephen Thomas, a Non-Executive Director. Details of the skills and experience of the Committee members can be found in their biographies on pages 76-77. The Board will assess the most appropriate Committee membership to allow the Committee to operate effectively.

The other three Board Committees (Remuneration, Audit & Risk and ESG Steering) have members with the relevant expertise. They will continue to be reviewed to monitor proper alignment of individual Director's strengths and utilisation of their skills.

Annual Board and Committee evaluation
The Committee initiated an externally facilitated annual review of the effectiveness of the Board and Committees in December 2021. This was undertaken by the third-party advisory firm, Lintstock (who have no connection with the Group, and are considered by the Board to be independent). The review was additional to the UK Governance Code recommendation requiring external reviews to be undertaken at least every three years.

The review was designed to follow-up on areas for development identified in prior evaluations and to consider additional areas of Board and Committee performance with reference to relevant external guidance and best practice.

Overall, the results of the Board effectiveness review were very positive with progress identified in several key areas since 2020. The evaluation also highlighted a number of ongoing priorities for the Board which we look forward to progressing in 2022. An online confidential questionnaire was developed by Lintstock with collaboration with the Company Secretary to review the effectiveness and performance of the Board in conjunction with the Code principles. The following areas of focus were highlighted:

- Increasing the Board's diversity, particularly its ethnic diversity, was prioritised
- Maintaining appropriate understanding of new UK regulations
- Restarting plants visits and other engagement with the business once COVID-19 restrictions are lifted
- Increasing oversight of risk management processes and plans

Focus in 2022
The Nomination Committee plans to consider the areas listed below during the year ahead:
- review of the skills and independence of each of the Non-Executive Directors
- promote Board and Executive leadership
- management diversity
- recruit additional Non-Executive Directors to ensure the Board maintains a broad mix of market knowledge and relevant experience
- further review and development of succession planning
- track action to enhance areas of focus highlighted by the Board effectiveness process

As a Committee, we believe that our succession planning at both the Board and Executive levels has well positioned the Group for future success.

Manfred Wennemer
Nomination Committee Chair
14 March 2022

Audit & Risk Committee Report

Jeffrey Vanneste
Audit & Risk Committee Chair

Audit & Risk committee at a glance

Committee membership

	Meetings attended
Jeffrey Vanneste (Chair)	5/5
John Smith	5/5
Elaine Sarsynski	5/5

Committee areas of focus
- Quality and integrity of external financial reporting
- Risk management process assessment
- Effectiveness and performance of internal and external audit

Committee highlights
- Sponsored the pivoting of the internal audit function focus to effectiveness of internal controls over financial reporting
- Initial impact and gap analysis assessment of possible UK Governance changes and regulations
- Deep dive reviews of the Group insurance programme and Risk, Compliance and Reporting for the Group tax function
- Reviewed current status of Information Technology General Controls and proposed enhancement programme

Read more Principal risks and uncertainties on pages 57-60

Dear Shareholder,
I am pleased to present my final report as Chair of the Audit & Risk Committee which outlines the Committee's composition, main responsibilities, and key areas of focus during the year. 2021 was a year that saw the Committee, in addition to usual agenda matters, get deeper insights into Group Tax compliance and planning, spend time assessing the operation and construct of current groupwide Insurance programme as well as considering management's preliminary assessments on the potential impacts of the UK government's proposals on "Restoring trust in audit and corporate governance".

The core responsibility of the Committee continues to be to provide an independent oversight in relation to the integrity of financial reporting, the extent and effectiveness of internal financial controls and assurance processes, the monitoring of key risk management systems and processes and assessment of the effectiveness and independence of the Group's external auditors. This report covers the activities of the Committee throughout 2021 and up to the date of this report.

The terms of reference of the Audit & Risk Committee are available to view on the Company's website.

Membership of the Audit & Risk Committee

The Audit & Risk Committee comprises Independent Non-Executive Directors of the Company as set out in the table below. Brief biographical information on the members of the Audit & Risk Committee are listed on pages 76-77 including details of experience and competence relevant to the sector. The Company Secretary, who is also Chief Legal Officer, acts as Secretary to the Committee.

The Audit & Risk Committee is ordinarily scheduled to meet 5 times through the annual cycle and its agenda is linked to both the Group's external reporting timetable and the internal financial cycle. The Audit & Risk Committee invites the Chief Executive Officer and President, the Chief Financial Officer, the Group Controller and Vice President Risk and other senior finance personnel, together with other senior representatives of the external and internal auditors, to attend certain meetings. In 2021 the newly appointed Chief Operating Officer also attended the Committee meetings prior to his appointment as Chief Executive Officer in October 2021. The Committee, when necessary, will meet in private with the internal and external auditors without management present as part of the overall meeting structure. All other members of the Board have an open invitation to attend the meetings. As the Chair of the Committee, I had a number of private discussions with the lead external audit partner during 2021.

In 2021, consideration of the 2020 Post-Close Trading Statement was covered by a Group Board meeting in January 2021 rather than by the Committee. The consideration of the 2021 Post-Close Trading Statement was carried out by the Committee in January 2022. Following the 2021 year-end, the Committee met to review matters relating to the Group's 2021 Annual Report.

The role of the Audit & Risk Committee

The primary function of the Audit & Risk Committee, which has remained consistent with prior years, is to assist the Board in discharging its responsibilities with regard to the quality and integrity of financial reporting, risk management assessment and the performance and effectiveness of both external and internal audit, including:

- reviewing and monitoring the integrity of the Group's annual and interim financial statements
- advising on the appointment of the external auditors and overseeing the Group's relationship with its external auditors
- reviewing the scope and effectiveness of the external audit process
- reviewing the independence and objectivity of the external auditors
- reviewing and monitoring the extent of the non-audit work undertaken by the Group's external auditors
- making recommendations to the Board on accounting policies
- reviewing correspondence received and proposed responses to communications received from relevant UK regulatory bodies
- reviewing the effectiveness of the Group's internal control and risk management programmes
- monitoring the activities and effectiveness of the Group's internal audit function
- receiving reports from the Group's internal and external auditors
- making recommendations to the Board for a resolution to be put to the shareholders for the appointment of the external auditors, approval of their remuneration and terms of their engagement
- reviewing the adequacy and effectiveness of the whistleblowing and anti-bribery policy and procedures

Enhanced Committee activities in 2021

In 2021 the Committee had two specific meetings with management in addition to the standard cycle.

At a meeting led by the Group Tax Director we had an in-depth review of the tax landscape that faces the Group across all material tax areas, covering aspects of tax accounting, tax compliance and tax planning. In addition, we debated the Group's current tax risk appetite, the interplay between certain operational structures in the group and their intersection with available tax regimes, the tax audit environment, and the on-going level of tax reform across the major jurisdictions that the Group operates in. Time was also spent horizon scanning where we discussed the potential evolution of tax authorities focus on environmental matters as a source of incremental revenue for national governments as the challenges of climate change are tackled globally. The Committee was pleased to hear that Group is seen as a low-risk corporate, in the major territories, and has a good and uncontroversial tax audit record with no material adverse tax settlements.

The Committee welcomed the opportunity to gain a more detailed appreciation of one element of the Group's overall risk management approach when it received a presentation from management and the Group's, newly appointed, insurance broker on the mechanics and operation of the global Insurance programme put in place in 2021 through the annual renewal. Risk areas that received particular focus and discussion were Business Continuity (including property) risk, Cyber Security coverage and Directors & Officers liability coverage. An area briefly considered was the future possibilities for Product Recall Insurance and the potential use of an Insurance Captive operating model. The Committee was pleased to hear that both topics would be the subject of feasibility studies in 2022.

The effectiveness of UK external audit provision and enhancing the UK Corporate Governance environment has been subject to many recent reviews culminating in the publication of the UK Government's consultation "Restoring trust in audit and corporate governance". During 2021 the Committee has received 2 briefings from management on the overall consultation proposals, the potential impacts on the Board and the governance mechanics of the Group and the likely change programme that could be put in place. A significant element of these discussions has been on the possible impacts of operating within a regime necessitating a more formalised level of reporting on Internal controls over financial reporting. Whilst we await the final government response to the feedback that was received on the consultation Group management have already undertaken steps to facilitate whatever transition may ultimately be necessary. These steps include an initial controls compliance gap analysis, including controls over information technology systems, with the assessment being made assuming that COSO internal controls framework would be used and that reporting requirements similar to the US SOX regime will be needed. Internal financial controls refresher training has been provided to the finance community by the internal audit function with participation mandated and, with the Committee's full approval, the focus of the Group's internal audit function has been pivoted to focus, almost entirely, on internal controls over financial reporting. An enhanced fraud risk assessment and assurance programme is already under development which the Committee will monitor through 2022. As for most public limited companies in the UK the forthcoming likely governance regime changes will necessitate a robust and considered response from the Group and the Committee is re-assured that the Board has approved incremental investment, talent, and IT systems, in risk and compliance to meet new requirements as they arise.

Oversight of financial reporting

The Committee acts in an oversight role in respect of the Annual Report and other announcements with financial content, all of which are prepared by management. The Committee received reports on the Annual and Interim financial statements from management and the external auditor. The Auditor's report including a summary of key audit matters is set out on pages 122-129.

In line with its standing terms of reference the Committee, over the last 12 months, has:

- considered the significant accounting judgements and critical estimates made by management in preparing the Interim and Annual financial statements and agreed their appropriateness
- examined key points of disclosure and presentation to ensure the adequacy, clarity and completeness of the financial statements including ensuring that historical reporting and disclosure commitments given to the Financial Reporting Council in 2020 have been maintained
- reviewed the content of the proposed news releases issued in conjunction with half year and full year results as well as reviewing, on behalf of the Board, the quarterly Trading Updates issued in May 2021, November 2021 and January 2022, respectively
- discussed audit reports with the external auditors which highlighted key accounting matters and significant judgements in respect of each set of financial statements
- reviewed and discussed reports to support management's assessment of the going concern judgement and the viability statement set out on page 61 including management's extension of the length of time (now 5 years) the viability statement is considered

Throughout 2021 the Committee has continued to be mindful of the potential threats to financial reporting integrity posed by the impact of the global pandemic on the organisation. The Committee enquired and sought to understand the impact on resources levels in finance and non-finance and the necessary changes to working protocols arising from remote working, restructuring actions and COVID-19 levels across the organisation's sites. Additionally, the Committee has sought re-assurances from the external auditor that remote working continued to be factored into the external audit and review processes at both the half year and full year, including, but not limited to, accessing original documentation and meeting and sign-off procedures with management.

Significant accounting matters

The issues and judgements considered below were identified by the Committee as significant to the preparation of the 2021 Financial Statements

Key accounting judgement	Work undertaken
Goodwill and intangible assets impairment All cash-generating units ('CGUs') containing goodwill and intangible assets are tested for impairment annually. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs. Key judgements and estimates are involved in completion of impairment reviews including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets. Continued uncertainty about future automotive volumes, supply chain capacity and resilience, the impact of electrification trends including the rate of change, the extent and effectiveness of ongoing restructuring actions and possible strategic and operational impacts of climate change developments all necessitated judgement and estimation. Having recognised a material exceptional impairment charge in 2020, improvements in market conditions, forecast volumes and cash flow projections since then all necessitate consideration of the possibility of non-goodwill impairment charge reversals in determining the full year results.	As part of the annual impairment review, we considered a summary report from management explaining the methodology, assumptions, the results of the impairment test and comparative analysis with the impairment review conducted at the 2020 full year. We specifically reviewed the discount and growth rates used to calculate expected future cash flows at their present value ensuring appropriate consideration of inherent risk and geography had been factored in. Furthermore, we discussed the underlying future cash flow assumptions in the impairment assessments, understanding the changes from the half year. Additionally, our review considered the disclosures of key estimates and judgements in the financial statements along with the extent and appropriateness of sensitivities performed by management including potential climate change impacts and the extent of disclosures made. Specifically, our review challenged how management were comfortable that current projected cash flows did not represent a sufficiently sustained and prolonged position to warrant impairment reversals in some CGUs that had originally been recognised in 2020. The impairment reviews were also an area of focus for PricewaterhouseCoopers LLP and we considered their extensive work in this area. We were satisfied with the approach taken by management and concluded that the judgements and estimates used in the impairment assessment were reasonable and the conclusion of no further impairment or a reversal in 2021 was appropriate.

Key accounting judgement	Work undertaken
Deferred tax asset recognition and provision for uncertain tax positions The Group has a wide geographic footprint and is subject to tax laws in many jurisdictions. Provisions are made for uncertain tax positions which involve judgement and estimates by management as to the likelihood of their realisation. Recognition of deferred tax assets also involves judgement as to their realisation, including whether there will be sufficient taxable profits in future periods to support recognition.	We reviewed summary reports from management in respect of estimates of tax exposures to assess the reasonableness of the Group's tax provisions. Information provided has included specialist tax advice in applicable jurisdictions and updates on specific ongoing audits. The recognition of deferred tax assets was reviewed including the Company's assessment of the availability of future profits to support recoverability including the impact of continued future volume and trading uncertainties and consistency of forecasts with the impairment work. We ensured that a measured approach to recognition of deferred tax assets was taken by management in 2021 and importantly, that there was consistency between financial projections used for deferred tax asset recognition and those underpinning the group impairment review. PricewaterhouseCoopers LLP also reported to the Committee its findings in this area which have been reviewed and considered. The Committee was satisfied with the judgements, estimates and that disclosures were reasonable and appropriate.
Warranty provisions The Group is subject to warranty claims in the event that its products fail to perform as per specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims. Key judgements are made in calculating the provision and these are dependent on the customer, complexity of the issue and the negotiation process. The outcome of claims is often difficult to predict and quantify.	We considered the judgements made by management in assessing the likelihood and quantification of material exposures. This included: – understanding the nature of the specific claims or exposure, – assessing correspondence with and reactions of customers and regulators (e.g. NHSTA) – considering the impact of recall actions taken by customers – probing management's evaluation of the likelihood and quantum of exposure and the status of negotiations with the customer We obtained the external auditor's views in relation to the appropriateness of the approach taken by management. Taking into account the evidence presented and explanations given by management, we concluded that the judgements taken in respect of warranty matters were reasonable and appropriate.

The Committee is satisfied that the judgements made are reasonable and appropriate disclosures have been included in the Financial Statements.

Other financial reporting matters

Presentation of financial statements

The Board continues to use adjusted results as the measure of ongoing performance of the Group and its Divisions. This approach necessitates the exclusion of certain items of income or charge that are felt to distort comparability of performance. In considering the presentation of the 2021 financial statements the Committee re-assessed the appropriateness of the non-IFRS measures used by the Group and considered the extent and clarity of explanation supporting the use of these measures. The Committee was satisfied that the 2021 Annual Report disclosures were appropriate and a satisfactory balance between non-IFRS measures and statutory measures had been maintained.

New accounting standards

No new accounting standards were adopted in 2021. However, the Parent Company adopted Financial Reporting Standard 101 in the year.

External auditors

The Audit & Risk Committee are very aware that the effectiveness and independence of the external auditor is central to ensuring the integrity of the Group's published financial information.

During 2021, the Committee's engagement with the external auditor has mainly focused on:

- the review and approval of PricewaterhouseCoopers LLP's 2021 audit plan, terms of engagement and fee for the audit of the 2021 financial statements
- review of the independence, objectivity and effectiveness of PricewaterhouseCoopers LLP
- concluding a recommendation to the Board to reappoint PricewaterhouseCoopers LLP
- satisfying ourselves that the level of non-audit services provided by PricewaterhouseCoopers LLP was compliant with external regulation and internal policies
- understanding the regulatory changes impacting the 2021 external audit and the consequential fee implications of the extensive increase in work required

The Committee approved the proposed external annual audit plan and its scope at its meeting in November 2021. Our consideration of the plan involved an assessment of the size of entities covered and the level of risk associated with those entities. The Committee was satisfied that the proposed risk-based approach was appropriate and commensurate with the Group's risk appetite in respect of external audit assurance. The key audit matters identified by PricewaterhouseCoopers LLP are set out in its report on pages 88-89 and were reviewed by the Committee in approving the 2021 audit scope and plan.

In its annual assessment of the effectiveness of PricewaterhouseCoopers LLP, the Committee had regard to a number of factors which include but are not limited to:

- their feedback and insights on the Group's business, internal control systems and attitude towards control
- the planning process and final audit plan for the 2021 financial statements
- the quality of reporting to the Committee
- their performance during the 2021 half-year review process,
- insight provided to the Committee about the UK Government audit effectiveness and corporate governance consultation and anticipated outcomes
- feedback from senior management on the quality of engagement with them including the output, presented in April 2021, from the annual PwC Year-end audit questionnaire

In summary, the Committee considers both PricewaterhouseCoopers LLP and its audit processes to be effective. PricewaterhouseCoopers LLP have a good understanding of the Group and its businesses including the financial reporting and control challenges facing the Group. This understanding is accompanied by robust challenge of the significant judgements made by management.

Auditor independence and non-audit services

In order to ensure the external auditors' independence, the Committee annually reviews the Company's relationship with its auditors and assesses the level of controls and procedures in place to ensure the required level of independence and that the Company has an objective and professional relationship with PricewaterhouseCoopers LLP.

The Committee has received confirmation from PricewaterhouseCoopers LLP that they remained independent and objective within the context of applicable professional standards throughout 2021 and the duration of the 2021 audit appointment. Committee received explanations of the historical technical independence breach relating to unremunerated accounting preparation services provided to the Group's Canadian pension scheme. The Committee felt this breach was trivial and had no bearing on their overall conclusion.

In order to safeguard auditor independence the Committee has adopted a formal policy governing the engagement of the external auditor. This policy effectively limits the use of the external auditor to work that is specifically required by law or regulations to be carried out by the statutory auditor and is of an assurance nature only. All other non-audit services are considered on a case-by-case basis in light of prevailing regulations and ethical standards.

Any proposed non-audit service engagement has to be approved by the Group Controller & VP Risk on behalf of the Committee. Approval is only given if it is within acceptable financial parameters and confirmation has been received from PricewaterhouseCoopers LLP that the service does not contravene regulatory independence and ethical requirements. All non-audit service engagements with fees in excess of €0.2 million have to be approved by the Committee Chair before commencement. The only significant engagement of the external auditors for non-audit services during 2021 was in connection with the Group's 2021 Refinancing programmes; PricewaterhouseCoopers LLP fees for this project were €0.3 million. Details of all fees due to PricewaterhouseCoopers LLP in 2021 can be found in Note 33 on page 194 of the Financial Statements.

Having considered all factors the Committee has concluded that PricewaterhouseCoopers LLP remain appropriately independent.

Taking all matters of effectiveness, independence and objectivity into consideration, the Committee has concluded that it was appropriate to recommend to the Board of Directors the reappointment of PricewaterhouseCoopers LLP as the Company's auditors for 2022.

The Company confirms that it complied with the provisions of the Competition and Markets Authority's Statutory Audit Services for Large Companies Market Investigation Order 2014 for the financial year under review.

Internal control and risk management

The Group continued in 2021 to refine its processes and controls globally to reflect changes to its internal control framework.

The Group's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit & Risk Committee, in addition to review by the internal and external auditors. Control deficiencies identified are followed up with action plans that are reviewed by the Audit & Risk Committee. The Board has established policies and procedures, including delegations of authority, which have been communicated across the Group.

Internal Audit plays an important role in assessing the effectiveness of internal controls by a programme of reviews of key business risks across the Group. The Group has a dedicated Internal Audit function, and a formal audit plan is in place to address the key risks across the Group. The Audit & Risk Committee considers and approves the internal audit plan, which is based on an assessment of the key risks faced by the Group. Progress in respect of the plan is monitored throughout the year and care is taken to ensure that the Internal Audit function has sufficient resource to complete the plan. The audit plan may be reviewed during the year as a result of the ongoing assessment of the key risks or in response to the needs of the Group. The Director of Internal Audit reports ultimately to the Chair of the Audit & Risk Committee, although they report on a day-to-day basis to the Chief Financial Officer. A report on completed internal audits is presented to the Committee and, where appropriate, action plans are reviewed.

As noted earlier 2021 has seen a pivotal change in the focus of the Internal Audit function in preparation for the anticipated increase in regulatory focus on the quality and effectiveness of internal controls over financial reporting. Whilst in its formative stages initial audit findings have been that, whilst the risk of material error remains low, improvement actions in terms of documentation and review standards will be needed.

The system of internal controls is designed to manage, rather than eliminate the risk of failure to achieve business objectives and we can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a clear organisational structure with defined authority levels. The day-to-day running of the Group's business is delegated to the Executive Directors of the Group.

In executing the Committee's remit for monitoring the financial reporting process and for reviewing the effectiveness of the Group's system of internal controls, the Committee undertook the following review work:

- considered reports from Internal Audit on the outcomes of the 2021 Plan with particular focus on the quantum of deficiencies identified and the timeliness of remediation activities
- reviewed with the Head of Information Technology the initial assessment and gap analysis relating to the existence and strength of information technology general controls
- discussed the status and actions relating to control issues raised via the Group's whistleblowing hotline
- monitored the feedback from special project reviews performed by Internal Audit
- reviewed and approved the proposed Internal Audit plan for 2022
- discussed with the external auditor their findings and perspectives on the Group's internal control framework

The Board has overall responsibility for the Group's risk appetite and ensuring there is an effective risk management framework. The Board has delegated responsibility for review of the risk management programme and effectiveness of internal controls to the Audit & Risk Committee. Further information on the Group's the risks and uncertainties which are judged to have the most significant impact on the Group's long-term performance and prospects are set out on pages 57-60.

The Audit & Risk Committee has reviewed management's assessment of the Group's principal risks, the impact on the prospects for the Group and the mitigating actions, and the Board has confirmed that a robust assessment of the Group's principal risks had been undertaken. This assessment also included a discussion of emerging risks potentially facing the Group.

Other matters

During the year the Committee:

- received an overview report on the Group's Insurance 2021 renewal pricing
- reviewed and approved the Parent Profit and Loss Account for the year on behalf of the Board pursuant to compliance with s408 Companies Act 2006
- received update briefings on the implementation of the new Group-wide financial reporting system that went live in 2021
- reviewed the details of the Group's 2021 refinancing exercise, which included a new €600m Euro Bond, and approved the accounting treatments arising from the refinancing programme in particular the exceptional item disclosure treatment of irrecoverable unamortised fees relating to existing borrowings
- received the 2021 review report on the Group's cyber security arrangements
- reviewed the details of a North American pension annuity transaction, a continuation of the Group's on-going de-risking activities in relation to pension and other related obligations

Departure

As my tenure with the Group approaches its end, I would like to thank my Board and Committee colleagues and the numerous members of management I have had the pleasure of engaging with, for their support over the last 4 1/2 years. Whilst there are many challenges ahead in a changing governance environment, I am confident the TI Fluid Systems team will face them with the required tenacity and commitment and my successor, as Chair of the Audit & Risk Committee, will be well supported going forward.

Jeffrey Vanneste
Audit & Risk Committee Chair
14 March 2022

Statement by the chair of the Remuneration Committee

Tim Cobbold
Remuneration Committee Chair

Remuneration Committee at a glance

Committee membership

	Meetings attended
Tom Cobbold (Chair)	5/5
John Smith	5/5
Jeffrey Vanneste	5/5

Committee areas of focus
– Shareholder outreach
– Revamping measures to align with strategy
– Review of wider workforce alignment

Committee highlights
– Alignment with shareholder expectations and wider workforce
– Incentive measures aligned with business strategy in both ABP and LTIP
– Major step forward in prioritising sustainability initiatives in remuneration plan design

Read more Directors' report on pages 116-118

Dear Shareholders,
Over the past year, I was pleased to be able to continue the good work of my predecessor Andrea Dunstan and the rest of the Committee when I became Chair following the AGM in May 2021. My sense is that over the past couple of years we have made good progress in developing our remuneration approach and policy in ways that both address the expectations of shareholders and society more widely whilst attracting, retaining and incentivising a high-performance management team.

2021 proved to be another exceptional year with the ongoing impact of the COVID-19 pandemic which continued to provide significant challenges for all those (and their families) connected with the business. Throughout the year, health and safety have remained the overriding priorities for the business. COVID-19 challenges were compounded by the extraordinary supply chain issues that developed and grew in significance through 2021 (and will continue into 2022). Whilst these supply issues were commonplace in many industries, they were particularly acute in the automotive industry and had a significant impact on the operating performance of the business. Despite these challenges, the business reinforced its transition towards electrification with its "Take The Turn" strategy, detailing the path to benefit from the opportunities related to the automotive industry's transformation towards hybrid electric (HEV) and battery electric (BEV) vehicles. The Committee was mindful of these realities as it considered all aspects of remuneration throughout the year.

At the AGM in May 2021, both the new Remuneration Policy and the 2020 Remuneration Report were approved by shareholders. However, it was clear that a significant minority of the non-Bain shareholders had concerns over the Company's approach to Executive Remuneration. This was of serious concern to the Committee, mindful that in the ordinary course, the expectation is that Bain will progressively reduce their holding and that if concerns went unaddressed, this could lead to a majority of shareholders voting against the Company's remuneration approach. In the Committee's view, were that to happen, it would have the potential to materially damage the long-term interests of all stakeholders in the business. As a result, a significant effort was made to consult widely with shareholders during the year. I am pleased to say that following this consultation, I am now confident that the Committee has a much-improved understanding of the concerns of the "non-Bain" shareholders and, as a result, has made some significant changes to how the approved Remuneration Policy will be implemented in the future. More details on the consultation and the changes made as a result are provided later in this letter. During the consultation, it also became apparent that we could have explained the rationale for the remuneration approach more effectively, so the following sections of the letter aims to do just that.

Explanation and Rationale for TI Fluid Systems' Remuneration Approach
The Committee's approach to executive remuneration at TI Fluid Systems is based upon a sensitive appreciation of the industry context in which the business operates, the strategy of the business, the arrangements in place for the wider workforce, and an understanding of the remuneration expectations of shareholders and society more widely.

Shareholder & Societal Expectations

The Remuneration Committee recognises that, accelerated by the pandemic, society is changing and that the way the appropriateness of remuneration, especially for Executive Directors and senior management, is judged has become more demanding. However, the Committee also appreciates that whilst being conscious of societal developments, it has the responsibility to objectively establish what it believes is the proper remuneration structure for all stakeholders, given the industry in which the business operates and its position in that industry, even if that results in a position that is an outlier compared with UK-listed businesses with which its arrangements are usually compared.

The Committee also accepts that the environment in which we justify our remuneration practices is becoming more challenging, thus remuneration arrangements will be viewed more through the lens of equity with the wider workforce and shareholder experience than previously. The Committee understands that equity and fairness matter in the same way that business performance matters.

Industry Context

TI Fluid Systems is a Tier 1 (direct) automotive supplier to nearly all automotive manufacturers across the world. As we are all aware, the automotive industry is undergoing seismic changes as the climate change imperative drives a switch away from vehicles powered by internal combustion engines (ICE) towards hybrid electric (HEV) and battery electric vehicles (BEV). It is difficult to exaggerate the degree of change this requires of the automotive industry and its stakeholders and the consequential impact this is having on the automotive supply chain, in particular Tier 1 suppliers like TI Fluid Systems.

In the Board's view, the nature, significance, complexity, and magnitude of the change in the automotive market places a premium on building, retaining, and incentivising a high quality, globally experienced, performance-focused, and 'automotive savvy' management team to lead the business at this time of exceptional change.

The Remuneration Committee believes that the approach to the remuneration of the Executive Directors, the Executive Committee and the wider senior management group (approx. 300 leading employees) should reflect the demand for talent that this industry context demands.

Strategic & Business Context

"Take the Turn" Strategy

For TI Fluid Systems, the change in the automotive market is particularly impactful because although today a significant proportion of the Company's revenues and profits are generated from systems designed, engineered, and manufactured specifically for cars powered by ICEs, the extraordinary change in the market offers the Company very significant new opportunities. These opportunities are expected to be more than sufficient to offset the progressive reduction in ICE-related business because the fluid handling system requirements of both HEV and BEV vehicles are likely to be greater than the corresponding ICE vehicles they will replace. This is largely because Hybrid and Battery Electric Vehicles utilise large batteries, power-electronics and electrical drives which require a vast amount of cooling and heating to optimise performance. The Company's current and developing thermal management systems technology and manufacturing capability are well suited meet the expanding thermal needs of Hybrid and Battery Electric Vehicles.

It is the central task of the executive team to leverage the Company's existing market-leading position to maximise the current business, including optimising the performance of the ICE specific part of the business whilst simultaneously investing in new innovative products, skills, and technologies to transition the business to a market leadership position to support HEV and BEV vehicles. This, whilst respecting the Company's sustainability commitments, is the Company's Take the Turn strategy.

Implementation of the strategy is underway with approximately 47% of the Company's new business bookings relating to electrified vehicles, which includes all forms of Battery Electric Vehicles (BEVs) and Hybrid Electric Vehicles (HEVs), over the past two years. The Company's Take the Turn strategy focuses mainly on the importance of fully electric BEVs and Plug-in Hybrid Electric Vehicles (PHEV), the latter being the version of hybrid vehicles that offer the greatest impact to reducing emissions with much of the content necessary to produce BEVs. The business is now in the critical period to secure the early wave of major BEV and PHEV platforms which will deliver revenue and margin over the next decade as they come into production.

In the Remuneration Committee's view, the approach to remuneration should align with this crystal-clear strategic imperative and incentivise the management team to deliver on the very significant opportunities it presents whilst also maximising current business performance.

Automotive Tier 1 Talent Pool

As a global Tier 1 supplier, TI Fluid Systems' customers expect the same performance, capability, experience, strength, and quality of the Company and management as they do of all their other Tier 1 suppliers, the majority of which are much larger businesses (Robert Bosch, Continental, ZF etc.). Consequently, when recruiting (and retaining) senior management, the Company draws from the same automotive management pool as these larger businesses. In addition, like TI Fluid Systems, all of these businesses have a significant US presence and so, given the global nature of the industry, the automotive management pool is heavily influenced by US remuneration levels.

Accordingly, the Remuneration Committee has decided, particularly on quantum, that the business must be in a position to attract and retain high-quality individuals from this automotive management pool. The Committee is conscious that TI Fluid Systems is the only Tier 1 automotive supplier listed on the UK market, therefore this remuneration approach, particularly on quantum, is likely to mean that TI Fluid Systems may be an outlier in the UK market, in particular, when compared to FTSE 250 companies with a similar market capitalisation. It is the Committee's strongly held view that although this presents difficulties in comparison with others in the FTSE250, it is appropriate for this business and it makes sense for all stakeholders in the business.

Transition – Maximising today and delivering tomorrow
As TI Fluid Systems and the automotive industry are going through a period of change, there is inevitably a need to manage carefully the transition from ICE vehicles to HEV and BEV vehicles. The executive leadership of the business needs to make sure that short-term performance is maximised whilst at the same time future opportunities are secured with ongoing investment to lay the foundation for a long-term market-leading position in a growing HEV/BEV automotive world.

The Remuneration Committee has considered this carefully, conscious that both the structure of incentives and the design of the measures and targets should reflect the need to incentivise both the short term and the longer-term strategic priorities of the business.

Sustainability – TI Fluid Systems playing its part
TI Fluid Systems' underlying purpose helps the global effort to address climate change. The business' strategy is to use its skills, products, and technologies to positively affect the transition to electric vehicles and this is, without doubt, the most significant contribution the Company can make to a greener future.

However, the business recognises that, notwithstanding the purity of the strategy, how this is achieved matters too. The business has undertaken to reduce its Scope 1 & 2 CO_2 equivalent emissions by 37.5% by 2039 (on an absolute basis compared to 2019 baseline) which is consistent with the Paris Agreement and the Well Below 2 Degree scenario. In addition, the business will soon begin the process of collecting Scope 3 emissions data and expects to be in a position later in the year to begin to seek to reduce those emissions as well.

As an engineering and manufacturing leader the business recognises that there remains much to do to improve diversity in the business at all levels of the organisation and programmes are in place to do so. The Remuneration Committee feels it is important that the design of incentives reflect this sustainability imperative and that the focus for sustainability related incentives should be long term and wherever possible quantitative.

Wider Workforce Context

TI Fluid Systems employs approximately 25,600 people in 29 countries, in over 104 manufacturing facilities across the world. The overriding approach to remuneration is that it is fair and equitable. In a business as geographically dispersed and with such a wide range of skills and experience, finding the equitable approach to remuneration, which can be heavily influenced by local laws, regulations, customs, and practices, is not straightforward. To achieve this, experience has shown that for most aspects of remuneration, equity within the local (country) context is the most appropriate approach. However, a Group level policy-driven approach is applied in key areas, as detailed below.

Normal Pay Reviews
The general principle is that all employees, including Executive Directors, normally receive pay reviews annually, in line with the workforce in the country in which they are based. The Chair and Non-Executive Directors normally receive fee reviews in line with the wider workforce in the United Kingdom. Pay reviews are on occasion delayed pending clarity on business performance, but when this occurs, they are delayed across the business. Pay increases in excess of this general principle do occur when related to performance, promotion, increased qualifications, collective bargaining, and legal requirements. The Committee's approach is that Executive Directors (and the Executive Committee) are not normally treated more favourably than anyone else in the organisation, both in terms of timing and degree.

Annual Bonus Plans
The performance culture in the business is strong as it reflects the demands of the automotive industry. Approximately 300 senior leaders who have an influence or oversight of key areas of the business are eligible for participation in the same Annual Bonus Plan as Executive Directors. This ensures that key decision makers and influencers are aligned and have the opportunity to benefit from the success of the Company. Local Variable Bonus plans, which operate annually, are in place in a significant number of production plants covering many of the c20,000 production employees. Variable Bonus Plans are linked to performance at individual sites/factories aligning participants with factors they can directly influence. The merits or otherwise of extending Variable Bonus Plan participation further is being reviewed by management.

Long Term Incentive Plans – LTIPs
Approximately 65 individuals participate in the LTIP, with Conditional Share Awards granted on the basis of time and/or performance over a period of three years. The Committee believes, to best align with shareholders' interests and to properly incentivise the execution of the Company's strategy, Executive Directors' Conditional Share Awards are based exclusively on performance conditions. Other LTIP participants (below the Executive Directors) may have a portion of their Conditional Share Award based on continued employment (i.e. time only) through the performance period. This helps to ensures a level of outcome considering the greater volatility and demand for talent expected at a time of significant change in the industry. This LTIP strategy has certainly helped with the retention of key talent through the COVID-19 and chip shortage periods (which will have an adverse impact on the inflight performance based Conditional Share Awards) and, more importantly, will assist in ensuring a stable executive team to deliver the Take the Turn strategy. Going forward, the Committee intends to continue with this strategy which has proved successful in motivating both retention and performance through a period of industry transition.

Rationalisation of Facilities
It is a "business as usual" (and necessary) activity for the sizeable operating portfolio of the business to be refined and reshaped on an ongoing basis. Many, but not all, facilities are established to supply specific parts to specific vehicles, often on a just-in-time basis, over a number of years. Consequently, if the vehicle ceases to be produced or the business is lost when the vehicle is redesigned, action must be taken. As the progressive switch away from ICE vehicles to HEV/BEV vehicles in the industry takes place, the operating portfolio will be under ongoing review. The Committee is very aware of the impact on employees when a facility is closed or downsized and maintains oversight of the terms offered to satisfy itself that people are treated fairly and consistently across the business.

The Remuneration Committee recognises its obligations to maintain oversight over remuneration in the business as a whole and is confident that it has sufficient information on the wider workforce to make informed decisions concerning the remuneration of the Executive Directors and the Executive Committee.

Shareholder Consultation in 2021

Following the AGM in May 2021, the votes in favour of the Remuneration Policy and Remuneration Report were 75.34% and 76.18%, respectively. Given this outturn, and as required by the Code, the company consulted with shareholders to better understand the reasons for their voting decisions.

Consultation Process

The consultation was sincere and began in June 2021, shortly after my appointment as Chair of the Committee. Invitations to meet were sent to the Top 20 "non-Bain" shareholders, and I met with many of them in the period through to September 2021. The Remuneration Committee considered their concerns at the Remuneration Committee meeting in October 2021, and potential responses to the feedback from shareholders were considered. During October and November, these potential responses were evaluated further, and in December 2021, the Committee approved in principle significant revisions to the way the remuneration policy was to be implemented. I then wrote to the same shareholders in December 2021 to explain the Remuneration Committee's decisions in order to give shareholders the opportunity to comment on them. The revised arrangements described in this report reflect the decisions made in principle by the Committee in December 2021 which were approved formally at the Remuneration Committee meetings in February and March 2022 with some small modifications following shareholder comments. I consider this to have been a detailed and sincere consultation process in line with my commitment to maintain an open dialogue with shareholders and the requirement under the Code.

Results of the Consultation

As is not uncommon, there were a range of views expressed by shareholders with concerns and ideas about various elements of the Company's remuneration arrangements. However, notwithstanding the way votes were cast, it became clear during the consultation that the concerns expressed by shareholders were not centred on the Remuneration Policy itself (other than the overall quantum of variable pay). Shareholders recognised that significant steps had been taken to bring the Policy in line with best practices in many areas. The concerns expressed were focused much more on the implementation of the Policy.

There were three specific elements in the implementation of the Remuneration Policy that were common among those shareholders that had concerns (while many shareholders were content). Below I summarise these concerns and the steps the Committee and Management have taken to adequately address those concerns.

Quantum

Shareholder Concern

The overall incentive quantum was considered high relative to other FTSE 250 companies, though there was acknowledgement that pay is below comparable US-listed companies. The use of an 'outperformance' element on the LTIP was also highlighted as an unusual feature in the UK-listed environment. Shareholders were interested to know the remuneration arrangements for the new CEO and those related to the departure of the previous CEO.

Response to Concern

In responding to this concern, the Committee has taken steps to reduce the overall quantum of pay whilst retaining a level of reward and incentive commensurate with the needs of the business as explained earlier.

- Hans Dieltjens, the new CEO's, contractual salary has been set at €809k (€1=$1.18), 16% lower than his predecessor.
- In addition, in view of the difficult business environment during 2020 and through 2021, the new CEO contractually agreed that his salary in 2021 and 2022 would be set at a discount (to his contractual salary) of 11%, at €720k in 2021, and nearly 6%, at €764k in 2022 (€1=$1.18), 25% and 21% respectively below his predecessor. Shareholders should note that as a result of unwinding the discount to the CEO's salary in 2022 and 2023, the salary he receives may effectively increase at a greater rate than the general increases for the wider workforce. This reflects that the CEO has voluntarily agreed to discount his contractually agreed salary until 2023. For the avoidance of doubt the CEO will not be eligible for any increase in base salary above his contractually agreed salary of €809k until 1 January 2024.
- In addition, whilst the new CEO's annual bonus opportunity and LTIP award will remain at 300% of salary (in line with his predecessor), the LTIP "Outperformance" award of 100% of salary has been removed and will no longer be offered to the current CEO.

These reductions follow similar reductions made on the appointment of Ronald Hundzinski (CFO) where base salary was reduced 8% and ABP maximum opportunity was reduced from 300% to 250%, and the outperformance measure of the LTIP was eliminated, compared to his predecessor.

Both the multiplicative/compounding nature of base salary changes and the reductions in variable pay opportunity outlined above represent a significant reduction in maximum overall quantum for both Executive Directors, compared with their predecessors, directly addressing the shareholder concern.

Pay for performance

Shareholder Concern

Whilst shareholders supported the Committee's use of discretion to reduce the formulaic bonus outturns for FY20, there was, nevertheless, a perceived disconnect between pay levels and Company performance in 2020.

Response to Concern

The concerns expressed by shareholders centred on the Annual Bonus payout in 2020 and to some degree reflected the remuneration decisions made during the 'COVID-19' year. The Committee understands this and will continue to take a rigorous approach to setting stretching performance targets, as it did for the 2021 ABP and 2021 LTIP. Ultimately the relationship between pay and performance can only be properly assessed at the end of each financial year, and the Committee undertakes a detailed review of outturn related to performance (and the outturns for the wider workforce).

- The Annual Bonus outturn in 2021 at 37.4% of maximum for the Executive Directors is significantly below that of the prior year, even though the Company's adjusted EBIT margin was better than in 2020. Full details are provided on page 105.
- The 2019 LTIP, which matures in 2022 on the basis of performance in the three years to December 2021, delivered a return of 13.4% of maximum, reflecting the overall market challenges the Company (and many other businesses) faced in 2020 and 2021. As an aide-memoire, the 2018 LTIP lapsed in full, reflecting the extraordinary market challenges in 2020 particularly.

Notwithstanding the concerns caused by the 2020 Annual Bonus Outturn, the evidence supports a good alignment between the performance of the business and the rewards awarded to the Executive Directors, which the Committee is committed to maintaining.

Performance Measures

Shareholder Concern

Shareholders expressed a clear dislike of the use of a cash flow measure in both the ABP and the LTIP and were interested in how the Committee intends to reflect sustainability imperatives in future incentives. Shareholders were also keen that the remuneration framework aligns more appropriately with the business' strategy.

Response to Concern

The Remuneration Committee's approach to remuneration in the business has been fully explained earlier in this letter so that shareholders may be able to better relate the remuneration framework to the business' strategy. The Committee has also revised the performance measures to be used in 2022 (and expected to be used beyond 2022) for both the ABP and the LTIP to align them more closely with the strategy and expectations of shareholders.

- **Annual Bonus:**
  - **50%** of the opportunity will be based on **BEV/PHEV bookings** in line with the Company's Take the Turn Strategy – this has been increased by 25% points from 2021 to reflect their strategic importance.
  - 50% of the opportunity will be split equally between Adjusted EBIT margin and Adjusted Free Cash Flow, reflecting the importance of maximising current performance and managing profitability and cash through the period of transition.
- **LTIP:**
  - **50%** of the opportunity will be based on **Adjusted Return on Capital Employed (ROCE)**. This measure was selected as the management of returns on capital, through the industry transition to electric vehicles, is seen as critical to the successful deployment of the strategy. It complements the significant proportion of the annual bonus aligned to BEV/PHEV bookings by rewarding an ongoing, long-term attention to margin through the transition and beyond. The calculation of ROCE is explained on page 112.
  - **25%** of the opportunity will be based on **relative TSR** with performance compared to an automotive comparator group, replacing the comparison to the FTSE 250 (excl Investment Trusts) that has been used hitherto. This automotive comparator group is defined on page 113. The Committee, bearing in mind that the business' regular reporting of performance versus the automotive build (per IHS) is valued by shareholders, made this change as it increases alignment to both the business strategy and to what shareholders value whilst retaining the alignment to the shareholder experience that relative TSR provides.
  - **25%** of the opportunity will be based on two sustainability measures as follows:
    - 15% will be based on **Scope 1 and 2 CO_2(e) emissions reduction** from 2019 baseline expressed quantitatively with the targets prospectively announced (see Remuneration in 2022 below) and
    - 10% will based on the Company's **relative Social Quality Score** determined and assessed independently by ISS.

This decision to allocate a significant portion of the long-term incentive to sustainability favouring the quantitative environmental measure and the quasi-quantitative Social measure was made in collaboration and with the approval of the Group's ESG Steering Committee. The inclusion of Scope 1 & 2 emissions reduction is in line with specific long-term public commitments made to many of our customers and therefore is well aligned to the business imperative. The Committee is aware that 25% of the long-term incentive allocated to sustainability is at the "high end" of expectations but felt this was appropriate because it aligns directly with the overall role of TI Fluid Systems in helping the automotive business through the transition away from fossil fuels. The Committee was insistent, however, that the measures used should be quantitative and/or independently assured to provide confidence that genuine progress had been delivered and that the targets were suitable challenging.

Conclusion of the Consultation

The decisions taken by the Committee in light of the consultation have resulted in a significant revision to the way the remuneration policy is implemented, however, they have also been made in the knowledge that the arrangements will mean that TI Fluid Systems will remain an outlier in the UK listed market for a business of its size. The Committee strongly believes that the arrangements are the right ones for all stakeholders, and I very much hope that shareholders will be able to support the Committee. The Remuneration Report this year includes enhanced disclosures and greater context for the remuneration structures and outturns to help shareholders provide that support.

Remuneration Outcomes in 2021

The business ended 2020 in a financially robust position, having reconfirmed its dividend policy and announced a resumption in dividend payments to shareholders. That said, as the business entered the second quarter of 2021, there remained considerable uncertainty from the ongoing pandemic and the signs of emerging supply chain issues as demand recovered. As we are all aware, the concerns proved justified, and 2021 turned out to be in many ways as difficult a year as 2020 had been. This reality affected the performance of the business which, though much improved over 2020, remained below the 2019 level and so impacted the remuneration outturns for the Executive Directors, senior management, and the wider workforce.

Annual Salary Reviews

Given the extraordinary market environment in 2020, the Company opted to provide one general pay increase to its employees covering both 2020 and 2021. This increase was applied to all employees including the former Chief Executive Officer in December 2020 and the Chief Financial Officer in January 2021.

Annual Bonus

The Annual Bonus targets for Executive Directors in 2021 were based upon adjusted EBIT margin (35% weighting), Adjusted Free Cash Flow (40%), and Thermal bookings (25%). The targets were set in March 2021, and no adjustments were made to these targets.

The adjusted EBIT margin for the year of 7.0% was 0.9% points higher than achieved in 2020 (at budgeted FX rates), reflecting significant improvement over the year despite increased COVID-19 and supply challenges. Adjusted free cash flow was €109m, €32m lower than in 2020, resulting in no payout for the measure as the achieved level was below Threshold. Thermal booking performance, which was strong through the year and exceeded €1.2bn, was approximately 37% higher than the prior year. These results yielded a ABP award of 12.4%, 0% and 25% for adjusted EBIT margin, adjusted free cash flow and Thermal bookings respectively and 37.4% of maximum for the overall ABP award. In approving this level of payout, the Committee noted that at this level;

- The outturn demonstrates a robust alignment of pay and performance. The award level of 37.4% of maximum compared with the 75% in respect of 2020, despite a stronger adjusted EBIT performance.
- The payout for the Executive Committee will be in line with that of the Executive Directors while awards for all other ABP participants will be based on the award level for the Executive Directors but subject to merit based adjustments arising from an assessment of personal performance.
- That for the considerable number of employees eligible for variable pay awards, their payout will be in the range 15% – 100% of maximum with an average 59% of maximum, ahead of the award to Executive Directors.

As a result, the bonus for 2021 for William Kozyra, Hans Dieltjens and Ronald Hundzinski will pay out at 37.4% of maximum (apportioned for the time in office). These 2021 ABP awards amount to less than one-time base salary, yielding a payment in cash, with no portion deferred to shares, in line with the Remuneration Policy.

LTIPs

The 2019 LTIP award, which vests in 2022, is 80% based on growth (CAGR) in adjusted earnings per share (EPS) in the period 2019 -2021, and 20% based on total relative shareholder return (TSR) over the three years to December 2021.

Largely due to automotive production volume shortfalls, COVID-19 and supply chain issues, there was no growth in adjusted EPS in the period so there was no vesting related to this portion of the LTIP. Relative TSR performance in the period was below the upper quartile resulting in 67% of this element vesting. As a result, 13.4% of the award vested for the Executive Directors and other members of the senior management team.

Overall

The Committee carefully considered the extent to which the overall remuneration outturn for Executive Directors, taking the Salary Review, Annual Bonus Plan, and 2019 LTIP outturns together, reflected the substantive performance of the business and both the shareholder and employee experience in the year. The Committee was satisfied that the overall outcome was fair, appropriate, and proportionate, and in line with the pay culture and approach at TI Fluid Systems. Full details of the targets and performance against those targets for both the Annual Bonus Plan and the 2019 LTIP are set out on pages 105-107.

CEO retirement

During the year, the Committee has also considered the remuneration arrangements for the outgoing CEO, Bill Kozyra. It was decided he should be treated as a good leaver given the planned and managed approach to succession to which he proactively contributed and, in particular, the extensive and constructive period of handover to Hans Dieltjens. The terms of his departure, which were wholly in line with his contract, approved at the time the business was floated, include the non-time proration (but subject to performance conditions) of his outstanding LTIP awards. The Committee is aware that this is not acceptable under current practices and this term was not replicated in the new CEO's contract, but the Committee felt that it was legally obliged to respect the contractual term, conscious it had been approved by shareholders at the time of the IPO.

Remuneration in 2022

As is detailed comprehensively above, the structure of remuneration in 2022 has been revised to reflect the concerns expressed by shareholders.

Annual Salary Reviews

Given the very significant supply-related issues that are currently affecting the automotive industry, all salary increases have been deferred until 1 April 2022. This applies to everyone in the Company including the Chair, Non-Executive Directors, Executive Directors, and the Executive Committee. Any increases required by law or contractually committed will be respected. The contractually agreed reduction in salary discount for Hans Dieltjens was applied on 1 January 2022. Salary/fee increases to be made for the Directors, including the Chair, in 2022, are in line with the wider workforce.

Annual Bonus

The maximum opportunity for Hans Dieltjens and Ronald Hundzinski will be at 300% and 250% of base respectively. Performance will be assessed against three measures as detailed below with, for all three measures, 30% of the opportunity payable for threshold performance and 50% for target.

- 50% of the opportunity is based on **BEV/PHEV bookings** with targets set requiring outperformance versus the market growth for BEV/PHEV platforms. Appropriate processes and measures are in place to ensure that the booked margins are in line with the strategic plan.
- 25% of the opportunity is based on **Adjusted EBIT Margin** with targets based on the plan for the year, but set at a level that requires significant year on year growth.
- 25% of the opportunity is based on **Adjusted Free Cash Flow** with targets based on the plan for the year, but set at a level that requires significant year on year growth.

In accordance with the Remuneration Policy, any payout to the Executive Directors in excess of 100% of base salary will be deferred in shares if shareholding guidelines have not been met. If the guidelines have been met, no bonus will be deferred in shares.

Executive Directors will be invited to participate and must agree in writing to all the conditions pertaining to the Annual Bonus Plan, including those relating to the post-cessation of employment shareholding arrangements that will apply to any bonus deferred in shares.

LTIPs

The maximum opportunity for Hans Dieltjens and Ronald Hundzinski will be 300% of base. The outperformance opportunity, which has historically been afforded to the CEO has been removed. As explained earlier as a result of the shareholder consultation, the structure of the 2021 LTIP performance measures and conditions has been revised as follows. For all three measures, 25% of the opportunity is payable for threshold performance.

- 50% of the opportunity is based on growth in the three year average **Adjusted Return on Capital Employed** with performance assessed against the latest long-term plan for the business, with targets set at a level requiring double digit growth (CAGR) in adjusted EBIT over the period. The definition of Adjusted Return on Capital Employed (ROCE) is outlined on page 112.
- 25% of the opportunity is based on **Sustainability Performance** split between Scope 1 and 2 CO_2(e) emission reduction from 2019 (15% of opportunity) and improvement in relative ISS Social Score (10% of opportunity).
- 25% of the opportunity is based on **relative TSR** – in line with market standards for this measure, the maximum outturn will be achieved if TSR is in the upper quartile compared with a high quality automotive peer group (versus prior year's comparison to the FTSE250) the composition of which is provided on page 113.

These Awards will be made in the normal course following the publication of the results and will be made subject to Executive Directors agreeing in writing to all the conditions under which awards are made, including the post-cessation of employment shareholding arrangements that will apply to these awards.

Wider Workforce Matters

The pay culture in TI Fluid Systems emphasizes equity in the performance-driven environment which is a prerequisite to be successful in the industry in which it operates and to meet the demands of the customers it serves. To manage the potential tensions between equity and performance and to establish organisational fairness, clear standards on pay are established in each of the countries in which the business operates. These standards, which are subject to ongoing review by the Remuneration Committee as part of its oversight of remuneration across the business, aims to ensure that pay levels are fair, legal, and competitive in the countries in which employees are based. This approach helps ensures equity most effectively whilst allowing a performance-driven environment to prosper. It also ensures that rates of pay align with government mandates on low pay. Furthermore the lowest wage rate paid in each country is above the government published living wage or estimated living wage where an official living wage is not available. It reflects well on the senior executive management of the business that there is both leadership from and commitment to this approach from Hans Dieltjens, Ronald Hundzinski, and the rest of the Executive Committee, who I know are keen to see TI Fluid Systems develop in this area.

The Committee reviews remuneration outcomes, particularly those for the significant proportion of people who participate in variable pay plans linked to performance. These reviews help ensure there is equity across the organisation in terms of the level of opportunity as well as providing a framework against which potential variable pay outturns for the senior personnel, including those that are the Committee's direct responsibility, specifically Executive Directors, can be assessed for equity.

During the year, the Committee has broadened and deepened the nature of its review of pay across the organisation, particularly with regard to discriminatory factors. Whilst the Committee has seen no evidence of deliberate or wilful discrimination, the Committee's reviews have established cases where further investigation is warranted to properly understand underlying trends and potential causes as well as to identify corresponding remedial actions as necessary. This increased focus will continue into 2022, and more details will be provided in the Remuneration Report in 2023.

Overall, the Committee's remuneration related decisions have been taken in reflection of the wider workforce and the Committee is satisfied that they are fair and equitable.

Remuneration Adviser

During the year, we continued to work with Deloitte LLP as our adviser on remuneration matters. The Committee reviewed the performance of Deloitte during the year and were satisfied with the support and advice provided, particularly in assisting with the response to the shareholder consultation.

Ongoing Engagement with Shareholders

Since assuming the role of Chair of the Remuneration Committee, I have been keen to maintain a high level of engagement with shareholders. As recorded above, we consulted extensively with our major (non-Bain) shareholders in response to the voting outturns on remuneration matters at the AGM in May 2021.

It is my intention that this higher level of engagement continues to maintain an ongoing and transparent dialogue with our major shareholders. The inherent challenge with such consultations is that shareholders have differing opinions on specific aspects of remuneration, especially at a time that executive remuneration has never been under greater scrutiny. Nevertheless, all these opinions are valuable and combined with the feedback from the proxy agencies, do inform the Committee's decision-making. Together with the rest of the Committee, I seek to navigate a path that delivers remuneration approaches that we are sure are right for the business in the long-term and are recognised and supported as such by a significant majority of our shareholders.

So, I am grateful to shareholders for contributing to these consultations and trust they recognise our willingness to both listen to and act on the views they express.

Committee Composition

Andrea Dunstan resigned as a director and Chair of the Remuneration Committee at the AGM in May 2021 upon which I succeeded her as Chair of the Committee.
There were no other changes to the Committee during the year however, it was announced on 25 January 2022 that Manfred Wennemer will be stepping down as Chairman of the Board at the AGM in May 2022 and that I will replace him. Additionally, on 6 December 2021, it was announced that Jeff Vanneste intended to step down from the Board, and the Committees on which he serves, including the Remuneration Committee, at the AGM in May 2022 although he has agreed to stand for re-election if requested by the Board in order to provide the Company with additional time for an orderly transition.

As a result of these changes, before the AGM in May 2022, a new Chair of the Remuneration Committee and an additional independent non-Executive director will be appointed to the Committee.

Although this level of change is not ideal, I am confident that once the changes have been made, the Committee will have an improved experience base upon which to draw and be even better placed to fulfil its duties.

Committee Performance

In accordance with good governance, the Committee evaluated its performance during 2021. It is pleasing to report that the Committee is regarded as operating effectively and to a high level despite the challenging nature of the Committee's work this year. As is usual, we did identify some opportunities for improvement which we will pursue during 2022. The Committee also reviewed its performance against its Terms of Reference and concluded that it had fulfilled them during the year and that the Terms remained applicable.

Tim Cobbold
Chair of the Remuneration Committee
14 March 2022

Implementation of remuneration policy

Remuneration in brief

The table below summarises the Director's Remuneration Policy, the remuneration outcomes in respect to 2021, and the implementation of the Policy for 2022.

<table>
<tr><th>Element and Overview of Policy</th><th>Outcomes in respect to 2021</th><th>Implementation for 2022</th></tr>
<tr><td>Base Salary
Set at a level that is market competitive to attract and retain executives and at a level that reflects an individual's experience, role, competency, and performance.</td><td>A 5% increase in annual base pay, which was in line with the range of increases awarded to the US workforce, was approved for the CFO and implemented on 1 January 2021. No base pay increase was awarded to the CEO during the year.

Hans Dieltjens was appointed as CEO on 1 October 2021 with a base pay of €809k. For 2021 Mr. Dieltjens volunteered to reduce this by 11% to €720k.

Annualised salaries for 2021 were as follows:

<table><tr><th>Executive Director</th><th>2021 €000</th><th>Increase In Salary</th></tr><tr><td>William Kozyra</td><td>962</td><td>Nil</td></tr><tr><td>Hans Dieltjens</td><td>720</td><td>Nil</td></tr><tr><td>Ronald Hundzinski</td><td>534</td><td>5%</td></tr></table>€1 = $1.18</td><td>A 3% increase in annual base pay, which was in line with the range of increases awarded to the US workforce, was approved for the CFO and will be implemented on 1 April 2022.

The CEO will not receive an inflationary salary increase and has volunteered that his full salary of €809k will be reduced by c.6% to €764k for 2022.</td></tr>
<tr><td>Benefits
Provide benefits packages in line with practices relative to the Company's wider workforce and the Company's comparator group in the country in which the Executive Director resides.</td><td>Access to health insurance, vehicle, and perquisite allowance.</td><td>No change for 2022. Benefits remain in line with the Remuneration Policy.</td></tr>
<tr><td>Pension
Normal matching defined contribution retirement savings plan.</td><td>Total matching contribution up to the 401k tax deferral limit, resulting in Company matching contributions in respect to services as an Executive Director as follows:

<table><tr><th>Executive Director</th><th>Amount €000</th></tr><tr><td>William Kozyra</td><td>11</td></tr><tr><td>Hans Dieltjens</td><td>3</td></tr><tr><td>Ronald Hundzinski</td><td>11</td></tr></table>€1 = $1.18</td><td>No substantial changes for 2022. Pensions remain in line with the Remuneration Policy and in line with the wider workforce in the US, which are below typical pension provisions in Europe.</td></tr>
</table>

Element and Overview of Policy	Outcomes in respect to 2021	Implementation for 2022
Annual Bonus Plan (ABP) Annual incentive of up to 300% of base pay based on financial and strategic targets measured over a one-year period. Until shareholding guidelines are met, the Committee may use its discretion to pay up to the first 100% of salary in cash, with any element above 100% of salary deferred into ordinary shares and subject to a holding period of two years.	Maximum opportunity for the CEO and CFO of 300% and 250% of base pay respectively. Following the end of the financial year, the Committee considered management's performance relative to the measures and targets set in the 2021 ABP. Despite industry automotive build volumes, which were far below expectations, management's performance achieved solid results, particularly in regard to Adjusted EBIT Margin, which was better than the prior year and somewhat lower adjusted free cash flow versus prior year, with similar revenue levels. Following this review, the Committee determined that Executive Directors would receive a 2021 ABP awards of 37.4% of maximum, with further details outlining specific below and on pages 105-106:	Maximum opportunity for the CEO and CFO of 300% and 250% of base pay respectively. Reflecting this transitional time in the automotive industry, with its accelerated shift to electric vehicle propulsion systems, the strategic element of the Company's 2022 ABP has an increased weight of 50% (up from 25% in the prior year) while both Adjusted EBIT Margin and Adjusted Free Cash Flow measures are equally weighted at 25%. The Company's Strategic Initiative in 2022 relates to the achievement of new business wins in customer BEV and PHEV related platforms, which will set the foundation for long-term success as the automotive industry continues its seismic transformation. The table below summarizes the measures and weightings of the Company's ABP in 2022:

Measure	Weight	Achievement
Adj. EBIT Margin	35%	12.4%
Adj. Free Cash Flow	40%	0%
Strategic Initiative	25%	25%
Total	100%	37.4%

Measure	Weight
Adj. EBIT Margin	25%
Adj. Free Cash Flow	25%
PHEV/BEV Bookings	50%
Total	100%

Element and Overview of Policy	Outcomes in respect to 2021	Implementation for 2022

Long Term Incentive Plan (LTIP)

Element and Overview of Policy

Annual share award of up to 300% of base pay. Vesting is subject to performance conditions measured over a three-year period; with an opportunity to earn up to a further 33% of the maximum award for outperformance (up to 400% of base salary in total). Awards are subject to a post-vesting holding period of two years.

Outcomes in respect to 2021

In 2021, a grant of conditional shares was made to the Executive Directors as follows:

Executive Director	Position	% of Salary
William Kozyra	CEO	300%(1)
Hans Dieltjens	CEO	300%(2)
Ronald Hundzinski	CFO	300%

The performance conditions under the 2021 LTIP are as follows:

Measure	Weight
Adj. Free Cash Flow	60%
Sustainability Performance (3)	20%
Relative TSR Rank vs FTSE250	20%
Total	100%

(1) The then CEO, Mr. Kozyra, was granted an additional 1x base salary for significant outperformance of the Adjusted Free Cash Flow measure.
(2) Mr. Dieltjens' annualised award of 300% of salary was prorated in respect to his services as CEO.
(3) Sustainability Performance will be measured against relative improvement on Environmental "E" and Social "S" scoring as measured by ISS against a benchmark.

Implementation for 2022

In 2022, the Committee intends to make conditional share grants of 300% of salary for both the CEO and CFO.

The current CEO, Mr. Dieltjens, has voluntarily forfeited LTIP grants for outperformance valued at 1x base salary in an effort to recognise the UK remuneration environment.

Performance measures for the 2022 LTIP are intended to be:

Measure	Weight
Adj. Return on Capital Employed	50%
Sustainability: ISS Social Score (1)	10%
Sustainability: CO_2(e) Emission improvement (2)	15%
Relative TSR Rank vs auto peers (3)	25%
Total	100%

(1) Sustainability Social performance will be measured against relative improvement on Social "S" scoring as measured by ISS against a benchmark.
(2) CO_2 equivalent emission improvement will be measured against 2019 levels.
(3) Relative TSR Rank will be measured against automotive peers described on page 113.

Shareholder Guidelines

Element and Overview of Policy

Executive Directors are required to build up and hold a shareholding equal to 500% of base and 400% of base for the CEO and CFO, respectively.

Outcomes in respect to 2021

The following table outlines the shareholding levels of Executive Directors as of 31 December 2021:

Executive Director	Ownership guideline as a percent of salary	Shares owned as a percent of salary
William Kozyra	500%	2,565%
Hans Dieltjens	500%	479%
Ronald Hundzinski	400%	341%

Implementation for 2022

Shareholding guidelines will apply in accordance with the Remuneration Policy.

The full Remuneration Policy, approved on 13 May 2021 at the 2021 Annual General Meeting, can be found in the 2020 Annual Report on our website at www.tifluidsystems.com in the Investor Relations section, under Reports and Presentations.

UK corporate governance code and shareholder consultation

During the review of the Remuneration Policy, the Remuneration Committee considered a wide range of factors, including the views of guidance from UK proxy bodies and institutional shareholders and the provisions of the UK Corporate Governance Code. The following table summarises how the Remuneration Policy and its operation addresses the factors set out in the UK Corporate Governance.

Factor	Source of consideration	Details
Clarity	UK Corporate Governance Code	The Remuneration Committee is mindful of operating a Remuneration Policy that is transparent and clear for both shareholders and participants.
Simplicity	UK Corporate Governance Code	We operate a standard UK incentive structure which is appropriately aligned to our strategy and which has been designed to avoid complexity.
Risk	UK Corporate Governance Code	Performance measures and targets are aligned with the Group's strategy with appropriate regard to the risk appetite of the Group. In addition, our Policy has a number of features to mitigate excessive risk-taking, including LTIP holding periods, recovery provisions, and significant shareholding guidelines which extend post-departure.
Predictability	UK Corporate Governance Code	Our Remuneration Policy provides four illustrations of the application of the Policy. Payments are directly aligned to the performance of the Group and the Executive Directors.
Proportionality	UK Corporate Governance Code	Targets under the ABP and LTIP reflect the Group's strategic priorities and have been set at an appropriate level so that full payout requires exceptional performance.
Alignment to Culture	UK Corporate Governance Code	The Remuneration Policy has been designed to support a high-performance culture with an appropriate reward for superior performance.

In addition to considering the UK Governance Code the Committee, as outlined in the Chair's letter, took into account shareholder concerns and ideas in developing and explaining remuneration practices for 2022. These include the areas of quantum, pay for performance and performance measures.

Annual report on remuneration

Directors remunerations (audited results) / single figure table

The table below sets out a single figure for the total remuneration received by each Executive and Non-Executive Director (apportioned for time in office) for the year ended 31 December 2021 and the prior year:

Executive directors

€000s	Basic Salary [1]		Taxable Benefits [1][2]		Annual Bonus [1][3]		LTIP [1][4]		Pension [1]		Other [1][5][6]		Total [1]		Fixed Pay [1]		Variable Pay [1]	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
William Kozyra [7][9]	718	930	49	64	810	2,165	481	–	11	11	7	8	2,077	3,177	786	1,012	1,291	2,165
Hans Dieltjens [7][9]	183	n/a	4	n/a	202	n/a	12	n/a	3	n/a	2	n/a	406	n/a	192	n/a	214	n/a
Ronald Hundzinski [8][9]	534	509	41	37	499	953	–	–	11	6	1,128	724	2,213	2,230	596	560	1,617	1,670

Non-executive directors

€000s	Fees [1][10]		Taxable Benefits		Annual Bonus		LTIP		Pension		Other		Total [1]		Fixed Pay [1]		Variable Pay	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Manfred Wennemer	381	344	–	–	–	–	–	–	–	–	–	–	381	344	381	344	–	–
Tim Cobbold	144	134	–	–	–	–	–	–	–	–	–	–	144	134	144	134	–	–
John Smith	116	108	–	–	–	–	–	–	–	–	–	–	116	108	116	108	–	–
Jeffrey Vanneste	116	108	–	–	–	–	–	–	–	–	–	–	116	108	116	108	–	–
Elaine Sarsynski	116	108	–	–	–	–	–	–	–	–	–	–	116	108	116	108	–	–
Julia Baddeley [11]	48	n/a	–	n/a	–	n/a	–	n/a	–	n/a	–	n/a	48	n/a	48	n/a	–	n/a
Andrea Dunstan [12]	43	108	–	–	–	–	–	–	–	–	–	–	43	108	43	108	–	–
Stephen Thomas [13]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Susan Levine [13]	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

(1) Figures in the table above are in respect to services for the time as an Executive Director or Non-Executive Director in 2021 and converted at the following exchange rates: €1 = $1.18 and €1 = £0.86, except as otherwise noted
(2) Taxable benefits include perquisite allowance, car allowance, life insurance and tax assistance in accordance with the Remuneration Policy
(3) Hans Dieltjens' total bonus in respect of 2021, including amounts in respect of his previous role, was less than 100% of his base salary. Therefore, in-line with the Remuneration Policy the entire amount was paid in cash
(4) The value of the LTIP for 2021, which had a three-year performance period ending 31 December 2021, is apportioned for W Kozyra and H Dieltjens for their time as an Executive Director. The value is estimated as the number of shares earned (157,042 for W Kozyra and 3,908 for H Dieltjens) multiplied by an assumed share price of £2.48, based on the average share price over the final quarter of the 2021 financial year. The value in the LTIP column for 2021 also includes payment of dividend equivalents, also apportioned for W Kozyra (€28,231) and H Dieltjens (€703) for their time as an Executive Director. The values in the LTIP column for 2021 will also be re-stated in next year's Single Figure Table for the share price on 29 April 2022, as it will be known by that time
(5) The value of medical coverage for 2021 in respect to services for the time as an Executive Director was €7k for CEO W Kozyra, €2k for CEO H Dieltjens, and €10k for CFO R Hundzinski. The value of medical coverage for 2020 was €8k for both Executive Directors
(6) On joining the Group, in line with the Remuneration Policy, Ronald Hundzinski received buyout awards to compensate him for forfeited incentives awarded to him by his former employer. A restricted share award of 815,674 company shares was granted on 27 March 2020 to compensate him for forfeited restricted share awards. The award vests, subject to continued employment, in accordance with the original time frame: 361,635 shares on 27 March 2020, 361,635 shares on 5 February 2021 and 92,404 shares on 5 February 2022. The award which vested in 2021 (361,635) was valued on 5 February 2021 at the closing share price of £2.658 with a face value of £961,226. The award which vested in 2020 (361,635) was valued on 17 March 2020 at the closing share price of £1.366 with a face value of £493,993. The €724k under R Hundzinski in 2020 consists for €504k of buyout shares €212k of buyout cash
(7) As announced on 21 September 2021, Hans Dieltjens was appointed the Group's new CFO effective 1 October 2021 succeeding William Kozyra
(8) As announced on 18 November 2019, Ronald Hundzinski was appointed the Group's new CFO effective 6 January 2020
(9) The Company has advanced, and paid directly to HMRC, PAYE obligations of €55,150, €63,555 and €1,572 (€1 = £0.86) for Mr. Kozyra, Mr. Hundzinski & Mr. Dieltjens which will be reimbursed to the Company by HMRC directly or by the Executive Director to the extent foreign tax credits used in their local tax filings provide a benefit over and above their normal local tax obligations
(10) As part of the fixed cost savings initiatives implemented in response to COVID-19 the Non-Executive Directors fees in 2020 were temporarily reduced by 10% from May to September 2020 inclusive
(11) As announced on 4 August 2021, Julie Baddeley was appointed an Independent Non-Executive Director, joining the Company on 3 August 2021
(12) As announced on 11 March 2021, Andrea Dunstan resigned as an Independent Non-Executive Director at the AGM in May 2021
(13) Stephen Thomas and Susan Levine represent funds managed by Bain Capital, the Company's largest shareholder, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors

Compensation attributed to share price growth

The 2018 LTIP lapsed in full, while the 2019 LTIP vested at 13.4% of maximum. In calculating share price growth, the average share price over the final quarter of the 2021 financial year (£2.48) was used. Using the average share price over the final quarter of the 2021, it is estimated that the share price would have appreciated by approximately 29%. As a result, approximately €131k of William Kozyra's LTIP single figure would be attributable to share price appreciation and €3k of Hans Dieltjens' LTIP single figure would be attributable to share price appreciation.

Executive director remuneration detail

Base Salary (audited)

Base salaries are typically reviewed and eligible for adjustments once per year. Considering the extraordinary circumstances in 2020, a base pay increase was provided to the wider workforce and CEO in December 2020 to cover performance in 2020 and 2021. The CFO, who began employment in January 2020 at a reduced salary compared to his predecessor, did not participate in the December 2020 pay review but became eligible for pay review after his first year of service in January 2021. Considering his extraordinary performance during the year and consistent with the pay practice of the wider workforce the CFO received a 5% increase on 1 January 2021, which is within the range of pay increases provided to other US based employees.

Hans Dieltjens was appointed as CEO on 1 October 2021, at which time his base salary was set at €809k, which is 16% lower than Mr. Kozyra, his predecessor. Considering the economic environment, Mr. Dieltjens agreed to discount his pay by 11% (€720k annualised) in 2021 and by 5.7% (€764k) in 2022.

The table below outlines Executive Director annualised base salaries:

Executive Director	2021 €000	2020 €000	Increase In Salary
William Kozyra (retired 1 October 2021)	962	962	Nil
Hans Dieltjens (appointed CEO 1 October 2021)	809 Discounted to 720	N/A	Nil
Ronald Hundzinski	534	508	5%

€1 = $1.18

Pension (audited)

Executive Directors have a nominal matching defined contribution retirement savings plan consistent with the retirement savings plan offered to all staff employees in the United States. For 2021, the total matching contribution resulted in contributions of €11,059 for Mr. Kozyra, CEO until 1 October 2021, €2,765 for Mr. Dieltjens appointed as CEO on 1 October 2021, and €11,059 for Mr. Hundzinski.
€1 = $1.18

Annual Bonus for 2021 Performance (audited)

Unfortunately, the COVID-19 pandemic persisted through 2021, negatively impacting automotive production volumes and material and labour supply at the same time that government assistance programmes scaled back. The Company was additionally challenged by customers modifying supply demands frequently causing misalignment with inventories and production needs. Despite these challenges, management was able to increase Adjusted EBIT margin by 90 bps on a similar level of revenue to the prior year. This positive achievement resulted in a 2021 ABP award of 37.4% of maximum. The table below outlines the 2021 ABP measures and performance outcomes:

Measure	Weighting	Threshold 30% of max	Target 50% of max	Maximum 100% of max	Actual Performance (1)	Achievement
Adjusted EBIT Margin	35%	6.5%	8.5%	10.5%	7.0%	12.4%
Adjusted Free Cash Flow	40%	€140M	€155M	€175M	€109M	0.0%
Thermal Business Wins (2)	25%	€500M	€650M	€800M	€1.2B	25.0%
Total Achievement of Maximum						37.4%

(1) Actual performance calculated using constant exchange rates consistent with exchange rates used in setting targets.
(2) Thermal Business Wins measure was set to achieve automotive platforms contracts for thermal management components resulting in lifetime sales of €500M, €650M and €800M at Threshold, Target, and Maximum, respectively.

The Company achieved €1.2bn of lifetime sales bookings (37% higher than prior year) related the thermal management products such as coolant or heat pump components relevant to electric vehicle platforms which aligns with the Company's Take the Turn Strategy. This strong booking performance is key to the long-term success of the business.

Considering the level of achievement of 2021 ABP performance measures, the follow table outlines the Executive Directors 2021 ABP awards:

	2021 Annual Bonus Awards				
Executive Director	% Achievement of Maximum	Total Award €000	Shareholding Requirement Met	Value paid in Cash[1]	Value deferred in Shares
William Kozyra Prorated to retirement date of 1 October 2021	37.4%	€810	Yes	€810	Nil
Hans Dieltjens Prorated to appointment date of 1 October 2021	37.4%	€202	No	€202	Nil
Ronald Hundzinski	37.4%	€499	No	€499	Nil

(1) The annual bonuses received by Hans Dieltjens and Ronald Hundzinski were less than 100% of salary and therefore, in-line with the Remuneration Policy, the entire amount has been paid in cash

€1 = $1.18

LTIP Grants in 2021, awards granted during the year (audited)

The Remuneration Policy provides for Long-Term Conditional Share Grants of 300% of base salary, with the potential to increase to 400% of base salary with outperformance.

In 2021, Mr. Kozyra received a maximum grant (with outperformance) of 400% of base salary, Mr. Dieltjens received a maximum grant of 300% of base salary prorated on the date of his appointment to CEO, and Mr. Hundzinski (the CFO) received a maximum grant of 300% of base salary. The following table sets out the performance conditions which will be assessed over a three-year performance period (2021 to 2023):

	Number of Conditional Share Units Granted (% of base pay)					
Measure	Weight	Threshold	Maximum	B. Kozyra	H. Dieltjens[1]	R. Hundzinski
Basic LTIP						
Adjusted Cumulative Free Cash Flow	60%	€500M Vests 20% of Max	€620M	515,389 (180% of base)	96,445 (180% of base)	285,931 (180% of base)
Sustainability Performance	20%	10% Improvement Vests 25% of Max	20% Improvement	171,797 (60% of base)	32,148 (60% of base)	95,310 (60% of base)
Relative TSR ranks vs FTSE250	20%	50th Percentile Vests 25% of Max	75th Percentile	171,797 (60% of base)	32,148 (60% of base)	95,310 (60% of base)
Outperformance Plan						
Adjusted Cumulative Free Cash Flow	100%	N/A	€675M	286,327 (100% of base)	N/A	N/A
Shares Awarded				1,145,310	160,741	476,551
Face Value at Grant (000)[2]				€3,771	€529	€1,569

(1) Mr. Dieltjens' award is prorated in respect to his time as CEO.
(2) The face value of each award is calculated using the closing share price (£2.8315) prior to the date of grant on 17 March 2021, which was also the used to determine the number of shares awarded. (€1 = £0.86)

In line with the Remuneration Policy, vesting will occur on a straight-line basis from Threshold to Maximum, and a holding period of two years will apply post vesting, subject to a two year hold maximum post-termination.

2019 LTIP Vesting (audited)

The Company's 2019 plan concluded in 2021. Due to the general market dynamics related to COVID-19, supplier shortages, and automotive industry production volumes, the Company's growth targets set in 2019 were not achieved leading to zero vesting on the 2019 EPS performance measure. The Company's performance on their relative TSR measure was below the upper quartile resulting in 67% of this element vesting. As a result, 13.4% of the award to the Executive Directors and other members of the senior management team vested.

The table below outlines the details of the Company's 2019 LTIP and vesting outcomes:

Measure	Weight	Threshold	Maximum	Outcomes
Basic LTIP				
Adjusted basic EPS CAGR	80%	4% Vests 20% of max	10%	<0% No vesting
Relative TSR ranks vs FTSE250	20%	50th Percentile Vests 25% of max	75th Percentile	64th Percentile 13.4% achieved
Outperformance Plan				
Adjusted basic EPS CAGR	100%	NA	12%	<0% No vesting
	Total			13.4%

Payments to past Directors (audited)

As announced in February 2021, William Kozyra retired as CEO on 1 October after 13+ years with the Company. Mr. Kozyra's contract was in place when the business was floated in 2017.

- Mr. Kozyra received salary and benefits until the date of cessation and will receive tax assistance in respect of the 2020 and 2021 tax years.
- Following an orderly transition with his successor, Mr. Kozyra was treated as a 'good leaver' for the purposes of his outstanding incentives. He remains eligible for a pro-rata annual bonus in respect of FY21, which will be paid at the normal time. If Mr. Kozyra continues to meet his shareholding guideline his bonus will be delivered in cash, in line with the Remuneration Policy. Mr. Kozyra's outstanding deferred bonus awards will subsist and be released at the normal time. The malus and clawback provisions in the Policy will continue to apply.

As disclosed in the approved Remuneration Policy, Mr. Kozyra's employment agreement included a term whereby his outstanding LTIP awards would not be subject to time proration on his retirement. Shareholders should note that this has not been replicated in his successor's contract, as the Committee is fully aware that it would not be acceptable under current Remuneration practices. The Committee, recognising that the retiring CEO's contract was established pre-IPO, took the view it should honour contractual obligations for the prior CEO while not repeating this specific contractual term with his successor. Therefore, the outstanding LTIP awards for Mr. Kozyra will subsist to their normal dates subject to the achievement of performance conditions but without being prorated for time. Mr. Kozyra's LTIP awards will be subject to a two-year holding period, and all vested shares will be released on the earlier of the end of the holding period or the second anniversary of departure, in line with the post-employment shareholding guidelines.

As a continuation of the transition of leadership from Mr. Kozyra to Mr. Dieltjens, the former CEO was engaged as an advisor during the last quarter of the year on a day rate basis with fees totaling €78,898 (€1 = $1.18).

Payments for loss of office

During the year, the Company has not made any payments to past Directors for loss of office.

Statement of Directors' shareholdings and share interests (audited)

Interests of the Executive and Non-Executive Directors in the share capital of the Company as of 31 December 2021 are shown in the table below:

	Current Shareholding (1)	Beneficially Owned	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Options vested but not exercised	Options Unvested	Shareholding requirements as a % of base salary	Shareholding Requirement met? (2)
Executive Directors								
William Kozyra	7,684,327	7,029,622	654,705	4,977,955	–	–	500%	Yes
Hans Dieltjens	1,075,083	1,075,083	–	1,436,131	–	–	500%	No
Ronald Hundzinski (3)	567,205	384,780	182,425	1,319,812	–	–	400%	No
Non–Executive Directors								
Manfred Wennemer	190,785	190,785	–	–	–	–	n/a	n/a
Tim Cobbold	–	–	–	–	–	–	n/a	n/a
John Smith	100,493	100,493	–	–	–	–	n/a	n/a
Jeffrey Vanneste	58,887	58,887	–	–	–	–	n/a	n/a
Elaine Sarsynski	–	–	–	–	–	–	n/a	n/a
Julia Baddeley	–	–	–	–	–	–	n/a	n/a
Andrea Dunstan	–	–	–	–	–	–	n/a	n/a
Stephen Thomas (4)	–	–	–	–	–	–	n/a	n/a
Susan Levine (4)	–	–	–	–	–	–	n/a	n/a

(1) No share movement between year end and the date of publication, except the vesting of 92,404 deferred shares on 5 February 2022 relating to the buyout award of R Hundzinski as set out in footnote (3) below

(2) Shareholding requirement measured by multiplying the current shareholding amount on 31 December by the average closing share price over the calendar year, then dividing by the annualised base salary on 31 December. There was no change in Mr. Kozyra's shareholding between the date of his departure and the end of the year

(3) On joining the Group, in line with the Remuneration Policy, Ronald Hundzinski received buyout awards to compensate him for forfeited incentives awarded to him by his former employer. A restricted share award of 815,674 company shares was granted on 27 March 2020 to compensate him for forfeited restricted share awards. The award vests, subject to continued employment, in accordance with the original time frame: 361,635 shares on 27 March 2020, 361,635 shares on 5 February 2021 and 92,404 shares on 5 February 2022

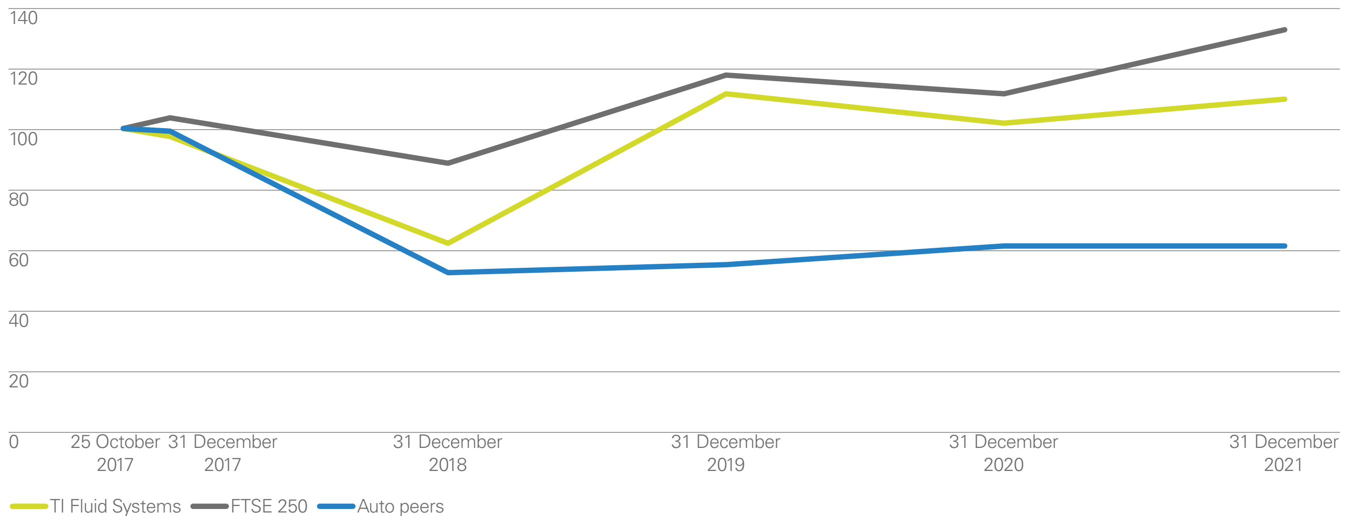
(4) Stephen Thomas and Susan Levine represent funds managed by Bain Capital, the Company's largest shareholder, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors

Total Shareholder Return

The chart shows the Company's Total Shareholder Return ('TSR') relative to the FTSE 250 Index as well as a set of automotive peers. The FTSE 250 Index was chosen as we are a constituent of the FTSE 250. In addition, we have shown the performance for the following set of automotive peers to provide a relevant sector comparison.

Adient plc	Continental AG	NORMA Group SE
American Axle & Manufacturing Holdings, Inc.	Cooper-Standard Holdings Inc.	Schaeffler AG
Autoliv Inc.	Dana Incorporated	Tenneco Inc.
BorgWarner Inc.	ElringKlinger AG	Valeo SA
Brembo S.p.A.	Lear Corporation	

The chart shows the total return to investors since the Company listed on the London Stock Exchange on 25 October 2017.



Historical CEO payouts

The following table sets out details of the CEO's single figure and incentive payouts for the last five financial years (apportioned for time in office):

Year	CEO	CEO single figure of total remuneration €000	Annual bonus award (% of maximum)	Long Term Incentive vesting (% of maximum)
2021	Hans Dieltjens	406	37.4%	13.4%
2021	William Kozyra	2,077	37.4%	13.4%
2020	William Kozyra	3,177	75%	0%
2019	William Kozyra	2,637	60%	0%
2018	William Kozyra	2,578	60%	0%
2017	William Kozyra	8,117	Not applicable	Not applicable

See notes under single figure table.

Mr. Kozyra was CEO until 1 October 2021 at which time Hans Dieltjens became CEO.

Pay ratio data

The following table sets out pay ratio data in respect of the CEO's total remuneration compared to the 25th percentile, median and 75th percentile of UK employees.

Year	Method	25th Percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	95:1	69:1	40:1
2020	Option A	145:1	84:1	54:1
2019	Option A	93:1	77:1	47:1

Employee	2021 Single Figure Remuneration €000	Salary component €000
Chief Executive Officer	2,483	901
UK Employee at 25th Percentile	26	18
UK Employee at Median	36	35
UK Employee at 75th percentile	62	58

The CEO's figures have been calculated as William Kozyra's remuneration for the period he served as CEO to 1 October 2021 and Hans Dieltjens' remuneration for the period from 1 October 2021 through 31 December 2021.

Supporting information for reporting

The Regulations provide flexibility to adopt one of three methods of calculation and we have chosen Option A to calculate the CEO Pay Ratio as it is the most statistically accurate manner to calculate the ratios and the recommended approach. Employees included in the pay ratio calculation were active employees on 31 December 2021. The total pay and benefits of employees identified at the 25th, 50th, and 75th percentiles were used to calculate the pay ratios to be consistent with the calculation of the CEO's remuneration for the purposes of the Single Total Figure of Remuneration ('STFR'), found on page 104. Total pay and benefits for the UK comparison employees include base salary, bonus, pension benefits, taxable benefits, and any share-based remuneration. Total pay and benefits were annualised to convert to full-time equivalent employee pay and benefits.

Factors influencing our CEO pay ratio

Our CEO pay ratio data compares the CEO's remuneration to selected UK employees, as required by the regulations. Our UK workforce represents approximately 1% of our total employee population and is largely made up of production-related employees in the manufacturing industry. These employees have different eligibility to variable incentives than our US-based CEO. Taking this into account, the Committee considers that the CEO pay ratios are appropriately aligned with our remuneration principles and are consistent with the relative roles and responsibilities. A significant proportion of the CEO's remuneration is delivered in variable pay in line with our remuneration structure supporting our high-performance culture with an appropriate reward for superior performance. As a result, the pay ratios are likely to fluctuate in line with performance depending on the outcome of incentive plans each year.

The pay ratios for 2021 were lower than 2020 mainly reflecting the lower outcome (37.4% of maximum) on the CEOs' bonuses for 2021, in addition to the reduced overall quantum of pay for the new CEO. The pay ratios for 2020 increased compared to 2019 primarily reflecting that the CEO received an annual bonus (75% of maximum) in respect of performance for 2020.

While the Company complies with all UK remuneration structure standards, we believe it is difficult to deduce relevant comparative information from this pay ratio calculation, as we compare a US-based CEO against UK-based employees as required by the Companies Act 2006.

Percentage change in the remuneration of the Directors compared with employees

2020 to 2021	Avg. Employee (1)	William Kozyra (2)	Hans Dieltjens (2)	Ronald Hundzinski (3)	Manfred Wennemer	Tim Cobbold	John Smith	Jeffrey Vanneste	Elaine Sarsynski	Julie Baddeley	Andrea Dunstan	Stephen Thomas (4)	Susan Levine (4)
Salary/Fees (5)	4.0%	–	n/a	5.0%	3.0%	–	–	–	–	n/a	–	–	–
Bonus (6)	–62.6%	-50.1%	n/a	–47.6%	–	–	–	–	–	n/a	–	–	–
Benefits (7)	–	-1.0%	n/a	10.7%	–	–	–	–	–	n/a	–	–	–

2019 to 2020	Avg. Employee (1)	William Kozyra (2)	Hans Dieltjens (2)	Ronald Hundzinski (3)	Manfred Wennemer	Tim Cobbold	John Smith	Jeffrey Vanneste	Elaine Sarsynski	Julie Baddeley	Andrea Dunstan	Stephen Thomas (4)	Susan Levine (4)
Salary/Fees (5)	5.2%	5.0%	n/a	n/a	–4.2%	–4.2%	–4.2%	–4.2%	–4.2%	n/a	–4.2%	–	–
Bonus (6)	66.7%	31.3%	n/a	n/a	–	–	–	–	–	n/a	–	–	–
Benefits (7)	–	22.1%	n/a	n/a	–	–	–	–	–	n/a	–	–	–

(1) Theoretical assumptions for 'average employee' were made as there are no employees of the PLC entity for comparison purposes
(2) As announced on 21 September 2021, Hans Dieltjens was appointed the Group's new CFO effective 1 October 2021 succeeding William Kozyra
(3) As announced on 18 November 2019, Ronald Hundzinski was appointed the Group's new CFO effective 6 January 2020
(4) Stephen Thomas and Susan Levine represent funds managed by Bain Capital, the Company's largest shareholder, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors
(5) The percentage change calculation is based on annualised Salary/Fees
(6) The percentage change in the average employee's bonus has been calculated based on the change in the average payout as a percentage of maximum for each year. Note that the figure for 2019 to 2020 disclosed last year was calculated using an alternative approach and has been updated for consistency
(7) The percentage change calculation is based on annualised Benefits with year-on-year change for 2019 to 2020 resulting primarily from Mr. Kozyra not utilising the tax return support benefit in 2019

As there are no employees in the Parent PLC entity to be used as the 'average employee' for comparison, our voluntary disclosure is based on the following assumptions. Base salary comparator group is all employees globally. Annual bonus comparator group is all ABP eligible employees. The percentage change in annual bonus is based on the best available estimates at the time of publication. During 2021, the Company engaged with employees through all employee meetings and engagement surveys during which employees were able to comment and provide feedback on our approach pay practices. Furthermore, at local levels ongoing discussions are held with representatives of employees (i.e. Works Councils and Unions) on a variety of matters including pay.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2021 and 2020 financial periods. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profits in financial year €M		% change from the prior year
	2021	2020	
Profit distribution by way of dividend	45.0	0.0	–
Overall spend on pay including Executive Directors	734.9	709.7	3.6%

Implementation of remuneration policy for executive directors in 2022

The following section summarises how remuneration arrangements will be operated from 1 January 2022 onwards.

Base salary

As outlined earlier in this report, the Company has elected to provide a general base pay increase in April 2022 for the wider workforce and executive directors. Ronald Hundzinski will receive a 3% base pay increase commensurate with performance and in line with the range of pay increases for the US workforce. For 2022, Hans Dieltjens has volunteered that his salary will be set at €764k which represents a 5.7% discount relative to his full salary.

The table below sets out the annualised base salary of the Chief Executive Officer and Chief Financial Officer in 2022 and the comparison with the annual salary received in 2021.

Executive Director	2022 000	2021 000	Increase in base salary
Hans Dieltjens	€809 Discounted by 5.7% to €764	€809 Discounted by 11.0% to €720	Nil
Ronald Hundzinski	€550	€534	3.0%

€1 = $1.18

Benefits and pension

No changes in benefit and pension schemes. Please refer to the Remuneration Policy for details.

Annual bonus plan ('ABP')

The maximum opportunity for the year ending 31 December 2022 for the CEO and CFO will be 300% and 250% of salary, respectively.

Consistent with the new Remuneration Policy, if the Executive Director has not achieved the shareholding guideline, any awards under the ABP will consist of a cash payment of up to 100% of base salary with the remainder of the bonus (if any) deferred into an award of shares to be held for two years which will also be subject to malus and clawback provisions as detailed in the Policy.

The Remuneration Committee has revised the performance measures to be used in the 2022 ABP to align them more closely with the strategy and expectations of shareholders:

- 50% of the opportunity will be based on the BEV/PHEV bookings in line with the Company's Take the Turn Strategy. This has been increased by 25% points from 2021 to reflect their strategic importance. Specific targets will not be disclosed because the Remuneration Committee considers forward-looking targets to be commercially sensitive. However, the Committee intends to disclose these retrospectively in next year's Remuneration report to the extent that they do not remain commercially sensitive.
- The remaining 50% will be split equally between Adjusted EBIT margin and Adjusted Free Cash Flow reflecting the importance of maximising current performance and managing profitability and cash through the period of transition.

Long-Term Incentive Plan ('LTIP')

It is intended that the Executive Directors will receive an LTIP grant in 2022 of 300% of salary. As mentioned previously in this report the Remuneration Committee and CEO have reviewed the operation of the Remuneration Policy and agreed that the outperformance element available under the policy will not be applied in 2021 and for the foreseeable future of Mr. Dieltjens tenure as CEO. This compromise, on the part of Mr. Dieltjens, was made in effort to recognise shareholders concerns over incentive quantum.

50% will be based on Adjusted Return on Capital Employed (ROCE), replacing Adjusted Free Cash Flow. This measure was selected as management of returns on capital, through the industry transition to electric vehicles, is seen as critical to a successful deployment of the strategy. It complements the significant proportion of the annual bonus aligned to BEV/PHEV bookings by rewarding an ongoing, long-term attention to margin through the transition and beyond.

ROCE shall be calculated by averaging, over the performance period, Income divided by Investments for each year of the performance period, where Income is defined as adjusted Earnings Before Interest and Taxes and Investment is defined as invested capital (including goodwill) adjusted down for purchase price allocation (PPA). Investment does not include borrowings and debt like items net of cash, derivatives, tax assets/liabilities. The Committee will determine to what extent any acquisitions not contemplated when setting the target should be included in the calculation.

25% will be based on relative TSR. For 2022 the Remuneration Committee has determined that TSR will be measured against a set of automotive peers whose performance is subject to the same economic factors as TI Fluid Systems. These peers have been defined as:

Adient plc	Continental AG	NORMA Group SE
American Axle & Manufacturing Holdings, Inc.	Cooper-Standard Holdings Inc.	Schaeffler AG
Autoliv Inc.	Dana Incorporated	Tenneco Inc.
BorgWarner Inc.	ElringKlinger AG	Valeo SA
Brembo S.p.A.	Lear Corporation	

The remaining 25% (up 5% points) will be based on two sustainability measures. 15% will be based on Scope 1 and 2 CO_2(e) emissions reduction from 2019 baseline expressed quantitatively and 10% based on the Company's relative Social Quality Score by ISS.

The following table sets out the performance measures applicable to grants:

Measure	Weight	Threshold Vests at 25% of Max	Maximum Vests at 100% of Max
Adj. Return on Capital Employed	50%	16%	20%
Sustainability: ISS Social Score (1)	10%	4	2
Sustainability: CO_2 Emission improvement (2)	15%	6.5	9.5
Relative TSR Rank vs auto peers (3)	25%	Median	Upper Quartile
Total	100%		

(1) Social performance will be measured against relative improvement on Social "S" performance as measured by ISS against a benchmark
(2) CO_2 equivalent emission improvement will be measured against 2019 levels
(3) Relative TSR Rank will be measured against automotive peers described above

All measures are assessed over a three-year performance period (2022 to 2024).

Implementation of non-executive director remuneration policy in 2022

Chairman and Non-Executive Director fees

Consistent with the wider workforce in the UK, non-executive directors fee arrangements will increase by 3% in April 2022. The Company operates an all-inclusive non-executive director fee which includes any additional fees for responsibilities on committees. The table below outlines non-executive fees for 2022 and 2021, with the expectation that directors will participate in various committees.

Executive Director	2022 000	2021 000
Chairman	£338	£328
Senior Independent Director (SID)	£128	£124
Non-Executive Director (NED)	£103	£100

Remuneration Committee

Membership: The Remuneration Committee consists of three Non-Executive Directors: Tim Cobbold, John Smith, and Jeffrey Vanneste. There were 5 formal meetings of the Committee during the year.

The Board considers each Committee member to be independent in accordance with the UK Corporate Governance Code (the 'Code'). The Chairman of the Board, Chief Executive and/or other persons may also attend meetings of the Committee by invitation but will not be present when matters relating to their own remuneration are discussed.

Role of the Remuneration Committee

The Remuneration Committee's responsibilities are set out in its Terms of Reference which are available to shareholders on request and on the Company's website. Its role includes:

- setting the Remuneration Policy for all Executive Directors of the Company, the Chairman of the Board and senior management
- within the terms of the Remuneration Policy and in consultation with the Chairman of the Board and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director and the Chairman including bonuses, incentive payments, and share options or other share awards
- approve the design of, and determine targets for, the ABP and LTIP and approve total annual payments made under such schemes
- ensure that contractual terms on termination, and any payments made, are fair to the individual and Company, that failure is not rewarded, and that the duty to mitigate loss is fully recognised

In carrying out its duties, the Remuneration Committee considers any legal and regulatory requirements, including the UK Corporate Governance Code and the UK Listing Rules. Determining the fees of the Non-Executive Directors is a matter for the Executive Directors and the Chairman.

Advisers to the Committee

The Committee receives advice and guidance on Executive Directors' remuneration from the Chief Human Resources & Communications Officer and the Company Secretary in respect of the UK Corporate Governance Code and share schemes.

The Company Secretary acts as Secretary to the Committee and ensures that the Remuneration Committee fulfils its duties under its terms of reference and provides regular updates to the Remuneration Committee on relevant regulatory developments in the UK.

Following a competitive tender process in 2018, the Committee appointed Deloitte LLP as its independent advisers. Deloitte is a founding member of the Remuneration Consultants Group and operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received from Deloitte is objective and independent.

Total fees for the year in relation to executive remuneration consulting were £57,808, based on time and materials. In the year, Deloitte also provided advice in relation to share schemes and employment taxes.

Statement of shareholder voting

The voting outcomes in respect of the Directors' Remuneration report at the 2021 AGM and the Directors' Remuneration Policy at the 2021 AGM were as follows:

Resolution	Votes For	% For	Votes Against	% Against	Total Votes Cast	Votes withheld
Directors Remuneration Report (2021 AGM)	372,715,911	76.18%	116,565,413	23.82%	489,281,324	1,625
Directors Remuneration Policy (2021 AGM)	368,648,750	75.34%	120,632,574	24.66%	489,281,324	1,625

Approval

This report was approved by the Board of Directors, on the recommendation of the Remuneration Committee, on 1 March 2022 and signed on its behalf by:

Tim Cobbold
Chair of the Remuneration Committee
14 March 2022

ESG Steering Committee report

Elaine Sarsynski,
ESG Steering Committee Chair

ESG Steering Committee at a glance

Committee membership

	Meetings attended
Elaine Sarsynski (Chair)	4/4
Julie Baddeley	1/1
Hans Dieltjens	1/1
William Kozyra	3/3
Ronald Hundzinski	4/4

2021 highlights

- Agreed on Terms of Reference to provide oversight of the Group's sustainability strategy
- Populated and launched sustainability pages on our website
- Supported enhanced public reporting via CDP
- Reviewed sustainability metrics for 2022 LTIP awards
- Updated Health and Safety and Environmental policies
- Progressed data collection for water, energy and waste

Focus for 2022

- Explore increased renewable energy options
- Address measurement of Scope 3 greenhouse gas emissions
- Evaluate sustainability strategies of peer group companies to help inform our thinking
- Review CO_2 (e) emissions reduction targets and benchmark to our automotive peers

Read more in Our Approach to sustainability on pages 36-47

Dear Shareholder,

On behalf of the Board, I am pleased to present the first ESG Steering Committee report for the year ended 31 December 2021. The Committee was established to support the Board to fulfil their oversight responsibilities for Environmental, Social and Governance ("ESG") matters. The Terms of Reference are available on our website.

As a leader in the automotive industry, we recognise the part the Group plays in the global community.

We are committed to operating our business in a more environmentally responsible and sustainable manner in order to provide long-term success for all of our stakeholders. We are focused on the enhanced measurement and reporting of our carbon footprint, including Scope 3, and establishing appropriate CO_2 (e) emissions reduction and water conservation targets. We are also instituting more robust safety procedures to protect our workforce and developing initiatives to promote further diversity within our organisation.

Environmental and Social performance is now a part of the wider management team's strategic objectives for 2022 and beyond. sustainability targets have also been included as a performance element of our Long-Term Incentive Plan for Executive Directors and Senior Management. The alignment of our purpose and strategy using our remuneration will ensure we will continue to develop and supply products to support hybrid and battery electric vehicles in the most sustainable way. Hans Dieltjens and Ron Hundzinski are members of the Committee and colleagues from different areas of the business attend the meetings and support the discussions. I regularly report to the Board on key sustainability issues considered by the Committee, and Matt Paroly, Chief Legal Officer, has been appointed as the Group's ESG Director to act as a liaison between the Committee, Senior Management and the wider workforce.

We are very pleased with the Company's work this year to build a more sustainable business. We will continue to review measures and targets to gauge our progress and ensure accountability at all levels of our organisation.

I look forward to updating you on our continuing sustainability journey.

Elaine Sarsynski
ESG Steering Committee Chair
14 March 2022

Matthew Paroly
Company Secretary

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 31 December 2021. The Directors' report comprises pages 116-118 and the sections of the Annual Report incorporated by reference as set out below, which taken together contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

	Pages
Future developments of our business and the Group (Our strategy)	26-27
Section 172(1) statement	32-35
Non-Financial Information statement	63
Corporate Governance report	70-119
Board membership	76-77
Directors' long-term incentives	106
Issued Share Capital	108
Dividends	116
Employee equality, diversity and involvement	118
Information to the independent auditor	118
Post balance sheet events	194
Subsidiaries	199-203

General information

The Company was incorporated and registered in England and Wales on 22 January 2015 as a limited company with the name Omega Holdco II Limited and with registered number 09402231. It is domiciled in England and Wales. On 27 September 2016, the Company changed its name to TI Fluid Systems Limited and on 18 October 2017 the Company was re-registered as a public company limited by shares with the name TI Fluid Systems plc. The Company is premium listed on the London Stock Exchange (TIFS). The Company's registered address is 4650 Kingsgate, Oxford Business Park South, Cascade Way, Oxford OX4 2SU.

Subsidiaries

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are listed on pages 199-203.

Articles of Association

The Company's Articles of Association are available on request to the Company Secretary at the registered address. Unless expressly specified to the contrary in the Articles, the Articles may be amended by a special resolution of the Company's shareholders.

Issued share capital

On 31 December 2021, the Company had 520,269,141 ordinary shares of 1 pence each in issue. There were no ordinary shares held in Treasury, no restrictions on transfer of issued shares and no shares hold special rights regarding the control of the company. All of the issued ordinary shares carry voting rights of one vote per share. Details of the changes in issued share capital during the year are shown in Note 7 on page 204.

Voting

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles of Association of the Company ('the Articles'), on a show of hands every member who is present in person or by proxy or represented by a corporate representative at a general meeting of the Company has one vote. On a poll, every member who is present in person or by proxy or represented by a corporate representative has one vote for every share of which he or she is the holder. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, is accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority is determined by the order in which the names stand in the register in respect of the joint holding.

Results and dividends

The results for the year are set out in the consolidated statement of comprehensive income on page 131.
Two dividends were paid in 2021 totalling 8.67 Euro cents per share. The Group paid a dividend of 6.74 Euro cents per share, amounting to €35.0 million, on 19 February 2021 based on the overall strength of the Group's financial position and prospects at that time. The 2021 interim dividend of 1.93 Euro cents per ordinary share (1.66 pence per ordinary share), was paid on 30 September 2021 amounting to €10.0 million.

Employee Benefit Trust

Equiniti Trust (Jersey) Limited, as a Trustee of the TI Fluid Systems Employee Benefit Trust holds 3,931,173 being 0.76% of the issued share capital of the Company at 31 December 2021 on trust for the benefit of the employees of the Company. The voting rights in relation to these shares

are exercised by the Trustee and the Trustee is obliged to waive all dividends on the shares unless requested to do otherwise by the Company in writing.

Directors and Directors' interests

The Directors who served the Company during 2021 and at the date of this report are listed on pages 76-77, which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on page 104.

The Company has adopted best practice guidelines and the 2018 UK Corporate Governance Code. Executive and Non-Executive Directors, apart from Manfred Wennemer and Jeff Vanneste who have decided to not seek re-election, will offer themselves for re-election at the 2022 Annual General Meeting. The rules for appointment and replacement of Directors are contained in the Company's Articles. They include that the number of Directors must not be less than two or more than 15 in number and the Board may appoint any person to be a Director. Any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election. Details of the Directors' interest in the shares of the Company are shown in the Report on Directors' Remuneration on pages 108.

Substantial shareholdings

At 31 December 2021, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

Shareholder	Number of shares	Percentage held (%)
BC Omega Holdco Ltd	191,064,632	36.72
Liontrust Asset Management	42,206,820	8.11
EQMC Europe Development Capital Fund	25,129,204	4.83

At 14 March 2022, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

Shareholder	Number of shares	Percentage held (%)
BC Omega Holdco Ltd	191,064,632	36.72
Liontrust Asset Management	42,206,820	8.11
EQMC Europe Development Capital Fund	25,129,204	4.83

Change of Control

The Company has in place a number of agreements with advisers, financial institutions and customers which contain certain termination rights which would have an effect on a change of control. The Directors believe these agreements to be commercially sensitive and that their disclosure would be seriously prejudicial to the Company; accordingly, they do not intend to disclose specific details of these. In addition, all of the Company's share schemes contain provisions which, in the event of a change of control, would result in outstanding options and awards becoming exercisable, subject to the rules of the relevant schemes. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Directors' indemnity

The Company's Articles of Association provide, subject to the provision of UK legislation, an indemnity for Directors and officers of the Company and the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liability relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company and the Group.

Directors' and officers' liability insurance cover is in place in respect of all the Company's Directors.

Directors' powers

As set out in the Company's Articles of Association, the business of the Company is managed by the Board who may exercise all powers of the Company. The Directors were granted authority at the last Annual General Meeting held in 2021 to allot relevant securities up to a nominal amount of £1,734,230. At this year's Annual General Meeting, shareholders will be asked to grant an authority to allot relevant securities up to the same nominal amount of £1,734,230, such authority to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 16 August 2023).

Special resolutions will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount of £260,135 being 5% of the Company's issued ordinary share capital at 4 April 2022. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2022 (or, if earlier, until the close of business on 16 August 2023). This disapplication authority is in line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles (the 'Pre-emption Principles'). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued ordinary share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The Directors have no present intention of exercising either authority.

The Company was also authorised at the Annual General Meeting held in 2021 to make market purchases of up to 52,026,914 ordinary shares being 10% of the Company's issued ordinary share capital at 5 April 2021 and sets the minimum and maximum prices which may be paid. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2022 (or, if earlier, until the close of business on 16 August 2023).

Our people

The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, ethnicity, religion, sexual orientation or disability not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

The Group places considerable value on the involvement of its employees and encourages the development of employee involvement in each of its operating companies through formal and informal meetings. It is the Group's policy to ensure that all employees are made aware of significant matters affecting the performance of the Group through the operation of employee forums, information bulletins, informal meetings, team briefings, internal newsletters and the Group's website and intranet.

Diversity

Details of diversity can be found in the Nomination Committee report on pages 84-85 in terms of the Board and senior leadership team balance and their independence. Employee diversity information and our Core Values details are in the Our Approach to sustainability report on pages 36-47.

Suppliers, Customer and Others

As set out in the Large Company Regulations, Schedule 7, Part 4, paragraph 11B, the Directors confirm that they have regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Details can be found as to how the Board fulfils this duty can be found in the Section 172(1) statement on pages 32-35 and throughout the Strategic Report located on pages 4-68.

Research and Development

The Company's primary activities in the field of research and development are engineering, prototyping, validation and testing activities related to products and product enhancements, with emphasis on HEV and BEV applications. Details of the activities can be found in Note 1.6 on page 139 and expenditure in Note 5.2 on page 153 in the Group Financial Statements.

Key performance indicators

Details of the Group's key performance indicators can be found on pages 28-29.

Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Group can be found in the Strategic Report on pages 57-60.

Financial instruments

An explanation of the Group's treasury policies and existing financial instruments are set out in Note 1.10.3 on page 142 and Note 3 on pages 150-151 of the financial statements. Details of how we use hedging to manage foreign currency and interest rate risks can be found in Note 3.3 in Group Financial Statements on pages 150-151.

Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held on 18 May 2022 will be sent out to shareholders with this Annual Report and Accounts and will also be available on our website.

Corporate Governance

The Company's statement on Corporate Governance can be found in the Corporate Governance report on pages 78-83. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross reference.

Disclosure Statements

In line with the Corporate Governance Code 2018 the disclosure statements have been prepared and collated on pages 61-63.

- Section 172(1) statement summarising the key areas of disclosure in this Annual Report required by the Non-Financial Directive can be found on page 32-35. The Board of Directors of TI Fluid Systems plc consider, both individually and together, that they have acted in the way they judge to be in good faith and would be most likely to promote the success of the Company for the benefit of its members as a whole. The Board decision-making process takes into regard the stakeholders and matters set out in Section 172(1) (a-f) of the Act in the decisions taken during the year ended 31 December 2021
- Non-Financial Information Statement can be found on page 63
- Greenhouse gas emissions disclosure can be found in the Our Approach to sustainability on pages 36-47
- Task Force on Climate-related Financial Disclosures (TCFD) can be found on pages 64-68

Financial and business reporting

When reporting externally, the Board aims to present a fair, balanced and understandable assessment of the Group's position and prospects. During the year, the Board, or Committees of the Board, have been satisfied that appropriate procedures are in place to enable it to state that this annual report, taken as a whole, is fair balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. A statement of this responsibility, together with additional responsibilities of the Directors in respect of the preparation of the Annual Report, is set out on page 119.

Going concern and viability statements disclosures

We agree with the basis of the assessments and the disclosures included on pages 61-62.

Independent Auditors

The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness under section 489 of the Companies Act 2006 to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- in so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
- the Director has taken all the steps necessary to be aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

By order of the Board

Matthew Paroly
Company Secretary
14 March 2022

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted by the UK Endorsement Board.

The Directors have also chosen to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard (FRS) 101 Reduced Disclosure Framework.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section of this report confirm that, to the best of their knowledge:

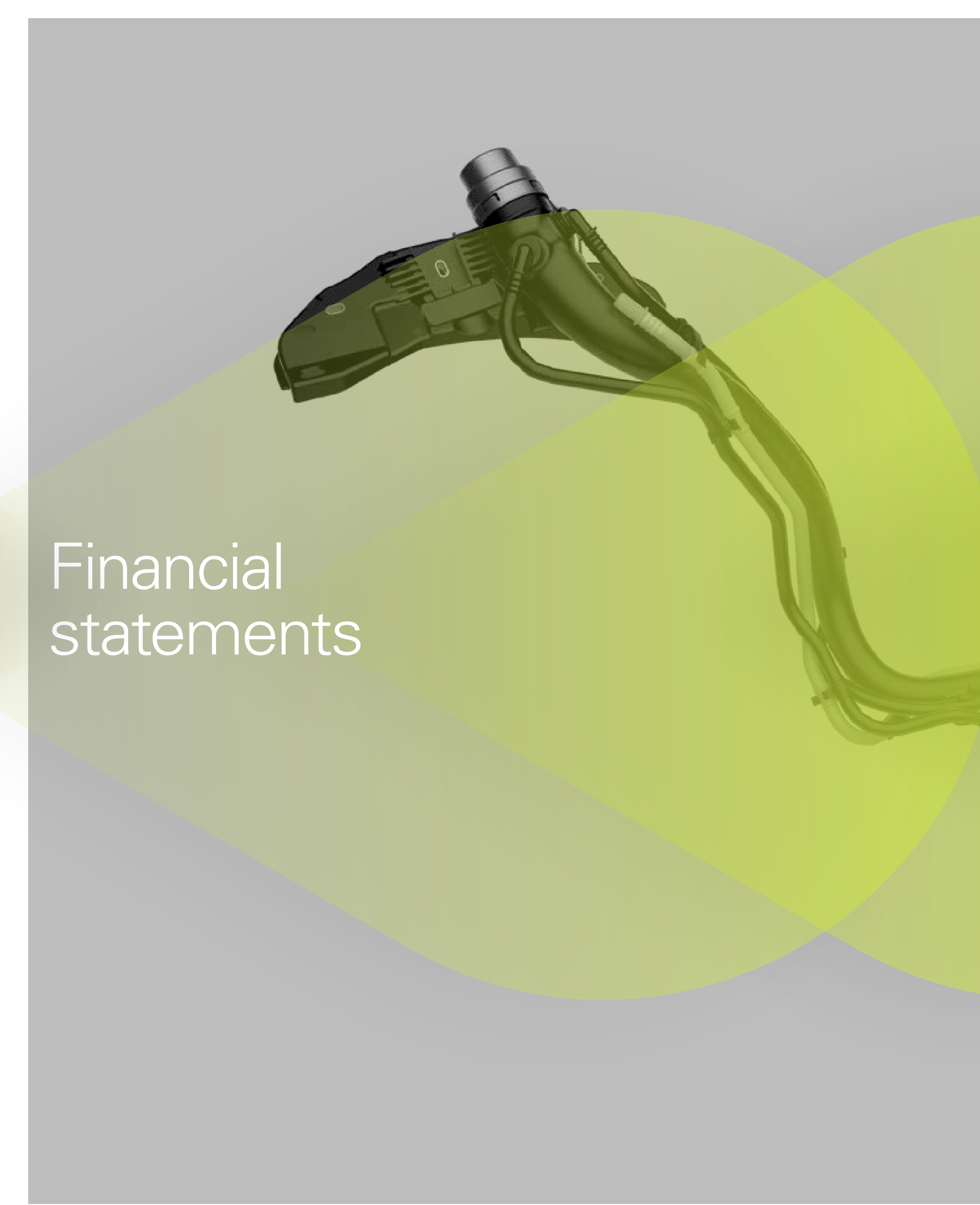
- the Group and Company financial statements, which have been prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company
- the Strategic Review includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

This responsibility statement was approved by the Board of Directors on 14 March 2022 and is signed on its behalf:

By order of the Board

Hans Dieltjens
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer



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Independent auditors' report to the members of TI Fluid Systems plc

Report on the audit of the financial statements

Opinion

In our opinion:

- TI Fluid Systems plc's Group Financial Statements and Company Financial Statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended; and the Notes to the Group and Company Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

During the period, we identified that in previous periods, the PwC team in Canada was involved in supporting the preparation of the local statutory financial statements. This team was involved in administrative preparation of the local statutory financial statements and was not involved in any management decision-making or bookkeeping. This service does not form part of the group audit and is limited to local statutory financial statements. Administrative preparation of statutory financial statements is a prohibited service under the FRC's Ethical Standard, and therefore upon identifying the breach, the team immediately ceased providing the service and no such services were provided in the current period.

We confirm that based on our assessment of this breach, the nature and scope of the service and the subsequent actions taken, the provision of this service has not compromised our professional judgement or integrity and as such believe that an objective, reasonable and informed third party in possession of these facts would conclude that our integrity and objectivity has not been impaired and accordingly we remain independent for the purposes of the audit.

Other than the matter referred to above, to the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 33 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

There is significant interest from stakeholders including members about how climate change will affect the group's businesses and future financial performance. The group's strategy and TCFD disclosures as set out within the Strategic Report describe management's view of how climate change could impact the group's businesses. This includes the related risks, opportunities and commitments including the reduction of Scope 1 and 2 emissions by 37.5% compared to 2019 by 2039.

In planning our audit, we considered the impact of climate change risks and opportunities to the group and the financial statements. In doing this, we made enquiries of management to understand how it assessed the impact of physical and transitional climate risks and the related opportunities. The future financial impacts are clearly uncertain given the timeframe involved and their dependency on how Governments, global markets and society respond to the issue of climate change. Accordingly, financial statements cannot capture all possible future outcomes as these are not yet known. We discussed with management and the Audit & Risk Committee that the estimated impacts of climate change will need to be frequently reassessed and the associated disclosures should continue to evolve as the group further develops its response to the impacts identified.

Using our knowledge of the businesses and with assistance from our internal climate and valuation experts, we assessed how the group has considered the impact of climate change risks and opportunities on the financial statements. The goodwill, tangible and intangible assets impairment assessment is a key area of the financial statements where climate change was evaluated to have a significant potential impact. This has been incorporated into the corresponding key audit matter below.

Overview

Audit scope

- Following our assessment of the risks of material misstatement of the Group Financial Statements we identified 19 components (2020: 17 components) where we performed a full scope audit of their complete financial information, either due to their size or risk characteristics. These components are located in Belgium, Brazil, China, Czech Republic, Germany, Korea, Mexico, Poland, Spain and Turkey.
- There is one financially significant component within the group located in China.
- We also identified a further six components (2020: nine components) where we performed targeted specified procedures based on risk and materiality on the financial information. These components are located in the U.S.A. This is supplemented by analytical procedures on the components that are not in scope.
- In addition the group audit team in the UK audited the company and performed audit procedures on the consolidation and accounting areas that are centralised. These areas include goodwill, tangible and intangible assets impairment assessment, specific aspects of warranty provisioning and accounting for customer settlements, corporate taxation accounting, defined benefit pension obligation accounting, refinancing transactions and certain treasury balances and transactions.
- This scope of work provided coverage of 74% (2020: 76%) of revenue and 72% (2020: 76%) of net assets.
- As part of the supervision process, the group engagement team has performed remote reviews for all components, which included meetings on approach and conclusions with the component teams and review of their audit files and final deliverables.

Key audit matters

- Goodwill, tangible and intangible assets impairment assessment (group)
- Carrying value of the company's investments in subsidiaries (company)

Materiality

- Overall group materiality: €6.8 million (2020: €7.9 million) based on 5% of a four year average of profit before tax, adjusted for exceptional items.
- Overall company materiality: €8.9 million (2020: €8.7 million) based on 1% of net assets.
- Performance materiality: €5.1 million (2020: €5.9 million) (group) and €6.7 million (2020: €6.5 million) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Carrying value of the company's investments in subsidiaries is a new key audit matter this year. Warranty provisioning, deferred tax asset recognition and provisioning for uncertain tax positions and impact of COVID-19, which were key audit matters last year, are no longer included.

During the year, payments have been made to settle certain immaterial long standing warranty matters in line with the amounts provided resulting in a reduction in the number of open matters and the related provision. Those warranty claims that remain outstanding are not likely to result in a material misstatement. The level of judgement, estimation uncertainty and hence the likelihood of a material misstatement is lower than the prior year. Given the magnitude of the open items and amounts claimed by customers, we did not consider warranty provisioning to be a key audit matter in the current year.

The level of judgement and estimation uncertainty inherent within the provisioning for uncertain tax positions (UTPs) and recognition of deferred tax assets (DTAs) has reduced compared to the prior year. Given the low magnitude of individual potential tax exposures, the tax exposure in total and the expected recovery of the deferred tax asset, a material error is deemed to be unlikely. Consequently, we believe the likelihood of a material misstatement has reduced and hence did not consider deferred tax asset recognition and provisioning for uncertain tax positions to be a key audit matter in the current year.

We have captured the enduring impact of COVID-19, where applicable, separately in the individual key audit matters below. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill, tangible and intangible assets impairment assessment (group) Refer to the Audit & Risk Committee report, Note 1 (Summary of Significant Accounting Policies), Note 15 (Intangible Assets), Note 16 (Property, Plant and Equipment), Note 17 (Leases) and Note 18 (Impairments) to the Group Financial Statements. The group holds goodwill of €564.3 million (2020: €535.9 million), intangible assets of €320.5 million (2020: €347.9 million), property, plant and equipment of €595.4 million (2020: 590.8 million) and right-of-use assets of €125.2 million (2020: €124.9 million) as at 31 December 2021. All Cash Generating Units (CGUs) containing goodwill must be tested for impairment annually and also when there are indicators of impairment. The determination of the recoverable amount requires judgement by management in valuing the relevant CGUs through value in use models utilising discounted cash flow calculations. There are judgements and estimates involved in management's impairment assessment including cash flow forecasts, discount rates and long term growth rates. Global light vehicle volumes have started to recover in 2021 which has had a positive impact on the group's sales volumes and medium term outlook. However, there continues to be a level of uncertainty in the pace of recovery and volume outlook not least due to the continued impact of supply chain disruption. Climate change impact on the business and in particular the related trend towards vehicle electrification is a key consideration where management enhanced their approach. Management has employed the services of an expert organisation to support their views on the impact climate change will have on future volumes and mix which has been factored into the impairment model. The FCS business is considered more stable and the model is therefore based on a single set of cash flows for CGUs in that division. The FTDS business is considered to be adversely impacted by the industry's increasing transition to fully electric powered vehicles. The key assumption related to future cash flows is impacted by the assumed pace of this transition. Management reflected this uncertainty by probability weighting a base case and downside scenario in the model for CGUs within this division. Management also made assumptions with regards to the recovery of climate change related costs, including cost increases arising from the effects of decarbonisation and carbon taxes, and the operating margin into the future. Management's annual impairment assessment as at 31 December 2021 has resulted in neither an additional impairment nor a reversal of previously recognised impairments. The assessment has concluded that the headroom in the FCS EU, FCS NA, FTDS NA and FTDS EU CGUs is at a level where reasonably possible changes in key assumptions would lead to the corresponding carrying amounts exceeding recoverable amounts. In view of this management has included sensitivity disclosures within the financial statements.	We assessed management's impairment assessment and focused our audit on challenging key judgements and estimates. Procedures we performed included: – confirming that the CGUs are the lowest level at which management monitors performance for internal purposes and that it is consistent with the way in which the group's results are reported internally, as evidenced by our inspection of reporting to divisional, group and executive management; – verifying the accuracy of the underlying calculations in the model and agreeing the base case cash flow forecasts to the latest medium term plan approved by the Board; – evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows dependent on enhancing capital expenditure in future periods; – discussing with commercial management the expected future business performance including the impact of climate change to corroborate finance management's explanations; – on a sample basis, obtaining evidence in the form of award documentation from customers for future business; – establishing that the benefit from restructuring activities has been considered in the forecast cash flows only if the restructuring activities have been implemented at the year end; – evaluating management's forecasting accuracy by comparing previous periods outturns with forecasts made as part of the Board approved medium term plans; – validating the source of third party industry volume data for the period to 2026 which management used to prepare their plans, assessing the credibility of the source including comparison to alternative sources of market information and evaluating the appropriateness of the adjustment management made to external volume data; – agreeing management's calculation of negative growth rates for FTDS CGUs to the market projections the group has received from its expert engaged to predict the pace of vehicle electrification, including in the period post 2026; – challenging management's assumptions with regards to the recovery of climate change related costs and the operating margin into the future for the FTDS CGUs; – establishing that the medium term plan cash flows include incremental costs associated with the group's commitment to achieve published 2039 emissions reductions; – evaluating management's assessment of the FTDS base case and downside volume scenarios by reference to their expert's advice on the predicted pace of vehicle electrification; – challenging the relative probabilities assigned to the operating cash flows arising from the two scenarios prepared, including performing sensitivity analyses; – engaging our valuation experts to assess the appropriateness of discount rates and long term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being assessed for impairment; – evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions; and – assessing the appropriateness of the related disclosures in the financial statements. Based on this work, we consider that the carrying value of goodwill, tangible and intangible assets are materially correct and we believe that the disclosures in the financial statements are appropriate.

Key audit matter	How our audit addressed the key audit matter
Carrying value of the company's investments in subsidiaries (company) Refer to Note 1 (Summary of Significant Accounting Policies) and Note 4 (Investments in Subsidiaries) to the Company Financial Statements. Investments in subsidiaries of €912.5 million (2020: €905.7 million) are accounted for at cost less provision for impairment in the Company Balance Sheet as at 31 December 2021. The investments of the company are subject to an annual review to identify the existence of any indicators of impairment. Should indicators be identified, the carrying value is subject to an impairment assessment with any resulting diminution of the carrying value recognised in the Income Statement. Management's review identified no indicators of impairment.	We evaluated management's determination of whether there were any indicators of impairment. Our procedures, in addition to the above key audit matter, included: – comparing the carrying value of investment with the market capitalisation of the group at 31 December 2021; and – comparing the carrying value of investment with the carrying amount of investees' net assets. We also considered whether other evidence gathered during the course of our work identified the existence of an impairment indicator. We agree with management that there have been no such indicators of impairment and as such it is appropriate that the carrying value has not been subject to an impairment assessment.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Our approach to scoping was designed to achieve adequate coverage across the consolidated financial statement line items whilst addressing any location specific risks of material misstatement. The group operates two divisions, being Fluid Carrying Systems (FCS) and Fluid Tank Delivery Systems (FTDS) across four geographical territories of Europe and Africa, North America, Asia Pacific and Latin America. Each division consists of a large number of components spread across multiple countries. Overall, the group has 117 reporting components across 29 countries. We identified one individually financially significant component within the group. We have performed full scope audits on the financial information of 19 components (2020: 17 components) and targeted specified procedures based on risk and materiality on the financial information of six components (2020: nine components). This is supplemented by analytical procedures on the remaining components that are not in scope. The group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised, including goodwill, tangible and intangible assets impairment assessment, specific aspects of warranty provisioning and accounting for customer settlements, corporate taxation accounting, defined benefit pension obligation accounting, refinancing transactions and certain treasury balances and transactions. This scope of work provided coverage of 74% (2020: 76%) of revenue and 72% (2020: 76%) of net assets.

The coverage for both the current and prior year is sufficient and in compliance with the applicable auditing standards. Our audit involves full scope audits of components in Belgium, Brazil, China, Czech Republic, Germany, Korea, Mexico, Poland, Spain and Turkey and targeted specified procedures for the components in the U.S.A. Our specified procedures for components in the U.S.A covered all relevant financial statement line item assertions for all material balances. We issued formal written instructions to all component auditors setting out the audit work to be performed by each of them and maintained regular communication with the component auditors throughout the audit cycle. Certain component teams have been able to visit the locations in person where it has been safe to do so. Others have adopted a hybrid or remote model of working. Due to the travel restrictions and challenges caused by COVID-19, we continued to interact with the component audit and local finance teams on a remote basis. Our interaction with component audit and local finance team's included remotely attending internal clearance meetings for all components and remotely attending external clearance meetings for all material and significant components. We also attended regular video conference calls with component audit teams to assess progress and discuss specific accounting and auditing matters. We have reviewed and assessed any matters reported to us by component teams. Our work has included review of selected audit working papers for all components with a particular focus on significant risks for material components. The group audit team has performed the audit of the parent company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	€6.8 million (2020: €7.9 million)	€8.9 million (2020: €8.7 million)
How we determined it	5% of a four year average of profit before tax, adjusted for exceptional items	1% of net assets
Rationale for benchmark applied	Profit before tax adjusted for exceptional items is a generally accepted auditing benchmark for profit orientated businesses. Adjusting for exceptional items provides a consistent year on year basis for determining materiality. From 2020 the effects of the COVID-19 pandemic introduced volatility that has impacted this benchmark. In response to this we have applied the group's four year average profit before tax and exceptional items as a basis to determine our 2021 materiality (2020: three year average profit before tax and exceptional items) as opposed to the in year profit before tax and exceptional items. We have taken this judgement having considered that the results for the current year are likely reflecting a short-term downturn in profitability due to the enduring impact of the pandemic and related supply chain disruption rather than a permanent change in the profitability of the business.	As there is no trading activity within the parent company, net assets were considered an appropriate benchmark. The higher company materiality level was used for the purposes of testing balances not relevant to the group audit, such as investments in subsidiary undertakings and intercompany balances.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between €450,000 and €5,103,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2020: 75%) of overall materiality, amounting to €5.1 million (2020: €5.9 million) for the Group Financial Statements and €6.7 million (2020: €6.5 million) for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €0.35 million (group audit) (2020: €0.40 million) and €0.4 million (company audit) (2020: €0.4 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- understanding and evaluating of the internal governance processes around management's going concern assessment;
- agreeing the underlying cash flow projections to management approved forecasts, assessing how these forecasts are compiled and assessing the historical accuracy of management's forecasts;
- understanding and evaluating the key assumptions within management's forecasts;
- considering liquidity and available facilities by reference to documents supporting those arrangements;
- assessing whether the severe but plausible scenario testing performed by management appropriately considered the principal risks facing the business;
- a stand back assessment of the group's liquidity and consideration of all the evidence obtained; and
- assessing the adequacy of disclosures in the Going concern statement in the Annual Report and found these appropriately reflect the key areas identified.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report, for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Strategic report and Corporate governance sections of the Annual Report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the group and the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

– The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
– The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
– The section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules of the UK Financial Conduct Authority, the UK Corporate Governance Code, the UK Bribery Act, UK tax legislation and equivalent local laws and regulations applicable to component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries (for example journal entries to increase revenue) and bias in relation to judgements and estimates, particularly in the area of goodwill, tangible and intangible assets impairment assessment. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

– understanding and evaluating the key elements of the group's internal control related to estimates;
– validating the support behind the assumptions and judgements made by management including challenging against possible alternatives, for example in relation to goodwill, tangible and intangible assets impairment assessment;
– identifying and substantively testing higher risk journal entries, in particular any that increased revenue, that had unusual account combinations or were posted by unexpected users;

- having discussions with and corroborating key assertions made by finance management with internal audit, the group's legal counsel and senior group and divisional management including views on accounting judgements and estimates, and considering known or suspected instances of non-compliance with laws and regulation and fraud;
- reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- reviewing internal audit reports in so far as they related to the financial statements;
- reviewing legal expense accounts to identify significant legal spend which may be indicative of serious breaches of laws and regulations; and
- reviewing component teams' key working papers for all in-scope components with a particular focus on the areas involving estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

The group in its current form came into existence in 2001 and we have been its auditor since that year. The period of total uninterrupted engagement is 21 years, covering the years ended 31 December 2001 to 31 December 2021. We were previously the auditors of the group from which this group was demerged.

The group listed on the London Stock Exchange in October 2017. Prior to the listing, following an audit tender in 2017, we were re-appointed as auditors by the directors for the year ended 31 December 2017.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
14 March 2022

Consolidated Income Statement

For the year ended 31 December

Continuing operations	Note	2021 Before exceptional item €m	Exceptional item €m	2021 After exceptional item €m	2020 Before exceptional item €m	Exceptional item €m	2020 After exceptional item €m
Revenue	4	**2,956.6**	**–**	**2,956.6**	2,814.5	–	2,814.5
Cost of sales	5	**(2,626.8)**	**–**	**(2,626.8)**	(2,493.1)	(120.4)	(2,613.5)
Gross profit/(loss)		**329.8**	**–**	**329.8**	321.4	(120.4)	201.0
Distribution costs	5	**(93.9)**	**–**	**(93.9)**	(83.7)	–	(83.7)
Administrative expenses	5	**(105.8)**	**–**	**(105.8)**	(145.1)	(184.2)	(329.3)
Other income	10	**3.6**	**–**	**3.6**	8.5	–	8.5
Net foreign exchange (losses)/ gains	3	**(6.9)**	**–**	**(6.9)**	27.2	–	27.2
Operating profit/(loss)		**126.8**	**–**	**126.8**	128.3	(304.6)	(176.3)
Finance income	11	**3.1**	**–**	**3.1**	3.5	–	3.5
Finance expense	11	**(63.1)**	**(11.8)**	**(74.9)**	(77.5)	–	(77.5)
Net finance expense		**(60.0)**	**(11.8)**	**(71.8)**	(74.0)	–	(74.0)
Share of loss of associate	19	**(0.9)**	**–**	**(0.9)**	(3.5)	–	(3.5)
Profit/(loss) before income tax		**65.9**	**(11.8)**	**54.1**	50.8	(304.6)	(253.8)
Income tax (expense)/credit	12	**(40.9)**	**2.8**	**(38.1)**	(28.1)	29.7	1.6
Profit/(loss) for the year		**25.0**	**(9.0)**	**16.0**	22.7	(274.9)	(252.2)
Profit/(loss) for the year attributable to:							
Owners of the Parent Company		**23.3**	**(9.0)**	**14.3**	20.8	274.9	(254.1)
Non-controlling interests	25	**1.7**		**1.7**	1.9		1.9
		25.0	**(9.0)**	**16.0**	22.7	274.9	(252.2)
Total earnings per share (Euro, cents)							
Basic	13			**2.76**			(48.88)
Diluted	13			**2.73**			(48.88)

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	Note	2021 €m	2020 €m
Profit/(loss) for the year		**16.0**	(252.2)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations	29	**36.3**	(21.1)
– Income tax (expense)/credit on retirement benefit obligations	12	**(6.8)**	3.6
		29.5	(17.5)
Items that may be subsequently reclassified to profit or loss			
– Currency translation		**75.1**	(52.4)
– Cash flow hedges	24	**–**	13.2
– Net investment hedges	24	**0.9**	6.9
		76.0	(32.3)
Total other comprehensive income/(expense) for the year		**105.5**	(49.8)
Total comprehensive income/(expense) for the year		**121.5**	(302.0)
Attributable to:			
– Owners of the Parent Company		**120.1**	(303.2)
– Non-controlling interests	25	**1.4**	1.2
Total comprehensive income/(expense) for the year		**121.5**	(302.0)

Consolidated Balance Sheet
As at 31 December

	Note	2021 €m	2020 €m
Non-current assets			
Intangible assets	15	**884.8**	883.8
Right-of-use assets	17	**125.2**	124.9
Property, plant and equipment	16	**595.4**	590.8
Investments in associates	19	**–**	14.6
Deferred income tax assets	12	**70.5**	62.4
Trade and other receivables	21	**19.2**	18.9
		1,695.1	1,695.4
Current assets			
Inventories	20	**332.3**	351.4
Trade and other receivables	21	**520.5**	534.8
Current income tax assets	12	**11.4**	13.7
Derivative financial instruments	28	**0.9**	0.4
Financial assets at fair value through profit and loss	22	**0.9**	0.9
Cash and cash equivalents	22	**499.1**	485.8
		1,365.1	1,387.0
Total assets		**3,060.2**	3,082.4
Equity			
Share capital	23	**6.8**	6.8
Share premium	23	**2.2**	2.2
Other reserves	24	**(61.4)**	(137.7)
Retained earnings		**995.9**	987.7
Equity attributable to owners of the Parent Company		**943.5**	859.0
Non-controlling interests	25	**0.4**	25.2
Total equity		**943.9**	884.2
Non-current liabilities			
Trade and other payables	26	**14.6**	20.0
Borrowings	27	**1,098.5**	1,069.3
Lease liabilities	17	**119.8**	122.4
Deferred income tax liabilities	12	**95.8**	104.3
Retirement benefit obligations	29	**128.1**	160.7
Provisions	30	**2.6**	4.9
		1,459.4	1,481.6
Current liabilities			
Trade and other payables	26	**546.1**	614.1
Current income tax liabilities	12	**49.9**	40.7
Borrowings	27	**1.8**	7.4
Lease liabilities	17	**30.1**	28.6
Derivative financial instruments	28	**0.3**	0.2
Provisions	30	**28.7**	25.6
		656.9	716.6
Total liabilities		**2,116.3**	2,198.2
Total equity and liabilities		**3,060.2**	3,082.4

The Financial Statements on pages 130 to 194 were authorised for issue by the Board of Directors on 14 March 2022 and were signed on its behalf by:

Hans Dieltjens
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the period ended 31 December

	Note	Ordinary shares €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2021		**6.8**	**2.2**	**(137.7)**	**987.7**	**859.0**	**25.2**	**884.2**
Profit for the year		–	–	–	**14.3**	**14.3**	**1.7**	**16.0**
Total other comprehensive income/(expense) for the year		–	–	**76.3**	**29.5**	**105.8**	**(0.3)**	**105.5**
Total comprehensive income for the year		–	–	**76.3**	**43.8**	**120.1**	**1.4**	**121.5**
Decrease in share held by Non-controlling interests	25	–	–	–	**26.2**	**26.2**	**(26.2)**	–
Purchase of NCI	25	–	–	–	**(15.5)**	**(15.5)**	–	**(15.5)**
Share-based expense	7	–	–	–	**6.8**	**6.8**	–	**6.8**
Issue of own shares from Employee Benefit Trust	7	–	–	–	**1.1**	**1.1**	–	**1.1**
Vested share awards	7	–	–	–	**(0.9)**	**(0.9)**	–	**(0.9)**
Purchase of own shares	7	–	–	–	**(8.3)**	**(8.3)**	–	**(8.3)**
Dividends paid	14	–	–	–	**(45.0)**	**(45.0)**	–	**(45.0)**
Balance at 31 December 2021		**6.8**	**2.2**	**(61.4)**	**995.9**	**943.5**	**0.4**	**943.9**

	Ordinary shares €m	Share premium €m	Other reserves €m	Retained earnings €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2020	6.8	2.2	(106.1)	1,261.7	1,164.6	24.5	1,189.1
(Loss)/Profit for the year	–	–	–	(254.1)	(254.1)	1.9	(252.2)
Other comprehensive expense for the year	–	–	(31.6)	(17.5)	(49.1)	(0.7)	(49.8)
Total comprehensive (expense)/income	–	–	(31.6)	(271.6)	(303.2)	1.2	(302.0)
Share-based expense	–	–	–	0.9	0.9	–	0.9
Dividends paid	–	–	–	–	–	(0.5)	(0.5)
Issue of own shares from Employee Benefit Trust	–	–	–	0.2	0.2	–	0.2
Purchase of own shares	–	–	–	(3.5)	(3.5)	–	(3.5)
Balance at 31 December 2020	6.8	2.2	(137.7)	987.7	859.0	25.2	884.2

Consolidated Statement of Cash Flows
For the year ended 31 December

	Note	2021 €m	2020 €m
Cash flows from operating activities			
Cash generated from operations	31	**319.8**	374.4
Interest paid		**(50.6)**	(57.1)
Income tax paid		**(54.1)**	(59.7)
Net cash generated from operating activities		**215.1**	257.6
Cash flows from investing activities			
Payment for property, plant and equipment		**(88.2)**	(82.1)
Payment for intangible assets		**(35.4)**	(30.1)
Proceeds from the sale of property, plant and equipment		**1.4**	13.8
Proceeds from the sale of associated undertakings	19	**15.5**	–
Interest received		**3.1**	3.0
Net cash used by investing activities		**(103.6)**	(95.4)
Cash flows from financing activities			
Purchase of own shares	23	**(8.3)**	(3.5)
Purchase of non-controlling interests	25	**(15.5)**	–
Proceeds from new borrowings	27.1	**600.0**	213.6
Fees paid on proceeds from new borrowings	27.1	**(15.3)**	(17.7)
Voluntary repayments of borrowings	27.1	**(600.0)**	(209.6)
Scheduled repayments of borrowings	27.1	**(6.8)**	(5.3)
Lease principal repayments	17	**(31.6)**	(28.6)
Dividends paid		**(45.0)**	–
Dividends paid to non-controlling interests	25	**–**	(0.5)
Net cash used by financing activities		**(122.5)**	(51.6)
(Decrease)/Increase in cash and cash equivalents		**(11.0)**	110.6
Cash and cash equivalents at the beginning of the year	22	**485.8**	411.7
Currency translation on cash and cash equivalents		**24.3**	(36.5)
Cash and cash equivalents at the end of the year	22	**499.1**	485.8

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1. Basis of Preparation

The consolidated financial statements for the year-ended 31 December 2021 were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and UK-adopted international accounting standards.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with UK-adopted international accounting standards and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The previous annual consolidated financial statements for the year-ended 31 December 2020 were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applied in the European Union (EU). This change in basis of preparation, effective from 1 January 2021, was required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change did not constitute a change in accounting policy but rather a change in framework which was required to ground the use of IFRS in UK company law. There was no impact on recognition, measurement or disclosure between the two frameworks in the year reported.

The consolidated financial statements have been prepared under the historical cost convention, except for the fair valuation of assets and liabilities of subsidiary companies acquired, and financial assets and liabilities at fair value through profit and loss ('FVTPL') (including derivative instruments not in hedged relationships).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the consolidated financial statements are disclosed in Note 1.4.

1.1.1. Going Concern

The Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 27.

Further details of the Going Concern and Viability statements are disclosed in the Compliance statements. See page 61.

1.1.2. Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The functional currency of each Group company has been assessed against the underlying transactions and economic conditions in which it operates.

These financial statements are presented in Euro, which is the Group's presentation currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

1.1.3.1. New and Revised IFRS Affecting Amounts Reported in the Current Year (and/or Prior Years)

There are no standards or IFRS IC interpretations effective in the current year that would be expected to have a material impact on the Group.

1.1.3.2. New and Revised IFRS in Issue but not yet Effective

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2022, or are not yet effective because they have not yet been endorsed by the UK Endorsement Board. These have not been applied in preparing the consolidated financial statements.

1. Summary of Significant Accounting Policies continued

The Group has not applied the following new and revised standards that have been issued but are not yet effective or are not yet endorsed by the UK Endorsement Board:

Amendments to IFRS 3: Reference to the Conceptual Framework[1]	Updates reference to the Conceptual Framework without significantly changing the requirements.
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use[1]	Prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended.
Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract[1]	The amendments specify that the 'cost of fulfilling' a contract must relate directly to the contract and can either be incremental costs or an allocation of other direct costs.
Annual Improvements to IFRS Standards 2018-2020: Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	Various minor amendments and clarifications including to clarify which fees an entity includes when it applies the '10 per cent' test in IFRS 9 in assessing whether to derecognise a financial liability.
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current[2]	Provides guidance on whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
IFRS 17 'Insurance Contracts'[2]	IFRS 17 replaces IFRS 4 for all entities that issue contracts.
Amendments to IAS 8: Accounting Policies and Accounting Estimates[2]	Replaces the definition of accounting estimates and clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error.
Amendments to IAS 1: Disclosure Initiative—Accounting Policies[2]	Requires that an entity discloses its material accounting policies, instead of its significant accounting policies.
Amendment to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction[2]	Clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

1 Effective for the Group's 2022 financial statements
2 Effective for the Group's 2023 financial statements

The new and revised standards disclosed above are not expected to have a material impact on the Group. There are no other standards or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.2. Consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from, its involvement with the Group and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred to the former owners of the acquiree for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

Intercompany transactions and balances between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of subsidiaries and their countries of incorporation is presented in Note 4 of the Parent Company's financial statements. The term 'Group' means the Company and its consolidated subsidiaries and undertakings.

1.2.2. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, under which the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

1. Summary of Significant Accounting Policies continued

The Group's share of post-acquisition profit or loss is recognised in the Income Statement, and its share of post-acquisition movements in Other Comprehensive Income is recognised in the Statement of Other Comprehensive Income, both with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

On 8 December 2021, the Group disposed in full of its only associated undertaking, see Note 19 for further details.

1.3. Foreign Currencies

1.3.1. Foreign Currency Transactions

Transactions in foreign currencies are converted to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

1.3.2. Foreign Operations

Foreign operations are those subsidiaries whose functional currency is not Euro. For the purposes of consolidation, income and expenses of foreign operations are translated to Euro at average exchange rates for the year, and assets and liabilities of foreign operations are translated to Euro at exchange rates at the reporting date. Foreign currency translation differences are recognised in the Statement of Comprehensive Income.

The average and year-end exchange rates for the Group's principal currencies were:

Key Euro exchange rates	2021 Average	31 December 2021 Year End	2020 Average	31 December 2020 Year End
US dollar	**1.182**	**1.137**	1.141	1.224
Chinese renminbi	**7.628**	**7.228**	7.869	7.988
Korean won	**1,354**	**1,352**	1,344	1,331

1.4. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates and for management to exercise judgement in applying the Group's accounting policies. Assumptions and accounting estimates are subject to regular review, governed by Group-wide policies and controls. Any revisions required to accounting estimates are recognised in the year in which the revisions are made including all future periods affected.

The judgements and estimates that have the most significant and critical effect on the amounts included in the financial statements are in relation to post-employment obligations, impairments of assets, and recognition of deferred tax assets and refinancing of borrowings as described below.

1.4.1. Critical Accounting Estimates

1.4.1.1 Post-employment obligations

Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation, are included in the Retirement Benefit Obligations note. See Note 29.5.

1.4.1.2 Impairments of assets

Management have designated the key input assumptions to the Group impairment test as being critical estimates, due to the significant impact they have on the outcome of the CGU recoverable amount calculation. The key inputs are five-year forecast operating cash flows, discount rates and long-term expected growth rates. Forecast operating cash flows are based on the Group's 2022 budget and 2023-2026 medium-term plan. Estimation is used in forecasting global automotive production volumes, as well as pricing, operating costs, capital expenditure and working capital assumptions used in arriving at operating cash flows. CGU discount rates are established using a weighted average cost of capital calculation. This includes the estimation of certain country specific macroeconomic variables. Long-term expected growth rates are typically based on country specific inflation adjusted forecast GDP. In the current year, long-term expected growth rates for the FTDS CGUs have been estimated with reference to a longer-term outlook model, covering the period 2027 - 2035. Further discussion regarding how these critical estimates have been made and sensitivity analysis of CGU recoverable amounts to changes in these assumptions can be found in Note 18.

1. Summary of Significant Accounting Policies continued

1.4.2 Critical Accounting Judgements

1.4.2.1 Impairments of assets

Management have applied judgement in establishing two negative growth rate scenarios for the FTDS CGUs and the associated probability allocation between these two scenarios. This judgement is based on Management's perceived likelihood of outcomes, drawing on their industry experience and expertise. Based on the outcome of the 31 December 2021 impairment test, judgement has also been applied by Management in establishing whether there is sufficient evidence of a significant and prolonged improvement in the forecast profitability of CGUs to support the reversal of any previously recognised impairment losses. Further discussion on the outcome of this judgement is included within Note 18.

1.4.2.2 Deferred tax assets

Due to the COVID-19 pandemic, global automotive production volumes in the current and prior year have been significantly impacted and caused trading losses. Recognition of deferred tax assets is based on forecast future taxable income and therefore involves the exercise of Management's judgement regarding the future financial performance of particular legal entities or tax groups in which the deferred tax assets are recognised. Management have looked at short- and medium-term production volume forecasts to assess the trading profits to support recognition of the assets. The forecasts used are the same as those used in the impairment test noted in 1.4.2.1 above.

1.4.2.3 Refinancing of borrowings

Management have used judgement in the determination of whether the refinancing of the Group's borrowings on 16 April 2021 constituted a modification, extinguishment, or partial extinguishment of those borrowings, see Note 27. Management have determined that the refinancing is a partial extinguishment. The portion of the borrowings which have been repaid are extinguished, and the issuance discounts and fees associated with the portion repaid of €11.8 million, have been expensed during the year. The remaining portion of the borrowings are judged to have been modified as the qualitative characteristics of the remaining borrowings are considered to have been principally unchanged, primarily based on the impact of the net present value of the remaining cash flows.

Management have also used judgement in determining whether to treat the partial write-off of the previously incurred issuance discounts and fees, of €11.8 million, associated with reduction of the Group's term loan balances, as an exceptional item. Management have made this determination based on the significant size of the fee write-off and the relative infrequency of the transaction, see Note 9.

1.5. Goodwill

Initial measurement

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interests over the fair value of net identifiable assets acquired and liabilities assumed. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the Income Statement.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Goodwill is not amortised, but is subject to impairment testing which is performed annually or when an impairment trigger event occurs. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value-in-use and fair value less costs of disposal.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') that are expected to benefit from the synergies of the combination which generated the goodwill. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata based on the carrying amount of each asset in the CGU. CGUs comprise the two operating segments each sub-divided into four geographic territories.

Any impairment loss for goodwill is recognised as an expense in the Income Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

1. Summary of Significant Accounting Policies continued

1.6. Intangible Assets

Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised where the costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete the project and to use or sell the development asset. Expenditure capitalised includes the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Capitalised development expenditure is measured at cost less accumulated amortisation and impairment charges. Development expenditure, which does not meet the criteria for recognition as an intangible asset, is recognised in the Income Statement as incurred.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Amortisation

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year are as follows:

– Capitalised development expenses	5-10 years (over the life of the production cycle)
– Computer software and licences	3-6 years
– Technology	4-8 years
– Customer platforms	11-25 years

Intangible assets that are under development are not amortised until they are brought into use. They are reviewed for indications of impairment to ensure that expectations of future economic benefits remain valid. Where there is any indication to the contrary, capitalisation ceases and costs are expensed.

1.7. Property, Plant and Equipment ('PP&E')

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

Depreciation of PP&E is calculated using the straight-line method, reflecting expected patterns of consumption of the future economic benefits embodied in the assets, to allocate their cost less residual values over their estimated useful lives, as follows:

– Land and buildings 30-50 years
(or the period of the lease for improvements in leased buildings, and where the lease period is shorter)
– Plant, machinery and equipment 3-20 years

Depreciation is not charged on assets in the course of construction. Once completed these are transferred to the relevant category above and depreciated accordingly.

Enhancement expenditure of PP&E items is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is de-recognised. All other repairs and maintenance are charged to the Income Statement as incurred.

Gains and losses on disposals of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within other income in the Income Statement.

Investment grants received against the cost of acquired PP&E assets are included in payables as deferred income and credited to the Income Statement on a straight-line basis over the useful lives of the relevant assets.

1.8. Impairment of Non-Financial Assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at CGU level, the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

1. Summary of Significant Accounting Policies continued

1.9. Right-of-Use Assets and Lease Liabilities

Right-of-use assets and lease liabilities are created for all leases on the balance sheet, unless the lease term is short, or the underlying asset has a low value ('exempt leases'). Short-term leases are leases with a lease term of 12 months or less. Payments associated with exempt leases are recognised on a straight-line basis as an expense in the income statement.

The Group first applied IFRS 16 'Leases' on 1 January 2019, in accordance with the simplified transition (modified retrospective) approach permitted in the standard, with the cumulative effect of initially applying the new standard recognised on that date. All lease liabilities recognised on the balance sheet ('non-exempt leases'), were initially measured at the present value of their remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 January 2019. All right-of-use assets existing at that date were initially measured at the amount of the lease liability after adjusting for any prepaid or accrued lease expenses.

Since 1 January 2019, a right-of-use asset and a corresponding lease liability has been recognised for all new non-exempt leases at the date at which the underlying leased assets are made available for use by the Group discounted using the Group's incremental borrowing rate at that date.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
– fixed payments (including in-substance fixed payments), less any lease incentives receivable
– variable lease payments that are based on an index or a rate
– the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Group's control.

After initial recognition, lease interest payable is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of- use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due under a lease, due to a change in the lease term or fixed lease payments under the lease, including changes in the assessment to purchase the underlying asset. A corresponding adjustment is also made to the right-of-use asset. Lease liabilities are remeasured at the Group's incremental borrowing rates at the date of the change, except where changes in lease payments result from a change in an index or a rate.

1.10. Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL'), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred and presented within financing activities in the statement of cash flows alongside the financing instruments to which they relate.

1.10.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

1. Summary of Significant Accounting Policies continued

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ('ECL') on financial assets at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument, (lifetime ECL). A default on a financial asset occurs when the counterparty fails to make contractual payments within 180 days of when they fall due. The Group also assesses on a forward-looking basis the expected credit losses associated with the trade receivables.

For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread or the credit default swap prices for the debtor; indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments; an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation; and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.10.2. Financial Liabilities

Financial liabilities are classified as either 'financial liabilities at amortised cost' or 'financial liabilities at FVTPL'. Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost, including borrowings and trade and other payables excluding deferred income and lease liabilities, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments, (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Borrowings, including extensions to existing agreements, are recognised initially at fair value, net of discounts and transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the net proceeds and the redemption value is recognised in the Income Statement over the term of the borrowings using the effective interest method. Interest arising on financial instruments is recognised on an accruals basis.

In assessing whether a debt alteration is to be treated as a modification or an extinguishment and new arrangement, an evaluation is made of the qualitative factors such as the underlying parties to the transaction and quantitative factors such as the impact on the net present value of remaining cash flows. A gain or loss is recognised immediately in the income statement at the date of the extinguishment of a financial liability.

1. Summary of Significant Accounting Policies continued

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not meet the criteria for recognition as a financial liability at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. The Group enters into conventional derivative financial instruments to manage its exposure to foreign exchange rate risks, mostly foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in Notes 3 and 28. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period. Derivatives designated as hedging instruments are accounted for in accordance with the hedge accounting policy below.

1.10.3. Derivative instruments and hedge accounting.

The Group enters into derivatives to manage its exposure to foreign currency risk. Derivatives are initially recognised at their fair value on the date the derivative contract is entered into, and are subsequently remeasured at their fair value at each balance sheet date.

Prior to March 2020, the Group had net investment hedges. In March 2020 these hedges were all terminated. From that date, gains and losses which had been accumulated in equity are only released to the Income Statement when the foreign operation to which they related is partially disposed of or sold.

1.11. Inventories

Inventories are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value, on the first-in-first-out principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Tooling that is being manufactured for an external customer or supplier is reported as an item of inventory until complete, and represents the gross amount recoverable from the customer in respect of costs incurred, less progress payments received.

For productive material, cost is standard cost, and for non-productive material (including consumables) cost is actual cost. The standard cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads all at standard, based on normal operating conditions. Cash discounts, trade discounts and rebates are deducted from the costs of purchase. Other costs are included only to the extent that they are incurred in bringing inventories to their present location and condition. Provision is made for slow moving and obsolete inventory.

1.12. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL' for all trade and other receivables.

1.13. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits and money market funds with original maturities of three months or less.

1.14. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.15. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.16. Provisions

A provision is recognised if, because of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense. Provisions are not recognised for future operating losses.

Product warranties

A product warranty provision is recognised when specific events occur with the underlying product. The provision is based on contractual considerations, historical warranty data and expected outcomes against their associated probabilities. Specific claims are provided for reflecting management's best estimates of potential exposure.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

1. Summary of Significant Accounting Policies continued

Asset retirement obligations

Provisions are recognised for the estimated costs of dismantling and removing PP&E at the end of its operational life. Provisions for site restoration in respect of contamination and lease dilapidations are made in accordance with applicable legal requirements.

1.17. Revenue

IFRS 15 'Revenue from Contracts with Customers' establishes a single model to account for revenue arising from contracts with customers. Revenue in the course of ordinary activities is measured and recognised using the five-step approach outlined in IFRS 15:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when the entity satisfies the performance obligations

Step 1:

To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

The Group's customer arrangements take a variety of forms, with typical contractual frameworks comprising: master terms and conditions, programme award letters, purchase orders and release orders.

For piece part revenue, volume requirements and mutually enforceable terms are established on the customer issuance of a release order and therefore this is the relevant accounting unit of contract.

Tooling, prototype and development ('TPD') requirements are typically specified in a purchase order or equivalent.

Step 2:

The performance obligation within a piece part release order is to manufacture and deliver the specified volume of requested parts. The performance obligation of a TPD order is to construct or undertake the relevant tooling and development activities. Where the different obligations are separable, in terms of both capability and within the contractual documentation, they are accounted for as distinct performance obligations. Further details regarding the nature of goods and services sold is included in Note 2.

Step 3:

The fair value of consideration receivable is the transaction price specified in the relevant release order or purchase order, net of returns, discounts, sales taxes and volume rebates.

For piece part revenue, the price is fixed at the given release order (contract) and does not include any element of variable consideration.

For TPD revenue, where there is any uncertainty over the amount of consideration that will ultimately be recognised, the transaction price is constrained until such uncertainty is resolved. Amounts invoiced in excess of the transaction price will be reflected as pricing accruals or revenue deferrals.

Step 4:

The transaction price established in step 3 is allocated to the distinct performance obligations identified in step 2.

Step 5:

Revenue is recognised on satisfaction of the specified performance obligations, consistent with the passing of control of the goods and services.

For piece part revenue, control is deemed to have passed at the point in time delivery of the parts specified in the applicable release order is made.

Where consignment arrangements apply, revenue is only recognised when control of the underlying inventory has passed to the customer.

For TPD activities, control is deemed to have passed once production part approval process ('PPAP') or start of production ('SOP') has been achieved, depending on the specific terms of the agreement. Costs incurred up until this point are recognised as work-in-progress on the balance sheet and reviewed regularly for impairment should their future recovery become doubtful. Upfront deposits and progress billings are recorded in deferred revenue, until point of recognition.

1. Summary of Significant Accounting Policies continued

Contract Costs

Incremental costs incurred in obtaining a contract are capitalised and amortised over the applicable programme life, with regular review for impairment.

Other pre-contract costs and costs of fulfilment are expensed as incurred unless future economic benefit is evident, or if applicable, within the scope of other standards.

Impairment

Contract assets arise where a performance obligation has been satisfied but amounts due have not been fully recognised within trade receivables. Contract assets are reviewed for impairment in accordance with IFRS 9 Financial Instruments.

1.18 Other Income and Net Foreign Exchange Gains and Losses

Other income includes government grants, gains and losses on disposals of non-current assets, royalty income, income from insurance claims, other rental income and other miscellaneous items.

Other net foreign exchange gains and losses arise on movements in the fair value of foreign exchange forward contracts and the revaluation of Group borrowings. A significant portion of the Group's external borrowings are denominated in US dollars, and are largely on-lent to subsidiaries in the UK, whose functional currency is the Euro. The net foreign exchange movement represents the impact of currency movements on such loans, see Note 3.

1.19 Employee Benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Accrued paid absence such as holiday pay entitlement is charged to the Income Statement as earned. A liability is recognised for the amount expected to be paid under bonus plans if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plan

Payments to a defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a post-employment benefit plan under which the Group may elect to pay discretionary and fixed contributions to a separate trust and has no legal or constructive obligation to pay further amounts in respect of past service.

Defined benefit plan

A defined benefit plan provides an amount of benefit that an employee will receive at a later date, usually dependent on one or more factors such as age, periods of service and compensation. Defined benefit arrangements in the Group include funded and unfunded pension plans, post-employment healthcare, statutory termination indemnities and long-service awards.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation ('DBO') at the end of the reporting period less the fair value of plan assets. Where the fair value of plan assets exceeds the present value of the DBO, an asset is recognised only to the extent of future economic benefits accruing to the Group either as cash refunds or as a reduction in contributions.

The service cost of providing benefits for funded plans accruing during the year and any past service costs are charged as an operating expense. The interest cost or credit arising from the unwinding of the discount on the net actuarial liability or asset is recognised in the Income Statement as finance expense or income. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

Defined benefit plans – funded

The Group operates funded pension plans in the US, Canada and UK. The US plans are subject to annual actuarial review, whilst the others are formally valued at least triennially. Assets are held in trusts and are separately administered from the Group's activities. Assets include readily marketable equities, credit and diversified growth/multi-strategy funds, and qualifying insurance policies, and are valued at fair value. The Group makes contributions based on actuarial advice sufficient to meet the liabilities of the plans.

Defined benefit plans – unfunded including healthcare

The Group operates unfunded employment benefit plans in certain countries of which the most significant are post-employment healthcare in the US, a closed arrangement, and pension plans in Germany. Other liabilities include statutory termination indemnities and long-service awards.

1. Summary of Significant Accounting Policies continued

Share-based compensation

The fair value of equity-settled payments to employees is determined at the date of grant using a Monte Carlo simulation and Black-Scholes option-pricing models. The expense is recognised in the Income Statement on the straight-line basis over the period that the employees become entitled to the awards. The credit entry relating to the awards is recorded in equity (Note 7).

The Group reviews the estimate of the number of shares expected to vest at each balance sheet date. The total amount expensed is determined by reference to the fair value of the options granted, including any market performance and any non-vesting conditions, and excluding the impact of any service and non-market performance vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

1.20 Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Uncertain tax positions

The Group operates in many jurisdictions and is subject to tax audits which are often complex and can take several years to conclude. Therefore, the accrual for current tax includes provisions for uncertain tax positions, which require estimates for each matter and the exercise of judgement in respect of the interpretation of tax laws and the likelihood of challenge to historic positions. Management uses in-house tax experts, professional advisers and previous experience when assessing tax risks. Depending on their nature, estimates of interest and penalties are included either in interest payable or in tax liabilities. As amounts provided for in any year could differ from eventual tax liabilities, subsequent adjustments may arise which have a material impact on the Group's tax rate and/or cash tax payments.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable profits. Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

1.21 Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the consolidated financial statements in order to fully understand the underlying performance of the Group. These may include the costs of closure of locations or income from the disposal of assets on closure of locations, the costs of significant headcount reductions, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums and the release of unamortised transaction costs following voluntary repayments of borrowings, impairment charges, and the recognition of previously de-recognised deferred tax assets.

1.22 Deferred Income

Deferred income is recorded when consideration for goods or services provided by the Group is received before the revenue is recognised.

1. Summary of Significant Accounting Policies continued

1.23 Climate Change

The Group assesses the potential impact of climate-related risks based on the Taskforce for Climate-related Financial Disclosure ('TCFD') recommendations. These cover both transitional risks such as legal, technological, and market changes, and physical risks including direct damage to assets and supply chain disruption. In recognition of the importance of climate change, the Group has established an Environmental, Social and Governance ('ESG') Committee. The Group has published a target to reduce emissions by 37.5% by 2039 and is implementing initiatives to achieve the same, such as moving from carbon-based fuels to renewable energy alternatives.

Throughout the Group's medium term planning horizon of five years the impact of achieving the emissions reduction across both divisions is principally based on different capital expenditure decisions and certain incremental operating costs. The impact of changes in capital equipment procurement decisions that improve energy efficiency or reduce water consumption are incorporated into the Group's medium term plan. Budgets for operational spending are determined taking into account additional costs that may be required for ESG initiatives, such as increasing the mix of renewable energy within the Group's electricity consumption. Such costs will be recognised on an as incurred basis and are also incorporated into the Group's medium term planning for both divisions. The Group specifically considers the potential impact on forecast operating cash flows arising from future changes in climate change regimes in the annual impairment review of goodwill, tangible and intangible assets. Full details of this assessment are set out in Note 18 where assumptions have been made regarding the full recovery from customers of incremental costs arising on the decarbonisation of supply chains or imposition of carbon taxes.

In the case of the FTDS division, further transitional risks have been factored into the Group's annual impairment assessment by modelling the impact of the market's transition to electric powered vehicles in the period beyond the Group's medium term horizon of five years and the associated impact this may have on the division's forecast operating cash flows. Estimation uncertainty arises from the rate of such market transition and therefore the Group has modelled two scenarios for this division; a base and downside, and applied judgement in the probability weightings attached to these scenarios. Further discussion on the critical accounting estimates and judgements made in the impairment test can be found in Note 1.4.

2. Segment Reporting

Notes to segment reporting

In accordance with the provisions of IFRS 8 'Operating Segments', the Group's segment reporting is based on the management approach with regard to segment identification, under which information regularly provided to the chief operating decision maker ('CODM') for decision-making purposes forms the basis of the disclosure. The Company's CODM is the Chief Executive Officer ('CEO'), Chief Operating Officer and the Chief Financial Officer. The CODM evaluates the performance of the Company's segments primarily on the basis of revenue and Adjusted EBITDA, and Adjusted EBIT, both non-IFRS measures.

Two operating segments have been identified by the Group: Fluid Carrying Systems ('FCS') and Fuel Tank and Delivery Systems ('FTDS'). Inter-segment revenue is attributable solely to the ordinary business activities of the respective segment and is conducted on an arm's-length basis.

Fluid Carrying Systems ('FCS')

FCS products include brake and fuel lines and bundles, thermal management fluid systems (including HEV and BEV heating and cooling lines), powertrain components and quick-connectors. There is a high degree of vertical integration from the purchase of raw materials, through tube manufacturing to the assembly of finished products.

Fuel Tank and Delivery Systems ('FTDS')

FTDS products include plastic fuel tanks, filler pipes, pumps and modules and level sensors.

The Group recognises revenue on a point in time basis, when the performance obligation to manufacture and deliver products has been satisfied and control of the parts has transferred to the customer. Volume requirements and delivery schedules are communicated using frequent release orders with many customers utilising electronic delivery interfaces to transmit such information and self-billing processes to manage their payment obligations. Payment terms are typically between 30 and 60 days from date of invoicing.

Tooling, Prototype and Development ('TPD')

Within both segments, further revenue streams are recognised for distinct TPD services chargeable to a customer.

Revenue recognition for such activities occurs at the point in time control of the goods and services is transferred to the customer. This is typically Production Part Approval Process ('PPAP') or Start of Production ('SOP'), depending on the specific terms of the agreement, as at this point all agreed upon specifications have been met. Project durations vary depending on the scope and complexity of requirements. Payment terms are typically 30 to 60 days post-customer acceptance.

Allocation of corporate costs

Corporate costs comprise costs of stewardship of the Group. Costs incurred in administrative services performed at the corporate level are allocated to divisions in line with utilisation of the services. Where direct allocation is not possible, costs are allocated based on revenue for the year.

2. Segment Reporting continued

2.1. Revenue, Adjusted EBITDA and Adjusted EBIT by Segment:

	Note	2021 €m	2020 €m
Revenue		**2,956.6**	2,814.5
Profit/ (loss) for the year		**16.0**	(252.2)
Add back:			
Income tax expense/(credit) – after exceptional items	12	**38.1**	(1.6)
Profit/ (loss) before income tax		**54.1**	(253.8)
Net finance expense – after exceptional items	11	**71.8**	74.0
Share of loss of associate	19	**0.9**	3.5
Operating profit/ (loss)		**126.8**	(176.3)
Depreciation and impairment of PP&E	16	**92.0**	104.6
Depreciation and impairment of right-of-use assets	17	**29.8**	31.9
Amortisation and impairment of intangible assets	15	**70.2**	76.7
Share of loss of associate	19	**(0.9)**	(3.5)
Exceptional items	9	**–**	304.6
***EBITDA**		**317.9**	338.0
Net foreign exchange losses/ (gains)		**6.9**	(27.2)
Dividend received from associates	19	**–**	0.5
Restructuring costs		**26.8**	16.1
Share of loss of associate	19	**0.9**	3.5
Other reconciling adjustments		**0.4**	–
***Adjusted EBITDA**		**352.9**	330.9
Less:			
Depreciation and impairment of PP&E	16	**(92.0)**	(104.6)
Depreciation and impairment of right-of-use assets	17	**(29.8)**	(31.9)
Amortisation and impairment of intangible assets	15	**(70.2)**	(76.7)
Add back:			
Depreciation uplift arising on purchase accounting	16	**10.6**	12.9
Amortisation uplift arising on purchase accounting	15	**41.1**	42.7
***Adjusted EBIT**		**212.6**	173.3

* Non-IFRS alternative performance measure.

During 2021 the Group recorded a €0.4 million settlement loss (2020: €2.1 million gain) following annuity and participant buyout offerings of the Group's US pension plans (see Note 29).

Restructuring costs of €26.8 million (€15.3 million in FCS and €11.5 million in FTDS) are primarily severance costs related to the planned headcount reduction and site closures initiated in the prior year.

2. Segment Reporting continued

	2021 €m	2020 €m
Revenue		
– FCS – External	**1,603.5**	1,526.9
– Inter-segment	**63.1**	67.9
	1,666.6	1,594.8
– FTDS – External	**1,353.1**	1,287.6
– Inter-segment	**2.5**	3.3
	1,355.6	1,290.9
Inter-segment elimination	**(65.6)**	(71.2)
Total consolidated revenue	**2,956.6**	2,814.5
Adjusted EBITDA		
– FCS	**177.1**	170.8
– FTDS	**175.8**	160.1
	352.9	330.9
Adjusted EBITDA % of revenue		
– FCS	**11.0%**	11.2%
– FTDS	**13.0%**	12.4%
Total	**11.9%**	11.8%
Adjusted EBIT		
– FCS	**117.9**	97.2
– FTDS	**94.7**	76.1
	212.6	173.3
Adjusted EBIT % of revenue		
– FCS	**7.4%**	6.4%
– FTDS	**7.0%**	5.9%
Total	**7.2%**	6.2%

2.2. Revenue by Origin: Geography & Customer Concentration

	2021 €m	2020 €m
Germany	**182.1**	191.7
Spain	**163.7**	140.6
Poland	**139.1**	133.0
Czech Republic	**132.2**	107.1
Belgium	**90.8**	94.3
France	**99.5**	90.5
Turkey	**94.9**	100.0
United Kingdom	**61.2**	59.4
Africa	**37.2**	24.2
Other	**137.7**	136.7
Europe and Africa	**1,138.4**	1,077.5
China	**672.4**	654.2
South Korea	**254.7**	217.2
Other	**131.0**	111.1
Asia Pacific	**1,058.1**	982.5
US	**481.4**	499.2
Mexico	**219.1**	203.4
Canada	**13.1**	12.1
North America	**713.6**	714.7
Latin America	**46.5**	39.8
Total	**2,956.6**	2,814.5

2. Segment Reporting continued

Three customers account individually for more than 10% of total revenue and collectively contributed 34.8% of total revenue across both reporting segments in the year (2020: three customers contributed 34.1%). Revenue recognised for these customers by segment is as follows:

31 December 2021	**FCS €m**	**FTDS €m**	**Total €m**
Revenue	**501.9**	**529.7**	**1,031.6**

31 December 2020	FCS €m	FTDS €m	Total €m
Revenue	479.8	480.1	959.9

2.3. Non-Current Assets

Total non-current assets, other than financial instruments and deferred tax assets, by the location of assets is as follows:

	2021 €m	2020 €m
Germany	**124.4**	131.2
Poland	**100.8**	101.3
Czech Republic	**87.7**	84.9
Spain	**71.9**	76.7
Turkey	**48.3**	52.4
Belgium	**43.8**	50.7
United Kingdom	**29.6**	31.3
Rest of Europe	**117.9**	82.8
Europe and Africa	**624.4**	611.3
USA	**277.1**	272.6
Mexico	**76.4**	71.0
Rest of North America	**11.0**	2.3
North America	**364.5**	345.9
China	**428.6**	411.3
South Korea	**163.4**	186.9
Rest of World	**43.7**	77.6
Total	**1,624.6**	1,633.0

31 December 2021	**FCS €m**	**FTDS €m**	**Total €m**
Goodwill	**538.2**	**26.1**	**564.3**
Intangible assets	**192.6**	**127.9**	**320.5**
Property, plant and equipment	**360.9**	**234.5**	**595.4**
Right-of-use assets	**76.5**	**48.7**	**125.2**
Non-current trade and other receivables	**9.9**	**9.3**	**19.2**
Total	**1,178.1**	**446.5**	**1,624.6**

31 December 2020	FCS €m	FTDS €m	Total €m
Goodwill	511.8	24.1	535.9
Intangible assets	213.7	134.2	347.9
Property, plant and equipment	340.2	250.6	590.8
Right-of-use assets	75.5	49.4	124.9
Non current trade and other receivables	9.8	9.1	18.9
Investments in associates	14.6	–	14.6
Total	1,165.6	467.4	1,633.0

3. Financial Risk Management

The Board of Directors and key management have overall responsibility for the establishment and oversight of the Group's risk management policies, which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's capital structure (comprising of debt (Note 27) and equity (Note 23) is regularly monitored to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders and value added benefits for other stakeholders. The overall capital structure of the Group is designed to meet the strategic objectives of the Company and its shareholders.

The Group tracks compliance with the financial covenant and the negative covenants in all borrowing facilities. The financial covenant applies only to the revolving credit facility, which is undrawn (other than for letters of credit). In the event that it is drawn down and the aggregate principal amount of all outstanding revolving credit facilities exceed 35% of the revolving credit commitments, then a First Lien Net Leverage Ratio of 3.8x must not be exceeded. At 31 December 2021 the First Lien Net Leverage Ratio was 0.11x (31 December 2020 2.1x). The negative covenants restrict certain additional indebtedness, the granting of liens, and the placing of investments against specified basket limits. All basket limits allow sufficient headroom to manage current and expected transactions.

The Group was in full compliance with its financial covenants in respect of its borrowings and committed facilities throughout each of the years presented. The level of debt is monitored on an actual and projected basis to ensure continued compliance.

The Group has exposure to the following significant risks from its activities:

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:
– trade and other receivables excluding prepayments
– cash and liquid assets
– derivative financial instruments

The credit risk for trade and other receivables excluding prepayments is normally managed by the operating subsidiaries, by reference to credit rating agencies and historic trading experience with customers. Further details are available in Note 21.

Cash, which is surplus to normal working capital needs, and any approved capital investments in the operating subsidiaries, is managed by Group Treasury.

The use of derivative financial instruments is governed by Group policies and managed by Group Treasury. In most cases, the counterparties are investment grade banks.

Guarantees issued by third parties comprise letters of credit and other bank guarantees, nearly all of which are of a standby nature. Most of the issuing banks are rated investment grade and these ratings are monitored. If any of these banks became unable to meet their obligations under a guarantee, it is expected that a similar guarantee could be issued by another bank or alternative security provided to the beneficiary.

3.2. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Group has access to various forms of funding and these are considered sufficient to meet anticipated liquidity requirements.
The Directors believe that there is currently no significant risk that the Group will be unable to fund its planned commitments.

Cash flow forecasts of the Group's liquidity requirements are monitored regularly to ensure there is sufficient cash and undrawn committed borrowing facilities to meet operational needs of the Group over the medium term. Surplus cash generated by the operating entities over and above balances required for normal working capital and any approved investment is managed by Group Treasury.

The contracted maturity of the Group's financial liabilities are disclosed in Note 28.2.

3.3. Market Risk

Market risk, is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group enters into derivative contracts, and incurs financial liabilities, in order to manage market risks.

3. Financial Risk Management continued

3.3.1. Foreign Currency Risk

The Group is exposed to currency risk on revenue, purchases, investments and borrowings that are denominated in a currency other than the functional currencies of individual Group entities, which are primarily Euro, US dollars, Chinese renminbi and Korean won. Where possible, business entities sell in prices denominated in the same currency as the majority of their costs, to produce a natural hedge. At the reporting date, the majority of cash and cash equivalents in the Group were denominated in Euro, Chinese renminbi and US dollars.

Net foreign exchange losses recognised in the year of €6.9 million (2020: €27.2 million gain) primarily relate to losses on the Group's unhedged US dollar denominated intercompany borrowings in Euro functional currency companies. These mainly arose in the first quarter of the year, following termination of all the Group's forward foreign exchange contracts designated in cash flow hedge relationships in 2020, and before the refinancing completed in April 2021 (see Note 27) which sought to rebalance the currency split of the external borrowings to reduce the unhedged exposures.

The Group also uses forward foreign exchange contracts not designated in hedge relationships to manage foreign currency exposure. The nominal value of these derivatives as at 31 December 2021 was €166.8 million (31 December 2020: €62.9 million) and the aggregate fair value was a €0.6 million net receivable (31 December 2020: a €0.2 million net receivable).

Sensitivity analysis

Following the Group's refinancing completed in April 2021, the Group's exposure to a change in exchange rates is insignificant.

3.3.2. Interest Rate Risk

Most of the Group's interest rate risk arises on its main external borrowing facilities. On 16 April 2021, the Group successfully executed a refinancing of its external borrowings which reduced its variable rate borrowings, increased its fixed rate borrowings, extended the maturity of its borrowings and reduced the interest payable on those borrowings, see Note 27 for more information.

As part of the refinancing, the Group issued €600.0 million of new unsecured Senior Notes bearing a fixed interest rate of 3.75% per annum, and repaid $436.3 million (€367.5 million) of its US dollar term loan and €232.5 million of its Euro term loan which bore interest at floating rates of respectively, three-month US dollar LIBOR (minimum 0.75%) +3.75% p.a. and three-month EURIBOR (minimum 0.75%) +3.75% p.a.

As a result of the refinancing, the rates on the term loans were reduced to US-dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a on the US dollar term loan and three-month EURIBOR (minimum 0.0% p.a.) +3.25% p.a. on the Euro term loan.

The Group also has a revolving credit facility ('RCF') of $225.0 million which was undrawn during the year but for which interest would be payable in a range of US dollar LIBOR +3.0% to US dollar LIBOR +3.75% p.a. (depending on total net leverage ratio). As part of the refinancing the undrawn fee on this facility was reduced from 0.375% to 0.25% due to the total net leverage ratio being less than or equal to 3.5:1. In the event the total net leverage ratio is greater than 3.5:1, the undrawn fee will increase back to 0.375%.

Sensitivity analysis

If interest rates had been 100 bps higher or lower with all other variables held constant, the pre-tax profit or loss on an annual basis would be, respectively, €3.0 million lower or €nil higher.

Transition to alternative benchmark interest rates

The Group monitors the market and the output from various industry groups managing the transition to alternative benchmark interest rates, and will look to include changeover language for different instruments and rates when appropriate.

The Group's most significant transition risk arises from the transition from US dollar LIBOR to the Secured Overnight Financing Rate ('SOFR'). During the year, the Group has reduced the risks arising from the transition by refinancing it's borrowings. In April 2021, the Group repaid $436.3 million (€367.5 million) of its US dollar term loan which bore interest pre-refinancing at three-month US-dollar LIBOR (minimum 0.75% p.a.) +3.75% p.a. and issued new unsecured Senior Notes in Euro bearing a fixed interest rate. The Group's US dollar term loan agreement was also amended to contain SOFR transition language.

The Group's Euro term loan borrowings bear interest post-refinancing at three-month EURIBOR (minimum 0.0%) +3.25% p.a. EURIBOR has already been subject to a reform and is currently not intended to be replaced with an alternative rate. The impact of the transition to alternative benchmark rates on the Group's cash and liquid assets is not expected to be significant in the current low interest-rate environment. The Group has no derivative arrangements impacted by the transition, and no changes to the interest rate risk management strategy are currently anticipated as a result of the transition.

Other financial matters

In its normal course of business, the Group does not offer supplier financing arrangements and has not engaged any financial provider to provide these services to parties in the supply chain.

4. Revenue

4.1. Geographic analysis: Revenue by origin

	2021 €m	2020 €m
Europe and Africa	**1,138.4**	1,077.5
Asia Pacific	**1,058.1**	982.5
North America	**713.6**	714.7
Latin America	**46.5**	39.8
	2,956.6	2,814.5

4.2. Geographic analysis: Revenue by destination

	2021 €m	2020 €m
Europe and Africa	**1,127.2**	1,073.7
Asia Pacific	**1,063.2**	982.8
North America	**719.2**	718.4
Latin America	**47.0**	39.6
	2,956.6	2,814.5

4.3. Transaction price allocated to started but incomplete performance obligations

	2021 €m	2020 €m
Tooling, prototype and development revenue to be recognised within one year	**47.9**	78.9
Tooling, prototype and development revenue to be recognised in more than one year	**16.7**	13.5
	64.6	92.4

5. Cost of Sales, Distribution Costs and Administrative Expenses

5.1. Total cost of sales, distribution costs and administrative expenses

	2021 €m	2020 €m
Cost of sales	**2,626.8**	2,613.5
Distribution costs	**93.9**	83.7
Administrative expenses	**105.8**	329.3
Total cost of sales, distribution costs and administrative expenses	**2,826.5**	3,026.5

In 2020 cost of sales and administrative expenses included €120.4 million and €184.2 million, respectively, in relation to exceptional impairment charges.

The nature of costs included in cost of sales, distribution costs and administrative expenses is as follows:

	Note	2021 €m	2020 €m
Materials and other operating costs		**1,754.4**	1,650.0
Personnel costs	6.1	**734.9**	709.7
Depreciation, amortisation and impairment charges	15/16/17	**192.0**	213.2
Expense relating to short-term and low value leases	17.3	**6.1**	5.7
Utilities		**56.4**	54.4
Repairs and maintenance		**31.8**	32.0
Freight inward, including customs duties		**50.9**	56.9
Exceptional costs	9	**–**	304.6
Total cost of sales, distribution costs and administrative expenses		**2,826.5**	3,026.5

Personnel costs include share-based costs (Note 7).

Administrative expenses comprise the costs of the Group's administration, commercial and finance functions, along with all other corporate operating costs.

5. Cost of Sales, Distribution Costs and Administrative Expenses continued

5.2. Research and development expenditure

Research and development expenditure before third-party income, comprised:

	Note	2021 €m	2020 €m
Research and development expenses		**40.1**	43.0
Capitalised development costs	15.2	**27.4**	24.3
Total research and development expenditure		**67.5**	67.3

6. Personnel Costs and Numbers

6.1. Personnel costs

	Note	2021 €m	2020 €m
Wages and salaries (including employee severance amounts)		**608.8**	585.9
Social security costs		**109.4**	111.9
Share-based costs	7	**6.8**	1.1
Pension and other post-employment costs: defined benefit current service cost	29.2	**5.9**	8.7
Pension and other post-employment costs: defined benefit settlement gain	29.2	**0.1**	(2.2)
Pension and other post-employment costs: defined contribution		**3.9**	4.3
Total personnel costs		**734.9**	709.7

Wages and salaries costs in the year include employee severance amounts totalling €23.8 million (2020: €18.1 million).

Economic support payments received direct from government authorities amounted to a net €2.7 million and any payroll support was fully passed on to employees (2020: €32.0 million).

6.2. Transactions with Key Management Personnel

Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 15 (2020: 15).

At no time during 2021 or 2020 were any loans to key management personnel made by the Group.

Compensation of key management personnel	2021 €m	2020 €m
Short-term employee benefits	**8.9**	10.8
Post-employment benefits	**0.1**	0.1
Share-based costs	**4.1**	0.8
Total	**13.1**	11.7

There was €3.0 million of compensation outstanding at 31 December 2021 (2020: €5.2 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

6.3. Personnel numbers

Average monthly number of people employed by function	2021	2020
Direct production	**12,037**	13,089
Indirect operational	**7,181**	7,288
Commercial and administration	**1,510**	1,584
Total	**20,728**	21,961

In addition to the above, the Group employed an average of 4,838 agency and other temporary workers during the year (2020: 3,731) whose costs were included in other operating costs.

7. Share-based Compensation

On 24 October 2017, the TI Fluid Systems plc Long Term Incentive Plan was adopted. Under the plan, awards are granted annually with a three-year vesting period. Vesting is contingent on the attainment of certain performance conditions over the three-year performance period as well as the continued service of the award holder. The performance conditions applicable to awards outstanding as at 31 December 2021 are summarised in the below table:

2018/2019 Conditional Share Awards ('CSAs')

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
EPS Growth (**'EPS'**)	80%	EPS compound annual growth rate over performance period	Non-market based
Total Shareholder Return (**'TSR'**)	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market based

2020 Conditional Share Awards

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
Cumulative Adjusted Free Cash flow (**'AFC'**)	80%	Threshold €110 million, maximum €260 million, outperformance €285 million	Non-market based
Total Shareholder Return (**'TSR'**)	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market based

2020 Restricted Stock Units ('RSUs')

The 2020 RSUs have no performance conditions, other than the continued service of the holder throughout the three-year vesting period.

2021 Conditional Share Awards - Executive Committee

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
Cumulative Adjusted Free Cash flow (**'AFC'**)	60%	Threshold €500 million, maximum €620 million, outperformance €675 million	Non-market based
Total Shareholder Return (**'TSR'**)	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market based
Environmental & Social (**"E&S"**)	20%	Average ISS Environmental and Social QualityScores during the performance period	Non-market based

2021 Conditional Share Awards - Other

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
Cumulative Adjusted Free Cash flow (**'AFC'**)	40%	Threshold €500 million, maximum €620 million	Non-market based
Environmental & Social (**"E&S"**)	10%	Average ISS Environmental and Social QualityScores during the performance period	Non-market based
Time-based	50%	Continued service throughout the performance period	Non-market based

Certain Executive Directors are entitled to bonus shares of up to 133% of their CSAs, subject to achieving an enhanced target in relation to the relevant performance condition.

Award holders are entitled to a dividend equivalent payment, in respect of their awards, for all ordinary dividends that are declared and paid between the award date and the settlement date. These may be paid in cash at the date of vesting, or paid in the form of additional conditional awards, subject to the same conditions as the original grant.

7. Share-based Compensation continued

As the awards are settled in shares of the Company, or cash at the discretion of the Company, they are accounted for as equity settled awards under IFRS 2 and fair valued at date of grant using the Black-Scholes Option Pricing Model (EPS, AFC, E&S and time-based tranches) and Monte Carlo simulation (TSR tranche). The fair value is recognised in the Income Statement straight line over the vesting period, with the anticipated number of awards vesting adjusted for management's estimate of forfeiture rate and attainment of non-market-based performance conditions. Achievement of market-based performance conditions is reflected in the initial fair value of the award.

The weighted average fair value of awards granted in the year was €3.02 (2020: €1.68).

The assumptions used for the grants in the year included a weighted average share price of €3.33 (2020: €1.93), expected option life of three years (2020: three years), expected volatility of 50.0% (2020: 43.5%) and a weighted average risk-free interest rate of 0.14% (2020: 0.02%). Awards made to Executive Directors are subject to a two-year holding period post vesting, for which the valuations have been discounted accordingly.

The expected volatility is based on the historical volatility of the Company's share price since its admission to trading on 25 October 2017.

The expected volatility of the comparator companies' share prices and correlation to TIFS is measured over a three-year period, commensurate with the expected term of the awards.

The risk-free rate of return is based on zero-coupon UK government bond yields corresponding to the expected term.

As award holders are entitled to dividend equivalent compensation during the vesting period, no dividend yield assumption is required in the valuation of these awards.

The table below provides a reconciliation of awards outstanding:

	Number of awards
Outstanding at 1 January 2020	11,754,214
Granted during the year	7,722,455
Forfeited during the year	(1,527,330)
Outstanding at 31 December 2020	17,949,339
Granted during the year	5,892,871
Vested during the year	(390,037)
Cancelled during the year	(178,601)
Forfeited during the year	(4,862,644)
Outstanding at 31 December 2021	**18,410,928**

The total share-based cost for the year was €7.2 million, including €0.4 million in relation to employers taxes (2020: €1.1 million and €0.2 million).

8. Directors' Remuneration

The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes and pension benefits are disclosed in the Remuneration Report. See page 92.

9. Exceptional Items

	Note	**2021 €m**	2020 €m
Cost of sales	18	–	120.4
Administrative expenses	18	–	184.2
Finance expense	11,27	**11.8**	–
Exceptional expense before income tax		**11.8**	304.6
Income tax credit	12	**(2.8)**	(29.7)
Exceptional expense after income tax		**9.0**	274.9

Exceptional finance expenses in the year of €11.8 million (2020: €nil) relates to the expensing to the income statement of unamortised transaction costs following the voluntary repayment and partial extinguishment of the Group's Euro and US dollar term loans. Refer to Notes 11 and 27 for the finance expense, and Note 12 for the associated income tax impact.

In 2020, the exceptional administrative expenses of €184.2 million related to impairments of goodwill made during that year and the exceptional cost of sales expense of €120.4 million related to impairments of intangible assets, property, plant and equipment and lease right-of-use assets. Refer to Note 18 for details regarding these impairment charges.

10. Other Income

	2021 €m	2020 €m
Government grants	**1.5**	1.5
Insurance claims	**0.3**	0.2
Royalty income	**0.1**	2.2
Losses on disposal of PP&E, intangible assets and right-of-use assets	**(0.6)**	(0.5)
Rental income	**0.7**	0.6
Loss on disposal of associated undertaking (Note 19)	**(0.2)**	–
Other miscellaneous items	**1.8**	4.5
Total other income	**3.6**	8.5

On 8 December 2021, the Group disposed of its investment in its associated undertaking realising a loss on disposal before tax of €0.2 million. Refer to Note 19 for further details.

In 2020 miscellaneous items included a €2.8 million one-off VAT claim settlement.

11. Finance Income and Expense

	Note	2021 €m	2020 €m
Finance income			
Interest on short-term deposits, other financial assets and other interest income		**2.6**	2.2
Fair value gains on derivatives and foreign exchange contracts not in hedged relationships		**0.5**	1.3
Finance income		**3.1**	3.5
Finance expense			
Interest payable on term loans including expensed fees		**(33.5)**	(55.9)
Interest payable on unsecured senior notes including expensed fees		**(16.7)**	–
Net interest expense of retirement benefit obligations	29.2	**(2.5)**	(4.1)
Fair value net losses on financial instruments: ineffectiveness		**–**	(7.1)
Net interest expense related to specific uncertain tax positions		**(0.6)**	–
Interest payable on lease liabilities	17.3	**(9.8)**	(10.4)
Finance expense excluding exceptional items		**(63.1)**	(77.5)
Unamortised transaction costs expensed on voluntary repayments of borrowings	9,27.1	**(11.8)**	–
Exceptional finance expense	9,27.1	**(11.8)**	–
Finance expense after exceptional items		**(74.9)**	(77.5)
Total net finance expense after exceptional items		**(71.8)**	(74.0)

Fees included in interest payable under the effective interest method	Note	2021 €m	2020 €m
Fees included in interest payable on term loans	27	**(4.4)**	(8.0)
Fees included in interest payable on unsecured senior notes	27	**(0.8)**	–

Fees expensed in exceptional finance expense	Note	2021 €m	2020 €m
Fees expensed in respect of term loans	9,27.1	**(11.8)**	–

Exceptional finance expenses in the year of €11.8 million (2020: €nil) relates to the expensing to the income statement of unamortised transaction costs following the voluntary repayment and partial extinguishment of the Group's Euro and US dollar term loans. Refer to Note 27 for the finance expense, and Note 12 for the associated income tax impact.

In the prior year, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Termination of the hedges resulted in the recognition of ineffectiveness of €7.1 million.

12. Income Tax

12.1. Income Tax (Expense)/Credit

	2021 €m	2020 €m
Current tax on profit for the year	**(68.1)**	(58.5)
Exceptional - Current Tax Impact of US Refinancing Costs	**1.8**	–
Adjustments in respect of prior years	**2.7**	5.5
Total current tax expense	**(63.6)**	(53.0)
Origination and reversal of temporary deferred tax differences	**24.5**	24.9
Exceptional - Deferred Tax Impact of US Refinancing Charge	**1.0**	–
Exceptional - Deferred Tax Impact of Impairment Charge	**–**	29.7
Total deferred tax benefit/(expense)	**25.5**	54.6
Income tax (expense)/benefit - Income Statement	**(38.1)**	1.6
Origination and reversal of temporary deferred tax differences	**(6.8)**	3.6
Income tax (expense)/benefit - Statement of Comprehensive Income	**(6.8)**	3.6
Total income tax (expense)/benefit	**(44.9)**	5.2

For 2021, the Group is reporting an exceptional US refinancing charge of €11.8 million with a corporate tax benefit of €1.8 million and a deferred tax benefit of €1.0 million which results in an exceptional effective tax rate of 23.7% (the US 2021 effective tax rate).

For 2020, the Group reported an exceptional impairment charge of €304.6 million with a deferred tax benefit of €29.7 million which resulted in an exceptional effective tax rate of 9.8%. The low exceptional effective tax rate was due to the fact that the majority of the impairment was related to goodwill that does not carry a deferred tax balance and therefore this portion of the impairment was not tax affected.

The table below analyses the constituent elements of the Group income tax charge separately identifying the tax charges recognised in respect of entities that ordinarily pay tax or where the recognition of deferred tax assets is appropriate, the impact of entities where the level of tax losses limits the payment of tax or restricts the deferred tax recognition in respect of the losses, the impact of withholding taxes suffered in the Group, tax charges recognised in respect of unremitted overseas distributable reserves, and the impact of purchase accounting adjustments.

	2021		2020	
	Profit before tax €m	**Tax charge €m**	Profit before tax €m	Tax charge €m
Results excluding exceptional items	**65.9**	**(40.9)**	50.8	(28.1)
Adjustments:				
Disposal of associate investment impact	**0.2**	**3.1**	–	–
Share of associate losses	**0.9**	**–**	3.5	–
	67.0	**(37.8)**	54.3	(28.1)
Analysed as:				
Tax charges (including deferred tax assets) recognised	**166.7**	**(43.8)**	148.5	(33.2)
Tax losses where no deferred tax assets recognised	**(46.9)**	**(0.3)**	(38.6)	(0.2)
Withholding tax and tax on unremitted distributable reserves	**–**	**(6.1)**	–	(8.5)
Annual amortisation and depreciation of assets with historic purchase price accounting adjustments	**(52.8)**	**12.4**	(55.6)	13.8
	67.0	**(37.8)**	54.3	(28.1)

12. Income Tax continued

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the UK statutory tax rate applicable to profits of the consolidated entities as follows:

	2021 Before exceptional item €m	2021 Exceptional item €m	2021 After exceptional item €m	2020 Before exceptional item €m	2020 Exceptional item €m	2020 After exceptional item €m
Profit/(loss) before income tax	**65.9**	**(11.8)**	**54.1**	50.8	(304.6)	(253.8)
Income tax calculated at UK statutory tax rate of 19% (2020: 19%) applicable to profits in respective countries	**(12.5)**	**2.2**	**(10.3)**	(9.7)	57.9	48.2
Tax effects of:						
Overseas tax rates (excluding associates)	**(5.9)**	**0.6**	**(5.3)**	(5.1)	9.0	3.9
Income not subject to tax	**7.1**	**–**	**7.1**	9.9	–	9.9
Expenses not deductible for tax purposes - other & UK non-deductible interest/ expenses	**(16.6)**	**–**	**(16.6)**	(14.7)	–	(14.7)
Expenses not deductible for tax purposes - goodwill impairment	**–**	**–**	**–**	–	(35.0)	(35.0)
Temporary differences on unremitted earnings	**0.6**	**–**	**0.6**	(3.3)	–	(3.3)
Specific tax provisions	**(2.9)**	**–**	**(2.9)**	(2.5)	–	(2.5)
Unrecognised deferred tax assets	**(7.1)**	**–**	**(7.1)**	(4.5)	(2.2)	(6.7)
Other taxes	**(10.7)**	**–**	**(10.7)**	(8.3)	–	(8.3)
Adjustment in respect of prior years - current tax adjustments	**2.7**	**–**	**2.7**	5.5	–	5.5
Adjustment in respect of prior years - deferred tax adjustments	**(0.3)**	**–**	**(0.3)**	0.7	–	0.7
Impact of changes in tax rate	**1.5**	**–**	**1.5**	(0.2)	–	(0.2)
Double Tax Relief and Other Tax Credits	**3.2**	**–**	**3.2**	4.1	–	4.1
Income tax (expense)/benefit - Income Statement	**(40.9)**	**2.8**	**(38.1)**	(28.1)	29.7	1.6
Deferred tax (expense)/credit on re-measurement of retirement benefit obligations	**(6.8)**	**–**	**(6.8)**	3.6	–	3.6
Income tax (expense)/credit - Statement of Comprehensive Income	**(6.8)**	**–**	**(6.8)**	3.6	–	3.6
Total tax (expense)/benefit	**(47.7)**	**2.8**	**(44.9)**	(24.5)	29.7	5.2

Other taxes comprised various local taxes of €2.2 million (2020: €2.0 million) together with taxes withheld on dividend, interest and royalty remittances totalling €8.5 million (2020: €6.3 million).

For 2020, the Group reported an exceptional impairment charge of €304.6 million with a deferred tax benefit of €29.7 million. The majority of the impairment related to goodwill that did not carry a deferred tax balance and therefore this portion of the impairment had no tax effect and resulted in a material unfavourable permanent tax adjustment.

Factors that may affect future tax charges include the continued non-recognition of deferred tax assets in certain territories as well as the existence of tax losses in certain territories which could be available to offset future taxable income in certain territories and for which no deferred tax asset is currently recognised.

12. Income Tax continued

12.2. Current Income Tax Assets and Liabilities

	2021 €m	2020 €m
Current income tax assets	**11.4**	13.7
Current income tax liabilities	**(49.9)**	(40.7)
Net current income tax liabilities	**(38.5)**	(27.0)

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2021, the balance was €36.0 million (2020: €31.9 million). The Group is aware of an increase in global tax audit scrutiny and therefore monitors tax uncertainties in all geographic regions closely. As each uncertain tax provision is considered more likely than not to materialise, settlement of the issues that have been provided should not result in a material impact to the effective tax rate. However, in the event that a favourable conclusion is reached on an uncertain tax position, release of the provision would have a favourable impact on the Group's effective tax rate. In the event that a conclusion is reached that exceeds the amount provided for an uncertain tax position, there would be an unfavourable impact on the Group's effective tax rate. It is possible that certain tax issues related to the remaining uncertain tax provisions could settle within the next 12 months although the timing of any settlements are not certain.

12.3. Deferred Tax Assets and Liabilities

	2021 €m	2020 €m
Deferred tax assets	**70.5**	62.4
Deferred tax liabilities	**(95.8)**	(104.3)
Net deferred tax liabilities	**(25.3)**	(41.9)

The total deferred tax asset balance as at 31 December 2021 is €70.5 million. It is expected that €31.9 million of the deferred tax asset will be recovered within the next 12 months and the remaining €38.6 million of the deferred tax asset will be recovered after 12 months.

The total deferred tax liability balance as at 31 December 2021 is €95.8 million. It is expected that €16.9 million of the deferred tax liability will be settled within the next 12 months and the remaining €78.9 million of the deferred tax liability will be settled after 12 months.

12.3.1. Movement on Net Deferred Tax Liabilities

	2021 €m	2020 €m
At 1 January	**(41.9)**	(103.4)
Income statement benefit/(expense)	**24.5**	24.9
Exceptional income statement benefit - tax impact of impairment charge	**–**	29.7
Exceptional income statement benefit - tax impact of US refinancing charge	**1.0**	–
Tax on remeasurement of retirement benefit obligations	**(6.8)**	3.6
Transfer of uncertain tax position balance from current tax to deferred tax	**–**	(0.7)
Transfer of uncertain tax position balance from deferred tax to current tax	**0.6**	–
Currency translation	**(2.7)**	4.0
At 31 December	**(25.3)**	(41.9)

Deferred tax assets originating from tax loss carry forwards mainly relate to Germany, France and Spain as at 31 December 2021. Forecasts for Germany, France and Spain are prepared by management on a five-year basis and use external automotive industry data sources. The forecasts demonstrate several years of continued future profitability and all have consistent expectations of future financial performance. As a result, management believes that the current tax losses will be utilised.

The aggregate amount of tax liabilities not recognised with respect to temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures is €nil.

12. Income Tax continued

12.3.2. Gross Deferred Tax Assets and Liabilities

The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

	Assets					Liabilities					
Gross deferred tax assets and liabilities	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Tax credits €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	Total €m
At 1 January 2020	38.2	12.1	8.6	10.9	11.1	(60.4)	(20.6)	(74.0)	(2.8)	(26.5)	(103.4)
Included in the Income Statement	(0.3)	(10.5)	9.0	8.1	2.8	3.6	2.8	10.5	1.1	(2.2)	24.9
Exceptional income statement benefit - tax impact of impairment charge	–	–	–	–	–	25.7	–	4.0	–	–	29.7
Included in other comprehensive income	3.6	–	–	–	–	–	–	–	–	–	3.6
Transfer of uncertain tax position balance from current tax to deferred tax	–	–	–	(0.7)	–	–	–	–	–	–	(0.7)
Currency translation differences	(2.3)	(0.3)	(0.5)	(0.6)	(0.5)	2.8	0.3	2.5	0.2	2.4	4.0
At 31 December 2020	**39.2**	**1.3**	**17.1**	**17.7**	**13.4**	**(28.3)**	**(17.5)**	**(57.0)**	**(1.5)**	**(26.3)**	**(41.9)**
Included in the Income Statement	**(3.1)**	**0.8**	**8.7**	**0.2**	**0.8**	**3.3**	**1.1**	**9.9**	**0.4**	**2.4**	**24.5**
Exceptional income statement benefit - tax impact of US refinancing	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.0**	**–**	**1.0**
Included in other comprehensive income	**(6.8)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6.8)**
Transfer of uncertain tax position balance from deferred tax to current tax	**–**	**–**	**–**	**0.6**	**–**	**–**	**–**	**–**	**–**	**–**	**0.6**
Currency translation differences	**1.6**	**0.1**	**–**	**0.3**	**0.9**	**(2.2)**	**(0.6)**	**(2.9)**	**(0.1)**	**0.2**	**(2.7)**
At 31 December 2021	**30.9**	**2.2**	**25.8**	**18.8**	**15.1**	**(27.2)**	**(17.0)**	**(50.0)**	**(0.2)**	**(23.7)**	**(25.3)**

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for deductible temporary differences, tax credits and tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

At 31 December 2021, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €215.2 million (2020: €161.0 million).

This is principally represented by gross tax losses in respect of which no deferred income tax asset was recognised (before the netting of specific provisions) amounting to €673.9 million (2020: €643.2 million) that can be carried forward against future taxable income. All material tax losses referred to above can be carried forward without time limitation (UK: €623.0 million and Brazil: €32.7 million). Note that the amount of deferred income tax assets not recognised in respect of the UK had a material increase from 2020 to 2021, based on restatement of the deferred tax asset from the UK statutory tax rate of 19% to the increased UK statutory tax rate of 25%.

13. Earnings Per Share

13.1. Basic and Diluted Earnings Per Share

	2021			2020		
	Profit attributable to shareholders (€m)	**Weighted average number of shares (in millions)**	**Earnings Per Share (€, cents)**	Loss attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	**14.3**	**519.1**	**2.76**	(254.1)	519.8	(48.88)
Dilutive shares	**–**	**5.5**	**–**	–	2.6	–
Diluted	**14.3**	**524.6**	**2.73**	(254.1)	522.4	(48.88)

In 2020, the dilutive shares attributable to long-term incentives were antidilutive in respect of statutory Loss Per Share. However, these were dilutive in Adjusted Earnings Per Share as shown in note 13.2.

13.2. Adjusted Earnings Per Share

	2021		2020	
	Basic	**Diluted**	Basic	Diluted
Adjusted Net Income (€m)	**58.3**	**58.3**	13.7	13.7
Weighted average number of shares (in millions)	**519.1**	**524.6**	519.8	522.4
Adjusted Earnings Per Share (€, in cents)	**11.23**	**11.11**	2.64	2.62

Adjusted Net Income is based on profit for the year attributable to shareholders of €14.3 million (2020: €254.1 million loss) after adding back exceptional items, associate dividends received and eliminating the impact of net restructuring charges, foreign exchange gains or losses and the impact of any business acquisitions or disposals, totalling €44.0 million (2020: €267.8 million).

14. Dividends

The following dividends were declared and paid by the Group:

	2021 €m	2020 €m
Amounts recognised as distributions to equity-holders in the year:		
Interim dividend of 6.74 Euro cents per share	**35.0**	–
Interim dividend for the year-ended 31 December 2021 of 1.93 Euro cents per share	**10.0**	–
Total dividend	**45.0**	–

On 25 January 2021, the Group announced a one-off interim dividend of €35.0 million at €0.0674 per share which was paid on 19 February 2021. This dividend is not considered part of the Group's annual dividend cycle for the year-ended 31 December 2021

The Board has decided to recommend a final dividend of 1.46 Euro cents per share amounting to €7.5 million. Subject to shareholder approval at the Annual General Meeting on 18 May 2022, the final dividend will be paid on 23 June 2022 to those on the register on 27 May 2022, the Dividend Record Date, and will be converted to Sterling at a fixed rate on the same date. The proposed liability has not been recorded as a liability at the balance sheet date in accordance with IAS 10 'Events after the reporting period'.

15. Intangible Assets

	2021 €m	2020 €m
Goodwill	**564.3**	535.9
Capitalised development expenses, computer software and licences, technology and customer platforms	**320.5**	347.9
Total intangible assets	**884.8**	883.8

15. Intangible Assets continued

15.1. Goodwill

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment.

	€m
Cost at 1 January 2021	**714.2**
Currency translation	**33.4**
Cost at 31 December 2021	**747.6**
Accumulated impairment at 1 January 2021	**(178.3)**
Currency translation	**(5.0)**
Accumulated impairment at 31 December 2021	**(183.3)**
Net book value at 31 December 2021	**564.3**

	€m
Cost at 1 January 2020	739.0
Currency translation	(24.8)
Cost at 31 December 2020	714.2
Accumulated impairment at 1 January 2020	–
Exceptional impairment charge	(184.2)
Currency translation	5.9
Accumulated impairment at 31 December 2020	(178.3)
Net book value at 31 December 2020	535.9

15.2. Capitalised Development Expenses, Computer Software and Licences, Technology and Customer Platforms

Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 2021	**254.4**	**23.3**	**126.7**	**455.2**	**859.6**
Accumulated amortisation	**(151.5)**	**(12.7)**	**(119.8)**	**(227.7)**	**(511.7)**
Net book value at 1 January 2021	**102.9**	**10.6**	**6.9**	**227.5**	**347.9**
Additions	**27.4**	**1.8**	**–**	**–**	**29.2**
Disposals	**(0.5)**	**–**	**–**	**–**	**(0.5)**
Amortisation charge	**(25.7)**	**(3.4)**	**(2.1)**	**(39.0)**	**(70.2)**
Currency translation	**2.1**	**0.5**	**0.4**	**11.1**	**14.1**
Net book value at 31 December 2021	**106.2**	**9.5**	**5.2**	**199.6**	**320.5**
Cost at 31 December 2021	**267.2**	**24.9**	**137.8**	**481.9**	**911.8**
Accumulated amortisation	**(161.0)**	**(15.4)**	**(132.6)**	**(282.3)**	**(591.3)**
Net book value at 31 December 2021	**106.2**	**9.5**	**5.2**	**199.6**	**320.5**

* Customer platforms includes intangible assets relating to customer platforms, aftermarket customer relationships, trade names and trademarks.

15. Intangible Assets continued

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms €m	Total €m
Cost at 1 January 2020	237.4	16.2	135.9	474.4	863.9
Accumulated amortisation	(102.2)	(11.3)	(125.5)	(181.7)	(420.7)
Net book value at 1 January 2020	135.2	4.9	10.4	292.7	443.2
Additions	24.3	8.4	–	–	32.7
Disposals	(0.1)	–	–	–	(0.1)
Amortisation charge	(26.7)	(1.6)	(2.3)	(40.4)	(71.0)
Impairments - exceptional charge	(21.2)	(0.5)	(0.7)	(15.2)	(37.6)
Impairments	(5.7)	–	–	–	(5.7)
Currency translation	(2.9)	(0.6)	(0.5)	(9.6)	(13.6)
Net book value at 31 December 2020	102.9	10.6	6.9	227.5	347.9
Cost at 31 December 2020	254.4	23.3	126.7	455.2	859.6
Accumulated amortisation	(151.5)	(12.7)	(119.8)	(227.7)	(511.7)
Net book value at 31 December 2020	102.9	10.6	6.9	227.5	347.9

The above amortisation charges for technology and customer platforms amounting to €41.1 million (2020: €42.7 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

As at 31 December 2021, goodwill of €564.3 million (2020: €535.9 million), technology of €5.2 million (2020: €6.9 million) and customer platforms of €199.6 million (2020: €227.5 million) relate to assets that arose from purchase price allocations following historic acquisitions.

16. Property, Plant and Equipment

16.1. Movements in Property, Plant and Equipment

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	162.2	792.8	76.1	1,031.1
Accumulated depreciation	(37.7)	(392.1)	(10.5)	(440.3)
Net book value at 1 January 2021	124.5	400.7	65.6	590.8
Additions	0.9	9.2	77.6	87.7
Disposals	0.5	6.9	(11.1)	(3.7)
Impairments - other charges	–	(1.9)	–	(1.9)
Transfers between categories	2.0	75.2	(77.2)	–
Depreciation charge	(4.9)	(85.2)	–	(90.1)
Currency translation	0.7	10.5	1.4	12.6
Net book value 31 December 2021	123.7	415.4	56.3	595.4
Cost	169.7	875.9	66.8	1,112.4
Accumulated depreciation	(46.0)	(460.5)	(10.5)	(517.0)
Net book value at 31 December 2021	123.7	415.4	56.3	595.4

Included in land and buildings is a property (Cost: €1.3 million, Net book value €0.7 million) that is let to an external party. The fair value of this property at 31 December 2021 is €3.5 million (2020: €3.5 million).

As at 31 December 2021, land and buildings of €49.0 million (2020: €48.8 million) and plant, machinery and equipment of €14.3 million (2020: €24.5 million) relate to asset valuations that arose from purchase price allocations following historic acquisitions.

16. Property, Plant and Equipment continued

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	175.5	820.2	88.9	1,084.6
Accumulated depreciation	(23.6)	(346.0)	–	(369.6)
Net book value at 1 January 2020	151.9	474.2	88.9	715.0
Additions	3.5	51.3	23.6	78.4
Disposals	(2.6)	(6.3)	(1.8)	(10.7)
Impairments - other charges	–	(2.9)	–	(2.9)
Impairments - exceptional charge	(13.9)	(41.6)	(10.5)	(66.0)
Transfers between categories	(1.4)	32.9	(31.5)	–
Depreciation charge	(7.3)	(94.4)	–	(101.7)
Currency translation	(5.7)	(12.5)	(3.1)	(21.3)
Net book value at 31 December 2020	124.5	400.7	65.6	590.8
Cost	162.2	792.8	76.1	1,031.1
Accumulated depreciation	(37.7)	(392.1)	(10.5)	(440.3)
Net book value at 31 December 2020	124.5	400.7	65.6	590.8

16.2. Depreciation Charge

The above depreciation charge includes €10.8 million from plant, machinery and equipment in relation to the fair value uplift arising from purchase price accounting (2020: €12.9 million, including €2.1 million from land and buildings and €10.8 million from plant, machinery and equipment).

The total depreciation charge is analysed below:

	2021 €m	2020 €m
Cost of Sales	**89.0**	100.0
Distribution costs	**–**	0.4
Administrative expenses	**1.1**	1.3
Total depreciation charge	**90.1**	101.7

17. Leases

17.1. Leasing Activities

The Group as Lessee

The Group leases various manufacturing facilities, offices, plant and machinery, and cars. Rental contracts are typically made for fixed initial periods of one to ten years for manufacturing facilities and offices, and two to five years for plant and machinery, and cars. Many agreements also have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options (or periods after termination options) are only included for valuation purposes in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of €54.6 million (2020: €52.1 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

17.2. Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2021 €m	2020 €m
Right-of-Use Assets	**125.2**	124.9
Non-current liabilities		
Lease Liabilities	**119.8**	122.4
Current liabilities		
Lease Liabilities	**30.1**	28.6
Total Lease Liabilities	**149.9**	151.0

17. Leases continued

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2021 Range	2020 Range
Europe and Africa	**3.3% – 23.2%**	3.4% – 23.2%
North America	**3.4% – 12.6%**	3.4% – 12.6%
Asia Pacific	**3.5% – 12.5%**	3.5% – 12.5%
Latin America	**7.6% – 47.9%**	7.6% – 47.9%

The weighted average incremental borrowing rate applied to the lease liabilities at 31 December 2021 is 6.9% (2020: 6.7%). The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the income statement to be materially different.

17.2.1 Right-of-Use Assets

Movements in right-of-use assets in the year are disclosed below:

	Land and buildings €m	**Plant, machinery and equipment €m**	**Total €m**
At 1 January 2021	**116.3**	**8.6**	**124.9**
Additions	**12.2**	**5.9**	**18.1**
Disposals	**(1.4)**	**–**	**(1.4)**
Remeasurements	**7.7**	**0.9**	**8.6**
Impairments	**(0.1)**	**–**	**(0.1)**
Depreciation charge	**(23.9)**	**(5.8)**	**(29.7)**
Currency translation	**4.8**	**–**	**4.8**
Net book value at 31 December 2021	**115.6**	**9.6**	**125.2**
Cost	**197.6**	**20.1**	**217.7**
Accumulated depreciation	**(82.0)**	**(10.5)**	**(92.5)**
Net book value at 31 December 2021	**115.6**	**9.6**	**125.2**

The above depreciation charge includes a €0.2 million credit in land and buildings in relation to the fair value uplift arising from purchase price accounting.

As at 31 December 2021, land and buildings of €0.3 million (2020: €0.6 million) relate to asset valuations that arose from purchase price allocations following historic acquisitions.

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
At 1 January 2020	149.4	12.0	161.4
Additions	13.7	3.6	17.3
Disposals	(0.2)	–	(0.2)
Remeasurements	2.4	(0.1)	2.3
Exceptional impairments	(15.9)	(0.9)	(16.8)
Impairments	(0.6)	–	(0.6)
Depreciation charge	(25.3)	(6.0)	(31.3)
Transfers to property, plant and equipment	(2.0)	–	(2.0)
Currency translation	(5.2)	–	(5.2)
Net book value at 31 December 2020	116.3	8.6	124.9
Cost	176.4	18.2	194.6
Accumulated depreciation	(60.1)	(9.6)	(69.7)
Net book value at 31 December 2020	116.3	8.6	124.9

17. Leases continued

17.2.2 Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Notes	2021 €m	2020 €m
At 1 January		**151.0**	166.7
Additions	27.6	**18.1**	17.9
Disposals		**(1.4)**	(0.3)
Remeasurements		**8.5**	2.3
Accrued interest	11	**9.8**	10.4
Repayments		**(41.4)**	(39.0)
Currency translation		**5.3**	(7.0)
At 31 December		**149.9**	151.0
Non-current		**119.8**	122.4
Current		**30.1**	28.6
At 31 December		**149.9**	151.0

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	**38.7**	**8.6**	**30.1**
Between one and three years	**53.3**	**12.4**	**40.9**
Between three and five years	**38.6**	**9.5**	**29.1**
Over five years	**55.9**	**6.1**	**49.8**
Total at 31 December 2021	**186.5**	**36.6**	**149.9**

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	37.5	8.9	28.6
Between one and three years	57.3	12.4	44.9
Between three and five years	38.7	8.0	30.7
Over five years	54.5	7.7	46.8
Total at 31 December 2020	188.0	37.0	151.0

The currency denomination of lease liabilities is:

	2021 €m	2020 €m
Euro	**63.3**	69.6
US dollar	**51.4**	41.6
Chinese renminbi	**18.2**	19.6
Other	**17.0**	20.2
Total lease liabilities	**149.9**	151.0

17. Leases continued

17.3. Amounts recognised in the income and cash flow statements

The statement of profit or loss includes the following amounts relating to leases:

	Notes	2021 €m	2020 €m
Depreciation charge of right-of-use assets		**29.7**	31.3
Exceptional Impairment charge of right-of-use assets	18	**–**	16.8
Impairment charge of right-of-use assets		**0.1**	0.6
Interest payable on lease liabilities	11	**9.8**	10.4
Expense relating to short-term and low value leases	5.1	**6.1**	5.7

The total depreciation charge on right-of-use assets in 2021 and 2020 is all reported in cost of sales.

The statement of cash flows includes the following amounts relating to leases:

	2021 €m	2020 €m
Cash paid for short-term and low value leases reported within cash generated from operations	**6.1**	5.7
Interest paid on lease liabilities reported within interest paid	**9.8**	10.4
Lease principal repayments reported separately in cash flows from financing activities	**31.6**	28.6
Total cash outflow for leases	**47.5**	44.7

18. Impairments

18.1. Impairment Tests for Goodwill and Intangibles

The purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, which was the previous Parent Company of the Group, and the consequent fair valuation of assets and liabilities, resulted in total goodwill recognition of €711.1 million and intangibles of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in total goodwill recognition of €57.1 million and intangibles of €72.6 million, included in the FCS-NA CGU.

The intangible assets recognised from acquisitions, as outlined above, included €369.7 million and €57.1 million in relation to customer platforms arising on the Bain and Millennium acquisitions respectively. These assets reflect the future revenue expected to arise from customer platforms existing at the date of acquisition, based on platform lives and probabilities of renewals.

During H1 2020, forecasts for global automotive production volumes in the near and medium term were significantly impacted by the COVID-19 pandemic, when compared to equivalent forecasts that underpinned the Group's 2019 annual impairment assessment, where no impairment was recognised. The scale of this volume deterioration, which was beyond what was reasonably estimable in early 2020, triggered the Group to perform a full impairment test as at 30 June 2020.

The impairment test for goodwill and intangible assets is conducted at a CGU level, which the Group defines as the intersection between the two operating segments, FCS and FTDS, and the geographic sub-divisions, North America ('NA'), Europe ('EU'), Asia Pacific ('AP') and Latin America ('LA').

Before outlining the approach and results of the 2021 annual impairment review, this note will first summarise the outcome of the interim and full-year impairment assessments made in 2020, as this provides important context for the current year disclosure.

The results of the H1 2020 impairment test indicated that the carrying values of CGU assets were higher than their recoverable amounts for six of the CGUs, resulting in the following impairments being recognised at 30 June 2020:

	Recoverable amount €m	Impairment of goodwill €m	Impairment of other CGU assets €m	Total exceptional impairment charge €m
FCS-NA	437.2	71.7	–	71.7
FCS-EU	421.5	77.7	–	77.7
FCS-LA	–	–	6.3	6.3
FTDS-NA	68.1	–	88.8	88.8
FTDS-EU	273.2	34.8	22.2	57.0
FTDS-LA	–	–	3.1	3.1
	1,200.0	**184.2**	**120.4**	**304.6**

18. Impairments continued

The 'other CGU asset' impairments of €120.4 million were apportioned across the respective CGU asset categories on a pro rata basis resulting in the following asset class allocation:

	H1 2020 impairment charge €m
Goodwill	**184.2**
Capitalised development expenses	**21.2**
Computer software and licences	**0.5**
Other intangible assets	**15.9**
Land & buildings	**13.9**
PP&E	**41.6**
Assets in the course of construction	**10.5**
Right-of-use assets	**16.8**
	304.6

At 31 December 2020, management performed its annual impairment test.

In H2 2020, automotive production volumes showed signs of stabilisation with actual 2020 global light vehicle production of 74.6 million units compared with 68.3 million forecast in the H1 2020 impairment model base case scenario. This, in combination with the execution of internal cost-saving initiatives and restructuring activities resulted in CGU recoverable amounts in excess of their respective asset carrying values, and therefore no additional impairments were recorded in H2 2020.

Whilst impairments recorded against goodwill cannot be reversed in a subsequent reporting period, management are required to monitor external and internal sources of information for indicators that previously recognised impairment losses for intangible assets, PP&E and leased right-of-use assets may have decreased or no longer exist. This is applicable to FCS-LA, FTDS-LA, FTDS-NA and FTDS-EU, where asset impairments, other than goodwill, were recorded at H1 2020.

Following this review, management concluded that there was still insufficient evidence to support a significant and prolonged improvement in the economic performance arising from the underlying CGU assets.

Sensitivity analysis also demonstrated that reasonably possible changes to the estimates made in the H2 2020 impairment model may result in significant variations in resulting headroom over the short-term, particularly where market interruption caused by the COVID-19 pandemic persisted. No impairment reversals were therefore recorded as at 31 December 2020.

Goodwill and intangible asset carrying values as at 31 December 2021 were as follows:

	2021		2020	
	Goodwill €m	**Intangibles €m**	Goodwill €m	Intangibles €m
FCS				
North America	**150.1**	**73.1**	139.5	80.7
Europe and Africa	**140.7**	**42.3**	140.7	47.1
Asia Pacific	**247.4**	**77.2**	231.6	85.9
Latin America	**–**	**0.1**	–	–
FTDS				
North America	**–**	**6.6**	–	6.2
Europe and Africa	**–**	**76.0**	–	81.2
Asia Pacific	**26.1**	**45.2**	24.1	46.8
Latin America	**–**	**–**	–	–
	564.3	**320.5**	535.9	347.9

The intangible assets above include customer platforms arising on the Bain and Millennium acquisitions with carrying values at 31 December 2021 of €145.8 million and €25.8 million respectively (year-ended 31 December 2020: €168.5 million and €28.7 million) with remaining useful lives of 4.5 and 5.1 years.

18. Impairments continued

18.2. 2021 Impairment Test

The estimate of CGU recoverable amounts in the 2021 impairment test are determined based on a value-in-use calculation, using a discounted cash flow model.

Forecast operating cash flows covering the years 2022-2026 are taken from the Group's latest budget and medium-term plan ("MTP") which utilises November 2021 IHS global light vehicle production forecasts.

In the current year these IHS forecasts have been moderated to capture management's best assessment of potential estimation error, particularly in light of the impact global microchip shortages are having on the automotive manufacturing process. The Group is therefore forecasting based on global automotive production volumes of 80.0 million in 2022, with this deviation from IHS maintained across the MTP to 2026. This adjustment draws on management's experience and judgement, with consideration to historic forecasting inaccuracy retrospectively observed during periods of fluctuating growth/decline in the market.

Volume forecasts are then further adjusted for product mix, pricing assumptions and market outperformance to establish forecast sales values. Contribution margin, fixed cost, research and development expenditure, capital expenditure and working capital management estimates are then applied to arrive at the forecast operating cash flows for inclusion in the model. In following this approach, management assume that historic cost recovery rates will be maintained in to the future, including the impact of cost increases arising from the effects of decarbonisation of the supply chain or carbon taxes.

Cash flows resulting from restructuring activities not announced at the reporting date and cash flows that are contingent on enhanced capital expenditure are excluded from the forecasts. Cash flows from Corporate entities are allocated to CGUs based on their respective proportion of total Group revenue.

The five-year operating cash flows are then discounted to present value using CGU specific discount rates and combined with a perpetuity value calculated by applying the long-term expected growth rate to the terminal year cash flow forecast. The resulting value-in-use is then compared to the carrying value of CGU net assets as at 31 December 2021.

The return to a single base set of 2022-2026 volume forecasts in the current year contrasts with the four-volume scenarios modelled in H1 2020 and two-volume scenarios modelled in H2 2020. These multiple scenarios were in response to uncertainty over future sales volume projections caused by the COVID-19 pandemic and associated shocks to customer demand and supply chains. Management feels there is now sufficient stabilisation in market forecasts to revert to a single set of 2022-2026 volumes with two FTDS scenarios then captured in the terminal year perpetuity calculations, as further explained below.

As outlined in Note 1, management have considered the potential impacts of climate change on the impairment assessment.

Cost implications of climate change mitigations have been incorporated into the forecast operating cash flows used in the impairment model. These include capital investments to reduce the carbon output from the Group's production processes and additional budget for increasing the mix of renewable energy within the Group's electricity consumption, in line with our commitment to reduce emissions by 37.5% by 2039. As previously noted, other costs arising from the effects of climate change are assumed to be recovered from customers.

Climate change also poses transitional risks to the products that the Group currently manufacture. This is particularly evident in the FTDS division, where existing products predominantly cater for internal combustion engine (ICE) vehicle platforms. The impact of climate change on environmental regimes and automotive market trends has a significant bearing on the rate of transition to battery electric vehicle (BEV) platforms. In some jurisdictions this transition will be mandated, as governments announce deadlines for curtailing the production of ICE vehicles, in order to achieve commitments on emissions.

Whilst an increase in hybrid electric vehicle (HEV) production, and their need for higher margin pressurised fuel tanks, offers mid-term opportunities for the FTDS division, the eventual transition to BEV will result in a declining market for existing FTDS products. Management's forecasts suggest the peak in ICE/HEV vehicle production will occur in the mid-to-late 2020s with BEV platforms subsequently driving future growth in the automotive market.

The risk to future cash flows that can be achieved from the current FTDS technology and asset base has been captured in the impairment model by applying a negative growth rate to the terminal year perpetuity calculation. As the rate of ICE/HEV decline post-2026 is highly subjective, management have modelled two potential scenarios:

- Base case scenario: current commitment from the COP21 Paris Agreement to limit global temperature increases over the next century to 1.5 degrees Celsius.
- Downside scenario: reflecting an acceleration of climate change mitigations and changing customer behaviour.

Management have then applied an 80:20 weighting to these two scenarios to reflect their best assessment of perceived likelihood of occurrence.

18. Impairments continued

As the FCS division is less susceptible to future changes in platform mix that may arise as a result of climate change, a conventional single-scenario positive long-term expected growth rate is used in the perpetuity calculation.

The 2021 impairment test resulted in positive headroom for all CGUs, demonstrating no additional impairment charges are required at 31 December 2021. However, the level of headroom observed in FCS-EU, FTDS-NA and FTDS-EU leaves them sensitive to reasonably possible changes in key input assumptions.

For FTDS-NA and FTDS-EU, where non-goodwill asset impairments were recorded in the prior year, management do not believe sufficient time has passed since recognising these impairment losses in H1 2020 to evidence a significant and prolonged improvement in the economic performance arising from the underlying CGU assets. Furthermore, as evidenced in the below sensitivity analysis, reasonably possible changes to the estimates made in the 2021 impairment model may result in significant variations in resulting headroom over the short term. Consequently, no impairment reversals have been recorded in the year.

The low headroom observed in FTDS-NA and FTDS-EU (€2.3 million and €17.7 million) primarily arises due to the use of negative growth rates in the terminal year perpetuity formula in response to the long-term forecast decline in ICE/HEV vehicle production.

The FCS-NA and FCS-EU headroom of €29.1 million and €15.3 million is reflective of the transition the division is making in to the BEV market. Under IAS 36 it is only permissible to include forecast cash flows from products that can be manufactured using the CGU asset base as at 31 December 2021. Accordingly, for the purposes of the impairment model, a portion of sales in the later years of the 2022-2026 horizon have been removed, as they are reliant on forecast incremental R&D and capital investment. As this forecast investment materialises in the form of new CGU assets and the FCS product portfolio evolves, increasing growth from BEV products will enter into the forecast cash flows used in the impairment model.

The key assumptions used in the value-in-use calculations are:
– forecast operating cash flows
– long-term expected growth rates
– discount rates

Forecast operating cash flows are established as described above, utilising external forecast data from IHS Markit.

Long-term expected growth rates and discount rates are determined with reference to the services of third-party valuation experts and utilise externally available sources of information, adjusted where relevant for industry specific factors.

Long-term growth rates are based on long-term economic forecasts for growth in the automotive sector in the geographical regions in which the CGUs operate.

As described above, for FTDS specifically, negative growth rates have been used in the terminal year perpetuity calculation to capture the impact climate change may have on the rate of market transition to BEVs.

18. Impairments continued

The negative growth rates for the base case 1.5 degree global warming scenario utilise a long-term forecast prepared by management in conjunction with external experts covering the period from 2027 to 2035. From this a long-term negative constant average growth rate (CAGR) has been calculated for each of the CGU geographies, based on a forecast decline in ICE/HEV volumes to 39.9 million in 2035. The downside global warming scenario then uses a CAGR where the forecast decline to 2035 is achieved at an accelerated rate. In both scenarios, it is assumed that operating cash flows will reduce in proportion to revenue.

These negative growth rates are then applied in perpetuity and therefore capture the expected cash generation from ICE/HEV sales from 2027 onwards.

Discount rates are calculated for each division using a weighted average cost of capital specific to the geographical regions from which the cash flows are derived.

The range of discount and growth rates used were as follows:

	2021			2020	
	FCS	**FTDS Base**	**FTDS Down**	FCS	FTDS
Pre-tax discount rates					
North America	**15.25%**	**16.00%**	**16.00%**	15.25%	16.25%
Europe and Africa	**15.00%**	**15.25%**	**15.25%**	15.50%	16.25%
Asia Pacific	**13.75%**	**16.40%**	**16.40%**	15.50%	15.75%
Latin America	**23.75%**	**23.00%**	**23.00%**	26.00%	24.50%
Long-term growth rates					
North America	**2.00%**	**(8.30%)**	**(19.70%)**	2.00%	3.00%
Europe and Africa	**2.75%**	**(8.80%)**	**(20.90%)**	2.75%	2.50%
Asia Pacific	**5.00%**	**(5.00%)**	**(11.50%)**	5.00%	4.75%
Latin America	**4.50%**	**NA**	**NA**	4.50%	3.50%

Long-term growth rates are not applicable for FTDS-LA as its valuation is based on forecast cash flows ending in 2022, as the Group ceases operations in this CGU.

Management consider the input assumptions used in the impairment model to be critical estimates, as there is a significant risk of a material adjustment to the carrying value of CGU net assets resulting from changes in these assumptions.

Sensitivity analysis

Where management believe a reasonably possible change in assumption could result in the recognition of additional impairment charges, or in the reversal of previously recognised impairment charges, sensitivity analysis has been performed.

Based on the observed level of headroom in FCS-AP and FTDS-AP, management do not believe a reasonably possible change in assumptions would impact the carrying value of CGU assets.

Both Latin America CGUs were fully impaired at H1 2020 due to forecast operating losses. Although restructuring activities were subsequently implemented to mitigate these negative cash flows, uncertainty over the longer-term economic viability of operations in this region lead management to conclude that it is appropriate to maintain the impairment losses as at 31 December 2021.

Sensitivity analysis has therefore been performed for FCS-NA, FCS-EU, FTDS-NA and FTDS-EU.

18. Impairments continued

The following table demonstrates the impact of changes in the long-term expected growth rates and discount rates, in isolation, for CGUs deemed to be sensitive to such changes.

For FCS-NA and FCS-EU, should a reasonably possible change in input assumption trigger an impairment charge, this would initially be allocated to the respective goodwill carrying values of €150.1 million and €140.7 million, with any excess then being prorated across other CGU assets.

	H2 assumption			Impact of 100 BPS change	
	Recoverable amount €m	Discount rate	Long-term expected growth rate	Discount rate €m	Long-term expected growth rate €m
FCS-NA	426.3	15.25%	2.00%	(32.2)	(20.0)
FCS-EU	447.2	15.00%	2.75%	(34.4)	(21.5)
FTDS-NA	67.1	16.00%	(8.30%) / (19.70%)	(3.1)	(1.3)
FTDS-EU	304.0	15.25%	(8.80%) / (20.90%)	(12.4)	(4.4)

FCS-NA, FCS-EU, FTDS-NA and FTDS-EU are also sensitive to changes in forecast operating cash flows. Forecast operating cash flows may be impacted by factors such as reduced demand for products, failure to recover inflationary cost increases and other potential cost pressures, such as the future imposition of carbon taxes.

The table below outlines the annual percentage reduction to annual forecast operating cash flows (OCF) required for CGU recoverable amount to equal CGU net assets.

	Recoverable amount €m	Annual percentage reduction in OCF required to break even
FCS-NA	426.3	6.5
FCS-EU	447.2	3.3
FTDS-NA	67.1	3.2
FTDS-EU	304.0	5.7

Specific to FTDS, the risks to the division arising from climate change and the associated rate of consumer transition to BEV vehicles has been captured using two negative perpetuity scenarios.

Assuming 100% weightings to each of these scenarios results in the following hypothetical headroom/(impairment):

	As calculated €m	100% Base case €m	100% Downside €m
FTDS-NA	2.3	4.6	(6.9)
FTDS-EU	17.7	26.0	(15.8)

This result highlights the sensitivity of the above CGUs to the rate of decline in long-term ICE/HEV sales.

Management believe the rate of decline observed in the downside scenario to be an unlikely outcome, which is reflected in the assignment of a 20% probability.

To mitigate the risk of future impairments and to achieve optimal allocation of resources, Management will ensure investment decisions are supported with strong customer demand, enabling capital expenditure to be fully recovered over the underlying vehicle platform lives.

19. Investment in Associate

The Group held one associated undertaking, SeAH FS Co., Ltd ('SeAH FS'). SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year-end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares.

On 8 December 2021, the Group disposed in full of its 20% holding in the issued ordinary shares in the company. The resulting loss on disposal of the associate is calculated below:

Loss on Disposal of Associate

	€m
Sale Proceeds	**15.5**
Carrying Value of the associate at the date of disposal	**(13.7)**
Profit on disposal of the associate before foreign exchange adjustments	**1.8**
Net investment hedge reclassified to the income statement on the disposal of the investment	**(0.9)**
Currency translation reclassified to the income statement on disposal of the investment	**(1.1)**
Loss on disposal of investment in associate before income tax	**(0.2)**
Taxation on disposal of the investment	**(3.1)**
Loss on disposal of the associate after income tax	**(3.3)**

The sale proceeds arising from the disposal were KRW21,000 million (€15.5 million). The net investment hedge reclassified to the income statement on the disposal of the associate relates to the recycling from equity of a portion of a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won investments originally placed in October 2015.

As a separate transaction, on the same date, the Group also purchased a 27% share of Hanil Tube Corporation which was owned by SeAH FS. Refer to Note 25 Non-Controlling Interests for more information.

The movements in the investments in the associate in the year were:

	2021 €m	2020 €m
Balance at 1 January	**14.6**	19.2
Share of loss for the period	**(0.9)**	(3.5)
Dividends paid	–	(0.5)
Disposal	**(13.7)**	–
Currency translation	–	(0.6)
Balance at 31 December	–	14.6

There were no sales of goods by the Group to SeAH FS in either 2021 or 2020. Purchases of goods by the Group from SeAH FS in the period until disposal of the Company on 8 December 2021 totalled €7.4 million (2020: €8.1 million).

20. Inventories

	2021 €m	2020 €m
Raw materials	**151.5**	132.6
Work-in-progress	**40.2**	37.3
Finished goods	**32.3**	39.6
Tooling under development	**73.7**	109.3
Consumables	**34.6**	32.6
Total inventories	**332.3**	351.4

Consignment inventories from external suppliers held on the Group's premises at 31 December 2021 amounted to €25.4 million (2020: €15.9 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,392.6 million (2020: €1,336.9 million), including €3.3 million related to write-downs of inventory to net realisable value (2020: €11.0 million).

21. Trade and Other Receivables

	2021 €m	2020 €m
Trade receivables	**454.0**	477.7
Allowance for doubtful debts	**(4.9)**	(4.2)
Net trade receivables	**449.1**	473.5
Prepayments	**61.4**	57.6
Contract assets - accrued income	**25.9**	19.6
Other receivables	**3.3**	3.0
Total net trade and other receivables	**539.7**	553.7
Non-current	**19.2**	18.9
Current	**520.5**	534.8

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts because there is still a reasonable expectation of recovering these balances.

21.1. Aged Analysis of Net Trade Receivables

	2021 €m	2020 €m
Not overdue	**425.2**	456.4
Up to three months overdue	**20.8**	15.7
Three to six months overdue	**2.5**	1.3
Over six months overdue	**0.6**	0.1
Net trade receivables	**449.1**	473.5

21.2. Movement in Allowance for Doubtful Debts

	2021 €m	2020 €m
At 1 January	**(4.2)**	(3.9)
Receivables provided for as uncollectible	**(1.5)**	(1.3)
Amounts written off during the year as uncollectible	**0.2**	0.3
Amounts recovered during the year	**0.6**	0.7
At 31 December	**(4.9)**	(4.2)

In determining the recoverability of a trade receivable, the Group considers all currently available and forward-looking information to assess the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectible and charged to the Income Statement are included in administrative expenses.

A loss allowance is recognised at an amount equal to the lifetime expected credit losses ('ECL') over the life of the contract 'lifetime ECL'.

21.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard & Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

Credit rating	2021 €m	2020 €m
A – AAA	**165.4**	155.5
B – BBB	**164.4**	180.5
Counterparties without external credit rating	**119.3**	137.5
Net trade receivables	**449.1**	473.5

21. Trade and Other Receivables continued

21.4. Currency Risk of Trade Receivables and Other Receivables

	2021 €m	2020 €m
Chinese renminbi	**155.6**	166.2
Euro	**117.7**	153.9
US dollar	**114.7**	89.5
Other currencies	**64.4**	66.9
Total net trade receivables and other receivables	**452.4**	476.5

21.5. Movement in Accrued Income

	2021 €m	2020 €m
At 1 January	**19.6**	13.7
Unbilled performance	**11.5**	9.1
Transfers to receivables	**(6.7)**	(1.8)
Impairments through P&L	**(0.3)**	(0.1)
Other movements	**0.7**	(0.6)
Currency translation	**1.1**	(0.7)
At 31 December	**25.9**	19.6

22. Cash and Liquid Assets

	2021 €m	2020 €m
Cash at bank and in hand	**499.1**	485.8
Cash and cash equivalents in the Balance Sheet	**499.1**	485.8
Other deposits	**0.9**	0.9
Financial assets at FVTPL	**0.9**	0.9
Total cash and liquid assets	**500.0**	486.7

Other deposits of €0.9 million (2020: €0.9 million) include €0.7 million (2020: €0.7 million) pledged to provide a bank guarantee, as part of a total guarantee of €1.5 million to the Spanish tax authorities in respect of a disputed assessment raised following a tax audit for the period 2013-2014. The guarantee was cancelled after the balance sheet date and the deposit returned, following resolution of the dispute.

Financial institution credit rating	**2021 €m**	2020 €m
A – AA	**399.5**	391.0
B – BBB or lower	**99.6**	94.8
Cash and cash equivalents in the Balance Sheet	**499.1**	485.8

Cash and cash equivalent balances include €2.2 million (2020: €0.8 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

23. Share Capital

Authorised, issued and fully paid-up	Number of shares	Nominal value of each share	Ordinary shares €m	Ordinary shares €m	Share premium €m	Total €m
At 31 December 2020	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2021	**520,269,141**	**£0.01**	**5.2**	**6.8**	2.2	9.0

The Group holds shares in the TI Fluid Systems Employee Benefit Trust ('EBT') for the purpose of satisfying awards made to employees under the TI Fluid Systems plc Long Term Incentive Plan and Deferred Bonus Plan. Such shares are shown as a deduction to equity in the Statement of Changes in Equity and are not treated as outstanding for the purposes of calculating earnings per share. Shares held by the EBT do not ordinarily rank for dividend

The movements in ordinary shares held by the EBT in the current and prior year were as follows:

	Number of shares	€m
At 1 January 2020	**420,756**	–
Market purchase	1,572,175	3.5
Release to satisfy Deferred Bonus Plan	(493,024)	(0.2)
At 31 December 2020	**1,499,907**	3.3
Release to satisfy Deferred Bonus Plan	(333,427)	(0.7)
Release to satisfy vested conditional share awards	(197,603)	(0.4)
Market purchase	2,962,296	8.3
At 31 December 2021	**3,931,173**	**10.5**

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

24. Other Reserves

	Net investment hedges €m	Currency translation reserve €m	Total €m
At 1 January 2021	**(10.0)**	**(127.7)**	**(137.7)**
Net investment hedge: foreign exchange on disposal of overseas operations	**0.9**	**–**	**0.9**
Currency translation attributable to owners of the Parent Company	**–**	**75.4**	**75.4**
Items that may be subsequently reclassified to profit or loss	**0.9**	**75.4**	**76.3**
At 31 December 2021	**(9.1)**	**(52.3)**	**(61.4)**

Items that may be subsequently reclassified to profit or loss	Forward contracts cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2020	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)
Amount recognised in OCI during the year - fair value gains/ (losses): effective hedges	11.1	16.2	–	(2.3)	25.0	–	25.0
Amount recycled from OCI- foreign exchange remeasurement	(11.1)	–	–	–	(11.1)	–	(11.1)
Amortisation	–	(2.0)	–	–	(2.0)	–	(2.0)
Amounts recycled from OCI - interest	–	–	–	1.3	1.3	–	1.3
Movement in fair value of effective cash flow hedges	–	14.2	–	(1.0)	13.2	–	13.2
Net investment hedges	–	–	6.9	–	6.9	–	6.9
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	(51.7)	(51.7)
Items that may be subsequently reclassified to profit or loss	–	14.2	6.9	(1.0)	20.1	(51.7)	(31.6)
At 31 December 2020	–	–	(10.0)	–	(10.0)	(127.7)	(137.7)

25. Non-Controlling Interests

	2021 €m	2020 €m
At 1 January	**25.2**	24.5
Share of profit for the year	**1.7**	1.9
Currency translation	**(0.3)**	(0.7)
Total comprehensive income for the year	**1.4**	1.2
Reduction in non-controlling interests	**(26.2)**	–
Dividends paid	**–**	(0.5)
At 31 December	**0.4**	25.2

The Group holds a 97% interest in Bundy India Ltd. The Group held a 73% interest in Hanil Tube Corporation, until 8 December 2021 when the Group purchased the remaining 27% for a total consideration in cash of KRW21,000 million (€15.5 million). There is no contingent consideration applicable to the transaction. Hanil Tube Corporation is located in South Korea.

The difference between the reduction in the non-controlling interests of €26.2 million, above, and the fair value of the consideration paid of €15.5 million, being €10.7 million, is attributed it to the owners of the parent entity and recognised directly in retained earnings.

The Group holds a 97% interest in Bundy India Ltd. Non-controlling interests at 31 December 2021 represent the remaining 3% in Bundy India Ltd.

26. Trade and Other Payables

	2021 €m	2020 €m
Trade payables	**256.7**	261.2
Accrued expenses	**165.3**	178.8
Contract liabilities - deferred income	**85.9**	130.8
Social security and other taxes	**44.3**	46.1
Other payables	**8.5**	16.1
Amounts due to associates	**0.0**	1.1
Total trade and other payables	**560.7**	634.1
Non-current	**14.6**	20.0
Current	**546.1**	614.1

Accrued expenses include net capital investment grant balances totalling €1.7 million (2020: €1.5 million).

26.1. Movement in Contract Liabilities - Deferred Income

	2021 €m	2020 €m
At 1 January	**130.8**	116.2
Advance billings	**74.6**	75.8
Amounts recognised as revenue	**(105.4)**	(52.7)
Reversal of prior year deferred income	**(17.7)**	(5.0)
Other movements	–	(2.2)
Currency translation	**3.6**	(1.3)
At 31 December	**85.9**	130.8

27. Borrowings

	Notes	2021 €m	2020 €m
Non-current:			
Unsecured senior notes		**591.7**	–
Secured loans:			
– Term loans and facilities		**506.8**	1,069.2
– Other secured loans		**–**	0.1
Total non-current borrowings		**1,098.5**	1,069.3
Current:			
Secured loans:			
– Term loans and facilities		**1.8**	7.4
Total current borrowings		**1.8**	7.4
Total borrowings		**1,100.3**	1,076.7
Unsecured senior notes		**591.7**	–
Term loans and facilities		**508.6**	1,076.6
Main borrowing facilities	27.4	**1,100.3**	1,076.6
Other secured loans	27.5	**–**	0.1
Total borrowings		**1,100.3**	1,076.7

The main borrowing facilities are shown net of issuance discounts and fees of €24.6 million (2020: €25.3 million).

The contracted maturities of borrowings excluding issuance discounts and fees are disclosed in Note 28.2.

27.1. Movement in Total Borrowings

	Unsecured senior notes €m	Term loans and facilities €m	Other loans €m	Total borrowings €m
At 1 January 2021	**–**	**1,076.6**	**0.1**	**1,076.7**
Accrued interest	**15.9**	**29.1**	**–**	**45.0**
Scheduled payments	**(15.9)**	**(35.8)**	**(0.1)**	**(51.8)**
Fees expensed	**0.8**	**4.4**	**–**	**5.2**
New borrowings	**600.0**	**–**	**–**	**600.0**
Fees on new borrowings	**(9.1)**	**(6.2)**	**–**	**(15.3)**
Voluntary repayments of borrowings	**–**	**(600.0)**	**–**	**(600.0)**
Fees expensed on voluntary repayments of borrowings	**–**	**11.8**	**–**	**11.8**
Currency translation	**–**	**28.7**	**–**	**28.7**
31 December 2021	**591.7**	**508.6**	**–**	**1,100.3**

	Main borrowing facilities €m	Other loans €m	Total borrowings €m
At 1 January 2020	1,150.7	0.2	1,150.9
Accrued interest	47.9	–	47.9
Scheduled payments	(53.1)	(0.1)	(53.2)
Fees expensed	8.0	–	8.0
New borrowings	213.6	–	213.6
Fees on new borrowings	(17.7)	–	(17.7)
Voluntary repayments of borrowings	(209.6)	–	(209.6)
Currency translation	(63.2)	–	(63.2)
At 31 December 2020	1,076.6	0.1	1,076.7

27. Borrowings continued

On 16 April 2021, the Group successfully executed a refinancing of its external borrowings. The key elements of the transaction were as follows:

- The Group issued €600.0 million new unsecured Senior Notes bearing an interest rate of 3.75% per annum. The maturity date of the notes is 15 April 2029.
- The Euro term loan of €497.5 million was partly repaid using a portion of the proceeds from the issuance of the unsecured Senior Notes. €232.5 million was repaid as part of the transaction, reducing the balance outstanding on the loan to €265.0 million. The remaining balance on the loan was then extended from 16 December 2024 to 16 December 2026. The rate on the loan was also reduced from three-month EURIBOR (minimum 0.75% p.a.) +3.75% p.a. to three-month EURIBOR (minimum 0.0% p.a.) +3.25% p.a. As a result of the loan principal reduction the amount repayable per quarter on the loan has fallen from €1,250,000 a quarter to €662,500 a quarter until the final balance falls due on 16 December 2026.
- The US dollar term loan of $736.3 million was also partly repaid using a portion of the proceeds from the issuance of the unsecured Senior Notes. $436.3 million (€367.5 million) was repaid as part of the transaction, reducing the balance outstanding on the loan to $300.0 million. The remaining balance on the loan was then extended from 16 December 2024 to 16 December 2026. The rate on the loan was also reduced from US dollar three-month LIBOR (minimum 0.75% p.a.) +3.75% p.a. to US-dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a. As a result of the loan reduction the amount repayable per quarter on the loan has fallen from $1,850,000 a quarter to $750,000 a quarter until the final balance falls due on 16 December 2026.
- The revolving credit facility ('RCF') of $225.0 million was extended from 16 July 2024 to 16 July 2026. The undrawn fee was also reduced from 0.375% to 0.25% due to the total net leverage ratio being less than or equal to 3.5:1. In the event the total net leverage ratio is greater than 3.5:1, the undrawn fee will increase back to 0.375%.The amount of the facility remained unchanged.

The refinancing was treated as a partial extinguishment of the Group's term loans, and as a result unamortised transaction costs were released for the Euro and US dollar term loans in proportion to the reduction in the loan principal outstanding. The costs released were recognised as an exceptional finance expense in the income statement in the year of €11.8 million being $8.8 million (€7.4 million) for the US dollar term loan and €4.4 million for the Euro term loan.

Directly attributable incremental fees of €15.3 million were capitalised and paid in the year as part of the transaction consisting of €1.4 million for the Euro term loan, $4.2 million (€3.5 million) for the US dollar term loan, $1.5 million (€1.3 million) for the RCF and €9.1 million for the unsecured Senior Notes. These will be released to the Income Statement over the remaining term of the borrowings and RCF facility.

27.2. Currency Denomination of Borrowings

	2021 €m	2020 €m
US dollar	**251.1**	587.9
Euro	**849.2**	488.8
Total borrowings	**1,100.3**	1,076.7

The contracted maturities of borrowings excluding issuance discounts and fees are disclosed in Note 28.2.

27. Borrowings continued

27.4. Main Borrowing Facilities

The main borrowing facilities are comprised of unsecured Senior Notes and a package of secured loans consisting of a Euro term loan, a US dollar term loan, and a revolving credit facility (which was undrawn during the year except for letters of credit).

The amounts outstanding under the agreements are:

	2021 €m	2020 €m
Principal outstanding:		
Unsecured senior notes	**600.0**	–
US term loan	**261.9**	603.1
Euro term loan	**263.0**	498.8
Total principal outstanding	**1,124.9**	1,101.9
Issuance discounts and fees	**(24.6)**	(25.3)
Main borrowings facilities	**1,100.3**	1,076.6

Unsecured Senior Notes

The unsecured Senior Notes bear an interest rate of 3.75% per annum and mature on 15 April 2029. Interest on the Notes is payable semi-annually in arrears on 15 April and 15 October of each year, commencing on 15 October 2021.

Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2021 is $297.8 million (2020: $738.2 million). Following the Group's refinancing on 16 April 2021, the interest rate on the loan is US dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a. and the amount repayable per quarter on the loan is $750,000 until the final balance falls due on 16 December 2026.

The rate on the Euro term loan after the Group's refinancing is three-month EURIBOR (minimum 0.0% p.a.) +3.25% p.a. and the amount repayable per quarter is €662,500 until the final balance falls due on 16 December 2026.

Revolving Credit Facility

The revolving credit agreement provides a facility of up to $225.0 million. Drawings under this facility bear interest in a range of US dollar LIBOR +3.0% to US dollar LIBOR +3.75% p.a. depending on the Group's total net leverage ratio. The facility is available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. The facility was undrawn at 31 December 2021 and 31 December 2020 (except for letters of credit see below). Following the Group's refinancing, the revolving credit facility ('RCF') expires on 16 July 2026 and the undrawn fee is 0.25%. In the event the total net leverage ratio is greater than 3.5:1, the undrawn fee will increase back to 0.375%

The net undrawn facilities under the RCF are shown below:

	2021		2020	
	€m	€m	€m	€m
RCF Agreement	**225.0**	**197.9**	225.0	183.8
Utilisation for letters of credit	**(1.9)**	**(1.7)**	(3.8)	(3.1)
Net undrawn revolving credit facility	**223.1**	**196.2**	221.2	180.7

Issuance discounts and fees

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. As a result of the refinancing, an additional €15.3 million of fees were capitalised in the year and €11.8 million was recognised as an exceptional finance expense. Net issuance discounts and fees at 31 December 2021 are €24.6million (2020: €25.3 million).

27.5. Other Secured Loans

A subsidiary in Spain has granted security over certain of its assets in return for credit facilities from its banks. The loan has total amortisation repayments of €54,000 per annum payable biannually (2020: €54,000) and expires on 15 June 2022. The balance outstanding at 31 December 2021 is €27,000 (2020: €115,000).

27. Borrowings continued

27.6. Total Undrawn Borrowing Facilities

	2021 €m	2020 €m
Floating rate:		
Expiring within one year	**10.8**	4.8
Expiring after more than one year	**196.2**	180.7
Total at floating rate	**207.0**	185.5
Fixed rate:		
Expiring within one year	**–**	3.8
Total at fixed rate	**–**	3.8
Total at the end of the year	**207.0**	189.3

27.7. Movements in Net Borrowings and Lease Liabilities

			Non-cash changes				
	At 1 January 2021	Cash flows €m	New leases €m	Fees expensed including exceptional fees €m	Currency translation €m	Remeasure-ment and disposals €m	At 31 December 2021 €m
Cash and cash equivalents	**485.8**	**(11.0)**	**–**	**–**	**24.3**	**–**	**499.1**
Financial assets at FVTPL	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.9**
Borrowings	**(1,076.7)**	**22.1**	**–**	**(17.0)**	**(28.7)**	**–**	**(1,100.3)**
Total net borrowings	**(590.0)**	**11.1**	**–**	**(17.0)**	**(4.4)**	**–**	**(600.3)**
Lease liabilities	**(151.0)**	**31.6**	**(18.1)**	**–**	**(5.3)**	**(7.1)**	**(149.9)**
Net borrowings and lease liabilities	**(741.0)**	**42.7**	**(18.1)**	**(17.0)**	**(9.7)**	**(7.1)**	**(750.2)**

			Non-cash changes				
	At 1 January 2020	Cash flows €m	New leases €m	Fees expensed €m	Currency translation €m	Remeasurement and disposals €m	At 31 December 2020 €m
Cash and cash equivalents	411.7	110.6	–	–	(36.5)	–	485.8
Financial assets at FVTPL	0.9	–	–	–	–	–	0.9
Borrowings	(1,150.9)	19.0	–	(8.0)	63.2	–	(1,076.7)
Total net borrowings	(738.3)	129.6	–	(8.0)	26.7	–	(590.0)
Lease liabilities	(166.7)	28.6	(17.9)	–	7.0	(2.0)	(151.0)
Net borrowings and lease liabilities	(905.0)	158.2	(17.9)	(8.0)	33.7	(2.0)	(741.0)

Cash flows from financing activities arising from changes in financial liabilities are analysed below:

	2021 €m	2020 €m
Proceeds from new borrowings	**(600.0)**	(213.6)
Fees paid on proceeds from new borrowings	**15.3**	17.7
Voluntary repayments of borrowings	**600.0**	209.6
Scheduled repayments of borrowings	**6.8**	5.3
Lease principal repayments	**31.6**	28.6
Cash outflows from financing activities arising from changes in financial liabilities	**53.7**	47.6
Borrowings cash flows	**22.1**	19.0
Lease liabilities cash flows	**31.6**	28.6
Cash outflows from financing activities arising from changes in financial liabilities	**53.7**	47.6

28. Fair Values of Financial Assets and Liabilities

28.1. Financial Instruments by Category

As at 31 December 2021:

Financial assets	**Assets at amortised cost €m**	**Assets at FVTPL €m**	**Total €m**
Cash and cash equivalents	**499.1**	–	**499.1**
Financial assets at FVTPL	–	**0.9**	**0.9**
Trade and other receivables excluding prepayments	**478.3**	–	**478.3**
Derivative financial instruments:			
Forward foreign exchange contracts (cash flow hedges)	–	**0.9**	**0.9**
Total at 31 December 2021	**977.4**	**1.8**	**979.2**

Financial liabilities	**Liabilities at amortised cost €m**	**Liabilities at FVTPL €m**	**Total €m**
Trade and other payables excluding deferred income	**(474.8)**	–	**(474.8)**
Borrowings: Term loans and facilities	**(508.6)**	–	**(508.6)**
Borrowings: Unsecured senior notes	**(604.5)**	–	**(604.5)**
Lease liabilities	**(149.9)**	–	**(149.9)**
Derivative financial instruments:			
Forward foreign exchange contracts (cash flow hedges)	–	**(0.3)**	**(0.3)**
Total at 31 December 2021	**(1,737.8)**	**(0.3)**	**(1,738.1)**

As at 31 December 2020:

Financial assets	Assets at amortised cost €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	485.8	–	485.8
Financial assets at FVTPL	–	0.9	0.9
Trade and other receivables excluding prepayments	496.1	–	496.1
Derivative financial instruments:			
– Forward foreign exchange contracts (cash flow hedges)	–	0.4	0.4
Total	981.9	1.3	983.2

Financial liabilities	Liabilities at amortised cost €m	Liabilities at FVTPL €m	Total €m
Trade and other payables excluding deferred income	(503.3)	–	(503.3)
Borrowings	(1,076.7)	–	(1,076.7)
Lease liabilities	(151.0)	–	(151.0)
Derivative financial instruments:			
– Forward foreign exchange contracts (cash flow hedges)	–	(0.2)	(0.2)
Total	(1,731.0)	(0.2)	(1,731.2)

Fair value estimates of derivatives are based on relevant market information and information about the financial instruments, which are subjective in nature. The fair value of these financial instruments is estimated by discounting the future cash flows to net present values using appropriate market rates prevailing at the reporting date, which is a proxy for market price.

All derivative items reported are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'; their measurement includes inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The unsecured Senior Notes are quoted instruments and the fair value is calculated based on the market price. The fair value of the notes is within Level 1 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'.

28. Fair Values of Financial Assets and Liabilities continued

The fair values of other non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. It is assumed that by their nature their carrying value approximates their fair value. These fair values are within Level 2 of the fair value hierarchy specified in IFRS 13 'Fair Value Measurement'.

28.2. Contracted Maturities of Financial Liabilities

As at 31 December 2021:

	Less than one year €m	Between one and three years €m	Between three and five years €m	Over five years €m	Total €m
Borrowings excluding issuance discounts and fees (discounted)	**5.3**	**10.6**	**509.0**	**600.0**	**1,124.9**
Interest	**41.1**	**81.5**	**80.8**	**51.6**	**255.0**
Undiscounted contracted maturities of borrowings	**46.4**	**92.1**	**589.8**	**651.6**	**1,379.9**
Lease liabilities (discounted)	**30.1**	**40.9**	**29.1**	**49.8**	**149.9**
Interest	**8.6**	**12.4**	**9.5**	**6.1**	**36.6**
Undiscounted contracted maturities of lease liabilities	**38.7**	**53.3**	**38.6**	**55.9**	**186.5**
Trade and other payables excluding deferred income	**466.4**	**8.4**	**–**	**–**	**474.8**
Total undiscounted contracted maturities of financial liabilities	**551.5**	**153.8**	**628.4**	**707.5**	**2,041.2**

As at 31 December 2020:

	Less than one year €m	Between one and three years €m	Between three and five years €m	Over five years €m	Total €m
Borrowings excluding issuance discounts and fees (discounted)	11.1	22.1	1,068.7	–	1,101.9
Interest	50.1	98.7	48.6	–	197.4
Undiscounted contracted maturities of borrowings	61.2	120.8	1,117.3	–	1,299.3
Lease liabilities (discounted)	28.6	44.9	30.7	46.8	151.0
Interest	8.9	12.4	8.0	7.7	37.0
Undiscounted contracted maturities of lease liabilities	37.5	57.3	38.7	54.5	188.0
Trade and other payables excluding deferred income	491.4	11.9	–	–	503.3
Total undiscounted contracted maturities of financial liabilities	590.1	190.0	1,156.0	54.5	1,990.6

29. Retirement Benefit Obligations

29.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom who are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

The plan in the US is closed to both new entrants and future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2021. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2021. The Canadian pension plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 30 June 2021. The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2018. Employer funding contributions to the US and other funded pension plans are agreed at each formal valuation, and for the year-ended 31 December 2021 totalled €3.4 million (2020: €7.8 million). Contributions for the 12 months ended 31 December 2022 are expected to amount to €3.7 million.

29. Retirement Benefit Obligations continued

In this note the US plans are shown separately as US pensions, and the Canadian and UK plans are aggregated as other pensions.

Post-employment healthcare

The Group operates post-employment medical benefit schemes in a small number of territories, principally the US where the scheme was closed to new entrants in 1992. These schemes are unfunded. The US scheme is subject to annual actuarial valuation, and was most recently valued by independent qualified actuaries as at 1 January 2021. In this note the US scheme is shown separately as US healthcare, and the other healthcare liabilities are aggregated within other post-employment liabilities.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

29.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(184.5)**	**(117.7)**	**(33.4)**	**(88.2)**	**(423.8)**
Fair value of plan assets	**150.7**	**126.5**	**–**	**27.8**	**305.0**
Asset ceiling	**–**	**(9.3)**	**–**	**–**	**(9.3)**
Net liability at 31 December 2021	**(33.8)**	**(0.5)**	**(33.4)**	**(60.4)**	**(128.1)**

Net liability	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Present value of retirement benefit obligations	(209.2)	(117.9)	(33.8)	(95.3)	(456.2)
Fair value of plan assets	156.9	115.4	–	26.8	299.1
Asset ceiling	–	(3.6)	–	–	(3.6)
Net liability at 31 December 2020	(52.3)	(6.1)	(33.8)	(68.5)	(160.7)

The present value of retirement benefit obligations by member type is as follows:

	2021 €m	2020 €m
Active members	**134.2**	143.5
Deferred members	**87.5**	92.1
Retirees	**202.1**	220.6
Total	**423.8**	456.2

The expected payments at 31 December 2021 for retirement benefit obligations are as follows:

	Payments expected €m
2022	**20.2**
2023	**20.9**
2024	**21.3**
2025	**21.3**
2026	**21.4**
2027 onwards	**580.4**

The implied weighted average duration at 31 December 2021 of retirement benefit obligations are as follows (in years): US pensions 12.2 (2020: 12.3), Other pensions 19.5 (2020: 21.8) and US healthcare 8.9 (2020: 9.3).

29. Retirement Benefit Obligations continued

b. Income Statement

Net income/(expense) recognised in the Income Statement is as follows:

Net (expense)/income	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Current service cost	**–**	**(1.6)**	**–**	**(4.3)**	**(5.9)**
Past service cost	**–**	**–**	**–**	**0.6**	**0.6**
Settlement/curtailment (loss)/gain	**(0.4)**	**(0.9)**	**–**	**0.6**	**(0.7)**
Net interest expense	**(1.2)**	**–**	**(0.7)**	**(0.6)**	**(2.5)**
Total expense for the year-ended 31 December 2021	**(1.6)**	**(2.5)**	**(0.7)**	**(3.7)**	**(8.5)**

Annuity and participant buyout offerings of the Group's US pension plan resulted in a settlement loss of (€0.4) million (2020: €2.1 million gain).

Restructuring of the Group's Bramalea Canada facility resulted in a curtailment loss of (€0.9) million (2020: nil).

Net (expense)/income	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Current service cost	(0.2)	(1.3)	–	(7.2)	(8.7)
Settlement/curtailment gain	2.1	–	–	0.1	2.2
Net interest (expense)/income	(2.4)	0.1	(1.0)	(0.8)	(4.1)
Total expense for the year-ended 31 December 2020	(0.5)	(1.2)	(1.0)	(7.9)	(10.6)

c. Statement of Comprehensive Income

Re-measurements of retirement benefit obligations included in the Statement of Comprehensive Income are as follows:

Income/(expense)	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Return on assets excluding amounts recognised in the Income Statement	**13.7**	**3.0**	**–**	**0.1**	**16.8**
Changes in demographic assumptions	**(0.7)**	**1.4**	**(0.2)**	**–**	**0.5**
Changes in financial assumptions	**11.0**	**4.9**	**0.5**	**3.4**	**19.8**
Experience gains/(losses)	**(1.3)**	**3.6**	**1.3**	**0.9**	**4.5**
Change in asset ceiling	**–**	**(5.3)**	**–**	**–**	**(5.3)**
Total net income for the year-ended 31 December 2021	**22.7**	**7.6**	**1.6**	**4.4**	**36.3**

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	13.0	9.5	–	–	22.5
Changes in demographic assumptions	(0.5)	(0.3)	–	0.2	(0.6)
Changes in financial assumptions	(22.6)	(14.7)	(4.1)	(3.0)	(44.4)
Experience gains/(losses)	0.5	(0.3)	(0.2)	0.2	0.2
Change in asset ceiling	–	1.2	–	–	1.2
Total net expense for the year-ended 31 December 2020	(9.6)	(4.6)	(4.3)	(2.6)	(21.1)

29. Retirement Benefit Obligations continued

29.3. Composition of Plan Assets

Plan assets are comprised as follows:

	US pensions €m	Other pensions €m	Other post-employment liabilities €m	Total €m
Investment funds: Equities*	83.7	8.8	–	92.5
Investment funds: Credit*	65.7	41.6	–	107.3
Investment funds: Diversified growth/multi strategy*	–	68.2	–	68.2
Insurance contracts	–	7.7	27.6	35.3
Cash and cash equivalents	1.3	0.2	0.2	1.7
Plan assets as at 31 December 2021	**150.7**	**126.5**	**27.8**	**305.0**

	US pensions €m	Other pensions €m	Other post-employment liabilities €m	Total €m
Investment funds: Equities*	89.8	8.4	–	98.2
Investment funds: Credit*	62.5	40.4	–	102.9
Investment funds: Diversified growth/multi strategy*	–	58.4	–	58.4
Insurance contracts	–	7.8	26.6	34.4
Cash and cash equivalents	4.6	0.4	0.2	5.2
Plan assets as at 31 December 2020	156.9	115.4	26.8	299.1

* 88% and 87% of the assets held by the retirement benefit plans as of 31 December 2021 and 31 December 2020, respectively, are in investment funds comprised of underlying equity, credit and diversified growth assets with quoted market prices. Investment funds themselves are not considered quoted as they are pooled, commingled vehicles such as unit trusts and mutual funds, whereby the pension scheme owns units in the fund alongside other investors. The remaining assets held by the plan are unquoted insurance policies, principal-interest guaranteed insurance contracts and cash and cash equivalents.

29.4. Net Defined Benefit Obligations

Movements in net defined benefit obligations	Note	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2021		(456.2)	299.1	(157.1)	(3.6)	(160.7)
Current service cost	29.2b	(5.9)	–	(5.9)	–	(5.9)
Past service cost	29.2b	0.6	–	0.6	–	0.6
Settlement/curtailment loss	29.2b	(0.7)	–	(0.7)	–	(0.7)
Net interest (expense)/income	29.2b	(8.6)	6.1	(2.5)	–	(2.5)
Re-measurements	29.2c	24.8	16.8	41.6	(5.3)	36.3
Employer contributions		–	7.0	7.0	–	7.0
Employee contributions		(0.4)	0.4	–	–	–
Benefits and administration expenses paid		22.7	(19.1)	3.6	–	3.6
Settlements/curtailments		24.7	(24.6)	–	–	–
Currency translation		(24.8)	19.3	(5.4)	(0.4)	(5.8)
At 31 December 2021		**(423.8)**	**305.0**	**(118.8)**	**(9.3)**	**(128.1)**

29. Retirement Benefit Obligations continued

Movements in net defined benefit obligations	Note	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2020		(456.8)	308.1	(148.7)	(5.0)	(153.7)
Current service cost	29.2b	(8.7)	–	(8.7)	–	(8.7)
Net interest (expense)/income	29.2b	(11.2)	7.1	(4.1)	–	(4.1)
Re-measurements	29.2c	(44.8)	22.5	(22.3)	1.2	(21.1)
Employer contributions		–	11.9	11.9	–	11.9
Employee contributions		(0.4)	0.4	–	–	–
Benefits and administration expenses paid		22.6	(18.9)	3.7	–	3.7
Settlements		13.2	(11.0)	2.2	–	2.2
Currency translation		29.9	(21.0)	8.9	0.2	9.1
At 31 December 2020		(456.2)	299.1	(157.1)	(3.6)	(160.7)

a. US pensions

Movements in net defined benefit obligations	**Present value of obligation €m**	**Fair value of plan assets €m**	**Total €m**
At 1 January 2021	**(209.2)**	**156.9**	**(52.3)**
Current service cost	**–**	**–**	**–**
Settlement/curtailment gain	**(0.4)**	**–**	**(0.4)**
Net interest (expense)/income	**(5.0)**	**3.8**	**(1.2)**
Re-measurements	**9.0**	**13.7**	**22.7**
Employer contributions	**–**	**2.5**	**2.5**
Benefits and administration expenses paid	**10.9**	**(12.8)**	**(1.9)**
Settlement	**24.6**	**(24.6)**	**–**
Currency translation	**(14.4)**	**11.2**	**(3.2)**
At 31 December 2021	**(184.5)**	**150.7**	**(33.8)**

Movements in net defined benefit obligations	Present value of obligation €m	Fair value of plan assets €m	Total €m
At 1 January 2020	(222.9)	171.7	(51.2)
Current service cost	(0.2)	–	(0.2)
Past service cost	–	–	–
Net interest (expense)/income	(6.8)	4.4	(2.4)
Re-measurements	(22.6)	13.0	(9.6)
Employer contributions	–	6.8	6.8
Benefits and administration expenses paid	11.4	(13.8)	(2.4)
Settlement	13.1	(11.0)	2.1
Currency translation	18.8	(14.2)	4.6
At 31 December 2020	(209.2)	156.9	(52.3)

29. Retirement Benefit Obligations continued

b. Other pensions

Movements in net defined benefit obligations	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2021	**(117.9)**	**115.4**	**(2.5)**	**(3.6)**	**(6.1)**
Current service cost	**(1.6)**	**–**	**(1.6)**	**–**	**(1.6)**
Settlement/curtailment cost	**(0.9)**	**–**	**(0.9)**	**–**	**(0.9)**
Net interest (expense)/income	**(1.9)**	**1.9**	**–**	**–**	**–**
Re-measurements	**9.9**	**3.0**	**12.9**	**(5.3)**	**7.6**
Employer contributions	**–**	**0.9**	**0.9**	**–**	**0.9**
Employee contributions	**(0.3)**	**0.3**	**–**	**–**	**–**
Benefits and administration expenses paid	**3.1**	**(3.3)**	**(0.2)**	**–**	**(0.2)**
Currency translation	**(8.1)**	**8.3**	**0.2**	**(0.4)**	**(0.2)**
At 31 December 2021	**(117.7)**	**126.5**	**8.8**	**(9.3)**	**(0.5)**

Movements in net defined benefit obligations	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
At 1 January 2020	(107.9)	111.9	4.0	(5.0)	(1.0)
Current service cost	(1.3)	–	(1.3)	–	(1.3)
Past service cost	–	–	–	–	–
Net interest (expense)/income	(2.3)	2.4	0.1	–	0.1
Re-measurements	(15.3)	9.5	(5.8)	1.2	(4.6)
Employer contributions	–	1.0	1.0	–	1.0
Employee contributions	(0.3)	0.3	–	–	–
Benefits and administration expenses paid	2.9	(3.1)	(0.2)	–	(0.2)
Currency translation	6.3	(6.6)	(0.3)	0.2	(0.1)
At 31 December 2020	(117.9)	115.4	(2.5)	(3.6)	(6.1)

c. US healthcare and other post-employment liabilities

Movements in net defined benefit obligations	Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	Total €m
At 1 January 2021	**(95.3)**	**26.8**	**(68.5)**	**(33.8)**	**(102.3)**
Current service cost	**(4.3)**	**–**	**(4.3)**	**–**	**(4.3)**
Past service cost	**0.6**	**–**	**0.6**	**–**	**0.6**
Curtailment gain	**0.6**	**–**	**0.6**	**–**	**0.6**
Net interest (expense)/income	**(0.9)**	**0.3**	**(0.6)**	**(0.7)**	**(1.3)**
Re-measurements	**4.3**	**0.1**	**4.4**	**1.6**	**6.0**
Employer contributions	**–**	**3.6**	**3.6**	**–**	**3.6**
Employee contributions	**(0.1)**	**0.1**	**–**	**–**	**–**
Benefits paid	**6.8**	**(2.9)**	**3.9**	**1.9**	**5.8**
Currency translation	**0.1**	**(0.2)**	**(0.1)**	**(2.4)**	**(2.5)**
At 31 December 2021	**(88.2)**	**27.8**	**(60.4)**	**(33.4)**	**(93.8)**

29. Retirement Benefit Obligations continued

Movements in net defined benefit obligations	Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	Total €m
At 1 January 2020	(92.0)	24.5	(67.5)	(34.0)	(101.5)
Current service cost	(7.2)	–	(7.2)	–	(7.2)
Curtailment gain	–	–	–	–	–
Net interest (expense)/income	(1.1)	0.3	(0.8)	(1.0)	(1.8)
Re-measurements	(2.6)	–	(2.6)	(4.3)	(6.9)
Employer contributions	–	4.1	4.1	–	4.1
Employee contributions	(0.1)	0.1	–	–	–
Benefits paid	5.8	(1.9)	3.9	2.4	6.3
Settlements	0.1	–	0.1	–	0.1
Currency translation	1.8	(0.3)	1.5	3.1	4.6
At 31 December 2020	(95.3)	26.8	(68.5)	(33.8)	(102.3)

d. Other post-employment liabilities

	2021 €m	2020 €m
Unfunded German pension plans	**24.3**	26.9
Statutory retiring indemnities in France, Italy and Korea	**16.2**	19.3
Long-service awards in Germany and Poland	**10.5**	12.2
Retirement plans in Belgium	**2.1**	2.9
Unfunded arrangements under the US and UK pension plans	**1.6**	1.6
Other liabilities	**5.7**	5.6
Total other post-employment liabilities at 31 December	**60.4**	68.5

29.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

US Pensions	**2021**	2020
Discount rate	**2.80%**	2.40%
Mortality assumptions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**23**	23
Females	**25**	24
Retiring 20 years after the end of the current reporting year:		
Males	**24**	24
Females	**25**	25

29. Retirement Benefit Obligations continued

For US pensions, assumptions with regard to life expectancies from retirement at age 65 are based on Pri-2012 collar- and gender-specific mortality tables, adjusted and generationally projected using Scale MP-2020.

Other pensions	2021	2020
Discount rate	**2.12%**	1.55%
Inflation rate	**3.49%**	2.79%
Salary increases	**3.28%**	2.90%
Benefit increases	**3.40%**	3.00%
Mortality assumptions for other pensions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**22**	22
Females	**24**	24
Retiring 20 years after the end of the current reporting year:		
Males	**23**	23
Females	**25**	25

US healthcare	2021	2020
Discount rate	**2.60%**	2.15%
Healthcare cost trend: Initial rate	**2.60%**	6.25%

Other post-employment liabilities	2021	2020
Discount rate	**1.80%**	1.15%
Inflation rate	**1.38%**	1.29%
Salary increases	**3.06%**	2.97%
Benefit increases	**1.97%**	1.94%

Changes in the principal assumptions would decrease/(increase) the total defined benefit obligation (DBO) as follows:

		2021		2020	
Decrease/(increase) in DBO	Change in assumption	Increase €m	Decrease €m	Increase €m	Decrease €m
Discount rate	0.5%	**26.9**	**(30.2)**	30.9	(36.2)
Inflation rate	0.5%	**(9.4)**	**8.8**	(11.1)	11.0
Salary growth rate	0.5%	**(2.9)**	**2.9**	(3.7)	3.5
Life expectancy	1 year	**(15.1)**	**15.1**	(16.3)	16.4
Healthcare cost trend: Initial rate	0.5%	**(1.3)**	**1.3**	(1.4)	1.3

The sensitivity analysis above illustrates the change in each major assumption whilst holding all others constant. The methods of calculating the defined benefit obligation for this purpose are the same as used for calculating the end-of-year position.

29. Retirement Benefit Obligations continued

29.6. Pension Plans – Risk Analysis

Asset volatility	Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities.
Changes in bond yields	A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

30. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2021	14.6	11.0	4.9	30.5
Provisions made during the year	6.6	27.4	–	34.0
Provisions used during the year	(6.8)	(22.2)	–	(29.0)
Provisions reversed during the year	(3.9)	(0.6)	(0.1)	(4.6)
Currency translation	0.2	0.2	–	0.4
At 31 December 2021	**10.7**	**15.8**	**4.8**	**31.3**

Total provisions:

	2021 €m	2020 €m
Non-current	2.6	4.9
Current	28.7	25.6
Total provisions	**31.3**	30.5

Product warranty

The majority of product warranty provisions relate to specific customer issues, and are based upon open negotiations and past customer claims experience. Utilisation of the warranty provision is expected in 2022.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The provision at 31 December 2021 relates to global restructuring initiatives in response to reduced output following the COVID-19 pandemic. The balance is expected to be fully utilised during 2022 and 2023.

Other provisions

Other provisions at 31 December 2021 comprise provisions for disputed claims for indirect taxes totalling €0.7 million (2020: €0.7 million) and asset retirement obligations totalling €4.1 million (2020: €4.2 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2022 to 2025. The indirect tax provisions are expected to be utilised over the next five years.

31. Cash Generated from Operations

	Note	2021 €m	2020 €m
Profit/(Loss) for the year		**16.0**	(252.2)
Income tax expense before exceptional items		**40.9**	28.1
Exceptional income tax credit		**(2.8)**	(29.7)
Profit/(Loss) before income tax		**54.1**	(253.8)
Adjustments for:			
Depreciation, amortisation and impairment charges	15/16/17	**192.0**	213.2
Exceptional impairment charges	9/18	**–**	304.6
Losses on disposal of PP&E and intangible assets	10	**0.6**	0.5
Loss on disposal of investment in associate before income tax	19	**0.2**	–
Gain on disposal of PP&E in restructuring costs		–	(3.4)
Share-based expense excluding social security costs	7	**6.8**	0.9
Net finance expense	11	**71.8**	74.0
Unremitted share of loss from associates	19	**0.9**	4.0
Net foreign exchange losses/(gains)		**6.9**	(27.2)
Changes in working capital:			
– Inventories		**34.4**	–
– Trade and other receivables		**39.3**	38.6
– Trade and other payables		**(83.0)**	24.3
Change in provisions		**0.4**	7.8
Change in retirement benefit obligations		**(4.6)**	(9.1)
Total		**319.8**	374.4

The changes in working capital (movements in inventories, trade and other receivables and trade and other payables) reflect a number of non-cash transactions. The most significant of these arises from movements due to changes in foreign exchange rates, on translation of the Group's overseas operations into the Group's presentation currency, Euro.

32. Commitments and Contingencies

32.1 Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

	2021 €m	2020 €m
Intangible assets	**8.1**	10.4
Property, plant and equipment	**30.3**	47.3
Total	**38.4**	57.7

32.1.1 Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2021 was €0.4 million (2020: €0.3 million). During the year, a total of €0.7 million of rental income was recognised in the Income Statement (2020: €0.6 million).

b. The Group as lessee

The Group is committed to €2.0 million of future lease payments, not yet commenced as at 31 December 2021 (2020: €4.2 million).

32. Commitments and Contingencies continued

32.2. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

	2021 €m	2020 €m
Less than one year	**73.0**	35.5
Between one year and five years	**5.4**	14.9
After five years	**1.8**	4.1
Total	**80.2**	54.5

32.2.1 Contingencies

The Group has contingent liabilities relating to legal and tax proceedings arising in the normal course of business. Management reviewed known claims and litigation involving the Company and its subsidiaries at the end of the year. Based on the advice of legal counsel, appropriate provisions have been made to cover the related risks. While the outcome of any proceedings in progress cannot be predicted, the Company does not believe they will have a material impact on the Group's financial position.

32.3. Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the UK Companies Act 2006, relating to the audit of individual accounts by virtue of section 479A of the Act.

Name	Company Number
Omega Acquisition Bidco Ltd	9402426
TI Automotive Korean Won Hedgeco Ltd	9855008
TI Automotive Korean Won Hedgeco 2 Ltd	5633329
TIFS Holdings Limited	7060030
TI Automotive Ltd	4097913
TI Automotive Euro Holdings Ltd	5265489
TI Automotive USA Holdings Limited	5265459
TI Group Automotive Systems Ltd	581742
TI Group Automotive Systems (Deeside) Ltd	3061637
TI Automotive Holdings Ltd	4174232
TI Automotive Czech Holdings (UK) Ltd	6241709
TI Automotive German Holdings (UK) Limited	6243326
TI Group Automotive Systems (UK) Ltd	784687
TI Automotive (China) Ltd	4081361
Hanil Tube Holdings Ltd	6258095
TI Automotive Canada Holdings Ltd	5546464
Omega Newco Sub I Limited	9402268
Omega Newco Sub II limited	9402316
TI Automotive Nominees Ltd	4234035
TI Automotive Pension Plan Trustee Ltd	4310096

TI Fluid Systems plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year-ended 31 December 2021 in accordance with section 479C of the UK Companies Act 2006, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, TI Fluid Systems plc will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

33. Auditors' Remuneration

Services provided by the Company's Auditors and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditors:

	2021 €m	2020 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	**2.9**	2.6
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	**1.0**	0.8
Other assurance services	**0.5**	0.2
Total	**4.4**	3.6

Other assurance services of €0.5 million (2020: €0.2 million) relate to the review of published half year interim reports, and in 2021 only, refinancing activities.

34. Related Party Transactions and Controlling Parties

34.1. Transactions with Affiliates of the funds managed by Bain Capital

Certain funds managed by Bain Capital, through BC Omega Holdco Ltd, which represent affiliates of and funds advised by Bain Capital LLC, have been the Group's ultimate controlling party since incorporation up until 15 April 2021, when it was announced that approximately 10% of the holding of BC Omega Holdco Ltd was sold, via a placing, reducing its holding in the ordinary share capital of TI Fluid Systems plc to 44.4%. TI Fluid Systems plc did not receive any proceeds from the placing.

On 10 November 2021, an additional 7.7% of the holding in the Group held by BC Omega Holdco Ltd was sold, via a placing, reducing its holding in the ordinary share capital of TI Fluid Systems plc to 36.7%.

As a result, at 31 December 2021 there is now no ultimate controlling party of TI Fluid Systems plc.

The Group did not procure products and materials from companies in which the funds managed by Bain Capital, had investment interests in either the current or prior year, nor did it incur any management charges.

34.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group held a 73% interest in Hanil Tube Corporation, until 8 December 2021 when the Group purchased the remaining 27% for a total consideration in cash of KRW21,000 million (€15.5 million). See Note 25 for further details. Hanil Tube Corporation made sales within the Group during the year up to the point of this transaction of €5.8 million (year-ended 31 December 2020: €6.8 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2021, Bundy India Ltd had trade and loan receivables net of payables to other Group undertakings amounting to €0.6 million (2020: €4.1 million net trade and loan payables) and made sales within the Group during the year of €2.4 million (2020: €6.1 million).

34.3. Transactions with Associate

The Group held one associated undertaking, SeAH FS Co., Ltd ('SeAH FS'). On 8 December 2021 the Group disposed in full of its 20% holding in the issued ordinary shares in the company for KRW21,000 million (€15.5 million). Refer to Note 19 for further details. Purchases from associates in the year up to the point of disposal were €7.4 million (year-ended 31 December 2020: €8.1 million).

35. Events After the Balance Sheet Date

There have been no events after the balance sheet date which require disclosure, or adjustment, to the Group's year-end financial position.

Company Balance Sheet
At 31 December

	Note	2021 €m	2020 €m
Non-current assets			
Investments in subsidiaries	4	**912.5**	905.7
		912.5	905.7
Current assets			
Loans due from related parties	5	**16.3**	16.4
Trade and other receivables	6	**0.3**	0.1
Cash and cash equivalents		**7.3**	1.8
		23.9	18.3
Total assets		**936.4**	924.0
Equity			
Share capital	7	**6.8**	6.8
Share premium	7	**2.2**	2.2
Accumulated profits		**886.7**	878.7
Total equity		**895.7**	887.7
Current liabilities			
Trade and other payables	8	**0.9**	0.8
Loans due to related parties	9	**39.8**	35.5
		40.7	36.3
Total liabilities		**40.7**	36.3
Total equity and liabilities		**936.4**	924.0

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own Income Statement for the year. The profit for the year was €54.3 million (2020: €17.1 million).

The financial statements on pages 195 to 205 were authorised for issue by the Board of Directors on 14 March 2022 and were signed on its behalf by:

Hans Dieltjens
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Company Statement of Changes in Equity

For the year ended 31 December

	Ordinary shares €m	Share premium €m	Retained earnings €m	Total equity €m
Balance at 1 January 2021	**6.8**	**2.2**	**878.7**	**887.7**
Profit for the year	**–**	**–**	**54.3**	**54.3**
Share-based expense	**–**	**–**	**6.8**	**6.8**
Purchase of own shares	**–**	**–**	**(8.3)**	**(8.3)**
Shares issured from Employee Benefit Trust	**–**	**–**	**1.1**	**1.1**
Vested share awards	**–**	**–**	**(0.9)**	**(0.9)**
Dividends paid	**–**	**–**	**(45.0)**	**(45.0)**
Balance at 31 December 2021	**6.8**	**2.2**	**886.7**	**895.7**

	Ordinary shares €m	Share premium €m	Retained earnings €m	Total equity €m
Balance at 1 January 2020	6.8	2.2	864.0	873.0
Profit for the year	–	–	17.1	17.1
Share-based expense	–	–	0.9	0.9
Purchase of own shares	–	–	(3.5)	(3.5)
Issue of own shares from Employee Benefit Trust	–	–	0.2	0.2
Balance at 31 December 2020	6.8	2.2	878.7	887.7

Notes to the Company Financial Statements

1. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1. Basis of Preparation

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the UK Companies Act 2006.

Financial Reporting Standard 101 ('FRS 101') is a UK standard which sets out a reduced disclosure framework for the financial reporting requirements and disclosure exemptions of qualifying entities, which otherwise apply the requirements of International Financial Reporting Standards. The Company has adopted FRS 101 in these financial statements for the first time to take advantage of the reduced disclosures available as the Company meets the definition of a qualifying entity. The financial statements in the prior year were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and consequently no adjustments have arisen as a result of the adoption of FRS 101. This change in basis of preparation was effective from 1 January 2021.

As permitted by FRS 101, the Company has taken advantage of the disclosure requirement exemptions regarding IAS 7 'Statement of Cash Flows' and the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Where required, equivalent notes are given in the consolidated financial statements of TI Fluid Systems plc.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss ('FVTPL').

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge of the amount, event or actions, actual results may differ from those estimates.

1.1.1. Going Concern

After making enquiries, the Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its financial statements. The Company therefore continues to adopt the going concern basis in preparing its financial statements. See Note 1.1.1 of the consolidated financial statements for further information.

1.1.2. Functional and Presentation Currency

These financial statements are presented in Euro, which is the Company's functional currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.2. Foreign Currencies

Transactions in foreign currencies are converted to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to the functional currency at the exchange rate at that date. Non-monetary items that are measured at historical cost in a foreign currency are converted using the exchange rate at the date of the transaction.

All transactional foreign currency differences are included in the Income Statement.

The average and year-end exchange rates for the Company's principal currencies are disclosed in the consolidated financial statements.

1.3. Investments in Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are recorded in the Company's balance sheet at cost. The investments are subject to a periodic impairment review, to identify the existence of any indicators of impairment. Should indicators be identified, the carrying value is subject to an impairment assessment with any resulting diminution of the carrying value recognised in the Income Statement.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

1.4. Financial Instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities at 'fair value through profit or loss' ('FVTPL') are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are expensed as incurred.

1. Summary of Significant Accounting Policies continued

1.4.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Company's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. The Company's financial assets at amortised cost comprise 'loans due from related parties' and 'cash and cash equivalents'.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses ('ECL') on financial assets at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For loans due from related parties, the Company recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. The Company also assesses on a forward-looking basis the expected credit losses associated with the loans due from related parties.

For all other financial instruments, the Company recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread or the credit default swap prices for the debtor; indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments; an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation; and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.4.2. Financial Liabilities

Financial liabilities are classified as either 'financial liabilities at amortised cost' or 'financial liabilities at FVTPL'. Financial liabilities are recognised initially on the date at which the Company becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest. Liabilities at amortised cost, including 'loans due to related parties' and trade and other payables, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments (including all fees, transaction costs and premiums) through the expected life of the financial liability, to the net carrying amount on initial recognition.

Financial liabilities at FVTPL

A financial liability is classified in this category if it does not meet the criteria for recognition as a financial liability at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships.

1.5. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.6. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

1. Summary of Significant Accounting Policies continued

1.7. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.8. Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Deferred tax

Deferred income tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.9. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Company.

1.10. Dividends

Receivable

Dividends from investments of the Company and dividends receivable by the Company are recognised when the right to receive payment is established.

Payable

Dividends payable to the Company's shareholders are recognised in the Statement of Changes in Equity in the period in which they are approved.

2. Income Statement

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own Income Statement for the year. The profit for the year was €54.3 million (2020: €17.1 million profit).

3. Directors' Remuneration

The Company has no employees (2020: nil). Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director remuneration costs of €1.0 million (2020: €0.9 million) have been borne by the Company. All other costs have been met by other subsidiaries of the Group.

4. Investments in Subsidiaries

	2021 €m	2020 €m
At 1 January	**905.7**	904.8
Share-based cost	**6.8**	0.9
At 31 December	**912.5**	905.7

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The grant by the Company of share-based awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received in the year of €6.8 million (2020: €0.9 million) measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity. Refer to Note 7 of the consolidated financial statements for more information.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

		Ownership interest and voting rights held 2021	Ownership interest and voting rights held 2020	Address of registered office
Americas				
TI Group Automotive Systems LLC*	US	**100 %**	100 %	2020 Taylor Road, Auburn Hills, MI 48326
TI Automotive LLC*	US	**100 %**	100 %	2020 Taylor Road, Auburn Hills, MI 48326
Hanil USA LLC*	US	**100 %**	100 %	50 Hanil Drive, Tallassee, Alabama, 36078
Hutchings International Enterprises Inc. (Dormant)	US	**100 %**	100 %	2020 Taylor Road, Auburn Hills, MI 48326
Omega Newco Sub Inc.*	US	**100 %**	100 %	1209 Orange Street, City of Wilmington, New Castle 19801
TI Automotive Ligonier Corporation*	US	**100 %**	100 %	925 North Main Street, Ligonier, IN 46767
TI Automotive Canada Inc.*	Canada	**100 %**	100 %	316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3
TI Group Automotive Systems S de RL de CV	Mexico	**100 %**	100 %	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI Automotive Reynosa S de RL de CV	Mexico	**100 %**	100 %	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI-Hanil Mexico S de RL de CV	Mexico	**100 %**	100 %	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
Fabricaciones Electromecanicas SA de CV (Dormant)	Mexico	**100 %**	100 %	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
Marwal de Mexico SA de CV	Mexico	**100 %**	100 %	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
TI Brasil Industria e Comercio Ltda	Brazil	**100 %**	100 %	Rodovia Presidente Dutra, Km 145,7 Sao Jose dos Campos, SP-Brasil CEP 12220-611
Bundy Colombia SAS	Colombia	**100 %**	100 %	Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225
TI Automotive Argentina SA	Argentina	**100 %**	100 %	Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO
Europe and Africa				
Omega Acquisition Bidco Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco II Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2021	Ownership interest and voting rights held 2020	Address of registered office
Omega Newco Sub I Ltd (Dormant)	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub II Ltd (Dormant)	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TIFS Holdings Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Holdings Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Euro Holdings Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive USA Holdings Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Deeside) Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (UK) Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Canada Holdings Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive (China) Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Czech Holdings (UK) Ltd	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive German Holdings (UK) Ltd*	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Hanil Tube Holdings Ltd	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Finance plc	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Nominees Ltd (Dormant)**	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Pension Plan Trustee Ltd (Dormant)**	UK	**100 %**	100 %	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Belgium) SA*	Belgium	**100 %**	100 %	Rue Wérihet 61, B-4020 Wandre (Liège)
TI Automotive AC sro	Czech Republic	**100 %**	100 %	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Group Automotive Systems sro	Czech Republic	**100 %**	100 %	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Automotive France Holdings SAS	France	**100 %**	100 %	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Automotive Fuel Systems SAS	France	**100 %**	100 %	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Group Automotive Systems SAS	France	**100 %**	100 %	Z.I. Bld de l'industrie 37530 Nazelles-Negron, France
TI Automotive Holdings GmbH*	Germany	**100 %**	100 %	Dischingerstr. 11, 69123 Heidelberg
TI Automotive (Ettlingen) GmbH*	Germany	**100 %**	100 %	Hertzstrasse 24-30, 76275 Ettlingen
TI Automotive (Fuldabruck) GmbH*	Germany	**100 %**	100 %	Industriestrasse 3, 34277 Fuldabruck
TI Automotive (Heidelberg) GmbH*	Germany	**100 %**	100 %	Dischingerstr. 11, 69123 Heidelberg

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2021	Ownership interest and voting rights held 2020	Address of registered office
TI Automotive Systems Germany GmbH*	Germany	**100 %**	100 %	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Engineering Centre (Heidelberg) GmbH*	Germany	**100 %**	100 %	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Technology Center GmbH*	Germany	**100 %**	100 %	Lochfeldstraße 31, 76437 Rastatt
TI Automotive (Hungary) Kft	Hungary	**100 %**	100 %	H-9027, Györ, Körtefa utca, 6.ép
TI Automotive Italia Holdings Srl	Italy	**100 %**	100 %	Via Mosè Bianchi, 71-20149 Milano
TI Automotive Cisliano Srl	Italy	**100 %**	100 %	Via Abbiategrasso, 20080 Cisliano (MI)
TI Automotive Brindisi Srl	Italy	**100 %**	100 %	Via Pinan, 2-16012 Busalla (GE)
TI Group Automotive Systems SpA	Italy	**100 %**	100 %	Via Pinan, 2-16012 Busalla (GE)
TI Poland sp.zo.o*	Poland	**100 %**	100 %	Bestwin´ska 143 a, Bielsko-Biala, 43-346, Poland
LLC TI Automotive	Russia	**100 %**	100 %	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
Hanil RUS LLC	Russia	**100 %**	100 %	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
TI-Hanil Slovakia s.r.o.	Slovakia	**100 %**	100 %	Krásno nad Kysucou 2203, 023 02 Krásno nad Kysucou, Slovakia
TI Automotive Slovakia s.r.o (Dormant)	Slovakia	**100 %**	100 %	Prilohy 46, Zavar, Slovakia, 91926
TI Automotive proizvodnja avtomobilskih delov, d.o.o.	Slovenia	**100 %**	100 %	Belokranjska cesta 4, 8000 Novo mesto
TI Automotive Morocco Sarl	Morocco	**100 %**	100 %	Zone Franche D'Exportation, Ilot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl	Morocco	**100 %**	100 %	Tangier Automotive City, Lot 111 -11bis, Tangier, Morocco
TI Group Automotive Systems (South Africa) (Pty) Ltd	South Africa	**100 %**	100 %	62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa
TI Automotive Fuel Systems (South Africa) (Pty) Ltd	South Africa	**100 %**	100 %	EW1 Building Zone 1A, Mdubu Road, Sunnyridge, East London 5208, South Africa
TI Automotive Pamplona SL	Spain	**100 %**	100 %	Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain
TI Group Automotive Systems SA	Spain	**100 %**	100 %	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems Spain Holdings S.L.	Spain	**100 %**	100 %	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems AB	Sweden	**100 %**	100 %	PO Box 904, 531 19 Lidkoping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	**100 %**	100 %	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
Asia Pacific				
Bundy Fluid Systems Co Ltd	China	**100 %**	100 %	No. 57 Longhai Road ETDZ, Qinhuangdao City
Bundy Fluid Systems (Chongqing) Co Ltd	China	**100 %**	100 %	Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing
Bundy Fluid Systems (Shanghai) Co Ltd	China	**100 %**	100 %	34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai
TI Automotive (Tianjin) Co Ltd	China	**100 %**	100 %	No.6 Xiang'an Road, TEDA Tianjin
TI Automotive Systems (Changchun) Co Ltd	China	**100 %**	100 %	2599 Zi Bo Rd., Economic Technological Development Zone, Changchun

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2021	Ownership interest and voting rights held 2020	Address of registered office
TI Automotive Systems (Shanghai) Co Ltd	China	**100 %**	100 %	Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai
TI Fluid Systems (Chengdu) Ltd	China	**100 %**	100 %	No 1 Building, Aerospace Sega Science & Technology Industrial Park, No 889 Wenbai Avenue, Baihe Subdistrict, Economic & Technological Development Zone (Longquanyi District), Chengdu, Sichuan
Wuhan Bundy Fluid Systems Co Ltd	China	**100 %**	100 %	Wuhan Economic & Technological Development Zone
TI Automotive (Hong Kong) Holdings Ltd	Hong Kong	**100 %**	100 %	Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Bundy India Ltd	India	**97 %**	97 %	Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India
Hanil Tube India Private Ltd	India	**100 %**	100 %	B-75, SIPCOT Industrial Area, Chennai 600-058, Tamu Nadu
PT TI Automotive Indonesia	Indonesia	**100 %**	100 %	Jl. Cempaka Raya km.37, Jatimulya, Bekasi, Tambun Selatan, Jawa Barat
TI Automotive Japan Ltd	Japan	**100 %**	100 %	3-29-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835
Hanil Tube Corporation***	South Korea	**100 %**	73 %	17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744
TI Automotive Ltd (Korea)	South Korea	**100 %**	100 %	708, Baeksuk-Dong, Cheonan City, Chungnam, 330220
TI Automotive (Thailand) Ltd	Thailand	**100 %**	100 %	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160
TI Automotive ROH (Thailand) Ltd	Thailand	**100 %**	100 %	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements of TI Group Automotive Systems LLC.
** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of section 394A of Companies Act 2006.
*** On 8 December 2021, the Company acquired 100% control of Hanil Tube Corporation.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

5. Loans Due from Related Parties

	2021 €m	2020 €m
Loans due from related parties	**16.3**	16.4

Loans due from a related party at 31 December 2021 comprised an amount drawn against Euro-denominated intercompany facility agreements from a subsidiary undertaking totalling €16.3 million (2020: €16.4 million). The loans are repayable in full on demand and bore interest at rates from 3.73% to 4.14% (2020: six-month EURIBOR plus a margin of 4.25%) according to the agreed facility.

6. Trade and Other Receivables

	2021 €m	2020 €m
Other receivables	**0.3**	0.1

The Company has paid directly certain PAYE obligations of the CEO and CFO, which are recoverable in full. Details are disclosed in the Remuneration Report. See page 104.

7. Issued Share Capital

Authorised, issued and fully paid-up	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 31 December 2020	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2021	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

The Company holds shares in the TI Fluid Systems Employee Benefit Trust ('EBT') for the purpose of satisfying awards made to employees under the TI Fluid Systems plc Long Term Incentive Plan and Deferred Bonus Plan. Such shares are shown as a deduction to equity in the Statement of Changes in Equity and are not treated as outstanding for the purposes of calculating earnings per share.

The movements in ordinary shares held by the EBT in the current and prior year were as follows:

	Number of shares	€m
At 1 January 2020	**420,756**	**–**
Market purchase	1,572,175	3.5
Release to satisfy Deferred Bonus Plan	(493,024)	(0.2)
At 31 December 2020	**1,499,907**	**3.3**
Release to satisfy Deferred Bonus Plan	(333,427)	(0.7)
Release to satisfy vested conditional share awards	(197,603)	(0.4)
Market purchase	2,962,296	8.3
At 31 December 2021	**3,931,173**	**10.5**

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

8. Trade and Other Payables

	2021 €m	2020 €m
Other payables	**0.4**	–
Accrued expenses	**0.5**	0.8
Total trade and other payables	**0.9**	0.8

9. Loans Due to Related Parties

	2021 €m	2020 €m
Loans due to related parties	**39.8**	35.5

Loans due to related parties at 31 December 2021 included amounts drawn against a Euro-denominated intercompany facility agreement from subsidiary undertakings €24.1 million (2020: €32.0 million). The loans are repayable in full on demand and therefore have been classified as currently payable. The loans bore interest at six-month EURIBOR plus a margin between 2.75% and 4.25% (2020: 2.75% and 4.25%).

Additionally, at the year-end, a subsidiary undertaking of the Company had loaned funds of €15.7 million to the Company's Employee Benefit Trust (EBT) (2020: €3.5 million), which is consolidated in accordance with Note 1.2 of the consolidated financial statements.

10. Contingent Liabilities

The following UK subsidiary undertakings are exempt from the requirements of the UK Companies Act 2006, relating to the audit of individual accounts by virtue of section 479A of the Act.

Name	Company Number
Omega Acquisition Bidco Ltd	9402426
TI Automotive Korean Won Hedgeco Ltd	9855008
TI Automotive Korean Won Hedgeco II Ltd	5633329
TIFS Holdings Limited	7060030
TI Automotive Ltd	4097913
TI Automotive Euro Holdings Ltd	5265489
TI Automotive USA Holdings Limited	5265459
TI Group Automotive Systems Ltd	581742
TI Group Automotive Systems (Deeside) Ltd	3061637
TI Automotive Holdings Ltd	4174232
TI Automotive Czech Holdings (UK) Ltd	6241709
TI Automotive German Holdings (UK) Limited	6243326
TI Group Automotive Systems (UK) Ltd	784687
TI Automotive (China) Ltd	4081361
Hanil Tube Holdings Ltd	6258095
TI Automotive Canada Holdings Ltd	5546464
Omega Newco Sub I Limited	9402268
Omega Newco Sub II limited	9402316
TI Automotive Nominees Ltd	4234035
TI Automotive Pension Plan Trustee Ltd	4310096

TI Fluid Systems plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year-ended 31 December 2021 in accordance with section 479C of the UK Companies Act 2006, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, TI Fluid Systems plc will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

11. Events After the Balance Sheet Date

There have been no events after the balance sheet date which require disclosure, or adjustment, to the Company's year-end financial position.

Consolidated Income Statement

For the years ended 31 December

	2021 €m	Unaudited			
		2020 €m	2019 €m	2018 €m	2017 €m
Revenue	**2,956.6**	2,814.5	3,411.1	3,472.8	3,490.9
Cost of sales	**(2,626.8)**	(2,493.1)	(2,922.7)	(2,938.2)	(2,928.5)
Exceptional items	**–**	(120.4)	–	–	–
Gross profit	**329.8**	201.0	488.4	534.6	562.4
Distribution costs	**(93.9)**	(83.7)	(95.0)	(102.4)	(103.7)
Administrative expenses before exceptional items	**(105.8)**	(145.1)	(141.7)	(164.5)	(177.8)
Exceptional items	**–**	(184.2)	–	–	(40.2)
Administrative expenses after exceptional items	**(105.8)**	(329.3)	(141.7)	(164.5)	(218.0)
Other income	**3.6**	8.5	6.7	12.2	7.7
Net foreign exchange (losses)/gains	**(6.9)**	27.2	0.5	1.2	24.6
Operating profit/(loss)	**126.8**	(176.3)	258.9	281.1	273.0
Finance income	**3.1**	3.5	15.0	14.3	11.2
Finance expense before exceptional items	**(63.1)**	(77.5)	(72.5)	(67.0)	(100.1)
Exceptional items	**(11.8)**	–	–	(11.8)	(26.4)
Finance expense after exceptional items	**(74.9)**	(77.5)	(72.5)	(78.8)	(126.5)
Net finance expense after exceptional items	**(71.8)**	(74.0)	(57.5)	(64.5)	(115.3)
Share of (loss)/profit of associates	**(0.9)**	(3.5)	0.3	0.5	0.3
Profit/(loss) before income tax	**54.1**	(253.8)	201.7	217.1	158.0
Income tax expense before exceptional items	**(40.9)**	(28.1)	(57.1)	(77.0)	(68.2)
Exceptional items	**2.8**	29.7	–	–	25.4
Income tax (expense)/credit after exceptional items	**(38.1)**	1.6	(57.1)	(77.0)	(42.8)
Profit/(loss) for the year	**16.0**	(252.2)	144.6	140.1	115.2
Profit/(loss) for the year attributable to:					
Owners of the Parent Company	**14.3**	(254.1)	141.6	137.8	112.5
Non-controlling interests	**1.7**	1.9	3.0	2.3	2.7
	16.0	(252.2)	144.6	140.1	115.2

Consolidated Balance Sheet

At 31 December

		Unaudited			
	2021 €m	2020 €m	2019 €m	2018 €m	2017 €m
Non-current assets					
Intangible assets	**884.8**	883.8	1,182.2	1,229.8	1,273.9
Right-of-use assets	**125.2**	124.9	161.4	–	–
Property, plant and equipment	**595.4**	590.8	715.0	706.5	686.8
Investments in associates	**–**	14.6	19.2	19.6	19.2
Derivative financial instruments	**–**	–	–	5.4	8.3
Deferred income tax assets	**70.5**	62.4	25.1	34.9	51.0
Trade and other receivables	**19.2**	18.9	21.6	14.8	13.4
	1,695.1	1,695.4	2,124.5	2,011.0	2,052.6
Current assets					
Inventories	**332.3**	351.4	367.1	352.8	329.3
Trade and other receivables	**520.5**	534.8	574.5	578.3	588.3
Current income tax assets	**11.4**	13.7	13.7	4.4	8.2
Derivative financial instruments	**0.9**	0.4	18.4	8.5	5.3
Financial assets at fair value through profit and loss	**0.9**	0.9	0.9	1.2	2.9
Cash and cash equivalents	**499.1**	485.8	411.7	360.1	287.2
	1,365.1	1,387.0	1,386.3	1,305.3	1,221.2
Total assets	**3,060.2**	3,082.4	3,510.8	3,316.3	3,273.8
Equity					
Share capital	**6.8**	6.8	6.8	6.8	6.8
Share premium	**2.2**	2.2	2.2	1.4	404.3
Other reserves	**(61.4)**	(137.7)	(106.1)	(126.3)	(130.5)
Retained earnings	**995.9**	987.7	1,261.7	1,175.7	640.9
Equity attributable to owners of the Parent Company	**943.5**	859.0	1,164.6	1,057.6	921.5
Non-controlling interests	**0.4**	25.2	24.5	22.5	20.3
Total equity	**943.9**	884.2	1,189.1	1,080.1	941.8
Non-current liabilities					
Trade and other payables	**14.6**	20.0	12.3	17.1	17.6
Borrowings	**1,098.5**	1,069.3	1,148.5	1,179.3	1,178.2
Lease liabilities	**119.8**	122.4	138.0	–	–
Derivative financial instruments	**–**	–	–	45.3	72.4
Deferred income tax liabilities	**95.8**	104.3	128.5	141.6	159.8
Retirement benefit obligations	**128.1**	160.7	153.7	148.2	162.4
Provisions	**2.6**	4.9	5.0	4.9	5.5
	1,459.4	1,481.6	1,586.0	1,536.4	1,595.9
Current liabilities					
Trade and other payables	**546.1**	614.1	611.2	608.4	637.6
Current income tax liabilities	**49.9**	40.7	48.7	60.2	69.6
Borrowings	**1.8**	7.4	2.4	4.4	3.0
Lease liabilities	**30.1**	28.6	28.7	–	–
Derivative financial instruments	**0.3**	0.2	25.4	2.8	3.4
Provisions	**28.7**	25.6	19.3	24.0	22.5
	656.9	716.6	735.7	699.8	736.1
Total liabilities	**2,116.3**	2,198.2	2,321.7	2,236.2	2,332.0
Total equity and liabilities	**3,060.2**	3,082.4	3,510.8	3,316.3	3,273.8

The consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2017 to 31 December 2021 inclusive.

Shareholder information

Company registered number
09402231

Directors
Manfred Wennemer
Non-Executive Chairman

Hans Dieltjens
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Tim Cobbold
Senior Independent Director

Julie Baddeley
Independent Non-Executive Director

Susan Levine
Non-Executive Director

Elaine Sarsynski
Independent Non-Executive Director

John Smith
Independent Non-Executive Director

Stephen Thomas
Non-Executive Director

Jeffrey Vanneste
Independent Non-Executive Director

Company Secretary
Matthew Paroly

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Corporate calendar
Annual General Meeting
18 May 2022

Announcement of Interim Results
9 August 2022

Announcement of Final Results
15 March 2022

Cautionary statement regarding forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of TI Fluid Systems plc (the 'Company'). The words 'believe', 'expect', 'anticipate', 'intend', 'estimate', 'forecast', 'project', 'will', 'may', 'should' and similar expressions identify forward-looking statements. Others can be identified from the context in which they are made. By their nature, forward-looking statements involve risks and uncertainties, and such forward-looking statements are made only as of the date of this Annual Report. Accordingly, no assurance can be given that the forward-looking statements will prove to be accurate and you are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty therein. Past performance of the Company cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

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The Forest Stewardship Council® (FSC®) is an international network which promotes responsible management of the world's forests. Forest certification is combined with a system of product labelling that allows consumers to readily identify timber-based products from certified sources.

The material in this Report has been Carbon balanced.

Two projects are supported via Carbon Footprint Ltd. Firstly, a tree planting scheme in the UK which supports a programme of replanting to offset carbon use. Also, a project to support biodiversity within the Amazon, called the Portel-Pará REDD project which is working to prevent unplanned deforestation in native forests, which has occurred due to logging, squatting and attempts to implement pastures. The project is expected to avoid over 22 million tonnes of carbon dioxide equivalent greenhouse gas emissions over a 40-year period. This will be achieved by managing the land in the form of a 'private conservation reserve', through rigorous monitoring and enforcement.

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