

# Celebrating 100 years of innovation

Annual Report & Accounts 2022



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# Highlights

## 2022 highlights

### Management reporting measures

Revenue

€3,268m

2021: €2,957m

Revenue 10.5% higher (+5.2% at constant currency or 150bps below global light vehicle production increase)

Adjusted EBIT

€180m

2021: €213m

Adjusted EBIT margin of 5.5% (2021: 7.2%)

Adjusted Net Income

€44m

2021: €58m

Adjusted Basic EPS (€ cents)

8.5c

2021: 11.2c

Adjusted Free Cash Flow

€78m

2021: €117m

### Statutory reporting measures

Operating loss

€(217)m

2021: €127m Operating Profit

Loss for the year

€(279)m

2021: €16m Profit

Basic EPS (€ cents)

(54.4)c

2021: 2.8c

Dividend per share

2.54c

2021: 3.39c

# Our purpose framework

## Our purpose

Our purpose is to help make vehicles cleaner and greener to protect our environment and make our world a better place to live.

In pursuit of our purpose, we work together with our many OEM customers and suppliers around the globe to design, develop, manufacture and deliver a wide range of award-winning, industry-leading automotive fluid systems, operating in a sustainable manner out of 98 manufacturing locations in 28 countries.

## Our vision

We are committed to enabling a sustainable future and improving the environmental and social well-being of the communities we operate in.

## Our culture

We embrace innovation, learning, inclusivity, and teamwork to promote a positive culture that enables us to achieve our strategic goals.

## Our values



### Customers

- Ensure that our customers are the focus of our business
- Build a foundation for positive, mutual success



### Innovation and improvement

- Stay ahead of business challenges
- Develop new methods and skills that improve our business
- Maintain and strengthen continuous improvement culture in all areas of our business



### Employees

- Hire, develop and retain talented people
- Provide a safe, respectful and inclusive working environment
- Foster teamwork through communication



### Communities

- Be a responsible member of our communities
- Support local engagement in charitable and other activities that benefit our communities



### Compliance

- Comply with all laws that are applicable to our business, operations, workforce and products
- Demonstrate the highest levels of integrity by embracing our Code of Business Conduct



### Environment

- Encourage the prevention of pollution and the conservation of resources

# Our business at a glance



## Who we are

We are the industry leader in automotive fluid technology.



## What we do

We design and manufacture award-winning, industry-leading automotive fluid systems in a sustainable manner for OEMs across the globe.



## Where we are

We currently have 98 manufacturing locations in 28 countries, providing us with global reach and scale.

25,600

People

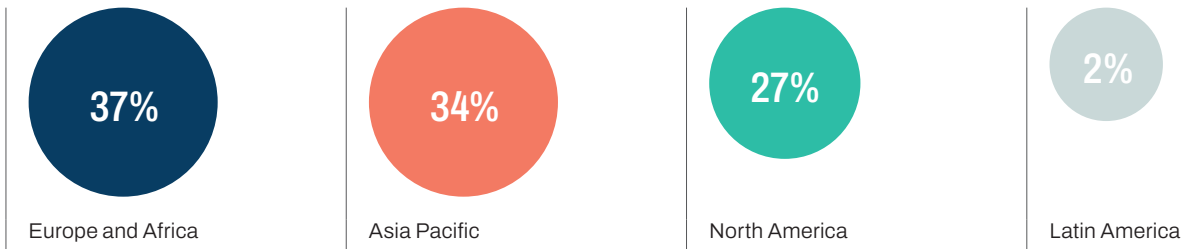
€3,268m

Group Revenue

98

Manufacturing Locations

## Revenue by Region %



## Our Take the Turn strategy



### Technology

Increase the market share of our advanced technology and safety critical products, including new thermal management products for EVs

[+](#) Read more on pages 30–31



### Transformation

Operate our business in a sustainable manner

[+](#) Read more on pages 30–31



### Talent

Develop, promote and retain our workforce in an inclusive environment

[+](#) Read more on pages 30–31

North America

6,800

People

€896m

Revenue

Europe and Africa

10,200

People

€1,207m

Revenue

Latin America

800

People

€51m

Revenue

Asia Pacific

7,800

People

€1,114m

Revenue

Revenue

Denotes the collective figure for all TI Fluid companies in a given region or country

People

Denotes the number of people employed on a direct and indirect (contract) basis by TI Fluid companies in a given region or country

As at 31 December 2022

# 100 years of innovation



## 1922

Originally founded as Harry Bundy and Company in 1922, Harry Warren Bundy established The Bundy Corporation in Detroit, Michigan, USA. First contract from Ford Motor Company for gas lines on the Model T. First production site on Bellevue Avenue in Detroit, Michigan. Harry Bundy's 1922 application for a patent for his new method of tubemaking.



## 1941-1945

Bundy's tubing and other components were used in more than 5,000 war applications, including oil and gas lines, brake lines and brake lubrication lines for tens of thousands of allied planes, jeeps, tanks, trucks, landing craft and carriers.



## 1985

First facility opened in China.

## 1929

'BUNDYWELD' was invented, which enhanced torsion and bending qualities, increased resistance to corrosion and improved fatigue strength of tubes.



## 1976

New York stock exchange listed Bundy common stock on 9 December 1976.



## 1988

Bundy Corporation acquired by TI Group.





**TI Automotive**

2001

TI Automotive LTD formed as an independent company in England after emerging from Smiths Group, who purchased TI Group plc.



2017

TI Fluid Systems plc listed on the London Stock Exchange.



2020

TI Fluid Systems supplies thermal products for the new Ford Mustang Mach-E battery electric vehicle.

2015

TI Automotive acquired by funds managed by Bain Capital.



2018

TI wins first high-volume battery electric vehicle (BEV) thermal programme.



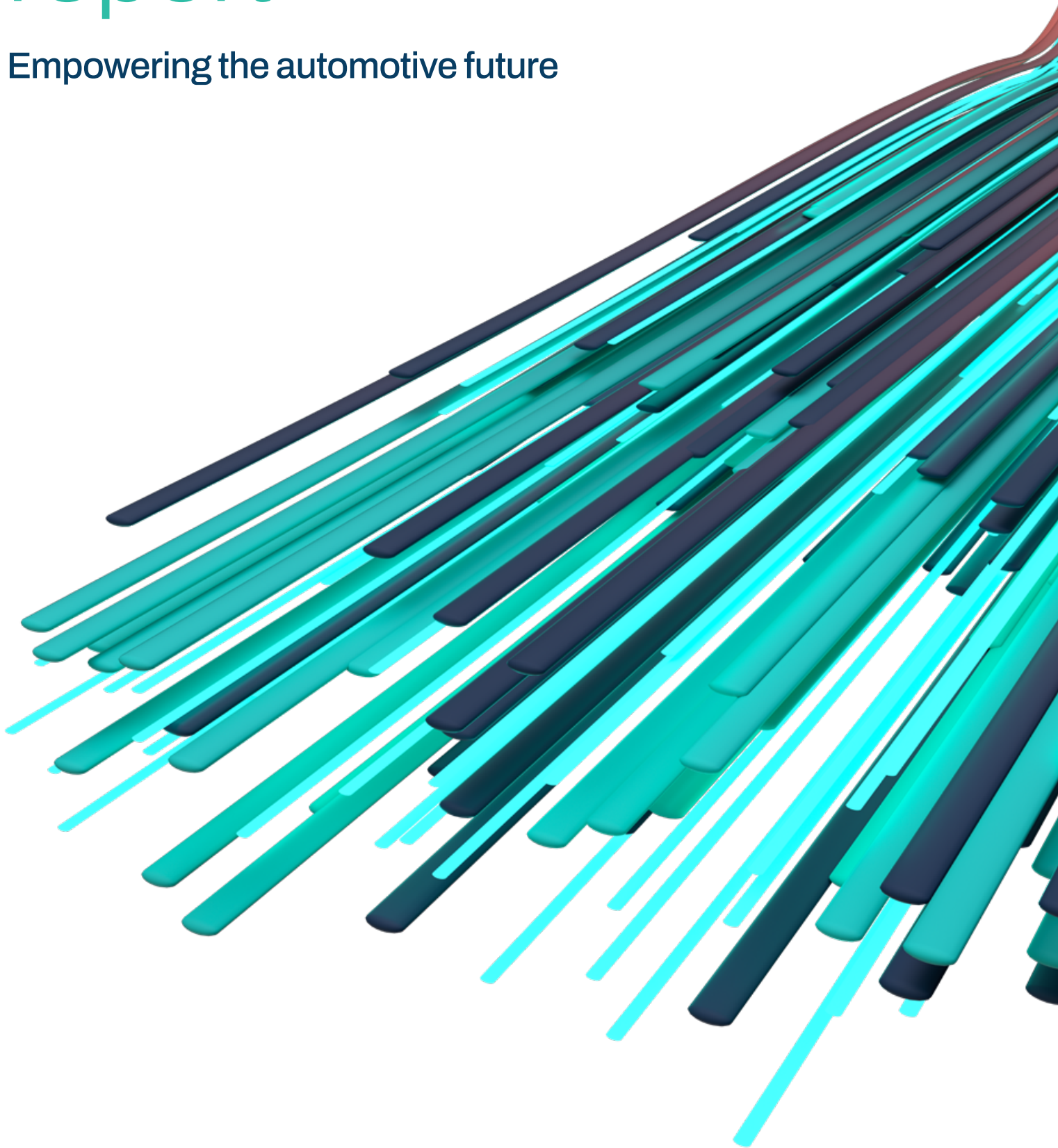
2022

First e-Mobility Innovation Centre opens in Rastatt, Germany.



# Strategic report

Empowering the automotive future





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# Chair's statement



*In 2022, the Board devoted more time to the evolution and development of the Take the Turn strategy as the pace of the industry's transition to EVs quickened.*

**Tim Cobbold**  
Chair



## Dear shareholder,

Over the past year, I was pleased to be able to build on and continue the good work of my predecessor, Manfred Wennemer, as the Company's Chair. Since I joined the Board in November 2019, and having served as both the Senior Independent Director and as Chair of the Remuneration Committee, I have had the opportunity to work closely with my fellow Directors and the senior executive team to gain a sound understanding of the business and the industry in which it operates. This recent experience complements the five years I spent working in the, then, TI Group's automotive business (which has since become TI Fluid Systems) during the 1990s. I have also spent time serving under several other excellent Chairs in UK-listed companies. I hope to draw on all of my experience to help guide the Board, its Executive Management, and the Company, in general, as we refine and implement our Take the Turn strategy to take advantage of the opportunities presented by the transition to electric vehicles (EVs).

## Industry context

2022 proved to be another exceptional year, continuing into a third year of a period of unprecedented turbulence and challenge for industries and businesses across the globe. The automotive industry suffered as acutely as any.

The ongoing impact of COVID-19, which continued late into 2022, especially in China, was compounded by both the extraordinary supply chain issues that grew through 2021 into 2022 and, in 2022, a wave of cost inflation following the war in Ukraine. Together, these presented exceptional and unprecedented challenges to the automotive industry.

For all Tier 1 automotive suppliers (and all the people who work in them) these existential challenges manifested themselves as decreased vehicle production, order volatility, supply chain disruptions and shortages, and historic inflation that has significantly increased the cost of labour, energy, transportation, materials and components. Whilst these challenges were common to many industries, they were particularly acute in the automotive industry. It was as difficult an operating environment as the industry has seen for a long time.

As we are all aware, the automotive industry is also undergoing seismic change as the climate change imperative drives a switch away from vehicles powered by internal combustion engines (ICEs) towards EVs, including hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs). It is difficult to exaggerate the degree of change this requires of the automotive industry and the consequential impact this has on the automotive supply chain, particularly Tier 1 suppliers like TI Fluid Systems.

For TI, this transition provides significant opportunities (though with some attendant risks), and it is the business's Take the Turn strategy that seeks to take advantage of those opportunities, managing attendant risks whilst navigating short-term challenges.

Consequently, when considering TI's business performance, it is appropriate to consider both the short-term performance in the current operating environment and the success in laying the foundation for a long-term market leading position in a growing EV automotive world.

## Business performance in 2022

Excellent progress was made in laying the foundation for TI's position in an EV automotive world, through the development of technologies and products suited to both HEV and BEV platforms, evidenced by our strong growth in order booking for EV platforms. These bookings are critical as they provide a growing future revenue stream for the business.

The business, led by the experienced senior management team, has responded well to the challenges of the operating environment. The extent of the inflationary pressures, which have been felt across the automotive supply base, resulted in an extraordinary effort by the business to secure significant cost inflation recoveries from customers. Approximately 70% of cost inflation was recovered from customers, which is in line with recoveries in the industry. The Group also continued with its restructuring programme, and in taking steps to increase efficiency across its operations, to manage down costs wherever possible, but without jeopardising the investment for the future.

As a result of these ongoing efforts, and bearing in mind the overall environment, the Group performed well in 2022. EV bookings were up 50% (2021 up 29%) and accounted for 76% (2021 48%) of total bookings. Revenue increased by 10.5% in the year and was broadly in line with the market on a constant currency basis, despite volume challenges in China due to our current EV mix issues as well as production disruptions towards the end of the year when the Chinese government's COVID-19 policy changed. The business demonstrated its financial resilience with an Adjusted EBIT margin of 5.5% (2021 7.1%). Although lower year on year, the Group is well positioned to realise increased revenue, profit and cash flow when volumes recover and inflation stabilises. The non-cash impairment charge of €297.3 million in the year reflects the lowered automotive volume outlook, the cost pressures in the industry, and also the general interest rate increases.

In-depth information on the financial position is available in the Chief Financial Officer's report on pages 58–61 and in the Financial Statements on pages 122–195.

## Take the Turn strategy

In 2022, the Board devoted more time to the evolution and development of the Take the Turn strategy as the pace of the industry's transition to EVs quickened. The need to focus on strategy had been brought into further relief by the Board's own self-evaluation in 2021 and, as a consequence, the majority of two Board meetings were spent reviewing the strategy with the wider Executive Team. This was a significant increase in the time the Board has spent on the strategy, reflecting its acute importance to the long-term future of the business. Hans Dieltjens and his team, supported by the Board, have worked extensively in 2022 to refine the strategy.

Further details can be seen in Our markets and Our Take the Turn strategy sections on pages 20–27 and 30–31 respectively.

## Technology

Extending our technology and thermal management product line is a critical element of the Take the Turn strategy. In support of this strategic element, the first e-Mobility Innovation Centre (eMIC) was opened in Rastatt, Germany, in April 2022. The Board met in Rastatt and toured the eMIC in October as part of reviewing the application of existing and future technologies to EV platforms, and to deepen the Board's understanding of the related critical success factors.

The Rastatt eMIC is the first of five planned eMICs. We expect to open additional eMICs in China, South Korea, Japan and the US during 2023 and 2024. The creation of eMICs recognises that the development of EVs is still relatively early in the cycle, and there is significant opportunity, working in collaboration with customers, to deploy innovation in technology and product systemisation to improve EV operating performance and cost, both of which are integral to the rate of take up of EVs by consumers. Each eMIC will provide a collaborative environment that combines six core development competencies (virtual engineering, design, processing, prototyping, product testing and vehicle testing) under one roof. By so doing, our engineers are able to more efficiently design and develop thermal management systems and components for EVs, streamlining product development cycles, and speeding up the process of bringing new products to market to support our OEM customers as they navigate the complex transition to EVs.

More details on this can be found in our products on pages 18–19.

## Sustainability

Sustainability is another important element of the Take the Turn strategy. In 2022, the Group and the Board significantly increased the time dedicated to sustainability under the leadership of the ESG Steering Committee. It is clear that the business has embraced the imperative wholeheartedly, and, in 2022, the Group continued to build and invest in sustainability programmes.

In 2022, we published our inaugural (2021) Sustainability report, which describes how the Take the Turn strategy encompasses and supports the Group's environmental, social and governance initiatives. See the Q&A with our CEO on pages 13–15 and Sustainability on pages 40–41 for more information on our environmental commitments, including updated science-based CO<sub>2</sub>(e) emissions reduction targets. For 2022, we have also reported our Scope 3 emissions for the first time and have included that important category of emissions in our reduction targets. In addition, we have continued to make progress, and expand, our important talent development, safety, and diversity and inclusion programmes.

# Chair's statement

Continued

## Board and management changes

The Board recognises that strong governance is the foundation for long-term growth and success.

Immediately following the 2021 AGM, I succeeded Manfred Wennemer as Chair of the Board, and Manfred stepped down from the Board. I was, at that time, the Senior Independent Director and Chair of the Remuneration Committee.

In June 2022, Jane Lodge joined the Board and, following Jeff Vanneste's resignation from the Board, was appointed Chair of the Audit & Risk Committee and also became a member of the Remuneration Committee. Jane is an experienced Audit Committee Chair with in-depth knowledge of the requirements and expectations of UK-listed companies.

Trudy Schoolenberg joined the Board in September 2022 and succeeded me as Senior Independent Director. Trudy also joined the Nomination Committee. Trudy brings to the Board a deep background in technology and product development, which the Board regarded as particularly important given the business's strategy.

In addition to these Board changes, in November 2022, we recruited Alexander De Bock to succeed Ron Hundzinski who is retiring as our CFO in April 2023. The Group is grateful to Ron for his many contributions over the past years working with the team and our key stakeholders to guide the Company through an exceptionally challenging period for the industry. Alex joins the Group from ZF Friedrichshafen AG, where he was CFO and Senior Vice President of ZF's Commercial Vehicle business. Alex brings both financial expertise and an extensive automotive background to the Group. We very much look forward to working with Alex.

In June 2022, John Smith, who had previously served on the Remuneration Committee and, therefore, had the relevant experience, was appointed Chair of the Remuneration Committee. Julie Baddeley also joined the Remuneration Committee. Susan Levine joined the ESG Steering Committee to augment the composition of that Committee, which reflects its increasing importance.

In September 2022, Stephen Thomas stepped down from the Nomination Committee and, following Trudy's appointment, the Nomination Committee comprises Independent Directors and a Chair, independent on appointment, in line with best practice.

The retirements of Manfred Wennemer and Ron Hundzinski, together with the resignation of Jeff Vanneste, provided an opportunity to further strengthen and enhance our governance and to drive diversity. In replacing all three individuals, processes were run with experienced recruiters and a requirement that the candidate pool for interview should include both women and individuals from recognised ethnic minorities. As a result, two women and one man were appointed. None of the successful candidates were from a recognised ethnic minority, despite candidates from ethnic minorities having been interviewed on all three occasions. However, as shareholders would expect, we will not appoint solely on the basis of ethnicity (and neither would candidates want to be so appointed); the best candidate will be selected. However, I remain conscious that, following the Parker Review, there is an expectation that there will be an individual from an ethnic minority on the Board. My commitment is that we will continue to work to meet this expectation with each and every Board appointment going forward, whilst always appointing the person we judge to be the best candidate.

As a consequence of these changes, women now represent 50% of the Board. Women chair two of the Board's four Committees, and a woman serves as our Senior Independent Director.

Importantly, while increasing our gender diversity, we have maintained geographical representation with Directors from the UK, Europe and the US, as well as a broad mix of market, technology, operational and financial expertise and experience to support the Company's strategic goals.

The Board Skill Matrix on page 68 provides further details of how we view the composition of the Board in order to assess the complementarity of candidate's skills and experience when making Board appointments.

More information on the Board, including biographies and the composition of the Committees, is available in the Governance Section starting on page 68 and within the four Committee reports on pages 80–107.

## Governance and stakeholder engagement

The Board recognises that adherence to the highest standards of governance 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, cultivated over many years and decades with a wide range of stakeholders – our shareholders, employees, customers, suppliers, and communities – have allowed us to successfully navigate a series of difficult years. Importantly, 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. I remain committed to the value of engaging with shareholders and met many of the top shareholders when I served as Chair of the Remuneration Committee. On appointment as Chair of the Board, I wrote to the major 'non-Bain' shareholders and, subsequently, met with many of them to better understand their views and perspectives. I remain open to engagement with shareholders as required.



*Due to the skill, dedication, and extraordinary resilience of the people in TI, the Group made significant progress on the Take the Turn strategy as evidenced by our strong EV bookings in 2022.*

**Tim Cobbold**  
Chair



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 agenda in 2022 was adjusted to reflect the Board evaluation completed towards the end of 2021, particularly with regard to spending more time on strategy, risk management and sustainability. We completed a similar, externally-facilitated evaluation in 2022, and the Board will consider these evaluations to further improve its focus and effectiveness during 2023.

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 36–39.

## People

As I have previously explained, 2022 was the third in a series of extraordinary years. The issues the business has faced have been extremely challenging and have impacted the overall performance of the business. In addition, the Board is extremely conscious of the significant toll on the people who work in the business, and is very aware that it has been an unrelentingly demanding period. Due to the skill, dedication and extraordinary resilience of the people in TI, the Group made significant progress on the Take the Turn strategy as evidenced by our strong EV bookings in 2022.

On behalf of the Board, I would like to recognise and thank, sincerely, all of our employees. I am enormously grateful both for their hard work and dedication during another difficult year, as well as their enthusiasm to embrace change and support for our Take the Turn strategy.

## Dividend

The Board is mindful of the importance of returns to shareholders. The Board approved and declared a final 2021 dividend of 1.46 Euro cents per share (1.24 pence per ordinary share), amounting to approximately €7.5 million, which was paid on 23 June 2022. Based on the Group's first-half 2022 results, an interim 2022 dividend of 1.00 Euro cents per ordinary share (0.85 pence per ordinary share), was paid on 16 September 2022, amounting to approximately €5.1 million.

The Board remains committed to its stated annual dividend policy (30% of 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 2022, of 1.54 Euro cents per share, amounting to approximately €7.9 million in line with the annual dividend policy. Subject to shareholder approval at the Annual General Meeting on 17 May 2023, the final dividend will be paid on 23 June 2023 to shareholders on the register on 26 May 2023, the dividend record date.

## Looking to the medium term

For the Group's 2023 outlook, see CFO report on pages 58–61.

Looking to the medium term, while many uncertainties and challenges remain in 2023, we are confident that our business model and Take the Turn strategy are sound and will allow us to effectively manage and grow the business as our industry transitions to electrification. The Group is well positioned to be successful as global production volumes recover and continue to gain market share.

## Tim Cobbold Chair

15 March 2023



Read more in the Chair's Introduction to Corporate Governance on pages 70–71



Read more on the Board Succession in the Nomination Committee report on pages 80–82



Read more on the Compliance Statements on pages 62–63

# Chief Executive Officer's statement



*An accelerating, changing world drives the need for product innovation, sustainability focus, and talent reinvention to support business growth and performance. The Group is in an excellent strategic position to capture opportunities as the market pivots to vehicle electrification.*

**Hans Dieltjens**  
**Chief Executive Officer**  
**and President**



## Dear shareholder,

I am pleased and proud to give my first full-year report as the CEO of TI Fluid Systems. It is especially meaningful given that 2022 was our Company's historic centennial year. I remain grateful for the opportunity to lead this great Company at such a pivotal time.

First and foremost, in 2022, the Group has enhanced, strengthened, and continued to progress our Take the Turn strategy that charts our path into vehicle electrification. In 2022, electric vehicles (EVs) accounted for 19% of total light vehicle production. By 2030, EVs are expected to represent 62% of light vehicle production, a CAGR of 18.1% for EVs compared to an overall production CAGR of 2.1%. Of course, this tremendous EV growth means declining production of traditional internal combustion engine (ICE) vehicles. However, our plans show that we can profitably manage our ICE business during the transition to EVs. We believe that our content-per-vehicle potential for battery electric vehicles (BEVs) is higher than for ICE vehicles and that our potential content per vehicle for hybrid electric vehicles (HEVs), which are an important bridge from ICE vehicles to BEVs, is significantly higher than for traditional ICE vehicles. Therefore, capitalising on EV growth is the Group's biggest opportunity and our key strategic focus.

To position the Group to realise long-term benefits from the transition to EVs, we have developed a range of products specifically for EVs. In particular, our work on modular thermal systems to heat and cool EV batteries, as well as weight-saving plastic refrigerant and coolant lines, has progressed significantly as evidenced by the fact that 76% of our new business bookings in 2022 were for EVs (totalling €2.6 billion of lifetime sales). Importantly, China, currently the world's largest market for battery electric vehicles (BEVs), represented 35% of our 2022 bookings for BEV platforms.

In addition, with our eye on the longer term, we opened the first of our five planned e-Mobility Innovation Centres (eMICs) in April 2022 in Rastatt, Germany. By 2024, we will have an eMIC in every major automotive region (Germany, China, Japan, South Korea, and the US) in order to bring together key design, engineering and testing capabilities under one roof to support EV product innovation in collaboration with our OEM customers around the world for the next decade.

While we continue to look to a bright EV future, our financial performance in 2022 was below our high expectations. However, 2022 results must be viewed in the context of high inflation, global supply disruptions, labour shortages, and volatile customer orders. Our experienced management team, supported by the hard work and dedication of our entire workforce, did very well under the circumstances to deliver the

level of financial performance achieved in 2022. Importantly, I am convinced that the fundamental strengths of our business – an experienced management team, advanced product technology, diverse customer base, and a global footprint – remain and position the Group to realise improved financial performance as market conditions recover.

For the Group's 2023 Outlook, see the CFO's Report on pages 58–61. In summary, for 2023, our expectation is that production volumes will be modestly higher than 2022 and that our revenue growth (at constant currency) will outperform the growth in production volumes. With a strong focus on cost management, cost recoveries, and a more stable production environment, we expect Adjusted EBIT margin to expand above 6% and Adjusted Free Cash Flow to return to the rate of approximately 30% of Adjusted EBITDA.

In the longer term, the Group is well positioned to be a winner in the transition to electrification, and we expect new EV business bookings to continue to increase, driving revenue growth and margin improvement.

**Hans Dieltjens**  
**Chief Executive Officer**  
**and President**

15 March 2023

# Q&A with our CEO

## Q What were the automotive market conditions and trends in 2022?

**A** In 2022, the automotive market was characterised by the current impacts of inflation, challenging operating conditions, and a sluggish production volume recovery set against a backdrop of ongoing acceleration of the long-term trend of vehicle electrification with 77% more global BEV production, mainly in China.

Persistent inflationary pressures in 2022 caused significant cost increases throughout the value chain, including raw materials, energy and labour costs. The Russian invasion of Ukraine and the lingering effects of the COVID-19 pandemic resulted in production volatility, supply chain disruptions, labour shortages, and manufacturing instabilities. Our management team responded by addressing cost inflation through negotiation of recoveries with our OEM customers and further executing on our restructuring programmes together with performance enhancement initiatives to offset some of the post-pandemic impacts. Despite achieving customer recoveries to offset approximately 70% of the cost inflation (in line with peers), 2022 margins were impacted.

Global light vehicle production volumes increased 6.7% in 2022 to 82.4 million units (still 7.8% less than 2019), far less than initially expected. Furthermore, production growth was not uniform across regions or powertrains. North America production volume was up 9.7% in 2022, but production volumes in Europe were only 0.6% higher than in 2021, being negatively impacted by the conflict in Ukraine. Production volumes in Asia Pacific, by far the largest automotive market, were 8.2% higher than in 2021, driven primarily from the increased production and adoption of BEVs in China, which increased by 93% year on year, mostly produced by domestic Chinese OEMs. S&P Global Mobility show that global production volume is now forecast to grow at a 2.1% CAGR from 2022–2030, including a gradual return to 2019 levels by 2025.

Beyond the challenging operating environment, 2022 clearly reflected the sustained, long-term automotive trend of EV growth. More EVs were produced by our OEM customers in 2022 than prior years, with HEVs representing 8.7% of total production and BEVs representing 10.7%. Business awards and sourcing in 2022 were also dominated by new EV platforms.

In 2022 it also became evident that, while our OEM customers are focused on launching and producing many 'early generation' EV platforms, they are also working to rapidly progress the design and engineering of their EVs in order to reduce costs and improve performance, both of which are necessary to support increased consumer adoption of EVs. In particular, more efficient and cost-effective thermal management solutions must be developed and deployed for EVs, with a desire for modular solutions rather than components.

## Q How did the Group perform in 2022?

**A** Overall, the team at TI Fluid Systems is not content with the results achieved in 2022, but is committed and focused on improvement in 2023, driving cost savings and ongoing customer recoveries for inflation and benefiting from potential market stabilisation and volume increases.

The Group delivered revenue of €3.3 billion (+10.5% vs 2021 and +5.2% at constant currency) representing a 1.5% underperformance compared to global light vehicle production volume, which increased 6.7% from 2021. The Group's underperformance was almost entirely related to Asia Pacific, where we had underperformance of 8.7% compared to production volumes due to COVID-19-related closures in China as well as production growth in China coming predominately from BEVs produced by domestic Chinese OEMs.

In 2022, the Group experienced inflationary cost increases of €143 million for the full year, partially offset by customer recoveries. Adjusted EBITDA was €333.3 million (10.2% margin), Adjusted EBIT was €180.0 million (5.5% margin), and Adjusted Free Cash Flow amounted to €78.4 million. The Statutory Loss for the year was €(279.0) million, which was heavily impacted by an exceptional impairment charge, after tax, of €297.3 million, which reflects the reduction in medium-term global light vehicle production growth, impact of cost pressures, and the increase in discount rates, all of which act to reduce the current value of future cash flows. The majority of the impairment was applied to goodwill.

The Group also continued its restructuring initiatives to optimise fixed costs, closing six facilities and downsizing another seven in 2022.

Amidst the difficult operating environment, the transition to vehicle electrification continued at an accelerating pace. As such, we were pleased that 31% of the BEV launches in 2022 included TIFS content. We were also pleased that EV bookings represented 76% of the Group's total bookings in 2022 (based on lifetime revenue), with our 2022 EV bookings totalling €2.6 billion (BEV awards of €1.3 billion and HEV awards of €1.3 billion). Our accelerated focus on China's growth market through our lightweight and energy-saving product lines for thermal management, resulted in BEV booking awards of €0.44 billion lifetime sales, with the majority allocated to domestic Chinese OEMs. I can also confirm that these new business awards will produce similar margins to our historic, ICE platform awards.

## Q How does the Take the Turn strategy respond to the market shift to EVs while maintaining near-term performance?

**A** Our OEM customers have all introduced ambitious plans to launch a record number of HEV and BEV programmes in the next few years. HEVs and BEVs are forecast to become a significant portion of the global light vehicle market – from 19% of total production volume in 2022 (16 million units) to 62% in 2030 (60 million units). As previously mentioned, in order to support increased EV production, our OEM customers are working to rapidly progress the design and engineering of their EVs in order to reduce costs and improve performance, both of which are necessary to support increased consumer adoption of EVs. In particular, more efficient and cost-effective thermal management solutions must be developed and deployed for EVs.

In response, our Take the Turn strategy charts the Group's own path to realise significant EV growth opportunities by developing innovative, cost-efficient thermal fluid management components, modules and systems solutions in collaboration with our OEM customers to reduce costs and improve EV performance in both the near term and long term.

# Q&A with our CEO

## Continued

An important statement is 'in collaboration with our OEM customers' as standards have not been set and regional differences occur both in technology and in speed of adaptation. To do so, we will leverage the Group's existing strengths – our deep customer relationships, especially in engineering, our global footprint, and our fluid management expertise in manufacturing and design capabilities. Furthermore, to support this collaborative development and product expansion, the Group is establishing a global network of e-Mobility Innovation Centres (eMICs), which are collaborative engineering and lab spaces, close to the customer base, where digitalisation is key. At an eMIC, we will be able to work with our customers to simulate, design, process, prototype, product test and vehicle test thermal systems for EVs and take into consideration the local requirements and needs from our customer base.

A key area of focus in the near term is the application of plastic line and hose solutions for cabin comfort systems (i.e. passenger heating and air conditioning). These systems, for both ICE vehicles and EVs, are currently constructed using a range of aluminium and rubber components, which can be replaced with thermoplastic refrigerant lines (TPRL) developed by the Group to generate important weight and cost savings.

With regards to product solutions for the thermal management of EV batteries, the Group is developing plastic line solutions for current coolant and refrigerant systems in the near term to mid term.

The Group is working with our OEM customers on the development of modular thermal management solutions for EVs, including manifolds and modules for both coolant and refrigerant systems, given the increasing importance of the space, weight and cost savings these modular product lines offer.

As BEV platforms increase, revenues from our ICE products are expected to decline. In the near term, that decline will be moderated by the fact that HEVs will continue to require significant ICE content. In the longer term, the decline is expected to be offset by a significant opportunity to increase the Group's revenue on BEVs, especially thermal products, to manage the heating and cooling of batteries and

other EV components. Nonetheless, at all phases of the transition, we must carefully manage the operation of our ICE-related assets.

While the Group's overall level of capital investment (capital assets plus research and development) is expected to remain at 4% to 5% of revenue, the allocation will shift to support investments in the EV thermal fluid management business with a tight control on assets related to ICE. The Group has sufficient capacity installed to accommodate the expected life of ICE products, so that any investment in future ICE programmes is expected to be limited and linked to specific customer requirements and volume commitments. In addition, there will be the opportunity to repurpose some of the blow-moulding machines used to manufacture fuel tanks to produce integrated thermal manifold assemblies (ITMa) for EVs. As fewer engineers and other personnel are needed to support ICE-related projects, they will be reassigned to support the growth of the thermal fluid management business for EV platforms.

### Q How will the Group return margins to the levels achieved in the past?

A Despite lower margins in 2022, the Group is confident that we will return to its historic margin levels in the mid-term.

Our path to achieving historic Adjusted EBIT margins has three main components: (i) production volume recovery, (ii) pricing economics, and (iii) enhanced productivity.

In the near term, the Group will benefit from upside margin conversion on revenue growth which will come from general global production volume increases as well as the Group having an improved BEV business mix in China over the next few years as our global OEM customers increase their BEV production in China and by the Group pursuing increased BEV content with domestic Chinese OEMs.

In addition, we will maintain our focus on pricing economics, including customer recoveries to offset the impacts of cost inflation and continued efficiency initiatives, and restructuring to optimise fixed costs.

Finally, the Group will realise productivity benefits from more stable volumes, less volatile customer ordering, diminishing supply disruptions, and series production on new products.

In the longer term, the Group will leverage its strengths, including deep and diversified customer engineering relationships, and a global footprint, to develop innovative, cost-efficient thermal fluid management products and system solutions in collaboration with our OEM customers to improve performance and realise significant EV growth opportunities.

### Q What are the Group's objectives and priorities for 2023?

A The Group's most immediate financial priorities for 2023 are to increase pricing and customer recoveries to offset the impacts of cost inflation, to continue cost rationalisation efforts, to optimise fixed and other costs, and to complete new launches at the right price and cost level using indices where possible.

At the same time, it is imperative that we continue, in 2023, to lay the foundation for future EV growth by furthering our activities with our OEM customers to develop cost-efficient thermal fluid management products and system solutions. To do so, we will expand our global network of e-Mobility Innovation Centres (eMICs) so we can work with our customers to simulate, design, process, prototype, product test and vehicle test thermal systems for EVs.

### Q What is the Group's approach to sustainability?

A Our Take the Turn strategy reflects three main pillars that combine to drive sustainable growth: Technology (Electrification), Transformation (Sustainability), and Talent (Learning). In other words, our Take the Turn strategy addresses not only the transitional risks and opportunities associated with vehicle electrification, but also the need to operate our business in a more sustainable manner to address climate change and maintain a diverse and talented workforce.

The Group is taking climate change impacts very seriously and has performed extensive analysis of the ways that our business can support the effort to limit global warming.



We have determined that our previously announced CO<sub>2</sub>(e) emissions reduction target (37% reduction of Scope 1 and 2 emissions from 2019 to 2039) is no longer in line with the current expectations. The COP27 Conference, held in November 2022, clearly demonstrated the critical need for both the public and private sectors to take urgent action by 2030, to limit global warming to 1.5 degrees Celsius using science-based targets as a first, critical step to a longer-term net zero world. So, consistent with the science-based target initiative (SBTi), we have now committed to a 50% reduction of our Scope 1 and 2 emissions and a 30% reduction of our Scope 3 emissions, in each case on an absolute basis by 2030 from a 2021 baseline.

We have developed achievement plans, which include significantly-increased use of renewable electricity, extensive energy efficiency improvements, and supplier engagement. Importantly, these initiatives have been modelled and incorporated into our budget

process in terms of operational costs, capital investments and human resources. In addition, we are working on plans to eliminate landfill waste and conserve water.

In addition to environmental stewardship, we recognise that the Group's success and sustainability is also directly linked to our ability to recruit, retain, motivate, educate and develop a diverse and talented workforce. We are committed to creating a safe and inclusive workplace culture in which diversity is valued, and diverse experiences are appreciated.

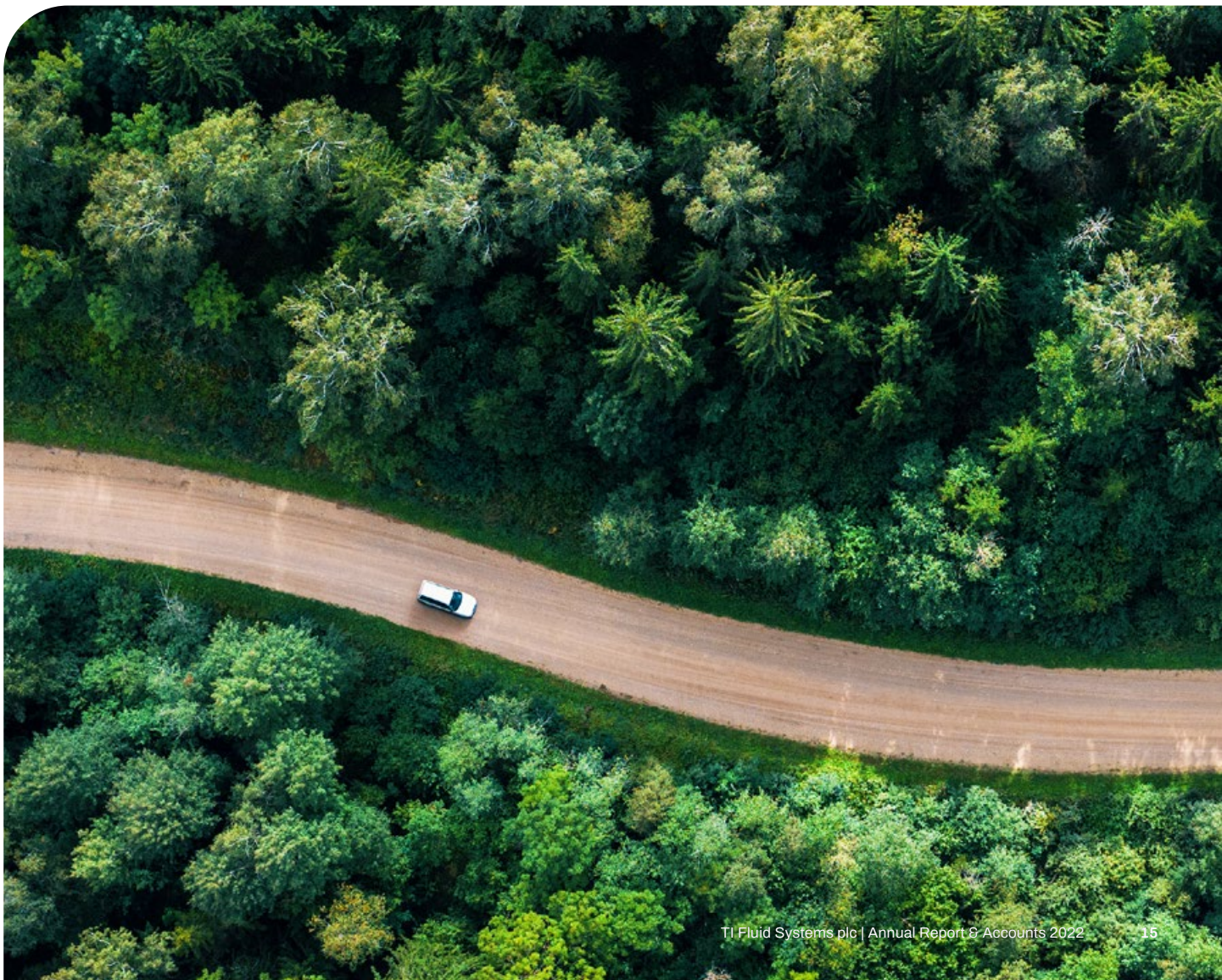
To those ends, the Group has implemented a formal Diversity Policy, together with diversity and inclusion training for all senior managers within the business. The Group's recruitment processes have been reviewed and guidance issued to all locations to minimise unconscious bias and promote diverse hiring. Our progress will be tracked by monitoring against diversity targets based on local

university graduation rates. A women's mentorship programme has also been established to support and guide women within the organisation and advise on strategies for success.

To prepare the next generation of women to succeed in the automotive industry, the Group has awarded 55 scholarships for female students enrolling to study STEM subjects at leading universities in Germany, Poland, Mexico, the US and China, to help with tuition, room board, and other educational costs.

In addition, these scholarship recipients are connected to local TI facilities for internships and other extracurricular learning opportunities.

Ultimately, we aspire to be a company that is environmentally and socially responsible, and a valued member of our local communities around the globe.



# Our strengths

## What enables us to succeed and fulfil our purpose?

### Leading technology



#### Technology leader in highly-engineered automotive fluid systems

- Opened the first of five e-Mobility Innovation Centres (eMICs) in Germany in 2022, with additional eMICs planned for the US, South Korea, Japan and China in 2023 and 2024, to support engineering and lab work with our customers to simulate, design, process, prototype, product test and vehicle test thermal systems for EVs
- Award-winning product innovations and technologies aligned with automotive industry megatrends of emissions reduction, fuel efficiency and electrification
- Extensive knowledge of materials and manufacturing processes, together with the optimal level of vertical integration
- Industry recognised innovation awards for plastic fuel tank technologies, e.g. pressurised fuel tanks for hybrid electric vehicles (HEVs)
- Winning new business awards to design, engineer and supply thermal management products for battery electric vehicles (BEVs) with high-volume, global-leading OEMs, with a combination of traditional and lightweight materials
- Global capability to manufacture multi-layer nylon lines and modular assemblies

31%

of BEV launches in 2022 have TIFS content

76%

awards won in 2022 were on HEV and BEV platforms

### Significant growth potential



#### Significant growth opportunities aligned with electrification, including thermal management

- Opportunity to increase content per vehicle in growing HEV and BEV markets as EVs require extensive thermal management for the safe and efficient functioning of battery, chassis, electric motor and electronics, as well as traditional passenger cabin comfort lines
- Ability to use existing brake line and ICE products (fuel pump, fuel tank and powertrain), as well as thermal management technology for HEVs
- 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 a significant weight-saving advantage
  - Existing nylon extrusion and quick-connector 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 OEMs
  - Ability to produce from existing and efficient manufacturing locations close to customers
  - BEV awards during 2022 accounted for €1.3 billion of lifetime revenue
- Continuing to collaborate in developing integrated and efficient modular solutions with key customers on design and engineering for HEVs and BEVs, thanks to our close relationships and fluid management systems know-how

€1.3bn

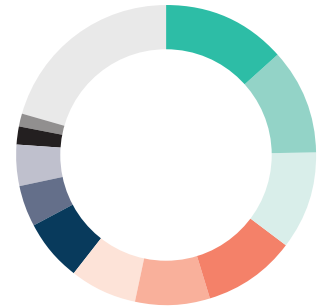
lifetime revenue of awards won in 2022 on BEV platforms only

## Strong customer relationships



### Strong customer relationships and global optimised footprint

- Strong, diversified, global customer and supplier relationships established and strengthened over a century
  - Embedded, long-term global customer engineering collaboration provide business award opportunities
- Highly-diversified customer base
- Facilities in every major automotive manufacturing market
- Footprint includes regional manufacturing centres and assembly locations in close proximity to customers, understanding their local needs and providing logistics competitiveness and close 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



## Long-term performance



### Global market leader with strong market positions and relevant technology

- Customer, platform, regional and product diversity
- Leading supplier of brake and fuel lines, with approximately 29% 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
- Products, typically, single-sourced for the life of the programme
- Competitive global manufacturing footprint with flexible cost structure and, approximately, 69% 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, with profitability metrics above industry average
  - 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 quickly to challenging situations such as COVID-19, supply disruptions and cost inflation

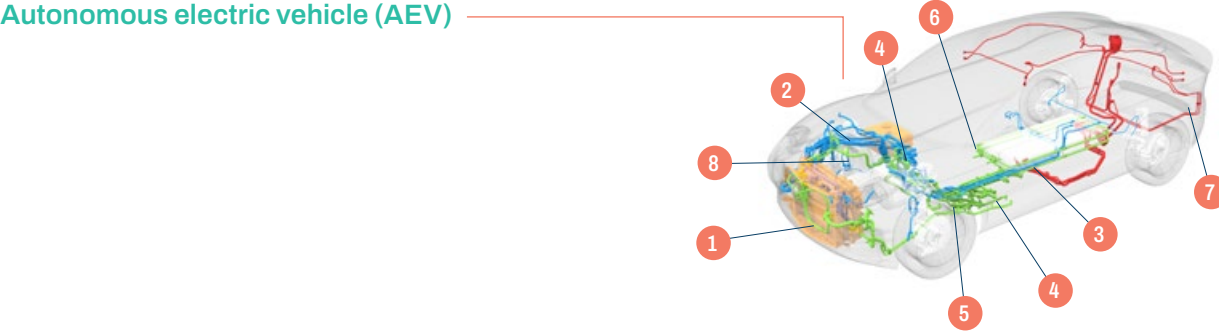
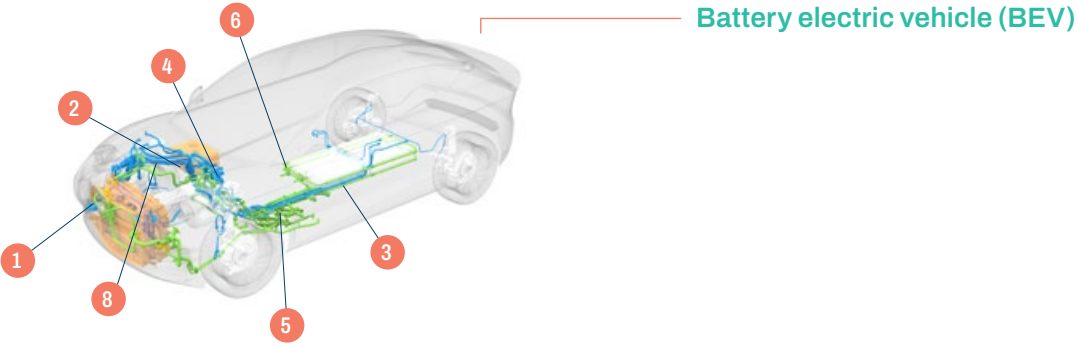
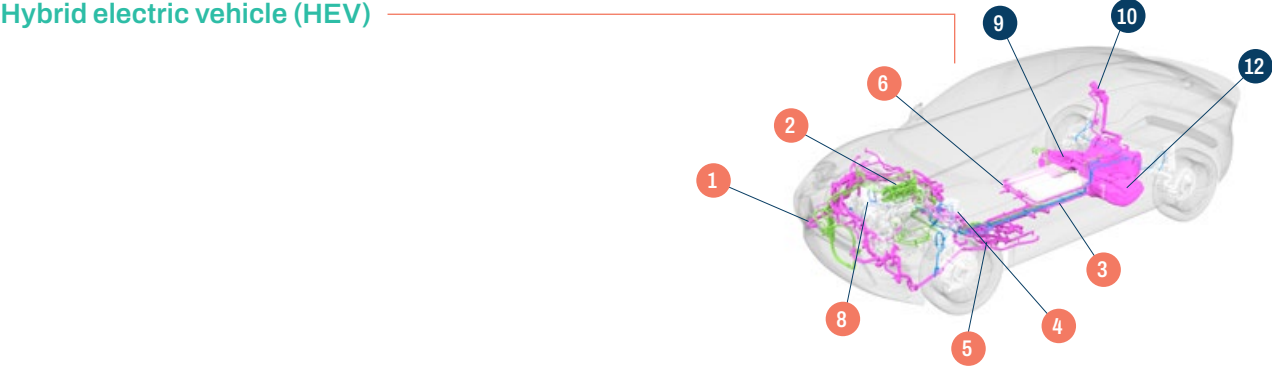
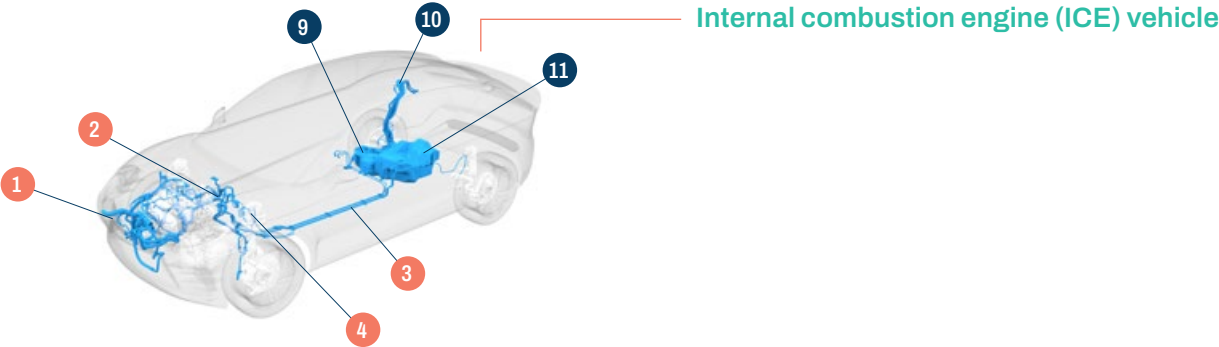
### People and Sustainable Mindset

- Management team with solid automotive experience and track record of innovation, business resilience and financial performance together with a culture of innovation, learning, inclusion and diversity
- Commitment to operate in a sustainable manner by reducing greenhouse gas emissions, increasing energy efficiency eliminating landfill waste, and conserving water

€3,268m

Total 2022 Revenue

# Our products



## Fluid Carrying Systems (FCS)

The FCS division manufactures brake lines, fuel lines, brake and fuel bundles, A/C lines and assemblies, battery coolant lines and thermal management modules.

1 Under-Hood Thermal Rubber Lines



2 A/C Cabin Climate Control Lines



3 Brake and Fuel Bundle Assembly



4 Brake Bundle Assembly



5 Chassis Thermal Plastic Manifolds



6 Battery Thermal Plastic Lines and Connectors



7 Autonomous Vehicle Thermal Plastic Lines



8 Integrated Thermal Manifold 1.2 (ITMa)



## Fuel Tank and Delivery Systems (FTDS)

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

9 Brushless Fuel Pump Module with Electronics



10 Plastic Fuel Filler Pipe and Emissions Vent Line



11 ICE Plastic Fuel Tank Assembly



12 HEV Pressure-Resistant Fuel Tank Assembly



# Our markets



## Operational metrics

29%

Supplier of brake and fuel lines, globally

No.1

#1 market position, globally, in brake and fuel lines

7

Number of 20 top-selling nameplates in China

11

Number of the 20 top-selling nameplates in North America

19

Number of the 20 top-selling nameplates in Europe

## Global capacity

98

Manufacturing locations

25,600

Employees

## Revenue by division

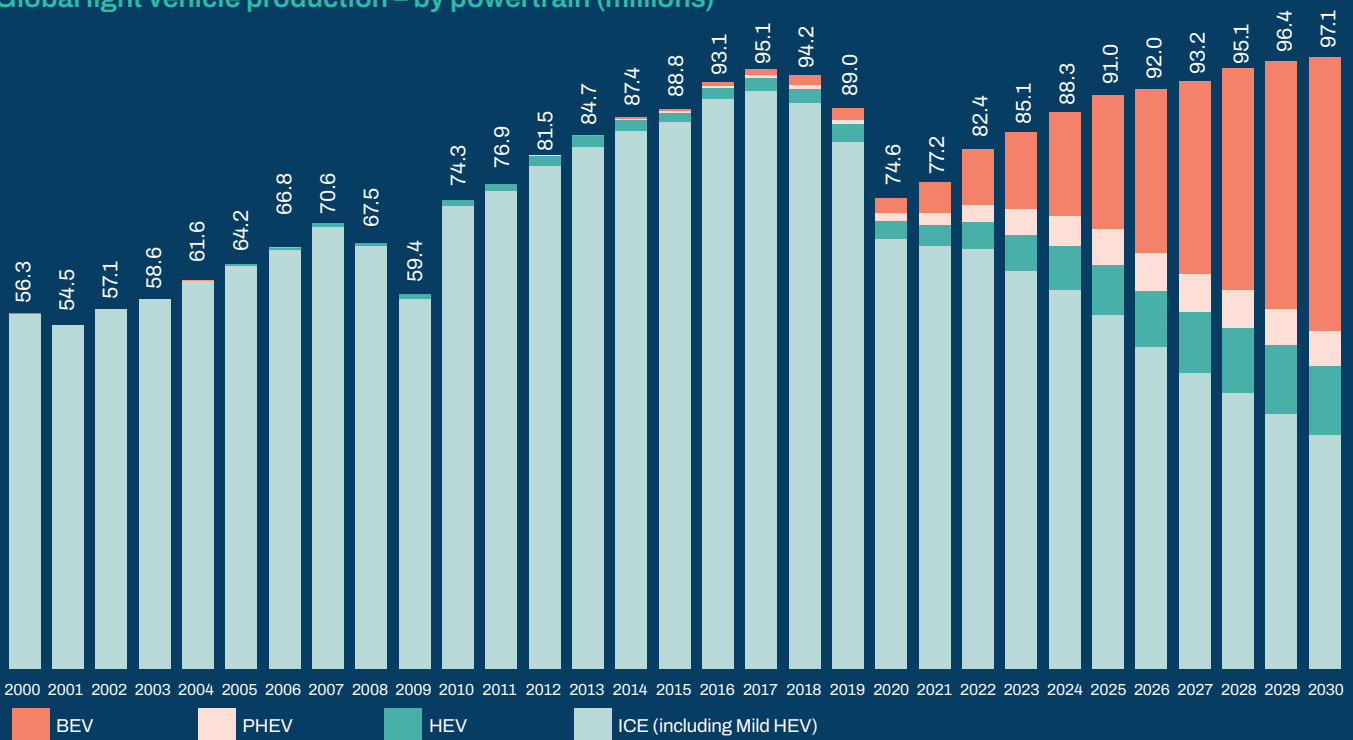
57%

Fluid carrying systems

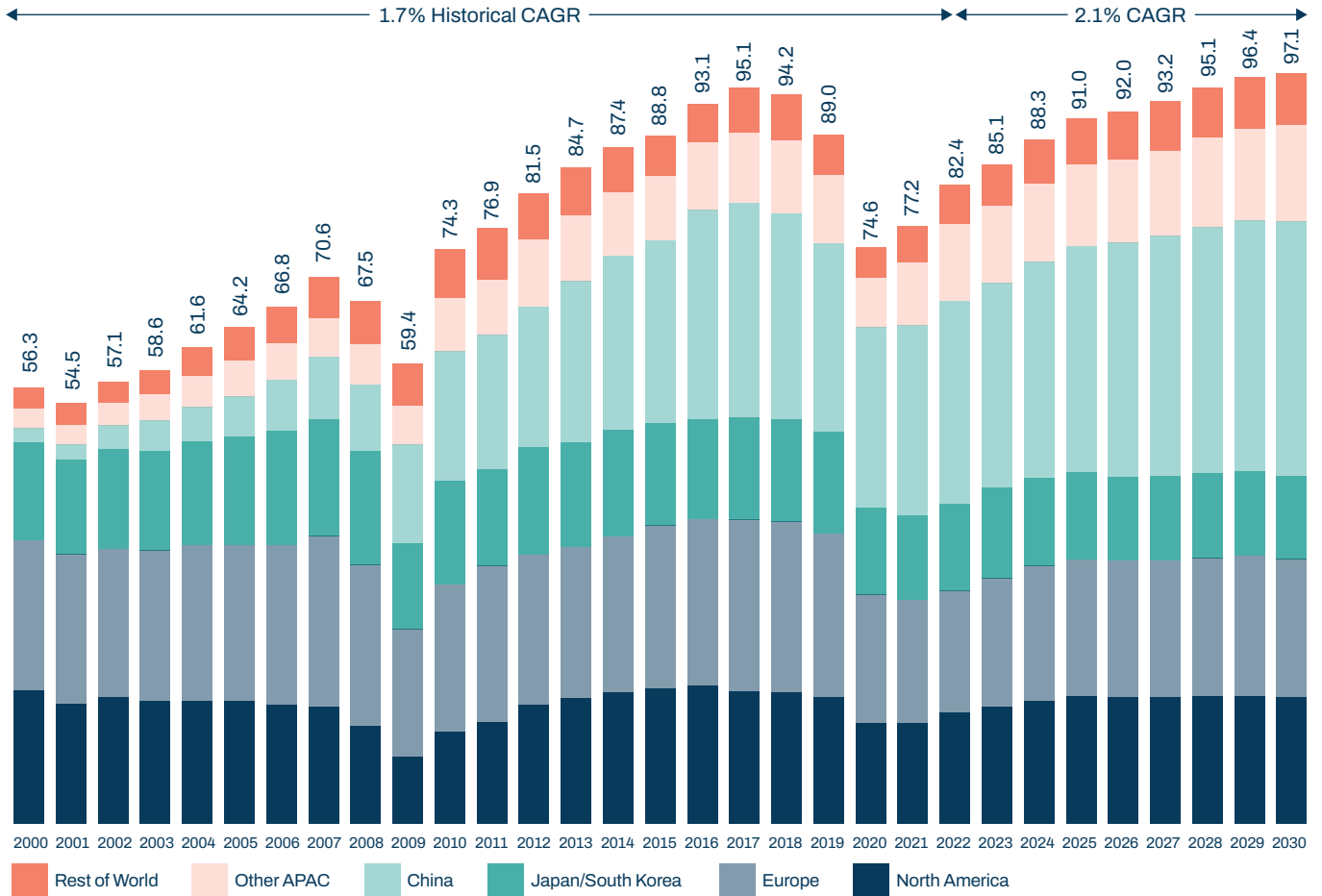
43%

Fuel tank and delivery systems

## Global light vehicle production – by powertrain (millions)



### Global light vehicle production – by region 2000–2030 (millions)



#### 2022 global light vehicle production

By region

18.1m

Europe (including Middle East and Africa)

14.3m

North America

47.2m

Asia Pacific

2.8m

Latin America

Source: S&P Global Mobility Feb 2023 & company estimates

#### Market segmentation\*

Potential for increase in addressable market

9%

HEV was 9% of the global light vehicle production market in 2022

11%

BEV was 11% of the global light vehicle production market in 2022

17%

HEV is forecast to be 17% of the global light vehicle production market by 2030 (11.1% CAGR 2022–2030)

45%

BEV is forecast to be 45% of the global light vehicle production market by 2030 (22.2% CAGR 2022–2030)

\* Source: S&P Global Mobility Jan 2023 & company estimates

# Our markets

Continued

Long-term growth drivers in the market		
Market driver	Impact	How we are responding
<b>Electrification</b>	<ul style="list-style-type: none"> <li>In an effort to address climate change, many governments have adopted requirements focused on reducing exhaust emissions from vehicles, including, in some jurisdictions, a phase out of sales of new ICE vehicles</li> <li>To address emission reduction targets, OEMs are increasingly adopting alternative powertrain and propulsion technologies, including HEVs and BEVs</li> <li>S&amp;P Global Mobility projects CAGRs of 11.1% and 22.2% in global HEV and BEV production, respectively, between 2022 and 2030, and that HEVs and BEVs will constitute, approximately, 17% and 45%, respectively, of global vehicle production volume by 2030</li> </ul>	<ul style="list-style-type: none"> <li>The Group continues to develop products, such as thermal modules, to support electrification, which offers a significant content growth opportunity for the Group as the potential content per vehicle for HEVs and BEVs exceeds that provided by ICE vehicles</li> </ul>
<b>Battery Electric Vehicle (BEV)</b>	<ul style="list-style-type: none"> <li>BEVs have additional thermal management requirements. Based on recent platform launches and current developments, we expect significantly higher line and tubing content than traditional ICEs, depending on vehicle size and system design</li> <li>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, which has an approximate 30% to 60% weight advantage compared to rubber and aluminium lines</li> </ul>	<ul style="list-style-type: none"> <li>The Group is utilising its existing capabilities to develop thermal lines for BEVs, including integrated thermal manifolds</li> <li>The Group has existing material 'know-how' in nylon and aims to utilise its existing industrialised capacity to support nylon usage to reduce vehicle weight and help extend battery life (required for extended driving range) of EVs</li> </ul>
<b>Hybrid Electric Vehicle (HEV)</b>	<ul style="list-style-type: none"> <li>Traditional vehicles with internal combustion engines (ICE), typically, have two main thermal management loops. HEVs generally contain traditional ICE fluid systems and can 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, a substantial increase in potential content</li> </ul>	<ul style="list-style-type: none"> <li>The Group is utilising its existing capabilities to develop thermal lines for HEVs</li> <li>In addition to increased thermal management requirements, the Group produces fuel tank systems for HEVs, which can accommodate increased fuel vapour pressure that builds up during the period when the internal combustion engine is not operating and is not available to purge the fuel vapour</li> </ul>
<b>Autonomous Electric Vehicle (AEV)</b>	<ul style="list-style-type: none"> <li>Autonomous electric vehicles increase the requirement of thermal lines as more electronic components require cooling</li> </ul>	<ul style="list-style-type: none"> <li>The Group is actively working with OEMs to utilise its existing capabilities to develop thermal lines for AEVs</li> </ul>



## Long-term growth drivers in the market

Market driver	Impact	How we are responding
<b>Internal Combustion Engine (ICE) emissions reduction</b>	<ul style="list-style-type: none"> <li>In an effort to address climate change, governments have adopted requirements focused on reducing exhaust emissions from ICE vehicles as well as evaporative emissions (permeation of fuel through the walls of the fuel tank and other components)</li> </ul>	<ul style="list-style-type: none"> <li>The Group's ICE product offering includes products that optimise the efficiency of the internal combustion engine process, including GDI fuel rails, fuel pumps and turbocharger engine lines</li> <li>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</li> <li>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 43% of the Group's revenue in 2022</li> </ul>
<b>Focus on innovation and modularity</b>	<ul style="list-style-type: none"> <li>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</li> <li>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 that meet design and validation requirements in a short period of time</li> </ul>	<ul style="list-style-type: none"> <li>This is an opportunity for the Group to offer modular systems and gain access to increased market share with organic development of its current product portfolio being augmented through acquisitions or joint ventures</li> <li>The Group has robust technologies and products aligned with automotive megatrends, including new product offerings designed for HEV and BEV applications</li> </ul>
<b>Efficient utilisation of ICE assets</b>	<ul style="list-style-type: none"> <li>As the production of light vehicles migrates from ICE to BEV, there will be a natural decline in the demand for ICE products and, therefore, potential overcapacity</li> <li>HEV platforms will continue to be a transitional technology that supports use of ICE assets</li> </ul>	<ul style="list-style-type: none"> <li>During the migration to BEVs, there will be a transition through HEVs that have both ICE and EV components, which will increase the accessible content for the Group's products</li> <li>The response from existing ICE suppliers will be to either exit the market or become one of the remaining ICE suppliers. This dynamic will present opportunities for the Group to leverage its existing capacity and technology to gain market share and leverage margin with minimal capital outlay</li> </ul>

# Our markets

Continued

Long-term growth drivers in the market		
Market driver	Impact	How we are responding
<p><b>Increased focus on sustainability</b></p>	<ul style="list-style-type: none"> <li>Stakeholders, including OEM customers, increasingly expect companies to have a strong approach to climate change and environmental issues</li> </ul>	<ul style="list-style-type: none"> <li>The Group contributes to the green economy by manufacturing products that reduce ICE emissions and support the transition to EVs</li> <li>Consistent with the science-based target initiative (SBTi), the Group has adopted a new CO<sub>2</sub>(e) emissions reduction target that calls for a 50% reduction of Scope 1 and 2 emissions and a 30% reduction of Scope 3 emissions, in each case by 2030 on an absolute basis from a 2021 baseline</li> <li>The Group has developed a multi-year plan to achieve its CO<sub>2</sub>(e) emissions reduction goal through the significantly increased use of renewable electricity, extensive energy efficiency improvements, and supplier engagement</li> <li>The Group has also introduced a number of initiatives to enhance safety, reduce waste and conserve water in its operations</li> </ul>
<p><b>Growth in emerging economies</b></p>	<ul style="list-style-type: none"> <li>According to S&amp;P Global Mobility, global light vehicle production grew at a compound annual growth rate (CAGR) of 1.7% from 2000 to 2022, notwithstanding the volume decline during the 2008–2009 global economic downturn and the COVID-19 pandemic in 2020–2022. It is forecast to grow at a CAGR of 2.1% from 2022 to 2030</li> <li>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 12.8% between 2000 and 2022</li> <li>According to S&amp;P Global Mobility, approximately 31.7% of global vehicle production in 2022 was generated in China, with growth expected to continue in the long term</li> <li>The more developed markets of North America, Western Europe, South Korea and Japan are expected to grow at a CAGR of 1.1% with an increase of approximately 3.1 million units from 2022 to 2030, while emerging markets are forecast to grow at a CAGR of 2.8% with an increase of 11.6 million units during the same period</li> </ul>	<ul style="list-style-type: none"> <li>The Group has significant presence in the world's largest vehicle market, China, where it has wholly-owned operations and makes up 20.6% of the Group's 2022 revenue</li> <li>The Group is also managing its footprint to adjust to regional market growth while also optimising operational costs by expanding in lower-cost countries</li> </ul>
<p><b>Global platform standardisation</b></p>	<ul style="list-style-type: none"> <li>Many OEMs are standardising vehicle platforms, globally, in an effort to reduce costs and become more competitive</li> <li>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</li> <li>S&amp;P Global Mobility projects that 71% of vehicle platforms will be produced in two or more regions in 2029</li> <li>Accordingly, global design, manufacturing and supply chain capabilities are significant factors for certain OEMs when awarding contracts to suppliers</li> </ul>	<ul style="list-style-type: none"> <li>The Group is already benefitting from this platform globalisation trend. In 2022, 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</li> </ul>



## Strategy in action: Technology

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

S&P Global Mobility projects CAGRs of 11.2% and 22.2% in global HEV and BEV production, respectively, between 2022 and 2029, and that HEVs and BEVs will constitute approximately 17% and 45%, respectively, of global vehicle production volume by 2030.

Electrification offers a significant content growth opportunity for the Group through the use of our existing knowledge and technologies, as well as technology and products gained through acquisitions and joint ventures, to become the supplier of choice for EV thermal systems.

# Our markets

Continued

## Strategy in action: Innovation

### e-Mobility Innovation Centres (eMICs)

2022 saw the launch of the first of five planned global e-Mobility Innovation Centres.

The aim of the eMICs is to provide a collaborative space to facilitate the next generation of design, prototyping and testing of thermal management systems and components for EVs, helping our OEM customers to bring EV platforms to market more efficiently.

The first eMIC was opened in Germany in 2022, with ongoing work to launch eMICs in the USA, China, South Korea and Japan in 2023 and 2024 to support all of our global customers.



# NEW GENERATION PRODUCT PORTFOLIO FOR ELECTRIFICATION

THERMAL MANAGEMENT

AUTONOMOUS MANAGEMENT

NEW ENERGY / STORAGE

ADAS CLEANING

POLYMER HOUSING

HYDROGEN DIS

## Strategy in action: Transition

### Managing the transition

The Group has had a strong history of supporting OEM customers with fluid systems for ICE applications. Some of these ICE technologies will be carried over to BEV vehicles, such as brake lines and air conditioning systems.

For the Group's products that are used exclusively for ICE applications, such as fuel tanks and fuel lines, there is expected to be a ramp down in demand, which will be dependent on the speed of the BEV transition.

The Group has several years of booked demand in place for ICE product lines, and the transition through HEV is expected to provide a short-term opportunity to increase ICE content. Ultimately, as the ICE elements reduce, there will be an excess of capacity, which will lead to consolidation to a core of trusted suppliers of ICE products such as the Group. The Group's existing ICE assets will require minimal capital investment to continue in use, which will liberate capital for the development of thermal products for HEV and BEV applications.

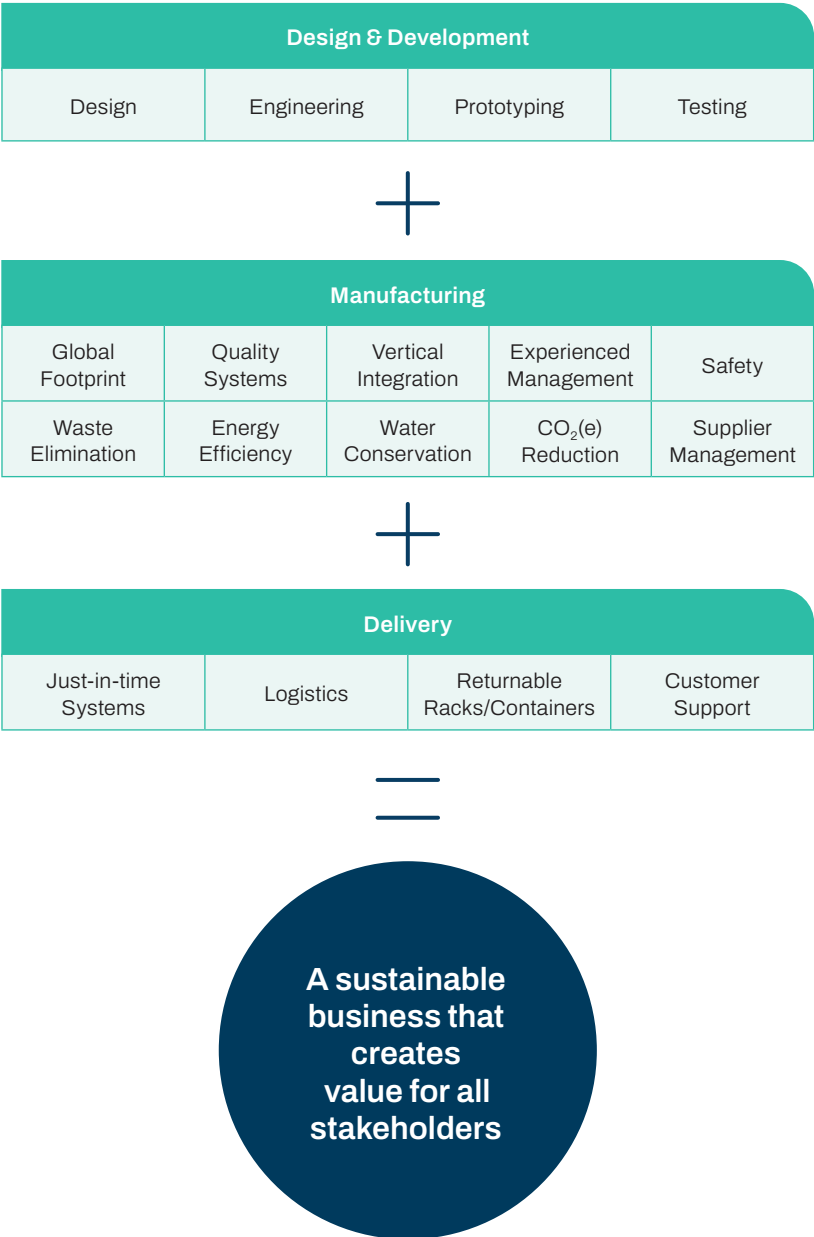
# Business model




We create value by leveraging our diversified customer and supply base, global footprint and innovative approach to design and manufacture products in a sustainable manner to support our customers to make vehicles that meet market requirements.

## > Our key strengths

- Leading technology**  
Award-winning products and technologies aligned with automotive megatrends of emissions reduction, fuel efficiency and electrification
- Growth potential**  
Significant growth opportunities aligned with electrification, including thermal management products for EVs
- Global footprint**  
Manufacturing facilities and technology innovation centres in all major automotive regions to support global platforms
- Strong relationships**  
Strong, diversified, global customer and supplier relationships established and strengthened over a century
- Our people**  
Management team with solid automotive experience and track record of innovation, business resilience and financial performance, together with a culture of innovation, learning, inclusion and diversity
- Sustainable mindset**  
Commitment to operate in a sustainable manner by reducing greenhouse gas emissions, increasing energy efficiency, eliminating waste and conserving water

## > What we do






-  Read more on our Take the Turn strategy on pages 30–31
-  Read more on our products on pages 18–19
-  Read more on our approach to sustainability on pages 40–41

 <b>How we do it</b>	 <b>The value we create</b>	 <b>The impact we have</b>
<p><b>Market positioning</b></p> <p>Leading market positions in brake, fuel and refrigeration lines, connectors and assemblies, as well as for fuel tanks and pumps</p> <p>Well positioned to capture the growing demand for integrated thermal management modules and systems for EVs</p> <p><b>Global footprint and workforce</b></p> <p>Support our OEM customers globally with 98 manufacturing locations in 28 countries near our customers to optimise logistics, reduce supply disruption risk and minimise environmental impacts</p> <p>Our global workforce of 25,600 employees is diverse and decentralised, providing deep knowledge of each market and customer needs</p> <p><b>Innovative product development</b></p> <p>Technology leader in highly engineered automotive fluid systems.</p> <p>Opened the first of five e-Mobility Innovation Centres (eMICs) to provide a collaborative space to develop, design, test and prototype solutions with our customers</p> <p>Existing blow moulding and multi-layer nylon line technologies can be adapted for EV thermal management systems, providing lightweight solutions to improve vehicle performance</p> <p><b>Strong relationships</b></p> <p>100-year history of excellence in designing, manufacturing and delivering automotive components and systems</p> <p>Strong engineering relationships with customers in each region</p> <p>Long-standing, collaborative relationships with key suppliers</p>	<p></p> <p><b>Customers</b></p> <p>We design, develop and deliver high-quality, safety-critical products that meet specific customer needs to support cleaner and greener vehicles</p> <p></p> <p><b>Employees</b></p> <p>We strive to provide our employees with an inclusive and diverse working environment, as well as opportunities to grow and develop through a culture of collaborative learning</p> <p></p> <p><b>Suppliers</b></p> <p>We collaborate and support our supplier base so they can provide high-quality products that meet our advanced technology requirements in a cost-efficient manner</p> <p></p> <p><b>Shareholders</b></p> <p>Our financial performance supports our dividend policy of 30% of adjusted net income, as well as long-term share price growth</p>	<p><b>Our impact</b></p> <p>Our business model allows us to fulfil our larger purpose to help make vehicles cleaner and greener to protect our environment and make our world a better place to live</p> <p>TI Fluids is a supporter of the <b>UN Sustainable Development Goals</b> ('SDGs') and a signatory to the UN Global Compact</p> <div data-bbox="1082 1025 1501 1608">  </div>

# Our Take the Turn strategy

Our purpose is to help make vehicles cleaner and greener to protect our environment and make our world a better place to live. To fulfil our purpose and achieve our strategic objective, we have structured our Take the Turn strategy around the three strategic pillars:

Strategic pillar	Objectives	Commentary
<b>Technology</b>  <b>Increase market share of our advanced technology and safety-critical products, including new thermal management products for EVs</b>	1. Strengthen the Group's position as an advanced technology leader in thermal fluid management for EV platforms	<p>We will develop innovative, cost-efficient thermal fluid management products and system solutions in collaboration with our OEM customers to improve EV performance.</p> <p>Launch to market a scalable thermal fluid management product portfolio building on existing product, system and manufacturing capabilities.</p>
	2. Use our strength in key products to continue to drive the Group's market share across all product lines	Continue to pursue increased market share and growth of our entire range of advanced products that support more efficient and cleaner ICE and HEV platforms, such as high pressure tanks, brake/fuel lines, fuel pumps, etc.
<b>Transformation</b>  <b>Operate our business in a sustainable manner</b>	3. Reduce greenhouse gas emissions from our operations	The COP27 Conference, held in November 2022, clearly demonstrated the critical need for both the public and private sectors to take urgent action by 2030 to limit global warming to 1.5 degrees Celsius using science-based targets as a first, critical step to a longer-term net zero world. The Group is taking climate change impacts and these targets very seriously and has performed extensive analysis of the ways that our business operations can support the effort to limit global warming.
	4. Manage resources for a sustainable transition of the business to support vehicle electrification and deliver strong profitability and cash flow generation	<p>The Group has historically been capital efficient, and expenditure on capital investment (capital assets plus research and development) is expected to remain at 4% to 5% of revenue. While the Group's overall level of capital investment is expected to remain at this historic level, the allocation will shift to support investments in the thermal fluid management business with a tight control on assets related to ICE. The Group has sufficient capacity installed to accommodate the expected life of ICE products, so that any investment in future ICE programmes is expected to be limited and linked to specific customer requirements and volume commitments. In addition, there will be the opportunity to re-purpose some of the blow moulding machines used to manufacture fuel tanks to produce Integrated Thermal Manifold assemblies (ITMa).</p> <p>The main asset of the Group is its people and their knowledge. As fewer human resources are needed to support ICE-related projects, engineers and other personnel, with design, system and programme management skills, will be reassigned to support the growth of the thermal fluid management business for EV platforms.</p>
<b>Talent</b>  <b>Develop, promote and retain our workforce in an inclusive environment</b>	5. Upskill through the six mindsets for success	Enhance our culture with six mindsets to ensure the organisation is ready to embrace the knowledge and behaviour transition required to grow the business profitably and sustainably. The six mindsets are: embrace change, become the expert, be a continuous learner, innovate, win as a team, and own inclusion and engagement
	6. Improve diversity and inclusion throughout the organisation	We recognise our employees are also members of the communities in which we are located. We aspire to be a company that is welcoming and seen as a valued member of our local communities around the globe. We are committed to creating a safe and inclusive workplace culture in which diversity is valued and diverse experiences are appreciated. Innovation, creativity and respect are cornerstones of how we interact with customers and with each other.



## Progress

The first of five global e-Mobility Innovation Centres (eMICs) was opened in 2022 in Rastatt, Germany. The aim of our eMICs is to provide a collaborative space that facilitates the development of the next generation of thermal management systems and components for EVs. These eMICs have design, prototyping, testing, and simulation capabilities all under one roof. The other four eMICs are being rolled out in the US, China, South Korea and Japan in 2023 and 2024. This network of eMICs will support innovation in close collaboration with our OEM customers in every major automotive market.

Launched and validated thermoplastic refrigerant lines (TPRLs), which are flexible and lightweight and, compared to traditional rubber and aluminium lines, offer better performance, lower costs, and a reduced carbon footprint.

Thermal fluid management products are already coming to market and include Integrated Thermal Manifold assemblies (ITMas), which will provide a one-piece, lightweight, blow-moulded plastic manifold to optimise complex line design and replace multiple-line bundle assemblies of thermal loops for heating and cooling in the next generation of electric vehicles.

In addition to the ITMa, we have demonstrated further integration potential of compact module solutions, which include 'fluid storage' (a coolant reservoir expansion tank), 'fluid temperature control' (heat exchangers/sensors), and 'fluid delivery' (pumps). Much like a fuel delivery module today, these integrated thermal modular assemblies are very bespoke to each OEM vehicle or application and can be engineered for various system types of multiple thermal loops.

We have determined that our previously-announced CO<sub>2</sub>(e) emissions reduction target (37% reduction of Scope 1 and 2 emissions from 2019 to 2039) is no longer in line with the current expectations. Consistent with the science-based target initiative (SBTi), we have now committed to a 50% reduction of our Scope 1 and 2 emissions and a 30% reduction of our Scope 3 emissions, in each case by 2030 on an absolute basis from a 2021 baseline. We have developed an achievement plan, which includes the significantly increased use of renewable electricity, extensive energy efficiency improvements and supplier engagement. Importantly, we have modelled and sought to incorporate these initiatives into our budget process in terms of operational costs, capital investments and human resources.

Capital expenditure within the FTDS division was less than 2% of sales for the year in 2022 compared to 2.8% for the Group and an average from 2017–2021 of 3.3%.

TI Fluid Systems continuously reallocates globally longstanding competencies from our traditional business division FTDS into our rapidly growing thermal management activities.

A Group-wide training resource has been rolled out to all staff in 2022 to provide access to a very broad range of learning pathways that will enhance their ability in relation to the Group's strategy.

The Group has implemented a formal Diversity Policy.

Diversity and inclusion training has been successfully delivered to senior managers within the business.

The Group's recruitment processes have been reviewed and guidance issued to all locations to minimise unconscious bias and promote diverse hiring. Our progress will be tracked by monitoring against diversity targets based on local university graduation rates.

To prepare the next generation of women to succeed in the automotive industry, the Group has awarded 55 scholarships for female students enrolling to study STEM subjects at leading universities in Germany, Poland, Mexico, the US and China, to help with tuition, accommodation, and other educational costs. In addition, these scholarship recipients are connected to local TI facilities for internships and other extracurricular learning opportunities.

A women's mentorship programme has been established to support and guide women within the organisation and advise on strategies for success.

# KPIs – financial and non-financial

## Revenue

€3,268m

2018	3,473
2019	3,411
2020	2,815
2021	2,957
2022	3,268

### Definition

Defined as revenue excluding the effects of currency translation.

### 2022 performance

- In 2022, global light vehicle production grew by 6.7% to 82.4 million vehicles
- We delivered revenue of €3.3 billion (5.2% growth at constant currency) compared to the prior year
- 150bps revenue underperformance at constant currency compared to GLVP volume growth

### Link to strategy



**Objective 2** – Use our strength in key products to continue to drive the Group's market share across all product lines

## Adjusted EBITDA

€333m

2018	484
2019	498
2020	331
2021	353
2022	333

### 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 and impairments of tangible and intangible assets adjusted for net restructuring charges, associate dividends received and the impact of any business acquisitions or disposals.

### 2022 performance

- Adjusted EBITDA was €333 million in 2022
- Adjusted EBITDA margin was 10.2% in 2022, a 170 bps decrease from the prior year reflecting the net impact of cost inflation in the year, customer driven schedule volatility, which, impairs normal operating efficiency, and business disruption in China

### Link to strategy



**Objective 4** – Manage resources and deliver strong profitability and cash flow generation

See Note 3 for reconciliations of IFRS reported measures to Alternative Performance measures

## Adjusted EBIT

# €180m

2018	374
2019	340
2020	173
2021	213
2022	180

### 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.

### 2022 performance

- Adjusted EBIT was €180.0 million in 2022
- Adjusted EBIT margin of 5.5% was 170 bps decrease from the prior year, reflecting the net impact of cost inflation in the year, customer driven schedule volatility, which, impairs normal operating efficiency, and business disruption in China

### Link to strategy



**Objective 4** – Manage resources and deliver strong profitability and cash flow generation

## Adjusted Basic EPS

# 8.5 Euro cents

2018	29.9
2019	28.9
2020	2.6
2021	11.2
2022	8.5

### 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 are 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.

### 2022 performance

- Adjusted basic EPS was 8.5 Euro cents in 2022, representing a decrease of 2.7 Euro cents over the prior year, and reflecting the lower operating performance

### Link to strategy



**Objective 4** – Manage resources and deliver strong profitability and cash flow generation

# KPIs – financial and non-financial

Continued

## Adjusted free cash flow

# €78m

2018	146
2019	180
2020	148
2021	117
2022	78

### Definition

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

### 2022 performance

- Adjusted free cash flow was €78 million in 2022, representing a decrease of 33% over the prior year, reflecting lower operating performance and higher interest and tax payments

### Link to strategy



**Objective 4** – Manage resources and deliver strong profitability and cash flow generation

## Customer satisfaction

# 6.1 PPM

2018	5.9
2019	3.8
2020	7.7
2021	5.0
2022	6.1

### Definition

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

### 2022 performance

- The global external quality rating for 2022 year end was 6.1 ppm. This result is 0.9 ppm lower than our benchmark global target of 7 ppm

### Link to strategy



**Objective 2** – Use our strength in key products to continue to drive the Group's market share across all product lines

See Note 3 for reconciliations of IFRS reported measures to Alternative Performance measures

## BEV and HEV Bookings

# €2.6bn

2019	1.2
2020	1.4
2021	1.7
2022	2.6

### Definition

New business awards in the year on vehicles with a significant electrification element to the drive train (BEV, PHEV and self-charging HEV) measured as the amount of the award over the vehicle production lifetime based on current expected production volume.

### 2022 performance

- €2.6 billion of awards in the year, with BEV awards of €1.3 billion and HEV awards of €1.3 billion.

### Link to strategy



**Objective 1** – Strengthen the Group's position as an advanced technology leader in thermal fluid management for EV platforms

**Objective 2** – Use our strength in key products to continue to drive the Group's market share across all product lines

## Energy Intensity

Intensity factor (CO<sub>2</sub>(e) T per €m revenue)

# 79.43 CO<sub>2</sub>(e) T

2019	90.03
2020	94.72
2021	87.26
2022	79.43

### Definition

Energy Intensity is based on total carbon dioxide equivalent emissions divided by revenue for the corresponding year.

### 2022 performance

- 79.43 CO<sub>2</sub>(e) T per €m revenue

### Link to strategy



**Objective 3** – Reduce greenhouse gas emissions from our operations

# Section 172 and stakeholder engagement

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 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	How we engage	Outcomes and actions
<p><b>Shareholders</b></p> <p>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.</p> <p><b>Why we engage</b></p> <ul style="list-style-type: none"> <li>Quality of governance</li> <li>Effectiveness of the Board and management</li> <li>Growth potential and profitability</li> <li>Share price appreciation</li> <li>Dividends</li> </ul>	<ul style="list-style-type: none"> <li>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)</li> <li>The Company will hold its third Capital Markets Day in 2023, to provide an in-depth review of our business model, strategy and product portfolio to all shareholders</li> <li>Our Remuneration Chair met with a significant number of our top 20 shareholders to gain their input on our remuneration practices and policies</li> <li>On appointment, the Chair of the Board wrote to the major 'non-Bain' shareholders and, subsequently, met with many of them to better understand their views and perspectives</li> <li>All shareholders are kept informed of the performance of the business on a regular basis through trading updates in January, May and November, the half- and full-year announcements in August and March, and our full Annual report in April</li> </ul>	<ul style="list-style-type: none"> <li>Regular updates to the entire Board and Committees by Executive Directors, advisers and brokers on share performance, shareholder register and shareholder views and sentiment</li> <li>The Board continued to review the development, and monitor the 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</li> <li>Review of trading updates and results announcements resulted in additional information and reporting on strategic progress</li> <li>Changes to the manner by which the Company implements our remuneration policy based on shareholder feedback</li> <li>Changes to our LTIP metrics to better align with shareholder interests, including ROCE and ESG performance targets</li> <li>Publishing our first Sustainability Report in December 2022 and publicly reporting our various sustainability data through CDP</li> <li>Making Investor Presentations and recordings of Investor Q&amp;A available on our website</li> <li>Improve and adjust the focus of investor communications based on feedback</li> <li>Engaged FTI Consulting to conduct an investor perception survey</li> </ul>

Stakeholder	How we engage	Outcomes and actions
<p><b>Employees</b></p> <p>We have a global workforce made up of 25,600 employees and contractors, including, approximately, 4,100 salaried employees, who work in 28 countries.</p> <p><b>Why we engage</b></p> <ul style="list-style-type: none"> <li>To improve motivation, morale and productivity through good communication</li> <li>To foster retention and reduce employee turnover</li> <li>To identify issues and solutions quickly</li> <li>To identify needs for resources and support</li> </ul>	<ul style="list-style-type: none"> <li>Conducted an Ethics Sentiment Survey</li> <li>Held 'All Employee' meetings and calls throughout the year to provide updates on our Take the Turn strategy, financial performance, leadership changes, and environmental and safety initiatives</li> <li>Our designated Non-Executive Director for workforce engagement attended an All Employee meeting and reviewed our survey results, employee feedback and whistleblower reports</li> <li>Held several top management meetings to review our Take the Turn strategy, including the review and incorporation of management input and ideas on our technology and products, sustainability and learning initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Introduced our 'Six mindsets for success' to enhance Group culture and focus on strategic objectives</li> <li>Continued the roll out of our intelligent learning platform to allow employees to increase their knowledge, learn new skills and develop their career path</li> <li>Conducted ongoing inclusivity education for the Top 300 management</li> <li>Regular review of injury and turnover data with the Board to ensure focus and support for safety training and protocols, including hiring additional EHS personnel and the ongoing expansion of the ISO 45001 safety management framework to all locations</li> <li>Approved and adopted a Diversity Policy and issued gender diversity targets to all locations based on university graduation rates as well as updated HR procedures to eliminate hiring bias and promote diversity</li> <li>Supported the implementation of work from home and hybrid work arrangements</li> <li>Reviewed succession planning throughout the organisation</li> </ul>
<p><b>Customers</b></p> <p>Our primary customers are multinational and local automotive OEMs (original equipment manufacturers).</p> <p><b>Why we engage</b></p> <ul style="list-style-type: none"> <li>To drive revenue growth and business success</li> <li>To identify sourcing opportunities</li> <li>To align product and technology development with customer needs</li> <li>To effectively and efficiently address any supply or quality issues</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>With respect to significant commercial matters and strategic initiatives, our Executive Vice Presidents, CCO and CEO communicate directly with senior executives at our customers</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>In response to historic inflationary cost increases, successfully negotiated and finalised multiple price adjustment and cost-recovery arrangements with customers in all regions</li> <li>Approved a network of five e-Mobility Innovation Centres (eMICs) in each major global automotive market, including opening our first eMIC in 2022 in Germany, to support collaboration with customers to design, prototype, and test integrated thermal management products and systems necessary to support the transition to EVs</li> <li>Our corporate purpose and business strategy has been established and is monitored by the Board</li> <li>The Board reviews and approves major capital investment and product development strategies to promote manufacturing footprint and technology alignment with our customers, including supporting new business and development activities focused on EV platforms</li> <li>The 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</li> <li>Approved ongoing restructuring plans that align with customer manufacturing footprint and promote efficient supply arrangements</li> <li>Support the implementation of a range of greenhouse gas reduction initiatives in line with expectations and similar programmes of our OEM customers</li> </ul>

# Section 172 and stakeholder engagement

Continued

Stakeholder	How we engage	Outcomes and actions
<p><b>Community</b></p> <p>As a global company, our community encompasses our wider society and environment, as well as the local communities in 28 countries around the world in which we operate.</p> <p><b>Why we engage</b></p> <ul style="list-style-type: none"> <li>To promote our reputation as a responsible and ethical business</li> <li>To attract, motivate and retain employees</li> <li>To conserve resources and reduce our impact on the environment to ensure we are a sustainable business</li> </ul>	<ul style="list-style-type: none"> <li>Consistent with our Core Values, each of our facilities around the world seeks to be a responsible member of its local community</li> <li>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</li> <li>The 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</li> <li>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)</li> </ul>	<ul style="list-style-type: none"> <li>Approved an updated greenhouse gas emissions reduction target (including Scope 3) aligned with 1.5°C scenario and SBTi, as well as budget plan to support renewable electricity, energy efficiency, and human resources to support the achievement of our GHG targets</li> <li>Published our first Sustainability report to communicate our approach to sustainability, including CO<sub>2</sub>(e) data, water conservation and waste reduction</li> <li>Developed and launched the production of advanced products, such as thermal systems and high-pressure fuel tanks, for BEV and HEV platforms, which contribute to a cleaner world</li> <li>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</li> <li>Established scholarships at leading universities in Germany, Poland, Mexico, the US, and China for female students enrolling to study STEM subjects, and made initial awards to 55 students</li> <li>Supported relief efforts and refugee assistance related to the Russian war against Ukraine, including fundraising, logistics support and assisting employees in Poland to, temporarily, house refugees</li> </ul>
<p><b>Suppliers</b></p> <p>Our suppliers are located around the world and provide us with raw materials, including resin, steel and aluminium, as well as sub-components.</p> <p><b>Why we engage</b></p> <ul style="list-style-type: none"> <li>To build strong, collaborative and strategic relationships to obtain competitive pricing, quality, reliability of supply, and logistics efficiency</li> <li>To ensure we have access to advanced materials and components that meet our technical requirements</li> <li>To ensure responsible sourcing and ethical business practices and conduct by our supply base</li> </ul>	<ul style="list-style-type: none"> <li>Our purchasing organisation has extensive and regular contact with our suppliers regarding specific quoting and sourcing opportunities, delivery logistics and quality controls and testing</li> <li>Our engineering organisation works closely with suppliers on development activities, validation testing and cost-reduction initiatives (value engineering)</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Coordinated closely with suppliers to manage supply shortages and disruptions to ensure continued production</li> <li>Addressed requests for price increases in a fair and consistent manner</li> <li>Managed supplier payments consistent with contractual terms to avoid negative impact on our supply base</li> <li>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</li> </ul>





# Sustainability



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



**Elaine Sarsynski**  
**Chair, ESG Steering Committee**

## Our approach to sustainability

We are committed to enabling a sustainable future and improving the environmental and social well-being of the communities we operate in.

Our Take the Turn strategy 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 and maintain a diverse and talented workforce. Our Take the Turn strategy reflects three main pillars that 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 engineering, which supports the electrification of the automotive industry. To meet the unique requirements of hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), the Group is capitalising on our 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, which are efficient and cost effective.



## 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, we recognise that we must transform our business in line with new standards and expectations of environmental responsibility to deliver sustainable value to our stakeholders – investors, customers, suppliers, employees and the communities we operate in.



## Talent

The talent of our workforce is crucial to us. 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, which provides every salaried employee with access to a variety of educational and developmental tools to improve their skills and abilities to be a valuable and enthusiastic participant in our collaborative organisation. In 2022, we expanded the use of the online learning platform and further encouraged our managers and Directors to incorporate this tool into their teams' objectives.

Pursuant to the UK regulation, we are providing the following information in the Annual report.

## Greenhouse gas emissions

### Global: Scope 1 and 2 emissions (CO<sub>2</sub>eT)\*

We are providing our Scope 1 & 2 emissions using the GHG Protocol for market-based emissions. In 2022, we only had a 1% increase in emissions based on a 10.5% increase in revenue. As we execute our renewable energy procurement strategy and our energy conservation programmes, we expect to see year-over-year decreases in GHG emissions.

### UK Total: Scope 1 and 2 emissions (CO<sub>2</sub>eT)

Our UK emissions have decreased by over 95% from our 2019 baseline 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. In 2022, we had zero Scope 2 manufacturing emissions in the UK.

### Intensity factor (CO<sub>2</sub>eT per million Euro revenue)

The Group's intensity factor is shown on the right 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<sub>2</sub>(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. We have seen a two-year decrease in our energy intensity rate as we exit COVID-19. We expect to see this trend continue as we work on energy efficiency projects and increase procurement of renewable energy.

The Group has adopted a new CO<sub>2</sub>(e) emissions reduction target that calls for a 50% reduction of Scope 1 and 2 emissions and a 30% reduction of Scope 3 emissions, in each case by 2030 on an absolute basis from a 2021 baseline. Our new targets have been submitted to the Science-Based Target initiative (SBTi) for review and validation. Importantly, we have also developed a renewable electricity plan and an energy-efficiency programme to support the achievement of our target.

## Diversity and inclusion

Women represented approximately 31% of the Group's total salaried workforce, including 13% of the Executive Committee with the CEO and 14 senior managers who report to the Executive Committee.

At 31 December 2022	M	Percent Men	F	Percent Women	Grand Total
CEO	1	100%			1
Executive Committee	7	88%	1	13%	8
Direct Reports to Executive Committee	43	75%	14	25%	57
Other Salaried	2,781	68%	1,280	32%	4,061
<b>Grand Total</b>	<b>2,832</b>	<b>69%</b>	<b>1,295</b>	<b>31%</b>	<b>4,127</b>

## Scope 1 emissions

Global Scope 1 emissions (CO<sub>2</sub>eT)

2019	39,170
2020	30,680
2021	27,763
<b>2022</b>	<b>30,383</b>

UK Scope 1 emissions (CO<sub>2</sub>eT)

2019	234
2020	195
2021	215
<b>2022</b>	<b>140</b>

## Scope 2 emissions

Global Scope 2 emissions (CO<sub>2</sub>eT)

2019	267,913
2020	235,947
2021	230,279
<b>2022</b>	<b>229,185</b>

UK Scope 2 emissions (CO<sub>2</sub>eT)

2019	3,024
2020	1,666
2021	328
2022	0

## Energy intensity

Intensity factor (CO<sub>2</sub>eT per €m revenue)

2019	90.03
2020	94.72
2021	87.26
<b>2022</b>	<b>79.43</b>

## Electricity Consumption

Global Electricity Consumption (kWh)

2019	526,434,728
2020	457,404,458
2021	485,749,751
<b>2022</b>	<b>498,613,698</b>

UK Electricity Consumption (kWh)

2019	7,581,432
2020	5,647,611
2021	6,091,522
<b>2022</b>	<b>5,082,762</b>

\*2021 global Scope 1 and 2 emissions data was adjusted from prior reporting on account of minor corrections made as part of our continued efforts to improve validation and reconciliation of data. Changes in Scope 1 emissions in 2021 were related to the use of an incorrect conversion factor for LPG in three plants. This resulted in a reduction of 6,856 tonnes. Scope 2 changes were due to a billing adjustment at one plant. This resulted in an increase of 13 tonnes of emissions.

# Principal risks and uncertainties

Operating in an increasingly risky and uncertain environment, the Group’s global operations continue to be 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 and the wider stakeholders. The following section highlights the major risks that may affect the Group’s ability to deliver the strategy, as set out on pages 30–31.

The management and mitigation strategy, described in the principal risks section below, help to reduce the impact or likelihood of a major risk occurring. 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.

2022 has seen continued significant challenges in the macro environment. Russia’s invasion of Ukraine has sustained for longer than the initial expectations of many people, heightening concerns on the wider geopolitical risks. The strict policies against COVID-19 that China maintained for most of the year, and the recent loosening of these policies, have impacted operations in Asia significantly, including disruption to our, and the customers’, production activities. Supply shortages have further expanded and deepened, including energy and utilities. Inflationary pressure has hit businesses and consumers in many economies, and the cost-of-living crisis increases cost of, and competition for, workers across businesses. In some industries, tense industrial relations create a wide-ranging impact on society. These macro environmental factors weigh on the automotive industry, which already has significant challenges arising from the pivoting towards electrification, technology transformation, supply chain issues and vehicle affordability, etc. 2023 looks set to be another challenging year.

The impact of the COVID-19 pandemic, and recent events such as Russia’s invasion of Ukraine, have dramatically demonstrated that the world is more volatile than ever before. With increasing economic challenges in many countries, as well as supply shortages, the resultant volatilities pose significant 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 materials and labour, remained significant challenges throughout 2022 and will continue into 2023 and even beyond.

The Group remains vigilant to development in the macro environment, and the management of resilience (such as our liquidity and pivoting to electrification) is an important focus area during this time of heightening volatility and uncertainty.

With significant inflationary pricing pressure across all aspects of our operations, our ability to manage the impact of cost increases, and to recover through pricing and efficiency, is critical. Furthermore, climate change continues to drive the pace and potential severity of many of the principal risks that are already being managed. Specifically, climate change affects our technology and product-development risk as the rate of vehicle electrification accelerates across the industry, 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 strategy, our technological agility to develop and adapt our product offerings to meet the EV requirements of our customers is critical. Vehicle electrification also results in a significant impact on human resource management, as we need to ensure that the Group has sufficient salaried staff of an appropriate skill set, such as product design and development. Continual regulatory change further complicates the risk landscape, and is now a business constant that arises across all aspects of the environmental, social and governance spectrum.

## Risk management framework and structure

Governance	Role	Outputs
<b>Board oversight</b>	Responsible for the Group’s system of risk management and internal controls	Guidance and direction
<b>Audit and Risk Committee</b>	Supports the Board Advises on the Group’s risk appetite, tolerance and strategy, risk exposures and future risk mitigation strategy	Guidance and direction
<b>Executive Committee</b>	Group’s risk governance body Establishes formal procedures and structure to manage risk Oversees the internal control framework Determines the nature and extent of principal and other risks as well as risk appetite	Group risk register Principal risk reviews Audit and Board reports
<b>Divisional and Corporate Function Leadership teams</b>	Identify and manage risks Design and implement controls Receive guidance Report to Executive Committee Supported by operational teams and support functions	Divisions and functions risk registers

## Key developments in 2022

- Technology and product offerings, in a market pivoting towards electrification, are critical to the Group's success. The Global Engineering function, headed by the Chief Technology Officer, was reorganised during the year to centralise expertise, increase internal and external collaboration and foster business opportunities. The function implemented formal product technology and development roadmaps in relation to thermal management (coolant and refrigerant), to clearly outline the Group's product development strategy in the forthcoming years. The roadmaps were reviewed and supported by the Board. The function also supported and drove inorganic technology opportunities during the year
- A strategy for the global footprint of e-Mobility Innovation Centres (eMICs) has been developed, which was reviewed and approved by the Board. This is a strategic global investment to position the Group as a best-in-class partner provider of thermal management technologies, with a vision for footprint in five regional eMIC locations. In addition, the Group increased its collaboration with customers through joint development agreements, providing competitive advantage in pioneering the development of the next generation product portfolio
- The Group Quality function has been centralised, now headed by a Quality Vice President, who has a global role that covers both divisions. This ensures a more coordinated approach on managing quality-related risks, as well as integrated expertise to strengthen identification, review, working with customers and reporting of quality-related matters. The Group Quality function applies a formal and structured methodology, and reports regularly to the Executive Committee and the Board on significant quality-related matters
- The Group Operations Committee, which was formed in the middle of 2021 and is currently led by the divisional Executive Vice Presidents, continued to work on strengthening internal collaboration between different operational functions as well as finance, HR and sustainability through regular meetings and discussions of operational issues and performance indicators
- A new Group Internal Controls function, led by the Vice President Risk & Global Controller, has been formed, separate from the Internal Audit function, which now focuses on independent internal audits as the third line of defence. The Group Internal Controls function, with a newly appointed Group Head of Internal Controls, launches and leads the internal control optimisation programme to improve the robustness of the internal controls structure and framework within the Group, working closely with respective divisions, as well as supporting the Group's initiative to strengthen the risk management framework
- The Commercial and Business Development function, led by the Chief Commercial Officer, was reorganised into a centralised structure to strengthen the Group's ability to deploy cross-divisional development and growth opportunities. Plans to formalise key processes around customer management, and upgrade the Group's customer relationship management system, have been developed for implementation in 2023
- With respect to cyber security risks, the Group rolled out further cyber security testing (including tabletop exercises) and an education programme to strengthen the infrastructure and internal awareness in managing cyber-related risks
- The Group engaged external consultancy in developing its sustainable energy strategy, an important step to deliver our sustainability targets. The Board has been actively involved in this area through discussions and information updates in Board meetings

## Priorities for 2023 and 2024

The Board and executive management team have set out plans to further strengthen the Group's enterprise risk management (ERM) processes during 2023 and 2024 to be supportive of the strategic change agenda. Supported by the Group Internal Controls function, and the Internal Audit function, and with input from external advisers, the Group sets out the following improvement priorities:

- **Governance:** Formalisation of ERM strategy and approach, assessment of risk appetite, building awareness towards a culture of risk-informed decision making, and formalisation of roles and responsibilities across the three lines of defence
- **Risk culture:** Strengthening risk culture to support the embedding of key risk management principles into operations, and initiation of role-appropriate risk management training/education
- **Infrastructure:** Deployment of key risk indicators and alignment to key performance indicators, formalisation of process to assign ownership of risks, and introduction of an integrated risk-reporting process
- **Process:** Structured process to appraise the risk environment on an ongoing basis, development of risk taxonomy and a consistent approach to risk assessment, the periodic review of risk registers and the formalisation of the process to identify emerging risks on an ongoing basis

Other priority areas of improvement in 2023 include operational programme management, procurement and product launch procedures, as well as continuing to improve the robustness and effectiveness of the Group's IT infrastructure. In addition, the 2023 plan for the Internal Audit function demonstrates a gradual shift of focus from internal control over financial reporting to broader business risks, particularly some of the key controls over principal risks.

# Principal risks and uncertainties

Continued

## Principal risks

The Group considered its risks in the following risk categories:

- **External risks:** Risks arising from the broader macroeconomic and political climate, competitive pressures or regulatory matters
- **Strategic risks:** Risks that threaten the Group's ability to deliver expected strategic goals
- **Operational risks:** Risks that impact the day-to-day operations arising from inadequate or failed internal procedures

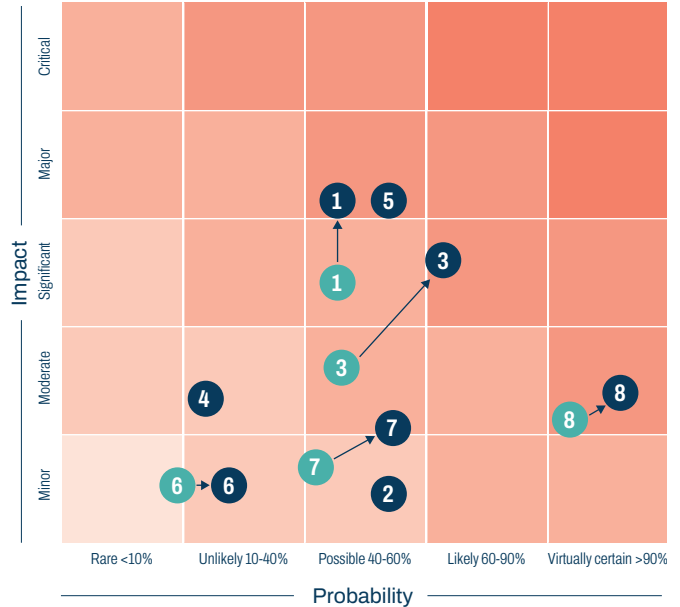
The Board has the ultimate responsibility for identifying and managing the Group's principal risks. A robust assessment has been undertaken to assess the relevance and appropriateness of our principal risks. The assessment was performed against the risk categories above.

Members of the Executive Committee, divisional and corporate function leadership teams have undertaken reviews of this risk portfolio. As part of our top-down process, a review of the principal risks was performed by the Board, which led to further review and refinement by the Executive Committee. This process was supported by the Group Internal Controls function led by Vice President Risk & Global Controller, and the Internal Audit function led by the Group Audit Director. This assessment required each risk owner to evaluate material changes in the risk they manage, including changes in the impact during the course of the year.

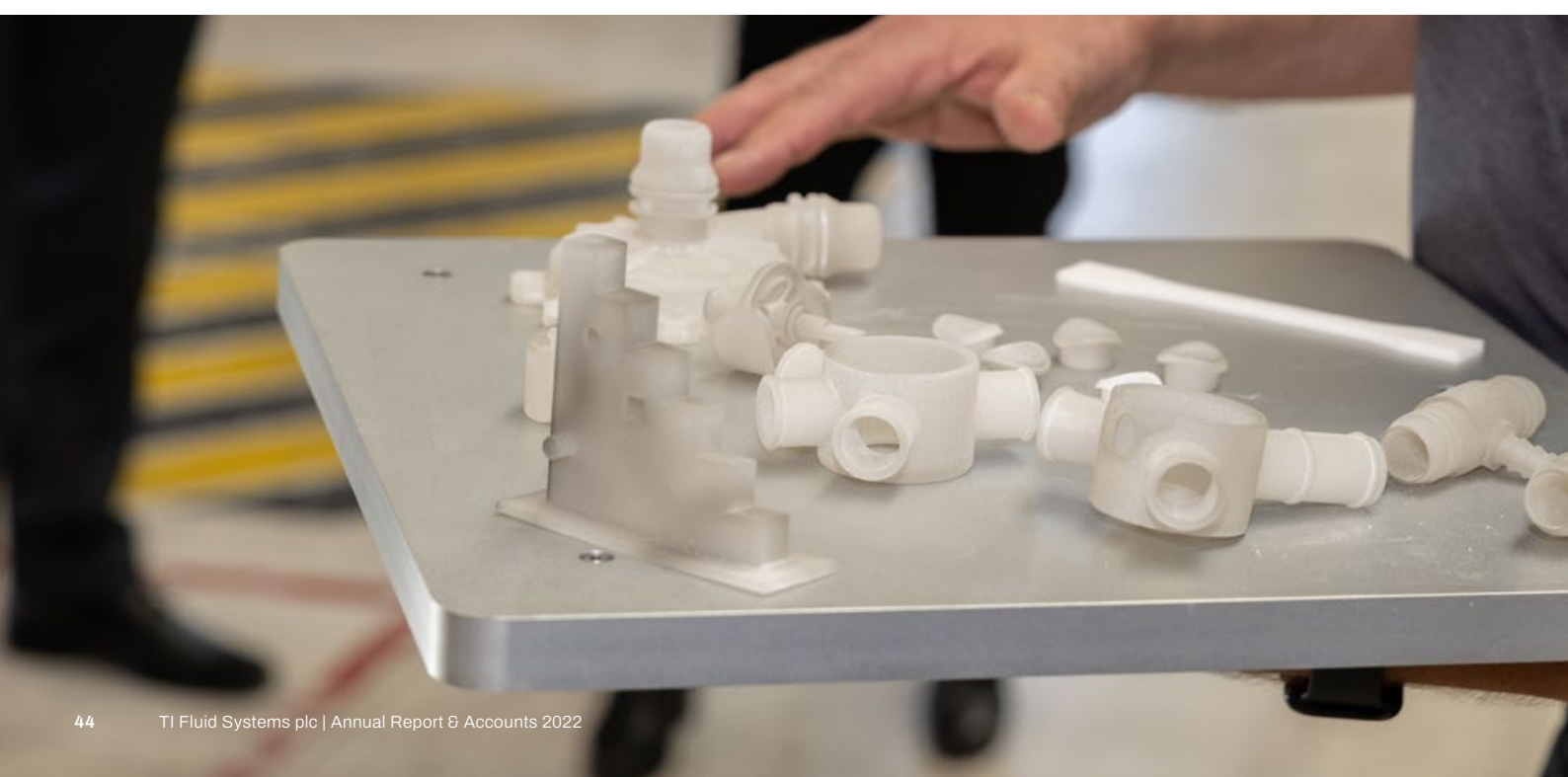
These individual responses were consolidated, and the Executive Committee then discussed and reached a consensus regarding the principal risks that can seriously affect the performance, future prospects or reputation of the Group. The outputs from the assessments were then presented to the Board for approval along with the recommendation of principal risks to be included in the assessment of the Group's long-term viability.

During the 2022 assessment, the Board and the Executive Committee decided that the risk associated with cyber threats, which was previously subsumed within the principal risk for Business Continuity, should be identified as a separate principal risk. This was primarily driven by the increasing risk profile of cyber threats, particularly when connected with geopolitical events. Following this, the scope of the Business's continuity principal risk focuses primarily on threats to continuity arising from non-cyber matters.

The following chart shows the principal risk movement from the 2021 Annual report:



- 1 Global light vehicle production volumes
  - 2 Product quality
  - 3 Competition and customer pricing pressure
  - 4 Business continuity
  - 5 Product development and changes in technology
  - 6 Regulatory compliance
  - 7 Talent attraction and retention
  - 8 Cyber event
- 2021 (Light Green)  
● 2022 (Dark Blue)



## Risk appetite

Risk appetite (the level of risk that the Board is willing to take in pursuing the Group's objectives) is set, separately, for each principal risk and varies for different types of risk. Risks are measured based on impact on revenue, profit, employees and the Group's reputation. The Group has a low appetite for compliance-related risks, whilst it has a higher appetite for strategic risks. Risk appetite is assessed on a periodic basis, in consideration of changes in conditions and circumstances, as well as the impact of emerging and other risks.

With significant changes facing the automotive industry, the Group operates in markets with high growth potential, particularly in the space of electric vehicles, which is continuously evolving and developing. In the context of high risks of volatility associated with potentially high rewards, the Group is willing to accept a certain level of risk in pursuing our strategic goals. With respect to product development and technological advancement to enable the pivot towards electrification, the Group aspires to be a leader in this area, and, therefore, commits to invest into research and development, and potential non-organic approaches, to expand our product offering, and to secure the future commercial viability through next-generation products that meet the electrification agenda and the ESG criteria. As the industry is at the early phase of electrification, product design, layout and specification are subject to innovation and change. Our risk appetite in this area is, therefore, set as high.

In relation to operational risks, our aim is to ensure the Group's ability to provide the required service level to our customers, as well as to protect our assets and employees. We carefully assess the right balance between the costs of implementing and maintaining internal control systems against the corresponding benefits.

For compliance and external reporting matters, our appetite for risk is low as we regard it imperative to ensure that the content of our financial and non-financial reporting is fair, balanced and understandable. The Group has no tolerance for breaches of regulatory requirements or internal policies and procedures, including delegation of authority.

## Emerging risks

In the environment of fast-paced changes in the risk landscape, the Board recognises that an essential part of risk management is the ability to monitor and respond to new and emerging risks. Alongside the principal risks, emerging risks are identified and considered by the Board.

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 strategy – it has been conscious of any development in strategic risks that may need to be factored into its consideration, in addition to the those already identified as principal risks. If the Group chooses to address the need to enhance the Group's product capabilities other than organically (for instance through mergers and acquisitions or joint venture arrangements), this may necessitate additional resources and expertise, and would naturally entail risks relating to management, execution and value delivery.

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 Take the Turn 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 etc.), 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.

Climate change and sustainability issues also prompted increasing level of regulations and requirements, especially for listed companies. The use of plastic within the Group's operation is likely to become an area of increasing focus that will need to be addressed as part of the Group's sustainability strategy.

Currently widening geopolitical tensions may result in further and more prolonged global business disruptions. Competition and political tension between countries continues to increase whilst the geopolitical tensions in Europe continue. The fragility of international relations carries a consequential adverse impact on the automotive supply chain and world financial markets, such as the availability of energy.

In the light of the process undertaken, the Board believes that the current year risk assessment has been sufficiently robust, and confirms that there are no new distinct risks that are material to the Group at the date of this report.



# Principal risks and uncertainties

Continued

Principal risks	Description	Impact
<p><b>1</b></p> <p><b>External risk: Global light vehicle production volumes</b></p>	<p>The Group has 98 manufacturing locations in 28 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 vehicle manufacturers.</p>	<p>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 98 locations with generally high levels of operational gearing, 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.</p>
<p><b>2</b></p> <p><b>Operational risk: Product quality</b></p>	<p>The Group's business is based on the repeatable supply and delivery of components and parts to an agreed specification and time.</p>	<p>Failure to meet customer requirements or specifications can have financial consequences, such as the loss of a customer, warranty claims and product liability, and could, potentially, cause long-term damage to the Group's reputation.</p>
<p><b>3</b></p> <p><b>Strategic risk: Competition and customer pricing pressure</b></p>	<p>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 (and henceforth prices) on contracts.</p>	<p>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, and maintaining strong customer relationships. Therefore, in facing inflationary input costs, the Group's ability to maintain margin could be significantly limited by competitive pressure and contractual price reductions.</p>

To aid the identification of, and references to, principal risks, each principal risk has been assigned a specific code from PR1 to PR8, as shown in the following tables. For linkages to the strategic objectives, refer to the strategic objectives outlined below, with further details on pages 30–31:

- **Strategic objective 1:** Strengthen the Group's position as an advanced technology leader in thermal fluid management for EV platforms
- **Strategic objective 2:** Use our strength in key products to continue to drive the Group's market share across all product lines
- **Strategic objective 3:** Reduce greenhouse gas emissions from our operations



STRATEGIC KEY



Technology



Transformation



Talent



Read more on pages 30–31

RISK KEY



Increased



Decreased



No change

Controls and mitigation	Ownership
<ul style="list-style-type: none"> <li>The Group's presence in 28 countries, supplying a wide range of customers, acts as a hedge to mitigate localised economic volatility</li> <li>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</li> <li>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</li> <li>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</li> <li>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, in response to the transition to full electrification, remains a major focus. More detail is given in the principal risk relating to product development and changes in technology below</li> </ul>	<p>Divisional Executive Vice Presidents, Chief Commercial Officer</p> <p><b>Link to strategic objectives:</b> Objective 4</p>  <p><b>Change in risk level:</b> </p>
<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>Quality systems and processes, operated at local manufacturing level, are subject to oversight by divisional quality teams. During 2022, the Group's quality management function was integrated into a central function to ensure more robust procedures for identifying and managing product quality concerns</li> <li>Where necessary, the Group's manufacturing facilities maintain relevant industry accreditations, such as TS 16949</li> <li>The Group monitors the field performance of its products in order to seek to continuously improve product quality</li> <li>The Group has formal procedures for identifying and reviewing all warranty issues, with regular reporting to the Board and senior management. Rigorous analysis and testing are performed for all warranty concerns raised by the customers</li> </ul>	<p>Divisional Executive Vice Presidents</p> <p><b>Link to strategic objectives:</b> Objectives 1 and 2</p>  <p><b>Change in risk level:</b> </p>
<ul style="list-style-type: none"> <li>The Group seeks to offset pricing pressure by achieving improved operating efficiencies and cost reductions. Continuous operational improvements to drive higher process and cost efficiency is constantly management's priority</li> <li>A growing trend by some 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</li> <li>The Group has a strong reputation and industry-leading technology, which supports its status as a key supplier to its customers. The Group is considered to be a top supplier, or strategic supplier, by many of its OEM customers</li> <li>The Group engages in extensive and regular dialogue, and has strong commercial and engineering relationships with key customers. The effective management of customer relationships and commercial activities is a significant focus area of management, which will be underpinned by the plan to implement a robust customer relationship management solution in 2023</li> <li>The Group uses market intelligence and competitor analysis to support its market activities and inform investment decisions. The Group also leverages a robust screening process to evaluate new business proposals</li> <li>The Group implemented a centralised Commercial and Business Development functional structure to strengthen its ability to deploy cross-divisional development and growth opportunities</li> <li>Across the Group, there is an emphasis on research and development and improving the technical content of products</li> <li>The Group develops robust internal procedures to identify and evaluate the impact of inflationary cost increases and cost recovery approach on a timely basis. The Group increasingly seeks greater flexibility and agility in the pricing structure to more effectively react to cost pressures in an inflationary environment</li> </ul>	<p>Chief Commercial Officer</p> <p><b>Link to strategic objectives:</b> Objectives 1, 2 and 4</p>   <p><b>Change in risk level:</b> </p>

- **Strategic objective 4:** Manage resources for a sustainable transition of the business to support vehicle electrification and deliver strong profitability and cash flow generation
- **Strategic objective 5:** Upskill through the six mindsets for success

- **Strategic objective 6:** Improve diversity and inclusion throughout the organisation

# Principal risks and uncertainties

Continued

Principal risks	Description	Impact
<p><b>4</b></p> <p><b>Operational risk: Business continuity</b></p>	<p>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 or supply chain disruptions, disruptions from events such as COVID-19 shutdowns, 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.</p>	<p>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 and/or result in cost 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.</p> <p>The loss or instability of systems capability at a Group facility 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, reduced employee morale and possible changes in working practices. Serious incidents can have a detrimental impact on the Group's reputation.</p>
<p><b>5</b></p> <p><b>Strategic risk: Product development and changes in technology</b></p>	<p>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 demand for the Group's products. In addition, the Group's products have performance-critical applications and high levels of technical content and know-how. Product development in this evolving environment naturally entails the risk of changes in product design, specification and range.</p>	<p>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. Product development has a direct impact on the Group's next generation product offering, which significantly impacts the Group's future commercial viability. Changing environmental regulations could affect demand for, and/or changes in, the specifications of certain products.</p> <p>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. The Group's technologies and intellectual property rights also need to be kept current through continuous improvement and research and development, and are susceptible to theft, infringement, loss and/or replication by competitors.</p>

STRATEGIC KEY



Technology



Transformation



Talent



Read more on pages 30–31

RISK KEY








Increased



Decreased



No change

Controls and mitigation	Ownership
<ul style="list-style-type: none"> <li>The Group implemented business continuity planning ('BCP') at key locations to enhance the localised continuity planning strategy operated at the facilities</li> <li>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. The Group's global network of facilities also provides a degree of back-up capacity</li> <li>The Group maintains a scheduled programme of maintenance and inspection of all equipment</li> <li>In certain markets, the Group uses preferred suppliers for key components and materials</li> <li>The Group maintains casualty, property and business interruption insurance</li> <li>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</li> <li>The Group's decentralised IT systems worldwide provide some resilience against the loss of production or systems capability to the Group as a whole. Furthermore, the Group IT function maintains a formal disruption recovery plan for the organisation. In response to COVID-19, our IT infrastructure has been strengthened to support the seamless operation of our worldwide office and administrative functions under remote working</li> <li>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. Our health and safety protocols were enhanced in response to COVID-19 to ensure a safer work environment and safeguards against significant infection risk. Health and safety performance is monitored regularly by each division and by the Group</li> <li>The Group has established a Global Operations Committee with representation from different functions, to identify and discuss operational issues on a timely basis</li> </ul>	<p>Divisional Executive Vice Presidents</p> <p><b>Link to strategic objectives:</b> Objectives 1 and 2</p>  <p><b>Change in risk level:</b></p> 
<ul style="list-style-type: none"> <li>The Group operates in the automotive industry in which performance-critical technology evolves and is adopted in a deliberate and measured manner. The Group's products, materials and processes are continually developed and enhanced through research and development and technical input</li> <li>The Group continues its commitment to invest significantly 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</li> <li>The Group has developed, and is implementing, an engineering skills transition plan to ensure our engineering resource has the necessary skills to support an enhanced electric vehicle product offering</li> <li>During 2022, the Group developed its strategy for a global footprint of e-Mobility Innovation Centres (eMICs), which establishes an international network of technical centres focusing on research and development. In addition, the Group has established regional application centres, which focus on application engineering worldwide</li> <li>The Group developed formal product technology and development roadmaps in relation to thermal management (coolant and refrigerant), to clearly outline the Group's product development strategy in the forthcoming years</li> <li>The Group seeks to maintain close relationships and technical partnerships with key customers, and enters into joint development agreements with customers. In addition, the Group continues to explore non-organic options to expand the Group's technology platform and product offering</li> <li>The Group actively registers, manages and enforces its intellectual property rights</li> </ul>	<p>Chief Technology Officer</p> <p><b>Link to strategic objectives:</b> Objectives 1, 2 and 4</p>   <p><b>Change in risk level:</b></p> 

# Principal risks and uncertainties

Continued

Principal risks	Description	Impact
<p><b>6</b></p> <p><b>External risk:</b> <b>Regulatory compliance</b></p>	<p>The Group has operations, globally. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements, and may be subject to cycles, structural change and other external factors, such as changes in tariffs, customs arrangements and other regulations. As a listed company, TI Fluid Systems plc is also subject to increasing regulatory requirements.</p>	<p>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.</p>
<p><b>7</b></p> <p><b>Strategic risk:</b> <b>Talent attraction and retention</b></p>	<p>The future success of the Group is dependent upon the continued services of key personnel and the acquisition of new talent to address the 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.</p>	<p>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 expertise, 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.</p>
<p><b>8</b></p> <p><b>External risk:</b> <b>Cyber event</b></p>	<p>The Group is dependent on the robustness and reliability of its internal and external IT systems for day-to-day operations. Disruptive cyber events (including malware attacks, phishing, and password attack etc) remain a serious threat to the smooth running of the business. The level of cyber attack faced by businesses has been increasing, and some correlation with increasing.</p> <p>The pandemic continues to affect our operational dynamic with a higher level of remote working becoming an established practice. If uncontrolled, exposure through unprotected mobile devices and remote access can be significant.</p>	<p>Should the Group, or its key cloud service suppliers, be affected by a cyber event (denial of service, data breach, compromise) resulting from an external or internal threat, this could result in suspension of critical business services and loss of data. Subsequently, the Group could receive fines, suffer reputational damage, and be unable to meet customer expectations (leading to a loss of customer confidence). Prolonged outages could further erode trust in the business, resulting in long-term reputational damage.</p>

STRATEGIC KEY



Technology



Transformation



Talent



Read more on pages 30–31

RISK KEY



Increased



Decreased



No change

Controls and mitigation	Ownership
<ul style="list-style-type: none"> <li>The markets and any changes to the regulatory environment in which the Group operates, including tariffs and trade policies, are continually monitored and assessed</li> <li>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</li> <li>Through the work of the ESG Steering Committee, the Board is actively monitoring the opportunities and threats posed by climate change, to both the Group's product offering and its operations, and proactively refocusing development and engineering work in this area. The Board receives regular updates on changes in regulatory requirements in relation to ESG (particularly the reporting requirements), and ensures that appropriate measures are in place to comply with new and forthcoming requirements</li> <li>Where relevant or necessary, the Group obtains assistance from external experts and advisers in considering and responding to new requirements</li> <li>Focus throughout the Group on adherence to our Code of Business Conduct ('COBC'), including ongoing training and the review of policies and procedures</li> <li>During the year, the Group formed a separate Group Internal Controls function led by the Vice President Risk &amp; Global Controller, and implemented a formal three lines of defence structure for risk management and controls. The Group Internal Controls function developed a roadmap for an internal control optimisation programme to further strengthen the Group's internal control environment through the three lines of defence model, paving the way to meet the expected forthcoming requirements on internal control reporting under the UK corporate governance reform</li> </ul>	<p>Chief Legal &amp; ESG Officer and Company Secretary</p> <p><b>Link to strategic objectives:</b> Objective 4</p>  <p><b>Change in risk level:</b> </p>
<ul style="list-style-type: none"> <li>The Group has in place incentive arrangements, including bonuses, pensions and long-term incentive plans</li> <li>The Group continues to enhance its activities to further embrace diversity and inclusion across its operations. Culture awareness training is ongoing across our organisation</li> <li>A new, skills-focussed, training and development initiative was being rolled out across the Group in 2022</li> <li>The Group operates established recruitment and development programmes</li> <li>Succession plans continue to be reviewed for relevant key positions</li> <li>The wide organisation structure across the organisation's geography provides some resilience to labour issues in each location, as leadership and specialists travel to areas of need to provide support</li> </ul>	<p>Chief IT, HR &amp; Communications Officer</p> <p><b>Link to strategic objectives:</b> Objectives 5 and 6</p>  <p><b>Change in risk level:</b> </p>
<p>The Company has an established cyber security programme, which aims to mitigate the risks and operational disruption caused by cyber events. The programme is continually updated and tested, and includes:</p> <ul style="list-style-type: none"> <li>backup processes, endpoint protection, encryption of data, enhanced cloud-based security tooling and protection, web and email content protection</li> <li>use of cyber software to enhance protection</li> <li>identity and access management and multi-factor authentication</li> <li>continued cyber security awareness training for all employees</li> <li>vulnerability and penetration testing for external and internal IT services and websites</li> <li>data security audits</li> </ul>	<p>Chief IT, HR &amp; Communications Officer</p> <p><b>Link to strategic objectives:</b> Objective 4</p>  <p><b>Change in risk level:</b> </p>

# Taskforce on Climate-Related Financial Disclosures (TCFD)



## Cause

Human influence is the main driver of warming, increasing frequency and severity of extreme weather



## Speed

On course to reach 1.5°C of warming within the next two decades – current warming is 1.1°C



## Impacts

Every increment of warming matters and leads to more dangerous and costly impacts



## Unprecedented

Temperature and sea-level rise, glacial retreat, ocean warming and acidification occurring at record rates



## Transformational Change

Limiting warming to 1.5°C by the end of century is within reach but requires transformational change

**This is the make-or-break decade for limiting temperature rise to 1.5°C**

IPCC. 2021© Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change

## Climate-related risks, opportunities, and financial impacts

### Background and framework

Governments, investors, and industry have come to realise that urgent and impactful action to address climate change is needed. 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; over the last several years, we have seen, first hand, 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 supporting vehicle electrification with its advanced products and to reducing CO<sub>2</sub>(e) emissions from its operations. The financial impact of climate change on the Group can be viewed as falling into the following 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, which 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 organised 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. See our markets on pages 20–21. This change in the market is the most significant risk and the largest opportunity for the Group.

Electrification is at the heart of the Group's strategy. We recognise the risk of a declining addressable market for our ICE products (primarily the FTDS division) and the opportunity of an increasing addressable market for our thermal products (primarily the FCS division) due to the increased content in EVs. See our strategy on pages 30–31 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 markets on pages 20–21.

Our analysis is based on current business awards, S&P Global Mobility forecasted production volumes and mix, 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 2027 under a scenario reflecting the current commitment from the COP21 Paris Agreement to limit global temperature increases over the next century to 2°C. 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.

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 optimise the usage of its current investment base for ICE and HEV products and new capital investment 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 also be assessed with available capacity expected to be used to support FCS thermal business growth opportunities.

According to our modelling both of the Group's divisions (FTDS and FCS) are expected to continue to have revenue growth in the short and medium term (five years) with outperformance of production volume in line with past performance. In the long-term, 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 and/or joint venture for adjacent thermal products, have not been taken into consideration in the model and would create further revenue growth opportunities.

Further details of how climate change has been considered in our impairment testing model are set out in Note 19 to Financial Statements on pages 159–163.

### 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.

First and foremost, with analytical and advisory support from Schneider Electric, the Group has adopted a new CO<sub>2</sub>(e) emissions reduction target that calls for a 50% reduction of Scope 1 and 2 emissions and a 30% reduction of Scope 3 emissions, in each case by 2030 on an absolute basis from a 2021 baseline. Our new targets have been submitted to the Science-Based Target initiative (SBTi) for review and validation.

The Group will need to make operational changes and investments to support reduced CO<sub>2</sub>(e) emissions, as well as more efficient use of water and the elimination of landfill waste. In addition, the Group will need to comply with enhanced disclosure and, potentially, increased regulation and taxes related to energy and CO<sub>2</sub>(e) emissions. Over time, the Group may recognise 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 Sustainability on pages 40–41 and our strategy on pages 30–31.

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 an additional budget for increasing the mix of renewable energy within the Group's electricity consumption and purchasing renewable energy attribute certificates.

Our current sustainability initiatives, including our CO<sub>2</sub>(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 the coming years, we expect to expand our analysis to include a scenario reflecting the risk of a 1.5°C and a 4°C global temperature rise trajectory and associated acceleration in global climate change mitigations for disclosures in the future.

See Note 1.23 to Financial Statements on page 135 for more information.

### Direct impacts

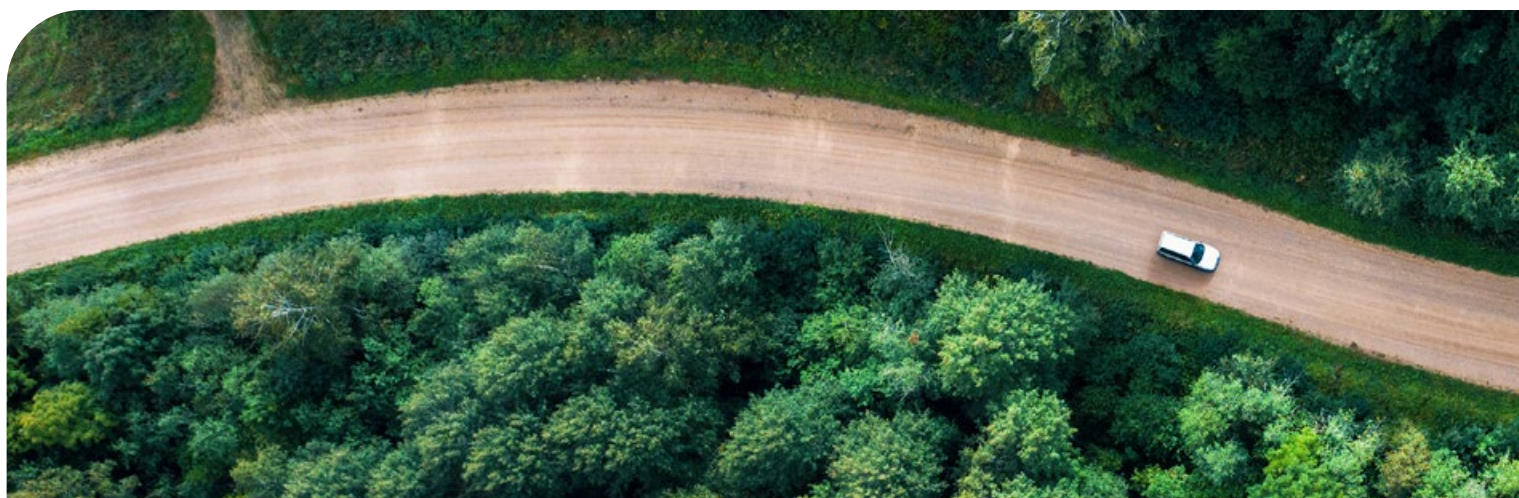
The Group may have potential physical risks from climate change, such as flooding, sea level rise, and changing water availability and quality, which could affect the Group's locations and operations and the need to re-locate several facilities.

The Group has assessed, and will continue to assess, all of its manufacturing locations under 1.5°C, 2°C, and 4°C global temperature rise. At this time, no short- or medium-term physical risks have been identified. Several long-term impacts have been identified.

See Climate-related physical risks on page 55 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 relocate existing facilities) through our property lease 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.

# Taskforce on Climate-Related Financial Disclosures (TCFD) Continued



## 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 the 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 reviewed and recommended the adoption of the Group's recently updated Scope 1, 2, and 3 emissions reduction targets.

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, which 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 the Statement by the Chair of the Remuneration Committee on pages 90–92.

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.

We have established the following time frames: short term 0–1 years, medium term 1–5 years, and long term 6–15 years, consistent with our most recent CDP public disclosure. We fully understand that most climate change will take place in what we have defined as the long term time frame.

#### 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 the VP Risk & Global Controller, are primarily responsible for identifying and assessing climate-related impacts and leading the 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 capital expenditure and other energy conservation projects to reduce the level of the Group's CO<sub>2</sub>(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 are incorporated into the annual budget and medium-term plan. Over the next several years, we expect to conduct more quantitative analysis for a more detailed assessment of the potential financial impact.

## Risk management

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

**Generally.** 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 and uncertainties on pages 42–51.





**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 utilise planning and development information from our OEM customers, but also refer to production volume forecasts from S&P Global Mobility 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 being transitioned to a 1.5°C scenario in conjunction with the submission of our CO<sub>2</sub>(e) emissions reduction targets.

**Direct climate impact.** To identify and assess direct physical impacts of climate change, we modelled three scenarios with 1.5°C, 2°C and 4°C global temperature increases. We used the Intergovernmental Panel on Climate Change IPCC Interactive Atlas to help predict when temperatures would reach 1.5°C, 2°C and 4°C, respectively. We did this by taking the median date using the 34 models available for the 1.5°C and 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 severe 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 11 plants and one office that we would expect to experience annual coastal flooding in the 1.5°C scenario. We identified 12 plants and two offices that would expect to experience annual coastal flooding in the 2°C scenario and an additional three plants and one office that would be expected to experience annual coastal flooding in the 4°C scenario. Of those plant locations, all but three are in areas that are currently planning, building, or have in place, sea level rise defence measures. The three unprotected plant sites may need to be relocated in the next 10–15 years, which, would be considered not to have 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 Sustainability on pages 40–41

# Taskforce on Climate-Related Financial Disclosures (TCFD) Continued

## 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 2022, the Group tracked the following metrics to assess risks and opportunities in line with our sustainability transition:

- Scope 1 CO<sub>2</sub>(e) emissions by location, division, country and region
- Scope 2 CO<sub>2</sub>(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

Please note Scope 1 & 2 emissions are calculated using market and location based GHG Protocol methodology. In our annual reporting we provide market-based emission reporting. Location based reporting is publicly available via our CDP disclosure.

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

Scope 3 CO<sub>2</sub>(e) emissions are relevant to our business. Consistent with the GHG Protocol, we have developed a Scope 3 emissions inventory for 2021 and 2022. Our 2021 baseline year Scope 3 emissions incorporated eight of the 15 Scope 3 categories defined by the GHG Protocol.

Our total 2021 Scope 3 emissions was 1,206,839 tonnes of CO<sub>2</sub>(e). This represents approximately 83% of our total emissions mass in 2021. In 2022, our Scope 3 emissions was 1,227,738 tonnes of CO<sub>2</sub>(e), representing 83% of our total group-wide emissions. A detailed breakdown of our 2022 Scope 3 emissions is provided below.

Category of Emission	2021	2022
Purchase goods & services	895,021	934,094
Capital goods	187,329	135,586
Fuel & energy-related Activities	62,969	66,908
Upstream and downstream transport (combined)	11,159	39,325
Waste generated in operations	5,660	4,031
Business travel	971	2,354
Employee commuting	42,206	43,618
Upstream leased assets	318	360
<sup>1</sup> Processing of sold products	0	0
<sup>2</sup> Use of sold products	0	0
EoL of sold products	1,206	1,462
<sup>3</sup> Downstream leased assets	0	0
<sup>3</sup> Franchises	0	0
<sup>3</sup> Investments	0	0

<sup>1</sup> The processing of our products by our customers was not included in our Scope 3 emissions as we sell completed products that are simply assembled into vehicles. The emissions from the assembly of our products are considered negligible.

<sup>2</sup> Our products do not directly consume energy and, therefore, no indirect use phase emissions are included in our Scope 3.

<sup>3</sup> TIFS has no downstream leased assets, franchises or investments.

**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 the Remuneration report on pages 96–105 for more information.


**Sustainability transition.** The Group updated its targets for the absolute reduction of Scope 1, 2 and 3 CO<sub>2</sub>(e) emissions and also established water conservation objectives. See Sustainability on pages 40–41 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 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 has reviewed the Task Force on Climate-related Financial Disclosures - Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, published in October 2021. There is no specific automotive sector guidance, as such, we have reviewed and considered the All Sector Guidance contained in the document as we developed the current version of our TCFD disclosure.

The Company's disclosures are consistent with the TCFD Recommendations and Recommended Disclosures, except in the one instance noted (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 are discussed in the paragraph below and in the referenced pages).

We have begun the research and selection process for a consultant to support our efforts to develop multiple scenarios. We anticipate selecting a consultant in Q2 of 2023 and developing robust scenarios for disclosure in our next annual report.

 Read more in the Chair's Introduction to Corporate Governance on pages 70–71

 Read more on the Board Succession in the Nomination Committee report on pages 80–82

 Read more on the Compliance Statements on pages 62–63

	TCFD Recommended Disclosures	Reference pages	Consistent
<b>Governance</b>	Describe the board's oversight of climate-related risks and opportunities	See Governance – Board of Directors on pages 72–74	Consistent
	Describe management's role in assessing and managing climate-related risks and opportunities	See Governance – Management on page 54	Consistent
<b>Strategy</b>	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 52–53	Consistent
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	See Strategy and Financial Planning on pages 52–53	Consistent
	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 52–53	Consistent except only one scenario used for sustainability transition
<b>Risk management</b>	Describe the organisation's processes for identifying and assessing climate-related risks	See Risk Management on pages 54–55	Consistent
	Describe the organisation's processes for managing climate-related risks	See Risk Management on pages 54–55	Consistent
	Describe how processes for managing climate-related risks are integrated into the organisation's overall risk management	See Risk Management on pages 54–55	Consistent
<b>Metrics and targets</b>	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 56	Consistent
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	See Metrics and Targets on page 56 and Sustainability on pages 40–41	Consistent
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See Metrics and Targets on page 56	Consistent

# Chief Financial Officer's report



We continue to make impressive bookings in our EV and HEV orders, recording €1.3 billion of lifetime revenue in each category in 2022 and representing 76% of the total new business wins.

**Ron Hundzinski**  
Chief Financial Officer



Our revenue grew year over year despite some unfavourable mixed impacts in China, and we have made significant progress in our cost-recovery efforts and maintained cash generation even with prolonged pressures on working capital. Our balance sheet remains strong, and our liquidity position is healthy.

The Group continued to focus on strengthening operational performance and its underlying business, which will improve results in the medium and longer term. Notably, we continue to make impressive bookings in our BEV and HEV orders, recording €1.3 billion of lifetime revenue in each category in 2022, representing 76% of the total new business wins.

Our margin profile reflects the inflationary pressures that were present in all areas of our cost base, but an approximately 70% recovery of these costs from our customer base offset a large portion.

**Table 1: Key performance measures**

€ millions

Adjusted measures*	2022	2021	Change	Constant Currency % Change
Revenue	3,268.3	2,956.6	10.5%	5.2%
Adjusted EBITDA	333.3	352.9		
Adjusted EBITDA Margin %	10.2%	11.9%		
Adjusted EBIT	180.0	212.6		
Adjusted EBIT Margin %	5.5%	7.2%		
Adjusted Net Income	43.5	58.3		
Adjusted Basic Earnings per Share	8.48	11.23		
Adjusted Free Cash Flow	78.4	117.3		

Statutory Measures	2022	2021	Change
Revenue	3,268.3	2,956.6	10.5%
Operating (Loss)/Profit	(217.0)	126.8	
{Loss}/Profit for the Period	(279.0)	16.0	
Basic (Loss)/Earnings per Share (€ cents)	(54.39)	2.76	
Dividend (€ cents)	2.54	3.39	

\*Adjusted measures are non-IFRS metrics and are reconciled in Note 3 and defined in the glossary in Note 37

Global light vehicle production (GLVP) remains a principal driver of the Group's performance, and in 2022 increased to 82.4 million vehicles or by 6.7% compared to the prior year. Post-pandemic volume recovery in the industry continues to be uneven, with different regions experiencing different supply chain constraints in addition to challenging global macroeconomic conditions. Russia's invasion of Ukraine created supply chain issues in the automotive industry during the first half of the year, and this adversely impacted light vehicle production in Europe.

2022 revenue at actual rates increased by €311.7 million, or 10.5% year over year to €3,268.3 million, with growth in every significant region except China, where the product mix was affected by the rapid transition to BEV platforms from domestic OEMs fuelled by government incentives and unexpected COVID-19 related closures. Growth included a positive currency impact of €149.9 million, mainly as a result of a stronger US dollar exchange rate against the Euro throughout 2022. On a constant currency basis, revenue increased by €161.8 million or 5.2% year over year, providing slightly lower growth in comparison to GLVP volumes at 150 bps in the year.

We generated Adjusted EBIT of €180.0 million with an adjusted margin of 5.5%. The adjusted margin is a reflection of the significant global inflationary pressures, which resulted in higher operating costs, the impact of COVID-19 in China, and the volatility caused by continuing semiconductor shortages. Operating loss of €217.0 million (2021: €126.8 million profit) includes an exceptional impairment charge of €317.4 million. This is covered in more detail in the Operating Profit, Adjusted EBITDA and Adjusted EBIT discussion in this report.

Adjusted Net Income was €43.5 million, compared to €58.3 million in the prior year. The reported loss for the year was €279.0 million compared to €16.0 million profit in 2021, with 2022 being impacted by the €297.3 million exceptional impairment charge net of tax. Basic EPS was (54.39) Euro cents (2021: 2.76 Euro cents) and Adjusted Basic EPS was 8.48 Euro cents, compared with 11.23 Euro cents in 2021.

The Group delivered Adjusted Free Cash Flow of €78.4 million (2021: €117.3 million). With financing net cash outflows amounting to €62.4 million (2021: €122.5 million), including €12.6 million (2021: €45.0 million) in respect of dividend payments and a favourable currency impact of €3.4 million (2021: €24.3 million); year-end net debt was €624.9 million (2021: €600.3 million), inclusive of cash balances of €491.0 million (2021: €499.1 million).

## Automotive markets

Global light vehicle production volumes increased by 6.7% in 2022 to 82.4 million vehicles as shown in Table 2, with Europe impacted by the conflict in Ukraine, and Asia Pacific benefitting from the accelerated adoption of local BEVs in China due to time-limited government incentives.

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

	2022	% Change
Europe, including Middle East and Africa	18.1	0.6%
Asia Pacific	47.2	8.2%
North America	14.3	9.7%
Latin America	2.8	8.4%
<b>Total global volumes</b>	<b>82.4</b>	<b>6.7%</b>

Sources: S&P Global Mobility February 2023 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**

	2022	2021	Change	% Change	% Change at constant currency	Constant currency revenue growth vs LVP growth
<b>Total Group revenue</b>	<b>3,268.3</b>	2,956.6	311.7	10.5%	5.2%	(150) bps
<b>By segment</b>						
FCS	1,869.7	1,603.5	266.2	16.6%	10.3%	360 bps
FTDS	1,398.6	1,353.1	45.5	3.4%	(0.9)%	(760) bps
<b>By region</b>						
Europe and Africa	1,207.1	1,138.4	68.7	6.0%	5.8%	520 bps
Asia Pacific	1,114.3	1,058.1	56.2	5.3%	(0.5)%	(870) bps
North America	895.8	713.6	182.2	25.5%	12.9%	320 bps
Latin America	51.1	46.5	4.6	9.9%	(2.6)%	(1,100) bps

In Europe and Africa, where we ceased operations in Russia due to its invasion of Ukraine, revenue at constant currency increased by 5.8% year over year compared to a light vehicle production (LVP) volume change of 0.6%, giving an outperformance of 520bps. This outperformance was driven by the successful launch of new HEV/BEV programmes for both FTDS and FCS.

In Asia Pacific, revenue at constant currency decreased by 0.5% year over year compared to an LVP volume increase of 8.2%, giving an underperformance of 870bps. Underperformance in the region was entirely in China and was driven by COVID-19-related closures and transition to BEVs by domestic OEMs, as previously highlighted and compounded by COVID-19-related closures towards the end of the year.

In North America, revenue at constant currency increased by 12.9% year over year compared to an LVP increase of 9.7%, reflecting an outperformance of 320bps. Outperformance in this region was mainly driven by strong growth in FCS due to thermal business launches and ramp ups. FCS outperformed the market in that region by 660bps.

FCS revenue increased by €174.8 million, or 10.3% at constant currency from the prior year to €1,869.7 million, giving an outperformance of 360bps when compared to GLVP growth. The strong FCS revenue increase is driven by successful launches of thermal programmes in Europe and North America, as well as cost recoveries from customers.

FTDS revenue at constant currency decreased by 0.9% to €1,398.6 million, underperforming GLVP growth by 760 bps, primarily driven by the growth in BEV production, which reduced the addressable market, and the impact of the COVID-19-related shutdowns in China, where key manufacturing facilities are located. Revenue was also impacted by the planned exit of part of the business in Latin America.

# Chief Financial Officer's report

## Continued

Revenue at actual rates increased by 10.5% to €3,268.3 million due to a net positive currency exchange rate impact of €149.9 million, compared with the prior year, in addition to the regional volume differences. Compared to the same period last year, the US Dollar depreciated by 11% against the Euro, and the Chinese Renminbi by 7.2%. With just under half of the Group's revenue denominated in these currencies, these foreign exchange rate movements against the Euro had a significant positive impact on the Group's revenue performance. On a constant currency basis, revenue increased by 5.2%.

### Operating loss, 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 underlying operating performance of the business. The metrics are also used in certain of our compensation plans and to communicate to our investors. A reconciliation between the reported measures and Adjusted EBITDA and Adjusted EBIT is shown in Note 3.

The operating loss of €217.0 million (2021: €126.8 million profit) was principally due to the exceptional impairment charge of €317.4 million. This was recognised following a full impairment review triggered by a reduction in the projected GLVP volumes over the five-year review period and rising discount rates. Our full impairment review is included in Note 19 and shows that goodwill arising from the Bain acquisition of €217.1 million was impaired and other assets including property, plant and equipment, other intangibles and right-of-use assets of €100.3 million were also impaired. The impairment was primarily caused by the reduction of medium-term GLVP forecasts, impact of cost pressures, and increases in discount rates arising from the increase in interest rates. Operating profit before exceptional items was €100.4 million, €26.4 million lower than last year (2021: €126.8 million), where the operating gains from higher revenues were more than offset by the impact of the adverse macroeconomic pressures that we continue to face, most notably the inflationary effects on raw materials and energy costs not fully recovered from customers.

The Group continues its business rationalisation programme, with the cost saving activity started in 2020 continuing into 2022, and, in this regard, we incurred further restructuring charges of €22.8 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 2022, there was a restructuring provision of €7.8 million (2021: €15.8 million). The closure of two plants in Russia were included as part of the restructuring activities.

Adjusted EBITDA was €333.3 million (2021: €352.9 million) and Adjusted EBITDA margin was 10.2% (2021: 11.9%), impacted by higher input costs due to rapid and high levels of inflation, which added €143 million of commodities, energy, freight and labour costs, which were offset by customer recoveries of €101 million, an approximately 70% recovery rate. The operating costs have been impacted by macroeconomic challenges relating to inflationary cost pressures, the conflict in Ukraine, which has adversely affected the supply chain, as well as persistent global semiconductor shortages.

Adjusted EBIT was €180.0 million (2021: €212.6 million) and Adjusted EBIT margin was 5.5% (2021: 7.2%), mainly reflecting the cost pressures discussed above. During the year, there were programme-specific impairment charges of €1.4 million (2021: €2.0 million).

By segment, FCS-Adjusted EBIT was €95.0 million (2021: €117.9 million) with an Adjusted EBIT margin of 5.1% (2021: 7.4%). This reflects the adverse macroeconomic conditions experienced in the year, particularly rising material and labour costs, which were only partially offset by savings from restructuring activities and manufacturing efficiencies.

FTDS Adjusted EBIT was €85.0 million (2021: €94.7 million) with an Adjusted EBIT margin of 6.1% (2021: 7.0%). The margin reflects the tough operating conditions, particularly inflationary pressures, some of which were partially mitigated by having customer contracts with indexing clauses for resin cost changes.

### Net finance expense

Net finance expense, before exceptional items for the year was €58.7 million, an improvement of €1.3 million from the prior year excluding exceptional items. This was mainly due to lower capitalised fee amortisation expense following the refinancing carried out in April 2021, and higher interest income due to higher interest rates, which were partially offset by higher interest expense, particularly on the US Term Loan due to higher base lending rates for the US LIBOR. The exceptional finance expense in 2021 related to the write-off of previously capitalised fees upon refinancing in April 2021.

### Taxation

The Group income tax charge, before exceptional items, is €23.4 million, down €17.5 million from 2021. This lower income tax charge results in a decrease in the Effective Tax Rate to 56.1% (2021: 62.0%) on revised Group Profit Before Tax of €41.7 million (2021: €67.0 million). The 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. See Note 13 for more details.

The 2022 exceptional impairment charge of €317.4 million has an associated deferred tax credit of €20.1 million, which results in an effective tax rate of 6.3%. The lower effective tax rate is due to the fact that the majority of the impairment is related to goodwill, which does not carry a deferred tax balance and, therefore, this portion of the impairment is not tax effected.

For 2021, the Group reported 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).

### Adjusted Net Income\* and loss 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.

Adjusted Net Income was €43.5 million in 2022, compared to €58.3 million in 2021, primarily driven by the unrecovered inflationary cost increases discussed. The loss for the year was €279.0 million (2021: €16.0 million profit) reflecting the lower operating performance and the exceptional impairment charge net of tax of €297.3 million (2021: €9.0 million charge relating to refinancing).

### Basic EPS and Adjusted Basic EPS\*\*

On a statutory basis, Basic Earnings per Share ('EPS') was (54.39) Euro cents for the year (2021: 2.76 Euro cents), reflecting the significant impairment charge booked in the year. Adjusted Basic EPS was 8.48 Euro cents per share for the year (2021: 11.23 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above.

\* See Non-IFRS measures in Note 3 and defined in the glossary in Note 37

\*\* See Non-IFRS measures in Note 14 and defined in the glossary in Note 37

## Dividend

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

The Board has decided to recommend a final dividend of 1.54 Euro cents per share amounting to €7.9 million. This final dividend, together with the 2022 interim dividend of 1.00 Euro cents per share paid in September 2022, makes a total dividend for 2022 of 2.54 Euro cents per share, totalling €13.0 million. The total dividend is 30% of Adjusted Net Income. Subject to shareholder approval at the Annual General Meeting on 16 May 2023, the final dividend will be paid on 23 June 2023 to those on the register on 26 May 2023, the Dividend Record Date and will be converted to Sterling at a fixed rate on the same date.

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.

In 2022, we generated an Adjusted Free Cash Flow of €78.4 million (2021: €117.3 million). The Adjusted EBITDA generated by the Group was used to fund investment in capital equipment and intangibles. There was a €5.7 million decrease in property, plant and equipment and intangibles expenditure, and tax cash payments were €4.2 million higher. The outflow from working capital of €22.6 million was driven by the increase in working capital balances arising from higher sales and the adverse impact from the prolonged challenges in the macroeconomic environment and the increasing inventory valuation driven by raw materials inflation. The net cash outflow on restructuring was €23.6 million, predominantly severance payments (2021: €21.3 million).

Free cash flows of €50.9 million (2021: €111.5 million) were offset by cash outflows from financing of €62.4 million (2021: €122.5 million), resulting in a reported decrease in cash and cash equivalents of €11.5 million (2021: €11.0 million). Financing outflows include €11.4 million for the Group's purchase of its own shares (2021: €8.3 million) associated with the Group's liabilities under the long-term incentive plans, scheduled repayments of borrowing €5.5 million (2021: €22.1 million including the net impact of the 2022 refinancing), and €32.9 million (2021:

€31.6 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.

The 2022 total dividend cash outflow amounted to €12.6 million (2021: €45.0 million).

## Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple territories with the largest being the US pension and retiree healthcare schemes, which represent 53% of our net unfunded position at 31 December 2022 (2021: 52%), and Germany pension and retiree schemes 19% (2021: 20%). We also have funded schemes in the UK and Canada, which were fully funded at 31 December 2022 (2021: 1%). 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 improved by €23.9 million from 31 December 2021 to €104.2 million at 31 December 2022, primarily due 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 2022 was €624.9 million, an increase of €24.6 million from the prior year end mainly due to adverse foreign exchange movements on the US Dollar Term Loan of €16.4 million and lower cash compared to the prior year.

The Group's net leverage ratio, also a non-IFRS measure, was 1.9 times Adjusted EBITDA as at 31 December 2022 (31 December 2021: 1.7 times), reflecting the lower Adjusted EBITDA and higher Net Debt.

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 €774.5 million (31 December 2021: €750.2 million) and net leverage ratio would be 2.3 times Adjusted EBITDA (31 December 2021: 2.1 times).

## Liquidity

Our principal sources of liquidity have, historically, been cash generated from operating activities and amounts available under our credit facilities, which consist of a revolving facility under our cash flow credit agreement of \$225.0 million (€210.8 million). Total available liquidity (cash plus available facilities) on 31 December 2022 was €699.9 million (31 December 2021: €695.3 million).

## Outlook

The current S&P Global Mobility estimate for GLVP in 2023 is 85.1 million units although the Group remains slightly more cautious anticipating circa 83.0 million units due to the potential for demand moderation combined with ongoing supply constraints. The Group expects the first quarter of 2023 to be impacted by the disrupted situation in China, but expect this to resolve for a stronger second half of the year. Mindful of the geopolitical uncertainty, and the ongoing but improving global supply constraints, the Group expects revenue growth at constant currency to return to outperformance compared to GLVP volume growth this year. With a strong focus on cost management, cost recoveries, and a more stable production environment, the Group expects Adjusted EBIT margin to expand above 6% this year. Adjusted Free Cash Flow is expected to return to approximately 30% of Adjusted EBITDA. Looking to the medium term, the Group is well placed to use its good position in the automotive industry transition to electric vehicles and expects strong new business bookings driving future revenue growth and outperformance, in addition to returning to historic profit margins.

## Ron Hundzinski Chief Financial Officer

15 March 2023

\* Defined in the glossary in Note 37

# Compliance statements

## Going concern

At 31 December 2022, the Group's external financing arrangements comprised unsecured Senior Notes of €600.0 million (maturing on 15 April 2029), a Euro term loan of €260.3 million (repayable in instalments until 16 December 2026), a US Dollar term loan of \$294.8 million (repayable in instalments until 16 December 2026) and a revolving credit facility ('RCF') of \$225.0m (maturing 16 July 2026). The amount utilised under the RCF, as at 31 December 2022, was €1.9 million, with the available undrawn amount at €208.9 million. The only covenant measure that exists applies to the RCF and is a leverage ratio, which must be below 3.8x Adjusted EBITDA when the revolving facility is drawn over 35%.

In addition, the Group held €491.0 million of cash and cash equivalent as at 31 December 2022. Actual available liquidity, including cash and revolving facility on 31 December 2022, was, therefore, €699.9 million, which provides a strong basis for the Group's liquidity during the review period.

The Directors have reviewed the likely performance of the Group and the Company for the period to the end of 2024 by reference to an outlook using the approved Budget and Medium-Term Plan as a base case scenario (volumes used: 2023 83.0 million units, 2024 86.3 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 and other challenges facing the industry.

A severe, yet plausible, downside scenario, mindful of developing geopolitical tensions and emerging economic challenges, was produced comprising a 10% reduction in global light vehicle production volumes against external data (volumes used: 2023 76.5 million units, 2024 79.2 million units), a further 5% annual reduction in operating margin due to increased costs, a further 0.5% annual sales price reduction and a €8 million business disruption from an unexpected plant closure. These reflect the downside impact of principal risks facing the business in respect of global light vehicle production volumes, cost pressures (commodities and energy costs), customer price reduction pressures and the impact of a business disruption. The downside scenario showed the availability of liquidity headroom without the use of the revolving credit facility. There were no covenant breaches in the review period.

In addition, a reverse stress test was performed as part of the review (see further details in the Viability statement section below), and indicates there would need to be a catastrophic reduction in volumes to exhaust all available liquidity (available undrawn borrowing facility and cash and cash equivalent), which the Directors considered to be highly unlikely.

The going concern scenarios do not indicate a material uncertainty, which may cast significant doubt over the Company's and Group's ability to continue as a going concern. Based on these assessments, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and, accordingly, have adopted the going concern basis in preparing the consolidated financial statements. This disclosure has been prepared in accordance with the Financial Reporting Council's UK Corporate Governance Code.

## 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 five-year period to 31 December 2027, 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, which form the Budget for 2023 and Medium-Term Plan for 2024–2027. These plans provide the basis for the Directors to assess 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 2023 were reviewed and approved by the Board on 13 December 2022, and 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 2027, which models the principal risks likely to have a significant financial impact. The severe yet plausible downside scenario assumed:

- 10% lower annual global production volumes compared to the current global light vehicle production forecasts – volumes used: 2023 76.5 million units, 2024 79.2 million units, 2025 81.6 million units, 2026 82.9 million units, 2027 84.0 million units (Principal risk: Global light vehicle production volumes)
- 5% further increase in direct costs due to increased commodity pricing and costs associated with purchasing energy to meet our carbon reduction commitments (Principal risk: Competitor and customer pricing pressure)
- 0.5% further sales price reduction (Principal risk: Competitor and customer pricing pressure)
- €8 million unexpected facility disruption, only partially recovered from insurance (Principal risk: Business continuity)
- incremental annual capital expenditure of €10 million (Principal risk: Product development and changes in technology)

The combination of the above was considered appropriate to capture any sustained impact arising from current geopolitical tensions and emerging economic challenges. 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 €670 million at the end of the review period compared to the base case, which showed €970 million available liquidity. The Directors considered the beneficial impact arising from potential further remediation actions, but these were not factored into the downside scenarios, allowing further room for prudence.

In all of the scenarios assessed, including the severe, yet plausible, scenario, there is no indication of potential breaches of the covenant on leverage ratio, and there remains sufficient liquidity headroom from the Group's current liquidity. In the severe, yet plausible, scenario, €4m would be drawn from the revolving facility in Q2 2027 and repaid by the next quarter.



A reverse stress test was also performed to determine the level of global light vehicle production volume, which would extinguish all cash. It was found that a reduction of 33% for each year compared to the base case (volumes used: 2023 55.6 million units, 2024 57.7 million units, 2025 59.2 million units, 2026 59.7 million units, 2027 60.4 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 33% drop is likely and, therefore, do not regard this as a plausible outcome.

As described in Note 28 to the financial statements, the Group successfully refinanced its borrowings on 16 April 2021 by issuing eight-year unsecured senior notes, which were 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. 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 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 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 on the industry caused by microchip shortages, are discussed in the CEO's statement on page 12 and in the CFO's report on pages 58–61. 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 (see Note 19 to the financial statements). The base case already includes additional capital expenditure related to carbon reduction projects as well as additional costs arising from increasing energy costs.

Considering the Group's current financial position, the geographic spread of its operations, its established customer relationships, assessment of the 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 operational existence meeting its liabilities as they fall due over the period of assessment.

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**

15 March 2023

# Non-financial information statement

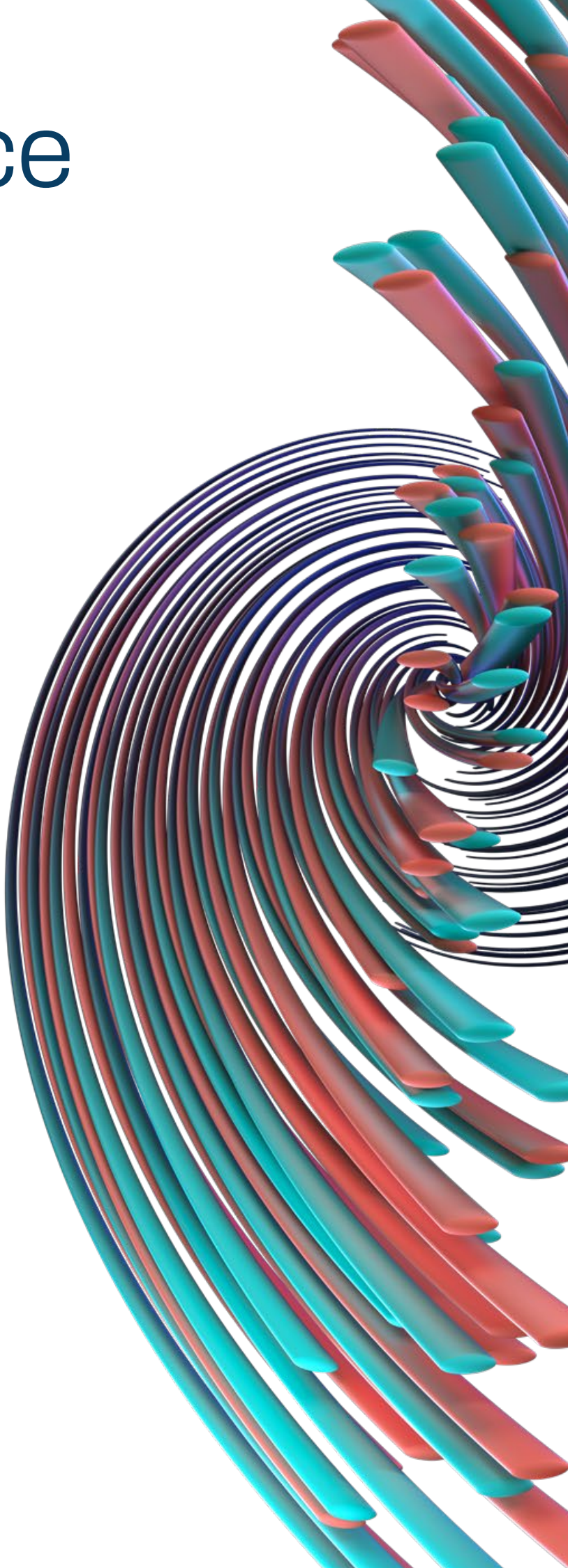
Under the Non-Financial Reporting Requirements of the Companies Act 2006, the Group is required to disclose additional non-financial information in certain specified categories. The table below highlights how we have met the requirements and where to locate the information.

Reporting requirement	Description	Pages
<b>Business model</b>	The Group uses non-financial information in all aspects of its business, from the 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.	
	Business model	28–29
	Our strategy	30–31
	Key performance indicators	32–35
	Principal risks and uncertainties	42–51
	Audit & Risk Committee report	83–89
<b>Environmental matters</b>	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	28–29
	Energy consumption	40–41
<b>Employees</b>	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.	37
	Business Model: Employee skills and motivation	28–29
	Principal risks and uncertainties: Succession of key personnel	50
	Code of Business Conduct	38
	Core Values	1
	Corporate responsibility:	
	– Employment policies, culture, diversity and employee engagement	37
	– Health and safety programmes	49
Talent in the workforce	17	

Reporting requirement	Description	Pages
<b>Business practices and social matters</b>	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 in which we operate through local charitable and outreach activities.	
	Business model: Compliance with laws and regulations	29
	Principal risks and uncertainties: External risk	46
	– Code of Business Conduct	38
	– Ethics and compliance	37
	– Community involvement	38
	– Whistleblowing	79
	Details of the Group's Tax Strategy, as well as our policy regarding Slavery and Human Trafficking, can be found on our website.	

# Governance report

Improving fuel economy

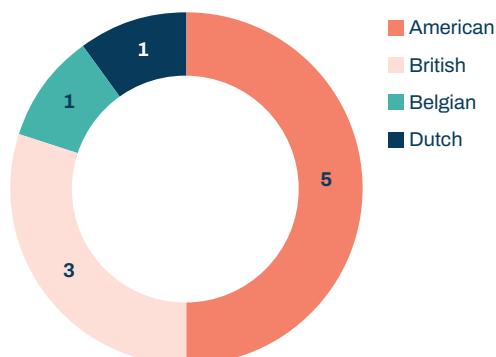


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# Corporate Governance at a glance

## Geographical split



## Meeting attendance

98%

Board meeting attendance

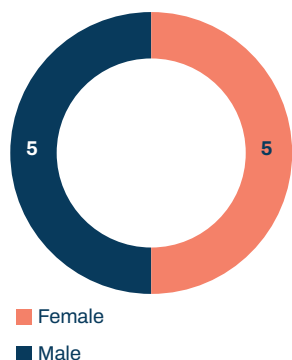
### Board meeting attendance

Manfred Wennemer (resigned 18 May 2022)	3/3
Tim Cobbold (Chair from 18 May 2022)	7/7
Julie Baddeley	7/7
Hans Dieltjens	7/7
Ron Hundzinski	6/7
Susan Levine	7/7
Jane Lodge (appointed 6 June 2022)	3/3
Elaine Sarsynski	7/7
Trudy Schoolenberg (appointed 6 September 2022)	2/2
John Smith	7/7
Stephen Thomas	7/7
Jeffrey Vanneste (resigned 6 June 2022)	2/2

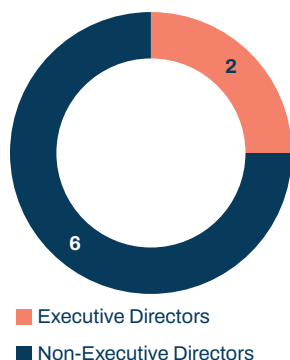
The table above shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 1 January 2022 to 31 December 2022.

## Board composition

### Board gender balance



### Board independence



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

## Board skills matrix

Director	Tim Cobbold	Trudy Schoolenberg	Jane Lodge	John Smith	Julie Baddeley	Elaine Sarsynski	Stephen Thomas	Susan Levine	Hans Dieltjens	Ron Hundzinski
<b>Independence</b>										
SID*		●								
Independent**	●	●	●	●	●	●				
<b>Areas of Expertise</b>										
Automotive Industry Experience	●		●	●					●	●
CEO Experience	●			●		●			●	
Environmental & Sustainability		●			●	●		●		
Financial & Accounting	●		●	●		●	●	●		●
IT & Cyber Security					●					
Mergers & Acquisitions	●	●		●	●	●	●			●
Operations	●	●							●	
Product Development & Innovation		●		●					●	
Risk & Compliance	●		●			●				●
Strategy	●	●	●	●	●	●	●	●	●	●

\*Female SID





\*\*60% Independent Board Chair + 55.6% INEDS

## The Board

Leadership, strategy and development; controls and values

<b>Hans Dieltjens</b> Chief Executive Officer and President	<b>Tim Cobbold</b> Independent Non-Executive Chair	<b>Elaine Sarsynski</b> Independent Non-Executive Director
	<b>Julie Baddeley</b> Independent Non-Executive Director	<b>Trudy Schoolenberg</b> Senior Independent Director
<b>Ron Hundzinski</b> Chief Financial Officer	<b>Susan Levine</b> Non-Executive Director	<b>John Smith</b> Independent Non-Executive Director
	<b>Jane Lodge</b> Independent Non-Executive Director	<b>Stephen Thomas</b> Non-Executive Director

## Committees

<b>Nomination Committee</b>  <b>Chair</b> Tim Cobbold  <b>Members</b> Julie Baddeley Trudy Schoolenberg  <b>Key responsibilities</b> 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   Read more on pages 80–82	<b>Audit &amp; Risk Committee</b>  <b>Chair</b> Jane Lodge  <b>Members</b> Elaine Sarsynski John Smith  <b>Key responsibilities</b> 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   Read more on pages 83–89	<b>Remuneration Committee</b>  <b>Chair</b> John Smith  <b>Members</b> Julie Baddeley Jane Lodge  <b>Key responsibilities</b> 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   Read more on pages 90–92	<b>ESG Steering Committee</b>  <b>Chair</b> Elaine Sarsynski  <b>Members</b> Julie Baddeley Susan Levine Hans Dieltjens Ron Hundzinski  <b>Key responsibilities</b> 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  Monitoring the Group's corporate responsibility, sustainability and stakeholder engagement activities   Read more on pages 106–107
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## The Executive Committee

Although not a formal Committee of the Board, the Executive Committee is established and led by the CEO, and is responsible for executing strategy and the day-to-day management of the business.

For the year ended 31 December 2022, 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 80–82 and the Directors' report on pages 108–110.

# Chair's Corporate Governance statement



*At TI Fluid Systems, we recognise the importance of effective oversight of our Corporate Governance Framework as good governance is central to the successful delivery of our strategy.*

**Tim Cobbold**  
Chair



## 2023 focus areas

- Monitor the Group's near term response to market conditions
- Induction of the new CFO, Alexander De Bock and the embedding of our two new Non-Executive Directors, Jane Lodge and Trudy Schoonenberg
- Oversee our stakeholder engagement on the Company's sustainability journey
- Enhance shareholder engagement by holding an in-person Capital Markets Event in 2023 and develop engagement with customers and investors at the new e-Mobility Innovation Centre in Rastatt, Germany

## Dear shareholder,

On behalf of the Board, I am pleased to present the Group's Corporate Governance report for the year ended 31 December 2022.

We continue to implement our Take the Turn strategy to capture opportunities related to the industry's transition to electrification and focus on sustainability as we manage our ICE business and make our operations cleaner and more efficient. 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 is available on the FRC website at [www.frc.org.uk](http://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 36–39.

## Shareholder engagement

In leading the Group, the Board has engaged with our shareholders on many matters, including sustainability and remuneration.

The Board has crucially focussed on developing and refining the Take the Turn strategy, overseeing its implementation by management and providing input and challenge. Clear and consistent management and decisive decision making from the Board and the entire management team allows for the delivery of our strategic objectives and sustained success for all our stakeholders.

Reverting to our face-to-face stakeholder engagement and site visits has been crucial for the Board, and stakeholders more broadly, and has reaped clear benefits. The Executive Directors have engaged in numerous meetings with investors, employees, customers and stakeholders more generally.

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 2022 are set out on pages 72–74.



As I discussed in greater detail in my Chair's statement, our Board composition has undergone several significant changes in 2022. The Nomination Committee was supported by recruitment consultants in facilitating a robust and transparent procedure for the appointments of our two new independent Non-Executive Directors, Jane Lodge in June 2022 and Trudy Schoolenberg in September 2022, and our new CFO, Alexander De Bock, who is joining us in April 2023. The Nomination Committee sets out its focus for 2023 on page 80, including overseeing the process for the induction of our new CFO. 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 69. The Directors' time commitments are in line with the key institutional investor and investor body guidelines.

The Board and its Committees have responded to rapidly changing circumstances and new challenges again this year by working closely with management, reviewing trading updates, analysing revised forecasts and understanding issues impacting the business and our performance.

## 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 2022, 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 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 108–110.

Overall, the results of the Board effectiveness review were positive with progress identified in several key areas since the last evaluation in 2021. The evaluation also highlighted a number of ongoing priorities for the Board, which we look forward to progressing in 2023. The results of the evaluation process were discussed at the Nominations Committee and the Board. The areas of focus are noted in the Nomination Committee report on page 80.



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 in 2022 have provided further confidence in our resilience and the corporate governance structure underpinning us. Our resilience was demonstrated by 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 58–61.

## 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](mailto:chairman@tifs.com).

## Chief Financial Officer transition

A focus for the first half of 2023 will be the handover of the CFO's responsibility to Alexander De Bock. I am sure that Alexander will prove to be a highly effective CFO, continuing the work of Ron Hundzinski, who has been a valued colleague since he joined the Group in 2020.

Finally, I look forward to working with the Board and management team in realising the Take the Turn strategy to position the Group for long-term success as the automotive industry transforms itself for a sustainable future.

## Tim Cobbold Chair

# Board of directors



## Tim Cobbold

Independent  
Non-Executive Chairman  
Appointment: 4 November 2019  
Nationality: United Kingdom

### Skills and experience

Tim was the Senior Independent Director from November 2019, his appointment as Chair following the AGM on 18 May 2022. He is a qualified Chartered Accountant and has a degree in Engineering from Imperial College, London. He was formerly Chief Executive Officer of Chloride Group plc, De La Rue plc and UBM plc and he served as a Non-Executive Director of Drax Group plc for nine years until September 2019.

### External appointments:

Tim is currently a Non-Executive Director at Rotork plc following his appointment in 2018.

### Committee membership



## Hans Dieltjens

Chief Executive Officer  
and President  
Appointment: 18 October 2021  
Nationality: Belgium

### Skills and experience

Hans was appointed as Chief Executive Officer and President in October 2021. Hans joined the Company in 1996 and has 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



## Ron Hundzinski

Chief Financial Officer  
Appointment: 6 January 2020  
Nationality: United States of America

### Skills and experience

Ron was appointed as Chief Financial Officer in January 2020. Ron was previously Executive Vice President – Finance at Tenneco, Inc. During the past 35 years, Ron has held a variety of leadership positions in finance at Emerson Electric, GKN, Meridian Automotive and BorgWarner. Ron served as Chief Financial Officer and Executive Vice President of BorgWarner from 2012 to 2018. In November 2022, it was announced that Ron will be retiring from the Board in May 2023.

### External appointments:

Ron is a Non-Executive Director of Gentherm.

### Committee membership



## Julie Baddeley

Independent  
Non-Executive Director  
Appointment: 3 August 2021  
Nationality: United Kingdom

### Skills and experience

Julie was appointed as an Independent Non-Executive in August 2021.

### External appointments:

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 Ebiquty 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



#### KEY



Audit & Risk Committee



Nominations Committee



Chair



ESG Steering Committee



Remuneration Committee



### Susan Levine

Non-Executive Director  
Appointment: 11 December 2019  
Nationality: United States of America

#### Skills and experience

Susan was appointed as a Non-Executive Director in December 2019.

#### External appointments:

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.

#### Committee membership



### Jane Lodge

Independent  
Non-Executive Director  
Appointment: 6 June 2022  
Nationality: United Kingdom

#### Skills and experience

Jane was appointed as an Independent Non-Executive Director in June 2022. During the past ten years, Jane has also served on the boards of other leading companies in the FTSE 100 and 250 indices, including DCC plc, Costain Group plc, Devro plc, and Sirius Minerals plc. Jane became a partner at Deloitte LLP in 1986.

#### External appointments:

Jane is a Director and chairs the audit committees at FirstGroup plc and Bakkavor plc, and chairs the remuneration committee at Glanbia plc.

#### Committee membership



### Elaine Sarsynski

Independent  
Non-Executive Director  
Appointment: 14 August 2018  
Nationality: United States of America

#### Skills and experience

Elaine was appointed as a Non-Executive Director in August 2018. Elaine was previously President of MassMutual Retirement Services and Chairwoman, CEO and President of MassMutual International.

#### External appointments:

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.

#### Committee membership



### Trudy Schoolenberg

Independent  
Non-Executive Director  
Appointment: 5 September 2022  
Nationality: The Netherlands

#### Skills and experience

Trudy was appointed as an Independent Non-Executive Director in September 2022. She was previously on the boards of Avantium N.V., Spirax-Sarco Engineering plc, Low and Bonar plc, and The Netherlands Petroleum Stockpiling Agency (COVA). Trudy has a PhD in Technical Physics from the Delft University of Technology (Netherlands) and holds a master's degree in Industrial Engineering.

#### External appointments:

Trudy currently serves on the boards of SPIE SA (Euronext Paris), Elementis plc (FTSE listed) and Accsys Technologies plc (AIM and Euronext listed).

#### Committee membership



# Board of directors

Continued



## John Smith

Independent  
Non-Executive Director  
Appointment: 24 October 2017  
Nationality: United States of America

### Skills and experience

John was appointed as an Independent Non-Executive Director 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.

### External appointments:

John is Principal of Eagle Advisors and is a Non-Executive Director of American Axle & Manufacturing Holdings, serving on its Audit Committee and as Chair of its Technology Committee.

### Committee membership



## Stephen Thomas

Non-Executive Director  
Appointment: 22 January 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.

### External appointments:

Stephen is a Non-Executive Director of American Trailer Works, FXI, US LBM and Arxada AG.



## 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' 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.






## Alexander De Bock

Chief Financial Officer elect  
Nationality: Belgium

### Skills and experience

Alex De Bock will succeed Ron Hundzinski as Chief Financial Officer and an Executive Director of the Company in April. Alex is currently CFO and Senior Vice President of ZF's Commercial Vehicle business, part of ZF Friedrichshafen AG. Prior to joining ZF, he had been CFO of WABCO Holdings Inc. Alex comes with 16 years of industry experience and began his career at Arthur Andersen (now Deloitte) as a member of the audit assurance practice and has a Master of Economics from the University of Antwerp, Belgium.

#### KEY

-  Audit & Risk Committee
-  Nomination Committee
-  Chair
-  ESG Steering Committee
-  Remuneration Committee

# Corporate Governance report

A summary of the main matters reserved for decision by the Board is set out below:	
<p><b>Strategy and management</b></p> <ul style="list-style-type: none"> <li>• Oversight of the Group's operations</li> <li>• Approval of the long-term objectives and commercial strategy review</li> <li>• Approval of the annual financial budget and four-year Medium-Term Plan</li> <li>• Review of performance in light of the Group's strategic aims, objectives, business plan and budgets</li> </ul>	<p><b>Remuneration</b></p> <ul style="list-style-type: none"> <li>• Determine the Remuneration Policy for Directors, Chief Executive Officer and other senior executives</li> <li>• Determine the remuneration of the Non-Executive Directors</li> <li>• Introduction of new share incentive plans or major changes to existing plans</li> <li>• Approval of new incentive plans to be put to shareholders for approval</li> </ul>
<p><b>Corporate structure and share capital</b></p> <ul style="list-style-type: none"> <li>• Changes to the Group's capital structure</li> <li>• Major changes to the Group's corporate structure</li> <li>• Significant changes to the Group's management and control structure</li> <li>• Issues of public debt by the Company</li> </ul>	<p><b>Delegation of authority</b></p> <ul style="list-style-type: none"> <li>• Approval of the written division of responsibilities between the Chair and the Chief Executive Officer</li> <li>• Establishing Board Committees, approving their Terms of Reference and receiving reports from the Board Committees</li> </ul>
<p><b>Financial reporting and controls</b></p> <ul style="list-style-type: none"> <li>• Approval of financial statements</li> <li>• Setting the Company's dividend policy</li> <li>• Approval of significant changes in accounting policy</li> </ul>	<p><b>Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Review the Group's overall Corporate Governance structure</li> <li>• Determining the independence of Non-Executive Directors</li> <li>• Undertaking a formal and rigorous review of the Board's performance, that of its Committees and individual Directors and the division of responsibilities</li> <li>• Consider the balance of interests between shareholders, employees, customers and the community</li> </ul>
<p><b>Internal controls</b></p> <ul style="list-style-type: none"> <li>• Ensuring maintenance of a sound system of internal control and risk management</li> <li>• Approval of the Group's compliance policies</li> </ul>	<p><b>Policies</b></p> <ul style="list-style-type: none"> <li>• Approval of policies, including the Code of Business Conduct, as well as the Anti-Corruption, Diversity and Inclusion, Health &amp; Safety, Environmental, Modern Slavery, Group Dealing and Tax Strategy policies</li> </ul>
<p><b>Contracts</b></p> <ul style="list-style-type: none"> <li>• Approval of major capital projects</li> <li>• Approval of larger-scale non-standard contracts</li> <li>• Approval of acquisitions and joint ventures</li> </ul>	<p><b>Other areas</b></p> <ul style="list-style-type: none"> <li>• Making of political donations</li> <li>• Approve the overall levels of insurance for the Group</li> <li>• Appointment of external auditors</li> <li>• Shareholder engagement and general meetings</li> <li>• Annual budgets and financial expenditure and commitments above levels set by the Board</li> </ul>
<p><b>Board membership</b></p> <ul style="list-style-type: none"> <li>• Changes to the structure, size and composition of the Board</li> <li>• Appointments to the Board, including selection and appointment of the Chair, Chief Executive Officer, Senior Independent Director and Company Secretary</li> <li>• Membership and Chairs of Board Committees</li> <li>• Approval of the continuation in office of Directors, including Executive Directors</li> </ul>	

# Corporate Governance report

Continued

## 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 69. 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 78).

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 2022 to 31 December 2022, there were seven Board meetings. In addition, in the same period, there were six meetings of the Audit & Risk Committee, five meetings of the Remuneration Committee, three meetings of the Nomination Committee and five meetings of the ESG Steering 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 2022 to 31 December 2022:

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

	Board	Audit & Risk	Remuneration	Nomination	ESG Steering
Manfred Wennemer (resigned 18 May 2022)	3/3	-	-	1/1	-
Julie Baddeley	7/7	-	2/2	2/2	5/5
Tim Cobbold (Chair from May 2022)	7/7	-	3/3	3/3	-
Hans Dieltjens	7/7	-	-	-	5/5
Ron Hundzinski	6/7	-	-	-	5/5
Susan Levine	7/7	-	-	-	-
Jane Lodge (appointed 6 June 2022)	3/3	2/2	2/2	-	-
Elaine Sarsynski	7/7	6/6	-	-	5/5
Trudy Schoolenberg (appointed 6 Sept 2022)	2/2	-	-	-	-
John Smith	7/7	6/6	5/5	1/1	-
Stephen Thomas	7/7	-	-	2/2	-
Jeffrey Vanneste (resigned 6 June 2022)	2/2	4/4	3/3	-	-

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 2022. 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 80–82.

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



## Tim Cobbold

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 Officer

### 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

# Corporate Governance report

## Continued

### 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. Trudy Schoolenberg agreed to serve as the Company's Senior Independent Non-Executive Director from her appointment in September 2022.

### 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 Tim Cobbold.

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 80–82.

### The Audit & Risk Committee

The Audit & Risk Committee is comprised of three Independent Non-Executive Directors. The Audit & Risk Committee Chair is Jane Lodge.

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 83–89.

### The Remuneration Committee

The Remuneration Committee is comprised of three Independent Non-Executive Directors. The Remuneration Committee Chair is John Smith.

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 90–105.

### The ESG Steering Committee

The ESG Steering Committee is comprised of two Independent Non-Executive Directors and 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 pages 106–107.

### 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, Jane Lodge, Elaine Sarsynski, Trudy Schoolenberg and John Smith.

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 108–110.

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 2022.

## 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 communication 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 16 May 2023, all the current Directors, with the exception of Ron Hundzinski, will be offering themselves for re-election and Jane Lodge, Trudy Schoolenberg and Alex De Bock will be offering themselves for election as they were 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 and the next one will take place in 2023. The event will be hosted by Hans Dieltjens. 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 16 May 2023. 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 36–39.

Approved by order of the Board

### Tim Cobbold Chair

15 March 2023

16 May 2023

### Annual General Meeting

*The Company's Annual General Meeting (AGM) will take place on 16 May 2023*

# Nomination Committee report



*During the year, the Committee focussed on its core mission to ensure that our Board remains fit for purpose with the optimal balance of skills, knowledge, experience, and diversity.*

**Tim Cobbold**  
Nomination Committee Chair



## Committee membership


	Member since	Meetings attended
Tim Cobbold (Chair)	10 December 2019	3/3
Julie Baddeley	6 June 2022	2/2
Trudy Schoolenberg	5 September 2022	1/1
	1 March 2020 (resigned 5 September 2022)	
Stephen Thomas		2/2
Meetings held during the year		3

## Committee areas of focus

- Board composition and independence
- Board appointments and the induction process
- Board effectiveness

## Committee 2022 highlights

- Nominated the appointment of Alexander De Bock as Executive Director and successor CFO
- Nominated the appointment of Jane Lodge and Trudy Schoolenberg as new independent NEDs
- Recommended new composition of all Board committees, including new Chairs of the Audit & Risk Committee and the Remuneration Committee
- Nominated the appointment of Trudy Schoolenberg to serve as SID
- Supported externally facilitated Board self-evaluation
- Developed and updated our Board Skill Matrix
- Supported the nomination for appointment/re-appointment of Directors standing at the 2022 AGM

 Read more on pages 78–79.

## Dear shareholder,

I am pleased to present the Nomination Committee's report for the year ended 31 December 2022, my first report to you as Chair of the Nomination Committee, which I initially joined in December 2019.

During the year, the Committee focussed on its core mission to ensure that our Board remains fit for purpose with the optimal balance of skills, knowledge, experience, and diversity. Importantly, and in line with the UK Corporate Governance Code, the Committee engaged in an ongoing succession planning process through the recruitment and nomination of new Board appointments, including monitoring the balance of Executive and Non-Executive Directors and their independence.

The Committee met formally three times during 2022 as well as numerous informal update calls and correspondence. As Chair, I regularly briefed the Board on key Committee discussions and ensured that the papers and reports presented to the Committee were made available to all Non-Executive Directors.

Having reviewed the Committee's activities over the last 12 months against its Terms of Reference, I am happy to confirm that the Committee has fully discharged its responsibilities in line with its remit. The current Terms of Reference of the Committee, approved in October 2017 and confirmed as appropriate each subsequent year, are available to view on the Company's website.

## Board appointments

At the start of 2022, the Committee was aware of the opportunity and need to evolve the composition of the Board both in line with the developing needs of the business and to bring the Board's composition in to line with good governance standards. For the first time the Committee prepared and considered a Board skills matrix to provide a more process

driven approach to the role specifications for new directors.

In line with the business's Take the Turn strategy, the goal of which is to take advantage of the transition to electric vehicles in the automotive industry, the Board skills matrix was updated and it became clear further Board expertise in Product Development and Innovation would be helpful. As a consequence, the Committee decided to recruit an additional independent non-executive director with expertise in this area. In addition, through 2022, Manfred Wennemer (Chair of the Board), Jeff Vanneste (Chair of the Audit & Risk Committee) and Ron Hundzinski (Executive Director and CFO) each made the decision to step down from the Board. These changes and the appointment of a new director provided the opportunity to evolve the composition of the Board.

The process by which I succeeded Manfred Wennemer as Chair of the Board and the Nomination Committee was explained in the 2021 Annual Report.

In order to recruit a new Chair of the Audit & Risk Committee and a new director with Product Development and Innovation expertise the Committee worked with an external recruiter, Spencer Stuart, to develop search criteria and then identify candidates. Spencer Stuart has no connection with the Group and is considered to be independent. The Committee reviewed the background and qualifications of candidates identified by Spencer Stuart. Interviews then took place with other Directors, senior management, and external advisers and references were taken.

As a result of these processes, two new Directors were recruited, nominated, and appointed to the Board. Jane Lodge and Dr Trudy Schoolenberg were appointed to the Board as Non-Executive Directors in June and September 2022, respectively.

Jane will also chair the Company's Audit & Risk Committee. Jane brings with her extensive boardroom knowledge, audit and financial expertise and a broad understanding of the manufacturing industry, all of which will further strengthen and enhance the capabilities of our Board. Jane's has already started to make an important and valuable contribution to the Board.

Trudy provides a long-standing, background in technology and product development strong strategic, growth and operational experience with which will complement and strengthen the capabilities of the Board. Trudy will also serve as the Company's Senior Independent Director (SID).

To assist in the process to recruit a new Executive Director and CFO, the Committee worked with an external recruiter, Russell Reynolds, to develop search criteria and then identify candidates. Russell Reynolds has no connection with the Group and is considered to be independent. The Committee reviewed the background and qualifications of candidates identified by Russell Reynolds. Interviews then took place with other Directors, senior management, and external advisors and references were taken. As a result, Alexander De Bock was appointed to serve as Executive Director and the Group's Chief Financial Officer effective upon Ron Hundzinski's retirement in April 2023.

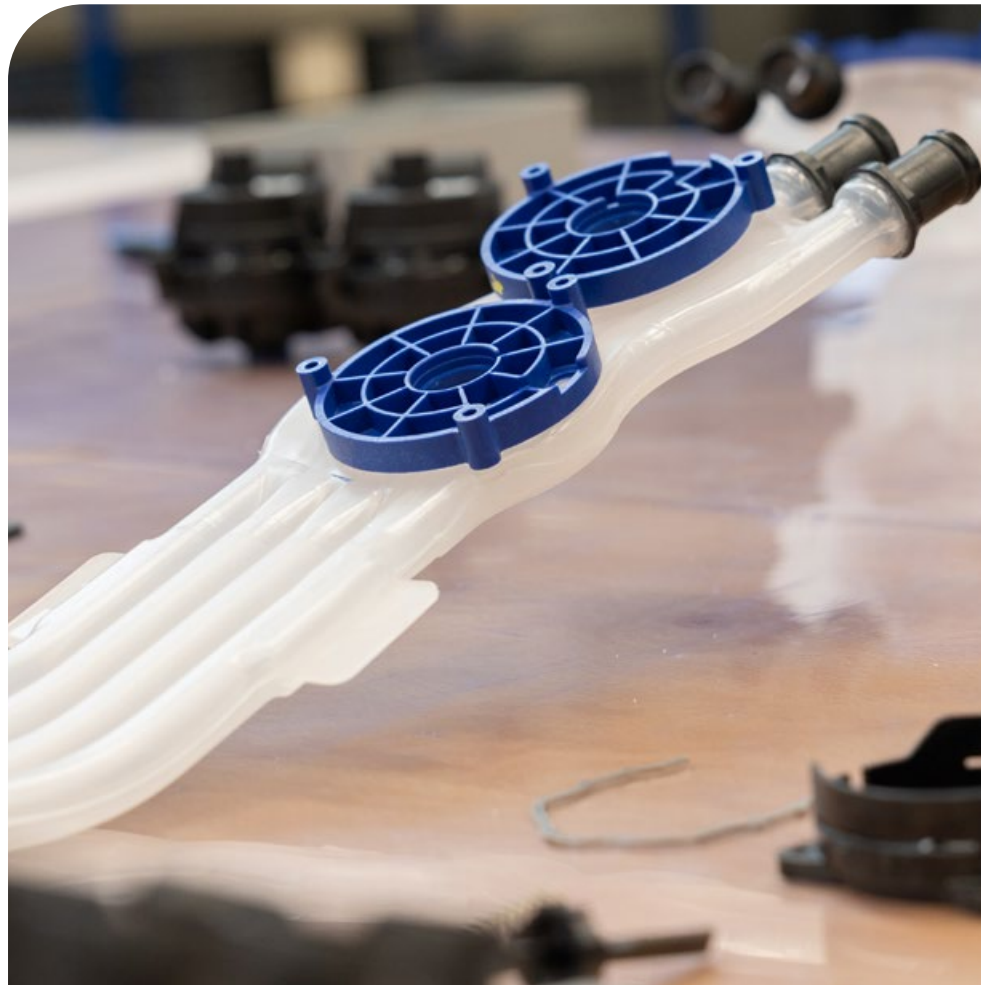
Alexander has financial expertise in both public and private sectors, along with significant experience in the automotive industry and has acted as a public company CFO. His skills and strength will help the Group with the crucial task of progressing our Take the Turn strategy as the automotive industry transitions to vehicle electrification. We look forward to welcoming Alexander to the Board and our senior executive team. And, of course, we are grateful to Ron for his many contributions over the past several years working with the team and our key stakeholders to guide the Company through an exceptionally challenging period for the industry.

A new more formal director induction process was developed during the year to better introduce these new directors to the business as a way of improving the speed with which new directors are in a position to contribute.

Jane, Trudy and Alexander each enhance and expand our Board's experience and skill set. Our Board Skills Matrix is set out on page 68. In addition, biographies for the entire Board of Directors can be found on pages 72–74.

## Diversity

The Committee recognises the importance of diversity and remains committed to having a diverse Board. The new Board appointments



in 2022 provided the Committee with an opportunity to improve diversity. As part of the search processes, our recruiters, Spencer Stuart and Russell Reynolds, were instructed to ensure that the candidate pool for each position should include a significant proportion of both women and individuals from recognised ethnic minorities.

As a result, two women and one man were appointed. Women now comprise 50% of our Board. Following changes to the composition of Committees, women chair two Committees and one serves as the SID. This demonstrates a significant improvement in the gender diversity of the Board as was committed to in 2021.

However, the Committee recognises that none of the successful candidates in 2022 were from a recognised ethnic minority and that there is no such representation on the Board. Candidates from ethnic minorities were short-listed and interviewed on all three occasions. However, as shareholders would expect, neither the Committee nor Board will appoint solely on the basis of

ethnicity. However, I and the Committee remain conscious that following the Parker Review there is an expectation that there will be an individual from an ethnic minority on the Board. The Committee has committed to continue to work to meet this expectation with each and every Board appointment going forward whilst always appointing the person judged to be the best candidate.

Of course, diversity does not apply only to the Board but extends to the entire management team and beyond. As such, we are committed to demand that the senior leadership achieve a broader, more diverse management 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, gender diversity targets have been established for all locations based on local university graduation rates, and that HR processes have been updated to seek to eliminate unconscious bias and to use widened search criteria to encourage a diverse set of internal and external candidates for open positions.

# Nomination Committee report

## Continued

Women represented approximately 31% of the Group's total salaried workforce, including 13% of the Executive Committee with the CEO and 14 senior managers who report to the Executive Committee.

### Board independence

The 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 2022, 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 Board considers that all of its independent Non-Executive Directors continue to demonstrate the required independence position. Neither the Chair nor any of the non-executive directors have exceeded the maximum nine-year recommended term of service set out in the Code. Details on length of tenure can be found in the biographies of the Board of Directors on pages 72–74.

The terms and conditions of the 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

The Nomination Committee is comprised of non-executive directors Trudy Schoolenberg, who is the Senior Independent Director, Julie Baddeley and is chaired by Tim Cobbold who was an Independent Non-Executive Directors on appointment. Details of individual meeting attendance and membership are listed at the beginning of my report. Stephen Thomas who was not an independent non-executive director stepped down for the Committee in September 2022. The Board regularly assesses the most appropriate Committee membership to allow the Committee to operate effectively.

In June 2022, the Board approved changes to the composition of its Committees (Nomination, Remuneration, Audit & Risk and ESG Steering) to ensure their members had the relevant expertise. All Committees will continue to be reviewed to monitor proper alignment of individual Directors' strengths and utilisation of their skills. Details of the membership of all Board Committees can be found on pages 72–74.

### Committee memberships

The Nomination Committee is comprised of Non-Executive Directors Trudy Schoolenberg, who is the Senior Independent Director, Julie Baddeley and is chaired by Tim Cobbold who was an independent Non-Executive Directors on appointment. Details of individual meeting attendance and membership are listed at the beginning of my report. Stephen Thomas who was not an independent non-executive director stepped down for the Committee in September 2022. The Board regularly assesses the most appropriate Committee membership to allow the Committee to operate effectively.

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### Annual Board and Committee evaluation

In December 2022, the Committee initiated an externally facilitated annual self-evaluation of the effectiveness of the Board and Committees. This process was facilitated by a third-party advisory firm, Lintstock, who has no connection with the Group and is considered by the Board to be independent. Specifically, an online confidential questionnaire was developed by Lintstock in collaboration with me, and supported by the Company Secretary, to gather feedback on the effectiveness and performance of the Board in conjunction with the Code principles. We have conducted an externally facilitated evaluation in each of the last two years in keeping with the UK Governance Code recommendation that such evaluations be undertaken at least every three years.

The review and evaluation 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.

The results of the evaluation process were discussed at the Nomination Committee and the Board. In particular, the evaluation indicated that the Nomination Committee is judged to function well in terms of planning succession to Board roles and other senior positions. In addition, the Board's overall

effectiveness was highly rated with progress identified in several key areas since the last evaluation in 2021. However, the evaluation did highlight the following areas for improved focus and ongoing prioritisation, which we will use as a guide in 2023:

- Continue the Board's focus on strategy and product portfolio expansion to address the transition to EVs
- Increase oversight of risk management processes and plans
- Increase the Board's ethnic diversity ideally through Asian representation given the business's presence in Asia
- Maintain appropriate IT expertise and focus on cybersecurity, information systems and controls
- Better understand the views of, and the Group's engagement with, suppliers as key stakeholders

### Focus in 2023

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 engagement and succession planning
- Oversee the process for the induction of Alexander De Bock, our new CFO
- Encourage further action to promote a positive culture across the organisation, including diversity and inclusion
- Track actions to enhance areas highlighted by the Board's self-evaluation

As a Committee, we look forward to implementing the actions noted for 2023 and continuing to assist the Board in fulfilling its corporate governance responsibilities.

### Tim Cobbold Nomination Committee Chair

15 March 2023

# Audit & Risk Committee report



*I am pleased to present my first report as Chair of the Audit & Risk Committee, which outlines the Committee's composition, main responsibilities, and key areas of focus during the year.*



**Jane Lodge**  
**Audit & Risk Committee Chair**

## Committee membership

	Meetings attended
Jane Lodge (Chair) (appointed 6 June 2022)	2/2
Jeffrey Vanneste (former chair, stepped down on 6 June 2022)	4/4
John Smith	6/6
Elaine Sarsynski	6/6

## 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

- Reviewed the scope of the Internal Audit function focus with a gradual shift from internal controls over financial reporting to broader business risks in 2023
- Considered management's roadmap for the internal control optimisation programme
- Deeper discussions on the Company's risk management process and structure, including management's plan to strengthen enterprise risk management process and more detailed disclosures of risks and uncertainties on pages 42–51
- Deep-dive reviews of the Group's Information Technology General Controls and proposed enhancement programme, and cyber security policies and procedures



Read more to disclosures of Principal risks and uncertainties on pages 42–51

## Dear shareholder,

I am pleased to present my first report as Chair of the Audit & Risk Committee, on its activities for the period ended 31 December 2022. During the year, the Committee focused on its core responsibility 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 Auditor.

During 2022, the Committee, in addition to usual agenda matters, was presented with deeper insights into the Group's cyber security policies and procedures, spent time assessing the internal audit plan of the Group Assurance team, and considered the management's roadmap for its internal control optimisation programme, in response to the forthcoming enhanced internal control reporting requirements as part of the UK government's proposals on 'Restoring trust in audit and corporate governance'.

## Membership of the Audit & Risk Committee

The Audit & Risk Committee comprises Independent Non-Executive Directors of the Company. Brief biographical information on the members of the Audit & Risk Committee are listed on pages 73–74, including details of experience and competence relevant to the sector. The Company Secretary, who is also Chief Legal and ESG Officer, acts as Secretary to the Committee.

The Audit & Risk Committee is ordinarily scheduled, as approved by the Committee members, to meet five times throughout the annual cycle and its agendas include risk assessment and management processes, the programme of Internal Audit work, in-depth discussions on key financials and other risk areas, linked to both the Group's external reporting timetable and the internal financial cycle.

Only Committee members have the right to attend the meetings, but they invite the Chief Executive Officer & President, the Chief Financial Officer, the Vice President Risk & Global Controller and other senior finance personnel, together with other senior representatives of the External and Internal Auditors, to attend certain meetings. In 2022, the Chief IT, HR & Communications Officer also attended some of the Committee meetings.

The Committee, when necessary, will meet in private with the Internal and External Auditor, without management presence, 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 External Auditor and Internal Audit during 2022.

I report to the Group Board on the activities of the Committee and make recommendations to the Group Board as appropriate.

## 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 Audits. The Committee's role, authority, responsibilities and scope are set out in the Terms of Reference, which are available on the TI Fluid Systems plc website ([https://investors.tifluidsystems.com/~/\\_/media/Files/TI/Tiautomotive-IR/documents/audit-and-risk-committee-terms-of-reference.pdf](https://investors.tifluidsystems.com/~/_/media/Files/TI/Tiautomotive-IR/documents/audit-and-risk-committee-terms-of-reference.pdf)). The Committee reviews the Terms of Reference annually. The Terms of Reference were last updated in October 2022.

# Audit & Risk Committee report

## Continued

Following the UK government's consultation 'Restoring trust in audit and corporate governance', the Committee has continued to focus on the impact of the proposals and the Company's responses and preparation for the forthcoming changes. A significant element has been on the possible impacts of operating within a regime necessitating a more formalised level of reporting on all material internal controls, not just those over financial reporting. Whilst we await the final requirements to be formalised by the Government and the regulator, Group management have undertaken further steps during 2022 to facilitate the transition that may ultimately be necessary. These steps include a formalised roadmap for internal control optimisation over the next two years, development of an improvement plan for controls over information technology systems and a comprehensive reassessment of the robustness of the control standard framework adopted by the Group. During the year, the Group established a Group Internal Controls function to enable the implementation of a three-lines-of-defence structure on risk management and controls. With input from external advisers, the Group Internal Controls function led a number of internal control workshops with representations from all lines of defence, to deep dive into the key priorities, challenges and enablers for internal control and process improvement. These workshops identified certain key areas to consider in the internal control optimisation programme, particularly around effective definition of roles and responsibilities across the three lines of defence, resourcing and training needs, and the scope to rationalise the level at which certain processes and controls are carried out to improve efficiency. The Group Internal Controls function also initiated a specific review of the Group's entity-level controls, and the preparatory work to develop a formal audit and assurance policy. In addition, the Group continued to improve its IT systems and infrastructure to improve automation of processes and controls.

## Committee's evaluation

During the year, the Committee undertook an annual evaluation of the effectiveness of the Board and its committees in accordance with the requirements of the 2018 Code and recommendations of the Financial Reporting Council's ('FRC') Guidance on Board Effectiveness.

The evaluation indicated that the Committee continues to operate effectively and has the skills and expertise required to perform its role appropriately. Further details of the evaluation are included on page 71.

## Details of key activities during the year

### 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. Throughout 2022, the Committee has continued to be mindful of the potential threats to financial reporting integrity posed by the impact of the global pandemic, as well as other challenges, on the organisation. The Committee received reports on the Annual and Interim financial statements from management and the External Auditor. The key audit matters identified by PricewaterhouseCoopers LLP are set out in its report on pages 114–116 and were reviewed by the Committee in approving the 2022 audit scope and plan.

Over the last 12 months, it 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 reporting and disclosure commitments given to the Financial Reporting Council 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 January 2022, May 2022 and November 2022, respectively
- discussed audit reports with the External Auditor, 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 pages 62–63
- discussed the level of resources in finance and non-finance functions and the impact and experience of working protocols arising from hybrid working, restructuring actions and employee turnover across the organisation's sites
- sought re-assurances from the External Auditor that an appropriate level of remote collaboration with the Company and the component audit teams 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 2022 Financial Statements.

Key accounting judgement	Work undertaken
<p><b>Goodwill and intangible assets impairment</b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p>In the light of the global volume and margin challenges continued to be faced by the automotive industry due to continued impact of COVID-19 (particularly in China), continuing supply chain disruption, increasing inflationary pressure and cost of living challenges, the prolonged impact of Russia's invasion of Ukraine and increases in general level of interest rates, the 2022 impairment review has been an area of particular focus.</p>	<p>The extensive review carried out by management was reviewed by the Committee at its January and March 2023 meetings. The Committee:</p> <ul style="list-style-type: none"> <li>reviewed the impairment methodology used by management including, but not limited to, the determination of cash generating units ('CGUs'), the development of cash flow modelling based on the approved budget and medium-term plan, and the consideration of both value in use and fair value less costs to sell methodologies in estimating the recoverable amount</li> <li>challenged management's treatment of future restructuring activities, enhancing capital expenditure levels and working capital management assumptions included within the impairment assessment</li> <li>understood the determination of discount rates and long-term growth rates pertinent to CGUs, ensuring appropriate consideration of inherent risk and geography had been factored in, and in particular noted the impact of the significant increase in discount rates during the year</li> <li>understood the business drivers underpinning the impairment charge recorded in 2022, including changes from the prior year</li> <li>assessed the resultant impairment result, the proposed disclosures including sensitivities and presentation on the income statement</li> <li>satisfied ourselves that relevant critical judgements and estimates had been appropriately included in the financial statements and that the year-end result announcement included appropriate and measured commentary about the impairment</li> </ul> <p>The impairment reviews were also an area of focus for PricewaterhouseCoopers LLP and we considered their extensive work in this area.</p> <p>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 an impairment charge of €317.4m was appropriate.</p>
<p><b>Deferred tax asset recognition and provision for uncertain tax positions</b></p> <p>The Group has a wide geographic footprint and is subject to tax laws in many jurisdictions.</p> <p>Provisions are made for uncertain tax positions which involve judgement and estimates by management as to the likelihood of their realisation.</p> <p>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.</p>	<p>The Committee 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.</p> <p>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 assessment. We ensured that a measured approach to the recognition of deferred tax assets was taken by management and importantly, that there was consistency between financial projections used for deferred tax asset recognition and those underpinning the group impairment review.</p> <p>PricewaterhouseCoopers LLP also reported to the Committee its findings in this area, which have been reviewed and considered.</p> <p>The Committee was satisfied with the judgements, estimates, and that disclosures were reasonable and appropriate.</p>

# Audit & Risk Committee report

Continued

Key accounting judgement	Work undertaken
<p><b>Warranty provisions</b></p> <p>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.</p> <p>Key judgements are made in calculating the provision and these are dependent on the specific facts and circumstances involving the customer, complexity of the issue and the negotiation process. The outcome of claims is often difficult to predict and quantify.</p>	<p>The Committee considered the judgements made by management in assessing the likelihood and quantification of material exposures. This included:</p> <ul style="list-style-type: none"> <li>• understanding the nature of the specific claims or exposure</li> <li>• assessing correspondence with, and reactions of, customers and regulators (e.g. NHSTA)</li> <li>• considering the impact of recall actions taken by customers</li> <li>• probing management's evaluation of the likelihood and quantum of exposure and the status of negotiations with the customer</li> </ul> <p>We obtained the External Auditor's views in relation to the appropriateness of the approach taken by management.</p> <p>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.</p>
<p><b>Presentation of financial statements</b></p> <p>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 regarded by management to distort comparability of performance.</p>	<p>In considering the presentation of the 2022 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 2022 Annual Report disclosures were appropriate and a satisfactory balance between non-IFRS measures and statutory measures had been maintained.</p>

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

## Other financial reporting matters

### Review of going concern and viability

The Committee reviewed the assumptions applied by management for going concern and long-term viability assessment. The going concern assessment included a downside scenario, which was regarded as severe but plausible. The results of this scenario show that there is sufficient liquidity in the business for a period of at least 12 months from the date of approval of these financial statements, and do not indicate any covenant breach during the test period. The Committee, on behalf of the Board, reviewed the assumptions and sensitivities around the scenarios presented by management and was satisfied with the outcome of the assessment. More information on the Group's going concern can be found on page 62.

The Committee also reviewed the Group's long-term viability assessment for the period to 31 December 2027, which considered a range of scenarios based on the potential financial impact of the Group's principal risks materialising. The ARC challenged the relevance and assumptions of the principal risks to the Company's long-term viability. The Committee was satisfied with the outcome of management's assessment and was able to make a recommendation to the Board on the Group's long-term viability. Further details on the assessment of the Group's long-term viability are set out on pages 62–63.

### New accounting standards and guidance from the regulator

No new accounting standards were adopted in 2022. However the Committee considered management's review of the key findings within the various thematic reviews issued by the Financial Reporting Council, to assess the impact on financial reporting by the Company. Comments raised by the regulator on the Company's previous financial statements are also considered by the Committee, to ensure that they have been appropriately taken into account in the preparation of the 2022 Annual report and financial statements.

### External auditor

The Audit & Risk Committee is 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 2022, the Committee's engagement with the External Auditor has mainly focused on:

- the review and approval of PricewaterhouseCoopers LLP's 2022 audit plan, terms of engagement and fee for the audit of the 2022 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 2022 External Audit and the consequential fee implications of the increase in work required

The Committee approved the proposed external annual audit plan and its scope at its meeting in October 2022. 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.

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 2022 financial statements
- the quality of reporting to the Committee
- their performance during the 2022 half-year review process
- insight provided to the Committee about the UK Government consultation on audit



effectiveness and corporate governance reform, and anticipated outcomes

- feedback from senior management on the quality of engagement with them including the output, presented to the Committee in April 2022, from the annual PwC year-end audit questionnaire
- results of audit quality inspection and supervision by the Financial Reporting Council

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 a robust challenge of the significant judgements made by management.

#### Auditor independence and non-audit services

In order to ensure the External Auditor's 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 2022.

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 Vice President Risk & Global Controller 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. There were no significant engagements of the External Auditor for non-audit services during 2022. Details of all fees due to PricewaterhouseCoopers LLP in 2022 can be found in Note 34 to the Financial Statements.

Having considered all of the 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 2023.

PricewaterhouseCoopers LLP was re-appointed as the Company's auditors following a formal tender process in 2017. 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

In 2022, the Group continued 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. The Board has established policies and procedures, including delegations of authority, which have been communicated across the Group.

The Group has a dedicated Internal Audit function. The Audit & Risk Committee considers and approves the Internal Audit plan. Progress in respect of the plan is monitored throughout the year and care is taken to ensure that the Internal Audit function has sufficient resources 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 Group Audit Director 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 previously reported, 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. This focus continued into 2022 and indicated that, whilst the risk of material error remains low, improvement actions in terms of documentation of controls performed and review standards will be needed. These areas are factored into the Group's internal control optimisation programme over the next few years. In reviewing the 2023 internal

audit plan, the Committee expressed the intention to gradually pivot into controls over broader business risks, particularly those in connection with principal risks.

The Committee considered the work of the Internal Audit function and was satisfied that the quality, experience and expertise of the function are appropriate for the business. The Committee received regular reports on the findings of Internal Audit reviews and monitored management's responsiveness to the findings.

The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and it 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.

During 2022, the Group formed a separate Group Internal Controls function led by Vice President Risk & Global Controller, and implemented a formal three-lines-of-defence structure for risk management and controls. The Group Internal Controls function developed a roadmap for the internal control optimisation programme to outline the plan and steps in the next few years, to further strengthen the Group's internal control environment through the three-lines-of-defence model, paving the way to meet the expected forthcoming requirements on internal control reporting under the UK corporate governance reform. The Committee reviewed the roadmap and summary of output from management's discussions, and approved the plan.

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 2022 Internal Audit plan with particular focus on the deficiencies identified and their remediation
- reviewed with the Chief IT, HR & Communications Officer the measures and controls being implemented and strengthened within the Group to help mitigate the increasing risk posed by a cyberattack, and actions taken to assure the quality of the Group's cyber security programme (including tabletop exercises, third-party assessments and testing, and employee training programme)
- discussed the status and actions relating to control issues raised via the Group's whistleblowing hotline

# Audit & Risk Committee report

## Continued

- reviewed and approved the proposed internal audit plan for 2023
- discussed with the External Auditor their findings and perspectives on the Group's internal controls

The Board has overall responsibility for the Group's 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 risks and uncertainties, which are judged to have the most significant impact on the Group's long-term performance and prospects, and the Group's plan to strengthen its enterprise risk management processes, are set out on pages 42–51.

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 2022 insurance renewal pricing
- reviewed and approved the parent company profit and loss account for the year on behalf of the Board pursuant to compliance with s408 Companies Act 2006
- reviewed a comment letter received from the Financial Reporting Council regarding the Group's 2021 Annual report, which contains a number of observations on disclosures, but no questions or queries were raised, and management's responses to the points raised
- discussed capital structure matters with management, in particular, the consideration of early repayment of debt
- reviewed the process used to assess and identify disclosures made as part of the TCFD report and considered the impact of the TCFD disclosures on the assessment on the Company's approach to risk management and long-term viability

### Jane Lodge

#### *Audit & Risk Committee Chair*

15 March 2023





# Statement by the Chair of the Remuneration Committee



*This year we have continued to evolve our approach to remuneration to reflect the experience of TIFS' wider stakeholders and our strategic priorities.*

**John Smith**  
**Chair of the Remuneration Committee**



### Committee membership


	Meetings attended
John Smith (Chair)	5/5
Julie Baddeley	2/2
Jane Lodge	2/2
Tim Cobbold (former Chair)	3/3
Jeffrey Vanneste (former member)	3/3

### 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 93–105.](#)

### Dear shareholders,

I was pleased to assume the role of Remuneration Chair soon after Tim Cobbold was appointed to Chair of TI Fluid Systems Board on 18 May 2022. Tim's letter to shareholders in last year's Directors' Remuneration report explained, in detail, the Company's remuneration structure and philosophy, which continued to apply throughout 2022.

The challenges of the prior two years continued to affect TIFS' business in 2022, including COVID-19 restrictions, material shortages and frequent, often times 'last minute' customer demand changes. Extraordinary inflation drove unexpected and dramatic price increases of the Company's purchased materials and energy costs, adversely affecting the Company's plans and employees' well-being. Despite this unprecedented collection of operating conditions, the management team performed admirably, recovering a significant portion of inflationary charges from customers, and managing operations to an adjusted EBIT margin of 5.5% and €78m in adjusted Free Cash Flow at actual exchange rates.

More importantly for the Company's future, Management secured €1.9b in Battery Electric and Plug-In Hybrid Vehicle (BEV/PHEV) bookings, 56% of all bookings in 2022, and continued, marked growth compared to BEV/PHEV booking totals of €1.2b and €950m in 2021 and 2020. As outlined in prior reports, the Company's success in securing BEV/PHEV business forms a major part of its long-term strategy, and, as such, BEV and PHEV bookings have held significant weighting in the Company's annual bonus plan. Further to this, management has advanced its thermal products strategy, which has given the Board added confidence in the Company's growth prospects, position in the industry, and meaningful contributions to the environment.

### TI Fluid Systems' remuneration approach

As outlined in the Company's prior year report, the Committee's approach to executive remuneration is based upon 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.

### Wider workforce context

As noted, extraordinary inflation made 2022 a particularly challenging year for the wider workforce. This challenge varied across the Company's 25,600 employees working in 28 countries. The Company increased wages in April 2022 and implemented additional pay increases for groups of employees based on local management's recommendations. Management's overriding approach continues to be to provide fair and equitable compensation consistent with market norms. The Company also conducted a thorough review of pay equity between men and women in the same position, which resulted in additional adjustments.

The Company continues to evaluate its pay practices in relation to any government published living wage for each country in which it operates. While a living wage is not published by many government authorities, management uses a variety of non-official sources to ensure our pay practices are reasonable and can provide an appropriate standard of living. During 2022, with the high inflationary environment, published living wage data was considered when establishing 2023 discretionary pay increase budgets for employees.

## Shareholder consultation

Following the AGM in May 2022, the votes in favour of the Remuneration report were 98.2%. This result was achieved following consultation with shareholders and making certain modifications to the application of the remuneration policy approved at the AGM in May 2021.

## Annual salary reviews

In April 2022, the Company processed pay increases for its non-represented employees. Employees represented by unions, or subject to statutory pay increases, received pay increases at the time and an amount agreed in collective agreements or by government regulation. Considering the economic environment at the time of his appointment, the Chief Executive Officer agreed to discount his base salary by 11% for 2021 and by 5.7% for 2022. The Chief Financial Officer received an increase in line with the wider workforce.

## Annual Bonus

The Annual Bonus targets for Executive Directors in 2022 were based upon adjusted EBIT margin (25% weighting), Adjusted Free Cash Flow (also 25%), and BEV/PHEV bookings (50%). The targets were set in March 2022 and no adjustments were made to them despite operating realities, such as continued supply chain issues, customer schedule changes and extraordinary inflation, which had a negative impact compared to the assumptions used during the development of our budget.

The Company ended the year with an adjusted EBIT margin of 5.5% and €78m in adjusted Free Cash Flow. As noted earlier in this report, our performance, when considering the labour and material increases alone, represented a good result and on par with the Company's automotive peers. Nonetheless, such results did not reach threshold levels for these measures.

Management delivered €1.9b in BEV and PHEV lifetime sales bookings, €700m more than the prior year. Over the 2020–2022 time frame, management has secured €4.1b in BEV/PHEV bookings, meaningfully securing the Company's future as a Tier 1 automotive supplier for any likely mix of ICE and BEV/PHEV production outcomes.

As a result, management achieved an overall ABP award of 50% of maximum, which the Remuneration Committee considered to be appropriate. In approving this level of award, the Remuneration Committee took into account:

- Management's performance in handling perhaps the most difficult set of operating conditions since the advent of COVID-19, and the especially difficult task of obtaining inflationary cost recovery from its customers while also securing significant new business awards, most importantly in the BEV/PHEV segments
- That for the considerable number of employees eligible for variable pay awards, their pay-out will be in the range 11% to 100% of maximum, with an average 68% of maximum, which will exceed the 50% to Executive Directors.

The outturn for Executive Directors is in line with that of the Executive Committee and all other ABP participants.

## LTIPs

The 2020 LTIP award, which vests in 2023, is based 80% on cumulative adjusted Free Cash Flow and 20% on relative total shareholder return (TSR) over the three years to December 2022. This combination of metrics was selected as the Committee and full Board wanted to underscore the importance of managing the business thoughtfully for cash, given the uncertain economic and industry outlook created by the COVID-19 crisis. As described in this year's Directors Remuneration report, management responded to this approach, generating over €300m of free cash flow in the three-year period including €148m in 2020 alone, the worst of the COVID-19 years in terms of industry volumes. This exceptional level of performance over the three-year period resulted in this element paying out in full.

In contrast, the Company's relative TSR performance did not meet the Threshold value and, therefore, lapsed in full.

The Committee considered a variety of factors in approving an overall 2020 LTIP vesting level of 80% maximum for Executive Directors, including:

- Management's consistent performance over the past three years in managing industry and economic volatility
- The share price is little changed compared with the share price at the time of grant and the Committee does not believe that the management team have unduly benefited from 'windfall gains'

## Overall

The Committee considered management's ability to manage the continued COVID-19 challenges, labour and customer volume volatility, in addition to the extraordinary inflation challenges in 2022 in assessing remuneration levels for the Executive Directors. The Committee was satisfied that the overall outcome was fair, appropriate, 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 2022 Annual Bonus Plan and the 2020 LTIP are set out on pages 98–99.

## CEO retirement

As previously announced, Ron Hundzinski, the Company's Chief Financial Officer is retiring in April. In consideration of Ron's excellent support of the business and assistance with the transition to our new Chief Financial Officer, Alexander De Bock, the Committee considers it appropriate to treat Ron as a 'good leaver' for the purposes of his outstanding LTIP grants. His LTIP awards will be pro-rated for time and subsist to their normal vesting date subject to the original performance conditions. Ron will continue to be subject to holding periods in accordance with the Company's Remuneration Policy.

# Statement by the Chair of the Remuneration Committee **Continued**

## Remuneration in 2023

### Executive base pay reviews

Base pay increases for non-represented employees will be effective 1 April 2023, one year following the last general increase. Pay increases for employees represented by unions, or subject to regulatory pay adjustments, will be in accordance with contractual agreements or governmental regulation. Pay increases for 2022 and 2023 have nearly doubled compared to traditional ('pre-hyperinflation') periods. From 1 January 2023, Hans Dieltjens will receive his full salary having received a voluntarily discounted salary since his appointment, while no base pay increase will be applied to Ron Hundzinski considering his retirement in Q2 2023. The salary for our incoming CFO Alexander De Bock has been set at €571k, below that of Ron Hundzinski's salary.

As extraordinary inflation impacts employees at lower levels of the organisation, more significantly than executives, the Executive Committee's base pay and Directors' fee increases, including the Chair, will be less than the wider workforce.

### Annual Bonus

The maximum opportunity for Hans Dieltjens and Alexander De Bock, the Company's new Chief Financial Officer, will be 300% and 250% of base, respectively. The Committee considered the Company's strategic and near-term plans and determined the 2023 ABP design will mirror that of the prior year. Taking into account the importance of China in terms of overall global production volumes, the 2023 strategic metric based on BEV/PHEV bookings will be split into (i) China; and (ii) Non-China bookings. Full details on the plan design can be found on page 103.

### Long-term incentive

The maximum opportunity for Hans Dieltjens and Alexander De Bock for 2023 will be 300% and 250% of base, respectively. Taking into account historic feedback from shareholders, the Committee determined that Alexander De Bock's LTIP opportunity for 2023 would be set lower than Ron Hundzinski's opportunity as CFO.

The Committee consulted with shareholders and determined the LTIP design for 2023 grants will be consistent with the prior year's plan design as it supports and rewards the achievement of the Company's strategic plan. The Committee is mindful of shareholder guidance around 'windfall gains' and has full discretion to ensure that the level of any vesting outcome is appropriate based on the overall performance and the shareholder experience. Full details on the plan design can be found on pages 103–104.

### Wider workforce compensation

The Executive team is committed to ensure an equitable performance-driven pay culture at all levels of the organisation. National pay practices/rules, along with industry norms, guide pay-for-performance decisions. As stated above, pay increases for 2022 and 2023 have nearly doubled compared to traditional ('pre-hyperinflation') periods, reflecting the high inflation environment our employees are experiencing.

Variable base pay programmes will continue to exist in several countries, consistent with local norms.

### 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.

## Engagement with shareholders

As we prepared this year's Directors Remuneration report, I invited the Company's top shareholders to speak with me regarding the remuneration practices of the Company. Several conversations ensued, and I very much appreciate their candour and constructive views, which I shared with the other Remuneration Committee members. These discussions have provided excellent context for the work that will begin later this year on the Company's remuneration policy, which will be considered at the AGM in 2024.

## Committee composition

Tim Cobbold succeeded Manfred Wennemer as the Chair of the Board of Directors following the AGM in May 2022. Julie Baddeley was appointed to the Remuneration Committee in June 2022 replacing Tim Cobbold. Jane Lodge joined the Board and was appointed to the Remuneration Committee effective 6 June 2022, replacing Jeff Vanneste who stepped down from the Board. I assumed the role of Chair of the Committee in June 2022.

## Committee performance

In accordance with good governance, the Committee evaluated its performance during 2022 and determined that it is operating effectively and achieving the appropriate balance of supporting management while ensuring shareholder's expectations and good governance are met. 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.

Respectfully submitted,

**John Smith**  
**Chair of the Remuneration Committee**

15 March 2023

# Implementation of the remuneration policy

## Remuneration in brief

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

Element and Overview of Policy	Outcomes in respect to 2022	Implementation for 2023									
<p><b>Base Salary</b> 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.</p>	<p>A 3.0% 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 April 2022. No base pay increase was awarded to the CEO during the year.</p> <p>Hans Dieltjens was appointed as CEO on 1 October 2021 with a base pay of €910k. For 2022 Mr Dieltjens volunteered to reduce his salary by 5.7% to €858k.</p> <p>Annualised salaries for 2022 were as follows:</p> <table border="1"> <thead> <tr> <th>Executive Director</th> <th>2022 €000</th> <th>Increase In Salary</th> </tr> </thead> <tbody> <tr> <td>Hans Dieltjens</td> <td>858</td> <td>Nil</td> </tr> <tr> <td>Ron Hundzinski</td> <td>618</td> <td>3.0%</td> </tr> </tbody> </table> <p>€1 = \$1.05</p>	Executive Director	2022 €000	Increase In Salary	Hans Dieltjens	858	Nil	Ron Hundzinski	618	3.0%	<p>Hans Dieltjens will not receive an inflationary salary increase for 2023 as his full salary of €910k was restored with effect from 1 January 2023.</p> <p>With the announcement that Ron Hundzinski intends to retire, he will not receive an inflationary salary increase in 2023.</p> <p>The salary of our incoming CFO Alexander De Bock has been set at €571k, below that of Ron Hundzinski's salary.</p>
Executive Director	2022 €000	Increase In Salary									
Hans Dieltjens	858	Nil									
Ron Hundzinski	618	3.0%									
<p><b>Benefits</b> 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.</p>	<p>Access to health insurance, vehicle, and perquisite allowance.</p>	<p>No significant change for 2023. Benefits remain in line with the Remuneration Policy.</p>									
<p><b>Pension</b> Normal matching defined contribution retirement savings plan.</p>	<p>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:</p> <table border="1"> <thead> <tr> <th>Executive Director</th> <th>Amount €000</th> </tr> </thead> <tbody> <tr> <td>Hans Dieltjens</td> <td>13</td> </tr> <tr> <td>Ron Hundzinski</td> <td>13</td> </tr> </tbody> </table> <p>€1 = \$1.05</p>	Executive Director	Amount €000	Hans Dieltjens	13	Ron Hundzinski	13	<p>No substantial changes for 2023.</p> <p>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.</p>			
Executive Director	Amount €000										
Hans Dieltjens	13										
Ron Hundzinski	13										

# Implementation of the remuneration policy

Continued

## Element and Overview of Policy

### 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.

## Outcomes in respect to 2022

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 2022 ABP. Despite industry automotive build volumes, which again were below expectations, management's performance achieved solid results, particularly in regard to BEV/PHEV Bookings, which were considerably better than the prior year and are anticipated to deliver significant value for shareholders.

Following this review, the Committee determined that Executive Directors would receive 2022 ABP awards of 50% of maximum.

Measure	Weight	Achievement
Adj. EBIT Margin	25%	0%
Adj. Free Cash Flow	25%	0%
BEV/PHEV Bookings	50%	50%
Total	100%	50%

Further details are provided on page 98.

## Implementation for 2023

Maximum opportunity for the CEO and new 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 2023 ABP will continue to have a weight of 50%, while both adjusted EBIT Margin and adjusted Free Cash Flow measures are equally weighted at 25%.

The Company's Strategic Initiative in 2023 relates to the achievement of new business wins in customer BEV and PHEV related platforms, which continue to set the foundation for long-term success as the automotive industry continues its transformation. Given China's importance in terms of overall global production volumes and BEV/PHEV units specifically, the Remuneration Committee with encouragement from shareholders, has earmarked a significant portion of the strategic metric for improved bookings performance in China.

The table below summarises the measures and weightings of the Company's ABP in 2023:

Measure	Weight
Adj. EBIT Margin	25%
Adj. Free Cash Flow	25%
BEV/PHEV Bookings China	20%
BEV/PHEV Bookings Non-China	30%
Total	100%



### Element and Overview of Policy

#### Long-Term Incentive Plan (LTIP)

Annual conditional share grant 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 2022

In 2022, a grant of conditional shares was made to the Executive Directors as follows:

Executive Director	Position	% of Salary
Hans Dieltjens	CEO	300%
Ron Hundzinski	CFO	300%

The Committee and Mr Dieltjens agreed to remove the outperformance element of the LTIP valued at up to 100% of salary in light of UK remuneration practice.

The performance measures for the 2022 LTIP are as follows:

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

<sup>(1)</sup> Sustainability Social performance will be measured against relative improvement on Social 'S' scoring as measured by ISS against their Social score benchmark

<sup>(2)</sup> CO<sub>2</sub> equivalent emission improvement will be measured against 2019 levels

<sup>(3)</sup> Relative TSR Rank will be measured against automotive peers described on page 104

### Implementation for 2023

In 2023, the Committee intends to make conditional share grants of 300% and 250% of salary for both the CEO and new CFO, respectively.

Consistent with commitment made and approach taken in 2022, the Remuneration Committee and CEO agreed that the outperformance element available under the policy will not be applied in 2023. As explained in the Remuneration Report last year, this compromise was made to recognise UK shareholders concerns over incentive quantum.

Performance measures for the 2023 LTIP are intended to be:

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

<sup>(1)</sup> Sustainability Social performance will be measured against relative Social 'S' scoring as measured by ISS against their Social score benchmark

<sup>(2)</sup> CO<sub>2</sub> equivalent emission improvement will be measured against 2021 levels

<sup>(3)</sup> Relative TSR Rank will be measured against automotive peers described on page 104

#### Shareholder Guidelines

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.

The following table outlines the shareholding levels of Executive Directors as of 31 December 2022:

Executive Director	Ownership guideline <sup>(1)</sup>	Shares owned <sup>(1)</sup>
Hans Dieltjens	500%	196%
Ron Hundzinski	400%	129%

<sup>(1)</sup> % of salary

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](http://www.tifluidsystems.com) in the Investor Relations section, under Reports and Presentations.

# Annual report on remuneration

## 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	Details
<b>Clarity</b>	The Remuneration Committee is mindful of operating a Remuneration Policy that is transparent and clear for both shareholders and participants.
<b>Simplicity</b>	We operate a standard UK incentive structure, which is appropriately aligned to our strategy and which has been designed to avoid complexity.
<b>Risk</b>	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.
<b>Predictability</b>	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.
<b>Proportionality</b>	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.
<b>Alignment to Culture</b>	The Remuneration Policy has been designed to support a high-performance culture with an appropriate reward for superior performance.

In addition to considering the expectations of the UK Governance Code, the Committee took into account shareholder feedback and developments in market practice when making decisions in respect of executive remuneration for 2022 and 2023.

## Executive Directors and Non-Executive Directors Contracts

The Executive Directors of the Company have service contracts. Hans Dieltjens' contract is dated 16 February 2021 and came into effect as an Executive Director upon his ascension to Chief Executive Officer on 1 October 2021 and remains in effect until 1 March 2026. Alexander De Bock has a service agreement dated 28 October 2022 which will come into effect when he joins as Chief Financial Officer of the Group and an Executive Director of the Company in April 2023 and remains in effect for an indefinite period of time. All Executive Directors' contracts are made through TI Group Automotive Systems L.L.C.

The Non-Executive Directors of the Company do not have service contracts but are appointed by letter of appointment. Each Non-Executive Director's term of office runs for an initial period of three years unless terminated earlier upon written notice or upon their resignation. The terms of the Non-Executive Directors' appointments are subject to their re-election by the Company's shareholders at the Annual General Meeting scheduled to be held on 16 May 2023 and to re-election at any subsequent Annual General Meeting at which the Non-Executive Directors stand for re-election.

The date of appointment of each of the Directors is set out below:

Executive Directors	Appointment Date	Unexpired term*
Hans Dieltjens	18 October 2021	6 months **
Alexander De Bock	6 April 2023	6 months **
Non-Executive Directors		
Tim Cobbold	4 November 2019	31 months
Julie Baddeley	3 August 2021	15 months
Susan Levine	11 December 2019	At will, per Bain Relationship Agreement
Jane Lodge	6 June 2022	26 months
Elaine Sarsynski	14 August 2018	16 months
Trudy Schoolenberg	5 September 2022	30 months
John Smith	24 October 2017	6 months
Stephen Thomas	22 January 2015	At will, per Bain Relationship Agreement

\* Subject to election or re-election by shareholders at the upcoming Annual General Meeting and any subsequent Annual General Meeting.

\*\* Each Executive Director has a 6-month termination notice provision under their service agreement.

## 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 years ended 31 December 2022 and 31 December 2021:

### Executive Directors

€000	Basic Salary <sup>(1)</sup>		Taxable Benefits <sup>(1)(2)</sup>		Annual Bonus <sup>(1)(3)</sup>		LTIP <sup>(1)(4)</sup>		Pension <sup>(1)</sup>		Other <sup>(1)(5)(6)</sup>		Total <sup>(1)</sup>		Fixed Pay <sup>(1)</sup>		Variable Pay <sup>(1)</sup>	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Hans Dieltjens <sup>(7)(8)</sup>	858	205	26	4	1,287	227	658	10	13	3	11	3	2,853	452	908	215	1,945	237
Ron Hundzinski <sup>(8)</sup>	614	600	46	46	773	561	1,108	-	13	12	297	1,268	2,851	2,487	684	669	2,167	1,818

### Non-Executive Directors

€000	Fees <sup>(1)</sup>		Taxable Benefits		Annual Bonus		LTIP		Pension		Other		Total <sup>(1)</sup>		Fixed Pay <sup>(1)</sup>		Variable Pay	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Tim Cobbold <sup>(9)</sup>	303	146	-	-	-	-	-	-	-	-	-	-	303	146	303	146	-	-
Trudy Schoolenberg <sup>(10)</sup>	49	-	-	-	-	-	-	-	-	-	-	-	49	-	49	-	-	-
John Smith	120	117	-	-	-	-	-	-	-	-	-	-	120	117	120	117	-	-
Elaine Sarsynski <sup>(11)</sup>	120	117	-	-	-	-	-	-	-	-	-	-	120	117	120	117	-	-
Julie Baddeley <sup>(12)</sup>	120	49	-	-	-	-	-	-	-	-	-	-	120	49	120	49	-	-
Jane Lodge <sup>(13)</sup>	69	-	-	-	-	-	-	-	-	-	-	-	69	-	69	-	-	-
Manfred Wennemer <sup>(9)</sup>	149	386	-	-	-	-	-	-	-	-	-	-	149	386	149	386	-	-
Jeffrey Vanneste <sup>(14)</sup>	51	117	-	-	-	-	-	-	-	-	-	-	51	117	51	117	-	-
Susan Levine <sup>(15)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stephen Thomas <sup>(15)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

<sup>(1)</sup> Figures in the table above are in respect to services for the time as an Executive Director or Non-Executive Director in 2022 and converted at the following exchange rates: €1 = \$1.05 and €1 = £0.85, except as otherwise noted

<sup>(2)</sup> Taxable benefits include perquisite allowance, car allowance, life insurance and tax assistance in accordance with the Remuneration Policy

<sup>(3)</sup> Awards in respect of 2022 will consist of a cash payment of 100% of base salary with the remainder of the bonus deferred into an award of shares, 50% of base salary for Dieltjens and 25% of base salary for Hundzinski, to be held for two years but no further non-performance conditions. Additional detail can be found on page 98. The total bonus paid in respect of 2021 to both Executive Directors was less than 100% of their base salary and therefore, the entire amount was paid in cash

<sup>(4)</sup> The value of the LTIP for 2022, which had a three-year performance period ending 31 December 2022, is estimated as the number of shares earned (400,548 for H Dieltjens and 674,608 for R Hundzinski) multiplied by an illustrative share price of £1.30, based on the average share price over the final quarter of the 2022 financial year. The value in the LTIP column for 2022 also includes payment of dividend equivalents for H Dieltjens (€46k) and R Hundzinski (€77k). The values in the LTIP column for 2022 will be re-stated in next year's Single Figure Table to reflect the share price on the date of vesting (16 March 2023)

The value of the LTIP for 2021, which had a three-year performance period ending 31 December 2021, is apportioned for H Dieltjens for his time as an Executive Director. The values have been re-stated in this year's Single Figure Table using the share price on the date of vesting (15 March 2022) of £1.83 at the following exchange rates: €1 = \$1.05 and €1 = £0.85. The value in the LTIP column for 2021 also includes payment of dividend equivalents, also apportioned for H Dieltjens (€719) for his time as an Executive Director

<sup>(5)</sup> The value of medical coverage for 2022 was €11k for both Executive Directors. The value of medical coverage for 2021 in respect to services for the time as an Executive Director was €3k for H Dieltjens, and €11k for R Hundzinski

<sup>(6)</sup> On joining the Group, in line with the Remuneration Policy, R Hundzinski received buyout awards to compensate him for forfeited incentives awarded to him by his former employer. A restricted share award of 815,674 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 2022 (92,404) was valued on 5 February 2022 at the closing share price of £2.40 with a face value of £222k. 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 £961k

<sup>(7)</sup> As announced on 21 September 2021, Hans Dieltjens was appointed the Group's new CEO effective 1 October 2021. As a result, the remuneration reported for 2021 is in respect to services for the time as an Executive Director

<sup>(8)</sup> The Company has advanced and paid directly PAYE obligations to HMRC. These are shown net of repayments made to the Company by H Dieltjens and R Hundzinski in respect of prior year foreign tax credits claimed. The net amounts of PAYE paid in 2022 were €20,267 for CEO H Dieltjens and €18,716 for CFO R Hundzinski (€1 = £0.85). These amounts 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

<sup>(9)</sup> As announced on 25 January 2022, Tim Cobbold was appointed Chair of the Board effective 18 May 2022 following the AGM, succeeding Manfred Wennemer who stepped down from the Board effective 18 May 2022

<sup>(10)</sup> As announced on 6 September 2022, Trudy Schoolenberg was appointed as Senior Independent Director, joining the Company on 5 September 2022

<sup>(11)</sup> As announced on 24 March 2022, Elaine Sarsynski was appointed an Independent Non-Executive Director, joining the Company on 23 March 2022

<sup>(12)</sup> As announced on 4 August 2021, Julie Baddeley was appointed an Independent Non-Executive Director, joining the Company on 3 August 2021

<sup>(13)</sup> As announced on 7 June 2022, Jane Lodge was appointed an Independent Non-Executive Director, joining the Company on 6 June 2022

<sup>(14)</sup> As announced on 9 December 2021, Jeffrey Vanneste stepped down from the Board effective 18 May 2022

<sup>(15)</sup> Susan Levine and Stephen Thomas 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

# Annual report on remuneration

Continued

## Compensation attributed to share price growth

For the purposes of the Single Figure Table, the 2020 LTIP award has been valued using the average share price over the final quarter of the 2022 financial year (£1.30). This price is lower than the price used to determine the number of shares at grant and, therefore, none of the amount in the table is attributable to share price appreciation.

## Executive Director remuneration detail

### Base salary (audited)

Base salaries are typically reviewed and eligible for adjustments once per year. Hans Dieltjens was appointed as CEO on 1 October 2021, at which time his base salary was originally set at €910k, which was 16% lower than his predecessor. Considering the economic environment at that time, Mr Dieltjens agreed to discount his salary by 11% (€810k annualised) for 2021 and by 5.7% (€858k annualised) for 2022.

Consistent with the pay practice of the wider workforce, the CFO received a 3% increase on 1 April 2022, which is consistent and within range of pay increases provided to other US-based employees.

The table below outlines Executive Director annualised base salaries:

Executive Director	2022 €000	2021 €000	Increase In Salary
Hans Dieltjens (appointed CEO 1 October 2021)	910 Discounted to 858	910 Discounted to 810	Nil
Ron Hundzinski	618	600	3.0%

€1 = \$1.05

### 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 2022, the total matching contribution resulted in contributions of €13,071 for both Mr Dieltjens and Mr Hundzinski.

€1 = \$1.05

### Annual Bonus for 2022 Performance (audited)

In 2022, COVID-19-related supply-chain issues continued to adversely affect the business, and unexpected and significant inflation pressures compounded the Company's operating challenges. The Company was, again, challenged by customers modifying supply demands, frequently causing misalignment with inventories and production needs. Unfortunately, we were unable to achieve the threshold level for our financial measures of Adjusted EBIT Margin or Adjusted Free Cash Flow as a result.

Despite these operational challenges, the Company achieved €1.9b of lifetime sales bookings related to BEV/PHEV products, such as coolant or heat pump components relevant to electric vehicle platforms, which fully aligns with our Company's Take the Turn strategy. This strong booking performance remains the key to the long-term success of the business and delivering value to shareholders.

The exceptional performance in delivering BEV/PHEV bookings resulted in an overall 2022 ABP achievement level of 50% of maximum. The table below outlines the 2022 ABP measures and performance outcomes:

Measure	Weighting	Threshold 30% of maximum	Target 50% of maximum	Maximum 100%	Actual Performance <sup>(1)</sup>	Achievement
Adjusted EBIT Margin	25%	7.3%	7.6%	8.4%	5.4%	0.0%
Adjusted Free Cash Flow	25%	€115m	€121m	€135m	€68m	0.0%
BEV/PHEV Bookings	50%	€1.1b	€1.2b	€1.4b	€1.9b	50.0%
Total Achievement of Maximum						50.0%

<sup>(1)</sup> Actual performance calculated using budget exchange rates consistent with exchange rates used in setting targets.

The following table outlines the Executive Directors' 2022 ABP awards:

Executive Director	2022 Annual Bonus Awards				
	% Achievement of Maximum	Total Award €000	Shareholding Requirement Met	Value Paid in Cash €000	Value Deferred in Shares €000
Hans Dieltjens	50.0%	1,287	No	858	429
Ron Hundzinski	50.0%	773	No	618	155

€1 = \$1.05

### LTIP Grants in 2022 and 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 2022, both Mr Dieltjens and Mr Hundzinski received a grant of 300% of base salary. LTIP grants did not include the outperformance feature. The following table sets out the performance conditions, which will be assessed over a three-year performance period (2022 to 2024):

Measure	Number of Conditional Share Units Granted (% of base salary)				
	Weight	Threshold <sup>(1)</sup>	Maximum	H Dieltjens	R Hundzinski
Adjusted Return on Capital Employed	50%	16%	20%	516,628 (150% of base)	361,238 (150% of base)
Sustainability: ISS Social Score	10%	4	2	103,326 (30% of base)	72,248 (30% of base)
Sustainability: CO <sub>2</sub> (e) Emission Improvement	15%	6.5%	9.5%	154,989 (45% of base)	108,372 (45% of base)
Relative TSR Ranks vs Auto Peer Group	25%	50th Percentile	75th Percentile	258,314 (75% of base)	180,619 (75% of base)
Total Shares Awarded				1,033,257	722,477
Face Value at Grant (000) <sup>(2)</sup>				€2,225	€1,555

<sup>(1)</sup> Threshold vests at 25% of maximum

<sup>(2)</sup> The face value of each award is calculated using the closing share price (£1.83) prior to the date of grant on 16 March 2022, which was also used to determine the number of shares awarded (€1 = £0.85)

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.

### 2020 LTIP Vesting (audited)

The Company's 2020 plan concluded in 2022. The majority of the plan was subject to the achievement of Adjusted Cumulative Free Cash Flow targets with the remainder subject to relative TSR. This combination of measures was selected by the Committee to underscore the importance of managing the business, thoughtfully, for cash, given the uncertain economic and industry outlook created by the COVID-19 crisis. Management were able to generate over €340m of free cash flow in the three-year period including €148m in 2020 alone, the worst of the COVID-19 years in terms of industry volumes. This exceptional level of performance over the three-year period resulted in this element paying out in full. Unfortunately, due to the general market dynamics related to COVID-19, supplier shortages, and automotive industry production volumes, the Company's TSR results were not achieved leading to zero vesting on the 2020 TSR performance measure.

As a result, 80% of the award to the Executive Directors and other members of the senior management team vested. The Committee considered that this level of vesting was appropriate.

The table below outlines the vesting outcomes of the Company's 2020 LTIP:

Measure	Weight	Threshold	Maximum	Achievement
Basic LTIP				
Adjusted Cumulative Free Cash Flow	80%	€110m Vests 20% of maximum	€260m Vests 100% of maximum	€321m 100% of maximum
Relative TSR Rank vs FTSE 250	20%	50th Percentile Vests 25% of maximum	75th Percentile Vests 100% of maximum	Below 50th Percentile No Vesting
Outperformance Plan <sup>(1)</sup>				
Adjusted Cumulative Free Cash Flow	100%	N/A	€285m	€321m 100% of maximum
Total				80% of maximum

Final overall performance is measured using the management performance exchange rates of the plan year in which the targets were set.

<sup>(1)</sup> Not applicable to the current Executive Directors

### Payments to past Directors (audited)

During the year, the Company has not made any payments to past Directors that have not been previously disclosed in prior Annual reports.

### Payments for loss of office (audited)

During the year, the Company has not made any payments to past Directors for loss of office.

# Annual report on remuneration

Continued

## 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 2022 are shown in the table below:

	Current shareholding <sup>(1)</sup>	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? <sup>(2)</sup>
<b>Executive Directors</b>								
Hans Dieltjens	1,101,665	1,101,665	–	2,119,388	–	–	500%	No
Ron Hundzinski	521,003	430,982	90,021	2,042,289	–	–	400%	No
<b>Non-Executive Directors</b>								
Tim Cobbold	–	–	–	–	–	–	n/a	n/a
Trudy Schoolenberg	–	–	–	–	–	–	n/a	n/a
John Smith	101,381	101,381	–	–	–	–	n/a	n/a
Manfred Wennemer	193,598	193,598	–	–	–	–	n/a	n/a
Jeffrey Vanneste	59,756	59,756	–	–	–	–	n/a	n/a
Elaine Sarsynski	–	–	–	–	–	–	n/a	n/a
Julie Baddeley	–	–	–	–	–	–	n/a	n/a
Jane Lodge	–	–	–	–	–	–	n/a	n/a
Susan Levine <sup>(3)</sup>	–	–	–	–	–	–	n/a	n/a
Stephen Thomas <sup>(3)</sup>	–	–	–	–	–	–	n/a	n/a

<sup>(1)</sup> No share movement between year end and the date of publication

<sup>(2)</sup> Shareholding requirement measured by multiplying the current shareholding amount on 31 December 2022 by an illustrative share price of £1.30, based on the average share price over the final quarter of the 2022 financial year, then dividing by the annualised base salary on 31 December

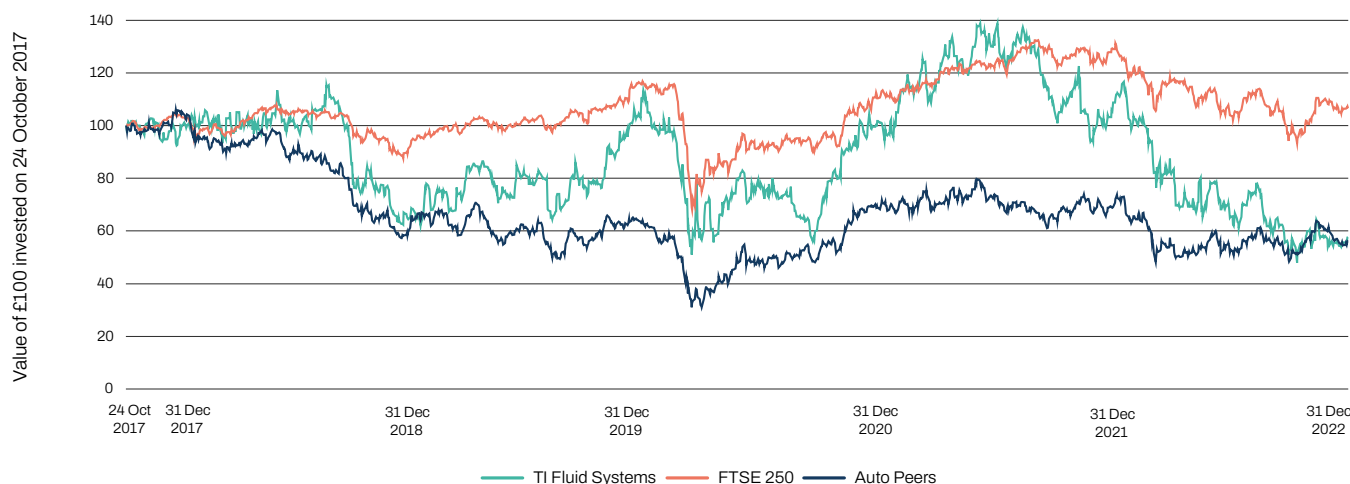
<sup>(3)</sup> Susan Levine and Stephen Thomas represent funds managed by Bain Capital, the Company's largest shareholder, and are not remunerated and receive no payment from the Company with respect to their qualifying services as Non-Executive Directors

## 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	Lear Corporation
American Axle & Manufacturing Holdings, Inc.	Cooper-Standard Holdings Inc.	NORMA Group SE
Autoliv Inc.	Dana Incorporated	Schaeffler AG
BorgWarner Inc.	ElringKlinger AG	Valeo SA
Brembo S.p.A.		

The chart shows the total return to investors since the Company listed on the London Stock Exchange on 24 October 2017.



## Historical CEO payouts

The following table sets out details of the CEO's single figure and incentive payouts for the last six 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)
2022	Hans Dieltjens	2,853	50.0%	80.0%
2021	Hans Dieltjens	452	37.4%	13.4%
2021	William Kozyra	2,334	37.4%	13.4%
2020	William Kozyra	3,571	75%	0%
2019	William Kozyra	2,963	60%	0%
2018	William Kozyra	2,897	60%	0%
2017	William Kozyra	9,122	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
2022	Option A	97:1	78:1	44:1
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	2022 single figure remuneration €000	Salary component €000
Chief Executive Officer	2,853	858
UK employee at 25th percentile	30	28
UK employee at median	37	35
UK employee at 75th percentile	65	49

€1 = \$1.05 = £0.85

## 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 2022. 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 97. 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.

# Annual report on remuneration

Continued

## 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.

Year-on-year comparisons reflect the increase in performance-related pay outcomes in 2022 compared to 2021, which form a larger portion of CEO pay. 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

2021 to 2022	Avg. Employee <sup>(1)</sup>	Hans Dieltjens <sup>(2)</sup>	Ron Hundzinski <sup>(3)</sup>	Tim Cobbold	Trudy Schoolenberg	John Smith	Elaine Sarsynski	Julie Baddeley	Jane Lodge	Manfred Wennemer	Jeffrey Vanneste	Stephen Thomas <sup>(4)</sup>	Susan Levine <sup>(4)</sup>
Salary/Fees <sup>(5)</sup>	9.3%	–	3.0%	3.0%	n/a	3.0%	3.0%	3.0%	n/a	3.0%	3.0%	–	–
Bonus <sup>(6)</sup>	33.7%	33.7%	33.7%	–	n/a	–	–	–	n/a	–	–	–	–
Benefits <sup>(7)</sup>	–	–	–	–	n/a	–	–	–	n/a	–	–	–	–

2020 to 2021	Avg. Employee <sup>(1)</sup>	Hans Dieltjens <sup>(2)</sup>	Ron Hundzinski <sup>(3)</sup>	Tim Cobbold	Trudy Schoolenberg	John Smith	Elaine Sarsynski	Julie Baddeley	Jane Lodge	Manfred Wennemer	Jeffrey Vanneste	Stephen Thomas <sup>(4)</sup>	Susan Levine <sup>(4)</sup>
Salary/Fees <sup>(5)</sup>	4.0%	n/a	5.0%	–	n/a	–	–	n/a	n/a	3.0%	–	–	–
Bonus <sup>(6)</sup>	–62.6%	n/a	–57.3%	–	n/a	–	–	n/a	n/a	–	–	–	–
Benefits <sup>(7)</sup>	–	n/a	–	–	n/a	–	–	n/a	n/a	–	–	–	–

2019 to 2020	Avg. Employee <sup>(1)</sup>	Hans Dieltjens <sup>(2)</sup>	Ron Hundzinski <sup>(3)</sup>	Tim Cobbold	Trudy Schoolenberg	John Smith	Elaine Sarsynski	Julie Baddeley	Jane Lodge	Manfred Wennemer	Jeffrey Vanneste	Stephen Thomas <sup>(4)</sup>	Susan Levine <sup>(4)</sup>
Salary/Fees <sup>(5)</sup>	5.2%	n/a	n/a	–4.2%	n/a	–4.2%	–4.2%	n/a	n/a	–4.2%	–4.2%	–	–
Bonus <sup>(6)</sup>	66.7%	n/a	n/a	–	n/a	–	–	n/a	n/a	–	–	–	–
Benefits <sup>(7)</sup>	–	n/a	n/a	–	n/a	–	–	n/a	n/a	–	–	–	–

<sup>(1)</sup> Theoretical assumptions for 'average employee' were made as there are no employees of the PLC entity for comparison purposes

<sup>(2)</sup> As announced on 21 September 2021, Hans Dieltjens was appointed the Group's new CEO effective 1 October 2021. In 2021, Mr Dieltjens had volunteered that his salary would be discounted 11.0% relative to his full salary. In 2022, he had volunteered that his salary would be discounted 5.7% relative to his full salary. The discounting of salary previously volunteered by Mr Dieltjens will end in 2023 and be returned to his full salary level. No inflationary increases were provided during these periods. Additional details can be found in the Base salary section on page 98

<sup>(3)</sup> As announced on 18 November 2019, Ron Hundzinski was appointed the Group's new CFO, effective 6 January 2020

<sup>(4)</sup> 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

<sup>(5)</sup> The percentage change calculation is based on the year over year change in annualised Salary/Fees

<sup>(6)</sup> Annual bonus comparator group is all ABP eligible employees. The percentage change in the average employee's bonus and that of the Executive Directors has been calculated based on the change in the payout as a percentage of maximum for each year. Note that the figure for 2019 to 2020 was calculated using an alternative approach and has been updated for consistency

<sup>(7)</sup> There were no material changes to the benefit programmes provided to the average employee, or that of the Executive Directors. Note that the figures presented in prior reports were calculated using an alternative approach and have been updated for consistency

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 2022, the Company engaged with employees through All Employee meetings, during which employees were able to comment and provide feedback on our approach to 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 2022 and 2021 financial periods. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profits in financial year €m		
	2022	2021	% change from the prior year
Profit distribution by way of dividend	12.6	45.0	-72.0%
Overall spend on pay including Executive Directors	796.2	734.9	8.3%

### Implementation of remuneration policy for Executive Directors in 2023

The following section summarises how remuneration arrangements will be operated from 1 January 2023 onwards.

#### Base salary

As outlined earlier in this report, the Company has elected to provide a general base pay increase in April 2023 for the wider workforce, but not for the Executive Directors. In 2022, Hans Dieltjens volunteered that his salary would be set at €858k, which represented a 5.7% discount relative to his full salary. For 2023 this discount will no longer apply, and he will receive his full salary of €910k. As Ron Hundzinski has announced his intention to retire, he will not receive an inflationary salary increase for 2023. On appointment as CFO Alexander De Bock's salary has been set at €571k, which is below Ron Hundzinski's salary.

The table below sets out the annualised base salary of the Chief Executive Officer and Chief Financial Officer in 2023 and the comparison with the annual salary received in 2022.

Executive Director	2023 000	2022 000	Increase in base salary
Hans Dieltjens	€910	€910	Nil
	Discount to salary is no longer applied	Discounted by 5.7% to €858	
Ron Hundzinski	€618	€618	Nil
Alexander De Bock	€571	n/a	n/a

€1 = \$1.05

#### 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 2023 for the CEO and new CFO will be 300% and 250% of salary, respectively. Taking into account his forthcoming retirement Ron Hundzinski will not be eligible for an annual bonus for 2023.

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 elected to, again, use the performance measures from the 2022 ABP for the 2023 ABP for alignment with our strategy and expectations of shareholders:

- 50% of the opportunity will continue to be based on the BEV/PHEV bookings for 2023 in line with the Company's Take the Turn strategy to reflect their strategic importance. Given China's importance in terms of overall global production volumes and BEV/PHEV units specifically, the Remuneration Committee with encouragement from shareholders, has earmarked a portion of the strategic metric for improved bookings performance in China.
- The remaining 50% will, again, be split equally between Adjusted EBIT margin and Adjusted Free Cash Flow for 2023, reflecting the importance of maximising current performance and managing profitability and cash through the period of transition.
- 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.

#### Long-Term Incentive Plan ('LTIP')

It is intended that the Executive Directors will receive an LTIP grant in 2023 of 300% of salary for the CEO and 250% of salary for the new CFO. The Committee is mindful of shareholder guidance around 'windfall gains' and has full discretion to ensure that the level of any vesting outcome is appropriate based on the overall performance of the Group and the shareholder experience. As previously disclosed, the Remuneration Committee and CEO reviewed the operation of the Remuneration Policy and agreed that the outperformance element available under the policy will not be applied for the foreseeable future of Mr Dieltjens tenure as CEO. This compromise, on the part of Mr Dieltjens, was made in an effort to recognise shareholders' past concerns over incentive quantum. Taking into account his forthcoming retirement, Ron Hundzinski will not be eligible for an LTIP award for 2023.

# Annual report on remuneration

## Continued

The Committee has reviewed the performance measures and determined that the same broad framework that applied to the 2022 awards will apply to the 2023 awards:

- 50% will be based on Adjusted Return on Capital Employed (ROCE) again in 2023, which replaced the Adjusted Free Cash Flow measure previously used for the 2021 LTIP. This measure was selected as management of returns on capital, through the industry transition to electric vehicles, which 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 2023 the Remuneration Committee has determined that TSR will, again, 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	Lear Corporation
American Axle & Manufacturing Holdings, Inc.	Cooper-Standard Holdings Inc.	NORMA Group SE
Autoliv Inc.	Dana Incorporated	Schaeffler AG
BorgWarner Inc.	ElringKlinger AG	Valeo SA
Brembo S.p.A.		

- The remaining 25% will be based on two sustainability measures: 15% will be based on progress during the performance period towards the Group's updated Scope 1 and 2 CO<sub>2</sub>(e) emissions reduction target and 10% will be based on the Company's relative Social QualityScore issued by ISS at the end of the performance period.

The following table sets out the performance measures applicable to the 2023 awards:

Measure	Weight	Threshold vests at 25% of maximum	Maximum vests at 100%
Adj. Return on Capital Employed	50%	14%	20%
Sustainability: ISS Social Score <sup>(1)</sup>	10%	3	2
Sustainability: CO <sub>2</sub> Emission improvement <sup>(2)</sup>	15%	670,913	645,105
Relative TSR Rank vs auto peers <sup>(3)</sup>	25%	Median	Upper Quartile
Total	100%		

<sup>(1)</sup> Social performance will be measured against relative improvement on Social 'S' performance as measured by ISS against their Social score benchmark

<sup>(2)</sup> CO<sub>2</sub> equivalent emission improvement will be measured against a 2021 baseline

<sup>(3)</sup> Relative TSR Rank will be measured against an automotive peer group described above

The Remuneration Committee reviews LTIP metrics and targets each year to ensure that they align with the Group's strategic objectives and are appropriate stretching. When considering the ROCE targets for 2023 the Committee took into account that supply chain challenges and inflationary pressures, along with lowered industry volume projections for the next 4-5 years, will bring greater uncertainty compared to a year ago. Therefore, the Committee believes that it is appropriate to lower the threshold target to 14%, with 70% of maximum paying out at a stretch target of 17.1%, while maintaining the maximum target at 20%. All measures are assessed over a three-year performance period (2023 to 2025).

## Buyout arrangements for new CFO

In line with the Remuneration Policy, on joining the Group our incoming CFO, Alexander De Bock, will receive buyout awards to compensate him for forfeited incentives awarded to him by his former employer. The buyout awards are of equivalent value and will match the time horizons and form of the awards forfeited. The following buyout has been agreed:

- Alexander will receive an equivalent cash payment to compensate him for his forfeited 2022 annual bonus from his previous employer, once the final results are determined
- To replace forfeited cash-based long-term incentives, Alexander will receive the following cash payments:
  - CHF 616,830 due to be paid in May 2023
  - CHF 200,000 due to be paid in March 2024
  - CHF 133,260 due to be paid by May 2024
  - CHF 204,000 due to be paid by May 2025

## Implementation of non-executive director remuneration policy in 2023

### Chairman and Non-Executive Director fees

Non-executive directors fee arrangements will increase by 3.0% in April 2023, well below that of the wider workforce in the UK. 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 2023 and 2022, with the expectation that directors will participate in various committees.

Role	2023 000	2022 000
Chairman	£348	£338
Senior Independent Director (SID)	£132	£128
Non-Executive Director (NED)	£106	£103

### Remuneration Committee

Membership: The Remuneration Committee consists of three Non-Executive Directors: John Smith, Julie Baddeley, and Jane Lodge. Tim Cobbold and Jeffrey Vanneste left this committee during 2022. 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 £46,836, 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 2022 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 (2022 AGM)	459,365,144	98.20%	8,416,880	1.80%	490,659,606	22,877,582
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 2 March 2023 and signed on its behalf by:

**John Smith**  
**Chair of the Remuneration Committee**

15 March 2023

# ESG Steering Committee report



*It is critical that we address climate change not only by supporting vehicle electrification with an expanded product portfolio but also by decarbonising our own operations, reducing waste, and conserving water.*

**Elaine Sarsynski**  
**ESG Steering Committee Chair**



## Committee membership

	Meetings attended
Elaine Sarsynski (Chair)	5/5
Julie Baddeley	5/5
Hans Dieltjens	5/5
Ron Hundzinski	5/5

## 2022 highlights

- Published the Group's first stand-alone 2021 Sustainability report
- Supported the engagement of Schneider Electric as an adviser to help with the Group's CO<sub>2</sub>(e) emissions reduction target setting, Scope 3 measurement, renewable electricity plan and energy efficiency initiatives
- Reviewed the Group's diversity and inclusion programme, including key focus areas and metrics
- Recommended approval and adoption of the Group's new science-based CO<sub>2</sub>(e) emissions reduction target consistent with the 1.5°C scenario
- Progressed data collection for water and waste

## Focus for 2023

- Review implementation of the Group's renewable electricity plan and energy efficiency initiatives
- Refine measurement of Scope 3 emissions
- Evaluate potential net zero pathway for the Group
- Monitor progress on our CO<sub>2</sub>(e) emissions reduction targets
- Support development of our supplier sustainability policy and engagement process to support Scope 3 reduction

## Dear shareholder,

I am pleased to present the ESG Steering Committee report for the year ended 31 December 2022.

The Committee supports the Board to fulfil their oversight responsibilities with respect to sustainability matters. The Committee's Terms of Reference are available on our website.

We recognise that the Group, as a leader in the automotive industry, has an obligation to operate our business in an environmentally responsible and sustainable manner in order to provide long-term success for all of our stakeholders. As such, our Take the Turn strategy includes sustainability as a core element.

From an environmental standpoint, it is critical that we address climate change not only by supporting vehicle electrification with an expanded product portfolio, but also by decarbonising our own operations, reducing waste, and conserving water. In 2022, we made great progress on all fronts.

First and foremost, with analytical and advisory support from Schneider Electric, the Group has adopted a new CO<sub>2</sub>(e) emissions reduction target that calls for a 50% reduction of Scope 1 and 2 emissions and a 30% reduction of Scope 3 emissions, in each case by 2030 on an absolute basis from a 2021 baseline. Our new targets have been submitted to the Science-Based Target initiative (SBTi) for review and validation. Importantly, we have also developed a renewable electricity plan and an energy efficiency programme to support achievement of our target. We have also established water conservation targets and are developing waste reduction targets for all locations.

I am very happy to report that the Group received a B grade for Climate Change from CDP. This very good score recognises our progress, going from a D to B in just two years.

On the social side, we have taken a number of steps to support safety, diversity and inclusivity.

We have implemented enhanced safety processes to protect our workforce, including expanding our ISO 45001 safety management framework to cover an additional 20 plants in 2022, with a goal of having every manufacturing location included by the end of 2024. We have hired additional EHS personnel in every region to assist with the training and implementation of our safety programme. The Committee and the Board regularly review the Group's safety metrics.

To further support our employees, we have continued diversity and inclusivity training and assessments for the entire senior management team. Furthermore, the Group's recruitment processes have been reviewed and guidance issued to all locations to minimise unconscious bias and promote diverse hiring. Our progress will be tracked by monitoring against gender diversity targets based on local university graduation rates.

In order to connect to our larger communities and prepare the next generation of women to succeed in the automotive industry, the Group has established scholarship programmes in Germany, Poland, Mexico, the US, and China for female students enrolling in universities to study STEM subjects. In 2022, the Group awarded 55 scholarships totalling €120,000. These scholarship recipients are also introduced to local TI facilities for potential internships and other extracurricular learning opportunities. Within the business, a Women's Mentorship programme has been established to support and guide women on strategies for success.

Both environmental and social targets continue to be included as a performance element of our Long-Term Incentive Plan for Executive Directors and senior management. The alignment of remuneration with our purpose and strategy ensures that we will continue to focus on Taking the Turn to develop and manufacture products to support vehicle electrification in the most sustainable way.

The Committee is 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**

15 March 2023



# Directors' report



The Directors present their Annual report and the audited financial statements for the Group for the year ended 31 December 2022. The Directors' report comprises pages 108–111 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)	30–31
Section 172(1) statement	36–38
Non-Financial Information statement	64–65
Corporate Governance report	75–111
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Directors' long-term incentives	99
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Subsidiaries	189–191

## 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 189–191.

## 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 2022, 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. There were no changes in issued share capital during the year, see Note 24 on page 166.

## 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 123. Two dividends were paid in 2022 totalling 2.46 Euro cents per share. The Group paid a dividend of 1.46 Euro cents per share, amounting to €7.5 million on 23 June 2022, based on the overall strength of the Group's financial position and prospects at that time. The 2022 interim dividend of 1.00 Euro cents per ordinary share (0.85 pence per ordinary share), was paid on 16 September 2022 amounting to €5.1 million.

## Employee Benefit Trust

Equiniti Trust (Jersey) Limited, as a Trustee of the TI Fluid Systems Employee Benefit Trust holds 7,678,528 being 1.48% of the issued share capital of the Company at 31 December 2022 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 2022 and at the date of this report are listed on pages 72–74, 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 pages 96–105.

The Company has adopted best practice guidelines and the 2018 UK Corporate Governance Code. Executive, and Non-Executive Directors, with the exception of Ron Hundzinski, will offer themselves for election and re-election at the 2023 Annual General Meeting. Jane Lodge, Trudy Schoolenberg and Alex De Bock will be offering themselves for election as they were appointed by the Board during the year. 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 96–105.

## Substantial shareholdings

At 31 December 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 Special Situations Fund	45,856,405	8.81
EQMC Europe Development Capital Fund	25,129,463	4.83
Aberforth Smaller Companies Trust plc	15,852,286	3.05

At 10 March 2023, 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 Special Situations Fund	45,856,405	8.81
EQMC Europe Development Capital Fund	27,656,071	5.32
Aberforth Smaller Companies Trust plc	19,394,686	3.73

## 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 2022 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 £520,269 being 10% of the Company's issued ordinary share capital at 4 April 2023 and, in connection with any such non-

pre-emptive issue, to issue a further 2% of the Company's issued share capital at 4 April 2023 (a nominal amount of £104,054) for the purposes of a follow-on offer, provided that the Directors determine that such follow-on offer is of a kind contemplated by the Pre-emption Group's Statement of Principles (the 'Pre-emption Principles'). This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2024 (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 Principles. The Pre-emption Principles were revised in November 2022 to allow the authority for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 10% to 20% of the Company's issued ordinary share capital, provided that the Company confirms that it intends to use the additional 10% authority only in connection with an acquisition or specified capital investment. In addition, the Pre-emption Principles allow for a further 2% of the Company's issued share capital at 4 April 2023 (a nominal amount of £104,054) for the purposes of a follow-on offer, provided the Directors determine that such follow-on offer is of a kind contemplated by the Pre-emption Principles. The Directors have no present intention of exercising any such authority.

The Company was also authorised at the Annual General Meeting held in 2022 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 2022 and sets the minimum and maximum prices that may be paid. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2023 (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 80–82 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 on pages 40–41.

## Suppliers, customers 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 36–39 and throughout the Strategic Report located on pages 8–67.

# Directors' report

## Continued

### 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 129 and expenditure in Note 6.2 on page 144 in the Group Financial Statements.

### Key performance indicators

Details of the Group's key performance indicators can be found on pages 32–35.

### Principal risks and uncertainties

Details of the principal risks and uncertainties faced by the Group can be found in the Strategic Report on pages 42–51.

### Financial instruments

An explanation of the Group's treasury policies and existing financial instruments are set out in Note 1.10 on page 131 and Note 4 on pages 141–142 of the financial statements. Details of how we use hedging to manage foreign currency and interest rate risks can be found in Note 4 in Group Financial Statements on page 141–142.

### Annual General Meeting

A separate notice convening the Annual General Meeting of the Company to be held on 16 May 2023 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 75–111. 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 page 70.

- Section 172(1) statement summarising the key areas of disclosure in this Annual Report required by the Non Financial Directive can be found on pages 36–38. 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 2022

- Non-Financial Information Statement can be found on pages 64–65
- Greenhouse gas emissions disclosure can be found in the Our Approach to sustainability on pages 40–41
- Task Force on Climate-related Financial Disclosures (TCFD) can be found on pages 52–57

### 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 111.

### Going concern and viability statements disclosures

We agree with the basis of the assessments and the disclosures included on page 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**

15 March 2023



# 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 regulation.

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 UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 Group and Company will continue in business.

The Directors are 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 also 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 financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report 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 15 March 2023 and is signed on its behalf:

By order of the Board

**Hans Dieltjens**  
*Chief Executive Officer  
and President*

**Ron Hundzinski**  
*Chief Financial Officer*

# Financial statements

Cost-effective, durable and efficient performance



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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 2022 and of the Group's loss 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 as applied in accordance with the provisions of the Companies Act 2006;
- the Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including 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 Sheet as at 31 December 2022; 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 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.

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 34 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

#### Overview

#### Audit scope

- Following our assessment of the risks of material misstatement of the Group Financial Statements we identified 19 components (2021: 19 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, South Korea, Mexico, Poland, Spain and Turkey. The one financially significant component within the Group is located in China.

- We also identified a further eight components (2021: six components) where we performed targeted specified procedures based on risk and materiality on the financial information. These components are located in the USA and France.
- In addition the group audit team in the UK performed analytical procedures on the components that are not in scope and audited the Company and performed audit procedures on the consolidation and accounting areas that are centralised. These areas included goodwill, tangible and intangible assets impairment assessment, specific aspects of warranty provisioning and accounting for customer recoveries and settlements, corporate taxation and retirement benefit obligations.
- This scope of work provided coverage of 77% (2021: 74%) of revenue and 79% (2021: 72%) of net assets.
- As part of the group audit supervision process, the group engagement team has performed a combination of in-person and 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: €5.9 million (2021: €6.8 million) based on 5% of a five year average of profit before tax, adjusted for exceptional items (2021: 5% of a four year average of profit before tax, adjusted for exceptional items).
- Overall Company materiality: €8.9 million (2021: €8.9 million) based on 1% of net assets (2021: 1% of net assets).
- Performance materiality: €4.4 million (2021: €5.1 million) (Group) and €6.7 million (2021: €6.7 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.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<b>Goodwill, tangible and intangible assets impairment assessment (Group)</b>	
<p>Refer to the Audit &amp; Risk Committee report, Note 1 (Summary of Significant Accounting Policies), Note 16 (Intangible Assets), Note 17 (Property, Plant and Equipment), Note 18 (Leases) and Note 19 (Impairments) to the Group Financial Statements. The Group holds goodwill of €353.9 million (2021: €564.3 million), intangible assets of €250.0 million (2021: €320.5 million), property, plant and equipment of €531.4 million (2021: €595.4 million) and right-of-use assets of €109.3 million (2021: €125.2 million) as at 31 December 2022.</p> <p>All Cash Generating Units (CGUs) containing goodwill must be tested for impairment annually and also when there are indicators of impairment. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use (VIU).</p> <p>The determination of the recoverable amount requires judgement by management in valuing the relevant CGUs through valuation models utilising discounted cash flow calculations and other valuation methods. There are judgements and estimates involved in management's impairment assessment including cash flow forecasts, discount rates and long term growth rates.</p> <p>The cash flow forecasts used in the 2023 budget and medium term outlook are significantly lower as compared to prior years due to various factors including deterioration in external estimates of global light vehicle volume, rapid increases in interest rates, sustained inflationary pressure and impact from geo political factors, supply chain volatility and the impact of climate change on the business.</p> <p>Management assessed the recoverable amount of the Group's CGUs on a VIU basis, as in the prior period, and found that it was less than the carrying value owing to the various factors stated above. Management reassessed the recoverable amount using discounted cash flows determined according to market participant assumptions. These include the costs and benefits of budgeted (but not committed) restructuring activities and cash flows that are generated from enhanced capital expenditure, and included an estimate of costs to sell.</p> <p>Management have used their own external expert to determine key assumptions in the valuation including country specific discount rates and long term growth rates. The same external expert prepared the valuation models used to determine the fair value less costs of disposal.</p> <p>Management's annual impairment assessment as at 31 December 2022 resulted in impairments in four CGUs, FCS-NA, FCS-EU, FCS-LA and FTDS-EU, and are considered sensitive to reasonably possible changes in key assumptions. In view of this management has included sensitivity disclosures within the financial statements including FTDS NA due to the low headroom observed in this CGU.</p>	<p>We assessed management's impairment assessment and focused our audit on challenging key judgements and estimates. Procedures we performed included:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• verifying the mathematical 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;</li> <li>• 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. We also assessed the exclusion of cash flows dependent on enhancing capital expenditure and restructuring activities in future periods for the VIU model;</li> <li>• discussing with commercial management the expected future business performance including the impact of climate change to corroborate finance management's explanations;</li> <li>• on a sample basis, obtaining evidence in the form of award documentation from customers for future business;</li> <li>• evaluating management's forecasting accuracy by comparing previous periods outturns with forecasts made as part of the Board approved medium term plans;</li> <li>• validating the source of third party industry volume data for the period to 2027 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;</li> <li>• agreeing management's calculation of negative growth rates for FTDS CGUs to the market projections the Group has received from the external forecasting agency to predict the pace of vehicle electrification, including in the period post 2027;</li> <li>• challenging management's assumptions with regards to the recovery of climate change related costs and the operating margin into the future;</li> <li>• establishing that the medium term plan cash flows include incremental costs associated with the Group's commitment to achieve published 2030 emissions reductions;</li> <li>• engaging our valuation experts to assess the appropriateness of discount rates, long term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being assessed for impairment and valuation methodologies used in determining the fair value less costs of disposal of respective CGUs and the reasonableness of the enterprise value as per the fair value model;</li> <li>• evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions; and</li> <li>• assessing the appropriateness of the related disclosures in the financial statements.</li> </ul> <p>Based on this work, we consider that the impairment loss recorded in the year and the carrying value of goodwill are materially correct and we believe that the disclosures in the financial statements are appropriate.</p>

# Independent auditors' report to the members of TI Fluid Systems plc Continued

Key audit matter	How our audit addressed the key audit matter
<b>Carrying value of the Company's investments in subsidiaries (Company)</b>	
<p>Refer to Note 1 (Summary of Significant Accounting Policies) and Note 4 (Investments in Subsidiaries) to the Company Financial Statements. Investments in subsidiaries of €922.1 million (2021: €912.5 million) are accounted for at cost less provision for impairment in the Company Balance Sheet as at 31 December 2022.</p> <p>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.</p> <p>The carrying value significantly exceeded the market capitalisation of the Group at 31 December 2022. Management has identified it as an indicator of potential impairment. This necessitated an impairment assessment to be performed, for which management engaged a third party expert.</p>	<p>We evaluated management's determination of whether any indicators of impairment existed by comparing the carrying value of investments in subsidiaries to the market capitalisation of the Group at 31 December 2022 and post year-end and by comparing the performance of the Group in the year to previous budgets and agreed that an impairment assessment is necessary.</p> <p>Our procedures, in addition to the above key audit matter, included:</p> <ul style="list-style-type: none"> <li>• comparing the carrying value of the investment in subsidiaries with the carrying amount of investees' net assets;</li> <li>• comparing the carrying value of the investment in subsidiaries with the equity value derived in the fair value report from the management's third party expert;</li> <li>• considering what would be a reasonable control premium that could be applied to the market capitalisation by reference to those achieved in past transactions of similar sized companies; and</li> <li>• performing our own independent sensitivity analysis to understand if reasonable possible changes in management's assumptions would result in an impairment.</li> </ul> <p>As a result of our work, we did not identify any material impairment and consider the carrying value of the investments in subsidiaries to be supportable in the context of the Company Financial Statements taken as a whole. We have assessed the disclosures provided and consider them to be appropriate.</p>

## 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 28 countries. We identified one individually financially significant component within the Group.

We have performed full scope audits on the financial information of 19 components (2021: 19 components) and targeted specified procedures based on risk and materiality on the financial information of eight components (2021: six components).

Our audit involves full scope audits of components in Belgium, Brazil, China, Czech Republic, Germany, South Korea, Mexico, Poland, Spain and Turkey and targeted specified procedures for the components in the USA and France. Our specified procedures for components in the USA covered all relevant financial statement line item assertions for all material balances whilst our specified procedures for France covered revenue and deferred income financial statement line item assertions only. In addition the group audit team in the UK performed analytical procedures on the 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, accounting for customer settlements and recoveries, corporate taxation and retirement benefit obligations. This scope of work provided coverage of 77% (2021: 74%) of revenue and 79% (2021: 72%) of net assets. The coverage for both the current and prior year is sufficient and in compliance with the applicable auditing standards.

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. Our interaction with component audit and local finance teams included a combination of in-person and remote attendance at internal clearance meetings for all components and attendance at 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 risk areas for financially significant and material components.

In addition, senior members of the group engagement team visited component teams in Mexico, South Korea, Spain and the USA. These visits included meetings with component management, discussions with the component teams and a review of their workpapers on audit strategy, risk assessment and the results of audit procedures performed. The group audit team has performed the audit of the Company.

### **The impact of climate risk on our audit**

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 Task Force on Climate-related Financial Disclosures (TCFD) as set out within the Strategic Report describe management's view of how climate change could impact the Group's businesses.

In planning our audit, we considered the impact of climate change risks and opportunities on the Group and the financial statements. As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the financial statements. The climate related risks identified are included within already existing and assessed risk categories.

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 change reporting team and valuation experts, we assessed how the Group has considered the impact of climate change risks and opportunities on the financial statements. We also considered the consistency of the disclosures in relation to climate change including the disclosures in the TCFD section within the Annual Report with the financial statements and our knowledge obtained from our audit. 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. The impact of climate change on the future demand of their products has been considered by management in their impairment assessment by incorporating a negative terminal growth rate for the FTDS division. Management believes that there is no significant impact of climate change on demand for the FCS division. This has been incorporated into the corresponding key audit matter above. We communicated our findings to the Audit & Risk Committee and those charged with governance.

Management has determined that their previously announced CO<sub>2</sub>(e) emissions reduction target (37% reduction of scope 1 and 2 emissions from 2019 to 2039) is no longer in line with the current expectations. They have now committed to a 50% reduction of their scope 1 and 2 emissions and a 30% reduction of their scope 3 emissions by 2030 from a 2021 baseline. Whilst the Group has stated its revised target, the pathway to these commitments is not fully developed. Management has included the incremental cost to achieve its 2030 targets in its forecasts, based on the assumption that incremental costs related to scope 3 emissions will be passed onto customers. We ensured that the medium term plan cash flows include incremental costs associated with the Group's commitment to achieve the published 2030 emissions reductions and the related effects have been appropriately reflected in determining asset values and associated disclosures where values are determined through modelling future cash flows, being goodwill, tangible and intangible assets impairment assessment.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole for the year ended 31 December 2022 but as set out above the governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, consequently financial statements cannot capture all the relevant potential impacts.

# Independent auditors' report to the members of TI Fluid Systems plc Continued

## 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
<b>Overall materiality</b>	€5.9 million (2021: €6.8 million).	€ 8.9 million (2021: €8.9 million).
<b>How we determined it</b>	5% of a five year average of profit before tax, adjusted for exceptional items (2021: 5% of a four year average of profit before tax, adjusted for exceptional items).	1% of net assets (2021: 1% of net assets).
<b>Rationale for benchmark applied</b>	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 five year average profit before tax and exceptional items as a basis to determine our 2022 materiality (2021: four 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 impacted by the volatile market conditions due to the ongoing impact of one-off events rather than a permanent change in the profitability of the business.	As there is no trading activity within the 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 €393,000 and €4,433,000.

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% (2021: 75%) of overall materiality, amounting to €4.4 million (2021: €5.1million) for the Group Financial Statements and €6.7 million (2021: €6.7 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 €0.29 million (Group audit) (2021: €0.35 million) and €0.4 million (Company audit) (2021: €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 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 2022 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.

# Independent auditors' report to the members of TI Fluid Systems plc Continued

## 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 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 and Company 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 UK Bribery Act, 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 UK Corporate Governance Code, the Companies Act 2006, the Listing Rules of the UK Financial Conduct Authority and tax legislation. 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 posted with unusual account combinations, including those that increased revenue, 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 selected audit working papers for all components with a particular focus on significant risk areas for financially significant and material components.

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](http://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 22 years, covering the years ended 31 December 2001 to 31 December 2022. 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

15 March 2023

# Consolidated Income Statement

For the year ended 31 December

		2022	2022	2022	2021	2021	2021
		Before exceptional items €m	Exceptional items (Note 9) €m	After exceptional items €m	Before exceptional items €m	Exceptional items (Note 9) €m	After exceptional items €m
<b>Continuing operations</b>	<b>Note</b>						
Revenue	5	3,268.3	–	3,268.3	2,956.6	–	2,956.6
Cost of sales	6	(2,938.0)	(100.3)	(3,038.3)	(2,626.8)	–	(2,626.8)
<b>Gross profit/(loss)</b>		<b>330.3</b>	<b>(100.3)</b>	<b>230.0</b>	<b>329.8</b>	<b>–</b>	<b>329.8</b>
Distribution costs	6	(112.1)	–	(112.1)	(93.9)	–	(93.9)
Administrative expenses	6	(119.0)	(217.1)	(336.1)	(105.8)	–	(105.8)
Net foreign exchange losses	4	(0.7)	–	(0.7)	(6.9)	–	(6.9)
Other gains and losses	11	1.9	–	1.9	3.6	–	3.6
<b>Operating profit/(loss)</b>		<b>100.4</b>	<b>(317.4)</b>	<b>(217.0)</b>	<b>126.8</b>	<b>–</b>	<b>126.8</b>
Finance income	12	5.7	–	5.7	3.1	–	3.1
Finance expense	12	(64.4)	–	(64.4)	(63.1)	(11.8)	(74.9)
Net finance expense		(58.7)	–	(58.7)	(60.0)	(11.8)	(71.8)
Share of loss of associate	20	–	–	–	(0.9)	–	(0.9)
<b>Profit/(loss) before income tax</b>		<b>41.7</b>	<b>(317.4)</b>	<b>(275.7)</b>	<b>65.9</b>	<b>(11.8)</b>	<b>54.1</b>
Income tax (expense)/credit	13	(23.4)	20.1	(3.3)	(40.9)	2.8	(38.1)
<b>Profit/(loss) for the year</b>		<b>18.3</b>	<b>(297.3)</b>	<b>(279.0)</b>	<b>25.0</b>	<b>(9.0)</b>	<b>16.0</b>
Profit/(loss) for the year attributable to:							
Owners of the Parent Company		18.2	(297.3)	(279.1)	23.3	(9.0)	14.3
Non-controlling interests	26	0.1	–	0.1	1.7	–	1.7
		18.3	(297.3)	(279.0)	25.0	(9.0)	16.0
<b>Total earnings per share (Euro, cents)</b>							
Basic	14			(54.39)			2.76
Diluted	14			(54.39)			2.73

Refer to Note 3 for reconciliation to adjusted performance measures (APMs).

# Consolidated Statement of Comprehensive Income

For the year ended 31 December

	Note	2022 €m	2021 €m
(Loss)/profit for the year		(279.0)	16.0
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
– Remeasurements of retirement benefit obligations	30	28.0	36.3
– Income tax expense on retirement benefit obligations	13	(6.9)	(6.8)
		21.1	29.5
<i>Items that may be subsequently reclassified to profit or loss</i>			
– Currency translation		6.0	75.1
– Net investment hedges	25	–	0.9
		6.0	76.0
<b>Total other comprehensive income for the year</b>		27.1	105.5
<b>Total comprehensive income for the year</b>		<b>(251.9)</b>	<b>121.5</b>
<b>Attributable to:</b>			
– Owners of the Parent Company		(252.0)	120.1
– Non-controlling interests	26	0.1	1.4
<b>Total comprehensive income for the year</b>		<b>(251.9)</b>	<b>121.5</b>

# Consolidated Balance Sheet

As at 31 December

	Note	2022 €m	2021 €m
<b>Non-current assets</b>			
Intangible assets	16	603.9	884.8
Right-of-use assets	18	109.3	125.2
Property, plant and equipment	17	531.4	595.4
Deferred income tax assets	13	105.2	70.5
Trade and other receivables	22	20.6	19.2
		1,370.4	1,695.1
<b>Current assets</b>			
Inventories	21	372.0	332.3
Trade and other receivables	22	541.9	520.5
Current income tax assets	13	7.9	11.4
Derivative financial instruments	29	2.8	0.9
Financial assets at fair value through profit or loss	23	–	0.9
Cash and cash equivalents	23	491.0	499.1
		1,415.6	1,365.1
		2,786.0	3,060.2
<b>Total assets</b>			
<b>Equity</b>			
Share capital	24	6.8	6.8
Share premium	24	2.2	2.2
Other reserves	25	(55.4)	(61.4)
Retained earnings		722.6	995.9
<b>Equity attributable to owners of the Parent Company</b>		676.2	943.5
Non-controlling interests	26	0.5	0.4
<b>Total equity</b>		676.7	943.9
<b>Non-current liabilities</b>			
Trade and other payables	27	12.8	14.6
Borrowings	28	1,114.0	1,098.5
Lease liabilities	18	121.5	119.8
Deferred income tax liabilities	13	80.7	95.8
Retirement benefit obligations	30	104.2	128.1
Provisions	31	2.6	2.6
		1,435.8	1,459.4
<b>Current liabilities</b>			
Trade and other payables	27	584.8	546.1
Current income tax liabilities	13	44.5	49.9
Borrowings	28	1.9	1.8
Lease liabilities	18	28.1	30.1
Derivative financial instruments	29	0.2	0.3
Provisions	31	14.0	28.7
		673.5	656.9
<b>Total liabilities</b>		2,109.3	2,116.3
<b>Total equity and liabilities</b>		2,786.0	3,060.2

The Financial Statements on pages 122–195 were authorised for issue by the Board of Directors on 15 March 2023 and were signed on its behalf by:

**Hans Dieltjens**  
Chief Executive Officer and President

**Ron Hundzinski**  
Chief Financial Officer

# Consolidated Statement of Changes in Equity

For the year 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 2022		6.8	2.2	(61.4)	995.9	943.5	0.4	943.9
(Loss)/profit for the year		-	-	-	(279.1)	(279.1)	0.1	(279.0)
Total other comprehensive income for the year		-	-	6.0	21.1	27.1	-	27.1
<b>Total comprehensive income for the year</b>		-	-	6.0	(258.0)	(252.0)	0.1	(251.9)
Share-based expense	7	-	-	-	9.6	9.6	-	9.6
Issue of own shares from Employee Benefit Trust	24	-	-	-	1.0	1.0	-	1.0
Vested share awards		-	-	-	(1.9)	(1.9)	-	(1.9)
Purchase of own shares	24	-	-	-	(11.4)	(11.4)	-	(11.4)
Dividends paid	15	-	-	-	(12.6)	(12.6)	-	(12.6)
Transactions with owners recognised directly in equity		-	-	-	(15.3)	(15.3)	-	(15.3)
<b>Balance at 31 December 2022</b>		<b>6.8</b>	<b>2.2</b>	<b>(55.4)</b>	<b>722.6</b>	<b>676.2</b>	<b>0.5</b>	<b>676.7</b>

	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 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		-	-	-	26.2	26.2	(26.2)	-
Purchase of non-controlling interests		-	-	-	(15.5)	(15.5)	-	(15.5)
Share-based expense	7	-	-	-	6.8	6.8	-	6.8
Issue of own shares from Employee Benefit Trust	24	-	-	-	1.1	1.1	-	1.1
Vested share awards		-	-	-	(0.9)	(0.9)	-	(0.9)
Purchase of own shares	24	-	-	-	(8.3)	(8.3)	-	(8.3)
Dividends paid	15	-	-	-	(45.0)	(45.0)	-	(45.0)
Transactions with owners recognised directly in equity		-	-	-	(35.6)	(35.6)	(26.2)	(61.8)
<b>Balance at 31 December 2021</b>		<b>6.8</b>	<b>2.2</b>	<b>(61.4)</b>	<b>995.9</b>	<b>943.5</b>	<b>0.4</b>	<b>943.9</b>

# Consolidated Statement of Cash Flows

For the year ended 31 December

	Note	2022 €m	2021 €m
<b>Cash flows from operating activities</b>			
Cash generated from operations	32	282.5	319.8
Interest paid		(56.7)	(50.6)
Income tax paid on operating activities		(58.3)	(54.1)
<b>Net cash generated from operating activities</b>		<b>167.5</b>	<b>215.1</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(90.8)	(88.2)
Payment for intangible assets		(27.1)	(35.4)
Proceeds from the sale of property, plant and equipment		-	1.4
Proceeds from the sale of associated undertakings	20	-	15.5
Tax paid on the proceeds from the sale of associated undertakings	20	(3.0)	-
Interest received		4.3	3.1
<b>Net cash used in investing activities</b>		<b>(116.6)</b>	<b>(103.6)</b>
<b>Net cash generated from operating and investing activities ('Free Cash Flow')</b>	<b>3</b>	<b>50.9</b>	<b>111.5</b>
<b>Cash flows from financing activities</b>			
Purchase of own shares	24	(11.4)	(8.3)
Purchase of non-controlling interests	26	-	(15.5)
Proceeds from new borrowings	28.1	-	600.0
Fees paid on proceeds from new borrowings	28.1	-	(15.3)
Voluntary repayments of borrowings	28.1	-	(600.0)
Scheduled repayments of borrowings	28.1	(5.5)	(6.8)
Lease principal repayments	18	(32.9)	(31.6)
Dividends paid	15	(12.6)	(45.0)
<b>Net cash used in financing activities</b>		<b>(62.4)</b>	<b>(122.5)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(11.5)</b>	<b>(11.0)</b>
Cash and cash equivalents at the beginning of the year	23	499.1	485.8
Currency translation on cash and cash equivalents		3.4	24.3
<b>Cash and cash equivalents at the end of the year</b>	<b>23</b>	<b>491.0</b>	<b>499.1</b>

Material non-cash transactions in the year include new lease purchases for e-Mobility Innovation Centres (eMICs) in North America and Asia. For further information see Note 18.



# Notes to the Group Financial Statements

## 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 Group financial statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006 and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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 or loss ('FVTPL') (including derivative instruments not in hedged relationships).

The preparation of financial statements in conformity with UK-adopted International Accounting Standards 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

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:

IFRS 17 'Insurance Contracts' <sup>1</sup>	IFRS 17 replaces IFRS 4 for all entities that issue insurance contracts.
Amendments to IAS 8: Accounting Policies and Accounting Estimates <sup>1</sup>	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: Accounting Policies <sup>1</sup>	Requires that an entity discloses its material accounting policies, instead of its significant accounting policies.
Amendments to IAS 1: Non-current liabilities with covenants <sup>1</sup>	Clarifies how conditions, with which an entity must comply within twelve months after the reporting period, affect the classification of a liability.
Amendment to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction <sup>1</sup>	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.
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current <sup>2</sup>	Provides guidance on whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback <sup>2</sup>	Specifies how a seller-lessee should apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in a sale and leaseback transaction with variable payments that do not depend on an index or rate.

<sup>1</sup> Effective for the Group's 2023 financial statements

<sup>2</sup> Effective for the Group's 2024 financial statements

preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 28.

Further details of the Going Concern and Viability statements are disclosed in the Compliance statements. See pages 62–63.

### 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 Euros, which is the Group's presentation currency. All financial information presented in Euros 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 International Financial Reporting Standards ('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 2023, 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.

# Notes to the Group Financial Statements

Continued

## 1. Summary of Significant Accounting Policies

Continued

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 deconsolidated 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. On 8 December 2021, the Group disposed in full of its only associated undertaking, see Note 20 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	31 December 2022		31 December 2021	
	Average	Year End	Average	Year End
US dollar	1.053	1.067	1.182	1.137
Chinese renminbi	7.079	7.362	7.628	7.228
Korean won	1,358	1,343	1,354	1,352

### 1.4. Critical Accounting Estimates and Judgement

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 judgement 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.

#### 1.4.1. Critical Accounting Estimates

The critical accounting estimates below have a significant risk of material adjustment to the carrying value of assets and liabilities in the next financial year.

##### 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 30.5.

## 1. Summary of Significant Accounting Policies Continued

### 1.4.1.2. Impairments of assets

Management has 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 2023 budget and 2024–2027 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 2028–2035. 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 19.

### 1.4.2 Critical Accounting Judgements

#### 1.4.2.1 Deferred tax assets

Recognition of deferred tax assets is based on forecast future taxable income and involves the exercise of management's judgement regarding the period over which recoverability is assessed, taking into account factors such as regulations regarding the amount of tax losses that can be utilised per year, and any restrictions on the amount of time that tax losses can be carried forward. Typically losses are anticipated to be utilised against profits arising within a period not exceeding fifteen years. In some cases, tax regulations place significant restrictions on the amount of losses that can be used in any year and in these cases a longer time period may be utilised. The value of deferred tax assets relating to utilisation of profits in excess of a fifteen year period is approximately €6 million.

Management has looked at short and medium-term production volume forecasts to assess the trading profits to support recognition of the assets. The key input assumptions of trading profits over the medium term, whilst consistent with the Group's impairment test noted in 1.4.1.2 above, are not considered to be critical estimates for the recognition of deferred tax assets, as a reasonably possible change in these input assumptions in the next financial year would not materially change the underlying profitability trend or the carrying amount of deferred tax assets in those jurisdictions in which the ability to recover tax losses is limited.

### 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.

### 1.6 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.

# Notes to the Group Financial Statements

## Continued

### 1. Summary of Significant Accounting Policies

#### Continued

#### 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                       | 8–10 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 were 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:

- |  |             |
|--|-------------|
| • 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 derecognised. 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 part of accrued expenses 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. See Note 19.

#### 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 at that date. 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. Incremental borrowing rates depend on the term, country, currency and start date of the lease. The incremental borrowing rate is determined based on a series of inputs including the risk-free rate based on government bond rates and a country-specific risk adjustment incorporating a credit risk adjustment based on entity-specific risk.

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
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Future increases or decreases in rentals linked to a price index or rate are not included in the lease liability until the change in cash flows takes effect.

As a practical expedient, the Group has elected, by class of underlying asset, not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component.

## 1. Summary of Significant Accounting Policies

### Continued

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 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 a 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'.

##### *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 remeasuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement as finance income or expense.

##### *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.

# Notes to the Group Financial Statements

Continued

## 1. Summary of Significant Accounting Policies

Continued

### 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.

#### *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 4 and 29. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by remeasuring to their fair value at the end of each reporting period.

### 1.10.3. Derivative instruments and hedge accounting

The Group has no derivatives designated as hedging instruments in the current or prior year, however, the Group previously entered into net investment hedges to manage its exposure to foreign currency risk. These hedges were all terminated in 2020. 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. Summary of Significant Accounting Policies

### Continued

#### 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, which results in an exposure to a probable cash outflow. 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.

#### 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 are 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.

#### 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'.

#### Deferred income

Deferred income is recorded when consideration for goods or services provided by the Group is received before the revenue is recognised.

# Notes to the Group Financial Statements

## Continued

### 1. Summary of Significant Accounting Policies

#### Continued

#### 1.18. Other 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. Net Foreign Exchange Gains and Losses

Net foreign exchange gains and losses arise from US dollar denominated net intercompany borrowings and cash balances in Euro and Korean Won functional currency companies, see Note 4.

#### 1.20. 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 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.

##### 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 10).

The Group reviews the estimate of the number of shares expected to vest at each balance sheet date with appropriate adjustments being made during the year to reflect expected and actual forfeitures. 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.

#### 1.21. 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.



## 1. Summary of Significant Accounting Policies

### Continued

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 except for goodwill arising in a business combination. 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.

#### 1.22. Adjusting Items

In addition to the results reported under IFRS, Management use certain non-IFRS financial measures to monitor and measure the performance of the business and operations and the profitability of the divisions. Such measures are described more fully in Note 3. Adjusting items used in the calculation of these measures include restructuring costs, net foreign exchange gains and losses, costs associated with business acquisitions or disposals and the profit or loss on disposal of businesses, and exceptional items as detailed below.

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 impairment charges, the costs of closure of locations or income from the disposal of assets on closure of locations, the costs of significant headcount reductions, 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, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, and the recognition of previously derecognised deferred tax assets and the derecognition of previously recognised deferred tax assets.

#### 1.23. Climate Change

The Group assesses the potential impact of climate-related risks based on the Task Force 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 science-based targets of 50% reduction of Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions by 2030 based on absolute 2021 emission levels, and is implementing initiatives to achieve the same, such as moving from carbon-based fuels to renewable energy alternatives. Please refer to TCFD disclosure for further details.

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.

Impairment testing of non-current assets including goodwill specifically considers the potential impact on forecast operating cash flows arising from future changes in climate change regimes. Full details of this assessment are set out in Note 19 where assumptions have been made regarding the volumes, and 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, as estimation uncertainty arises from the rate of such market transition. Further discussion on the critical accounting estimates and judgements made in the impairment test can be found in Note 1.4.

The climate-related estimates and assumptions that have been considered to be key areas of judgement or sources of estimation uncertainty for the year ended 31 December 2022 are those relating to the recoverable amount of non-current assets including goodwill. These items are included within the key areas of judgement and key sources of estimation uncertainty summarised and explained in detail throughout the significant accounting policies.

Items that may be impacted by climate-related risks, but which are not considered to be key areas of judgements or sources of estimation uncertainty in the current financial year are outlined below:

Deferred tax assets – the recovery of deferred tax assets could be impacted by climate-related matters to the extent they reduce the Group's 2023 budget and 2024 to 2027 medium-term plan results, which is a key input for the forecast of taxable income to the extent they reduce the forecast profits over the period of recovery.

Useful lives of assets – The useful lives of assets could be reduced by climate-related matters, for example as a result of physical risks, obsolescence or legal restrictions. The change in useful lives would have a direct impact on the amount of depreciation or amortisation recognised each year from the date of reassessment. The Directors' review of useful lives has taken into consideration the impacts of the Group's decarbonisation commitments and has not had a material impact on the results for the year.

# Notes to the Group Financial Statements

Continued

## 1. Summary of Significant Accounting Policies

Continued

**Inventory valuation** – Climate-related matters may affect the value of inventories as they could become obsolete as a result of a decline in selling prices or a reduction in demand. After consideration of the typical stock-turns of the inventory in relation to the rate of change in the market, the Directors consider that inventory is appropriately valued.

**Recoverability of trade receivables and contract assets** – The impact of climate-related matters could have an impact on the Group's customers in the future, especially those customers in the FTDS business. No material climate-related issues have arisen during the year that have impacted our assessment of the recoverability of receivables. Given the maturity time of trade receivables and the majority of contract assets, climate change is unlikely to have a material increase on counter party credit risk in that time.

**Share-based payments** – Executive leadership remuneration packages are impacted and measured against a sustainability metric set by the Remuneration Committee with input from the ESG Steering Committee that align with both the Group's electrification strategy and sustainability transition in order to align with interests of the Group's wider stakeholders. This could impact the amount and timing of the recognition of the share-based expense in the Income Statement. This has had no material impact on the 2022 financial statements.

**Defined benefit pension plans** – Climate-related risks could affect the financial position of defined benefit pension plans. As a result, this could have implications on the expected return on plan assets and measurement of defined benefit liabilities in future years.

## 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 makers ('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, adjusted EBITDA and adjusted EBIT. See Note 3.

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 after 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:

	2022 €m	2021 €m
<b>Revenue</b>		
- FCS - External	1,869.7	1,603.5
- Inter-segment	67.0	63.1
	1,936.7	1,666.6
- FTDS - External	1,398.6	1,353.1
- Inter-segment	2.8	2.5
	1,401.4	1,355.6
<b>Inter-segment elimination</b>	(69.8)	(65.6)
<b>Total consolidated revenue</b>	<b>3,268.3</b>	<b>2,956.6</b>
<b>Adjusted EBITDA</b>		
- FCS	170.4	177.1
- FTDS	162.9	175.8
	333.3	352.9
<b>Adjusted EBITDA % of revenue</b>		
- FCS	9.1%	11.0%
- FTDS	11.6%	13.0%
<b>Total</b>	<b>10.2%</b>	<b>11.9%</b>
<b>Adjusted EBIT</b>		
- FCS	95.0	117.9
- FTDS	85.0	94.7
	180.0	212.6
<b>Adjusted EBIT % of revenue</b>		
- FCS	5.1%	7.4%
- FTDS	6.1%	7.0%
<b>Total</b>	<b>5.5%</b>	<b>7.2%</b>

Restructuring costs of €22.8 million (€19.8 million in FCS and €3.0 million in FTDS) (2021: €26.8 million of which €15.3 million in FCS and €11.5 million in FTDS) comprise announced headcount reductions and related costs of balancing production capacity with market requirements. Please refer to Alternative Performance Measures (Note 3) for reconciliation to Income Statement.

# Notes to the Group Financial Statements

Continued

## 2. Segment Reporting Continued

### 2.2 Revenue by Origin: Geography & Customer Concentration

	2022 €m	2021 €m
Germany	178.4	182.1
Spain	166.7	163.7
Poland	153.1	139.1
Czech Republic	138.0	132.2
Belgium	96.9	90.8
France	105.2	99.5
Turkey	98.5	94.9
United Kingdom	58.0	61.2
Africa	83.9	37.2
Other	128.4	137.7
<b>Europe and Africa</b>	<b>1,207.1</b>	<b>1,138.4</b>
China	673.9	672.4
South Korea	288.6	254.7
Other	151.8	131.0
<b>Asia Pacific</b>	<b>1,114.3</b>	<b>1,058.1</b>
US	603.3	481.4
Mexico	274.0	219.1
Canada	18.5	13.1
<b>North America</b>	<b>895.8</b>	<b>713.6</b>
<b>Latin America</b>	<b>51.1</b>	<b>46.5</b>
<b>Total</b>	<b>3,268.3</b>	<b>2,956.6</b>

Four customers account individually for more than 10% of total revenue and collectively contributed 45.9% of total revenue across both reporting segments in the year (2021: three customers contributed 34.9%). Revenue recognised for these customers by segment is as follows:

	FCS €m	FTDS €m	Total €m
<b>31 December 2022</b>			
Revenue	852.4	647.0	1,499.4
<b>31 December 2021</b>			
Revenue	501.9	529.7	1,031.6

## 2. Segment Reporting Continued

### 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:

	2022 €m	2021 €m
Germany	67.7	124.4
Czech Republic	53.7	87.7
Poland	58.5	100.8
Spain	39.7	71.9
Turkey	20.7	48.3
Belgium	17.4	43.8
United Kingdom	11.4	29.6
Rest of Europe and Africa	81.8	117.9
<b>Europe and Africa</b>	<b>350.9</b>	<b>624.4</b>
US	255.3	277.1
Mexico	89.0	76.4
Rest of North America	8.8	11.0
<b>North America</b>	<b>353.1</b>	<b>364.5</b>
China	397.8	428.6
South Korea	133.2	163.4
Rest of World	30.2	43.7
<b>Total</b>	<b>1,265.2</b>	<b>1,624.6</b>

	FCS €m	FTDS €m	Total €m
<b>31 December 2022</b>			
Goodwill	328.2	25.7	353.9
Intangible assets	130.1	119.9	250.0
Property, plant and equipment	283.4	248.0	531.4
Right-of-use assets	69.3	40.0	109.3
Non-current trade and other receivables	11.2	9.4	20.6
<b>Total</b>	<b>822.2</b>	<b>443.0</b>	<b>1,265.2</b>

	FCS €m	FTDS €m	Total €m
<b>31 December 2021</b>			
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
<b>Total</b>	<b>1,178.1</b>	<b>446.5</b>	<b>1,624.6</b>

# Notes to the Group Financial Statements

## Continued

### 3. Adjusting Items and Alternative Performance Measures

In addition to the results reported under IFRS, management use certain non-IFRS financial measures to monitor and measure the performance of the business and operations and the profitability of the 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 communications with investors. In particular, management use Adjusted EBIT, Adjusted EBITDA, Adjusted Net Income, and Adjusted Free Cash Flow. 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.

Definitions for alternative performance measures are included in the Note 37 glossary.

Adjusted Performance Measures	2022 €m	2021 €m
Adjusted EBIT	180.0	212.6
Adjusted EBITDA	333.3	352.9
Adjusted net income	43.5	58.3
Adjusted free cash flow	78.4	117.3

For adjusted basic EPS please refer to Note 14.2.

#### 3.1 Adjusting Items

Management exclude certain items in the derivation of alternative performance measures, as shown below:

Adjusting Items	Note	2022 €m	2021 €m
Restructuring costs	31	22.8	26.8
Exceptional impairment charge	9	317.4	–
Net foreign exchange losses	4	0.7	6.9
Costs associated with business acquisitions or disposals		1.8	–
Loss on disposal of associate and other		–	0.4
		342.7	34.1

Restructuring costs comprise announced headcount reductions and related costs of balancing production capacity with market requirements.

The exceptional impairment charge relates to the write-down of goodwill, intangible assets, property, plant and equipment and right-of-use assets, following the outcome of the 2022 annual impairment test. As a significant, non-recurring item, this charge has been excluded from our alternative performance measures.

Net foreign exchange gains/losses on the foreign currency revaluation of intercompany loan and cash balances are included in adjusting items to remove the impact of market volatility on our adjusted performance measures.

Costs associated with business acquisitions or disposals and, in the prior year, the loss on disposal of associate, have been excluded from the alternative performance measures due to their ad-hoc non-recurring nature.

Reconciliations of adjusted performance measures to their statutory GAAP equivalent measures are provided below.

#### 3.2 Adjusted Performance Measures

Adjusted EBITDA	Note	2022 €m	2021 €m
Operating (loss)/profit		(217.0)	126.8
Depreciation and amortisation arising on purchase accounting		54.3	51.7
Adjusting items	3.1	342.7	34.1
Adjusted EBIT		180.0	212.6
Depreciation, amortisation and non-exceptional impairments on non-purchase accounting		153.3	140.3
Adjusted EBITDA		333.3	352.9

### 3. Adjusting Items and Alternative Performance Measures Continued

	Note	2022 €m	2021 €m
<b>Adjusted Net Income</b>			
(Loss)/profit for the year		(279.0)	16.0
Non-controlling interests' share of profit	26	(0.1)	(1.7)
Share of loss of associate	20	–	0.9
Exceptional tax credit	9	(20.1)	(2.8)
Exceptional finance expense	12	–	11.8
Adjusting items	3.1	342.7	34.1
<b>Adjusted Net Income</b>	14.2	43.5	58.3

	Note	2022 €m	2021 €m
<b>Adjusted Free Cash Flow</b>			
Net cash generated from operating activities		167.5	215.1
Net cash used in investing activities		(116.6)	(103.6)
<b>Free Cash Flow</b>		50.9	111.5
Proceeds from the sale of associate	20	–	(15.5)
Cash received on movements of financial assets at FVTPL		(0.9)	–
Net restructuring cash spend		23.6	21.3
Tax paid on the gain on disposal of associated undertakings	20	3.0	–
Costs associated with business acquisitions or disposals		1.8	–
<b>Adjusted Free Cash Flow</b>		78.4	117.3

### 4. 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 28) and equity (Note 24) 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 2022, the First Lien Net Leverage Ratio was 0.16x (31 December 2021: 0.11x). 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:

#### 4.1 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 22.

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.

# Notes to the Group Financial Statements

Continued

## 4. Financial Risk Management Continued

### 4.2 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 29.2.

### 4.3 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.

#### 4.3.1 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 were €0.7 million (2021: €6.9 million). These arise from US dollar denominated net intercompany borrowings and cash balances in Euro and Korean Won functional currency companies. In the prior year these primarily related to losses on the Group's unhedged US dollar denominated intercompany borrowings in Euro functional currency companies.

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 2022 was €91.7 million (31 December 2021: €166.8 million) and the aggregate fair value was a €2.6 million net receivable (31 December 2021: a €0.6 million net receivable).

#### Sensitivity analysis

The Group's exposure to a change in exchange rates is insignificant.

#### 4.3.2 Interest Rate Risk

Most of the Group's interest rate risk arises on its main external borrowing facilities.

The Group borrowings include €600.0 million of unsecured Senior Notes bearing a fixed interest rate of 3.75% per annum, a US term loan which bears interest at US-dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a and a Euro term loan which bears interest at three-month EURIBOR (minimum 0.0% p.a.) +3.25% p.a.

The Group also has a revolving credit facility ('RCF') of \$225.0 million which was undrawn during the current and prior 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). The non-utilisation fee on this facility is 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 non-utilisation fee will increase 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, €5.4 million lower or €5.4 million 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.

The Group's only significant transition risk arises from the transition from US dollar LIBOR to the Secured Overnight Financing Rate ('SOFR'), which will apply to the Group's US dollar term loan agreement, which incurs interest at US dollar three-month LIBOR (minimum 0.5% p.a.) +3.25% p.a. The Group's agreement contains provision for transition to SOFR, which is due to take place at the latest on 30 June 2023, or earlier at the joint election of the Company and the lender.

The Group also has plans in place to amend the small number of intercompany loan agreements impacted by the transition to SOFR, which will be implemented as soon as the new benchmark rate is in place.

The Group's Euro term loan borrowings bears interest at three-month EURIBOR (minimum 0.0%) +3.25% p.a as noted above. 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. 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.



## 5. Revenue

### 5.1. Geographic analysis: Revenue by origin

	2022 €m	2021 €m
Europe and Africa	1,207.1	1,138.4
Asia Pacific	1,114.3	1,058.1
North America	895.8	713.6
Latin America	51.1	46.5
	3,268.3	2,956.6

### 5.2. Geographic analysis: Revenue by destination

	2022 €m	2021 €m
Europe and Africa	1,207.8	1,127.2
Asia Pacific	1,118.6	1,063.2
North America	873.9	719.2
Latin America	68.0	47.0
	3,268.3	2,956.6

### 5.3. Transaction price allocated to started but incomplete performance obligations

	2022 €m	2021 €m
Tooling, prototype and development revenue to be recognised within one year	31.8	47.9
Tooling, prototype and development revenue to be recognised in more than one year	14.7	16.7
	46.5	64.6

# Notes to the Group Financial Statements

Continued

## 6. Cost of Sales, Distribution Costs and Administrative Expenses

### 6.1. Total cost of sales, distribution costs and administrative expenses

	2022 €m	2021 €m
Cost of sales	3,038.3	2,626.8
Distribution costs	112.1	93.9
Administrative expenses	336.1	105.8
<b>Total cost of sales, distribution costs and administrative expenses</b>	<b>3,486.5</b>	<b>2,826.5</b>

In 2022 cost of sales and administrative expenses included €100.3 million and €217.1 million, respectively, in relation to exceptional impairment charges. See Note 19.

The nature of costs included in cost of sales, distribution costs and administrative expenses is as follows:

	Note	2022 €m	2021 €m
Materials and other operating costs		1,980.4	1,754.4
Personnel costs	7.1	801.6	734.9
Depreciation, amortisation and non-exceptional impairment charges	16/17/18	207.6	192.0
Expense relating to short-term and low value leases	18	7.0	6.1
Utilities		77.9	56.4
Repairs and maintenance		34.2	31.8
Freight inward, including customs duties		60.4	50.9
Exceptional impairment charge	9/19	317.4	–
<b>Total cost of sales, distribution costs and administrative expenses</b>		<b>3,486.5</b>	<b>2,826.5</b>

Personnel costs include share-based compensation (Note 10).

Administrative expenses comprise the costs of the Group's administration, commercial and finance functions, along with all other corporate operating costs.

### 6.2. Research and development expenditure

Research and development expenditure before third-party income, comprised:

	Note	2022 €m	2021 €m
Research and development expenses		48.1	40.1
Capitalised development costs	16.2	23.3	27.4
<b>Total research and development expenditure</b>		<b>71.4</b>	<b>67.5</b>

## 7. Personnel Costs and Numbers

### 7.1. Personnel costs

	Note	2022 €m	2021 €m
Wages and salaries (including employee severance amounts)		659.9	608.8
Social security costs		118.6	109.4
Share-based expense excluding social security costs	10	9.6	6.8
Pension and other post-employment costs: defined benefit current service cost	30.2	7.9	5.9
Pension and other post-employment costs: defined benefit past service costs and settlement and curtailment (gains)/losses	30.2	0.8	0.1
Pension and other post-employment costs: defined contribution		4.8	3.9
<b>Total personnel costs</b>		<b>801.6</b>	<b>734.9</b>

Wages and salaries costs in the year include employee severance amounts totalling €16.2 million (2021: €23.8 million).

## 7. Personnel Costs and Numbers Continued

### 7.2. 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 17 (2021: 15).

At no time during 2022 or 2021 were any loans to key management personnel made by the Group.

Compensation of key management personnel	2022 €m	2021 €m
Short-term employee benefits	9.4	8.9
Post-employment benefits	0.2	0.1
Share-based expense	4.9	4.1
<b>Total</b>	<b>14.5</b>	<b>13.1</b>

There was €3.5 million of compensation outstanding at 31 December 2022 (2021: €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.

### 7.3 Personnel numbers

Average monthly number of people employed by function	2022	2021
Direct production	10,696	12,037
Indirect operational	6,964	7,181
Commercial and administration	1,488	1,510
<b>Total</b>	<b>19,148</b>	<b>20,728</b>

In addition to the above, the Group employed an average of 6,402 agency and other temporary workers during the year (2021: 4,838) whose costs were included in other operating costs.

## 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 pages 90–105.

## 9. Exceptional Items

	Note	2022 €m	2021 €m
Cost of sales: exceptional expense:			
Impairments of non-goodwill intangible assets	16	23.6	–
Impairments of property, plant and equipment	17	58.3	–
Impairments of lease right-of-use assets	18	18.4	–
Cost of sales: exceptional expense	19	100.3	–
Administrative expenses: impairment of goodwill	16, 19	217.1	–
Finance expenses: unamortised transaction costs expensed on voluntary repayments of borrowings	12, 28.1	–	11.8
Exceptional expense before income tax		317.4	11.8
Income tax credit	13	(20.1)	(2.8)
<b>Exceptional expense after income tax</b>		<b>297.3</b>	<b>9.0</b>

The exceptional impairment charges during the year are detailed further in Note 19. Note 13 contains detail of the associated income tax impacts.

Exceptional finance expenses in the prior year of €11.8 million relates to the expensing of unamortised transaction costs following the voluntary repayment and partial extinguishment of the Group's Euro and US dollar term loans, see Note 28.

# Notes to the Group Financial Statements

Continued

## 10. 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 2022 are summarised in the below tables:

### 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

Certain Executive Directors are entitled to bonus shares of up to 133% of their conditional share awards, subject to achieving an enhanced target in relation to the relevant performance condition.

### 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 and Social ('E&S')	20%	Average ISS Environmental and Social Quality Scores 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 and Social ('E&S')	10%	Average ISS Environmental and Social Quality Scores during the performance period	Non-market based
Time-based	50%	Continued service throughout the performance period	Non-market based

### 2022 Conditional Share Awards – Executive Committee

Tranche	Percentage of award grant	Performance condition	Performance condition classification
Return on Capital Employed ('ROCE')	50%	Threshold 16%, maximum 20%	Non-market based
Total Shareholder Return ('TSR')	25%	Rank of the Company's total shareholder return for the performance period against Automotive Peer Group	Market based
Sustainability: CO <sub>2</sub> Equivalent Emission Improvement ('CO <sub>2</sub> ')	15%	CO <sub>2</sub> Equivalent Emission Improvement during the performance period; Threshold 6.5%, maximum 9.5%	Non-market based
Sustainability: ISS Social Score ('ISS')	10%	Average ISS Social Quality Scores during the performance period; Threshold 4, maximum 2	Non-market based

### 2022 Conditional Share Awards – Other

Tranche	Percentage of award grant	Performance condition	Performance condition classification
Return on Capital Employed ('ROCE')	35%	Threshold 16%, maximum 20%	Non-market based
Total Shareholder Return ('TSR')	17.5%	Rank of the Company's total shareholder return for the performance period against Automotive Peer Group	Market based
Sustainability: CO <sub>2</sub> Equivalent Emission Improvement ('CO <sub>2</sub> ')	10.5%	CO <sub>2</sub> Equivalent Emission Improvement during the performance period; Threshold 6.5%, maximum 9.5%	Non-market based
Sustainability: ISS Social Score ('ISS')	7%	Average ISS Social Quality Scores during the performance period; Threshold 4, maximum 2	Non-market based
Time-based	30%	Continued service throughout the performance period	Non-market based

## 10. Share-based Compensation Continued

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.

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 (AFC, E&S, Time-based, ROCE, CO<sub>2</sub> and ISS tranches) and Monte Carlo simulation (TSR tranche). The charge is recognised in the Income Statement on a straight-line basis 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 €1.75 (2021: €3.02).

The assumptions used for the grants in the year included a weighted average share price of €2.22 for 'Executive Committee' and €1.84 for 'Other' (2021: €3.33), expected option life of three years (2021: three years), expected volatility of 48.0% for 'Executive Committee' and 48.6% for 'Other' (2021: 50.0%) and a weighted average risk-free interest rate of 1.41% for 'Executive Committee' and 1.47% for 'Other' (2021: 0.14%). 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
<b>Outstanding at 1 January 2021</b>	<b>17,949,339</b>
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)
<b>Outstanding at 31 December 2021</b>	<b>18,410,928</b>
Granted during the year	7,406,928
Vested during the year	(4,026,543)
Forfeited during the year	(5,811,813)
<b>Outstanding at 31 December 2022</b>	<b>15,979,500</b>

The total share-based expense for the year was €10.2 million, including €0.6 million in relation to employers taxes (2021: €7.2 million and €0.4 million).

## 11. Other Gains and Losses

	2022 €m	2021 €m
Government grant income	1.6	1.5
Rental income	0.8	0.7
Royalty income	–	0.1
Losses on disposal of PP&E, intangible assets, and right-of-use assets	(0.3)	(0.6)
Insurance claims	0.1	0.3
Loss on disposal of associated undertaking (Note 20)	–	(0.2)
Other miscellaneous items	(0.3)	1.8
<b>Total other gain and losses</b>	<b>1.9</b>	<b>3.6</b>

In the prior year, 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 20 for further details.

# Notes to the Group Financial Statements

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## 12. Finance Income and Expense

	Note	2022 €m	2021 €m
<b>Finance income</b>			
Interest on short-term deposits, other financial assets and other interest income		3.9	2.6
Fair value gains on derivatives and foreign exchange contracts not in hedged relationships		1.8	0.5
<b>Finance income</b>		<b>5.7</b>	<b>3.1</b>
<b>Finance expense</b>			
Interest payable on term loans including expensed fees		(28.3)	(33.5)
Interest payable on unsecured senior notes including expensed fees		(23.7)	(16.7)
Net interest expense of retirement benefit obligations	30.2	(2.8)	(2.5)
Net interest expense related to specific uncertain tax positions		(0.1)	(0.6)
Interest payable on lease liabilities	18.3	(9.3)	(9.8)
Other finance expense		(0.2)	–
<b>Finance expense before exceptional items</b>		<b>(64.4)</b>	<b>(63.1)</b>
Unamortised transaction costs expensed on voluntary repayments of borrowings	9,28.1	–	(11.8)
<b>Exceptional finance expense</b>	<b>9,28.1</b>	<b>–</b>	<b>(11.8)</b>
<b>Finance expense after exceptional items</b>		<b>(64.4)</b>	<b>(74.9)</b>
<b>Total net finance expense after exceptional items</b>		<b>(58.7)</b>	<b>(71.8)</b>

	Note	2022 €m	2021 €m
<b>Fees included in interest payable under the effective interest method</b>			
Fees included in interest payable on term loans	28	(3.5)	(4.4)
Fees included in interest payable on unsecured senior notes	28	(1.2)	(0.8)

	Note	2022 €m	2021 €m
<b>Fees expensed in exceptional finance expense</b>			
Fees expensed in respect of term loans	9,28.1	–	(11.8)

Exceptional finance expenses in the prior year of €11.8 million 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 28 for the finance expense, and Note 13 for the income tax impact.

## 13. Income Tax

### 13.1. Income Tax (Expense)/Credit

	2022 €m	2021 €m
Current tax on profit for the year	(66.0)	(68.1)
Exceptional – Current tax impact of US refinancing costs	–	1.8
Adjustments in respect of prior years	8.6	2.7
<b>Total current tax expense</b>	<b>(57.4)</b>	<b>(63.6)</b>
Origination and reversal of temporary deferred tax differences	34.0	24.5
Exceptional – deferred tax impact of US refinancing charge	–	1.0
Exceptional – deferred tax impact of impairment charge	20.1	–
<b>Total deferred tax benefit</b>	<b>54.1</b>	<b>25.5</b>
<b>Income tax expense – Income Statement</b>	<b>(3.3)</b>	<b>(38.1)</b>
Origination and reversal of temporary deferred tax differences	(6.9)	(6.8)
<b>Income tax expense – Statement of Comprehensive Income</b>	<b>(6.9)</b>	<b>(6.8)</b>
<b>Total income tax expense</b>	<b>(10.2)</b>	<b>(44.9)</b>

In 2022, the Group is reporting an exceptional impairment charge of €317.4 million with a deferred tax benefit of €20.1 million which results in an exceptional effective tax rate of 6.3%. The low exceptional 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.

In 2021, the Group reported an exceptional US refinancing charge of €11.8 million with a current corporate tax benefit of €1.8 million and a deferred tax benefit of €1.0 million which resulted in an exceptional effective tax rate of 23.7% (the US 2021 effective tax rate).

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.

### 13. Income Tax Continued

	2022		2021	
	Profit before tax €m	Tax charge €m	Profit before tax €m	Tax charge €m
Results excluding exceptional items	41.7	(23.4)	65.9	(40.9)
Adjustments:				
Disposal of associated undertaking impact (Note 20)	-	-	0.2	3.1
Share of associate losses (Note 20)	-	-	0.9	-
	41.7	(23.4)	67.0	(37.8)
Analysed as:				
Tax charges (including deferred tax assets) recognised	160.4	(27.1)	166.7	(43.8)
Tax losses where no deferred tax assets recognised	(64.4)	(1.5)	(46.9)	(0.3)
Withholding tax and tax on unremitted distributable reserves	-	(8.3)	-	(6.1)
Annual amortisation and depreciation of assets with historic purchase price accounting adjustments	(54.3)	13.5	(52.8)	12.4
	41.7	(23.4)	67.0	(37.8)

The tax charge of €27.1 million for 2022 in the category analysed as 'Tax charges (including deferred tax assets) recognised' includes a material one-time tax benefit related to the establishment of prior period deferred tax assets in certain territories in which the forecasts demonstrate several years of continued future profitability and has consistent expectations of future financial performance.

The tax charge of €1.5 million for 2022 and €0.3 million for 2021 in the category analysed as 'Tax losses where no deferred tax asset is recognised' is mainly related to the initial write-off of deferred tax assets in which forecasts have demonstrated that deferred tax assets will not be utilised in future periods due to projected losses in certain territories.

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:

	2022			2021		
	Before exceptional items €m	Exceptional items €m	After exceptional items €m	Before exceptional items €m	Exceptional items €m	After exceptional items €m
<b>Profit/(loss) before income tax</b>	41.7	(317.4)	(275.7)	65.9	(11.8)	54.1
Income tax calculated at UK statutory tax rate of 19% (2021: 19%) applicable to profits in respective countries	(7.9)	60.3	52.4	(12.5)	2.2	(10.3)
Tax effects of:						
Overseas tax rates (excluding associates)	(3.6)	3.0	(0.6)	(5.9)	0.6	(5.3)
Income not subject to tax	9.9	-	9.9	7.1	-	7.1
Expenses not deductible for tax purposes – other & UK non-deductible interest/expenses	(17.1)	-	(17.1)	(16.6)	-	(16.6)
Expenses not deductible for tax purposes – goodwill impairment	-	(41.2)	(41.2)	-	-	-
Temporary differences on unremitted earnings	0.2	-	0.2	0.6	-	0.6
Specific tax provisions	(3.6)	-	(3.6)	(2.9)	-	(2.9)
Unrecognised current year deferred tax assets	(9.1)	(2.0)	(11.1)	(7.1)	-	(7.1)
Other taxes	(10.1)	-	(10.1)	(10.7)	-	(10.7)
Adjustment in respect of prior years – current tax adjustments	8.6	-	8.6	2.7	-	2.7
Adjustment in respect of prior years – deferred tax adjustments	6.4	-	6.4	(0.3)	-	(0.3)
Impact of changes in tax rate	(0.4)	-	(0.4)	1.5	-	1.5
Double Tax Relief and Other Tax Credits	3.3	-	3.3	3.2	-	3.2
<b>Income tax (expense)/benefit – Income Statement</b>	<b>(23.4)</b>	<b>20.1</b>	<b>(3.3)</b>	<b>(40.9)</b>	<b>2.8</b>	<b>(38.1)</b>
Deferred tax expense on remeasurement of retirement benefit obligations	(6.9)	-	(6.9)	(6.8)	-	(6.8)
<b>Income tax expense - Statement of Comprehensive Income</b>	<b>(6.9)</b>	<b>-</b>	<b>(6.9)</b>	<b>(6.8)</b>	<b>-</b>	<b>(6.8)</b>
<b>Total tax (expense)/benefit</b>	<b>(30.3)</b>	<b>20.1</b>	<b>(10.2)</b>	<b>(47.7)</b>	<b>2.8</b>	<b>(44.9)</b>

# Notes to the Group Financial Statements

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### 13. Income Tax Continued

Other taxes comprised various local taxes of €1.7 million (2021: €2.2 million) together with taxes withheld on dividend, interest and royalty remittances totalling €8.4 million (2021: €8.5 million).

In 2022, the Group reported an exceptional impairment charge of €317.4 million with a deferred tax benefit of €20.1 million. The majority of the impairment charge is related to goodwill which is not tax deductible, and this results 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.

#### 13.2. Current Income Tax Assets and Liabilities

	2022 €m	2021 €m
Current income tax assets	7.9	11.4
Current income tax liabilities	(44.5)	(49.9)
	(36.6)	(38.5)

#### Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2022 the balance was €32.6 million (2021 €36.0 million). The Group is aware of an increase in global tax audit scrutiny and therefore continues to closely monitor tax uncertainties in all geographic regions. 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 twelve months although the timing of any settlements are not certain.

#### 13.3. Deferred Tax Assets and Liabilities

	2022 €m	2021 €m
Deferred tax assets	105.2	70.5
Deferred tax liabilities	(80.7)	(95.8)
	24.5	(25.3)

The total deferred tax asset balance as at 31 December 2022 is €105.2 million. It is expected that €32.8 million of the deferred tax asset will be recovered within the next twelve months and the remaining €72.4 million of the deferred tax asset will be recovered after twelve months.

The total deferred tax liability balance as at 31 December 2022 is €80.7 million. It is expected that €14.8 million of the deferred tax liability will be settled within the next twelve months and the remaining €65.9 million of the deferred tax liability will be settled after twelve months.

##### 13.3.1 Movement on Net Deferred Tax Assets/(Liabilities)

	2022 €m	2021 €m
<b>At 1 January</b>	(25.3)	(41.9)
Income statement benefit	34.0	24.5
Exceptional income statement benefit – tax impact of impairment charge	20.1	–
Exceptional income statement benefit – tax impact of US refinancing charge	–	1.0
Tax on remeasurement of retirement benefit obligations	(6.9)	(6.8)
Transfer of uncertain tax position balance from deferred tax to current tax	2.0	0.6
Currency translation	0.6	(2.7)
<b>At 31 December</b>	<b>24.5</b>	<b>(25.3)</b>

Recognition of deferred tax assets is based on forecast taxable income and a key input is the Group's 2023 budget and 2024 to 2027 medium-term plan. Estimation is used in the budget and plan in forecasting global automotive production, pricing and operating costs. In addition, it requires the exercise of management's judgement regarding the period over which recoverability is assessed taking into account factors such as regulations regarding the amount of tax losses that can be utilised per year and any restrictions on the amount of time that tax losses can be carried forward.

Typically losses are anticipated to be utilised against profits arising within a period not exceeding fifteen years. In some cases tax regulations place significant restrictions on the amount of losses that can be used in any year and in these cases a longer time period may be utilised. The value of deferred tax assets relating to utilisation of profits in excess of a fifteen year period is approximately €6 million.

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.



## 13. Income Tax Continued

### 13.3.2. 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 13.3 above.

Gross deferred tax assets and liabilities	Assets						Liabilities					Total €m
	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		
At 1 January 2021	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 impairment charge	–	–	–	–	–	–	–	–	1.0	–	1.0	
Included in Other Comprehensive Income	(6.8)	–	–	–	–	–	–	–	–	–	(6.8)	
Transfer of uncertain tax position balance from current tax to deferred 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)	
<b>At 31 December 2021</b>	<b>30.9</b>	<b>2.2</b>	<b>25.8</b>	<b>18.8</b>	<b>15.1</b>	<b>(27.2)</b>	<b>(17.0)</b>	<b>(50.0)</b>	<b>(0.2)</b>	<b>(23.7)</b>	<b>(25.3)</b>	
Included in the Income Statement	0.4	(0.5)	26.0	(5.9)	(5.6)	7.3	0.9	11.1	0.2	0.1	34.0	
Exceptional income statement benefit – tax impact of impairment charge	–	–	–	–	–	17.3	–	2.8	–	–	20.1	
Included in Other Comprehensive Income	(6.9)	–	–	–	–	–	–	–	–	–	(6.9)	
Transfer of uncertain tax position balance from deferred tax to current tax	–	–	–	1.0	1.0	–	–	–	–	–	2.0	
Currency translation differences	1.3	0.1	(0.5)	0.8	0.7	(1.5)	(0.1)	(1.1)	–	0.9	0.6	
<b>At 31 December 2022</b>	<b>25.7</b>	<b>1.8</b>	<b>51.3</b>	<b>14.7</b>	<b>11.2</b>	<b>(4.1)</b>	<b>(16.2)</b>	<b>(37.2)</b>	<b>–</b>	<b>(22.7)</b>	<b>24.5</b>	

### 13.4. 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 2022, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €221.4 million (2021: €215.2 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 €687.2 million (2021: €673.9 million) that can be carried forward against future taxable income. All material tax losses referred to above can be carried forward without time limitation.

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## 14. Earnings Per Share

### 14.1. Basic and Diluted Earnings Per Share

	2022			2021		
	Loss attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)	Profit attributable to shareholders (€m)	Weighted average number of shares (in millions)	Earnings Per Share (€, cents)
Basic	(279.1)	513.1	(54.39)	14.3	519.1	2.76
Dilutive potential ordinary shares	-	-	-	-	5.5	-
Diluted	(279.1)	513.1	(54.39)	14.3	524.6	2.73

In 2022, dilutive potential ordinary shares of 7.3 million were not included in the calculation of diluted earnings per share in the year because they were antidilutive, but could potentially dilute basic earnings in the future.

Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease earnings per share, or increase loss per share, from continuing operations.

For the purposes of calculating diluted and Adjusted diluted EPS, the weighted average number of ordinary shares is adjusted to include the weighted number of ordinary shares that would be issued on the conversion of all potential ordinary shares expected to vest, which relate to the Group's long-term incentive plans.

### 14.2. Adjusted Earnings Per Share

	2022		2021	
	Adjusted basic	Adjusted diluted	Adjusted basic	Adjusted diluted
Adjusted Net Income (€m)	43.5	43.5	58.3	58.3
Weighted average number of shares (in millions)	513.1	513.1	519.1	524.6
Adjusted Earnings Per Share (€, in cents)	8.48	8.48	11.23	11.11

Adjusted Net Income is based on the loss for the year attributable to shareholders of €279.1 million (2021: €14.3 million profit), after adding back exceptional items net of tax, 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 €322.6 million (2021: €44.0 million). These different profit measures are fully reconciled in Note 3.

## 15. Dividends

The following dividends were declared and paid by the Group:

	2022 €m	2021 €m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year-ended 31 December 2021 of 1.46 Euro cents per share	7.5	-
One-off interim dividend of 6.74 Euro cents per share	-	35.0
Interim dividend for the year-ended 31 December 2022 of 1.00 Euro cents per share (2021: 1.93 Euro cents per share)	5.1	10.0
<b>Total dividend</b>	<b>12.6</b>	<b>45.0</b>

On 25 January 2021, the Group announced a one-off interim dividend of €35.0 million at 6.74 Euro cents 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.

On 15 March 2022, the Group announced a final dividend of €7.5 million at 1.46 Euro cents per share, which was paid on 23 June 2022.

On 9 August 2022, the Group announced an interim dividend for the year-ended 31 December 2022 of €5.1 million (2021: €10.0 million) at 1.00 Euro cents per share (2021: 1.93 Euro cents per share), which was paid on 16 September 2022.

The Board has decided to recommend a final dividend of 1.54 Euro cents per share amounting to €7.9 million. Subject to shareholder approval at the Annual General Meeting on 17 May 2023, the final dividend will be paid on 23 June 2023 to those on the register on 26 May 2023, 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'.

## 16. Intangible Assets

	2022 €m	2021 €m
Goodwill	353.9	564.3
Capitalised development expenses, computer software and licences, technology and customer platforms	250.0	320.5
<b>Total intangible assets</b>	<b>603.9</b>	<b>884.8</b>

### 16.1. 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 2022	747.6
Currency translation	11.4
<b>Cost at 31 December 2022</b>	<b>759.0</b>
Accumulated impairment at 1 January 2022	(183.3)
Impairment – exceptional charge	(217.1)
Currency translation	(4.7)
<b>Accumulated impairment at 31 December 2022</b>	<b>(405.1)</b>
<b>Net book value at 31 December 2022</b>	<b>353.9</b>

	€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

### 16.2. Capitalised Development Expenses, Computer Software and Licences, Technology and Customer Platforms

Intangible assets are amortised over their useful economic life, which range from three to 25 years.

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 2022	267.2	24.9	137.8	481.9	911.8
Accumulated amortisation	(161.0)	(15.4)	(132.6)	(282.3)	(591.3)
<b>Net book value at 1 January 2022</b>	<b>106.2</b>	<b>9.5</b>	<b>5.2</b>	<b>199.6</b>	<b>320.5</b>
Additions	23.3	1.0	–	–	24.3
Disposals	(1.8)	–	–	–	(1.8)
Amortisation charge	(26.2)	(4.3)	(2.0)	(42.6)	(75.1)
<b>Impairments – exceptional charge</b>	<b>(11.1)</b>	<b>(0.6)</b>	<b>–</b>	<b>(11.9)</b>	<b>(23.6)</b>
Currency translation	1.0	0.2	0.3	4.2	5.7
<b>Net book value at 31 December 2022</b>	<b>91.4</b>	<b>5.8</b>	<b>3.5</b>	<b>149.3</b>	<b>250.0</b>
Cost at 31 December 2022	270.5	25.7	138.5	492.2	926.9
Accumulated amortisation	(179.1)	(19.9)	(135.0)	(342.9)	(676.9)
<b>Net book value at 31 December 2022</b>	<b>91.4</b>	<b>5.8</b>	<b>3.5</b>	<b>149.3</b>	<b>250.0</b>

\*Customer platforms includes intangible assets relating to: customer platforms, aftermarket customer relationships, trade names and trademarks.

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## 16. Intangible Assets Continued

	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

The above amortisation charges for 'technology' and 'customer platforms' amounting to €44.6 million (2021: €41.1 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

As at 31 December 2022, goodwill of €353.9 million (2021: €564.3 million), technology of €3.5 million (2021: €5.2 million) and customer platforms of €149.3 million (2021: €199.6 million) relate to assets that arose from purchase price allocations following historic acquisitions.

### 16.3 Impairment test

At 31 December 2022, management performed its annual impairment test in accordance with IAS 36 'Impairment of Assets'. As a result, goodwill was impaired €217.1 million (2021: €nil) and other intangibles were impaired by €23.6 million (2021: €nil). Further details can be found in Note 19.

## 17. Property, Plant and Equipment

### 17.1 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	169.7	875.9	66.8	1,112.4
Accumulated depreciation	(46.0)	(460.5)	(10.5)	(517.0)
<b>Net book value at 1 January 2022</b>	<b>123.7</b>	<b>415.4</b>	<b>56.3</b>	<b>595.4</b>
Additions	0.5	5.5	88.1	94.1
Disposals	–	(4.9)	–	(4.9)
Impairments – non-exceptional	–	(1.0)	–	(1.0)
Impairments – exceptional items	(6.3)	(52.0)	–	(58.3)
Transfers between categories	3.7	69.6	(73.3)	–
Depreciation charge	(6.7)	(93.7)	–	(100.4)
Currency translation	1.1	4.6	0.8	6.5
<b>Net book value 31 December 2022</b>	<b>116.0</b>	<b>343.5</b>	<b>71.9</b>	<b>531.4</b>
Cost	183.4	969.5	71.9	1,224.8
Accumulated depreciation	(67.4)	(626.0)	–	(693.4)
<b>Net book value at 31 December 2022</b>	<b>116.0</b>	<b>343.5</b>	<b>71.9</b>	<b>531.4</b>

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 2022 is €4.1 million (2021: €3.5 million). As at the year end, the property is in the process of being sold.

## 17. Property, Plant and Equipment Continued

As at 31 December 2022, land and buildings of €48.1 million (2021: €49.0 million) and plant, machinery and equipment of €4.9 million (2021: €14.3 million) relate to asset valuations that arose from purchase price allocations following historic acquisitions.

	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 – non-exceptional	–	(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 at 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

### 17.2. Depreciation Charge

The above depreciation charge includes €9.4 million from 'plant, machinery and equipment' and €0.5 million from 'land and buildings' in relation to the fair value uplift arising from purchase price accounting (2021: €10.8 million).

The total depreciation charge is analysed below:

	2022 €m	2021 €m
Cost of sales	99.7	88.9
Distribution costs	–	–
Administrative expenses	0.7	1.1
<b>Total depreciation charge</b>	<b>100.4</b>	<b>90.0</b>

# Notes to the Group Financial Statements

Continued

## 18. Leases

### 18.1. 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.

#### 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 2022 was €0.6 million (2021: €0.4 million). During the year, a total of €0.8 million of rental income was recognised in the Income Statement (2021: €0.7 million).

### 18.2. Amounts recognised in the Balance Sheet

The Balance Sheet shows the following amounts relating to the Group's activities as a lessee:

	2022 €m	2021 €m
<b>Right-of-use assets</b>	109.3	125.2
<b>Non-current liabilities</b>		
Lease liabilities	121.5	119.8
<b>Current liabilities</b>		
Lease liabilities	28.1	30.1
<b>Total lease liabilities</b>	149.6	149.9

#### 18.2.1 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
<b>At 1 January 2022</b>	115.6	9.6	125.2
Additions	37.9	4.7	42.6
Disposals	(13.3)	–	(13.3)
Remeasurements	1.3	–	1.3
Impairments – exceptional	(16.0)	(2.4)	(18.4)
Impairments – non-exceptional	(0.4)	–	(0.4)
Depreciation charge	(25.2)	(5.5)	(30.7)
Currency translation	2.7	0.3	3.0
<b>Net book value at 31 December 2022</b>	102.6	6.7	109.3
Cost	201.5	19.8	221.3
Accumulated depreciation	(98.9)	(13.1)	(112.0)
<b>Net book value at 31 December 2022</b>	102.6	6.7	109.3

The most significant additions in the year are for e-Mobility Innovation Centres (eMICs) in North America and Asia which collectively total €24.4 million (2021: €nil).

The above depreciation charge includes a €0.2 million credit (2021: €0.3 million credit) in 'land and buildings' in relation to the fair value uplift arising from purchase price accounting.

## 18. Leases Continued

As at 31 December 2022, land and buildings of €0.1 million (2021: €0.3 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
<b>At 1 January 2021</b>	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
<b>Net book value at 31 December 2021</b>	115.6	9.6	125.2
Cost	197.6	20.1	217.7
Accumulated depreciation	(82.0)	(10.5)	(92.5)
<b>Net book value at 31 December 2021</b>	115.6	9.6	125.2

### 18.2.2 Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Note	2022 €m	2021 €m
<b>At 1 January</b>		149.9	151.0
Additions	28.6	42.6	18.1
Disposals		(14.3)	(1.4)
Remeasurements		1.3	8.5
Accrued interest	12	9.3	9.8
Repayments		(42.2)	(41.4)
Currency translation		3.0	5.3
<b>At 31 December</b>		149.6	149.9
<b>Non-current</b>		121.5	119.8
<b>Current</b>		28.1	30.1
<b>At 31 December</b>		149.6	149.9

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 €56.9 million (2021: €54.6 million) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The Group is also committed to €24.8 million of future lease payments, not yet commenced as at 31 December 2022 (2021: €2.0 million). This includes €21.1 million in relation to locations for the Group's e-Mobility Innovation Centres (eMICs) in North America and Asia.

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2022 Range	2021 Range
Europe and Africa	3.2% - 25.9%	3.3% - 23.2%
North America	3.4% - 14.7%	3.4% - 12.6%
Asia Pacific	3.9% - 11.2%	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 2022 is 6.7% (2021: 6.9%). 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.

# Notes to the Group Financial Statements

## Continued

### 18. Leases Continued

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	41.1	13.0	28.1
Between one and three years	59.6	18.7	40.9
Between three and five years	36.9	8.3	28.6
Over five years	62.7	10.7	52.0
<b>Total at 31 December 2022</b>	<b>200.3</b>	<b>50.7</b>	<b>149.6</b>

	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
<b>Total at 31 December 2021</b>	<b>186.5</b>	<b>36.6</b>	<b>149.9</b>

The currency denomination of lease liabilities is:

	2022 €m	2021 €m
US dollar	59.4	51.4
Euro	55.3	63.3
Chinese renminbi	18.4	18.2
Other	16.5	17.0
<b>Total lease liabilities</b>	<b>149.6</b>	<b>149.9</b>

### 18.3. Amounts recognised in the income and cash flow statements

The income statement includes the following amounts relating to leases:

Expense/(income)	Note	2022 €m	2021 €m
Depreciation charge of right-of-use assets		30.7	29.7
Exceptional Impairment charge of right-of-use assets	9, 19	18.4	-
Non-exceptional Impairment charge of right-of-use assets		0.4	0.1
Interest payable on lease liabilities	12	9.3	9.8
Expense relating to short-term and low value leases	6.1	7.0	6.1
Rental income as lessor	11	(0.8)	(0.7)

The total depreciation charge on right-of-use assets in 2022 and 2021 is all reported in cost of sales.

The statement of cash flows includes the following amounts relating to the Group's activities as a lessee:

	2022 €m	2021 €m
Cash paid for short-term and low value leases reported within cash generated from operations	7.0	6.1
Interest paid on lease liabilities reported within interest paid	9.3	9.8
Lease principal repayments reported separately in cash flows from financing activities	32.9	31.6
<b>Total cash outflow as a lessee</b>	<b>49.2</b>	<b>47.5</b>



## 19. Impairments

### 19.1. Impairment Tests for Goodwill and Intangibles

As part of the Bain Capital acquisition, the purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, being the previous parent company of the Group, and the consequent fair valuation of assets and liabilities, resulted in recognition of goodwill of €711.1 million and other intangible assets of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in recognition of goodwill of €57.1 million and other intangible assets of €72.6 million, included in the FCS North Americas CGU.

The non-goodwill intangible assets recognised from the acquisitions 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 2020, an impairment loss of €304.6 million was recognised due to volume deterioration driven by the COVID-19 pandemic, with €184.2 million allocated to goodwill and the remaining €120.4 million apportioned across other assets on a pro rata basis, as required by IAS 36 'Impairment of assets'.

The impairment test for goodwill and intangible assets is conducted at the 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 and Africa ('EU'), Asia Pacific ('AP') and Latin America ('LA'). This is the level at which goodwill is monitored by management.

As observed in the external forecasts from S&P Global Mobility, since 2020, declining volume projections persisted for light vehicle production, driven by reduction in production expectations of internal combustion engine ('ICE') light vehicles which exceeds the growth of BEV platform production. Supply chain disruptions and semiconductor shortage issue remained, as well as the continued impact of the COVID-19 pandemic (notably in China) and Russia's invasion of Ukraine. The businesses have also faced significant inflationary pressures on input prices and energy costs, and challenges in passing these on to customers, which has impacted our business and operating profit margin significantly. In 2022, increases in general levels of interest rates impacted the discount rates. This together with increases in cost of living in several countries significantly impacted the level of consumer demand. The collective impact of these adverse events (particularly the disruptive effect of Russia's invasion, interest rate increases and cost of living crisis) became pronounced in the second half of 2022.

In the light of these factors and the limited level of headroom since the recognition of the impairment loss in June 2020, the results of the 2022 impairment test indicated that the carrying values of CGU assets were higher than their recoverable amounts for four of the CGUs, resulting in the following impairment loss being recognised at 31 December 2022:

	Recoverable amount €m	Impairment of goodwill €m	Impairment of other assets €m	Total exceptional impairment charge €m
FCS North America	309.3	76.4	–	76.4
FCS Europe and Africa	159.0	140.7	78.4	219.1
FCS Latin America	–	–	1.8	1.8
FTDS Europe and Africa	285.8	–	20.1	20.1
	<b>754.1</b>	<b>217.1</b>	<b>100.3</b>	<b>317.4</b>

The 'other asset' impairment loss of €100.3 million was apportioned across the respective CGU asset categories on a pro rata basis, resulting in the following asset class allocation:

	2022 impairment charge €m
Goodwill	217.1
Capitalised development expenses	11.1
Computer software and licences	0.6
Other intangible assets	11.9
Land and buildings	6.3
PP&E	52.0
Right-of-use assets	18.4
	<b>317.4</b>

# Notes to the Group Financial Statements

Continued

## 19. Impairments Continued

Following the impairment, the carrying values of goodwill and other intangible assets as at 31 December 2022 were as follows:

	2022		2021	
	€m Goodwill	€m Other intangibles	€m Goodwill	€m Other intangibles
<b>FCS</b>				
North America	83.6	63.5	150.1	73.1
Europe and Africa	–	21.2	140.7	42.3
Asia Pacific	244.6	61.6	247.4	77.2
Latin America	–	–	–	0.1
<b>FTDS</b>				
North America	–	5.1	–	6.6
Europe and Africa	–	58.6	–	76.0
Asia Pacific	25.7	40.0	26.1	45.2
Latin America	–	–	–	–
	<b>353.9</b>	<b>250.0</b>	<b>564.3</b>	<b>320.5</b>

The intangible assets above include customer platforms arising on the Bain and Millennium acquisitions with carrying values at 31 December 2022 of €114.5 million and €22.1 million respectively (2021: €145.8 million and €25.8 million) with remaining useful lives of 3.5 and 4.1 years.

### 19.2. 2022 Impairment Assessment

IAS 36 'Impairment of assets' requires the recoverable amount to be determined based on the higher of value in use and fair value less costs of disposal. In carrying out the 2022 annual impairment assessment, management considered both value in use and fair value less costs of disposal to determine the recoverable amount. The resultant impairment loss is based on fair value less costs of disposal of the CGUs (prior year assessment was based on value in use which indicated no impairment), which were estimated with the input of external experts, using a weighted combination of the discounted cash flow method at 75% and guideline public company method at 25% (where fair values are determined by referring to the historical and/or anticipated financial metrics of the CGUs by multiples, such as enterprise value to EBITDA, derived from an analysis of certain guideline companies). These fair values are classified as Level 3 fair value measurement within the fair value hierarchy.

The basis of the fair value less costs of disposal valuation is forecast operating cash flows covering the years 2023-2027 from the Group's latest budget and medium-term plan ('MTP') approved by the Board of Directors, which utilises November 2022 S&P Global Mobility global light vehicle production forecasts.

The S&P Global Mobility forecasts have been moderated to capture management's best assessment of potential estimation error, in light of the ongoing impact of global semiconductor shortages on the automotive manufacturing process and other macroeconomic factors. The Group is therefore forecasting based on global automotive production volumes of 83.0 million in 2023, with a similar reduction from S&P Global Mobility maintained across the MTP to 2027. This adjustment draws on management's experience and judgement, with consideration given to variances between historic forecasting and subsequent actual volumes retrospectively observed during periods of fluctuating growth/decline in the market.

Volume forecasts are 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 carefully assessed the cost recovery rates that are expected to be achieved in the future taking into consideration historical experiences. In addition, the impact of cost increases arising from the continued effect of decarbonisation of the supply chain or carbon taxes, is assumed to be recovered from the customer base.

Cash flows resulting from restructuring activities and cash flows that are generated from enhanced capital expenditure are reflected in the forecasts. Cash flows from the Corporate function are allocated to CGUs based on their respective proportion of total Group revenue.

The five year operating cash flows were taken from the MTP and a further five years (extrapolated using the long-term expected growth rate), were 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.

A single base set of 2023–2027 volume forecasts has been utilised, with a specific FTDS long-term expected negative growth rate being applied in the long-term cash flow estimation, as further explained below.

## 19. Impairments Continued

As outlined in Note 1, management have considered the potential impacts of climate change on the impairment assessment. Cost implications of managing the impact of climate change 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 a 50% reduction of Scope 1 and 2 emissions and a 30% reduction in Scope 3 emissions by 2030 based on absolute 2021 emission levels. 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 and 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. This is to account for the expected decline in the volumes of ICE and HEV vehicle after the MTP period (i.e. from 2028) due to the current climate change commitment from the COP21 Paris Agreement to limit global temperature increases over the next century to 1.5 to 2 degrees Celsius and associated climate change mitigations, coupled with changing customer behaviour in the future.

As the FCS division is less susceptible to future changes in platform mix that may arise as a result of climate change, it was not deemed appropriate to apply a negative growth rate, and a conventional positive long-term expected growth rate is used in the perpetuity calculation.

The 2022 impairment assessment resulted in impairment losses in four CGUs, being FCS North America, FCS Europe and Africa, FCS Latin America and FTDS Europe and Africa. These impairment losses are sensitive to reasonably possible changes in key assumptions. A low headroom was observed in FTDS North America (€7.2 million), primarily impacted by the use of negative growth rates in the terminal year perpetuity formula in response to the long-term forecast decline in ICE and HEV vehicle production.

The key assumptions used in the fair value less costs of disposal calculations are as follows:

- forecast operating cash flows
- long-term expected growth rates
- discount rates

Forecast operating cash flows are established as described above, based upon the Budget and MTP approved by the Board of Directors, which were prepared using external forecast volume data from S&P Global Mobility.

Long-term expected growth rates and discount rates are determined with input from external 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 reflect the impact climate change may have on the rate of market transition to BEVs.

The negative growth rates utilise a long-term forecast prepared by management in conjunction with information from external sources, covering the period from 2028 to 2035. Based on this, a long-term negative compound annual growth rate (CAGR) was calculated for each of the FTDS CGUs, reflecting a forecast decline in ICE and HEV volumes to 35.8 million in 2035 (a reduction from the 39.9 million utilised in the 2021 impairment test).

These negative growth rates are then applied in perpetuity and therefore reflected in the expected cash generation from ICE and HEV sales from 2028 onwards.

# Notes to the Group Financial Statements

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## 19. Impairments Continued

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, and reflect an appropriate company specific risk premium, with input from external experts.

The range of discount and growth rates used were as follows:

	2022		2021		
	Post-tax		Pre-tax		
	FCS	FTDS	FCS	FTDS Base	FTDS Down
<b>Discount rates</b>					
North America	13.50%	14.00%	15.25%	16.00%	16.00%
Europe and Africa	14.75%	15.25%	15.00%	15.25%	15.25%
Asia Pacific	16.25%	13.00%	13.75%	16.40%	16.40%
Latin America	16.25%	N/A	23.75%	23.00%	23.00%
	2022		2021		
	FCS	FTDS	FCS	FTDS Base	FTDS Down
<b>Long-term growth rates</b>					
North America	2.00%	(10.00)%	2.00%	(8.30)%	(19.70)%
Europe and Africa	2.75%	(9.75)%	2.75%	(8.80)%	(20.90)%
Asia Pacific	5.00%	(0.80)%	5.00%	(5.00)%	(11.50)%
Latin America	4.50%	N/A	4.50%	N/A	N/A

Discount rates used in the current year fair value less costs of disposal model were post-tax (prior year value in use model used pre-tax discount rates). Discount rates and long-term growth rates are not applicable for FTDS Latin America as its cash flow model is based on forecast cash flows ending in 2022, as the Group has ceased operations in this CGU.

For the prior year value in use model, Management prepared two negative growth rate scenarios for FTDS, to reflect potential variations in the rate of market transition to BEV platforms. A probability weighted average of these two scenarios was used to establish the recoverable amount. In the current year fair value less costs of disposal model, a single negative growth rate scenario has been used to establish the recoverable amount. The estimation risk associated with this scenario has been assessed through sensitivity analysis, as outlined below.

Management considers the assumptions used in the impairment model to be critical accounting estimates, as there is a significant risk of a material adjustment in the next twelve months to the carrying value of CGU net assets resulting from changes in these assumptions.

### Sensitivity analysis

Where management believes 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 level of headroom in FCS Asia Pacific and FTDS Asia Pacific, management does not believe a reasonably possible change in assumptions would impact the carrying value of CGU assets.

The Latin America CGUs in both FCS and FTDS were fully impaired in 2020 due to forecast operating losses, with a further minor impairment loss in 2022. 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 recognise the impairment losses.

Further sensitivity analysis has therefore been performed for FCS North America, FCS Europe and Africa, FTDS North Americas and FTDS Europe and Africa.

## 19. 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 North America, should a reasonably possible change in input assumption trigger further impairment losses, this would initially be allocated to the carrying value of goodwill of €83.6 million, with any excess then being allocated across other CGU assets on a pro rata basis.

FCS North America, FCS Europe and Africa, FTDS North America and FTDS Europe and Africa are also sensitive to changes in forecast operating cash flows, which could be driven 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 also demonstrates the impact of an isolated 10% reduction in operating cash flow annually and into perpetuity.

	Recoverable amount €m	Assumption		Impact of 100 bps change		Impact of 10% change
		Post-tax discount rate	Long-term expected growth rate	Discount rate €m	Long-term expected growth rate €m	Operating cashflow €m
FCS North America	309.3	13.50%	2.00%	(30.0)	(20.0)	(40.0)
FCS Europe and Africa	159.0	14.75%	2.75%	(20.0)	(10.0)	(30.0)
FTDS North America	31.0	14.00%	(10.00)%	(3.0)	—*	(8.0)
FTDS Europe and Africa	285.8	15.25%	(9.75)%	(10.0)	—*	(20.0)

\*Additional sensitivities were performed and disclosed below.

Specific to FTDS, the risks to the division beyond 2027 arising from climate change and the associated rate of consumer transition to BEV vehicles has been captured by using the negative perpetuity growth rate discussed above. If we assume the 2035 volumes used in the CAGR calculations are reached in 2031 and as such the negative trend is accelerated, this would result in the following impact on headroom/(impairment):

	As calculated €m	Accelerated decline €m	Impact €m
FTDS North America	7.2	5.2	(2.0)
FTDS Europe and Africa	(20.1)	(40.1)	(20.0)

This result highlights the sensitivity of the above CGUs to the rate of decline in long-term ICE and HEV sales, particularly in FTDS Europe and Africa.

# Notes to the Group Financial Statements

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## 20. Investment in Associate

In the prior year, the Group held an investment in an associated undertaking, SeAH FS Co., Ltd ('SeAH FS') which it disposed on 8 December 2021, resulting in a loss on disposal as detailed below:

### Loss on Disposal of Associate in Prior Year

	2021 €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 tax paid on the proceeds from the sale of the associated undertaking in 2022 was €3.0 million (2021: €nil).

The movements in the investments in the associate in the prior year were:

	2021 €m
<b>Balance at 1 January</b>	14.6
Share of loss for the period	(0.9)
Disposal	(13.7)
<b>Balance at 31 December</b>	-

## 21. Inventories

	2022 €m	2021 €m
Raw materials	181.0	151.5
Work-in-progress	50.8	40.2
Finished goods	36.8	32.3
Tooling under development	68.7	73.7
Consumables	34.7	34.6
<b>Total inventories</b>	<b>372.0</b>	<b>332.3</b>

Consignment inventories from external suppliers held on the Group's premises at 31 December 2022 amounted to €25.3 million (2021: €25.4 million) and are excluded from the balances above.

The cost of inventories recognised as an expense in cost of sales during the year was €1,620.9 million (2021: €1,392.6 million), including €7.6 million related to write-downs of inventory to net realisable value (2021: €3.3 million).

## 22. Trade and Other Receivables

	2022 €m	2021 €m
Trade receivables	465.4	454.0
Allowance for doubtful debts	(3.4)	(4.9)
<b>Net trade receivables</b>	<b>462.0</b>	<b>449.1</b>
Prepayments	68.1	61.4
Contract assets – accrued income	29.9	25.9
Other receivables	2.5	3.3
<b>Total net trade and other receivables</b>	<b>562.5</b>	<b>539.7</b>
<b>Non-current</b>	<b>20.6</b>	<b>19.2</b>
<b>Current</b>	<b>541.9</b>	<b>520.5</b>

Trade receivables disclosed above include amounts that are overdue at the balance sheet date for which the Group has not recognised an allowance for doubtful debts because there is still a reasonable expectation of recovering these balances.

## 22. Trade and Other Receivables Continued

### 22.1. Aged Analysis of Net Trade Receivables

	2022 €m	2021 €m
Not overdue	429.0	425.2
Up to three months overdue	27.8	20.8
Three to six months overdue	2.2	2.5
Over six months overdue	3.0	0.6
<b>Net trade receivables</b>	<b>462.0</b>	<b>449.1</b>

### 22.2. Movement in Allowance for Doubtful Debts

	2022 €m	2021 €m
At 1 January	(4.9)	(4.2)
Receivables provided for as uncollectible	(1.3)	(1.5)
Amounts written off during the year as uncollectible	1.5	0.2
Amounts reversed during the year	1.3	0.6
<b>At 31 December</b>	<b>(3.4)</b>	<b>(4.9)</b>

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).

### 22.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Moody's or Dun & Bradstreet. Those customers that have no credit rating are monitored as part of normal credit control procedures.

Credit rating	2022 €m	2021 €m
A – AAA	156.9	160.0
B – BBB	210.0	154.0
Counterparties without external credit rating	62.1	111.2
<b>Not overdue trade receivables</b>	<b>429.0</b>	<b>425.2</b>

### 22.4. Currency Risk of Trade Receivables and Other Receivables

	2022 €m	2021 €m
Chinese renminbi	126.7	155.6
Euro	144.4	117.7
US dollar	119.9	114.7
Other currencies	71.0	64.4
<b>Total net trade receivables and other receivables</b>	<b>462.0</b>	<b>452.4</b>

### 22.5. Movement in Accrued Income

	2022 €m	2021 €m
At 1 January	25.9	19.6
Unbilled performance	10.7	11.5
Transfers to receivables	(9.4)	(6.7)
Impairments through profit or loss	–	(0.3)
Other movements	2.5	0.7
Currency translation	0.2	1.1
<b>At 31 December</b>	<b>29.9</b>	<b>25.9</b>

# Notes to the Group Financial Statements

Continued

## 23. Cash and Liquid Assets

	2022 €m	2021 €m
Cash at bank and in hand	491.0	499.1
<b>Cash and cash equivalents in the Balance Sheet</b>	<b>491.0</b>	<b>499.1</b>
Other deposits	–	0.9
<b>Financial assets at FVTPL</b>	<b>–</b>	<b>0.9</b>
<b>Total cash and liquid assets</b>	<b>491.0</b>	<b>500.0</b>

Other deposits in the prior year included €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 and the deposit returned in the current year, following resolution of the dispute.

The credit risk on cash and cash equivalents is limited because the balances are predominantly held with financial institutions with investment-grade ratings (BBB or above).

Cash and cash equivalent balances include €124.5 million (2021: €nil) invested in money market funds which may be redeemed daily on demand. Cash and cash equivalent balances also include €1.4 million (2021: €2.2 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

## 24. Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
<b>Authorised, issued and fully paid-up</b>						
At 31 December 2021	520,269,141	£0.01	5.2	6.8	2.2	9.0
<b>At 31 December 2022</b>	<b>520,269,141</b>	<b>£0.01</b>	<b>5.2</b>	<b>6.8</b>	<b>2.2</b>	<b>9.0</b>

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 purchased on the open market and shown as a deduction to equity in the Statement of Changes in Equity until utilised, without further adjustments to their carrying value. They are released to satisfy the awards of equity-settled payments to employees on a first in first out basis. Shares held in the EBT are not treated as outstanding for the purposes of calculating earnings per share and 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
<b>At 1 January 2021</b>	<b>1,499,907</b>	<b>3.3</b>
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
<b>At 31 December 2021</b>	<b>3,931,173</b>	<b>10.5</b>
Release to satisfy vested conditional share awards	(462,291)	(1.0)
Market purchase	4,209,646	11.4
<b>At 31 December 2022</b>	<b>7,678,528</b>	<b>20.9</b>

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

## 25. Other Reserves

	Net investment hedges €m	Currency translation reserve €m	Total €m
At 1 January 2022	(9.1)	(52.3)	(61.4)
Currency translation attributable to owners of the Parent Company	–	6.0	6.0
<b>Items that may be subsequently reclassified to profit or loss</b>	<b>–</b>	<b>6.0</b>	<b>6.0</b>
<b>At 31 December 2022</b>	<b>(9.1)</b>	<b>(46.3)</b>	<b>(55.4)</b>



## 25. Other Reserves Continued

	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)

## 26. Non-Controlling Interests

	2022 €m	2021 €m
At 1 January	0.4	25.2
Share of profit for the year	0.1	1.7
Currency translation	–	(0.3)
Total comprehensive income for the year	0.1	1.4
Reduction in non-controlling interests	–	(26.2)
<b>At 31 December</b>	<b>0.5</b>	<b>0.4</b>

The Group holds a 97% interest in Bundy India Ltd. Non-controlling interests at 31 December 2022 represent the remaining 3% in Bundy India Ltd.

In the prior year the Group held a 73% interest in Hanil Tube Corporation, until 8 December 2021, when it purchased the remaining 27% for total cash consideration of KRW 21,000 million (€15.5 million).

## 27. Trade and Other Payables

	2022 €m	2021 €m
Trade payables	306.1	256.7
Accrued expenses	170.5	165.3
Contract liabilities – deferred income	71.2	85.9
Social security and other taxes	39.3	44.3
Other payables	10.5	8.5
<b>Total trade and other payables</b>	<b>597.6</b>	<b>560.7</b>
<b>Non-current</b>	<b>12.8</b>	<b>14.6</b>
<b>Current</b>	<b>584.8</b>	<b>546.1</b>

Other payables include net capital investment grant balances totalling €2.3 million (2021: €1.7 million).

### 27.1 Movement in Contract Liabilities – Deferred Income

	2022 €m	2021 €m
At 1 January	85.9	130.8
Additions	58.3	74.6
Utilisation	(61.6)	(105.4)
Releases	(12.5)	(17.7)
Currency translation	1.1	3.6
<b>At 31 December</b>	<b>71.2</b>	<b>85.9</b>

# Notes to the Group Financial Statements

Continued

## 28. Borrowings

	2022 €m	2021 €m
<b>Non-current:</b>		
Unsecured senior notes	592.9	591.7
Secured term loans and facilities	521.1	508.8
<b>Total non-current borrowings</b>	<b>1,114.0</b>	<b>1,098.5</b>
<b>Current:</b>		
Secured term loans and facilities	1.9	1.8
<b>Total current borrowings</b>	<b>1.9</b>	<b>1.8</b>
<b>Total borrowings</b>	<b>1,115.9</b>	<b>1,100.3</b>
Unsecured senior notes	592.9	591.7
Secured term loans and facilities	523.0	508.6
<b>Total borrowings</b>	<b>1,115.9</b>	<b>1,100.3</b>

The main borrowing facilities are shown net of issuance discounts and fees of €20.6 million (2021: €24.6 million).

The contracted maturities of borrowings excluding issuance discounts and fees are disclosed in Note 29.2.

### 28.1 Movement in Total Borrowings

	Unsecured senior notes €m	Term loans and facilities €m	Total borrowings €m
At 1 January 2022	591.7	508.6	1,100.3
Accrued interest	22.5	24.8	47.3
Scheduled payments	(22.5)	(30.3)	(52.8)
Fees expensed	1.2	3.5	4.7
Currency translation	–	16.4	16.4
<b>31 December 2022</b>	<b>592.9</b>	<b>523.0</b>	<b>1,115.9</b>

Accrued interest payable on the borrowings at 31 December 2022 of €4.8 million (31 December 2021: €4.7 million) is included in current trade and other payables. Scheduled principal repayments of borrowings in the year were €5.5 million (2021: €6.8 million) relating to payments on the Group's term loans and facilities.

	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
<b>31 December 2021</b>	<b>591.7</b>	<b>508.6</b>	<b>–</b>	<b>1,100.3</b>

In the prior year, the Group successfully executed a refinancing of its external borrowings. It issued €600.0 million unsecured Senior Notes maturing on 15 April 2029 and bearing an interest rate of 3.75% per annum, and its Euro and US dollar term loans were partly repaid and extended to 16 December 2026. The margins on the term loans were also reduced. The refinancing was treated as a partial extinguishment of the Group's term loans, and as a result unamortised transaction costs were recognised as an exceptional finance expense in the prior year's income statement of €11.8 million.

### 28.2 Currency Denomination of Borrowings

	2022 €m	2021 €m
US dollar	267.1	251.1
Euro	848.8	849.2
<b>Total borrowings</b>	<b>1,115.9</b>	<b>1,100.3</b>

The contracted maturities of borrowings excluding issuance discounts and fees are disclosed in Note 29.2.

## 28. Borrowings Continued

### 28.3 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:

	2022 €m	2021 €m
Principal outstanding:		
Unsecured senior notes	600.0	600.0
US term loan	276.2	261.9
Euro term loan	260.3	263.0
<b>Total principal outstanding</b>	<b>1,136.5</b>	<b>1,124.9</b>
Issuance discounts and fees	(20.6)	(24.6)
<b>Main borrowings facilities</b>	<b>1,115.9</b>	<b>1,100.3</b>

#### 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.

#### Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2022 is \$294.8 million (2021: \$297.8 million). 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 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 2022 and 31 December 2021 (except for letters of credit see below). The revolving credit facility ('RCF') expires on 16 July 2026 and the non-utilisation fee is 0.25%. In the event the total net leverage ratio is greater than 3.5:1, the non-utilisation fee will increase to 0.375%.

The net undrawn facilities under the RCF are shown below:

	2022		2021	
	\$m	€m	\$m	€m
RCF Agreement	225.0	210.8	225.0	197.9
Utilisation for letters of credit	(2.0)	(1.9)	(1.9)	(1.7)
<b>Net undrawn revolving credit facility</b>	<b>223.0</b>	<b>208.9</b>	<b>223.1</b>	<b>196.2</b>

#### Issuance discounts and fees

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities. Net issuance discounts and fees at 31 December 2022 are €20.6 million (2021: €24.6 million).

### 28.4 Other Secured Loans

A subsidiary in Spain granted security over certain of its assets in return for credit facilities from its banks. The loan had total amortisation repayments of €27,000 payable every six months. The facility expired on 15 June 2022 and there is therefore no balance outstanding at 31 December 2022 (2021: €27,000).

### 28.5 Total Undrawn Borrowing Facilities

	2022 €m	2021 €m
Expiring within one year	11.1	10.8
Expiring after more than one year	208.9	196.2
<b>Total at floating rate</b>	<b>220.0</b>	<b>207.0</b>

All facilities are at floating rates.

# Notes to the Group Financial Statements

Continued

## 28. Borrowings Continued

### 28.6 Movements in Net Debt and Lease Liabilities

	At 1 January 2022 €m	Cash flows €m	Non-cash changes				At 31 December 2022 €m
			New leases €m	Fees expensed €m	Currency translation €m	Remeas- urement and disposals €m	
Cash and cash equivalents	499.1	(11.5)	–	–	3.4	–	491.0
Financial assets at FVTPL	0.9	(0.9)	–	–	–	–	–
Borrowings	(1,100.3)	5.5	–	(4.7)	(16.4)	–	(1,115.9)
<b>Total net debt</b>	<b>(600.3)</b>	<b>(6.9)</b>	<b>–</b>	<b>(4.7)</b>	<b>(13.0)</b>	<b>–</b>	<b>(624.9)</b>
<b>Lease liabilities</b>	<b>(149.9)</b>	<b>32.9</b>	<b>(42.6)</b>	<b>–</b>	<b>(3.0)</b>	<b>13.0</b>	<b>(149.6)</b>
<b>Net debt and lease liabilities</b>	<b>(750.2)</b>	<b>26.0</b>	<b>(42.6)</b>	<b>(4.7)</b>	<b>(16.0)</b>	<b>13.0</b>	<b>(774.5)</b>

	At 1 January 2021 €m	Cash flows €m	Non-cash changes				At 31 December 2021 €m
			New leases €m	Fees expensed €m	Currency translation €m	Remeas- urement and disposals €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)
<b>Total net debt</b>	<b>(590.0)</b>	<b>11.1</b>	<b>–</b>	<b>(17.0)</b>	<b>(4.4)</b>	<b>–</b>	<b>(600.3)</b>
<b>Lease liabilities</b>	<b>(151.0)</b>	<b>31.6</b>	<b>(18.1)</b>	<b>–</b>	<b>(5.3)</b>	<b>(7.1)</b>	<b>(149.9)</b>
<b>Net debt and lease liabilities</b>	<b>(741.0)</b>	<b>42.7</b>	<b>(18.1)</b>	<b>(17.0)</b>	<b>(9.7)</b>	<b>(7.1)</b>	<b>(750.2)</b>

Cash flows from financing activities arising from changes in financial liabilities are analysed below:

	2022 €m	2021 €m
Proceeds from new borrowings	–	(600.0)
Fees paid on proceeds from new borrowings	–	15.3
Voluntary repayments of borrowings	–	600.0
Scheduled repayments of borrowings	5.5	6.8
Lease principal repayments	32.9	31.6
<b>Cash outflows from financing activities arising from changes in financial liabilities</b>	<b>38.4</b>	<b>53.7</b>
Borrowings cash flows	5.5	22.1
Lease liabilities cash flows	32.9	31.6
<b>Cash outflows from financing activities arising from changes in financial liabilities</b>	<b>38.4</b>	<b>53.7</b>

## 29. Fair Values of Financial Assets and Liabilities

### 29.1. Financial Instruments by Category

As at 31 December 2022:

	Note	Assets at amortised cost €m	Assets at FVTPL €m	Total €m
<b>Financial assets</b>				
Cash and cash equivalents	23	491.0	–	491.0
Trade and other receivables excluding prepayments	22	494.4	–	494.4
Derivative financial instruments:				
Forward foreign exchange contracts (cash flow hedges)		–	2.8	2.8
<b>Total at 31 December 2022</b>		<b>985.4</b>	<b>2.8</b>	<b>988.2</b>

## 29. Fair Values of Financial Assets and Liabilities Continued

	Note	Liabilities at amortised cost €m	Liabilities at FVTPL €m	Total €m
<b>Financial liabilities</b>				
Trade and other payables excluding deferred income, social security and other taxes	27	(487.1)	–	(487.1)
Borrowings:				
– Term loans and facilities	28	(523.0)	–	(523.0)
– Unsecured senior notes		(444.0)	–	(444.0)
Lease liabilities	18	(149.6)	–	(149.6)
Derivative financial instruments:				
Forward foreign exchange contracts (cash flow hedges)		–	(0.2)	(0.2)
<b>Total at 31 December 2022</b>		<b>(1,603.7)</b>	<b>(0.2)</b>	<b>(1,603.9)</b>

As at 31 December 2021:

	Note	Assets at amortised cost €m	Assets at FVTPL €m	Total €m
<b>Financial assets</b>				
Cash and cash equivalents	23	499.1	–	499.1
Financial assets at FVTPL	23	–	0.9	0.9
Trade and other receivables excluding prepayments	22	478.3	–	478.3
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)		–	0.9	0.9
<b>Total</b>		<b>977.4</b>	<b>1.8</b>	<b>979.2</b>

	Note	Liabilities at amortised cost €m	Liabilities at FVTPL €m	Total €m
<b>Financial liabilities</b>				
Trade and other payables excluding deferred income	27	(474.8)	–	(474.8)
Borrowings:				
– Term loans and facilities	28	(508.6)	–	(508.6)
– Unsecured senior notes		(604.5)	–	(604.5)
Lease liabilities	18	(149.9)	–	(149.9)
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)		–	(0.3)	(0.3)
<b>Total</b>		<b>(1,737.8)</b>	<b>(0.3)</b>	<b>(1,738.1)</b>

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'.

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'.

### 29.2 Contracted Maturities of Financial Liabilities

As at 31 December 2022:

	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)	5.5	10.9	520.1	600.0	1,136.5
Impact of discounting: interest	59.1	117.2	80.5	29.1	285.9
<b>Undiscounted contracted maturities of borrowings</b>	<b>64.6</b>	<b>128.1</b>	<b>600.6</b>	<b>629.1</b>	<b>1,422.4</b>
Lease liabilities (discounted)	28.1	40.9	28.6	52.0	149.6
Impact of discounting: interest	13.0	18.7	8.3	10.7	50.7
<b>Undiscounted contracted maturities of lease liabilities</b>	<b>41.1</b>	<b>59.6</b>	<b>36.9</b>	<b>62.7</b>	<b>200.3</b>
Trade and other payables excluding deferred income, social security and other taxes	480.3	6.7	–	–	487.0
<b>Total undiscounted contracted maturities of financial liabilities</b>	<b>586.0</b>	<b>194.4</b>	<b>637.5</b>	<b>691.8</b>	<b>2,109.7</b>

# Notes to the Group Financial Statements

Continued

## 29. Fair Values of Financial Assets and Liabilities Continued

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	5.3	10.6	509.0	600.0	1,124.9
Impact of discounting: 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
Impact of discounting: 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

## 30. Retirement Benefit Obligations

### 30.1. 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 Prices Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2022.

The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2022. 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 2021. Employer funding contributions to the US and other funded pension plans are agreed at each formal valuation, and for the year ended 31 December 2022 totalled €2.0 million (2021: €3.4 million). Contributions for the 12 months ended 31 December 2023 are expected to amount to €0.8 million.

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 2022. 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, South Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

### 30.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

#### a. Balance Sheet

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
Net liability					
Present value of retirement benefit obligations	(145.5)	(68.9)	(28.0)	(79.7)	(322.1)
Fair value of plan assets	117.9	77.7	–	31.1	226.7
Asset ceiling	–	(8.8)	–	–	(8.8)
<b>Net liability at 31 December 2022</b>	<b>(27.6)</b>	<b>–</b>	<b>(28.0)</b>	<b>(48.6)</b>	<b>(104.2)</b>

### 30. Retirement Benefit Obligations Continued

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
<b>Net liability</b>					
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)

The present value of retirement benefit obligations by member type is as follows:

	2022 €m	2021 €m
Active members	102.6	134.2
Deferred members	55.8	87.5
Retirees	163.7	202.1
<b>Total</b>	<b>322.1</b>	<b>423.8</b>

The expected payments at 31 December 2022 for retirement benefit obligations are as follows:

	Payments expected €m
2023	24.4
2024	23.2
2025	23.1
2026	23.1
2027	23.6
2028 onwards	576.8

The implied weighted average duration at 31 December 2022 of retirement benefit obligations are as follows (in years): US pensions 10.0 (2021: 12.2), Other pensions 16.0 (2021: 19.5) and US healthcare 7.8 (2021: 8.9).

#### b. Income Statement

Net (expense)/income recognised in the Income Statement is as follows:

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
<b>Net (expense)/income</b>					
Current service cost	–	(1.5)	–	(6.4)	(7.9)
Past service cost	–	–	–	(0.3)	(0.3)
Settlement/curtailment loss	–	(0.5)	–	–	(0.5)
Net interest (expense)/income	(1.0)	0.2	(0.9)	(1.1)	(2.8)
<b>Total expense for the year ended 31 December 2022</b>	<b>(1.0)</b>	<b>(1.8)</b>	<b>(0.9)</b>	<b>(7.8)</b>	<b>(11.5)</b>

Restructuring of the Group's Bramalea Canada facility resulted in a settlement loss of €0.5 million in the year (2021: €0.9 million loss).

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
<b>Net (expense)/income</b>					
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)
<b>Total expense for the year ended 31 December 2021</b>	<b>(1.6)</b>	<b>(2.5)</b>	<b>(0.7)</b>	<b>(3.7)</b>	<b>(8.5)</b>

Annuity and participant buyout offerings of the Group's US pension plan resulted in a settlement loss of €0.4 million in 2021.

# Notes to the Group Financial Statements

Continued

## 30. Retirement Benefit Obligations Continued

### c. Statement of Comprehensive Income

Remeasurements of retirement benefit obligations included in the Statement of Comprehensive Income are as follows:

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
<b>(Expense)/income</b>					
Return on assets excluding amounts recognised in the Income Statement	(37.3)	(43.5)	–	–	(80.8)
Changes in demographic assumptions	–	(0.8)	–	0.3	(0.5)
Changes in financial assumptions	46.0	49.1	5.2	13.2	113.5
Experience gains/(losses)	1.3	(3.2)	1.4	(3.9)	(4.4)
Change in asset ceiling	–	0.2	–	–	0.2
<b>Total net income for the year ended 31 December 2022</b>	<b>10.0</b>	<b>1.8</b>	<b>6.6</b>	<b>9.6</b>	<b>28.0</b>

	US pensions €m	Other pensions €m	US healthcare €m	Other post- employment liabilities €m	Total €m
<b>Income/(expense)</b>					
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)
<b>Total net income for the year ended 31 December 2021</b>	<b>22.7</b>	<b>7.6</b>	<b>1.6</b>	<b>4.4</b>	<b>36.3</b>

### 30.3. 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: Credit*	48.9	33.1	–	82.0
Investment funds: Equities*	66.4	6.0	–	72.4
Investment funds: Diversified growth/multi strategy*	–	32.8	–	32.8
Insurance contracts	–	5.4	30.9	36.3
Cash and cash equivalents	2.6	0.4	0.2	3.2
<b>Plan assets as at 31 December 2022</b>	<b>117.9</b>	<b>77.7</b>	<b>31.1</b>	<b>226.7</b>

	US pensions €m	Other pensions €m	Other post- employment liabilities €m	Total €m
Investment funds: Credit*	65.7	41.6	–	107.3
Investment funds: Equities*	83.7	8.8	–	92.5
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
<b>Plan assets as at 31 December 2021</b>	<b>150.7</b>	<b>126.5</b>	<b>27.8</b>	<b>305.0</b>

\*83% and 88% of the assets held by the retirement benefit plans as of 31 December 2022 and 31 December 2021, 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.



## 30. Retirement Benefit Obligations Continued

### 30.4. 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 2022		(423.8)	305.0	(118.8)	(9.3)	(128.1)
Current service cost	30.2b	(7.9)	–	(7.9)	–	(7.9)
Past service cost	30.2b	(0.3)	–	(0.3)	–	(0.3)
Settlement/curtailment loss	30.2b	2.6	(3.1)	(0.5)	–	(0.5)
Net interest (expense)/income	30.2b	(10.4)	7.6	(2.8)	–	(2.8)
Remeasurements	30.2c	108.6	(80.8)	27.8	0.2	28.0
Employer contributions		–	7.6	7.6	–	7.6
Employee contributions		(0.4)	0.4	–	–	–
Benefits and administration expenses paid		21.0	(17.2)	3.8	–	3.8
Currency translation		(11.5)	7.2	(4.3)	0.3	(4.0)
<b>At 31 December 2022</b>		<b>(322.1)</b>	<b>226.7</b>	<b>(95.4)</b>	<b>(8.8)</b>	<b>(104.2)</b>

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	30.2b	(5.9)	–	(5.9)	–	(5.9)
Past service cost	30.2b	0.6	–	0.6	–	0.6
Settlement/curtailment loss	30.2b	(0.7)	–	(0.7)	–	(0.7)
Net interest (expense)/income	30.2b	(8.6)	6.1	(2.5)	–	(2.5)
Remeasurements	30.2c	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)	0.1	–	–
Currency translation		(24.8)	19.3	(5.5)	(0.4)	(5.9)
<b>At 31 December 2021</b>		<b>(423.8)</b>	<b>305.0</b>	<b>(118.8)</b>	<b>(9.3)</b>	<b>(128.1)</b>

#### 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 2022	(184.5)	150.7	(33.8)
Net interest (expense)/income	(5.4)	4.4	(1.0)
Remeasurements	47.3	(37.3)	10.0
Employer contributions	–	1.2	1.2
Benefits and administration expenses paid	9.8	(11.6)	(1.8)
Currency translation	(12.7)	10.5	(2.2)
<b>At 31 December 2022</b>	<b>(145.5)</b>	<b>117.9</b>	<b>(27.6)</b>

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)
Settlement/curtailment loss	(0.4)	–	(0.4)
Net interest (expense)/income	(5.0)	3.8	(1.2)
Remeasurements	9.0	13.7	22.7
Employer contributions	–	2.5	2.5
Benefits and administration expenses paid	10.9	(12.8)	(1.9)
Settlements/curtailments	24.6	(24.6)	–
Currency translation	(14.4)	11.2	(3.2)
<b>At 31 December 2021</b>	<b>(184.5)</b>	<b>150.7</b>	<b>(33.8)</b>

# Notes to the Group Financial Statements

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## 30. Retirement Benefit Obligations Continued

### b. Other pensions

	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
<b>Movements in net defined benefit obligations</b>					
At 1 January 2022	(117.7)	126.5	8.8	(9.3)	(0.5)
Current service cost	(1.5)	–	(1.5)	–	(1.5)
Settlement/curtailment loss	2.6	(3.1)	(0.5)	–	(0.5)
Net interest (expense)/income	(2.5)	2.7	0.2	–	0.2
Remeasurements	45.1	(43.5)	1.6	0.2	1.8
Employer contributions	–	0.8	0.8	–	0.8
Employee contributions	(0.3)	0.3	–	–	–
Benefits and administration expenses paid	2.2	(2.4)	(0.2)	–	(0.2)
Currency translation	3.2	(3.6)	(0.4)	0.3	(0.1)
<b>At 31 December 2022</b>	<b>(68.9)</b>	<b>77.7</b>	<b>8.8</b>	<b>(8.8)</b>	<b>–</b>

	Present value of obligation €m	Fair value of plan assets €m	Accounting surplus €m	Asset ceiling €m	Total €m
<b>Movements in net defined benefit obligations</b>					
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 loss	(0.9)	–	(0.9)	–	(0.9)
Net interest (expense)/income	(1.9)	1.9	–	–	–
Remeasurements	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)
<b>At 31 December 2021</b>	<b>(117.7)</b>	<b>126.5</b>	<b>8.8</b>	<b>(9.3)</b>	<b>(0.5)</b>

### c. US healthcare and other post-employment liabilities

	Present value of obligation €m	Fair value of plan assets €m	Total other post-employment liabilities €m	US healthcare €m	Total €m
<b>Movements in net defined benefit obligations</b>					
At 1 January 2022	(88.2)	27.8	(60.4)	(33.4)	(93.8)
Current service cost	(6.4)	–	(6.4)	–	(6.4)
Past service cost	(0.3)	–	(0.3)	–	(0.3)
Net interest (expense)/income	(1.6)	0.5	(1.1)	(0.9)	(2.0)
Remeasurements	9.6	–	9.6	6.6	16.2
Employer contributions	–	5.6	5.6	–	5.6
Employee contributions	(0.1)	0.1	–	–	–
Benefits paid	7.0	(3.1)	3.9	2.0	5.9
Currency translation	0.3	0.2	0.5	(2.3)	(1.8)
<b>At 31 December 2022</b>	<b>(79.7)</b>	<b>31.1</b>	<b>(48.6)</b>	<b>(28.0)</b>	<b>(76.6)</b>

### 30. Retirement Benefit Obligations Continued

	Present value of obligation €m	Fair value of plan assets €m	Total other post-employment liabilities €m	US healthcare €m	Total €m
<b>Movements in net defined benefit obligations</b>					
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
Settlement/curtailment gain	0.6	–	0.6	–	0.6
Net interest (expense)/income	(0.9)	0.3	(0.6)	(0.7)	(1.3)
Remeasurements	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)

#### d. Other post-employment liabilities

	2022 €m	2021 €m
Unfunded German pension plans	17.8	24.3
Long-service awards in Germany and Poland	10.0	10.5
Statutory retiring indemnities in France, Italy, and South Korea	9.9	16.2
Retirement plans in Belgium	1.0	2.1
Unfunded arrangements under the US and UK pension plans	1.0	1.6
Other liabilities	8.9	5.7
<b>Total other post-employment liabilities at 31 December</b>	<b>48.6</b>	<b>60.4</b>

### 30.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

<b>US Pensions</b>	2022	2021
Discount rate	5.35%	2.80%
<b>Mortality assumptions: life expectancy from age 65</b>		
Retiring at the end of the current reporting year:		
Males	23	23
Females	25	25
Retiring 20 years after the end of the current reporting year:		
Males	24	24
Females	26	25

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.

<b>Other pensions</b>	2022	2021
Discount rate	4.95%	2.10%
Inflation rate	2.90%	3.49%
Salary increases	3.03%	3.28%
Benefit increases	3.20%	3.40%
<b>Mortality assumptions for other pensions: life expectancy from age 65</b>		
Retiring at the end of the current reporting year:		
Males	23	22
Females	25	24
Retiring 20 years after the end of the current reporting year:		
Males	24	23
Females	26	25

# Notes to the Group Financial Statements

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## 30. Retirement Benefit Obligations Continued

US healthcare	2022	2021
Discount rate	5.30%	2.60%
Healthcare cost trend: Initial rate	7.00%	2.60%
<b>Other post-employment liabilities</b>	<b>2022</b>	<b>2021</b>
Discount rate	4.80%	1.80%
Inflation rate	2.06%	1.38%
Salary increases	7.13%	3.06%
Benefit increases	2.26%	1.97%

Changes in the principal assumptions would decrease/(increase) the total defined benefit obligation (DBO) as follows:

Decrease/(increase) in DBO	Change in assumption	2022		2021	
		Increase €m	Decrease €m	Increase €m	Decrease €m
Discount rate	0.5%	15.7	(17.2)	26.9	(30.2)
Inflation rate	0.5%	(4.9)	4.9	(9.4)	8.8
Salary growth rate	0.5%	(2.2)	2.0	(2.9)	2.9
Life expectancy	1 year	(8.7)	8.8	(15.1)	15.1
Healthcare cost trend: Initial rate	0.5%	(0.9)	0.8	(1.3)	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.

### 30.6. 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.

## 31. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2022	10.7	15.8	4.8	31.3
Provisions made during the year	2.4	23.1	0.4	25.9
Provisions reversed during the year	(6.3)	(0.3)	(0.4)	(7.0)
Provisions used during the year	(2.1)	(30.0)	(1.2)	(33.3)
Currency translation	0.4	(0.8)	0.1	(0.3)
<b>At 31 December 2022</b>	<b>5.1</b>	<b>7.8</b>	<b>3.7</b>	<b>16.6</b>

Total provisions:

	2022 €m	2021 €m
Non-current	2.6	2.6
Current	14.0	28.7
<b>Total provisions</b>	<b>16.6</b>	<b>31.3</b>

### 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 2023.

### Restructuring

Restructuring provisions comprise announced headcount reductions and similar costs of balancing production capacity with market requirements. Provisions made during the year of €23.1 million, less provisions reversed during the year of €0.3 million results in a net charge to Income Statement of €22.8 million (2021: €26.8 million). A significant portion of the balance is expected to be utilised in 2023 with the remaining residual amount in 2024.

### Other provisions

Other provisions at 31 December 2022 comprise provisions for disputed claims for indirect taxes totalling €0.7 million (2021: €0.7 million) and asset retirement obligations totalling €3.0 million (2021: €4.1 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2023 to 2025. The indirect tax provisions are expected to be utilised over the next five years.

## 32. Cash Generated from Operations

	Note	2022 €m	2021 €m
<b>(Loss)/profit for the year</b>		<b>(279.0)</b>	<b>16.0</b>
Income tax expense before exceptional items		23.4	40.9
Exceptional income tax credit		(20.1)	(2.8)
<b>(Loss)/profit before income tax</b>		<b>(275.7)</b>	<b>54.1</b>
Adjustments for:			
Depreciation, amortisation and non-exceptional impairment charges	16/17/18	207.6	192.0
Exceptional impairment charges	9	317.4	–
Net losses on disposal of PP&E, intangible and right-of-use assets	11	0.3	0.6
Loss on disposal of PP&E in restructuring costs		3.7	–
Loss on disposal of investment in associate before income tax	20	–	0.2
Share-based expense excluding social security costs	10	9.6	6.8
Net finance expense	12	58.7	71.8
Unremitted share of loss from associates	20	–	0.9
Net foreign exchange losses		0.7	6.9
Changes in working capital:			
– Inventories		(34.0)	34.4
– Trade and other receivables		(16.3)	39.3
– Trade and other payables		27.6	(83.0)
Change in provisions		(14.4)	0.4
Change in retirement benefit obligations		(2.7)	(4.6)
<b>Total</b>		<b>282.5</b>	<b>319.8</b>

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.

# Notes to the Group Financial Statements

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### 33. Commitments and Contingencies

#### 33.1 Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

	2022 €m	2021 €m
Intangible assets	6.9	8.1
Property, plant and equipment	45.4	30.3
<b>Total</b>	<b>52.3</b>	<b>38.4</b>

Refer to Note 18 for the Group lease commitments as a lessor and lessee.

#### 33.2 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:

	2022 €m	2021 €m
Less than one year	109.2	73.0
Between one year and five years	6.9	5.4
After five years	2.4	1.8
<b>Total</b>	<b>118.5</b>	<b>80.2</b>

#### 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.

#### 33.3 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 Limited	9402426
TI Automotive Korean Won Hedgeco Ltd	9855008
TI Automotive Korean Won Hedgeco II Limited	5633329
TIFS Holdings Limited	7060030
TI Automotive Limited	4097913
TI Automotive Euro Holdings Limited	5265489
TI Automotive USA Holdings Limited	5265459
TI Group Automotive Systems Limited	581742
TI Group Automotive Systems (Deeside) Limited	3061637
TI Automotive Holdings Limited	4174232
TI Automotive Czech Holdings (UK) Limited	6241709
TI Automotive German Holdings (UK) Limited	6243326
TI Group Automotive Systems (UK) Limited	784687
TI Automotive (China) Limited	4081361
Hanil Tube Holdings Limited	6258095
TI Automotive Canada Holdings Limited	5546464
Omega Newco Sub I Limited	9402268
Omega Newco Sub II limited	9402316
TI Automotive Nominees Limited	4234035
TI Automotive Pension Plan Trustee Limited	4310096

TI Fluid Systems plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at 31 December 2022 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.

## 34. 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:

	2022 €m	2021 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	3.5	2.9
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	0.8	1.0
Other assurance services	0.2	0.5
<b>Total</b>	<b>4.5</b>	<b>4.4</b>

Other assurance services of €0.2 million (2021: €0.5 million) relate to the review of published half year interim reports, and in 2021 only, refinancing activities.

## 35. Related Party Transactions

At 31 December 2022 there is no ultimate controlling party of TI Fluid Systems plc.

### 35.1. 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 holds 97% of the shares in Bundy India Ltd. At 31 December 2022, Bundy India Ltd had trade and loan receivables net of payables to other Group undertakings amounting to €4.3 million (2021: €0.6 million net trade and loan payables) and made sales within the Group during the year of €3.3 million (2021: €2.4 million).

### 35.2. Transactions with Related parties

Alfmeier Prazision SE is an existing supplier of the Group and was acquired by Gentherm Incorporated during the year, a company in which Mr R Hundzinski is a director. For the period post acquisition of Alfmeier Prazision SE, now as a related party, the Group purchased goods amounting to €4.9 million. These goods were purchased on an arm's length basis.

During the year, Bain Capital, a significant shareholder of the Company, charged the Company €0.8 million (2021: €nil), which related to passed through costs from a 3rd party provider.

## 36. 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.

# Notes to the Group Financial Statements

Continued

## 37. Glossary of Terms

### Adjusted Basic EPS

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

### Adjusted EBIT

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.

### Adjusted EBITDA

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 Free Cash Flow

Free cash flow adjusted for cash movements in financial assets at fair value through the profit or loss, 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 Net Income

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.

### BEV

Battery Electric Vehicles.

### CGU

Cash Generating Unit, being the management level of the Group, for example FCS North America.

### Constant currency

The remeasurement of prior year results at current exchange rates to eliminate fluctuations in translation rates and achieve a like-for-like comparison.

### EBITDA

Profit or loss before tax, net finance expense, depreciation, amortisation and impairment of tangible and intangible assets, and associate share of profits or losses.

### EV

Electric Vehicles including BEV and HEV.

### FCS

Fluid Carrying Systems, a division of the Group which supplies Brake and Fuel lines and Thermal products.

### FHEV

Full Hybrid Electric vehicles, includes PHEV and self-charging HEV.

### Free Cash Flow

The total of net cash generated from operating activities and net cash used by investing activities.

### FTDS

Fuel Tanks and Delivery Systems, a division of the Group that supplies fuel tanks and fuel pumps and modules.

### GLVP

Global Light Vehicle Production of light vehicles.

### HEV

Hybrid Electric Vehicles, excluding mild hybrid vehicles.

### ICE

Internal Combustion Engine vehicles.

### LVP

Light Vehicle production used as a reference when referring to regional data.



**MHEV**

Mild Hybrid Electric Vehicles, which only have modest electrification.

**Net debt**

The total of current and non-current borrowings excluding lease liabilities, net of cash and cash equivalents and financial assets at fair value through profit or loss.

**Net leverage**

Net debt divided by last 12 months' Adjusted EBITDA.

**OEM**

Original Equipment Manufacturer, used to refer to vehicle manufacturers the main customers of the Group.

**Operating profit margin**

Operating profit expressed as a percentage of revenue.

**PHEV**

Plug in Hybrid Electric Vehicles.

**Revenue outperformance**

The growth in revenue at constant currency compared to the growth in global light vehicle production volumes.

**SBTi**

Science-Based Target Initiative which is used to refer to the climate change targets aligned to the Paris Agreement targets.

# Company Financial Statements

## Company Balance Sheet

At 31 December

	Note	2022 €m	2021 €m
<b>Non-current assets</b>			
Investments in subsidiaries	4	922.1	912.5
		922.1	912.5
<b>Current assets</b>			
Loans due from related parties	5	1.3	16.3
Trade and other receivables	6	0.2	0.3
Cash and cash equivalents		0.9	7.3
		2.4	23.9
<b>Total assets</b>		<b>924.5</b>	<b>936.4</b>
<b>Equity</b>			
Share capital	7	6.8	6.8
Share premium	7	2.2	2.2
Retained earnings		890.7	886.7
<b>Total equity</b>		<b>899.7</b>	<b>895.7</b>
<b>Current liabilities</b>			
Trade and other payables	8	2.4	0.9
Loans due to related parties	9	22.4	39.8
		24.8	40.7
<b>Total liabilities</b>		<b>24.8</b>	<b>40.7</b>
<b>Total equity and liabilities</b>		<b>924.5</b>	<b>936.4</b>

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 €19.3 million (2021: €54.3 million).

The financial statements on pages 184–193 were authorised for issue by the Board of Directors on 15 March 2023 and were signed on its behalf by:

**Hans Dieltjens**  
*Chief Executive Officer and President*

**Ron 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 2022	6.8	2.2	886.7	895.7
Profit for the year	–	–	19.3	19.3
<b>Total comprehensive income for the year</b>	–	–	19.3	19.3
Share-based expense	–	–	9.6	9.6
Purchase of own shares	–	–	(11.4)	(11.4)
Issue of own shares from Employee Benefit Trust	–	–	1.0	1.0
Vested share awards	–	–	(1.9)	(1.9)
Dividends paid	–	–	(12.6)	(12.6)
Transactions with owners recognised directly in equity	–	–	(15.3)	(15.3)
<b>Balance at 31 December 2022</b>	<b>6.8</b>	<b>2.2</b>	<b>890.7</b>	<b>899.7</b>
	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
<b>Total comprehensive income for the year</b>	–	–	54.3	54.3
Share-based expense	–	–	6.8	6.8
Purchase of own shares	–	–	(8.3)	(8.3)
Issue of own shares from Employee Benefit Trust	–	–	1.1	1.1
Vested share awards	–	–	(0.9)	(0.9)
Dividend paid	–	–	(45.0)	(45.0)
Transactions with owners recognised directly in equity	–	–	(46.3)	(46.3)
<b>Balance at 31 December 2021</b>	<b>6.8</b>	<b>2.2</b>	<b>886.7</b>	<b>895.7</b>

# 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 prepared its financial statements in accordance with FRS 101 to take advantage of the reduced disclosures available as the Company meets the definition of a qualifying entity.

### Summary of disclosure exemptions

The following exemptions from the requirements of International Financial Reporting Standards ('IFRS') have been applied in the preparation of these financial statements in accordance with FRS 101:

- The following paragraphs of IAS 1 'Presentation of financial statements'
  - 10(d) (statement of cash flows)
  - 10(f) (statement of financial position as at the beginning of the preceding period)
  - 16 (statement of compliance with all IFRS)
  - 38A (requirement for minimum of two primary statements, including cash flow statements)
  - 38B–D (additional comparative information)
  - 40A–D requirements for a third statement of financial position)
  - 111 (cash flow statement information)
  - 134–136 (capital management disclosures)
- Paragraph 38 of IAS 1 'Presentation of financial statements' comparative information requirements in respect of paragraph 79 (a) (iv) of IAS 1 'Presentation of financial statements'
- IAS 7 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- IFRS 7 'Financial instruments: Disclosures'
- Paragraphs 17 and 18A of IAS 24 'Related party disclosures' (key management compensation)
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirements in IAS 24 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group

The Company is eligible to apply the above exemptions as it is included in the consolidated financial statements of TI Fluid Systems plc who prepare financial statements under IFRS and include the above disclosures. 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. Summary of Significant Accounting Policies

### Continued

#### 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.

##### 1.4.1. 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', 'other receivables' 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.

#### 1.7. 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.

# Notes to the Company Financial Statements

Continued

## 1. Summary of Significant Accounting Policies

Continued

### 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 €19.3 million (2021: €54.3 million profit).

## 3. Directors' Remuneration

The Company has no employees (2021: nil). Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director remuneration costs of €1.0 million (2021: €1.0 million) have been borne by the Company. All other costs have been met by other subsidiaries of the Group.

## 4. Investments in Subsidiaries

	2022 €m	2021 €m
At 1 January	912.5	905.7
Share-based expense	9.6	6.8
<b>At 31 December</b>	<b>922.1</b>	<b>912.5</b>

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. We have considered the carrying value of investment in subsidiaries for potential impairment, given the recent quoted share price and market capitalisation of the Company. The market capitalisation of the Company has been impacted by share price volatility over the last twelve months. The assessment for the Company is based on fair value less cost of disposal of the businesses (as estimated in the Group impairment assessment) which, after adjusting for net debt, results in a recoverable amount that exceeded the carrying value of the investment. Therefore, no impairment charge is recognised in the Company.

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 €9.6 million (2021: €6.8 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 10 of the consolidated financial statements for more information.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

	Country of incorporation	Ownership interest and voting rights held 2022	Ownership interest and voting rights held 2021	Address of registered office
<b>Americas</b>				
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
<b>Europe and Africa</b>				
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
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

# Notes to the Company Financial Statements

Continued

## 4. Investments in Subsidiaries Continued

	Country of incorporation	Ownership interest and voting rights held 2022	Ownership interest and voting rights held 2021	Address of registered office
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 (Liquidated)	UK	–	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-Négron, 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
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, Győr, 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.oz.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



## 4. Investments in Subsidiaries Continued

	Country of incorporation	Ownership interest and voting rights held 2022	Ownership interest and voting rights held 2021	Address of registered office
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 (Liquidated)	Slovakia	–	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, llot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl***	Morocco	–	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 Lidköping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	100%	100%	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
<b>Asia Pacific</b>				
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
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, Tamil 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%	100%	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.

\*\*\* The Company merged with TI Automotive Morocco Sarl.

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.

# Notes to the Company Financial Statements

Continued

## 5. Loans Due from Related Parties

	2022 €m	2021 €m
Loans due from related parties	1.3	16.3

Loans due from a related party at 31 December 2022 comprised one amount drawn against a Euro-denominated intercompany facility agreement with a subsidiary undertaking totalling €1.3 million (2021: €16.3 million). The loan is repayable in full on demand and bears interest at a fixed rate of 4.14% (2021: loans bearing interest at rates from 3.73% to 4.14%) according to the agreed facility.

## 6. Trade and Other Receivables

	2022 €m	2021 €m
Other receivables	0.2	0.3

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 pages 90–105.

## 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 2021	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2022	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 purchased on the open market and shown as a deduction to equity in the Statement of Changes in Equity until utilised, without further adjustments to their carrying value. They are released to satisfy the awards of equity-settled payments to employees on a first-in first-out basis. Shares held in the EBT are not treated as outstanding for the purposes of calculating earnings per share and 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 2021	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
Release to satisfy vested conditional share awards	(462,291)	(1.0)
Market purchase	4,209,646	11.4
At 31 December 2022	7,678,528	20.9

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

	2022 €m	2021 €m
Trade payables	1.0	–
Other payables	1.1	0.4
Accrued expenses	0.3	0.5
Total trade and other payables	2.4	0.9

During the year, Bain Capital, a significant shareholder of the Company, charged the Company €0.8 million (2021: €nil) included within other payables above, which related to passed through costs from a 3rd party provider.

## 9. Loans Due to Related Parties

	2022 €m	2021 €m
Loans due to related parties	22.4	39.8

Loans due to related parties at 31 December 2022 included €nil drawn against Euro-denominated intercompany facility agreements with subsidiary undertakings (2021: €24.1 million). In the prior year the loans were repayable in full on demand and therefore have been classified as currently payable. They bore interest at six-month EURIBOR plus a margin between 2.75% and 4.25%.

Additionally, at the year end, a subsidiary undertaking of the Company had loaned funds of €22.4 million to the Company's Employee Benefit Trust (EBT) (2021: €15.7 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 Limited	9402426
TI Automotive Korean Won Hedgeco Ltd	9855008
TI Automotive Korean Won Hedgeco II Limited	5633329
TIFS Holdings Limited	7060030
TI Automotive Limited	4097913
TI Automotive Euro Holdings Limited	5265489
TI Automotive USA Holdings Limited	5265459
TI Group Automotive Systems Limited	581742
TI Group Automotive Systems (Deeside) Limited	3061637
TI Automotive Holdings Limited	4174232
TI Automotive Czech Holdings (UK) Limited	6241709
TI Automotive German Holdings (UK) Limited	6243326
TI Group Automotive Systems (UK) Limited	784687
TI Automotive (China) Limited	4081361
Hanil Tube Holdings Limited	6258095
TI Automotive Canada Holdings Limited	5546464
Omega Newco Sub I Limited	9402268
Omega Newco Sub II limited	9402316
TI Automotive Nominees Limited	4234035
TI Automotive Pension Plan Trustee Limited	4310096

TI Fluid Systems plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at 31 December 2022 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.

# Group Financial Record

## Consolidated Income Statement

For the year ended 31 December

	Unaudited				
	2022 €m	2021 €m	2020 €m	2019 €m	2018 €m
Revenue	3,268.3	2,956.6	2,814.5	3,411.1	3,472.8
Cost of sales	(2,938.0)	(2,626.8)	(2,493.1)	(2,922.7)	(2,938.2)
<i>Exceptional items</i>	(100.3)	–	(120.4)	–	–
<b>Gross profit</b>	<b>230.0</b>	<b>329.8</b>	<b>201.0</b>	<b>488.4</b>	<b>534.6</b>
Distribution costs	(112.1)	(93.9)	(83.7)	(95.0)	(102.4)
Administrative expenses before exceptional items	(119.0)	(105.8)	(145.1)	(141.7)	(164.5)
<i>Exceptional items</i>	(217.1)	–	(184.2)	–	–
Administrative expenses after exceptional items	(336.1)	(105.8)	(329.3)	(141.7)	(164.5)
Other income	1.9	3.6	8.5	6.7	12.2
Net foreign exchange (losses)/gains	(0.7)	(6.9)	27.2	0.5	1.2
<b>Operating (loss)/profit</b>	<b>(217.0)</b>	<b>126.8</b>	<b>(176.3)</b>	<b>258.9</b>	<b>281.1</b>
Finance income	5.7	3.1	3.5	15.0	14.3
Finance expense before exceptional items	(64.4)	(63.1)	(77.5)	(72.5)	(67.0)
<i>Exceptional items</i>	–	(11.8)	–	–	(11.8)
Finance expense after exceptional items	(64.4)	(74.9)	(77.5)	(72.5)	(78.8)
Net finance expense after exceptional items	(58.7)	(71.8)	(74.0)	(57.5)	(64.5)
Share of (loss)/profit of associates	–	(0.9)	(3.5)	0.3	0.5
<b>(Loss)/profit before income tax</b>	<b>(275.7)</b>	<b>54.1</b>	<b>(253.8)</b>	<b>201.7</b>	<b>217.1</b>
Income tax expense before exceptional items	(23.4)	(40.9)	(28.1)	(57.1)	(77.0)
<i>Exceptional items</i>	20.1	2.8	29.7	–	–
Income tax (expense)/credit after exceptional items	(3.3)	(38.1)	1.6	(57.1)	(77.0)
<b>(Loss)/profit for the year</b>	<b>(279.0)</b>	<b>16.0</b>	<b>(252.2)</b>	<b>144.6</b>	<b>140.1</b>
(Loss)/profit for the year attributable to:					
Owners of the Parent Company	(279.1)	14.3	(254.1)	141.6	137.8
Non-controlling interests	0.1	1.7	1.9	3.0	2.3
	(279.0)	16.0	(252.2)	144.6	140.1

# Group Financial Record

## Consolidated Balance Sheet

At 31 December

	Unaudited				
	2022 €m	2021 €m	2020 €m	2019 €m	2018 €m
<b>Non-current assets</b>					
Intangible assets	603.9	884.8	883.8	1,182.2	1,229.8
Right-of-use assets	109.3	125.2	124.9	161.4	–
Property, plant and equipment	531.4	595.4	590.8	715.0	706.5
Investments in associates	–	–	14.6	19.2	19.6
Derivative financial instruments	–	–	–	–	5.4
Deferred income tax assets	105.2	70.5	62.4	25.1	34.9
Trade and other receivables	20.6	19.2	18.9	21.6	14.8
	1,370.4	1,695.1	1,695.4	2,124.5	2,011.0
<b>Current assets</b>					
Inventories	372.0	332.3	351.4	367.1	352.8
Trade and other receivables	541.9	520.5	534.8	574.5	578.3
Current income tax assets	7.9	11.4	13.7	13.7	4.4
Derivative financial instruments	2.8	0.9	0.4	18.4	8.5
Financial assets at fair value through profit or loss	–	0.9	0.9	0.9	1.2
Cash and cash equivalents	491.0	499.1	485.8	411.7	360.1
	1,415.6	1,365.1	1,387.0	1,386.3	1,305.3
<b>Total assets</b>	<b>2,786.0</b>	<b>3,060.2</b>	<b>3,082.4</b>	<b>3,510.8</b>	<b>3,316.3</b>
<b>Equity</b>					
Share capital	6.8	6.8	6.8	6.8	6.8
Share premium	2.2	2.2	2.2	2.2	1.4
Other reserves	(55.4)	(61.4)	(137.7)	(106.1)	(126.3)
Retained earnings	722.6	995.9	987.7	1,261.7	1,175.7
<b>Equity attributable to owners of the Parent Company</b>	<b>676.2</b>	<b>943.5</b>	<b>859.0</b>	<b>1,164.6</b>	<b>1,057.6</b>
Non-controlling interests	0.5	0.4	25.2	24.5	22.5
<b>Total equity</b>	<b>676.7</b>	<b>943.9</b>	<b>884.2</b>	<b>1,189.1</b>	<b>1,080.1</b>
<b>Non-current liabilities</b>					
Trade and other payables	12.8	14.6	20.0	12.3	17.1
Borrowings	1,114.0	1,098.5	1,069.3	1,148.5	1,179.3
Lease liabilities	121.5	119.8	122.4	138.0	–
Derivative financial instruments	–	–	–	–	45.3
Deferred income tax liabilities	80.7	95.8	104.3	128.5	141.6
Retirement benefit obligations	104.2	128.1	160.7	153.7	148.2
Provisions	2.6	2.6	4.9	5.0	4.9
	1,435.8	1,459.4	1,481.6	1,586.0	1,536.4
<b>Current liabilities</b>					
Trade and other payables	584.8	546.1	614.1	611.2	608.4
Current income tax liabilities	44.5	49.9	40.7	48.7	60.2
Borrowings	1.9	1.8	7.4	2.4	4.4
Lease liabilities	28.1	30.1	28.6	28.7	–
Derivative financial instruments	0.2	0.3	0.2	25.4	2.8
Provisions	14.0	28.7	25.6	19.3	24.0
	673.5	656.9	716.6	735.7	699.8
<b>Total liabilities</b>	<b>2,109.3</b>	<b>2,116.3</b>	<b>2,198.2</b>	<b>2,321.7</b>	<b>2,236.2</b>
<b>Total equity and liabilities</b>	<b>2,786.0</b>	<b>3,060.2</b>	<b>3,082.4</b>	<b>3,510.8</b>	<b>3,316.3</b>

The consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2018 to 31 December 2022 inclusive.

# Shareholder information

## Company registered number

09402231

## Directors

**Tim Cobbold**

Independent Non-Executive Chairman

**Hans Dieltjens**

Chief Executive Officer and President

**Ron Hundzinski**

Chief Financial Officer

**Julie Baddeley**

Independent Non-Executive Director

**Jane Lodge**

Independent Non-Executive Director

**Susan Levine**

Non-Executive Director

**Elaine Sarsynski**

Independent Non-Executive Director

**Trudy Schoolenberg**

Independent Non-Executive Director

**John Smith**

Independent Non-Executive Director

**Stephen Thomas**

Non-Executive Director

## Company Secretary

Matthew Paroly

## Registered office

4650 Kingsgate  
Cascade Way  
Oxford Business Park South  
Oxford OX4 2SU  
United Kingdom

[www.tifluidsystems.com](http://www.tifluidsystems.com)

## Corporate offices

2020 Taylor Road  
Auburn Hills  
Michigan 48326  
United States of America

## Independent Auditors

**PricewaterhouseCoopers LLP**

One Chamberlain Square  
Birmingham B3 3AX

[www.pwc.co.uk](http://www.pwc.co.uk)

## Bankers

**BNP Paribas**

10 Harewood Avenue  
London NW1 6AA

[www.bnpparibas.co.uk](http://www.bnpparibas.co.uk)

## Legal advisers to the Company

**Latham & Watkins (London) LLP**

99 Bishopsgate  
London EC2M 3XF

[www.lw.com](http://www.lw.com)

## Joint corporate brokers

**Goldman Sachs International**

Plumtree Court  
25 Shoe Lane  
London EC4A 4AU

[www.goldmansachs.com](http://www.goldmansachs.com)

**J.P. Morgan Cazenove**

25 Bank Street  
Canary Wharf  
London E14 5JP

[www.jpmorgan.com](http://www.jpmorgan.com)

**Peel Hunt LLP**

100 Liverpool Street  
London EC2M 2AT

[www.peelhunt.com](http://www.peelhunt.com)

## Registrars

**Equiniti Limited**

Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA

## Shareview for shareholders

0371-384-2030 (UK)  
+44 (0)121-415-7047 (Overseas)

[www.shareview.co.uk](http://www.shareview.co.uk)

## Corporate calendar

Announcement of Final Results  
**16 March 2023**

Annual General Meeting  
**16 May 2023**

Announcement of Interim Results  
**8 August 2023**

## 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.

The paper used in this report is elemental chlorine free and is FSC® certified. It is printed to ISO 14001 environmental procedures.

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.



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.



**TI Fluid Systems, Corporate Offices**

2020 Taylor Road  
Auburn Hills  
Michigan 48326  
United States of America

Tel: +1 248 296 8000

**TI Fluid Systems plc, Registered Office**

4650 Kingsgate  
Cascade Way  
Oxford Business Park South  
Oxford OX4 2SU  
United Kingdom

Tel: +44 (0) 1865 871820

**[www.tifluidsystems.com](http://www.tifluidsystems.com)**

Incorporated and domiciled in England and Wales  
Registered number 09402231