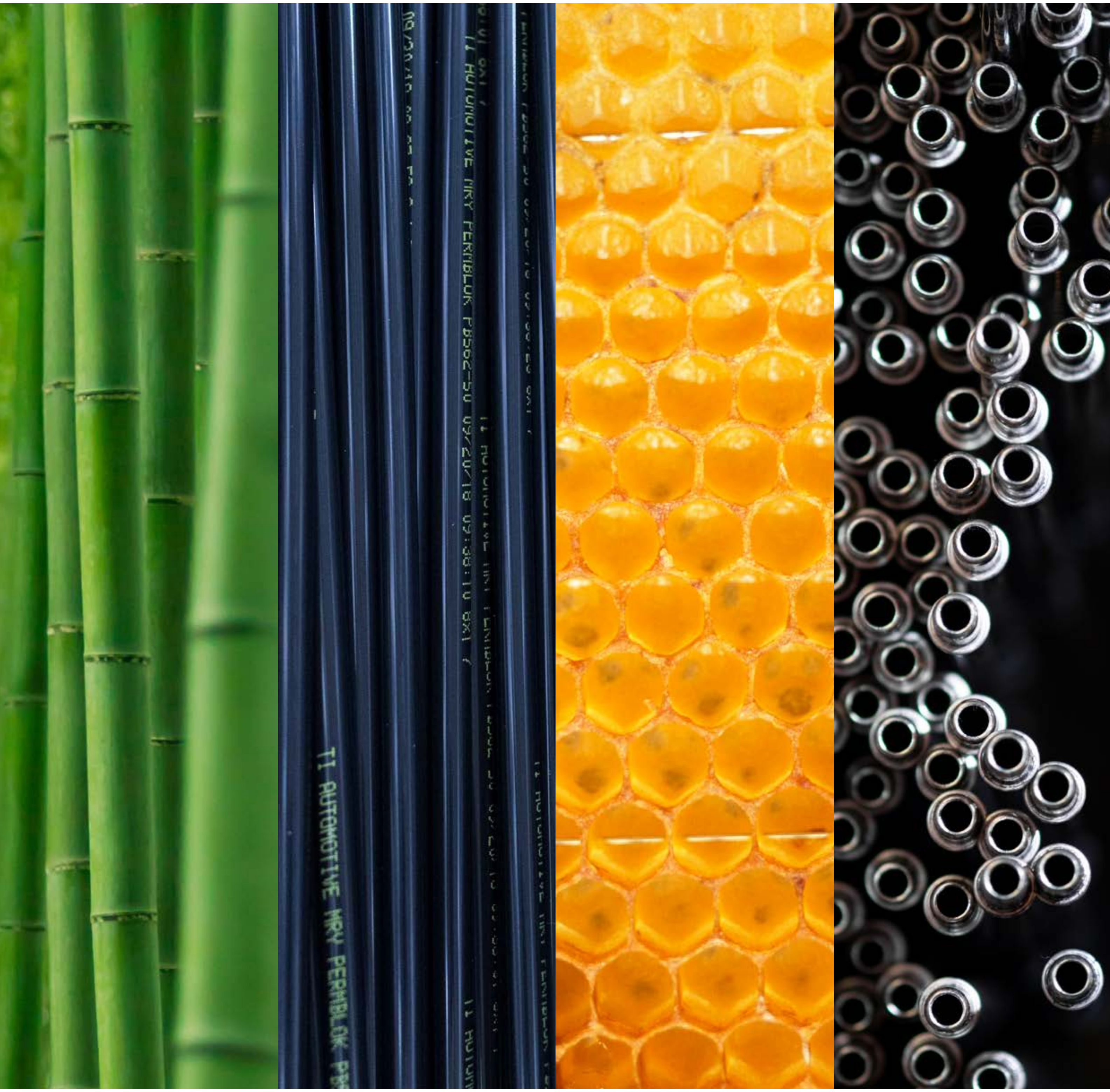
TI Fluid Systems



ANNUAL REPORT & ACCOUNTS 2020

Financial highlights

2020 results demonstrated the resilience of our business with strong Adjusted EBIT and Adjusted Free Cash Flow generation.

Read more
Please see page 57 for definitions of the non-IFRS measures.

Management reporting measures

Revenue
€2,815m
2019: €3,411m

Revenue 17.5% lower (-15.9% at constant currency or +20bps above global light vehicle production decrease)

Adjusted EBIT
€173m
2019: €340m

Adjusted EBIT margin of 6.2% (2019: 10.0%)

Adjusted Net Income
€14m
2019: €150m

Adjusted Basic EPS € cents
2.6c
2019: 28.9c

Adjusted Free Cash Flow
€148m
2019: €180m

Statutory reporting measures

Operating Loss
€176m
2019: €259m Operating Profit

Operating margin of (6.3)% (2019: 7.6%)

Loss for the year
€252m
2019: €145m Profit

Basic EPS € cents
(48.9)c
2019: 27.2c

Dividend per share € cents
6.74c
2019: 3.02c

OUR PRODUCTS AND SERVICES MAKE THE WORLD A BETTER PLACE

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

INNOVATIVE

Award-winning product innovations and technologies aligned with automotive industry megatrends of emissions reduction and fuel efficiency for all vehicle propulsion systems.

Long-term trusted supplier of high quality, performance-critical fluid storage, carrying and delivery systems, including thermal management systems.

PRODUCTS

Read more
Page 30

Resilient business model, strategy and experienced management team drives long-term sustainable shareholder value.

SUSTAINABLE

TECHNOLOGIES

Award-winning technologies and products aligned with automotive megatrends, including new product offerings for hybrid and battery electric vehicle applications.

Read more
Page 20


LONG-TERM
Electrification trends offer attractive long-term growth opportunities.

Providing our OEM customers product and system technology solutions for the growing needs of reduced emissions and fuel efficiency and transition to electrified vehicles.

SOLUTIONS

Read more
Page 29

SECURING OUR LONG-TERM SUCCESS. OUR AGILE RESPONSE TO COVID-19 HAS HELPED SUSTAIN OUR BUSINESS.

"Throughout the challenges and disruptions in 2020, the Board and executive team made it a priority to protect our employees, support our customers and secure the long-term future of the business by remaining committed to our core purpose and business strategy."

Manfred Wennemer
Chairman

Dear Shareholder,

The Board is committed to the highest standards of compliance, corporate governance and financial integrity which, together with the Group's strategy, are the foundations for long-term sustainable growth and continued business success.

The 2018 UK Corporate Governance Code (the 'Code') states that companies do not exist in isolation, and the truth of this statement has been demonstrated by the way that our people, customers, suppliers and communities have worked together to meet the challenges of the COVID-19 pandemic and successfully sustain our business through a very difficult year. It is now more clear than ever that companies must foster sound relationships with a wide range of stakeholders in order to be successful.

COVID-19 response

As the COVID-19 pandemic emerged in early 2020, our management team was able to respond in an agile manner to the fast-changing business conditions. TI was one of the first global suppliers to mandate working from home and to implement global travel restrictions. In response to regional outbreaks, we temporarily closed our plants to protect our workers starting in Asia Pacific and then moving to Europe and North America. However, after several weeks of shutdown, we were able to efficiently re-open our plants in a safe manner by implementing detailed health and safety protocols, such as regular temperature checks and health screening, requiring protective face coverings, social distancing, enhanced cleaning and maintenance procedures, and modified work proximities and altered shift patterns. We believe that taking decisive action to develop and put these enhanced workplace and manufacturing procedures into practice at all of our facilities around the world greatly limited the impact of COVID-19 infection across our workforce and enabled all of the Group's production facilities to safely re-open in order to support production for our OEM customers.

In particular, I am proud of our collaboration with Ford Motor Company and 3M to produce air flex tube assemblies for powered air-purifying respiratory systems ('PAPR') which were urgently needed to enable front line healthcare workers to respond to the COVID-19 outbreak. The TI team supported the design, engineering and testing to mass produce quick connectors and a new air flex tube solution for the PAPR system. The quick connector and sub-assembly were produced at our New Haven, Michigan facility, with final tube assembly taking place at our Ashley, Indiana facility. Keeping production local allowed Ford and 3M to rapidly ramp-up production and supply much-needed protection for healthcare professionals.

Environmental, Social and Governance focus

Recognising the importance of Environmental, Social and Governance ('ESG') and sustainability matters, the Board has formed an ESG Steering Committee chaired by Elaine Sarsynski. We are working on enhanced measurement and reporting of our carbon footprint, establishing CO_2 and waste reduction targets, instituting more robust safety procedures and conducting diversity and inclusion training as well as developing initiatives to promote further diversity within our organisation, all as described in more detail on pages 39-49.

Environmental and Social performance will also be a part of the wider management team's strategic objectives for 2021 and beyond. ESG targets will also be included as a performance element of our Long-Term Incentive Plan for Executive Directors and Senior Management.

Of course, we will continue to pursue and progress our strategy to develop and supply products to support hybrid and battery electric vehicles. We are very pleased to have been awarded the Green Economy Mark by the London Stock Exchange which recognises that our products support the production of cleaner and greener vehicles.

Financial resilience

In 2020, the Group performed well overall and delivered strong sales and performance despite the disruption and uncertainty caused by the COVID-19 pandemic. Throughout the year, the executive team implemented a number of cash management measures to protect the business and provide job security for our employees. These measures included close coordination with customers and suppliers to ensure efficient manufacturing scheduling in light of fluctuating demands, capital cost management, plant restructurings, furloughs, temporary salary reductions for management and Board members and refinancing our long-term debt.

In light of exceptional performance during the closing months of 2020, the Group was able to repay UK furlough payments received from the UK government and retroactively reinstated pay levels for all employees who took part in pay and salary reductions during 2020. We wish to thank our entire global organisation for their shared sacrifice, commitment, excellent performance, and support through one of the most severe market declines this industry has historically faced.

More information on our financial position can be viewed in the Chief Financial Officer's report on pages 50-57.

Workforce engagement

In light of the COVID-19 crisis, management significantly increased communication and engagement at all levels of the organisation. In addition to more frequent all-employee updates, regular top management calls were held throughout the year. In order to ensure that our new safety and operating protocols were properly understood and implemented, numerous orientations, training sessions and plant audits were conducted around the world. John Smith, our designated Non-Executive Director for workforce engagement, attended an All Employee meeting and reviewed the results of our employee surveys. We are pleased with the positive feedback from workforce surveys that indicate that our employees appreciated being kept informed about the many initiatives to protect them and the business.

Investor relations

In 2020, we continued to mature as a UK-listed company and to broaden our investor relations efforts. We appointed Peel Hunt LLP as Joint Corporate Broker to work alongside the Group's existing brokers, Goldman Sachs International and JP Morgan Cazenove. We have placed particular emphasis on engaging with our shareholders in order to provide them with a clear understanding and insight into how we strategically manage our business. In addition to regular calls with shareholders in connection with the release of our trading updates and financial results, we will be hosting a virtual capital markets day in April 2021 for both analysts and investors that will include an overview of our electrification strategy and interactive displays to showcase our strategic products and technology.

Dividend

Based on the overall strength of the Group's financial position and prospects, the Board also approved and declared an interim dividend of 6.74 Euro cents per share, amounting to approximately €35.0 million, that was paid on 19 February 2021.

The Board is committed to its stated annual dividend policy (30% Adjusted Net Income) paid on an interim and final basis for each financial year. In light of the amount of the interim dividend and the nominal amount of Adjusted Net Income for the 2020 financial year, the Board decided not to recommend a final year 2020 dividend in line with its stated annual dividend policy. While no 2020 interim dividend was paid in 2020 and no final dividend for the 2020 financial year is to be proposed in 2021 under the policy, we expect to return to a normal dividend schedule for the 2021 financial year. The Board continues to believe that dividends represent an important part of the Group's shareholder value proposition and that the Company's dividend policy is both affordable and sustainable within its wider capital allocation framework.

Leadership changes

As previously announced, Bill Kozyra will be retiring as Chief Executive Officer and stepping down from the Board of Directors later this year.

Bill joined TI Fluid Systems in 2008 at the height of the global financial crisis and led the Company through that challenge to more than a decade of record performance. Bill was instrumental in bringing the Company public in 2017 and in developing and executing the Company's electrification strategy to address the hybrid and battery electric vehicle market developments. On behalf of the Board of Directors, I wish Bill all the best in his retirement and thank him for his 13 years of exemplary service.

Hans Dieltjens, who is currently our Chief Operating Officer, will become the Company's new Chief Executive Officer when Bill retires. Hans has a Master's degree in Electro/Mechanical Engineering and more than 25 years of automotive experience in Asia, Europe and the Americas.

The Nomination Committee and Board considered several external high calibre automotive executives in addition to Hans Dieltjens for the CEO position. We are pleased with the results of this succession process which validated Hans' strong credentials and credibility in the automotive space.

We are confident the Group will continue its success under Hans' leadership.

As previously announced, Andrea Dunstan has decided not to stand for re-election at the Company's upcoming 2021 Annual General Meeting ('AGM') and will step down from the Board effective from the end of the AGM. Andrea will continue as Chair of the Remuneration Committee until the end of the AGM. My colleagues and I have appreciated Andrea's insight and commitment to the Company. It has been a great pleasure to work alongside her, and we wish her well for the future.

The Board has appointed Tim Cobbold, Senior Independent Director, to serve on the Remuneration Committee.
The Nomination Committee intends to recruit additional Non-Executive Directors to ensure the Board maintains a broad mix of market knowledge and relevant experience.

Outlook

The challenges of COVID-19 to our industry, our Company and our people have been significant. Our management team has been fast to respond to the situation and has kept the Board continually appraised of its actions and the sensible, considered measures taken to protect the business.

Successfully navigating the difficulties and uncertainty in 2020 has only been possible due to the hard work and dedication of our entire team in all regions and at every plant and office around the world.

On behalf of the Board, I would like to say that I am proud of the way that TI Fluid Systems responded to an unprecedented situation by supporting all stakeholders while taking necessary and appropriate actions to sustain the business and achieve strong results. Sincere thanks to all our employees around the globe for their considerable efforts and contributions to the success of our Company.

While many uncertainties and challenges remain in 2021, we are confident that our business strategy is sound and that the Group is well positioned to be successful as global production volumes recover and hybrid and battery electric vehicles gain market share.

Manfred Wennemer
Chairman
15 March 2021

UK Corporate Governance Code

At TI Fluid Systems we continue to be committed to the highest standards of governance and incorporating stakeholder engagement in the Board's decision-making. We recognise the importance to the long-term success and sustainability of our business of our robust governance framework that not only satisfies the provisions of the new UK Governance Code but also supports the effective operation of our business and execution of our strategy.

Our purpose

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

Our values

Our Core Values guide us in delivering a sustainable future for our business that includes a focus on safety, compliance, and environmental and social impact. Our Core Values can be found on our website.

Our culture

We promote a customer-focused culture and are proud of the strong and long-standing relationships we have with our OEM customers all around the world. Our Code of Business Conduct can be found on our website.

Read more
Our Chairman's Introduction to Corporate Governance can be found on pages 66-67 and our Compliance Statements on pages 62-65

SUPPORTING HEALTHCARE PROFESSIONALS

COVID-19

Our collaboration with Ford Motor Company and 3M was a direct response to the increased demand for protective equipment caused by the COVID-19 outbreak. The team supported the design and manufacturing processes to engineer and mass produce quick connectors and a new air flex tube solution for the hood and fan pack used in the powered air-purifying respiratory ('PAPR') system.

Keeping production local allowed Ford and 3M to rapidly meet the increasing demand and to provide much-needed protection for healthcare professionals.

MANAGING TODAY FOR TOMORROW.

OUR BUSINESS CONTINUES TO BE RESILIENT WITH STRONG MARGINS, LEADING CASH FLOW GENERATION AND CREATING TECHNOLOGY FOR A GREENER, CLEANER WORLD.

William L. Kozyra
Chief Executive Officer and President

Dear Shareholder,

We are pleased to report overall solid performance in 2020 despite what has proven to be one of the most challenging years in the history of global vehicle production and as every business and person across the globe has had to manage through the effects of the COVID-19 health pandemic.

COVID-19 response

The World Health Organization declared the COVID-19 outbreak a pandemic in March 2020 with the virus then spreading to more than 200 countries, resulting in severe public health and economic consequences. The Group's priority from the onset of COVID-19 was to secure the health and safety of our employees and preserve the viability of our business. Early in March we implemented a global work from home mandate together with a global travel ban, well ahead of other auto suppliers and OEMs. We also quickly upgraded our IT systems to ensure that our employees could work remotely to continue to effectively and safely manage our business.

We sequentially closed our manufacturing facilities around the world in accordance with local public health orders and in close coordination with our OEM customers. We then re-opened those facilities safely with enhanced health and safety protocols such as temperature checks, protective face coverings, social distancing, enhanced hygiene procedures and modified work proximities and altered shift patterns. These efforts greatly limited the impact of COVID-19 infection among our employees and enabled all of the Group's production facilities to operate safely and to continue to supply our OEM customers with only very minor disruptions.

Thanks to these steps, no COVID-19 infections have been traced to TI Fluid Systems facilities. The health and safety of our workforce remains our number one priority.

In addition, in March 2020, our management team implemented aggressive cost reduction and cash preservation measures to safeguard the Group's 2020 financial performance and cash balances.

Our COVID-19 response extended beyond our employees with the donation of protective face masks, hand sanitation supplies and other personal protection equipment to support those communities where we operate. We also are proud to have participated in the accelerated development and supply of our 'one size fits all' air flex tube solution for the Ford/3M powered air-purifying respiratory systems ('PAPR') which helped meet the need for protective equipment for front line health care workers in the United States.

2020 performance

Global light vehicle production volume declined significantly by 16.1% in 2020, compared to the prior year. We delivered revenue of €2.8 billion (-15.9% at constant currency), or 0.2% outperformance of global light vehicle production. If we include the impact of currency translation, revenue declined by 17.5%.

We also continued to generate strong Adjusted EBITDA of €331 million (11.8% margin) and Adjusted EBIT of €173 million (6.2% margin). Loss for the year was €252 million (2019: €145 million Profit) and Adjusted Free Cash Flow amounted to €148 million (2019: €180 million). These strong results compared well in our sector.

Our ability to maintain our strong financial performance with solid margins and excellent positive cash flow in the face of the prevailing market conditions demonstrates the Group's resilience and the strength of our strategy, business model and management focus.

Strategy update

In 2020, while managing through the COVID-19 crisis, we continued the successful execution of our business strategy. Our financial performance benefited from our commitment, focus and dedication to designing and producing products and systems for greener vehicles. We also continue to benefit from operational flexibility and our balanced customer, platform and regional profile. We continue to be confident in our focus on electrification and on delivering our hybrid electric vehicle ('HEV') and battery electric vehicle ('BEV') strategy which is progressing very well and continuing our commitment to helping make vehicles greener and the world a greener, cleaner and better place to live.

Use our strength in key product areas to drive the Group's market position in the BEV market

In 2020, we were pleased to see the continued results of the successful execution of our organic growth strategy and focus on the transition to BEVs.

We were proud to announce at the half year that the Group estimates to have significant content representation on key BEV platforms. Specifically, we estimate that the Group has product content on more than 30 of 46 key BEV programmes recently announced to go into production between 2020 and 2022. Importantly, approximately 50% of these BEVs will have thermal product content supplied by the Group.

Of particular note, in the fourth quarter of 2020, we launched production of a range of products for thermal fluid management on Volkswagen's newly introduced ID.3 and ID.4 BEVs. In addition to supplying Volkswagen various thermal coolant assemblies, we are also proud to be the sole supplier of the cabin comfort CO_2 heat pump valve unit assembly on this BEV platform, an exciting new technology which delivers increased operating efficiency and supports extended EV driving range over that of a traditional refrigeration-based cabin comfort system.

As further evidence of the Group's positive transition to electrification, we are pleased to see the continued growth in our awarded content per vehicle ('CPV') for BEVs. CPV for new BEV business wins have increased from an average of €120 per vehicle and a maximum of €400 per vehicle in 2018 to an average of €135 per vehicle and maximum of €480 per vehicle in 2020, clearly illustrating the upside contribution to the Group's growth provided by the transition to electrification.

The Group also continues to win new business awards for BEV programmes with a wide range of global and regional OEMs across all three major light vehicle production regions. These continued wins further demonstrate our ability to meet the fluid handling and thermal management needs of all propulsion modes including electrification.

I am confident that the Group is now, and will continue to be, a market leader in providing EV fluid handling solutions.

Use our technology to support the growing hybrid electric vehicle (HEV) market

In 2020, the Group was pleased to introduce a new generation pressure resistant plastic fuel tank with the launch of volume production for Volkswagen in China on the Passat and Magotan Plug-in HEV models. Volkswagen is planning to adopt our high pressure tanks across a wider range of global platforms.

This innovative technology represents the culmination of collaborative design, rigorous testing and vehicle evaluations by Volkswagen and TI development teams across China and Europe. Conventional fuel tanks operate at atmospheric pressure while the new generation of plug-in HEV models require fuel tanks that are able to resist cyclic pressure up to 500 mbar when in certain full electric driving modes. To resist in-tank pressure, the new TI design solution introduces overmoulded ball pins with snap-fit column structures that use the Group's patented split parison blow moulding manufacturing process. Our design and technology provides a lightweight plastic solution for HEVs that overcomes the disadvantages of competing tanks that utilise internal welded structures. Our pressure resistant HEV fuel tank continues to be well recognised as an industry leading design and our win rate of HEV fuel tanks is increasing.

Maintain balanced customer, platform, regional and product diversification

The Group has highly diversified revenue with no dependency on one geography. In 2020, we generated approximately 38% of our revenue in Europe and Africa, 35% in Asia Pacific, 26% in North America and 1% in Latin America. This diversification continues to be a benefit for the Group.

We believe that the Group's long history of engineering and manufacturing high-quality, reliable, performance-critical products for global OEMs has built our positive reputation as an industry leader and allowed us to develop strong and lasting relationships with all of our customers. The Group has a highly diversified customer base of global and local OEMs with only three customers, individually, representing more than 10% of revenue in 2020.

Given our deep industry experience and history, we have gained familiarity with each of our customers' unique engineering, design and development processes. As a result, the Group is viewed as a 'trusted partner' by our OEM customers.

We continue to enhance our strategic position through collaboration and development projects with key customers for the design and engineering of thermal products for HEVs, BEVs and, most recently, autonomous driving electric vehicles ('AEV'). We have development projects across different platforms and regions, including China, as we continue to work with OEMs to reduce weight in the vehicle and increase efficiency through our thermal products and systems that take advantage of our technology and nylon capabilities.

Strengthen the Group's position as an advanced technology leader in fluid systems to meet industry megatrends

As the requirements of OEMs have continued to advance, the Group has capitalised on its extensive knowledge of fluid components, lighter weight materials, systems architecture and manufacturing processes to provide our OEM customers with more advanced designs and products to assist them to meet regulatory requirements and consumer expectations. Most of our products contribute to a cleaner world by making vehicles greener.

The Group continues to invest in its fluid management portfolio to include advanced products that are required to reduce emissions and improve fuel economy in vehicles such as pressure resistant fuel tanks and thermal management products for EVs.

Capitalise on the Group's global scale, footprint and position

The Group has significant manufacturing presence in all of the major geographies for OEM vehicle production. In 2020, the Group had 107 locations across 28 countries on five continents. Being in close proximity to our OEM customers serves the Group very well.

With respect to China, we were able to successfully flex our cost base to mitigate the impact of the ongoing US-China trade conflict and protect our financial performance, particularly our Fluid Carrying Systems ('FCS') division which has had a large presence in China for decades. Our Fuel Tank & Delivery Systems ('FTDS') division continues to grow in China, benefiting from the ongoing conversion of heavy steel fuel tanks to lighter weight plastic fuel tanks as well as tighter emission standards that are creating higher demand for our partial and zero emission fuel tanks.

In 2020, China made up 23% of the Group's revenue. The Group enjoys 14 wholly-owned manufacturing facilities in China. China remains the world's largest vehicle market despite the short-term volatility in volumes.

Deliver strong growth, profitability and cash flow generation

The Group has a consistent record of delivering strong financial results.

In 2020, we successfully demonstrated the Group's resilient performance in the face of an unprecedented global COVID-19 pandemic and related economic downturn. We instituted a significant cost savings and aggressive cash preservation programme early in the year to protect the Group's near-term viability. In addition, we initiated a structural fixed cost reduction programme in the period to address long-term viability resulting from a potential prolonged reduction of global light vehicle production, closing six plants fully and two plants partially. These actions have consolidated production capacity in order to manage the short-term volume recovery to continue to support the competitive performance of the Group and our OEM customers.

Our people

The Group relies on the skills and expertise of its excellent employees worldwide, and the results of 2020, would not have been achieved without the commitment and dedication of our entire global team, whom I would like to recognise and sincerely thank.

Our strength as a global tier one automotive supplier is directly tied to the talent and diversity of our staff, management and Board leadership. We are committed to treating individuals with respect and to building and maintaining a culture that values and promotes ethical business practices, compliance, diversity and inclusion. We welcome employees with diverse perspectives who share our vision of a world marked by knowledge and compassion. During 2020, the Group progressed with its Diversity and Inclusion initiative by establishing a D&I committee and assessing 100 of our top 300 managers/Directors.

I could not be more proud of our 25,700 employees for their outstanding personal commitment to the Group in 2020. A big thanks to all employees for their loyal support of TI and myself. Our people are our greatest strength.

Leadership changes

As previously announced, I will be retiring as Chief Executive Officer and stepping down from the Board of Directors later this year.

Hans Dieltjens, who is currently Chief Operating Officer, will become the Company's new Chief Executive Officer. Hans has a Master's degree in Electro/Mechanical Engineering along with 25 years of automotive experience in Asia, Europe and the Americas. I am very pleased and fully supportive of the Board's decision to appoint Hans as my successor. During the 12 years that Hans and I have worked together, he has continued to develop his leadership and strategic ability and is now ready to take on this very important role for our Company. I am confident the Group will continue its success under Hans' leadership.

I could not be prouder of the tremendous success the Group has achieved during my tenure as CEO, especially navigating through two global crises (2008 and 2020) while also developing exciting new products for the emerging electric vehicle market. I also sincerely appreciate the trust and support that I and the Company have received from all of our shareholders since we listed on the London Stock Exchange three years ago.

While the leadership of the Company is changing, the Group's mission and purpose remains the same. Our Company's successful DNA, our Core Values, are deeply embedded in all of our great employees. TI Fluid Systems will continue to be a leading global manufacturer of highly engineered fluid and thermal management systems that enable vehicle manufacturers to sustainably reduce CO_2 emissions and improve fuel economy across all vehicle types, especially hybrid and battery electric vehicles.

We look forward to continuing to support our world's transition to greener vehicles and keeping our environment clean, making our world a better place to live.

Looking ahead

We continue to build on and invest in our leadership in technology, global manufacturing and competitive cost structure to support long-term revenue growth, profitability and cash flow generation.

The impact of the COVID-19 pandemic remains a factor to manage across the regions we operate. We continue to monitor the situation and are confident that our enhanced workplace protocols and approaches are effective to assist in managing the impact which is likely to remain in the short term. Over the longer term, we expect to benefit not only as global light vehicle production continues to grow, but also from increased demand for our advanced fluid handling products and systems and higher content opportunities driven by the underlying megatrends of emission reduction, increased fuel efficiency and electrification. These megatrends will continue to be front and centre for our sector.

We prioritise variable and fixed cost management and capital allocation to deliver sustainable growth.

We believe the Group's strong customer relationships, extensive global footprint and trusted reputation as a leading fluid systems provider have contributed to thermal BEV collaboration agreements, HEV and BEV production contracts and will support continued growth in these markets for many years to come.

While many uncertainties and challenges will continue in 2021, I remain excited about the path we are on and the Group's ability to be successful as global production volumes recover and hybrid and battery electric vehicles gain market share.

Bill Kozyra
Chief Executive Officer and President
15 March 2021

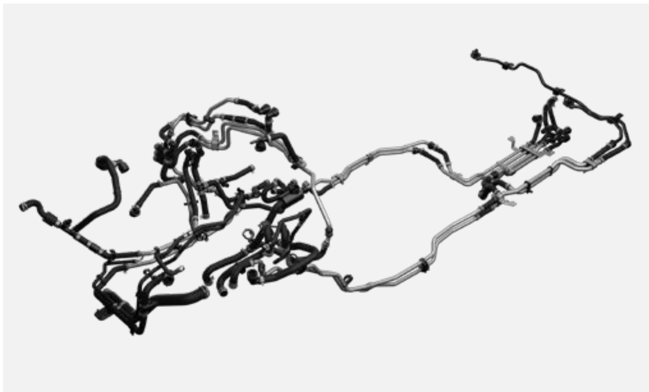
For more information on our strategy
Pages 36-37

For more information about our governance
Pages 66-111

COMMITTED TO A CLEANER WORLD

Recognition of products and technology that support the green economy

The TI Group is committed to sustainability by developing advanced products that contribute to a cleaner world. We are pleased and proud to have been awarded the London Stock Exchange's Green Economy Mark in recognition of the positive environmental impact our product technologies have by helping make cars greener. At the same time, we 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. We are dedicated to promoting a cleaner and greener world.



Read more on our sustainability
Pages 39-49

"While the leadership of the Company is changing, the Group's mission remains the same. Our Company's successful DNA, our Core Values, are deeply embedded in all of our great employees. TI Fluid Systems will continue to be a leading global manufacturer of highly engineered fluid and thermal management systems that enable vehicle manufacturers to sustainably reduce CO_2 emissions and improve fuel economy across all vehicle types, especially hybrid and battery electric vehicles.

We look forward to continuing to support our world's transition to greener vehicles and keeping our environment clean, making our world a better place to live."

1922

First contract from Ford Motor Company for gas lines on the Model T

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

1936

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

1962

First facility opened in Spain as ARMCO

1970

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

1975

Tube production started by Bundy in South Africa

1985

First Bundy facility opened in China

1997

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

2020

Resilience.
Our business, built on a proud history and engineering expertise, has demonstrated that, together, we can meet the changing needs of our world.

2005

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

2018

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

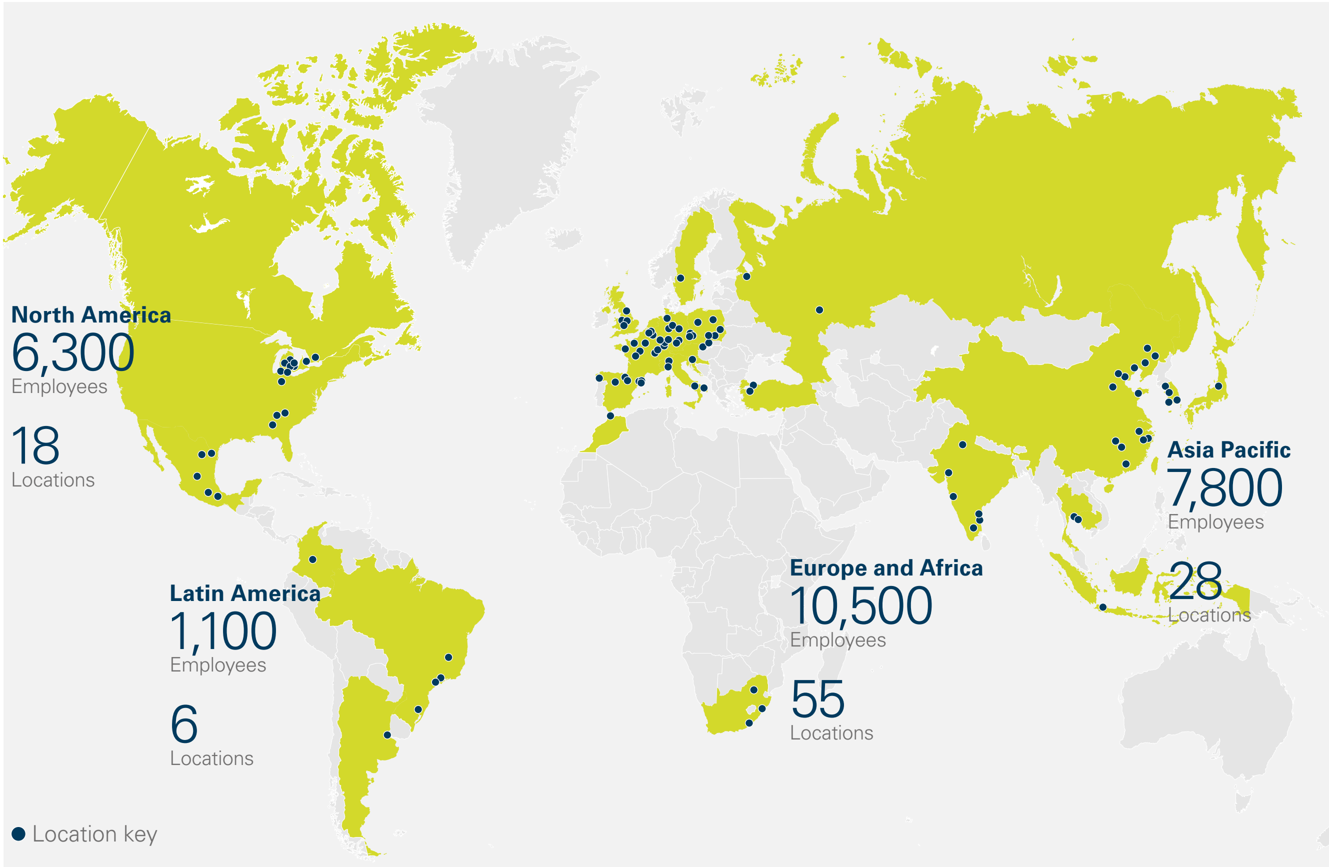
2019

TI Automotive rebrands as TI Fluid Systems

2020

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

GLOBAL MARKET LEADER



STRONG IN KEY GROWTH MARKETS

Years operating in China
>30

Percentage of 2020 revenue
23%

Manufacturing locations
14
Baoding
Beijing
Changchun
Chongqing
Guangzhou
Jiading
Nanjing
Qinhuangdao
Shanghai
Shenyang
Tianjin
West Shanghai
Wuhan
Yantai

Long established presence in China
- Operated in China for over 30 years
- Wholly-owned business supplying both global and local OEMs
- 23% of 2020 revenue from operations in China with 14 manufacturing locations
- Key contributor to our consistent above market growth

KEY NUMBERS

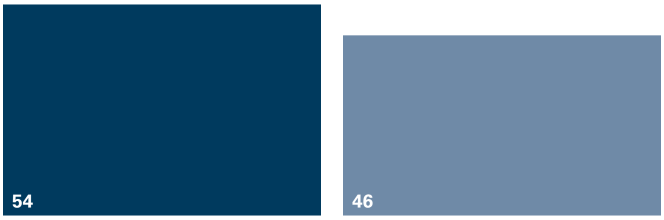
Market share

31%

of global brake and fuel line market

Revenue by division

1. Fluid carrying systems **54%**
2. Fuel tank and delivery systems **46%**



No.1

#1 market position globally in brake and fuel lines

11

of the 20 top-selling vehicle nameplates in North America

25,700

employees

107

manufacturing locations

12

of the 20 top-selling nameplates in China

19

of the 20 top-selling nameplates in Europe

LEADING TECHNOLOGY

Technology leader in highly engineered automotive fluid systems

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

Pressurised Fuel Tank for
Hybrid Electric Vehicle Application

47%

awards won in 2020 were on HEV and BEV platforms

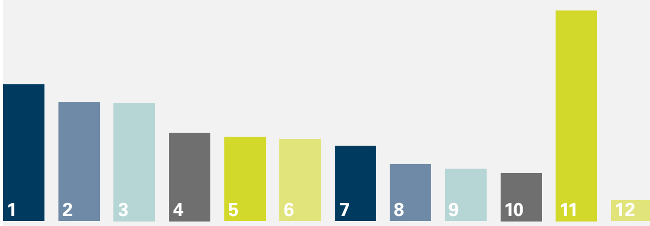
STRONG RELATIONSHIPS

Strong customer relationships and global low-cost footprint

– Highly diversified customer base
– Facilities in every major automotive manufacturing market
– Low-cost footprint includes regional manufacturing centres and assembly locations in close proximity to customers and provides logistics competitiveness
– 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 nationals with strong stakeholder relationships and performance responsibility

Revenue by customer

1. Volkswagen **12.5%**
2. Daimler **10.9%**
3. Hyundai **10.8%**
4. Toyota **8.1%**
5. Ford **7.7%**
6. FCA **7.5%**
7. Renault-Nissan **6.9%**
8. PSA **5.2%**
9. General Motors **4.8%**
10. BMW **4.4%**
11. Other OEM **19.3%**
12. Aftermarket **1.9%**



SIGNIFICANT GROWTH

Significant growth opportunities aligned with electrification including our strength in thermal

- Opportunity to increase content per vehicle in growing HEV and BEV markets compared to our content on more traditional internal combustion engine ('ICE') vehicles
- Ability to use existing brake line, fuel tank and thermal management technology for HEVs
- Potential addressable market could increase significantly with BEV market development as this would typically require battery, chassis, electric motor and electronics thermal management (heating and cooling) in addition to traditional passenger cabin heating and cooling lines
- Well positioned for growth in thermal management for HEVs and BEVs due to:
  - HEVs and BEVs require more fluid handling content than ICE vehicles
  - Existing expertise to design and engineer performance-critical components to meet customer specifications using in-house 'know how' so no additional research and development cost
  - Introduction of nylon as a lightweight solution to thermal requirements that can operate at high temperatures, providing significant weight-saving advantage
  - Existing nylon extrusion capabilities and capacity in each major region
  - Long-standing customer relationships and viewed as a trusted and strategic partner to the OEMs
  - Ability to produce from existing and efficient manufacturing locations close to customers
- Contracts for thermal systems for two high-volume BEV programmes awarded in 2018:
  - Launched production in 2020
- Continuing to collaborate with key customers on design and engineering for HEVs, BEVs and AEVs

€400

Battery Electric Content per Vehicle

LONG-TERM PERFORMANCE

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

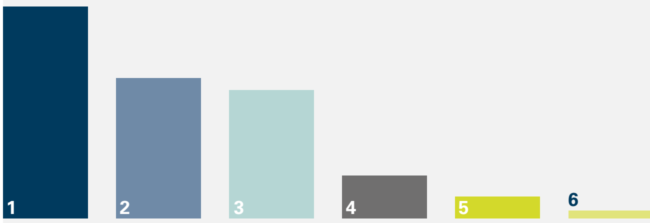
- Customer, platform, regional and product diversity
- Leading supplier of brake and fuel lines, with approximately 31% share of the global brake and fuel line market and #1 market position globally
- Leading supplier of plastic fuel tanks, with approximately 16% of the global plastic fuel tank market
- Embedded, long-term global customer relationships and strong close engineering collaboration provide business award opportunities
- Products typically single-sourced for life of programme
- Competitive global manufacturing footprint with flexible cost structure and approximately 71% of employees located in low-cost countries

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

- History of achieving leading financial metrics:
  - Revenue growth above global vehicle production
  - 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

Revenue by region
Total € 2,814.5m

1. EU and Africa **€1,077.5m**
2. North America **€714.7m**
3. China **€654.2m**
4. South Korea **€217.2m**
5. Other AP **€111.1m**
6. Latin America **€39.8m**



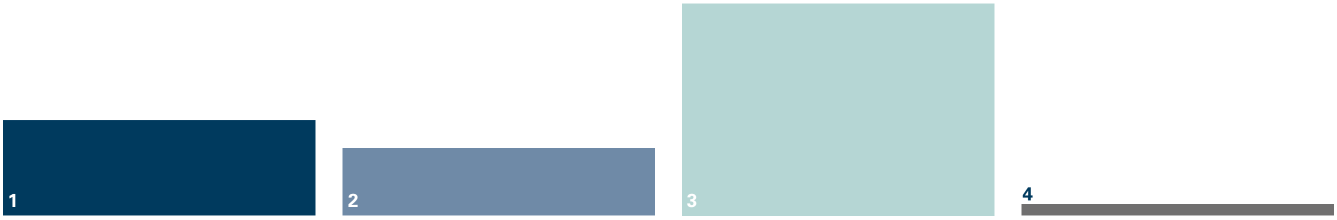

FUTURE

DEMAND

OUR CURRENT MARKET IS RESILIENT

By region (2020 light vehicle production)

1. Europe (including Middle East and Africa) **18.3m**
2. North America **13.0m**
3. Asia Pacific **41.1m**
4. Latin America **2.2m**



HEV and BEV global vehicle production
Potential for increase in addressable market

10%

2020
HEV was 10% of the global light vehicle production market

38%

2027 (forecast)
HEV is forecast to be 38% of the global light vehicle production market

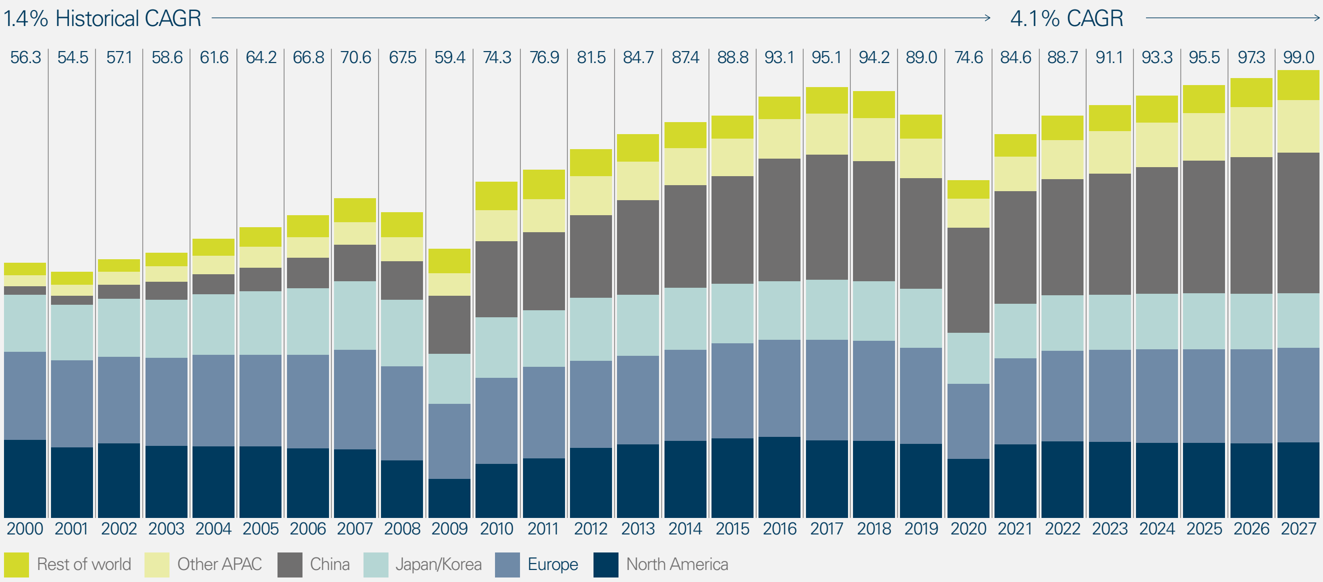
3%

2020
BEV was 3% of the global light vehicle production market

16%

2027 (forecast)
BEV is forecast to be 16% of the global light vehicle production market

Global light vehicle production 2000-2027
From 2020 to 2027, HEV CAGR expected to be 26% and BEV CAGR expected to be 31%.



Source: IHS Markit, February 2021 and Company estimates

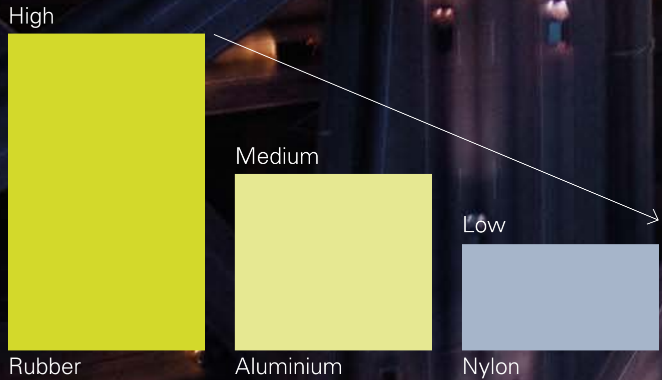
MARKET DRIVER IN 2020: FUEL EFFICIENCY

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

The Group is a beneficiary of this trend, particularly in China where the Group's plastic fuel tanks offer a lighter weight and anti-corrosive solution to steel tanks. In 2020, 27% of China's fuel tanks were still made of steel, providing a continued growth opportunity.

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

Tube material
Weight in kg/m



LONG-TERM GROWTH DRIVERS

Growth in emerging economies

- According to IHS Markit, global light vehicle production grew at a compound annual growth rate ('CAGR') of 1.4% from 2000 to 2020, notwithstanding the volume decline during the 2008-2009 global economic downturn. It is forecast to grow at a CAGR of 4.1% from 2020 to 2027
- 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 13.5% between 2000 and 2020
- According to IHS Markit, approximately 31% of global vehicle production in 2020 was generated in China, with growth expected to continue in the long term
- The more developed markets of North America, Western Europe, South Korea and Japan are expected to grow at a CAGR of 2.6% with an increase of approximately 6.8 million units from 2020 to 2027, while emerging markets are forecast to grow at a CAGR of 5.3% with an increase of 17.6 million units during the same period
- The Group has significant presence in the world's largest vehicle market, China, where it has wholly owned operations and makes up 23% of the Group's 2020 revenue

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

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

Global platform standardisation

- Many OEMs are standardising vehicle platforms globally in an effort to reduce costs and become more competitive
- By maximising the number of nameplates that can be produced on each platform and minimising differences in platforms between regions, OEMs can reduce design and development costs
- IHS Markit projects that vehicle platforms that are produced in two or more regions will increase from 75% of global production in 2020 to 79% in 2027, while platforms manufactured in one region will reduce from 25% of global production to 21% in the same period
- Accordingly, global design, manufacturing and supply chain capabilities are significant factors for certain OEMs when awarding contracts to suppliers
- The Group is already benefiting from this platform globalisation trend. In 2020, the Group tracked 84% of its total revenue by individual platform, of which approximately 90% was from global platforms produced in two or more regions

More stringent regulatory requirements to reduce emissions and increase fuel economy

- OEMs are required to reduce exhaust and evaporative emissions and improve fuel economy in order to meet increasingly stringent regulatory requirements in every major market
- The relevant authorities in the United States, the European Union, China, India, Japan, South Korea and Brazil amongst others, have all instituted regulations requiring significant emissions reductions and more stringent fuel economy targets over time

MARKET DRIVER IN 2020: ELECTRIFICATION OF VEHICLES

Electrification
To address fuel economy requirements, OEMs are using higher pressure fuel systems to optimise internal combustion engines and are increasingly adopting alternative powertrain and propulsion technologies, including HEVs and BEVs.

IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027 and that HEVs and BEVs will constitute approximately 38% and 16%, respectively, of global vehicle production volume by 2027.

Electrification offers a significant content growth opportunity for the Group.

© Volkswagen AG

LONG-TERM GROWTH DRIVERS
continued

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

Evaporative emissions
- Evaporation of fuel while stored in the fuel tank has historically been a source of hydrocarbon emissions resulting from permeation through the walls and various other components on the tank
- Regulations have been enacted that require OEMs to reduce these evaporative emissions from automotive fuel systems
- For example, in California, USA, low emissions vehicle ('LEV') standards dictate the evaporative emissions thresholds that OEMs are required to achieve. LEV II standards, which came into effect in 2004, lowered emissions thresholds by approximately 75% and new LEV III standards, which are expected to be gradually phased in over the next decade through to the 2025 model year, are expected to require a reduction of 30% in emission thresholds from 2010 levels
- Similarly, the European Union has established an emissions target for 2021 that will require an emissions reduction of 27% from 2015 levels. In addition, China has introduced its Beijing-6 evaporative emissions targets which are similar to California's LEV II standards
- The Group has specific technology in fuel tanks to reduce evaporative emissions. The six-layer structure includes a barrier layer which captures the hydrocarbons inside the wall of the fuel tank and prevents them from being emitted into the environment
- The Group is the only supplier with a fully integrated design, development, manufacturing and supply capability for the fuel tank system. The FTDS division made up 46% of the Group's revenue in 2020

Fuel economy:
Weight reduction
- Governments globally have increased requirements on OEMs to increase fuel economy across their fleet of vehicles
- Heavier vehicles use more fuel and emit more CO_2 into the environment. As a result, there is a growing trend among OEMs to reduce vehicle weight through the replacement of metal components with lighter plastic components
- The Group is a beneficiary of this trend, particularly in China where the Group's plastic fuel tanks offer a lighter weight and anti-corrosive solution to steel tanks. In 2020, 27% of China's fuel tanks were still made of steel, providing a continued growth opportunity

Electrification
- To address fuel economy requirements, OEMs are using higher-pressure fuel systems to optimise internal combustion engines and are increasingly adopting alternative powertrain and propulsion technologies, including HEVs and BEVs
- IHS Markit projects CAGRs of 26% and 31% in global HEV and BEV production, respectively, between 2020 and 2027 and that HEVs and BEVs will constitute approximately 38% and 16%, respectively, of global vehicle production volume by 2027
- Electrification offers a significant content growth opportunity for the Group

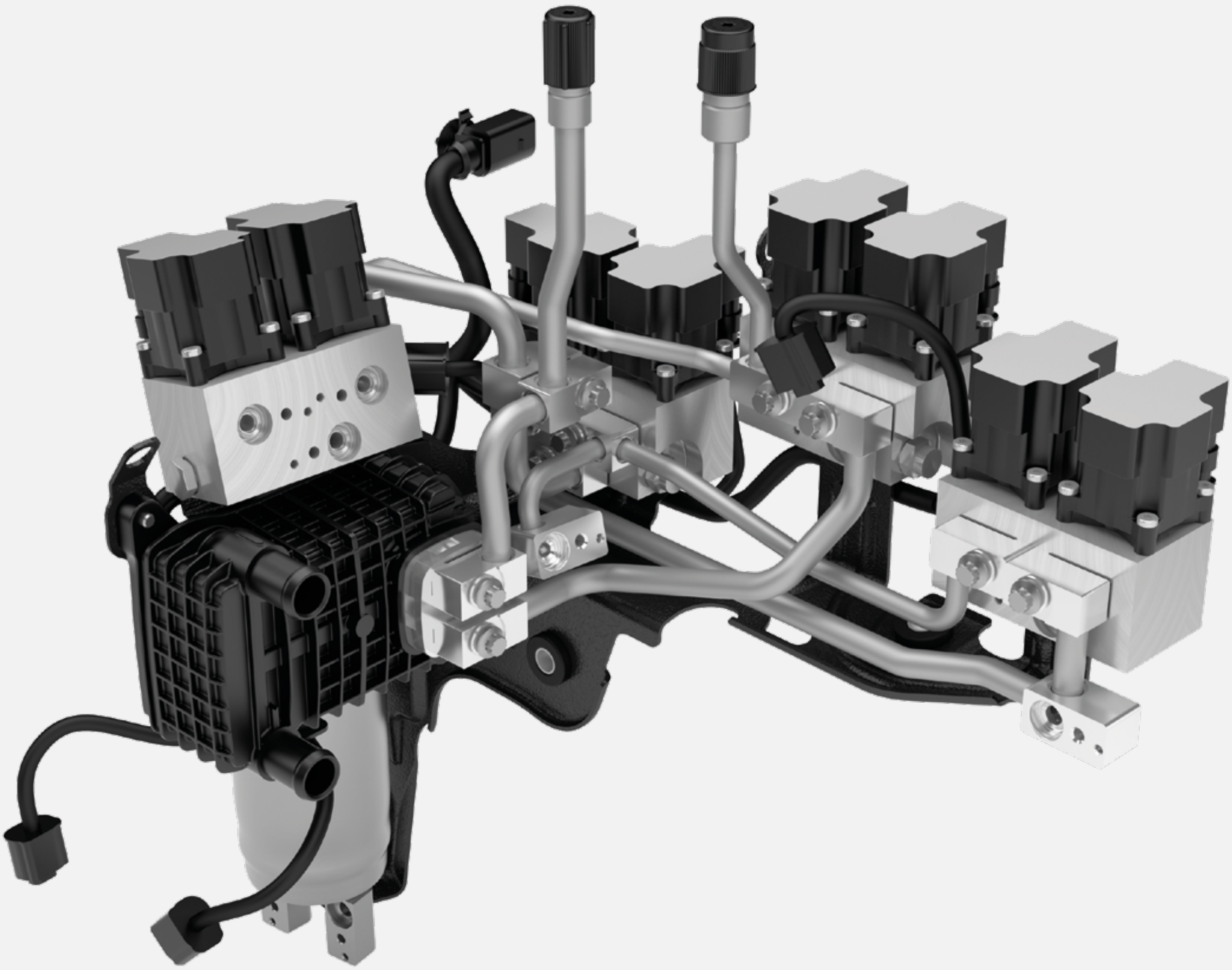
Hybrid Electric Vehicle ('HEV')
- Traditional vehicles with internal combustion engines ('ICE') typically have two main thermal management loops. HEVs generally contain traditional ICE fluid systems and can also have additional fluid handling systems to manage electrification-related component temperatures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

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

MARKET DRIVER IN 2020: INNOVATIVE PRODUCTS

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

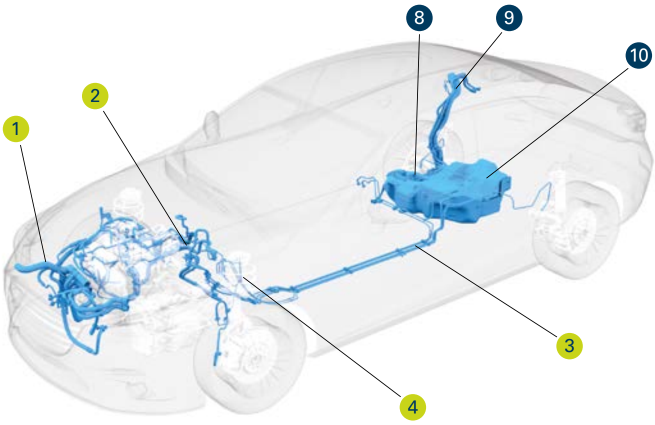
The Group is well positioned to continue capturing additional content opportunity as the market for BEVs grows and, in the longer term, the AEV market develops.



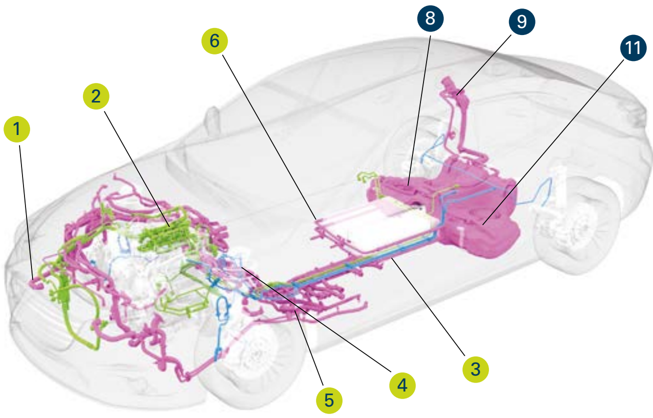
CO_2-based Cabin Comfort Heat Pump Valve Assembly

RESPONDING TO MARKET AND ENVIRONMENTAL NEEDS

INTERNAL COMBUSTION ENGINE VEHICLE



HYBRID ELECTRIC VEHICLE



OUR INNOVATIVE AND VERSATILE PRODUCTS

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

1 Under-Hood Thermal Rubber Lines

2 AC Cabin Climate Control Lines

3 Brake and Fuel Bundle Assembly

4 Brake Line Bundle Assembly

Fuel tank and delivery systems
The FTDS division manufactures plastic fuel tanks, plastic filler pipes and electric fuel pumps and modules.

8 Brushless Fuel Pump Module w/Electronics

9 Plastic Fuel Filler Pipe & Emissions Vent Line

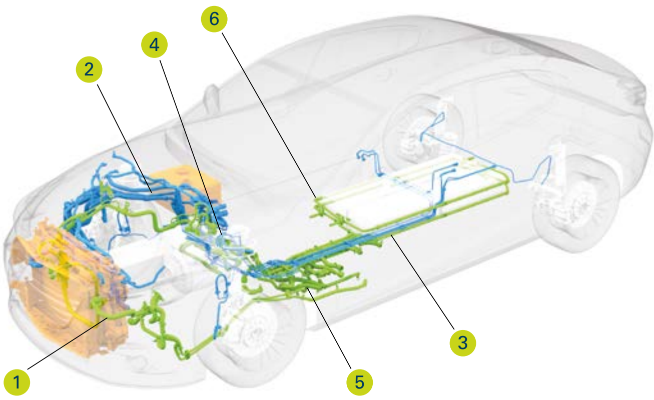
Traditional TI products for ICE vehicles

TI products for HEVs

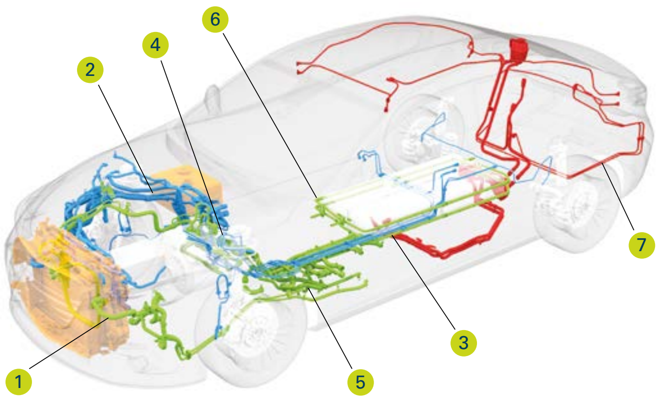
TI thermal products for BEVs

TI products for AEVs

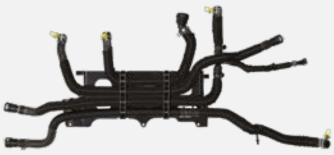
BATTERY ELECTRIC VEHICLE



AUTONOMOUS ELECTRIC VEHICLE



5 Chassis Thermal Plastic Manifolds



6 Battery Thermal Plastic Lines and Connectors

7 Autonomous Thermal Plastic Lines

10 ICE Plastic Fuel Tank Assembly

11 HEV Pressure Resistant Fuel Tank Assembly


RESILIENT

BUSINESS

WHAT WE DO

We design and manufacture award-winning, industry-leading automotive fluid systems for OEMs across the globe, operating out of 107 manufacturing locations in 28 countries.

Design and development

- We seek to improve the performance and quality of products and processes and introduce new products through innovation and investments in new technology
- We have approximately 1,100 issued and pending patents worldwide (600 in our Fluid Carrying Systems division and 500 in our Fuel Tank & Delivery Systems division)

Manufacturing

- Our competitive global footprint with regional manufacturing and small assembly facilities located near OEM assembly plants has been established to deliver quality products, efficient manufacturing, optimised capital allocation and minimised freight costs
- We make adjustments to our locations as necessary to better align our footprint with our customers' assembly plants
- We have also realised significant growth through winning global platforms where a limited number of suppliers are capable of meeting customer requirements in all major regions around the globe

HOW WE CREATE VALUE

We are market leaders

- Our highly engineered, advanced products, long-term customer relationships and global footprint, including China, combine to make the Group highly competitive while delivering strong financial returns
- We are the #1 supplier of brake and fuel lines in all key regions globally and #3 supplier of plastic fuel tanks globally

No.1
supplier of brake and fuel lines globally

No.3
supplier of plastic fuel tanks globally

We have a global workforce

- We employ 25,700 people globally across our 107 manufacturing locations, at our global and regional technical and applications centres and at our headquarters offices
- We have 10,500 employees in Europe and Africa, 6,300 in North America and 8,900 in Asia and Latin America

We have long-standing relationships with suppliers

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

THE VALUE WE CREATE

We invest in technology and innovation
- We have made and continue to make significant investment in development of our products and manufacturing processes and protecting our intellectual property in all major markets
- We have award-winning technologies and products aligned with automotive megatrends, including new product offerings for HEV and BEV applications

We have a wide and diverse customer base
- Our products are sold to all major global OEMs for a wide range of light vehicle platforms and brands
- We have long-standing customer relationships with purchasing, engineering and management teams at the OEMs and are seen as a trusted strategic partner
- We continue to collaborate with OEMs on the design and engineering for new systems and products, particularly for HEV, and BEV applications but, most recently, also AEVs

We are serious about governance
- We are subject to a variety of laws, rules and regulations in connection with our global operations
- We are committed to compliance and conducting our business in an ethical, legal, social and environmentally responsible manner

Customers
- We provide value to our customers through our leading product technology, strong manufacturing and quality capabilities, and efficient global footprint
- Our performance-critical products support our OEM customers to reduce automobile emissions and increase fuel efficiency, including through alternate HEV and BEV powertrains

Employees
- We seek to ensure that our workforce of 25,700 people located in 28 countries is skilled, motivated and competitively compensated
- We have policies and programmes in place to provide a safe and inclusive work environment
- We have engaged a diversity and inclusion advisor and established a Diversity and Inclusion Committee to help shape initiatives and further engage our employees

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

Society
- Our technology and products contribute to greener vehicles and a cleaner environment
- We strive to reduce our own impact on the environment and to conduct our business in an ethical and legal manner in accordance with our Core Values and Code of Business Conduct
- We benefit our many local communities through the creation of employment and advancement opportunities as well as many charitable and outreach activities
- We help advance individual mobility

Shareholders
- We aim to generate long-term sustainable shareholder returns through the execution of our business strategy
- Our dividend policy targets 30% of Adjusted Net Income

Our strategic objective

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

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

"Leveraging our position as a leading global supplier."

William L. Kozyra
Chief Executive Officer and President

OBJECTIVE 1

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

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

No.1
Supplier of brake and fuel lines globally

No.3
Supplier of plastic fuel tanks globally

Our progress this year:

- #1 supplier position of brake and fuel lines in all key regions globally
- #3 supplier position of plastic fuel tanks globally
- Trending towards >20% market share in the HEV fuel tank market
- Successfully launched one of the significant thermal product programmes awarded by two leading high volume OEMs in 2018 for global EV platforms. The first of these platforms launched in 2020
- Lifetime revenue opportunity of €700 million based on customer planning volumes
- Sourced on these programmes for the expected 8-10 year life of the vehicles
- Ongoing collaboration with key OEMs for the design and engineering of thermal products for EVs
- Projects are across different regions including China
- Booked significant new business awards in all regions

Read more in Our business model
Pages 32-35

OBJECTIVE 2

Maintain balanced customer, platform, regional and product diversification

- To mitigate the impact of regional market cyclicality and customer concentration, we strive to maintain a balanced level of customer, platform, regional and fluid handling product diversification

107
Manufacturing locations

28
Countries

Our progress this year:

- Regional diversity with 38% of revenue in Europe, 35% in Asia, 26% in North America and 1% in Latin America
- Balanced and diversified customer portfolio with no single customer representing more than 13% of 2020 revenue
- Long-standing relationships with OEMs
- Reputation for developing high-quality products including brake and fuel lines, plastic fuel tanks and thermal management systems
- Many existing and planned collaborative design and engineering opportunities with OEMs in new technologies for HEVs, BEVs and AEVs
- Establishing relationships with new OEM entrants

Read more in Our markets
Pages 22-29

OBJECTIVE 3

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

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

2020
Focus on products that facilitate OEMs meeting emission reduction and fuel economy requirements

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

Read more in Our markets
Pages 22-29

OBJECTIVE 4

Capitalise on the Group's global scale, footprint and position, especially in China

- Capitalise on the Group's scale, global manufacturing footprint and established position in China and other emerging markets to be the provider of choice on OEMs' global platforms
- Leverage the industry trend of increasing standardisation of OEM platform production through breadth and scale of operations
- The Group is well positioned in China, likely the largest long-term market for BEVs

23%
Revenue from China operations

Our progress this year:
- Significant presence in all of the major geographies for OEM vehicle production
- Manufacturing facilities near OEM assembly plants in 107 locations across 28 countries on five continents
- Decentralised business model with locally-based nationals in regions and countries, including China, with profit and cash flow responsibility as well as strong regional customer relationships
- China's macroeconomic environment continues to be unsettled with ongoing US-China trade conflict
- Successfully flexing costs in China to align with volume decline, primarily in the FCS division
- In the FTDS division:
  - We continue to benefit from the conversion of steel to plastic tanks in China
  - Tighter emission standards in China are also leading to higher demand for partial, zero emission and pressure resistant fuel tanks
- 23% of revenue from China in 2020

Read more in Our key strengths
Pages 18-21

OBJECTIVE 5

Deliver strong growth, profitability and cash flow generation

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

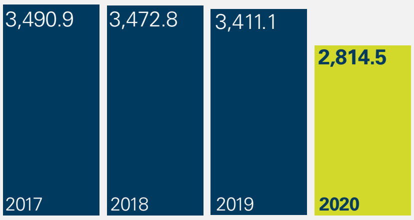
€148m
Adjusted Free Cash Flow generation

Our progress this year:
- Revenue outperformance of 0.2% on a constant currency basis and Adjusted EBIT of €173 million in 2020
- Delivered Adjusted Free Cash Flow of €148 million in 2020 (€180 million in 2019)
- Successfully managed fixed costs and profitability despite an unprecedented global health pandemic and significantly lower global light vehicle production volumes in 2020
- Successfully managed significant cost and cash preservation activities in order to continue delivering strong margins and free cash flow despite historic volume decline
- Continued to demonstrate the successful execution of the Group's electrification strategy with the launch of products on Volkswagen's ID.3 and ID.4 battery electric vehicles and continued wins in BEV and HEV across all main production regions
- Strengthening our culture of continuous improvement and results orientation

Read more in Key Performance Indicators
Page 38

FINANCIAL AND NON-FINANCIAL

Revenue €m



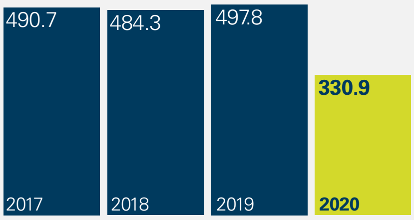
Definition

Defined as revenue growth excluding the effects of currency translation.

2020 performance

- In 2020, global light vehicle production contracted by 16.1% to 74.6 million vehicles
- We delivered revenue of €2.8 billion (-15.9% decline at constant currency) compared to the prior year)
- 0.2% revenue outperformance at constant currency

Adjusted EBITDA €m



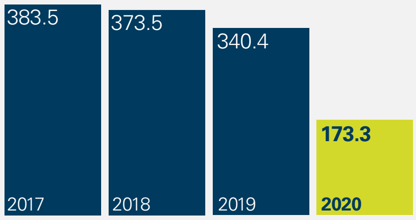
Definition

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

2020 performance

- Adjusted EBITDA was €331 million in 2020
- Adjusted EBITDA margin was 11.8% in 2020, a 2.8% decrease from the prior year

Adjusted EBIT €m



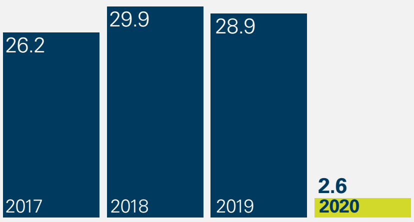
Definition

Defined as Adjusted EBITDA less depreciation, amortisation & impairments of tangible and intangible assets net of depreciation and amortisation arising on purchase price accounting adjustments.

2020 performance

- Adjusted EBIT was €173 million in 2020, with Adjusted EBIT margin of 6.2%

Adjusted Basic EPS € Cents



Definition

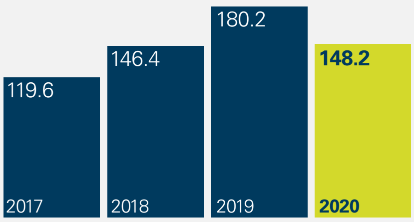
Defined as Adjusted Net Income divided by the weighted average number of shares in the year.

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

2020 performance

- Adjusted EPS was 2.6 Euro cents in 2020, representing a decrease of 26.3 Euro cents over the prior year

Adjusted free cash flow €m



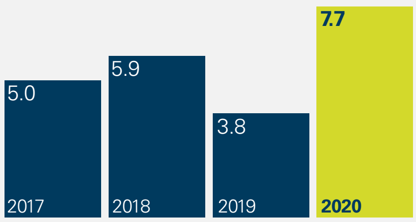
Definition

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

2020 performance

- Adjusted Free Cash Flow was €148 million in 2020, representing an decrease of 17.8% over the prior year

Customer satisfaction PPM



Definition

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

2020 performance

- The global external quality rating for 2020 year end was 7.7 ppm. This result is 10% higher than our benchmark global target of 7 ppm and represents an increase over 2019 results
- There were two main manufacturing site quality concerns that were managed with our customers to prevent any end customer vehicle quality

Read more in the Chief Financial Officer's report
Pages 50-57

Our Core Values guide us in delivering a sustainable future for our business that includes a focus on safety and environmental and social impact.

Our stakeholders
We take a stakeholder approach to doing business in a sustainable way, and the values that we subscribe to as a company are embodied and enshrined in our Core Values. These Core Values and the standards of business conduct that we follow in our daily work are detailed in our Code of Business Conduct and related policies (collectively, the 'COBC'). Our COBC covers a wide range of polices and principles, including conflicts of interest, gifts and courtesies, anti-corruption, anti-bribery, fair competition (anti-trust), positive work environment (anti-discrimination and anti-harassment), health and safety, and environmental compliance. Our COBC is available on our website.

Across all our activities, but particularly around safety, ethics and compliance, and diversity, we continue to develop and improve our policies and processes. Our COBC drives us to promote ethical practices and compliance, to protect the people we employ, to support the communities we work in and to respect and reduce our impact on the environment in which we operate. We remain committed to strengthening our ESG programme in order to deliver a sustainable business for the benefit of all our stakeholders.

Recognising the importance of Environmental, Social and Governance ('ESG') and sustainability matters, the Board has formed an ESG Steering Committee chaired by Elaine Sarsynski. The Committee will assist the Board of Directors in fulfilling their oversight responsibilities and will be an integral part of the ESG process. The Committee will regularly review our ESG progress and priorities, and ensure accountability at all levels of our organisation. Environmental and Social performance will also be a part of the wider management teams' strategic objectives for 2021 and beyond. ESG targets will also be included as a performance element of our Long-Term Incentive Plan for Executive Directors and Senior Management.

Our Core Values consider all our stakeholders by focusing on:
– Valuing our employees
– Achieving sustainable financial performance and improving shareholder value
– Sustaining enduring relationships with our customers
– Making positive contributions into the communities where we operate; and
– Respecting the environment and working towards reducing our carbon footprint

HOW WE DO IT: OUR EMPLOYEES

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

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

In 2020, the Group had approximately 4,200 staff (white collar) employees that received an annual salary (not compensated on an hourly basis). Our gender split in 2020 across these salaried employees was 2.37:1.00 (Male:Female) as shown in the table below.

Consistent with our Core Values and focus on our employees, we have continued to develop and improve our global safety programmes. In particular, we developed and implemented procedures to protect our workforce and safely open and operate our facilities during the COVID-19 pandemic. See page 46 for more information.

In addition, we are committed to fostering a diverse and inclusive workplace. To that end, we have formed a US-based Diversity and Inclusion Committee ('D&I') to be expanded globally in 2021 to provide perspective and ideas to help us develop practical and meaningful initiatives and programmes to ensure that we live up to our Core Values.

Gender split

	Men	Percent men	Women	Percent women	Total
CEO	1	100%	0	0%	1
Executive Committee	6	100%	0	0%	6
Direct reports to Executive Committee	29	72%	11	28%	40
Other salaried employees	2,970	70%	1,255	30%	4,225
Total	3,006	70%	1,266	30%	4,272

COMMITTED TO OUR EMPLOYEES

Employees

Our commitment to delivering a sustainable business for our stakeholders is supported in our recruitment, selection, retention, development and compensation arrangements with our employees across the Group. We seek to attract, motivate and retain the best talent we can and we do this through embracing a diverse and inclusive working environment.

An example that highlights our commitment to developing talent and embracing diversity, is how we have supported our colleague, Rena Jin, who is based in our Shanghai facility.

In 2014, Rena joined the Group as an Executive Assistant to the then Director of Legal Affairs – Asia Pacific. By 2016, Rena was also supporting the Managing Director for FCS Asia Pacific. It was also at this time that Rena was recognised for having an aptitude and passion for the law. The Group, with the support from the Chief Legal Officer, helped Rena to look at an alternative career path, and assisted her on her journey towards becoming a paralegal. Upon Rena finishing studies, she was promoted to Paralegal – Asia Pacific, and took on the responsibility of providing legal support to the business and legal team in Asia Pacific. Rena continues to develop and we are supporting her with her studies to qualify as an attorney in China, where she will help strengthen the offering of legal support to all our colleagues in Asia Pacific.

EMBRACING DIVERSITY AND INCLUSION

Diversity and Inclusion in action
We are all aware of the incidents in the United States which brought to the fore the need to confront and address systemic racism and continue the work to embrace diversity and inclusion. Our Company took this call to action seriously. At an All Employee Meeting soon after the deeply troubling and tragic George Floyd murder in the United States our CEO addressed the issues and announced the creation of a US-based Diversity and Inclusion Committee that would be focused on supporting our executive team in their mission to embrace a culture of diversity and inclusion.

Early in our D&I journey we decided to focus on inclusion as a foundation to our D&I programme. With this in mind we engaged a D&I advisor to help shape our D&I initiatives which include assessing 300 of our top managers' propensity to be inclusive. We have assessed a third of this management group with the balance to be assessed in 2021. Furthermore, we will expand our D&I Committee to all regions in 2021, to further engage our employees on this important matter.

HOW WE DO IT: OUR CUSTOMERS

Customers

Building a foundation for positive mutual sustainable success with our customers is a Core Value of our Company. We promote a customer-focused culture and are proud of the strong and long-standing relationships we have with our customers all around the world. In 2020, as in past years, we received numerous awards from our customers in every region recognising our commitment to quality, delivery, safety and innovation.

Innovation and improvement

Our innovative products and our business model can be viewed on pages 30-35. As a Core Value of our Company, we seek to push the boundaries of innovation in our field and are always working to improve our products and the way we approach our business. We seek to attract and retain talent that foster this ethos and our people are encouraged to embrace our culture of continuous improvement.

The products we are developing, on our own and with our partners, are being done so with a sustainable future in mind. Our products are already supporting our customers to reduce vehicle emissions and increase fuel efficiency as the industry optimises internal combustion engines and progresses to hybrid and electric powertrains.

HOW WE DO IT: OUR SHAREHOLDERS

Investor relations in 2020

As we continued to mature as a UK-listed company, we were pleased to strengthen our emphasis on engaging with our shareholders in order to provide them with a clear understanding and insight into how we actively managed through the challenges of the COVID-19 pandemic whilst maintaining our strategic priorities and focus on electrification. This outreach focused on participation in multiple virtual investor conferences throughout the calendar year, and Company-led virtual investor roadshow events associated with our reporting and release of our financial results.

Capital Markets Event

In April 2021, we plan to hold a Virtual Capital Markets Event to display our products to institutional investors and analysts and provide details around:

- Products: our competitive strengths in our markets to explain why we consistently generate strong profitability and the areas of new technology supporting the continuation into the future of electrification
- Outperformance: background on our confidence in our ability to continue to deliver revenue outperformance versus global light vehicle production
- Electrification: review of the successful progress of our Electrification Strategy and our confidence that, in the medium to long term, our approach will provide a higher level of revenue outperformance
- Financial performance: continue emphasis on the resiliency of our business with strong margins and cash flow generation and capital allocation

Dividend

We paid an interim dividend on 19 February 2021 of 6.74 Euro cents per share based on the strong operating and financial performance of the Group over the past several years, together with our increasing confidence in the outlook for the business. The Company expects to return to its stated annual dividend policy and normal dividend payment cadence for the 2021 financial year. The Board continues to believe that dividends represent an important part of the Group's shareholder value proposition and that the Company's dividend policy is both affordable and sustainable within its wider capital allocation framework. Further details can be found on page 10.

Outreach

As we developed our new Remuneration Policy, we sought feedback from our top shareholders representing 80% of our shareholding. Several shareholders engaged with us and provided valuable insight and guidance which helped form our new Remuneration Policy. A key new element of our Remuneration Policy is the inclusion of an ESG measure in our Long-Term Incentive Plan. Details of the Plan can be found on page 89.

INNOVATING FOR INVESTORS

Capital Markets Event
Our engagement with our institutional investors extends beyond our usual meeting schedule this year. We are preparing a virtual Capital Markets presentation to showcase TI Fluid Systems technologies from our history of nearly 100 years beginning with the Ford Model T in Detroit to our current new and exciting EV technology on modern day hybrid and battery electric vehicles. New product technology and the acrylic car displays shown on these pages will be demonstrated. Our innovative technical developments will be explained and linked to the Group's Strategy. The presentation will be made available on the Company's website.

HOW WE DO IT: OUR SUPPLIERS

Our suppliers are diverse in terms of size, location, and even ownership. As key stakeholders, we value our relationship with our suppliers, and look to build sustainable partnership with them. We recognise their importance to us, and our customers. Our employees work to build strong relationships with our suppliers in the same way they do with our customers.

We also help support our supplier base with transparent information on how to do business with us. To this end, we created a dedicated Supplier Portal on our website which contains useful information, policies and procedures to assist our suppliers in partnering with the Group.

Additionally, we work with suppliers to support them in meeting standards of business that we expect of our operations and also, our customers expect of us and our supply base. We are continually collaborating with our supplier partners to meet best-in-class service levels.

SUPPORTING OUR SUPPLIERS

COVID-19 support
We worked closely with our supply base across the world to manage and support each other throughout the height of the pandemic. During the initial shutdowns, we recognised that some suppliers may struggle to remain in business and were not necessarily equipped to know where to look for support. Upon recognising this issue, our employees prepared material which was made readily available to our supply base which helped guide them with information on support options that may be available to them in their locations. Following the development of our own COVID-19 protocols designed to reduce the risk of transmission in the workplace, we shared this content with many of our suppliers. We also networked with our vendors to make protective equipment and cleaning supplies available to our suppliers.

HOW WE DO IT: OUR COMMUNITIES AND ETHICS AND COMPLIANCE

Communities

We operate in 28 countries worldwide. Our people and all of our operations are encouraged to develop a local strategy to make positive contributions to their communities. In 2020, our employees around the globe participated and contributed to many community and charitable projects and programmes. These took place in Europe, Asia Pacific, Latin America and North America.

Ethics and compliance

Operating with integrity and in an ethical and compliant manner is a Core Value of our Company. Our principles of ethical standards are clearly set out in our COBC, which applies to all our employees globally. As a company, we expect all our suppliers to comply with the same standards of doing business as we set for ourselves and this requirement is set out in our Global Supplier Requirements Manual.

Following the rollout of our new independent third-party operated Speak-Up hotline in 2019, we continued to manage risk and address concerns raised through the Speak-Up hotline. This hotline has provided our employees with a channel to raise questions and concerns anonymously. Additionally, we instituted a quarterly reporting meeting with members of the executive team to review the concerns raised by employees through the various Speak-Up channels and identify areas for improvement. The Ethics and Compliance Function continue to work towards ensuring employees understand our COBC and are comfortable seeking guidance and reporting concerns.

Recognising the importance of maintaining and furthering a culture of ethics and integrity, through the leadership of the two divisional Executive Vice Presidents and the Group Ethics and Compliance Director, we have created a working group comprised of divisional EVPs, MDs, FDs, and HR Directors and the Group Ethics and Compliance Director who meet on a monthly basis to discuss ethics and compliance issues and address best practices to continually improve the culture of ethics and compliance at all levels of the organisation.

The Group is committed to doing business ethically. We fully support generally accepted human rights conventions as reflected in our COBC and in our annual Modern Slavery Statement.

Our social and environmental impact
We encourage protection of the environment through the prevention of pollution and the conservation of resources.

Environmental, Health & Safety ('EHS')
The Group is committed to providing a safe and healthy environment for all employees, contractors, and visitors.

The EHS corporate team works closely with the senior executive team and our regional managing directors to develop and implement standardised management systems and procedures to reduce risks to our people, the environment, and our property. We have established a network of local EHS plant personnel that we meet with regularly to discuss relevant issues and best practices. The EHS management team issues regular bulletins and holds monthly calls in all regions to discuss current EHS issues facing the organisation. This network of professionals helps to drive corporate policy and procedure in a consistent way at all plants in order to continually improve the management of EHS risks and opportunities at all locations. This same group has been instrumental in collecting data related to waste generation, water consumption and greenhouse gas production. The collected data will provide us with a baseline from which to determine and drive our future Company sustainability goals and ESG related programmes.

The corporate EHS team continues to manage the Group's ISO 14001 environmental management system in order to provide greater transparency to the organisation as well as assure environmental compliance. This programme has resulted in a better understanding of our environmental legal requirements and our compliance status across the globe. To support the expanded environmental management system, the corporate EHS team typically holds an annual conference in each region which addresses environmental and health and safety issues and allows our EHS professions to network with team members in other plants and aids in their professional development. Although COVID-19 has prevented us from holding the conference in 2020, we look forward to returning to holding these annual conferences in the future. However, to ensure effective and timely sharing of information, we have switched to monthly virtual meetings, which facilitates a real-time safety and environmental review.

Due to the COVID-19 pandemic we had to pause our certification programme for our Occupational Health and Safety Management system, ISO 45001. This management system will be rolled out to 30 plants in 2021, and we expect to expand it further in 2022.

All of these EHS activities are, ultimately, designed to improve safety and reduce risk to the organisation.

Health and safety
The health and safety of our employees remains an overarching priority and is central to everything we do. We focus on safe working environments and eliminating work-related injuries and illnesses.

As the COVID-19 pandemic began in China, we worked very closely with our Chinese EHS team to understand the situation and to implement controls and counter measures in our plants. This collaborative approach allowed us to quickly and efficiently develop a global procedure for reopening our plants following closure due to COVID-19. Our focus revolved around protecting our workforce to the best of our ability. To that end, we instituted two different procedures: one for plants and one for office settings. We established physical control measures, such as physical spacing, mask wearing, shield wearing and temperature checks, as well as administrative controls such as health assessments, contact tracing, and regular updates on the status of COVID-19 in the countries where we operate to assure safety.

Prior to reopening, each location was virtually audited by a Corporate Regional EHS Manager. To assure ongoing compliance with the procedures, we instituted weekly audits for the plant management team. We continue to do additional corporate audits to verify compliance. This robust system of controls and checks has allowed us to open all of our plants and prevent the spread of COVID within our plants, thus protecting our most valuable asset, our people.

In the early stages of the pandemic in Europe several of our plants, including Chalons, France, and Tauste and Montornes, Spain, used 3D printers and available resources to manufacture face shields for the local hospitals, health centres and elderly residence facilities, helping to keep the people that live and work in our communities safe.

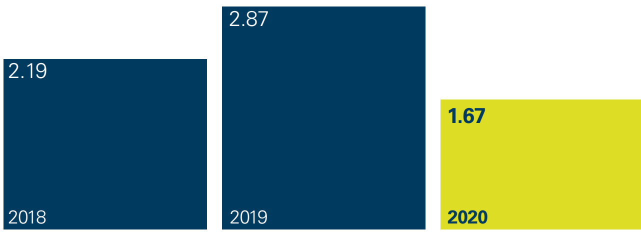
Leadership – Reporting to the Board
We report safety statistics to the Board at every meeting, including all potentially life-threatening incidents and lost time injury frequency ('LTIF') for the organisation as a whole. This same information with a detailed breakdown of injury by plant and open injury reports is provided to each regional Managing Director on a monthly basis.

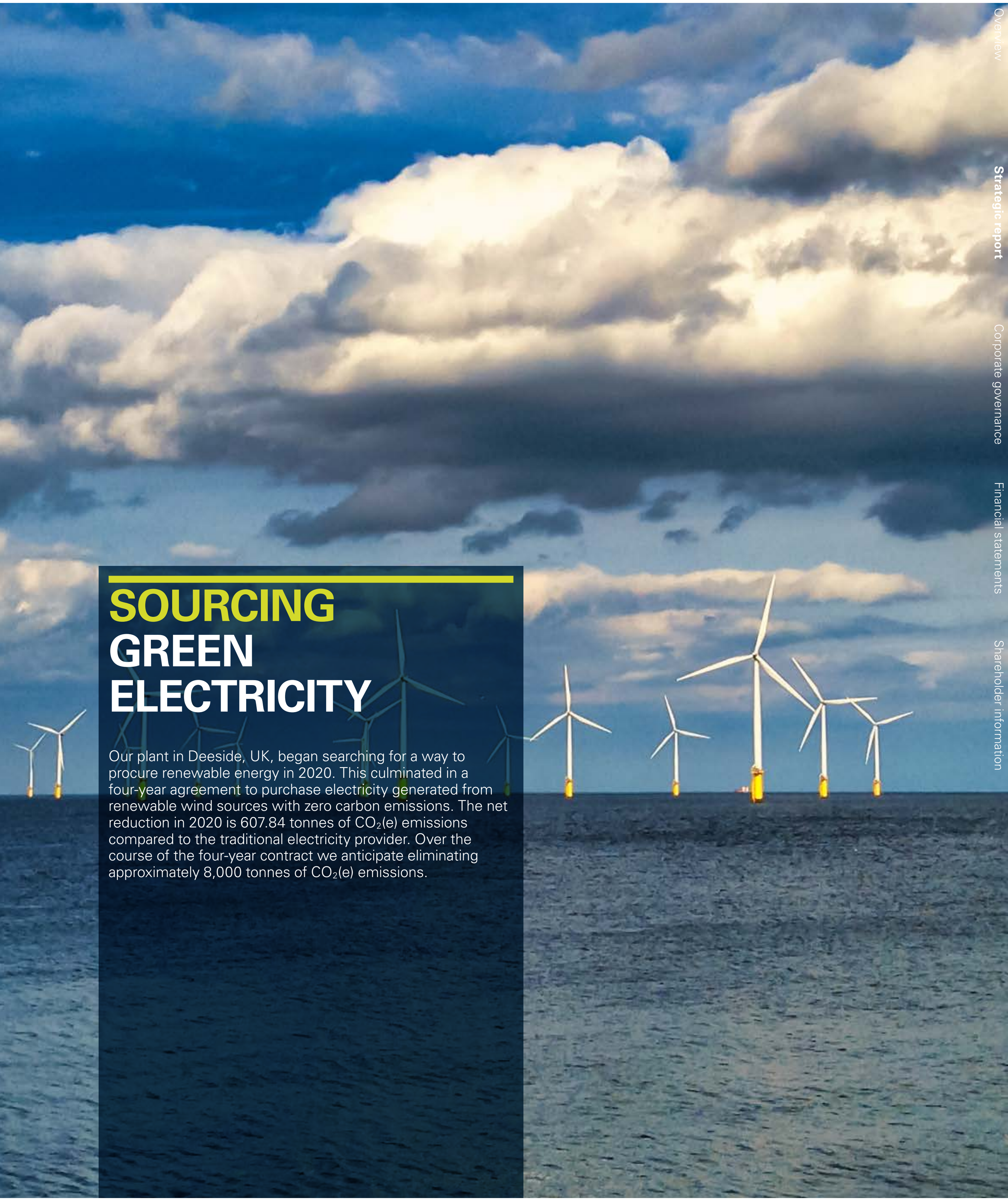
Safety committees
The Corporate Safety Steering Committee consists of the Chief Legal Officer and Chief HR Officer, the Divisional Executive Vice Presidents and the Global EHS Director. The Committee is responsible for providing the architecture and direction for the Group's safety-related programmes. This Committee determines our safety KPIs and objectives and helps to facilitate the implementation of our safety strategy.

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

Safety Data Reporting
In 2020, the Group began a programme to measure LTIF at each plant, by region and on a global consolidated basis. LTIF is calculated in accordance with guidance issued by the UK Health and Safety Executive (http://www.hse.gov.uk/statistics/). Our global LTIF for the period 2018 to 2020 is shown below. While our LTIF increased slightly over the 2018-2019 period, we believe that the increase was primarily due to more accurate and consistent reporting data. The 2020 LTIF saw a significant reduction. We believe this was driven by our strict COVID-19 protocols and regular EHS meetings with EHS plant teams. Our corporate EHS team is now meeting regularly with the MDs and their teams. Also, the Group's LTIF compares very favourably to industrial benchmarks.

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





SOURCING GREEN ELECTRICITY

Our plant in Deeside, UK, began searching for a way to procure renewable energy in 2020. This culminated in a four-year agreement to purchase electricity generated from renewable wind sources with zero carbon emissions. The net reduction in 2020 is 607.84 tonnes of CO_2(e) emissions compared to the traditional electricity provider. Over the course of the four-year contract we anticipate eliminating approximately 8,000 tonnes of CO_2(e) emissions.

Our impact on the environment

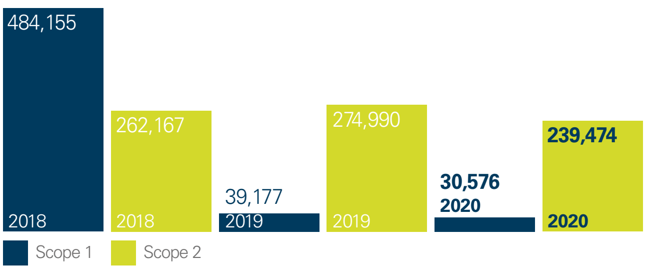
We have procedures and policies in place to monitor the impact of our operations on the environment, collect emissions data and calculate greenhouse gas emissions for all our manufacturing locations. In the past several years we have improved the manner and method in which we collect and verify energy, waste and water consumption data across all our global locations. While we continue to improve the scope and quality of our data, we have already seen sustainability benefits. Using our data, we have driven a net reduction of the production of hazardous and non-hazardous waste and have also increased the volume of material being recycled and reused at plants in all regions.

We have a global energy monitoring programme which we use to calculate our CO_2(e) greenhouse gas emissions with a long-term goal of implementing efficiency programmes to reduce energy consumption and our carbon footprint. Emissions for 2018 were calculated using the Greenhouse Gas Protocol as a reference and include all of our manufacturing facilities and corporate offices globally. Our greenhouse gas emissions have generally decreased from 2018 to 2020. In 2019 we made a considerable effort and investment in a more formal environmental data collection and reporting platform. We now use the same system that is used by the CDP organisation to collect our data. This refined and improved data collection system will allow us to more accurately track not only our CO_2 production but all production of greenhouse gases as defined by the Kyoto Protocol.

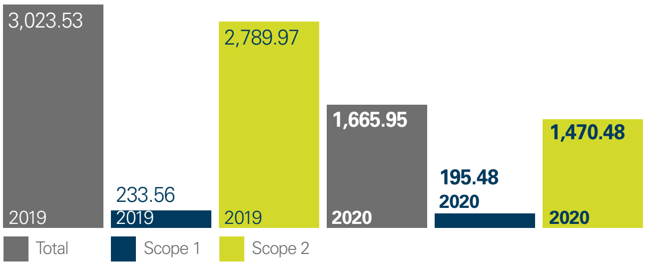
As we look forward to 2021 we anticipate making our first public disclosure to the CDP for our 2020 calendar year data. With the establishment of the Board's ESG Steering Committee, we are expecting to update and enhance our environment policies and procedures. We expect to share more environmental-related data publicly through our website and via third-party services like CDP and Ecovadis. We are planning on revising our CO_2(e) targets as well as developing a water conservation target with Board oversight in 2021. We have established a plan to develop a formal waste reduction target established by the end of 2022.

The Group's Global and UK Scope 1 and 2 emissions are described in the graphs below. Scope 1 estimates include emissions from fossil fuel used on premises. Scope 2 estimates are emissions from purchased electricity. Emissions for 2020 have been calculated using UL Pure Credit 360 software and the calculations are completed to include all greenhouse gases as defined by the Kyoto Protocol. Calculations are transparently shown in the system and produce results in accordance with the methods in the GHG Protocol. The Group implemented this software between 2018 and 2019 and, as a result, Scope 1 emissions are now calculated using a more robust methodology, leading to a lower reported total for Scope 1 emissions (both Global and UK). The current software utilises the UK government GHG Conversion Factors for Company Reporting for fuel conversions. The emissions reductions in 2020 are primarily a result of COVID-19 facility shutdowns and lower production volumes as well as, in the case of the UK, the procurement of renewable (wind) energy for our facility in Deeside, UK.

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

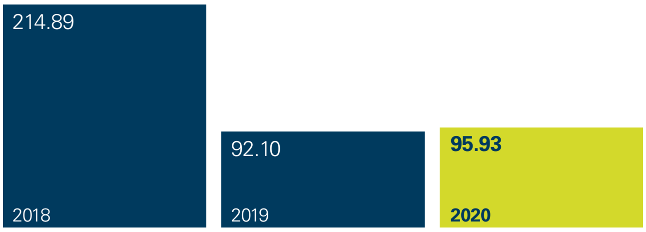


UK Total: Scope 1 and 2 emissions (CO_2(e)T)



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

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

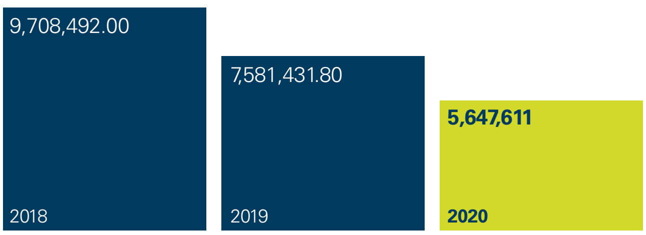


The Group's global electricity consumption in kWh is shown below. The approximate 13.7% drop in total electricity consumed in 2020 is primarily a result of the COVID-19 facility shutdowns and the lower production volumes.

Global electricity consumption (kWh)

The Group's UK electricity consumption in kWh is shown below. The drop in total electricity consumed in 2020 is primarily the result of the COVID-19 facility shutdowns and lower production volumes.

UK electricity consumption (kWh)



In 2020, we began the process of assessing water resource risks and completed our first water resource risk assessment. We anticipate using our data to develop a water reduction target in 2021 for implementation by the Group in 2022 and beyond.

COMMUNITY SUPPORT

In the early stages of the pandemic in Europe, several of our plants, including Chalons, France, and Tauste and Montornes, Spain, used 3D printers and available resources to manufacture face shields for local hospitals, health centres and elderly residence facilities in their communities. With parts printed on our 3D printers we assembled these face shields. This effort was very important in providing much needed PPE that these facilities could not procure on their own. We donated thousands of face shields at a time when they were not available for purchase, thus helping to keep the people that live and work in our communities safe.

RESILIENCE THROUGH CRISIS.

IN THE FACE OF GLOBAL CHALLENGES, WE CONTINUE TO DELIVER VALUE THROUGH PROACTIVE FINANCIAL MANAGEMENT.

"In 2020, we have continued to demonstrate our financial resilience amidst the impact of the COVID-19 pandemic and global automotive rapid volume declines and extreme volatility."

Ronald Hundzinski
Chief Financial Officer

With our revenue performance in line with global light vehicle production, we delivered respectable margins and strong cash generation. Appropriate responsive restructuring actions were initiated across both Divisions and we also extended the maturity of our borrowing facilities to underpin our strong liquidity position.

Global light vehicle production is the principal driver of the Group's performance. In 2020, global light vehicle production decreased significantly to 74.6 million vehicles or by 16.1% compared to the prior year.

Revenue decreased by €532.3 million, or 15.9% year over year on a constant currency basis, to €2,814.5 million, broadly in line with global light vehicle production, or 0.2% outperformance in 2020. If we include the negative impact of currency of €64.2 million, reported revenue declined by €596.6 million, or 17.5% year over year.

We generated Adjusted EBIT of €173.3 million with a margin of 6.2%, a reduction of 380bps from the prior year Adjusted EBIT margin. The decline in margin is directly related to the conversion of lower sales arising from the impacts of COVID-19. Similarly, we incurred an operating loss of €176.3 million compared to an operating profit of €258.9 million in the prior year mainly due to the exceptional impairment charge of €304.6 million in addition to the conversion of lower sales. This is discussed in more detail in the Operating Profit, Adjusted EBITDA and Adjusted EBIT section of this report.

Adjusted Net Income fell €136.6 million to €13.7 million, compared to €150.3 million in the prior year. The reported loss for 2020 was €252.2 million compared to €144.6 million profit in 2019. Basic EPS was (48.88) Euro cents (2019: 27.24 Euro cents) and Adjusted Basic EPS was 2.64 Euro cents, a decrease from 28.91 Euro cents in 2019. In spite of the significantly lower global light vehicle production volumes and uncertainties related to the global COVID-19 pandemic, 2020 was also another year of strong cash flow performance, where we delivered Adjusted Free Cash Flow of €148.2 million (2019: €180.2 million). This strong cash performance resulted in our reported cash and cash equivalent balances increasing by €110.6 million (2019: €48.2 million) before currency translation and a year-end cash balance of €485.8 million (2019: €411.7 million). We ended the year with net debt of €590.0 million (2019: €738.3 million).

Automotive Markets

Global light vehicle production volumes declined significantly by 16.1% in 2020 to 74.6 million vehicles as shown in table 2 – an unprecedented fall due to the impact of COVID-19. The reduction was across all major regions of the world with the deepest decline occurring in the month of April at (61.5)% compared to the same month in 2019. Global production was significantly affected in the first half of the year, with volumes falling by (32.3)% compared to the first half of 2019, and markets started to recover in the second half, with volumes increasing by 0.5% compared to the second half of 2019.

Table 1: Key performance measures €m

	Management basis*			As reported		
	2020	2019	Change	**2020**	2019	Change
Revenue	**2,814.5**	3,411.1	(596.6)	**2,814.5**	3,411.1	(596.6)
% Change at constant currency			(15.9)%			
Adjusted EBITDA	**330.9**	497.8	(166.9)			
Margin	**11.8%**	14.6%	(2.8)%			
Adjusted EBIT/Operating Profit	**173.3**	340.4	(167.1)	**(176.3)**	258.9	(435.2)
Margin	**6.2%**	10.0%	(3.8)%	**(6.3)%**	7.6%	(13.9)%
Adjusted Net Income/Profit for the year	**13.7**	150.3	(136.6)	**(252.2)**	144.6	(396.8)
Adjusted Basic EPS/Basic EPS (€ cents)	**2.64**	28.91	(26.27)	**(48.88)**	27.24	(76.12)
Adjusted Free Cash Flow **	**148.2**	180.2	(32.0)			
Dividend (€ cents) ***	**6.74**	3.02	3.72	**6.74**	3.02	3.72

*Management basis metrics are Non-IFRS measures as defined on page 57
**No equivalent GAAP measure – see table 8a for reconciliation to statutory cash flow items
***2019 Dividend represents the Interim dividend as the Final dividend was not approved for payment in the AGM

Table 2: Global light vehicle production volumes
millions of units

	2020	% Change
Europe, including Middle East and Africa	**18.3**	(20.8)
Asia Pacific	**41.1**	(11.3)
North America	**13.0**	(20.2)
Latin America	**2.2**	(31.4)
Total global volumes	**74.6**	(16.1)

Source: IHS Markit, February 2021 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.

Group revenue in 2020 was €2,814.5 million, a decrease of 15.9% year over year at constant currency and when compared to the global light vehicle production decrease of 16.1% over the same period resulted in a 0.2% outperformance.

In Europe and Africa, revenue at constant currency declined by 21.0% year over year compared to a similar light vehicle production decline of 20.8%. This slight underperformance was driven by the ramp down of some programmes which offset the benefit of the successful launch of new HEV/BEV programmes for both FTDS and FCS. In the region we aligned with our customers production shut downs and temporarily ceased operations in our factories to minimise risk to employee well-being and also control costs. The volume recovery in the second half of the year was tempered by the activity impact of subsequent waves of the pandemic.

In Asia Pacific, revenue at constant currency declined by 2.5% year over year compared to light vehicle production decline of 11.3%, for a strong outperformance of 8.8%. The Group generated 23% (2019: 19%) of its total revenue in China, benefiting from our long-standing market position in our brake and fuel lines business within our FCS division and continued growth in fuel tank business within the FTDS division. The high market share for FCS in China meant that revenue was more impacted by the general volume decline in China, whereas FTDS continues to benefit from successful business launches of conventional plastic fuel tanks and HEV pressure resistant fuel tanks and this segment enjoyed double digit year over year growth.

In North America, revenue at constant currency declined by 22.2% year over year compared to light vehicle production decline of 20.2%, a 2.0% underperformance. The main impact for this region was programme ramp downs in the FCS division, and the continued impact of our lower share of the popular large truck/SUV platforms.

FCS revenue declined by €390.7 million, 18.4% at constant currency from the prior year to €1,526.9 million, an underperformance of 2.3% when compared to global light vehicle production. The FCS revenue performance is driven by unfavourable regional mix, with powertrain programme ramp downs in North America region offsetting the benefit of successful launches of thermal programmes in Europe and Asia Pacific.

FTDS revenue at constant currency decreased by 12.7% to €1,287.6 million, outperforming global light vehicle production by 3.4%. This performance is heavily influenced by outperformance of 0.5% and 16.9% in Europe and Asia Pacific, respectively, which account for over 80% of FTDS sales in 2020. Notably our sales in Asia Pacific saw positive growth over 2019 at constant currency of 5.6%, reflecting the benefits of programme launches and ramp ups in China and Korea and favourable mix.

Currency exchange rates had a net adverse impact of €64.2 million on revenue compared with the prior year. This was mostly due to strengthening of the Euro against the US dollar and other key currencies in countries where the Group has manufacturing operations. Accordingly, revenue declined by 17.5% to €2,814.5 million at reported rates. Table 4 below sets out the movement in exchange rates most relevant to our operations.

Table 3: Revenue by region and by segment €m

	2020	2019	Change	% Change	% Change at constant currency
Total Group revenue	**2,814.5**	3,411.1	(596.6)	(17.5)	(15.9)
By region					
Europe and Africa	**1,077.5**	1,368.6	(291.1)	(21.3)	(21.0)
Asia Pacific	**982.5**	1,030.6	(48.1)	(4.7)	(2.5)
North America	**714.7**	936.7	(222.0)	(23.7)	(22.2)
Latin America	**39.8**	75.2	(35.4)	(47.1)	(29.6)
By segment					
Fluid Carrying Systems ('FCS')	**1,526.9**	1,917.6	(390.7)	(20.4)	(18.4)
Fuel Tank and Delivery Systems ('FTDS')	**1,287.6**	1,493.5	(205.9)	(13.8)	(12.7)

Table 4: Exchange rates

Key Euro exchange rates	2020 Average	2019 Average	% Change	31 December 2020	31 December 2019	% Change
US dollar	**1.141**	1.120	1.9	**1.224**	1.122	9.1
Chinese renminbi	**7.869**	7.731	1.8	**7.988**	7.815	2.2
South Korean won	**1,344**	1,304	3.1	**1,331**	1,295	2.8

Operating profit, Adjusted EBITDA* and Adjusted EBIT*

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

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

	2020	2019
Operating profit	**(176.3)**	258.9
Depreciation and impairment of PP&E	**104.6**	108.6
Depreciation of right-of-use assets	**31.9**	31.5
Amortisation and impairment of intangible assets	**76.7**	89.8
Share of (loss)/profit of associates	**(3.5)**	0.3
Exceptional impairment	**304.6**	–
EBITDA	**338.0**	489.1
Net foreign exchange gains	**(27.2)**	(0.5)
Dividend received from associates	**0.5**	0.5
Restructuring costs	**16.1**	9.0
Share of loss/(profit) of associates	**3.5**	(0.3)
Adjusted EBITDA	**330.9**	497.8
Less:		
Depreciation and impairment of PP&E	**(104.6)**	(108.6)
Depreciation of right-of-use assets	**(31.9)**	(31.5)
Amortisation and impairment of intangible assets	**(76.7)**	(89.8)
Add back:		
Depreciation uplift arising on purchase accounting	**12.9**	14.5
Amortisation uplift arising on purchase accounting	**42.7**	58.0
Adjusted EBIT	**173.3**	340.4

*See Non-IFRS measures

The operating loss of €176.3 million (2019: €258.9 million profit) includes the impact of the exceptional impairment charge of €304.6 million recognised in the first half of 2020 following a full impairment review triggered by the significant change in projected volumes and forecast cash flows projected at that time. Note 18 provides further detail of this charge, the basis of its determination and confirmation that no further charge has been required following the Group's full year annual impairment review. The latest global light vehicle production volume projections indicate volumes return to 2019 levels slightly earlier in the forecast period than the data used for the June 2020 impairment review. Our future cash forecasts are also ahead of those used to underpin the impairment charge recognised. As market uncertainties still remain and until this recovery is sustained and prolonged, we do not anticipate reversing any of the impairment charge recognised. The impact of the impairment charge, recognised in terms of lower depreciation and amortisation, was €6.9 million on the operating loss and €5.7 million on Adjusted EBIT.

The Operating Loss was also impacted by conversion on the lower revenues caused by the COVID-19-related market impacts with inefficiencies in the production processes due to lower and inconsistent volumes in addition to COVID-19-related working protocols to comply with appropriate distancing and cleanliness provisions. In response to the COVID-19 pandemic, projected market volume outlook and to strengthen our business performance in the future, we incurred restructuring charges of €16.1 million related to permanent headcount reductions across all our businesses and the planned closure and downsizing of eight of our manufacturing plants in Europe, North America and Latin America. Four plant closures were completed in 2020, the remaining closures will commence in 2021.

Active cost management actions in the year included utilising local government economic support regimes which included, but was not limited to, the use of furlough and short-term working schemes, 2020 reductions in social costs and rental and utility cost reliefs. Economic support payments received direct from government authorities amounted to a net €32 million and any payroll support was fully passed on to employees. Additionally, employment costs totalling €10 million were avoided in 2020 as national governments directly funded these costs to employees. In the year, short-term employee agreed salary reductions of €3.7 million helped manage cash costs, though these were repaid in full during the year.

Amortisation of intangible assets was €13.1 million lower due to €14.0 million relating to some of the assets recognised on the Bain acquisition becoming fully amortised in the prior year and €2.0 million reduced charge in the second half of the year as a result of the impairment mentioned above, partially offset by higher local impairments in 2020.

Adjusted EBITDA was robust at €330.9 million (2019: €497.8 million) and Adjusted EBITDA margin was 11.8% (2019: 14.6%) with the major impact being lower operating profit as a result of conversion on lower revenue, partially offset by reduction in overhead costs as a result of cost saving measures in response to COVID-19. We continue to manage our costs in line with the reduced volumes in order to minimise the impact on margins. The €16.1 million net restructuring charges comprised €19.5 million in respect of headcount reduction actions, plant closure and downsizing with an associated headcount reduction of 1,059 offset by a €3.4 million gain arising from the land and building disposals associated with plant closure actions. By region, the restructuring charges borne in Europe (€12.4 million), Latin America (€2.0 million), Asia Pacific (€1.5 million) and North America (€3.6 million) were offset by the land and building disposal gains in North America (€3.4 million). The segmental impact to FCS and FTDS was €7.0 million and €9.1 million respectively. At the end of 2020 there was a restructuring provision of €11.0 million (2019: €5.1 million).

Adjusted EBIT was €173.3 million (2019: €340.4 million) and Adjusted EBIT margin was 6.2% (2019: 10.0%). This change was impacted by lower Adjusted EBITDA as described previously. During the year there were programme specific impairment charges of €9.2 million (2019: €3.5 million), €2.9 million in FCS and €6.3 million in FTDS.

By segment, FCS Adjusted EBIT was €97.2 million (2019: €199.4 million) with Adjusted EBIT margin of 6.4% (2019: 10.4%). FCS continues to achieve positive margins despite the prevailing market environment. The year over year decline in margin reflects the volume reduction particularly in Europe and North America. Asia Pacific margin remains strong as the region recovered earlier from factory shutdowns when compared to other regions. The 2019 Adjusted EBIT included €12.0 million benefit arising from the US pensions settlement and Brazilian indirect tax compensation, and was only partially repeated in 2020 from a further US pension settlement amounting to €1.6 million.

FTDS Adjusted EBIT decreased by €64.9 million to €76.1 million (2019: €141.0 million) with Adjusted EBIT margin of 5.9% (2019: 9.4%). The decrease in margin reflects the conversion of the significantly reduced revenues as a result of COVID-19. Asia Pacific margin also remains strong, benefiting from new business launches in the fuel tanks business. The 2019 Adjusted EBIT included €1.9 million benefit arising from the US pensions settlement which was only partially repeated in 2020 from the further US pension settlement amounting to €0.5 million.

As a direct consequence of unwinding the Group's hedging programme in March 2020 to release 'in the money' contractual positions to cash, the Group has benefited from the translation impact on unhedged non-Euro currency inter-company loan positions. This is the primary constituent of the €27.2 million foreign exchange gain arising in 2020.

Net finance expense

Net finance expense for the year was €74.0 million, an increase of €16.5 million from the prior year. The increase was a result of a hedge ineffectiveness loss of €7.1 million from the early close out of certain cash flow hedges at the end of March 2020, as part of the Group's cash preservations measures (2019: €0.2 million), which also gave rise to €1.3 million fair value net gains on derivatives and foreign exchange contracts not in hedged relationships (2019: €10.2 million). The Group realised cash proceeds of €15.9 million on termination of these derivatives and in total received €16.6 million in the year from these arrangements.

Taxation

The Group income tax charge, before exceptional items, is €28.1 million, down €29.0 million over 2019. This reduction results in an increase in the Effective Tax Rate to 55.3% (2019: 28.3%) on Group Profit Before Tax of €50.8 million. Adjusting for the one-off effect of the 2019 €12.2 million tax credit associated with the US Research and Experimentation claim and the impact of accounting for associates on an after tax basis, the 2020 Effective Tax Rate is 51.7% (2019: 34.4%). The unusually high effective tax rate is reflective of the mix effect of the significant drop in the level of profits generating a tax charge and a stable level of losses where no deferred tax asset is recognised. The effective tax rate for those entities which are ordinarily subject to tax or where deferred tax assets are recognised is broadly consistent year on year, 24.6% (2019: 26.4%), despite the fall in the absolute level of net profits. The level of losses not subject to a tax charge was €38.7 million (2019: €36.0 million). More detail is available in Note 12.

The 2020 Adjusted Effective Tax Rate is 42.6% (2019: 32.3%). The Adjusted Effective Tax Rate, as shown in table 6, adjusts for the impact of the UK accounting loss of €26.4 million (2019: €35.0 million) on which no tax benefit is recognised and the net prior year tax charge movements of €6.3 million (2019: €19.3 million). The increased Adjusted Effective Tax Rate of 42.6% reflects the adjusted income tax charge of €34.4 million on adjusted Group Profit Before Tax of €80.7 million.

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

Table 6: Calculation of Effective and Adjusted Effective Tax Rate* €m

	Profit before tax 2020	**Tax charge 2020**	**Tax rate 2020**	Profit before tax 2019	Tax charge 2019	Tax rate 2019
As reported	**50.8**	**(28.1)**	**55.3%**	201.7	(57.1)	28.3%
Add back:						
Share of associate loss/(profit)	**3.5**	**—**		(0.3)		—
Prior year tax benefit related to US R & E claims					(12.2)	
	54.3	**(28.1)**	**51.7%**	201.4	(69.3)	34.4%
Less:						
UK accounting loss**	**26.4**			35.0		
Prior year deferred tax charge		**(0.7)**			5.0	
Prior year corporate tax benefit		**(5.6)**			(12.1)	
Adjusted	**80.7**	**(34.4)**	**42.6%**	236.4	(76.4)	32.3%

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

Adjusted Net Income* and profit for the year

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

Table 7a: Adjusted Net Income* €m

	2020	2019
Adjusted EBITDA (see table 5)	**330.9**	497.8
Less:		
Net finance expense before exceptional items	**(74.0)**	(57.5)
Income tax credit/(expense) before exceptional items	**(28.1)**	(57.1)
Depreciation and impairment of PP&E	**(104.6)**	(108.6)
Depreciation of right-of-use assets	**(31.9)**	(31.5)
Amortisation and impairment of intangible assets	**(76.7)**	(89.8)
Non-controlling interests' share of profit	**(1.9)**	(3.0)
Adjusted Net Income	**13.7**	150.3

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

	2020	2019
(Loss)/profit for the year	**(252.2)**	144.6
Less:		
Non-controlling interests' share of profit	**(1.9)**	(3.0)
Net foreign exchange gains	**(27.2)**	(0.5)
Exceptional deferred tax credit	**(29.7)**	—
Add back:		
Exceptional asset impairment cost	**304.6**	—
Net restructuring costs	**16.1**	9.0
Associate income less dividend received	**4.0**	0.2
Adjusted Net Income	**13.7**	150.3

*See Non-IFRS measures

Adjusted Net Income was €13.7 million in 2020, a decrease from €150.3 million in 2019, primarily driven by the flow through of lower revenues as a result of the reduced light vehicle production volumes.

Basic EPS and Adjusted Basic EPS*

On a statutory basis, Basic Earnings per Share ('EPS') was (48.88) Euro cents for the year (2019: 27.24 Euro cents), reflecting the significant reported statutory loss. Adjusted Basic EPS calculation is based on Adjusted Net Income and the weighted average number of shares in issue. Adjusted Basic EPS was 2.64 Euro cents per share for the year (2019: 28.91 Euro cents per share) reflecting the decrease in Adjusted Net Income as noted above. Weighted average shares outstanding on 31 December 2020 were 519.8 million (31 December 2019: 519.9 million).

*See Non-IFRS measures

Dividend

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

In light of the unprecedented conditions and associated uncertainty resulting from COVID-19, and the Group's 2020 H1 results, the Board did not declare an interim dividend for the 2020 financial year. However, the Board is mindful of the importance of dividends to the Group's shareholders and, given the continued strength of cash generation and greater confidence in the outlook, is committed to reinstating dividend payments.

Following the exceptional cash preservation measures during 2020, the Group is pleased to announce that during Q4 2020 it took actions to repay all employees who shared in the sacrifice to support the Group through unprecedented times. The Group has repaid any previously received UK furlough payments to the UK government and has retroactively reinstated pay levels for all employees who took part in pay and salary reductions. We wish to thank our entire global organisation for their commitment, excellent performance and support during what turned out to be the toughest market decline this industry has faced.

The Group paid an interim dividend of 6.74 Euro cents per share, amounting to €35.0 million on 19 February 2021 based on the overall strength of the Group's financial position and prospects. The Group is committed to its stated annual dividend policy (30% Adjusted Net Income) paid on an interim and final basis for each financial year. However, in light of the significant amount of the interim dividend paid, despite exceptional operating and financial performance during 2020, Adjusted Net Income for 2020 is relatively low. The Board has decided that it would not be practical to propose a nominal final year 2020 dividend under the dividend policy. The Company expects to return to its stated annual dividend policy and normal dividend payment cadence for the 2021 financial year. The Board continues to believe that dividends represent an important part of the Group's shareholder value proposition and that the Company's dividend policy is both affordable and sustainable within its wider capital allocation framework.

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

Cash Flow performance

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

Table 8a: Adjusted Free Cash Flow* €m

	2020	2019
Net cash generated from operating activities	**257.6**	334.4
Net cash used by investing activities	**(95.4)**	(157.0)
Free Cash Flow*	**162.2**	177.4
Deduct:		
Cash received on settlement of derivatives	**(16.6)**	(5.6)
Amounts received in cash from Financial Assets at FVTPL (included in net cash generated from operations)	—	(0.3)
Add back:		
Net restructuring cash spend	**2.6**	8.7
Adjusted Free Cash Flow	**148.2**	180.2

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

	2020	2019
Adjusted EBITDA (see Note 2)	**330.9**	497.8
Less:		
Net cash interest paid	**(54.1)**	(61.6)
Cash taxes paid	**(59.7)**	(79.7)
Payment for property, plant and equipment	**(82.1)**	(119.4)
Payment for intangible assets	**(30.1)**	(39.7)
Movement in working capital	**63.1**	2.7
Movement in retirement benefit obligations	**(9.1)**	(12.4)
Movement in provisions and other	**3.3**	(4.3)
Free Cash Flow*	**162.2**	177.4
Deduct:		
Cash received on settlement of derivatives	**(16.6)**	(5.6)
Amounts received in cash from Assets at FVTPL	—	(0.3)
Restructuring Proceeds on Sale of facilities	**(10.4)**	—
Add back:		
Restructuring cash spend	**13.0**	8.7
Adjusted Free Cash Flow	**148.2**	180.2

*See Non-IFRS measures

In 2020, we generated solid Adjusted Free Cash Flow of €148.2 million (2019: €180.2 million). The Adjusted EBITDA generated by the Group was used to fund investment in capital equipment and intangibles. There was a €46.9 million decrease in property, plant and equipment and intangibles expenditure primarily due to tight control of the expenditure to preserve cash. Tax cash payments were €20.0 million lower due to lower taxable profits. The favourable movement in working capital of €63.1 million was driven by the natural unwind of working capital balances and also close management of inventory levels and ensuring receivables were collected to terms.

The net cash outflow on restructuring was €2.6 million as cash outflows, predominantly severance payments of €13.0 million (2019: €8.7 million), was mitigated by net disposal proceeds of €10.4 million from the sale of two facilities subject to closure actions. The restructuring cash adjustment has been made to align the treatment of restructuring with the other Adjusted measures and has been applied retrospectively. Cash received from the early close-out of the in the money foreign exchange hedges in March 2020 amounted to €15.9 million which would ordinarily have expired later in the year. In total, €16.6 million was received in the year from these arrangements.

In addition to the €162.2 million (2019: €177.4 million) arising from free cash flow, cash outflows from financing were €51.6 million (2019: €129.2 million) resulting in a reported increase in cash and cash equivalents of €110.6 million (2019: €48.2 million). Financing outflows include the net impact of the 2020 refinancing and other borrowing repayments of €19.0 million (2019: €54.8 million); €28.6 million (2019: €27.1 million) lease principal repayments and the 2020 €3.5 million funding of share purchases by the Group's Employee Benefit Trust to satisfy share scheme vesting in 2021 and beyond.

Pre-emptive drawdowns in March 2020, given concerns over bank liquidity, of the Group's revolving credit and asset-backed lending facilities of $125 million and $25 million respectively were repaid in full in July and May 2020. The 2019 dividend cash outflow amounted to €46.6 million.

Retirement benefits

We operate funded and unfunded defined benefit schemes across multiple jurisdictions with the largest being the US pension and retiree healthcare schemes, which represent 54% (2019: 55%) of our net unfunded position at 31 December 2020. We also have funded schemes in the UK and Canada 2% (2019: 5%) and Germany 18% (2019: 18%). While all of 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 increased by €7.0 million to €160.7 million at 31 December 2020 due primarily to discount rates differential year-on-year, favourable translation, and weak overall pension investment performance influenced by the 2020 market disruption. The increase was offset by a €2.1 million (2019: €9.1 million) US settlement gain arising from a further voluntary lump sum buy-out programme.

Net debt* and net leverage*

Net debt, a non-IFRS measure, as at 31 December 2020 was €590.0 million, a significant decrease of €148.3 million from the prior year end. On 30 September 2020, the Group successfully completed the amendment and extension of its existing credit and debt facilities, moving maturity dates out to December 2024. As part of this refinancing, which was accounted for as debt modification, overall borrowings remain unchanged though changes were negotiated to amend the term, adjust the mix of currencies, replace the $100 million Asset Backed Loan (ABL) facility and increase the $125 million revolving credit facility by $100 million. Full details of these changes is given in Note 27. These changes resulted in incremental costs of €17.7 million which were capitalised and will result in an annual fee amortisation of €3.7 million as well as increased interest costs, the annual impact of which is estimated at €12.6 million. Issuance fees and discounts of €67.4 million on the legacy loans are carried forward for future amortisation.

*See Non-IFRS measures

The Group's net leverage ratio, also a non-IFRS measure, was 1.8 times Adjusted EBITDA as at 31 December 2020 (31 December 2019: 1.5 times); the increase reflects the lower Adjusted EBITDA.

The Group excludes IFRS 16 lease liabilities from its net debt and net leverage ratio. If the IFRS 16 lease liabilities were to be included, the Group's net debt would be €741.0 million (2019: €905.0 million) and net leverage ratio would be 2.2 times Adjusted EBITDA (31 December 2019: 1.8 times).

Liquidity

Our principal sources of liquidity have historically been cash generated from operating activities and amounts available under our credit facilities, that currently consist of a revolving facility under our cash flow credit agreement of $225 million (€183.8 million). Completing the debt modification in September 2020 maintains existing levels of liquidity and increases flexibility to support the Group's continued resilience through all economic cycles and execution of its electrification growth strategies. Total available liquidity (cash plus available facilities) on 31 December 2020 was €666.5 million (31 December 2019: €588.9 million).

Outlook

Global light vehicle production volumes are expected to recover in 2021 but not yet to 2019 levels. We are well positioned to take advantage of the growth in electric vehicle production which supports our commitment to contributing to a healthier environment and we expect that our revenue will continue the historic trend and outperform the global light vehicle volume growth excluding currency movements. Due to the industry recovery and the benefits of the restructuring actions taken, we anticipate our 2021 full year Adjusted EBIT margin to recover to a high single digit and that Adjusted Free Cash Flow conversion will be similar to pre-COVID-19 levels. It is our plan to continue to reduce net leverage while resuming the dividend policy to target a payout ratio of around 30% of Adjusted Net Income.

Non-IFRS measures

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

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

Adjusted EBITDA is defined as EBITDA adjusted for exceptional administration costs, net foreign exchange gains/(losses), net restructuring charges and associate share of profits or losses and dividends received from associates.

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

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

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

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

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

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

Adjusted Income Tax before Exceptional items is defined as income tax before exceptional items adjusted for the tax impact of prior year tax provisions and adjustments.

Adjusted Profit before Income Tax is defined as profit before income tax adjusted for UK losses.

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

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

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

Ronald Hundzinski
Chief Financial Officer
15 March 2021

A stable risk profile outlook having weathered 2020 turbulence

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

A review of the Group's risk management framework used to collate, report and manage business-critical risks was presented to the Audit & Risk Committee in March 2021. The Board has concluded that a robust assessment of the Group's principal risks had been undertaken.

The Group's global operations are exposed to a number of risks which could, either on their own, or in combination with others, have an adverse impact on the Group's results, strategy, business performance and reputation which, in turn, could impact upon shareholder returns. The following section highlights the major risks that may affect the Group's ability to deliver the strategy, as set out on pages 36-37.

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

As indicated in our 2019 Annual Report, the COVID-19 pandemic did introduce operating performance challenges for us and the automotive industry generally. Disruption to our customers' production activity levels, the efficiency and operations of the automotive market supply chain and the availability of resources was significant at various points during the year. We expressed our belief in March 2020 that any prolonged or more significant impact from COVID-19 would manifest itself in the principal risks we had already identified. This belief was borne out by events in 2020 as our identified risk mitigation actions enabled us to manage the uncertain conditions that followed the spread of the virus. Whilst the importance of certain constituent elements of our risk profile, e.g. supplier strength and dependency, financial resilience, operational leverage, took on heightened relevance during 2020, they did not develop into heightened strategic long-term risks. We believe that the continuing impact of the pandemic into 2021 will not introduce new risks beyond those risks that we have already identified.

GLOBAL LIGHT VEHICLE PRODUCTION VOLUMES

Description

The Group has 107 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 the vehicle manufacturers.

Impact

Historically, there has been close correlation between economic growth and global light vehicle production volumes. The cost structure of the business, operating across manufacturing facilities in 107 locations, means that a large reduction in revenue will have an impact on profitability. The movement from the use of the Internal Combustion Engine as the predominant vehicle power source towards full electrification of vehicles will continue to necessitate changes in our product portfolio.

Controls and mitigation

- The Group's presence in 28 countries supplying a wide range of customers acts as a hedge to neutralise localised economic volatility
- The Group has an extensive manufacturing presence in emerging and other low cost markets which currently have relatively low rates of light vehicle penetration per head of population and are believed to have strong growth potential
- Although the Group's products are primarily for light vehicles, it operates across both a broad geographic footprint and a diversified range of vehicle platforms, brands and models
- A proportion of the Group's workforce in a number of local markets are employed on temporary contracts, which provides some flexibility in the cost base
- The Group monitors closely and responds to any changes in customer demand on a local or Group-wide basis. Active development of new and enhanced products to response to the transition to full electrification remains a major focus. More detail is given in the Product Development and changes in technology section below

PRODUCT QUALITY

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

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

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

COMPETITION AND CUSTOMER PRICING PRESSURE

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

Impact
The Group's customers face constant pressure to lower their selling and production costs to be competitive against their peers and may require reductions in the selling price of the Group's systems and components over the term of a vehicle platform or model. Commercial activity by competitors, or changes in their products or technologies, could impact upon the Group's market share and profitability.

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

BUSINESS CONTINUITY

Description

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

Impact

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

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

Controls and mitigation

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

PRODUCT DEVELOPMENT AND CHANGES IN TECHNOLOGY

Description

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

Impact

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

Controls and mitigation

- The Group is engaged in continued investment in alternative engineering solutions and the development of more advanced designs and innovative products to ensure compliance with changes to environmental regulations and customer demand
- The Group has an international network of four technical centres which focus on research and development
- The Group seeks to maintain close relationships and technical partnerships with key customers
- The Group has established eight regional application centres which focus on application engineering worldwide
- Both Group and divisional management monitor and assess relevant regulatory requirements and the likelihood and impact of any changes
- The Group's products, materials and processes are continually developed and enhanced through research and development and technical input
- The Group actively registers, manages and enforces its intellectual property rights
- The Group operates in the automotive industry where performance-critical technology evolves and is adopted in a deliberate and measured manner

OPERATING GLOBALLY AND REGULATORY COMPLIANCE

Description

The Group has operations globally, with manufacturing facilities in 28 countries across five continents. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements and may also be subject to cycles, structural change and other external factors, such as changes in tariffs, customs arrangements and other regulations. In addition, operating across a number of territories exposes the Group to currency exchange rate variations.

Impact

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

Controls and mitigation

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

KEY PERSONNEL DEPENDENCIES

Description

The future success of the Group is dependent upon the continued services of key personnel. Succession is a routine consideration given some of the Group's key global positions at all levels, including business unit, division and Group.

Impact

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

Controls and mitigation

- The Group applies bespoke terms and conditions of employment for key personnel where appropriate
- The Group has in place incentive arrangements, including bonuses, pensions and long-term incentive plans
- The Group is enhancing its activities to further embrace equality and diversity across its operations. Culture awareness training is ongoing across our organisation
- The Group operates established recruitment and development programmes
- Succession plans continue to be reviewed for relevant key positions

Developing risks

The Board recognises that an essential part of risk management is the ability to monitor and respond to new and emerging risks. Throughout 2020 the Board met regularly to consider and respond to the developing operational and financing challenges posed as the result of the spread of the COVID-19 pandemic. These discussions were also conscious of any new strategic risks that were starting to emerge. Such strategic discussions focus on risks that may arise in terms of technological obsolescence, product portfolio redundancies and customer (OEM) consolidation. The Board is acutely aware of the changing market dynamics that may arise from climate change and the growing demand for hybrid and battery electric vehicles. The Board feels that the Group is well positioned to respond positively to these market changes based on its technology, thermal product portfolio and electrification strategy. The current year robust assessment is that there are no new risks that are material to the Group.

There has been notable commentary so far in 2021 about the impact on the automotive industry of the current supply problems relating to micro-chips. The Board has been monitoring these developments and believe that these issues will only represent a short-term impact on automotive volume levels and that this does not represent a material risk to our Group at this stage.

The Board intends to continue to assess emerging risks.

Going concern statement

The Directors have reviewed the likely performance of the Group over the next 18 months by reference to an outlook using the approved Budget and Medium Term Plan as a base case scenario (volumes used – 2021: 83.0 million units, 2022: 87.2 million units). A severe but plausible downside scenario was produced comprising a 4.6% reduction in global light vehicle production volumes (volumes used – 2021: 78.9 million units, 2022: 83.4 million units), a 5% reduction in operating margin due to increased costs, a 0.5% sales price reduction and also increased warranty claims of €20 million per year. A reverse stress test was also performed for the review period and a volume drop of 61% (volumes used – 2021: 32.2 million units, 2022: 34.3 million units) was needed to use all the cash, but without using the $225 million revolving credit facility. The current banking facilities were also considered and specifically the available headroom under the downside scenario and also their availability during the review period as well as any associated covenants. The downside model showed adequate liquidity and no covenant breaches in the review period.

The Directors have concluded after reviewing the future funding requirements for the Group over the next 18 months by reference to the headroom on the committed banking facilities and the expected performance of the Group, that it is appropriate for the financial statements to be prepared on a going concern basis with no material uncertainties.

Viability statement

In accordance with paragraph 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a three-year period to 31 December 2023 as a period in which is reasonably foreseeable and also will allow the mitigation of any adverse impacts on the business. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy, business model and the potential impact of the principal risks and how these are managed, as detailed in this Strategic report.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirement and cash flows. These plans provide information to the Directors which are used to ensure the adequacy of resources available to the Group to meet its strategic business objectives, both in the short-term and on a strategic basis. The plans for the period commencing on 1 January 2021 were reviewed and approved by the Board on 8 December 2020 and this formed the base case model to which downside scenarios were applied.

In making their assessment the Directors' have used a combination of scenarios and stress tests to the Group's financial projections to 31 December 2023 which model the impact the principal risks are likely to have a significant financial impact. The severe but plausible downside scenario assumed:

- 4.3% lower global production volumes compared to the current global light vehicle production forecasts – volumes used – 2021: 78.9 million units, 2022: 83.4 million units, 2023: 86.7 million units (Risk: Global Light Vehicle production volumes)
- 5% operating margin reduction caused by increased costs (Risk: Competitor and Customer Pricing Pressure)
- 0.5% sales price reduction (Risk: Competitor and Customer Pricing Pressure)
- €20 million annual warranty charge (Risk: Product Quality)

The impact of this scenario would be to reduce available liquidity by €368 million at the end of the three-year review period compared to the base case. Available liquidity on 31 December 2020 was €671 million. The Directors have considered the potential ongoing impact of the COVID-19 pandemic and the management initiatives that have been implemented to mitigate. The Directors' also considered the beneficial impact arising from potential further remediation actions. There were no covenant breaches in the severe but plausible downside model.

A reverse stress test was also performed to determine the level of global light vehicle production which would extinguish all cash. It was found that a reduction of 45% for each year compared to the base case (volumes used – 2021: 45.5 million units, 2022: 48.3 million units, 2023: 50.5 million units) for the three 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 45% drop is likely and therefore do not regard this as a probable outcome.

The Group successfully refinanced its borrowings on 30 September 2020 and extended the maturities of its debt facilities to 16 December 2024, beyond the end of the review period. The transaction increased the availability under the revolving credit facility by $100 million to $225 million (€184 million as at 31 December 2020) and eliminated the variable asset-backed facility of $100 million which will result in more available facilities in the event of a downturn.

The adverse impact on the Group's performance and management's response to the business downturn caused by the COVID-19 pandemic is discussed in the CEO's statement on pages 12-15 and in the CFO report on pages 50-57.

Considering the Group's current financial position, the geographic spread of its operations, its established customer relationships, its principal risks, headroom under the committed banking facilities and the Board's assessment of the Group's future, the Directors have a reasonable expectation that the Group will be viable and able to continue in operation meeting its liabilities as they fall due over the period of at least three years to 31 December 2023.

Section 172(1) statement

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 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 relationships with suppliers, customers and others; the impact of its operations on the community and the environment; the maintaining of a 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 table below summarises how our Directors view their responsibility and how they have discharged their duty in our Section 172 statement.

Key stakeholders	How we engage	Examples of engagement
Shareholders In addition to the controlling interest held by funds managed by Bain Capital (the 'Bain Shareholders'), our shares are held by both institutional and retail investors with a range of investment styles based throughout the world **Why we engage** – Quality of governance – Effectiveness of the Board and management – Growth potential and profitability – Share price appreciation – Dividends	– Executive Directors, supported by our investor relations team, had numerous one-on-one and group meetings and calls, engaging with shareholders representing over 80% of our current shareholders (by shareholding value) – The Company plans to hold its second Capital Markets Day in April 2021 to provide an in depth review of our business model, strategy and product portfolio to all shareholders – Our Remuneration Chair met with a number of shareholders to gain their input on the proposed Remuneration Policy – The two Non-Executive Directors who represent the Bain Shareholders attend and actively participate in our Board meetings – All shareholders are kept informed of the performance of the business on a regular basis through trading updates in January, May and November as well as the half and full year announcements in August and March	– Regular updates to the entire Board by Executive Directors and brokers on share performance, shareholder register and shareholder views and sentiment – Considering investor feedback and the long-term impact to the Company and its stakeholders, the Board reviewed our capital allocation strategy, resulting in continued debt reduction, strategic capital expenditures and discussions surrounding the change in the Company's dividend level for 2020 due to the extenuating circumstances uncertainty from the COVID-19 pandemic – The Board continued to review the development, and monitor implementation, of the Company's strategy, with particular emphasis on product development for HEV and BEV platforms, in order to promote the sustainability and viability of the business – Review of trading updates and results announcements resulted in additional information and reporting on strategic progress – Compliance with the Relationship Agreement in place with the Bain Shareholders, which ensures the relationship is at an arm's length
Employees We have a global workforce made up of 25,700 employees and contractors including approximately 4,200 salaried employees that work at our 107 locations in 28 countries **Why we engage** – Good communications and morale – Approachable management team – Identify issues and strengths quickly – Provide divisional support – Engaged workforce	– Conducted an Employee Engagement and Culture Survey in North America (see page 9 for more information on the survey process and results) – Held All Employee meetings and calls throughout the year to provide updates on COVID-19 response, financial performance and objectives, including compliance and safety initiatives, and to answer employee questions – Our designated Non-Executive Director for workforce engagement attended an All Employee meeting and reviewed our survey results and employee feedback – EHS personnel, including Global EHS Director, visited numerous facilities in each region to provide training, assess site conditions and compliance and obtain feedback on EHS-related matters (see pages 39-49 for more information on our EHS activities)	– Implemented an enhanced whistleblowing platform (Safecall) together with training and communication programmes to ensure a strong global culture of ethics and compliance – Formed a Diversity and Inclusion Committee made up of employees from all regions to provide perspective and ideas to improve our culture of inclusion – Conducted diversity training and assessment for the Top 100 management to identify areas to improve leadership skills – Based on results of the Employee Engagement and Culture Survey, we are planning additional meetings, communications and training to promote a better understanding of our purpose and vision and to foster more consistent management practices – Reviewed results of Employee Engagement and Culture Survey with the Board to ensure continued and consistent development of our culture and opportunities for positive employee engagement – Regular review of injury and turnover data with the Board to ensure focus and support for safety training and protocols and competitive workforce remuneration – The Board continues to encourage management to finds ways of improving diversity and inclusion throughout the organisation

Key stakeholders	How we engage	Examples of engagement
Customers Our primary customers are multinational and local automotive OEMs (original equipment manufacturers) **Why we engage** – Drive revenue growth and business success – Identify sourcing opportunities – Align product and technology development with customer needs – Effectively and efficiently address any supply or quality issues	– We have extensive and regular contact with our OEM customers at all organisational levels and in all regions regarding sourcing, commercial matters, product performance and quality, programme launches and the development and planning of new products – With respect to significant commercial matters and strategic initiatives, our Executive Vice Presidents and CEO communicate directly with senior Executives and Directors at the customer level	– The Board receives regular updates from the Executive Directors and other senior management on commercial matters and customer relationships, including new business awards and strategic development programmes – Our corporate purpose and business strategy has been established and is monitored by the Board – The Board reviews and approves major capital investment and product development strategy to promote manufacturing footprint and technology alignment with our customers, including supporting new business and development activities focused on HEV and EV platforms – Annual budget and long-term plan approved by the Board incorporates our strategic growth with our customers, including through long-term product development and alignment
Community As a global company, our community encompasses our wider society and environment as well as the local communities around the world where each of our 107 locations operate **Why we engage** – Promote our reputation as a responsible and ethical business – Attract, motivate and retain employees – Conserve resources and reduce our impact on the environment to ensure a sustainable business	– Consistent with our Core Values, each of our facilities around the world seeks to be a responsible member of its local community – Strive to consistently operate our business in a manner that minimises our impact on the environment through energy efficiency, waste reduction and conservation of resources – Expansion of our EHS group has improved our processes to measure, report and assess our GHG emissions (carbon footprint), representing the environmental impact that our operations have on the wider community – Our Code of Business Conduct includes policies and principles to promote our reputation in our community for high standards of business conduct, including anti-corruption, anti-bribery, fair competition (anti-trust), and positive work environment and inclusion (anti-discrimination and anti-harassment)	– Established an ESG Committee of the Board to guide and support increased focus on ESG initiatives – Supported the rapid development and supply of our 'one size fits all' air flex tube solution for the Ford/ 3M powered air-purifying respiratory systems (PAPR) to meet the urgent need for protective equipment for front line healthcare workers – Donated personal protective equipment to local communities – Developed and launched production of advanced products, such as thermal systems and high pressure fuel tanks, for BEV and HEV platforms that contribute to a cleaner world – Awarded the London Stock Exchange's Green Economy Mark in recognition of the positive environmental impact our product technologies have by helping make cars greener
Suppliers Our suppliers are located around the world and provide us with raw materials, including resin, steel and aluminium, as well as sub components **Why we engage** – To build strong, collaborative and strategic relationships in order to obtain competitive pricing, quality, reliability of supply, and logistics efficiency – To ensure we have access to advanced materials and components that meet our technical requirements – To ensure responsible sourcing and ethical business practices and conduct by our supply base	– Our purchasing organisation has extensive and regular contact with our suppliers regarding specific quoting and sourcing opportunities, delivery logistics and quality controls and testing – Our engineering organisation works closely with suppliers on development activities, validation testing and cost reduction initiatives (value engineering) – We communicate our compliance expectations and how to do business with us through our Global Supplier Requirements Manual, our dedicated Supplier Portal on our website and our purchasing terms and conditions	– Recognising that some suppliers might struggle to remain in business during production shutdowns in 2020 and did not necessarily know where to look for support, our employees prepared material for our supply base to guide them with information on support options available in their locations – Following the development of our own COVID-19 safety protocols (to reduce the risk of transmission in the workplace), we shared this content with our suppliers – We networked with our vendors to make protective equipment and cleaning supplies available to our suppliers

Non-financial information statement

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

Reporting requirement	Non-financial information	Pages
Business model	The Group uses non-financial information in all aspects of its business, from development of its business model and strategy to reviewing and measuring principal risks and the performance of the business. Our key non-financial performance indicator is PPM which measures our product quality and, indirectly, customer satisfaction.	
	Our business model	32
	Our strategy	36
	Key performance indicators	38
	Principal risks and uncertainties	58
	Audit & Risk Committee report	78
Environmental matters	Our business strategy places a focus on developing and supplying leading technology products to help our customers make more environmentally-friendly vehicles. In addition, our own impact on the environment, including our greenhouse gas emissions, is being measured and reviewed for improvement initiatives. 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	35
	Corporate responsibility: Pollution prevention and resource conservation	39
	Details of our Toxic Substances Reduction programme can be found on our website	
Employees	We value our workforce. We are strongly committed to the engagement, development and recognition of our employees and seek to provide a positive culture together with an inclusive work environment. We have programmes to protect their health and safety.	
	Business Model: Employee skills and motivation	35
	Principal risks and uncertainties: Succession of key personnel	61
	Code of Business Conduct	39
	Core Values	39
	Corporate responsibility:	
	– Employment policies, culture, diversity and employee engagement survey	63
	– Health and safety programmes	46
	Directors' report: diversity and inclusion, employee development	74
Business practices and social matters	The Group continues to develop and strengthen its culture of compliance and has articulated to all employees that each employee is expected to conduct business in an ethical and legal manner consistent with our Core Values and in strict accordance with our Code of Business Conduct (COBC). The Group conducts regular training on our COBC which includes elements related to anti-trust and anti-bribery (including the UK Bribery Act). In 2019 we engaged Safecall to provide a whistleblowing hotline to allow our employees to report concerns anonymously. We take the protection of human rights seriously and have zero tolerance for the use of slave and child labour. We also seek to make a positive impact in the many local communities where we operate through local charitable and outreach activities.	75
	Business model: Compliance with laws and regulations	35
	Principal risks and uncertainties: Operating globally and regulatory compliance	61
	Sustainability report:	
	– Code of Business Conduct	39
	– Ethics and Compliance	63
	– Community involvement	45
	– Whistleblowing	75
	– Anti-corruption disclosure	70
	Details of the Group's Tax Strategy as well as our policy regarding Slavery and Human Trafficking can be found on our website	

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 2021

Chairman's introduction to Corporate Governance

Dear Shareholder,
On behalf of the Board, I am pleased to present TI Fluid Systems' Corporate Governance report for 2020. Strong governance remains a priority for the Board and executive leadership in order to promote the strategic development and sustainable success of the Group. I am happy to report that the Company has embraced, and 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').

Corporate Governance
At TI Fluid Systems, we recognise 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 and execution of 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.

In leading the Group, the Board has actively engaged with our shareholders and also considered our wider stakeholders. Setting the tone for the organisation, including the culture, values and behaviours, is viewed as a vital responsibility of the Board. Adoption of our Statement of Purpose page 1 has helped the Board provide the Group with clarity and alignment with the business strategies outlined in the Strategic report on pages 8-65. We recognise that sound Corporate Governance enables informed, clear and consistent management and decision-making from the Board and the entire management team which, in turn, promotes effective stewardship to ensure the delivery of our strategic objectives and sustained success.

Subsequent to the vote against the final dividend at the 2020 AGM by the funds managed by Bain Capital, we have had numerous discussions with Bain to understand its position and perspective, and I am happy to report that Bain Capital is fully supportive of not only the interim dividend that was declared in January 2021 but also resuming dividend payments under our policy in 2021.

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

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 and experience. As I discussed in greater detail in my Chairman's statement, our Board composition remains unchanged this year. Full biographies of each of the Directors are set out on pages 68-69.

To assist the Board in its oversight functions, the Audit & Risk, Nomination and Remuneration Committees have met and carried out their areas of responsibility as noted on page 67.

Corporate systems and structures across the world were understandably put under strain by the largely unexpected events of the last year. Your Board and its Committees have adapted to rapidly changing circumstances and new challenges and demands. Swiftly reviewing trading updates, analysing revised forecasts, understanding supply chain issues whilst ensuring employee safety has necessitated that the Board and Committees meet more often and informally than usual in the past few months.

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 2019, we engaged an outside 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 done at least every three years. In 2020, we conducted an internal review that was designed to follow-up on areas for development identified in last year's external evaluation and to consider additional areas of Board performance with reference to relevant external guidance and best practice.

Overall the results of the Board effectiveness review were very positive with progress identified in several key areas compared to 2019. The evaluation also highlighted a number of ongoing priorities for the Board which we look forward to progressing in 2021.

I look forward to working with the Board in 2021 in seeking excellence in governance both in the boardroom and throughout the Group. TI Fluid Systems has an exciting future and we have a strong and committed team to make the most of the opportunities that lie ahead. The pandemic has provided further confidence in our corporate governance structure and resilience.

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.

Manfred Wennemer
Chairman

THE GOVERNANCE STRUCTURE

THE BOARD
Leadership, strategy and development; controls and values.

Manfred Wennemer
Independent Non-Executive Chairman

William L. Kozyra
Chief Executive Officer and President

Susan Levine
Non-Executive Director

Ronald Hundzinski
Chief Financial Officer

Tim Cobbold
Senior Independent Director

Andrea Dunstan
Independent Non-Executive Director

Jeffrey Vanneste
Independent Non-Executive Director

Stephen Thomas
Non-Executive Director

John Smith
Independent Non-Executive Director

Elaine Sarsynski
Independent Non-Executive Director

NOMINATION COMMITTEE

Manfred Wennemer
Chair

Tim Cobbold
Stephen Thomas
Members

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

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

Consideration of succession planning

More information
Nomination Committee report on pages 76-77

AUDIT & RISK COMMITTEE

Jeffrey Vanneste
Chair

Elaine Sarsynski
John Smith
Members

Key responsibilities
Reviewing and monitoring the integrity of the financial statements

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

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

More information
Audit & Risk Committee report on pages 78-82

REMUNERATION COMMITTEE

Andrea Dunstan
Chair

John Smith
Jeffrey Vanneste
Members

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

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

More information
Remuneration Committee report on pages 83-85

For the year ended 31 December 2020, the Company has applied all the main provisions of the UK Governance Code and has complied with all of the provisions.

"At TI Fluid Systems we recognise the importance of effective Corporate Governance in supporting the long-term success and sustainability of our business."

Manfred Wennemer
Chairman

Board of Directors

Manfred Wennemer

Independent Non-Executive Chairman
Appointment: September 2016
Nationality: Germany

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

Committee membership
Nomination Committee (Chair)

William (Bill) L. Kozyra

Chief Executive Officer and President
Appointment: June 2008
Nationality: United States of America

Skills and experience
Bill was appointed as Chief Executive Officer and President of TI Fluid Systems in June 2008. Prior to joining the Group, Bill held a number of senior executive positions, including that of President and Chief Executive Officer of Continental AG North America and a member of the Executive Board of Continental AG and senior roles at ITT Automotive and Bosch Braking Systems. Bill is also a Non-Executive Director of American Axle & Manufacturing Holdings.

Ronald Hundzinski

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

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

Elaine Sarsynski

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

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

Committee membership
Audit Committee

John Smith

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

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

Committee membership
Remuneration Committee
Audit Committee

Stephen Thomas

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

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

Committee membership
Nomination Committee

Tim Cobbold

Senior Independent Director
Appointment: November 2019
Nationality: United Kingdom

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

Committee membership
Nomination Committee

Andrea Dunstan

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

Skills and experience
Andrea was appointed as an Independent Non-Executive Director of TI Fluid Systems in March 2019. Andrea has been an Executive HR Director for a number of companies, including Wincanton plc, AstraZeneca plc and Barclays Bank plc, and most recently until 2017 was Chief People Officer for Premier Farnell plc. Currently, she is a Non-Executive Director and chair of the Remuneration Committee at both Macfarlane Group plc and Sumo Group plc.

Andrea has decided not to stand for re-election at the 2021 AGM.

Committee membership
Remuneration Committee (Chair)

Susan Levine

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

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

Jeffrey Vanneste

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

Skills and experience
Jeff was appointed as an Independent Non-Executive Director of TI Fluid Systems in October 2017. Jeff was Senior Vice President, Chief Financial Officer and a member of the Executive Council of Lear Corporation for more than seven years until October 2019 when he transitioned to a non-executive advisory role before retiring at the end of February 2020. Prior to joining Lear, Jeff was Executive Vice President and Chief Financial Officer for International Automotive Components Group. Jeff had previously spent over 15 years working with Lear in various positions. Jeff qualified as an accountant with Coopers & Lybrand (currently, PricewaterhouseCoopers LLP).

Committee membership
Remuneration Committee
Audit Committee (Chair)

Matthew Paroly

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

Skills and experience
Matthew was appointed as Chief Legal Officer and Company Secretary of TI Fluid Systems in July 2014. Matthew has more than 20 years of experience in private law practice and in-house executive and legal positions with both public and private companies. Prior to joining TI Fluid Systems, Matthew worked with several automotive suppliers and manufacturers, including Nexteer Automotive, Fisker Automotive, Meridian Automotive Systems and Delphi Corporation. Matthew is a member of the State Bar of Michigan.

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

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

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

CORPORATE STRUCTURE AND SHARE CAPITAL
- Changes to the Group's capital structure
- Major changes to the Group's corporate structure
- Significant changes to the Group's management and control structure
- Issues of public debt by the Company

DELEGATION OF AUTHORITY
- Approval of the written division of responsibilities between the Chairman and the Chief Executive Officer
- Establishing Board Committees, approving their terms of reference and receiving reports from the Board Committees

FINANCIAL REPORTING AND CONTROLS
- Approval of financial statements
- Setting the Company's dividend policy
- Approval of significant changes in accounting policy

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

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

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

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

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

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

The role and structure of the Board

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

The Board operates in accordance with the Company's Articles of Association and the Board's written 'Delegation of Authority' which were approved by the Board in July 2015 and updated in October 2017. The Board has established a number of Committees, as set out on page 67. 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 Chairman, 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 74).

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 2020 to 31 December 2020 there were nine Board meetings. In addition, in the same period, there were six meetings of the Audit & Risk Committee, ten meetings of the Remuneration Committee and two meetings of the Nomination Committee.

The table below shows the Directors' attendance at meetings of the Board and Committee(s) of which they were members and they were eligible to attend in the period from 1 January 2020 to 31 December 2020:

	Board	Audit & Risk	Remuneration	Nomination
Manfred Wennemer	9/9	–	–	2/2
William L. Kozyra	9/9	–	–	–
Ronald Hundzinski	9/9	–	–	–
Tim Cobbold	9/9	–	–	2/2
Andrea Dunstan	9/9	–	10/10	–
Susan Levine	9/9	–	–	–
Elaine Sarsynski	9/9	6/6	–	–
John Smith	8/9	6/6	10/10	–
Stephen Thomas	9/9	–	–	2/2
Jeffrey Vanneste	9/9	6/6	10/10	–

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

CHAIRMAN

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

CHIEF EXECUTIVE

Responsibilities
- Responsible for running the business of the Company and its subsidiaries
- Proposing and developing the Group's strategy and overall commercial objectives
- Regularly reviewing the Group's operational performance, cost control and operating efficiencies and recommending to the Board the annual budget and financial plans for the Group
- Reporting to the Chairman and the Board on the progress of the strategy, the Group's performance and operational matters
- Maintaining a dialogue with the Chairman 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 Chairman, the Company's communication programme with its shareholders
- Ensuring effective communication with shareholders, employees and other stakeholders, in order to understand their concerns and communicate issues to the Board
- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and Corporate Governance
- Safeguarding the reputation of the Group and managing the Group's risk profile
- Maintaining strong relationships with OEM customers

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

Key Board roles and responsibilities

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

Board evaluation

Following Lintstock's facilitated external evaluation in 2019 of the Board's 2019 effectiveness review, this year we have conducted an internal review along similar lines to last year to aid comparison.

Based, in part, on the review, the Board has agreed to continue to maintain focus on the following key areas in 2021 with the core objective of delivering strong and sustainable financial performance by the Group:

- strategies relating to electrification, manufacturing footprint and capital allocation
- talent development and executive succession planning
- opportunities for the Board to deepen its engagement with the business through plant visits and management meetings

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 Chairman 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 Chairman and being available to shareholders if they have any concerns which contact through the normal channels of the Chairman, the Chief Executive Officer or the Chief Financial Officer has failed to resolve or for which such communication is inappropriate. Tim Cobbold continues to serve as the Company's Senior Independent Non-Executive Director.

The Audit & Risk Committee

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

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 78-82.

The Remuneration Committee

The Remuneration Committee is comprised of three Independent Non-Executive Directors. The Remuneration Committee Chair is Andrea Dunstan.

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 83-85.

The Nomination Committee

The Nomination Committee is comprised of the Independent Chairman, the Senior Independent Director and a Non-Executive Director. The Nomination Committee Chair is Manfred Wennemer.

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 76-77.

Balance and independence

In accordance with the main principle B.1 of the Corporate Governance Code, the Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. The size and composition 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 Chairman) should comprise 'independent' Non-Executive Directors. The Board satisfies that recommendation and comprises the Non-Executive Chairman, 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 Tim Cobbold, Andrea Dunstan, Elaine Sarsynski, John Smith and Jeffrey Vanneste.

As the Board composition changes over time and when evaluating candidates for Board membership, candidates are considered on merit, taking account of their relevant skills and experience as well as recognising the benefits of diversity including gender, nationality, ethnicity and age. Currently, three Directors, representing 30% of the Board, are female. Seven Directors are US nationals, two Directors are UK nationals and one is a German national.

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 page 109.

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 2020.

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

Election or re-election of Directors
At the forthcoming Annual General Meeting on 13 May 2021 all the current Directors, apart from Andrea Dunstan, will be offering themselves for re-election.

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.

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 first Capital Markets Event was held in September 2019. 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 will take place on 13 May 2021. A separate notice convening the Annual General Meeting 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 at the Annual General Meeting on 13 May 2021 and an explanation of the items of special business can be found in the circular that contains the notice convening the Annual General Meeting.

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 63-64.

Approved by order of the Board

Manfred Wennemer
Chairman
15 March 2021

NOMINATION COMMITTEE REPORT

Manfred Wennemer
Nomination Committee Chair

Dear Shareholder,
On behalf of the Board, I am pleased to present the Nomination Committee's report for the year ended 31 December 2020.

During the year, the Committee continued to maintain its focus on succession planning and talent development across all levels of leadership to ensure we have the strongest leadership to deliver the Group's purpose and strategy. The Committee leads the process for nominations to the Board, making recommendations to the Board based on achieving the appropriate size, mix of skills, knowledge and experience to drive the strategic objectives of the business, aided by the results of the annual Board evaluation process.

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

Leadership succession

In anticipation of Bill Kozyra's retirement in 2021, the primary focus of the Committee in 2020 was to develop and manage the process to find a new CEO to lead the Group. An outside advisor was engaged to evaluate internal and external candidates. The Nomination Committee, together with other Board members, reviewed a long list of candidates and interviewed the leading candidates, including several external high calibre automotive executives. We were pleased with the results of this process which validated that Hans Dieltjens has the experience, credentials and credibility in the automotive space that make him the right choice to be the next CEO of the Group. We are confident the Group will continue its success under Hans' leadership.

Diversity

The Committee recognises the importance of diversity and remains committed to having a diverse Board. We are pleased that women now comprise 30% of our Board.

Of course, diversity does not apply only to the Board but extends to the senior leadership team and beyond. As such, we are committed to support management to achieve a broader, more diverse senior leadership team while ensuring that promotions and appointments are made on merit and there is an appropriate balance of skills and experience at all levels of the organisation. To that end, widened search criteria are being used to encourage a diverse set of candidates for senior leadership positions comprised of both internal and external candidates. Due to COVID-19 there has been a hiring freeze to maintain financial prudence.

At 31 December 2020, women represented approximately 30% of the Group's total salaried workforce. At present, the Executive Committee (CEO and his direct reports) does not include any women but 28% of senior management reporting to the Executive Committee are women.

Board independence
The 2018 Corporate Governance Code requires that at least half the Board, excluding the Chairman, should consist of Non-Executive Directors determined by the Board to be independent. Throughout the year the Board has been fully compliant on independence. As at 31 December 2020, the Board was comprised of ten Directors, including the Independent Non-Executive Chairman, the Senior Independent Director, four other Independent Non-Executive Directors, two Executive Directors and two Non-Executive Directors.

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

Board time commitment
Each Director is aware of the need to allocate sufficient time to the Company to discharge his/her responsibilities effectively. This is reviewed annually by the Nomination Committee. In addition to time spent at Board and Committee meetings, the Directors participate in several Company-related events; details are set out on page 63.

Committee memberships
There have been no changes in the composition of the Board or the three Committees (Remuneration, Audit & Risk and Nomination) as the expertise of the members of those Committees were reviewed in December 2019 and continue to be viewed as achieving proper alignment of individual Director's strengths and utilisation of their skills.

Annual Board and Committee evaluation
The Committee initiated the annual review of the effectiveness of the Board and Committees which was an internally facilitated review this year following an externally facilitated review last year undertaken by the third-party advisory firm, Lintstock. The review was in keeping with the recommendation of the UK Governance Code requiring reviews 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.

Overall, the results of the Board effectiveness review were very positive with progress identified in several key areas compared to 2019. The evaluation also highlighted a number of ongoing priorities for the Board which we look forward to progressing in 2021.

Membership and terms of reference of the Nomination Committee
The Committee, following the announcement of the changes to Committee composition in December 2019, is comprised of the Chairman, Manfred Wennemer, Stephen Thomas and Tim Cobbold. The Board considers the majority of the members of the Nomination Committee to be independent.

The Nomination Committee is responsible for ensuring that the Board and its Committees have the appropriate balance of skills, knowledge and experience to effectively lead the Company both in the present and the future. The current Terms of Reference of the Nomination Committee, approved in October 2017 and reviewed for appropriateness in March 2021, are available to view on the Company's website.

Key issues reviewed by the Committee in the year
During the year ended 31 December 2020, the Nomination Committee has met twice formally and had numerous informal telephone discussions in order to manage the CEO search process.

Focus on 2021
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
- recommend the re-election of all Directors apart from Andrea Dunstan who is stepping down at the AGM
- promote Board and management diversity
- recruit additional Non-Executive Directors to ensure the Board maintains a broad mix of market knowledge and relevant experience
- review the Committee Terms of Reference
- supporting an orderly and efficient transition to Hans Dieltjens as our new CEO
- further review and development of succession planning

Manfred Wennemer
Nomination Committee Chair
15 March 2021

AUDIT & RISK COMMITTEE REPORT

Jeffrey Vanneste
Audit & Risk Committee Chair

Dear Shareholder,
I am pleased to present my report as Chair of the Audit & Risk Committee which outlines the Committee's composition, main responsibilities and key areas of focus during the year, a year understandably impacted by the global pandemic.

The core responsibility of the Committee continues to be to provide an independent oversight in relation to the integrity of financial reporting, the extent and effectiveness of internal financial controls and assurance processes; the monitoring of key risk management systems and processes and assessment of the effectiveness and independence of the Group's external auditors. This report covers the activities of the Committee throughout 2020 and up to the date of this report.

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

Membership of the Audit & Risk Committee

The Audit & Risk Committee comprises Independent Non-Executive Directors of the Company as set out in the table below. Brief biographical information on the members of the Audit & Risk Committee are listed on pages 68-69 including details of experience and competence relevant to the sector. The Company Secretary, who is also Chief Legal Officer, acts as secretary to the Committee.

The following table shows the number of meetings held during 2020 and the attendance record of individual members of the Committee:

Name of member	Date of appointment to the Committee	Number of meetings attended	Maximum number of meetings the member could have attended
Jeffrey Vanneste	25 October 2017	6	6
John Smith	25 October 2017	6	6
Elaine Sarsynski	12 December 2019	6	6

The Audit & Risk Committee is ordinarily scheduled to meet once a quarter through the year and its agenda is linked to both the Group's external reporting timetable and the internal financial cycle. The Audit & Risk Committee invites the Chief Executive Officer and President, the Chief Financial Officer, the Group Controller and Vice President Risk and other senior finance personnel, together with other senior representatives of the external and internal auditors, to attend certain meetings. The Committee, when necessary, will meet in private with the internal and external auditors without management present as part of the overall meeting structure. All other members of the Board have an open invitation to attend the meetings. As the Chair of the Committee, I had a number of private discussions with the lead external audit partner during 2020.

In 2020, an additional meeting was held to approve the 2019 Post-Close Trading Statement prior to its release on 27 January 2020. Furthermore, the Committee held a second meeting in 2020 to consider matters relevant to the Group's 2020 Interim Results. The additional meeting was necessitated primarily to consider the adequacy and appropriateness of the Group's €304.6 million exceptional impairment charge. Details of the work carried out at this meeting are considered further in this report. Following the year end, the Committee met to review matters relating to the Group's 2020 Annual Report.

The role of the Audit & Risk Committee

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

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

Oversight of financial reporting

The Committee acts in an oversight role in respect of the Annual Report and other announcements with financial content, all of which are prepared by management. The Committee received reports on the Annual and Interim financial statements from management and the external auditor. The Auditor's report including a summary of key audit matters is set out on pages 113-121.

The Committee has:

- considered the significant accounting judgements and policies adopted in respect of 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
- reviewed the content of the proposed news releases issued in conjunction with half year and full year results as well as reviewing, on behalf of the Board, the quarterly Trading Updates issued in May and November 2020, respectively
- discussed audit reports with the external auditors which highlighted key accounting matters and significant judgements in respect of each set of financial statements
- reviewed and discussed reports to support management's assessment of the going concern judgement and the viability statement set out on page 62
- noted that the Group's risk related to Brexit and the recently established new trade agreement between the UK and Europe was considered and is supported as being limited

Throughout 2020 the Committee has been mindful of the potential threats to financial reporting integrity posed by the impact of the global pandemic on the organisation. The Committee has consistently enquired, probed and sought to understand the impact on resources levels in finance and non-finance and the necessary changes to working protocols arising from extensive remote working, restructuring actions and COVID-19 levels across the organisation's sites. Whilst being understanding of the initial impact of changing operating protocols in Q2 the Committee has worked with management to retain adequate internal audit coverage for 2020. Additionally, the Committee has challenged the external auditor to explain how remote working has been factored into the external audit and review processes at both the half year and full year, including, but not limited to, the operation of virtual stocktake attendance, accessing original documentation and meeting and sign-off procedures with management.

2020 half year impairment review

Given the dramatic change in projected automotive volumes that arose in Q2 2020 the Group conducted a full impairment review as part of finalising its half year results. The extensive review carried out by management, was reviewed by the Committee at its August 2020 meeting. At the meeting the Committee:

- reviewed the impairment methodology used by management including, but not limited to, the determination of cash-generating units ('CGUs'), the development of four cash flow scenarios and the basis of the probabilities allocated to each scenario to determine the weighted cash flow model that underpinned the impairment modelling
- challenged management's treatment of future restructuring activities, enhancing capital expenditure levels and working capital management assumptions in deriving the impairment model
- understood the determination of discount and long-term growth rates pertinent to CGUs
- assessed the resultant impairment result, the proposed disclosures including sensitivities, and the exceptional item disclosure designation
- satisfied ourselves that relevant critical judgements and estimates had been appropriately included in the 2020 half year financial statements and that the half year Earnings Release included appropriate and measured commentary about the impairment

Following its review, the Committee concluded that the impairment review had been conducted with appropriate diligence and that the accounting and disclosure at the half year was appropriate.

Significant accounting matters

The issues and judgements considered below were identified by the Committee as significant to the preparation of the 2020 Financial Statements:

Key accounting judgements	Work undertaken
Warranty provision The Group is subject to warranty claims in the event that its products fail to perform as per specifications. Warranty provisions are made to cover potential exposures that relate to specific customer claims. Key judgements are made in calculating the provision and these are dependent on the customer, complexity of the issue and the negotiation process. The outcome of claims is often difficult to predict and quantify.	We considered the judgements made by management in assessing the likelihood and quantification of material exposures. This included: – understanding the nature of the specific claims and correspondence with customers – assessing management's evaluation of the likelihood and quantum of exposure and the status of negotiations with the customer We obtained the external auditor's views in relation to the appropriateness of the approach taken by management. Taking into account the evidence presented and explanations given by management, we concluded that the judgements taken in respect of warranty matters were reasonable and appropriate.
Goodwill and intangible assets impairment All cash-generating units ('CGUs') containing goodwill and intangible assets are tested for impairment annually. The determination of CGUs and the recoverable amount requires judgement by management in both identifying and valuing the relevant CGUs. Key judgements and estimates are involved in completion of impairment reviews including cash flow forecasts, discount rates and long-term growth rates. A change in these assumptions can result in a material change in the valuation of the assets. Continued uncertainty about future automotive volumes, the impact of electrification trends and the extent and effectiveness of ongoing restructuring actions all necessitated judgement and estimation. Having recognised a material exceptional impairment charge as at 30 June 2020, improvements in market conditions, forecast volumes and cash flow projections since the half year necessitated consideration of the possibility of impairment charge reversals in determining the full year results.	As part of the annual impairment review, we considered a summary report from management explaining the methodology, assumptions, the results of the impairment test and comparative analysis with the impairment review conducted at the half year. We specifically reviewed the discount and growth rates used to calculate expected future cash flows at their present value ensuring appropriate consideration of inherent risk and geography had been factored in. Furthermore, we discussed the underlying future cash flow assumptions in the impairment assessments, understanding the changes from the half year. Additionally, our review considered the disclosures of key estimates and judgements in the financial statements along with the extent and appropriateness of sensitivities performed by management including potential climate change impacts and the extent of disclosures made. Specifically our review challenged the articulation of why the improvement in projected cash flows from 30 June wasn't sufficiently sustained and prolonged to warrant impairment reversals in some CGUs. The impairment reviews were also an area of focus for PricewaterhouseCoopers LLP and we considered their report. We were satisfied with the approach taken by management and concluded that the judgements and estimates used in the impairment assessment were reasonable and the conclusion of no further impairment or a reversal in 2020 was appropriate.
Deferred tax asset recognition and provision for uncertain tax positions The Group has a wide geographic footprint and is subject to tax laws in many jurisdictions. Provisions are made for uncertain tax positions which involve judgement and estimates by management as to the likelihood of their realisation. Recognition of deferred tax assets also involves judgement as to their realisation, including whether there will be sufficient taxable profits in future periods to support recognition. This aspect is heightened in 2020 as the magnitude of taxable losses being considered increased markedly relative to 2019.	We reviewed summary reports from management in respect of estimates of tax exposures to assess the reasonableness of the Group's tax provisions. Information provided has included specialist tax advice in applicable jurisdictions and updates on specific ongoing audits. The recognition of deferred tax assets was reviewed including the Company's assessment of the availability of future profits to support recoverability including the impact of continued future volume and trading uncertainties and consistency of forecasts with the impairment work. We ensured that a measured approach to recognition of deferred tax assets was taken by management in 2020. PricewaterhouseCoopers LLP also reported to the Committee its findings in this area which have been reviewed and considered. The Committee was satisfied with the judgements, estimates and that disclosures were reasonable and appropriate.

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

Other financial reporting matters

Presentation of financial statements

The Board continues to use adjusted results as the measure of ongoing performance of the Group and its Divisions. This approach necessitates the exclusion of certain items of income or charge that are felt to distort comparability of performance. In considering the presentation of the 2020 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 2020 Annual Report disclosures were appropriate and a satisfactory balance between non-IFRS measures and statutory measures had been maintained.

New accounting standards

No new accounting standards were adopted in 2020. The Committee reviewed management's consideration of the amendment to IFRS 16 Leasing in respect of lease rental forgiveness arising in 2020. The Committee concurred with management's decision not to adopt the amendment.

External auditors

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

During 2020, the Committee's engagement with the external auditor has mainly focused on:
– the review and approval of PricewaterhouseCoopers LLP's 2020 audit plan, terms of engagement and fee for the audit of the 2020 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 2020 external audit and the consequential fee implications of the extensive increase in work required
– a detailed review of the auditors work in respect of the half year exceptional impairment charge

The Committee approved the proposed external annual audit plan and its scope at its meeting in November 2020. Our consideration of the plan involved an assessment of the size of entities covered and the level of risk associated with those entities. The Committee was satisfied that the proposed risk-based approach was appropriate and commensurate with the Group's risk appetite in respect of external audit assurance. The key audit matters identified by PricewaterhouseCoopers LLP are set out in its report on pages 113-121 and were reviewed by the Committee in approving the 2020 audit scope and plan.

In assessing the effectiveness of PricewaterhouseCoopers LLP, the Committee had regard to a number of factors which included but were 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 2020 financial statements
– the quality of reporting to the Committee
– their performance during the 2020 half-year review process, in particular the clarity of explanation of work carried out on the impairment and the time involved
– feedback from senior management on the quality of engagement with them

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

Auditor independence and non-audit services

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

The Committee has received confirmation from PricewaterhouseCoopers LLP that they remained independent and objective within the context of applicable professional standards throughout 2020 and the duration of the 2020 audit appointment.

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

Any proposed non-audit service engagement has to be approved by the Group Controller & VP Risk on behalf of the Committee. Approval is only given if it is within acceptable financial parameters and confirmation has been received from PricewaterhouseCoopers LLP that the service does not contravene regulatory independence and ethical requirements. There were no significant engagements of the external auditors for non-audit services during 2020. Details of the fees due to PricewaterhouseCoopers LLP in 2020 can be found in Note 33 on page 183 of the Financial Statements.

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

Taking all matters of effectiveness, independence and objectivity into consideration, the Committee has concluded that it was appropriate to recommend to the Board of Directors the reappointment of PricewaterhouseCoopers LLP as the Company's auditors for 2021.

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

Internal control and risk management

The Group continued in 2020 to refine its processes and controls globally to reflect changes to its internal control framework. The Group's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit & Risk Committee, in addition to review by the internal and external auditors. Control deficiencies identified are followed up with action plans that are reviewed by the Audit & Risk Committee. The Board has established policies and procedures, including delegations of authority, which have been communicated across the Group.

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

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

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

- reviewed the change to the 2020 Internal Audit plan necessitated by the Q2 curtailment of operations
- considered reports from Internal Audit on the outcomes of the 2020 Plan
- discussed the status and actions relating to control issues raised via the Group's whistleblowing hotline
- monitored the feedback from special project reviews performed by Internal Audit
- reviewed and approved an update to the Internal Audit Charter
- reviewed and approved the proposed Internal Audit plan for 2021
- discussed with the external auditor their findings and perspectives on the Group's internal control framework

In July 2020, the incumbent Head of Internal Audit retired. The Chair of the Audit Committee worked jointly with the Group CFO to establish the selection criteria for the replacement and was involved in the assessment and interview of the internal candidates. On appointment the new Head of Internal Audit met each Committee member to understand their expectations. Following this new appointment, the CFO has launched a programme to re-invigorate the focus on internal financial control across the Group. The Committee has reviewed and supports the proposed approach for 2021.

The Board has overall responsibility for the Group's risk appetite and ensuring there is an effective risk management framework. The Board has delegated responsibility for review of the risk management programme and effectiveness of internal controls to the Audit & Risk Committee. Further information on the Group's formative risk management programme and the risks and uncertainties which are judged to have the most significant impact on the Group's long-term performance and prospects are set out on pages 58-61.

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

Other matters

During the year the Committee:

- received an overview report on the Group's Insurance programme including details of the 2020 renewal pricing
- reviewed and approved the Parent Profit and Loss Account for the year on behalf of the Board pursuant to compliance with s408 Companies Act 2006
- received update briefings on the progress being made with the implementation of a new Group-wide financial reporting system
- reviewed the details of the Group's refinancing and approved the accounting treatments arising from the Group's refinancing programme
- reviewed the activities of the Group's Tax and Treasury functions

The 2020 annual review of the Group's cyber security arrangements, ordinarily carried out by the Committee, was presented at the Group's Board meeting in December 2020.

Jeffrey Vanneste
Audit & Risk Committee Chair
15 March 2021

STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

Andrea Dunstan
Chair of the Remuneration Committee

Dear Shareholders,
Our first Directors' Remuneration Policy was approved by shareholders at our 2018 AGM and so, in accordance with applicable regulations, we are submitting a revised Policy for shareholder approval at the 2021 AGM. Below I have outlined the remuneration decisions we've taken during the COVID-19 pandemic, along with our approach to revising our Remuneration Policy.

2020: A year of unique challenges and successes

As we began the year, we were keenly aware of the risks of COVID-19, having seen the beginning of the pandemic in Asia Pacific. As the crisis moved west to Europe and then North America, the Company leveraged our experience in Asia Pacific and took a number of actions to mitigate the social and financial challenges created by the COVID-19 outbreak.

First and foremost, the Group implemented a global work from home mandate for all employees whose position was not directly tied to production. In addition, we quickly adapted our IT systems to manage the significant increase in remote work. We also implemented enhanced safety and cleanliness procedures in all of our manufacturing locations. Virtual audits were conducted in each location ensuring appropriate standards were put in place prior to starting production.

During the first and second quarter of 2020, management initiated a number of fixed cost savings initiatives in an effort to protect the long-term success of our business in alignment with the interests of our shareholders, customers, suppliers and employees. These initiatives included:
- a 10% temporary base pay/fee reduction for Non-Executive Directors, Executive Directors and 42 top executives of the Company
- a temporary 5% base pay reduction was applied to the vast majority of staff employees paid greater than €50k annually
- in conjunction with these temporary reductions in base pay, the CEO decided to delay the implementation of his salary increase that was due to take effect from 1 January 2020 (note that incentives in respect of 2020 continue to be calculated by reference to the increased salary)
- a series of Major Initiatives were enacted whereby every department and employee was focused on reducing costs, preserving cash and protecting profitability

Through the second quarter of the year, our customers implemented complete production shutdowns, causing us to do the same. Acting quickly, the Group:
- created and implemented rapid shut-down and start-up procedures with a focus on employee safety
- implemented strong commercial agreements with customers to ensure efficient and stable production during start-ups
- organised and implemented restructuring initiatives in response to the significant automotive volume decline, in a manner consistent with our union and works council agreements

As our customers resumed production, the Group safely returned our workforce, obtained materials and sub components and re-started our operations in order to meet their production needs with no significant disruptions.

As we approached the third quarter, the industry experienced more consistent and reliable customer volumes, and the Group benefited from the results of fixed cost and profitability management. Having successfully managed through the worst part of the crisis, the Group:

- stopped the salary sacrifice programme at all levels including Executive Directors effective 1 October 2020
- re-paid the salary sacrifice made through 2020 to all employees, including Executive Directors (but not Non-Executive Directors)
- re-paid all UK furlough payments received from the UK government in 2020
- declared an interim dividend of 6.74 Euro cents that was announced on 25 January 2021

The Group's continued success in the fourth quarter also enabled us to implement discretionary pay increases to all employees (including the Executive Directors), who were not covered by collective bargaining contracts, on 15 December 2020.

Throughout the year, the management team acted quickly and decisively to manage this unprecedented crisis without losing sight or momentum on its product, commercial and social strategies. Notable successes include:

- providing new product prototypes to a prominent German automotive manufacturer which will significantly improve the Thermal management of Electric Vehicles
- booking 47% of new lifetime sales awards in the Electric Vehicle HEV/BEV market
- establishing new diversity and inclusion committee and assessing 100 of the top 300 managers and directors on their inclusivity

The management team not only successfully navigated the 2020 crisis but also managed to accelerate their commercial, product and ESG strategies.

Update on 2020 LTIP Measures

As disclosed in our 2019 Directors' Remuneration report, the Committee introduced adjusted free cash flow as a third LTIP measure for 2020 in order to provide a more balanced assessment of long-term performance. Our intention was that awards would be subject to Adjusted EPS growth (40% weight), adjusted free cash flow (40% weight) and relative TSR (20% weight). However, due to the uncertainty caused by the COVID-19 pandemic, we were not able to set targets for the Adjusted free cash flow measure in March 2020 at the time of publishing our 2019 Annual Report. Taking into account the Group's priority of preserving cash in light of the COVID-19 pandemic, the Committee subsequently came to the conclusion that Adjusted EPS growth was no longer an appropriate measure for the 2020 LTIP grant. As announced on 17 June 2020, after careful deliberation, LTIP grants were made in June 2020 with performance targets based on cumulative free cash flow (80%) and relative TSR (20%). The specific measures and targets for the 2020 LTIP grants are outlined on page 101.

Remuneration Policy context

The Company is in the unique position of being the only automotive supplier listed on the FTSE 250 and, although we are listed in the UK, our management team is based in the United States. It is therefore important that our Remuneration Policy balances UK shareholder and governance expectations with the need to appropriately attract, retain and motivate executives based in the United States. We believe that our approach strikes an appropriate balance and is in the best interests of shareholders. We also note that although our incentive opportunities are towards the upper end of UK practice for a company of our size, they are less attractive compared with those available for similarly experienced executives elsewhere in the automotive industry. We understand that some proxy advisors cannot consider factors outside of UK norms, which is why we directly engaged shareholders to participate in the design of our revised Remuneration Policy.

Shareholder Engagement

In 2020 and early 2021, we invited shareholders representing over 80% of outstanding shares to comment on, and participate in the development of, our 2021 Remuneration Policy. We were pleased with the resulting engagement, which offered specific insight into the mindset and priorities of our shareholders.

For the most part, we found shareholders were interested in remuneration that would motivate quality growth while ensuring proper UK governance. One shareholder noted that the overall quantum of remuneration was considered above UK norms but understood the logic that our executives should be paid commensurate with their geographic competitive talent pool. We are thankful to those shareholders who provided insight and guidance and believe we have reflected many of their sentiments in our revised Remuneration Policy.

Changes to the Remuneration Policy

The Committee considered that the existing remuneration framework continues to support the strategic objectives of the Group and is aligned with shareholders' interests. As a result, our structure made up of base pay, an annual and deferred bonus plan ('ABP') and a long-term incentive plan ('LTIP') will remain.

We are not proposing any increases to maximum incentive opportunities. The following are the updates to the Remuneration Policy for 2021 to reflect the UK Corporate Governance Code (the 'Code') and developments in UK shareholder expectations:

- **Pension:** Our Remuneration Policy already provides that Executive pensions are provided in line with practice relative to the country in which the Executive resides. The current Executive Directors participate in a 401(k) plan on the same basis as the wider US workforce. In the event a future Executive Director is based outside of the US, they will only be eligible to participate in defined contribution pension schemes which are in line with the workforce
- **ABP payout for target performance:** Previously 70% of the maximum bonus was awarded for target performance. Recognising UK best practices, the payout for target performance will be reduced to 50% of the maximum bonus
- **ABP deferral:** Under the previous Remuneration Policy, any bonus earned over 100% of salary was deferred into Company shares and held for two years. Under our new Policy, this deferral will only apply to an Executive Director who has not met the new higher shareholding guideline as set out below
- **Shareholding guidelines:** To further enhance the alignment between Executive Directors and shareholders, we have increased the shareholding guideline from 300% of salary to 500% of salary for the CEO and 400% of salary for the CFO. The new shareholding guidelines exceed UK best practices and are well above the median of the guidelines of the FTSE 250
- **Post-employment shareholding guidelines:** Taking into account the provisions of the Code, we have introduced post-employment shareholding guidelines in line with evolving market practice. Executive Directors will be expected to maintain a shareholding equal to (i) the new higher shareholding guideline for the first year post-departure and (ii) 50% of the guideline for the second year post-departure, or, in either case, the actual shareholding on departure if lower. This requirement will apply to shares from incentive arrangements granted from the date of adoption of the Policy
- **Good leavers:** Where an Executive Director is treated as a good leaver on departure, their outstanding LTIP grants will continue to vest based on performance during the applicable measurement period and would, upon vesting, then be subject to a two-year post-vesting holding period. However, taking into account the introduction of post-employment shareholding guidelines, under the new Policy no post-vesting holding period will continue for more than two years after departure
- **Malus and clawback:** Taking into account the guidance from the FRC, we are extending our malus and clawback terms to include corporate failure as a potential trigger

Remuneration for 2020

As described above, the CEO's 5% base pay increase was delayed from 1 January to 15 December 2020, ensuring that Executive Directors received base pay adjustments in line with the wider workforce.

As set out above, management have delivered excellent results taking into account the challenges associated with COVID-19. Following the end of the year, the Remuneration Committee undertook a detailed assessment of the annual bonus outturn in order to ensure that it was appropriate in the context of the experience of our employees, shareholders and other stakeholders. Notwithstanding the exceptional performance achieved, the Remuneration Committee exercised discretion to cap the maximum bonus outturn for Executive Directors at 75% of maximum. Full details of the Committee's considerations on bonus outturns are set out on pages 100-101.

2020 marks the conclusion of the measurement period for the Company's inaugural LTIP grants made in 2018. The 2018 LTIP grants comprised of two metrics: Adjusted EPS Growth (80% weight) and Relative TSR against the FTSE 250 (20% weight). As explained later in this report, the threshold level of performance for either metric was not achieved and, as a result, there will be no vesting of the 2018 LTIP grants.

Overall and considering the dynamic year, the Remuneration Policy operated as intended in terms of balancing performance and rewards.

Remuneration for 2021

During our review of our Remuneration Policy, the Committee also considered the performance measures under the ABP and LTIP. Below we describe the changes from prior plan designs:

- **ABP targets:** Reflecting the importance of delivering our short-term strategic priorities we intend to increase the weighting on the strategic initiatives measure from 20% to 25% of the ABP, with the balance of the ABP in 2021 to be determined on financial measures such as adjusted EBIT margin and adjusted free cash flow
- **LTIP targets:** We recognise the need to deliver a sustainable future for our business, including a focus on safety, environmental and social impact. We are, therefore, introducing a measure linked to sustainability which will have a weighting of 20% of the 2021 LTIP. The balance of the 2021 LTIP will be based on financial and relative TSR measures

Executive Director transition

As announced on 17 February 2021, our CEO William L. Kozyra will retire as President and CEO in the fourth quarter of 2021, following an orderly transition to his successor, Hans Dieltjens. Hans' remuneration arrangements will be set in line with the Remuneration Policy.

Andrea Dunstan
Chair of the Remuneration Committee
15 March 2021

PART A: DIRECTORS' REMUNERATION POLICY

Introduction

This part of the Directors' Remuneration report sets out the details of the Remuneration Policy (the 'Policy') for Executive and Non-Executive Directors of the Company that will be proposed for approval by shareholders by way of a binding vote at the Annual General Meeting on 13 May 2021. It is proposed that the Policy will apply for the period of three years from the date of approval unless updated and approved by shareholders. The Policy, as set out below, will operate until the Company's Annual General Meeting to be held in 2024.

Changes to the Remuneration Policy

Following a review during 2020 a number of changes to the existing Remuneration Policy are being proposed. These changes reflect the UK Corporate Governance Code and developments in UK shareholder expectations. The key changes between the proposed Policy and the existing Remuneration Policy are as follows:

- pension arrangements for Executive Directors will be in line with the wider workforce relative to the country in which the Executive resides and will be limited to defined contribution plans only
- the ABP payout for target performance has been reduced from 70% to 50% of maximum
- the shareholding guidelines have been increased from 300% of salary to 500% of salary for the CEO and 400% of salary for the CFO
- deferral under the ABP will not apply where an Executive Director has met their shareholding guideline
- post-employment shareholding requirements have been introduced
- where an Executive Director is treated as a good leaver the post-vesting holding period that applies to the LTIP will not continue for more than two years after departure
- malus and clawback provisions have been expanded

Remuneration Policy summary

The Remuneration Committee is responsible for determining the Remuneration Policy for the Executive Directors, Non-Executive Directors and Chairman for current and future years. In setting the Policy, the Remuneration Committee has sought to ensure that it is sufficiently flexible to take account of future changes in the Group's business environment and in remuneration practice.

The Policy is designed around the following key principles that allow for:

- alignment with the long-term interests of shareholders
- competitive remuneration which is set at an appropriate level to attract, retain and motivate executive management from the automotive industry in the United States, United Kingdom and other countries
- strategic alignment between remuneration and the Group's long-term strategic goals
- encouraging and supporting a high-performance culture with appropriate reward for superior performance
- avoiding the creation of incentives that, having regard to the risk appetite of the Board, will encourage excessive risk taking or unsustainable Company performance

The Remuneration Committee will review and approve annually the remuneration arrangements for the Executive Directors and the Executive Committee and will also review for alignment the remuneration of the wider workforce, taking into consideration:

- overall corporate performance
- market conditions affecting the Group
- the competitive recruitment market
- business strategy over the period
- changing practice in the markets where the Group competes for talent

Remuneration Policy details

The details set forth below and in the accompanying notes summarise the key elements of the Policy and how those elements support the Group's short-term and long-term strategic objectives.

Base salary Base salary shall be set to acquire and retain the Executive Directors with the experience and expertise required to develop and implement the Company's strategy.	**Operation of Base Salary** – An Executive Director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. – When determining an appropriate level of base salary, the Committee considers: – individual degree of responsibility and experience of the Executive Director – remuneration structures in companies that are comparable in terms of business activities, complexity, size and geographic area of the Executive Director – wider remuneration practices within the Group – The Committee ensures that maximum salary and fee levels are positioned with consideration of: – the need to acquire and retain Executives with the skills and experience to develop and implement the Company's strategy – companies that are comparable in terms of business activities, complexity and size to the Company, which the Company would compete for talent against – the norms within the country in which the executive resides
	Potential Value of Base Salary and Performance Measure – In general, increases for Executive Directors will be in line with the increase for the wider workforce. In certain circumstances, such as but not limited to an increase in the size and scope of the role or where an individual is out of line with the market, higher salary increases may be given
	See the section below headed 'Implementation of Remuneration Policy' for the salaries for the next year for each of the Executive Directors.
Benefits The benefit package will be in line with the practice relative to our comparator group in the jurisdiction in which the Executive Director resides to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver our strategy.	**Operation of Benefits** – The Executive Directors are eligible to receive benefits coverage in the jurisdiction they reside in. These benefits include: medical, life and disability income protection insurance, executive medical assessments, perquisite allowances, car allowance or paid vehicle lease, relocation support and benefits when applicable, tax advice and tax return fees, support with respect to incremental overseas tax as well as other customary benefits which are afforded to employees in the same jurisdiction. In some cases, the Group may pay the tax on these services – The Remuneration Committee recognises the need to maintain flexibility in the benefits provided to Executive Directors to ensure it is able to support the objective of attracting and retaining key personnel in order to deliver the Group's strategy. Additional benefits may, therefore, be offered at the discretion of the Remuneration Committee
	Potential Value of Benefits and Performance Measure – Generally, benefits do not represent a significant portion of the total remuneration package of Executive Directors – Medical benefits coverage is provided through the Group's local operating unit of the jurisdiction in which the Executive Director resides and is consistent with the level of benefits afforded to other executives in the country. The cost of providing this benefit may vary on utilisation – Perquisite and vehicle allowances or paid vehicle lease will be consistent with local practice for executives who reside in the Executive Director's jurisdiction – Tax advice and tax return fees are paid by the Group. The Group will cover incremental overseas tax (i.e. duplicative tax or social insurance charges) which may arise as a result of the Executive Director discharging their responsibilities on behalf of the Group – Executive Directors will participate in the qualified disability benefits which are afforded to other executives in the jurisdiction the Executive Director resides

Pensions Pension provisions will be in line with competitive practice to enable the Group to recruit and retain Executive Directors with the experience and expertise to deliver our strategy.	**Operation of Pension** – Pension arrangements are provided in line with the practice relative to the country in which the Executive Director resides. Executive Directors will only be eligible for defined contribution pension schemes which are in line with the wider workforce – If appropriate and at the discretion of the Remuneration Committee, a competitive pension arrangement or cash alternative may be implemented provided that the terms and value of the arrangements are consistent with custom and practice of the jurisdiction in which it is to be applied
	Potential Value of Pensions – Executive Directors residing in the United States are eligible to participate in the Group's 401(k) defined contribution scheme in line with the wider US workforce. The employer matching pension contribution is subject to a cap set by US IRS Code 401(k). At the time of writing this cap was set at €11,250 at €1 = $1.14 exchange rate – In the event that a non-US-based Executive Director is engaged, a pension arrangement or alternative cash scheme may be implemented consistent with custom and practice in the jurisdiction in which the Executive Director is employed
	See the section below headed Implementation of Remuneration Policy for the pension contributions for the next year for each of the Executive Directors.
The Annual and Deferred Bonus Plan ('ABP') The ABP provides an incentive to the Executive Directors linked to achievement in delivering annual goals that are closely aligned with our strategy and the creation of value for shareholders.	**Operation of Annual Bonus Plan** – The Remuneration Committee will determine the bonus to be awarded following the end of the relevant financial year based on the Group's performance against annual performance measures and targets – The Company will set out in the Remuneration report in the following financial year details of the performance measures, targets, weight and their level of satisfaction for the year being reported to the extent that they are not commercially sensitive – The Remuneration Committee, at its discretion, can further align (when appropriate) the Executive Directors with shareholders by deferring a portion of ABP awards into shares: – where the Remuneration Committee determines that an Executive Director has not met their shareholding guideline, the first 100% of salary will be paid in cash and any element payable above 100% of salary will normally be deferred into ordinary shares of the Company, and held for two years with no further performance conditions – where the Remuneration Committee determines that an Executive Director has met their shareholding guideline the entire bonus will be paid in cash – the Committee, at its discretion, may award dividend equivalents on deferred shares – The Company will set out in the Remuneration report in the following financial year, the nature of the deferral mechanism being operated for the ABP awards to be made in that financial year
	Potential Value of Annual Bonus Plan – The maximum bonus (including any part of the bonus that is deferred) will not exceed 300% of an Executive Director's annual base salary – The Remuneration Committee may use different performance measures and weightings for each performance cycle as appropriate, in line with the strategic needs of the business – The percentage of the bonus earned for levels of performance will be: – Threshold: 30% of maximum bonus award – Target: 50% of maximum bonus award – Maximum: 100% of maximum bonus award The performance measures for 2021 will be: – Adjusted Earnings Before Interest and Taxes Margin (weighted 35%) – Adjusted Free Cash Flow (weighted 40%) – Strategic measures (weighted 25%) Awards will be calculated using a straight-line scale between Threshold and Target, and Target and Maximum.

Long-Term Incentive Plan ('LTIP') The LTIP is designed to incentivise and reward Executive Directors to create long-term value by successful delivery of our strategy. In addition, the plan is designed to increase Executive Directors shareholding in the Company to further align them with shareholders.	**Operation of Long-Term Incentive Plan** – Awards are granted annually to Executive Directors in the form of either conditional shares, nil cost options, restricted stock units, or restricted shares – Details of the performance measures for grants made in the year will be set out in the Remuneration report – These grants will normally vest over three years subject to: – the Executive Director's continued employment at the date of vesting; and – satisfaction of the performance conditions – The Committee may award dividend equivalents on LTIP grants in either shares or cash to the extent such grants vest – A post-vesting holding period of two years will normally apply to Executive Director LTIP grants, unless: – exceptional circumstances arise in which the Remuneration Committee feels the holding period post vesting is not warranted; or – two years have passed since the final date of employment – The Committee will have the discretion, acting fairly and reasonably, to determine that vesting can be reduced or enhanced if there are circumstances (relating to the Group's overall performance or otherwise) which make vesting when calculated by reference to the performance conditions alone inappropriate **The Committee reserves the right to:** – Amend the performance conditions for each new LTIP scheme during the period covered by this Policy – Amend 'in flight' schemes conditions where there is a significant change in economic circumstances or accounting standards or if there is a significant and material event which causes the Committee to believe the original measures, weighting and/or targets are no longer appropriate; provided that conditions are not materially less challenging to satisfy – Adjust the number of LTIP shares on the occurrence of a corporate event or other reorganisation
	Potential Value of Long-Term Incentive Plan – Normal maximum grant value of up to 300% of salary based on the market value at the date of grant set in accordance with the rules of the LTIP – 100% of the LTIP award will vest based on the achievement of the performance target with up to 133% vesting (i.e. 400% of salary) based on exceptional performance as measured by the achievement of the outperformance target – The maximum grant in exceptional circumstances (such as recruitment) can be 450% of base salary
	The performance measures for the 2021 LTIP will be: – Adjusted Free Cash Flow (weighted 60%) – Strategic ESG Target (weighted 20%) – Relative Adjusted Total Shareholder Return against the FTSE 250 (weighted 20%) No more than 25% of an LTIP grant may vest for Threshold performance. Vesting will normally be calculated using a straight-line scale between Threshold and Maximum. The outperformance measure for 2021 LTIP will be Adjusted Free Cash Flow and will fully trigger on the outperformance achievement.
Non-Executive Director fees	Non-Executive Director fees support recruitment and retention of high calibre Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives. – The Remuneration Committee is responsible for setting the remuneration of the Chairman of the Board, and the Chairman of the Board and the Executive Directors are responsible for setting the remuneration of the Non-Executive Directors – Non-Executive Directors receive an annual fee, paid quarterly in arrears, which fees are reviewed annually in line with the review policy for the Executive Directors – Non-Executive Directors do not participate in any variable remuneration or benefits arrangements – The fees for Non-Executive Directors are competitive and are outlined on page 106 – In general, the level of fee increase for the Non-Executive Directors will be set taking into account any change in responsibility and the general increase in Non-Executive Directors' fees in the UK market – The Company will pay reasonable expenses incurred by the Non-Executive Directors, and may also arrange, and pay fees, for preparation of annual tax returns

Malus and clawback

The Annual and Deferred Bonus Plan ('ABP') and the Long-Term Incentive Plan ('LTIP') include standard malus and clawback provisions.

- Malus is the adjustment of unpaid or unvested ABP or LTIP grants as a result of the occurrence of one or more circumstances listed below
- Clawback is the recovery of paid or vested ABP or LTIP grants as a result of the occurrence of one or more circumstances listed below
- Malus and Clawback may apply to all or part of a participant's award(s) and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of unvested ABP or LTIP grants

The circumstances in which malus and clawback could apply are:
- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company
- discovery that the assessment of any performance measure target or achievement or condition in respect of an ABP award and/or LTIP grant was based on inaccurate or misleading information
- action or conduct of a participant which amounts to fraud, gross misconduct, or corporate failure
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant

Malus provisions may be applied to any unpaid or unvested ABP or LTIP grants.

Clawback provisions may be applied, with respect to any ABP award, during the three-year period following determination by the Board of such ABP award and, with respect to any LTIP award, during the two-year period following vesting of such LTIP award.

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.

Discretion

The Remuneration Committee has discretion in several areas of Policy as set out in the Directors' Remuneration report. The Remuneration Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules. In addition, the Remuneration Committee has discretion to amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Remuneration Committee, disproportionate to seek or await shareholder approval.

Minimum shareholding guidelines

The Committee has adopted formal shareholding guidelines that will encourage Executive Directors to build up over a five-year period and then subsequently hold a shareholding equivalent to a percentage of the Executive Director's base salary. The Remuneration Committee will take into account adherence to these guidelines when considering participation in the Company's equity incentive arrangements. These guidelines ensure that the interests of Executive Directors and those of shareholders are closely aligned.

The following table sets out the minimum shareholding guidelines:

Role	Shareholding guideline (percentage of salary)
Chief Executive Officer	500%
Chief Financial Officer	400%

Post-employment shareholding guideline

Executive Directors will normally be expected to maintain a shareholding (i) equal to their in-employment shareholding guideline for the first 12 months post-departure and (ii) equal to 50% of their in-employment shareholding guideline for the second 12 months post-departure (or, in either case, their actual shareholding on departure if lower). This post-employment guideline will apply to shares from incentive awards granted from the date of the Policy. The Committee retains discretion to waive this guideline if it is not considered appropriate in specific circumstances.

Selection of performance targets

The remuneration arrangements are designed to incentivise the delivery of the Group's strategy and the creation of value for shareholders. The performance measures are reviewed annually to ensure that they continue to support our strategy. The details below set out the performance targets to be applied to the 2021 ABP and LTIP for Executive Directors.

Annual and Deferred Bonus Plan

- Financial performance targets under the ABP are set by the Remuneration Committee, ensuring the levels to achieve threshold, target or maximum pay out are appropriately challenging and deliver the current year operational objectives and efficiency
- The performance measures for the 2021 ABP are Adjusted Earnings before Interest and Taxes Margin, Adjusted Free Cash Flow and Strategic Measures. Commercial sensitivity precludes the advance publication of the performance targets, but these targets will be retrospectively published in the Remuneration report for 2021 to the extent that they are no longer commercially sensitive

Long-Term Incentive Plan

- The targets under the LTIP are set to reflect the Group's longer-term growth objectives at a level where the maximum and outperformance represents exceptional performance over the long term
- Given the nature of the automotive industry at this time and considering the potential uncertain impact of the COVID-19 crisis on all businesses, the 2021 LTIP will consist of the following measures: (i) Adjusted Free Cash Flow, a simple and clear measure of management performance, (ii) ESG Initiative which is aligned with the Group's long-term sustainable success and (iii) Relative Total Shareholder Return versus a peer group, which is considered an important means to align the management team with shareholders
- See the section below headed 'Implementation of Remuneration Policy' for the specifics of the 2021 LTIP for the Executive Directors

Group employee considerations
The Remuneration Committee considers the Executive Directors' remuneration in the context of the wider employee population and is kept regularly updated on pay and conditions across the Group. Increases in base salary for Executive Directors will take into account the level of salary increases granted to employees within the Group and the competitive environment of the employing country.

The Group seeks to pay a competitive package of base pay and benefits in each market and at all job levels to attract and retain high-quality employees. The proportion of variable pay increases with progression through management levels with the highest proportion of variable pay at Executive Director level, as defined by the Remuneration Policy.

Selected senior management and key employees participate in formal short-term and/or long-term incentive programmes that are based on financial and other strategic measures. In a number of countries in which the Group operates, due to custom and practice or the desire to apply flexible compensation arrangements, an annual local bonus may be granted to employees based on the achievement of both financial and non-financial Key Performance Indicators.

The key element of remuneration for those below senior management grades is base salary and it is the Group's practice to ensure that base salaries are competitive in the local markets. General pay increases take local salary norms and business conditions into account.

Recruitment policy
The section below sets out the Remuneration Committee's approach to recruitment and remuneration of new Executive Directors.

The Company's principal objective is that the remuneration of a new Executive Director will be assessed in line with the same principles as for the current Executive Directors, as set out in the Remuneration Policy above. The Committee wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate qualifications and experience needed for the role.

In setting the remuneration for a new Executive Director, the Committee will have regard to guidelines and shareholder sentiment, when using its discretion, regarding one-off or enhanced short-term or long-term incentive payments, as well as giving consideration for the appropriateness of any performance measures associated with an award.

The Company's policy when setting remuneration for the appointment of a new Executive Director is summarised below.

Base Salary: These will be set in line with the Policy on page 87.

Annual and Deferred Bonus Plan: Maximum annual participation will be set in line with the Policy on page 88 consistent with existing Executive Directors and will not exceed 300% of salary.

Long-Term Incentive Plan: Maximum annual participation will be set in line with the Policy on page 89 or up to 450% of salary in circumstances the Board considers to be exceptional. Where appropriate, the Committee may tailor (for example the timeframe, form, performance criteria) the LTIP award based on the commercial circumstances.

The maximum combined incentive opportunity for an Executive Director is 750% of base salary excluding any buyout provisions.

Buyout of incentives forfeited on cessation of employment: Where the Remuneration Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the Committee will determine the size of the buyout grant based on the commercial value of any incentives that will be forfeited on cessation of an Executive Director's previous employment, taking into account the following:
- the proportion of the performance period completed on the date of the Executive Director's cessation of employment
- the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied
- any other terms and conditions having a material effect on their value

To the extent that it is not possible or practical to provide the buyout within the terms of our existing incentive plans, a bespoke arrangement will be used as permitted under the LSE Listing Rules (9.4.2).

The structure of the remuneration package would normally be in line with our Remuneration Policy. In exceptional circumstances, other elements of remuneration may be awarded. Such circumstances include an interim appointment being made to fill an Executive Director role on a short-term basis or a Non-Executive Director taking on an executive function on a short-term basis.

In the event relocation is required, the Remuneration Committee will use its discretion in determining the financial limits of relocation assistance considering the needs and location requirements of the Executive Director and the Group.

Where an existing employee is appointed to the Board as an Executive Director, the Policy set out above will apply from the date of promotion, but there will be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee will be honoured and form part of the ongoing remuneration of the person concerned. These will be disclosed to shareholders in the Remuneration report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Legacy Remuneration Arrangements
The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) in accordance with:
- the policy/rules in effect at the time the arrangement was initiated
- the status of the Director at the time the arrangement was initiated, when in the opinion of the Committee, the payment was not in consideration for the individual becoming a director of the Company

Service Contracts and Payments for Loss of Office

The section below sets out the Remuneration Committee's approach to service contracts and policy on termination payments.

The Remuneration Committee will honour Executive Directors' contractual entitlements. The Executive Directors' service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. Except as provided herein, there is no agreement between the Group and its Executive Directors or employees providing for compensation for loss of office or employment that occurs because of a Change of Control.

The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.

Service agreement basis: William L. Kozyra's current contract is dated 23 October 2017 and an agreement in principle has been reached to extend the term until his retirement in the fourth quarter of 2021. Ronald Hundzinski's contract is dated November 2019, with an effective date of 6 January 2020 and remains in effect for an indefinite period of time. Hans Dieltjens' contract is dated 16 February 2021 and will come into effect as an Executive Director upon his ascension to Chief Executive Officer in the fourth quarter of 2021 and remains in effect until 1 March 2026. All Executive Directors' contracts are made through TI Group Automotive Systems L.L.C.

Notice Period: For Executive Directors, if employment is terminated by the Executive Director without 'good reason', a six-month notice period is required and in the case of W. Kozyra, 180 days' notice is required. If employment is terminated by the Executive Director with 'good reason', a 30-day notice period is required, provided that the Company is not able to cure the issue in those 30 days. The Company is not required to provide notice for termination of the Executive Directors' contracts without cause. H. Dieltjens or the Company have to provide 60 days' notice if they decide not to renew the term at the end of his initial term, or any renewal term.

Post Termination restrictions: Each Executive Director is subject to a confidentiality undertaking without limitation in time and to non-compete, non-solicit, and non-interference restrictive covenants. These restrictive covenants are for a period post termination of employment of 18 months in the case of W. Kozyra and 12 months in the case of R. Hundzinski and H. Dieltjens. In addition, W. Kozyra also has an employee non-hire restrictive covenant for a period post-termination of employment of 18 months.

Summary Termination: The employment of Executive Directors is terminable for 'cause' either immediately, or where the cause is curable, on 10 days' notice for W. Kozyra and 5 days' notice for each of R. Hundzinski and H. Dieltjens (provided that they are not able to cure the cause for termination in this period) without payment or provision of any severance or additional benefits beyond salary and other accrued obligations until the termination date.

In the event of a termination for cause, there will be no entitlement to receive an ABP bonus or be granted an LTIP grant for the year of termination and all unvested deferred ABP bonus shares and LTIP grants will lapse.

Termination – Severance Payments: In the event of termination without 'cause', the Executive Directors will be entitled to the following payments:

In the case of W. Kozyra, (i) payment and provision of salary and other accrued obligations up to the termination date; (ii) any unpaid bonus in respect of the previous financial year; (iii) a pro rata bonus for the current financial year; (iv) all his outstanding and unvested annual LTIP grants will fully time vest upon a termination without cause but where vesting will in all circumstances be subject to the achievement of the applicable performance metrics; (v) an amount equal to 1.5 times the sum of (x) his annual basic salary plus (y) 75% of his annual basic salary for the year in which the termination occurs, payable in equal instalments over an 18-month period.

In the case of R. Hundzinski, (i) payment and provision of salary and other accrued obligations up to the termination date; (ii) any unpaid ABP award in respect of the previous financial year; and (iii) continuation of payment of an amount equal to his base salary payable in instalments over a 12-month period. Vesting will accelerate in respect of any unvested portion of his CFO Buyout Awards in the event of termination without 'cause'.

In the case of H. Dieltjens, (i) payment and provision of salary and other accrued obligations up to the termination date; (ii) any unpaid ABP award in respect of the previous financial year; and (iii) payment of an amount equal to 100% of base salary, payable as a lump sum within six months of termination. H. Dieltjens will also be entitled to these payments in the event of the Company's non-renewal of his term of employment.

Termination – Benefits: In the event that the Executive Director is terminated without 'cause', monthly COBRA Premiums will be paid to cover health benefits for a further 18 months in the case of W. Kozyra and his covered dependents. The health benefits will continue to be provided for 12 months in the case of R. Hundzinski and H. Dieltjens and their covered dependents.

Termination – Treatment of ABP Awards:

Good leaver reason

- Performance conditions will be measured at the bonus measurement date. Bonus payments will normally be prorated for the period worked during the financial year
- All subsisting deferred share awards will be released on the normal release date

Other

- No bonus payable for year of cessation
- Deferred shares that are subject to a holding period will lapse

Change of Control
- In the event of a Change of Control occurring during the Term of Employment, the employee shall be entitled to a pro rata bonus, paid in cash upon consummation of the Change of Control, provided that the employee is employed by the Company through the consummation of the Change of Control
- Deferred shares are released from restrictions at a Change of Control event

Discretion
The Committee has the following elements of discretion:
- to determine that an Executive Director is a good leaver – It is the Remuneration Committee's intention only to use this discretion in circumstances where there is an appropriate business case. The reasons for the use of discretion, if applied, will subsequently be disclosed to shareholders
- to determine whether to pro rate the bonus for the year of cessation for time – The Remuneration Committee's policy is that it will pro rate bonus for time unless otherwise stated in the Executive Director's employment contract or where circumstances exist that establish an appropriate business case not to pro rate for time. The reasons for the use of discretion, if applied, will subsequently be disclosed to shareholders
- to allow release of deferred shares at the end of the original deferral period or at the date of cessation – The Remuneration Committee will make this determination depending on the good leaver reason resulting in the cessation
- to determine whether to pro rate the maximum number of unreleased deferred shares based on the period from the date of grant to the date of cessation as a proportion of the full holding period – The Remuneration Committee's policy is that it will not pro rate deferred share awards for time in cases where the Executive Director is a good leaver. The reasons for the use of discretion, if applied, will subsequently be disclosed to shareholders

Malus and Clawback
- Malus and Clawback provisions apply to awards under the ABP

Termination Treatment of LTIP:

Good leaver reason
- Prorated for time and performance in respect of each subsisting LTIP award, unless otherwise stated in the Executive Director's employment contract
- Awards will normally be released on the earlier of the end of the post-vesting holding period or the second anniversary of departure

Other
- Lapse of any unvested LTIP grants
- Vested LTIP grants would ordinarily continue to be subject to any applicable post-vesting holding period unless subject to Clawback
- In the event of a Change of Control occurring during the Term of Employment, the Executive Director shall be entitled to a pro rata annual LTIP grant, paid in cash upon consummation of the Change of Control, provided that the employee is employed by the Company through the consummation of the Change of Control

Discretion
The Committee has the following elements of discretion:
- to determine that an Executive is a good leaver – It is the Remuneration Committee's intention only to use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders
- to measure performance over the original performance period or at the date of cessation – The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation
- to determine whether to pro rate the maximum number of shares for the time period from the date of grant to the date of cessation – The Remuneration Committee's policy is that it will pro rate awards for time. It is the Remuneration Committee's intention only to use discretion to not pro rate in circumstances where there is an appropriate business case which will be explained in full to shareholders
- to accelerate the post-vesting holding period in exceptional circumstances in which the Remuneration Committee feels the holding period is not warranted, for example termination due to ill health

Malus and Clawback
- Malus and Clawback provisions apply to awards under the LTIP

A 'good leaver reason' is defined as cessation in the following circumstances:
- death
- ill-health
- injury or disability
- redundancy
- retirement
- employing company ceasing to be a Group company
- 'good reason'
- in other circumstances set forth in the LTIP agreement
- transfer of employment to a company which is not a Group company
- any other circumstances at the discretion of the Committee (as described above), except for dishonesty, fraud, misconduct or any other circumstances justifying summary dismissal

Cessation of employment in circumstances other than those set out above is cessation for 'other' reasons. Circumstances constituting 'good reason' for an Executive Director in the service contracts include:
- a material diminution in his title, duties or responsibilities (including reporting responsibilities) or removal from the Board
- a material reduction in his annual basic salary, annual bonus opportunity or severance pay
- a failure of the Company to pay any compensation payable under the service contract when due
- a significant relocation of his principal place of employment
- TI Group Automotive Systems L.L.C.'s failure to fulfil certain obligations under the service agreement

Upon resignation for 'good reason', each Executive Director generally is entitled to the same payments and benefits as upon a termination without 'cause', provided that in the case of Mr. Kozyra, his outstanding and unvested annual performance share grants will fully vest for time, if he resigns due to not being re-nominated to the Board.

In the event of termination for death or disability, the Executive Directors will be entitled to the following payments:

In the case of W. Kozyra, (i) payment and provision of salary and other accrued obligations up to the termination date; (ii) any unpaid annual bonus in respect of previous financial years; (iii) a pro rata bonus for the current financial year; (iv) a pro rata portion of any outstanding and unvested annual performance share grants for the year of termination but where vesting will in all circumstances be subject to the achievement of the applicable performance metrics; (v) payment by the Company of monthly COBRA premiums to cover his health benefits and his covered dependents' health benefits for a period of 18 months following termination.

In the case of R. Hundzinski, (i) payment and provision of salary and other accrued obligations up to the termination date; (ii) any unpaid ABP or LTIP grants in respect of previous financial years.

In the case of H. Dieltjens, (i) payment and provision of salary and other accrued obligations up to the termination date; (ii) any unpaid ABP or LTIP grants in respect of previous financial years, as well as prorated awards for the year of termination if any death, disability or termination occurs during the calendar year.

If W. Kozyra resigns from his position as Chief Executive Officer without 'good reason', he will be entitled to payment and provision of salary and other accrued obligations up to the termination date. If the Company accelerate the termination date, as well as unpaid salary and other accrued obligations he will be entitled to his contractual benefits, a bonus and the continued vesting of annual performance share grants and other long-term incentive awards for any waived notice period, as if he had served his full notice period (provided that, he must promptly disclose any contemplated service following the termination date and if the Board considers the contemplated service renders continued employment during his notice period with the Company unsuitable, he will only be entitled to salary and other accrued obligations up until his termination date).

If W. Kozyra has a 'qualifying retirement' before 1 July 2021, he will be entitled to payment and provision of salary and other accrued obligations up to the termination date, any unpaid annual bonus for the prior fiscal year, a pro rata bonus, a pro rata portion of any outstanding and unvested annual performance share grants (provided that if he continues to serve as a Board member following his qualifying retirement, all of his outstanding and unvested annual performance share grants will remain outstanding, and will continue to vest during such Board service). Furthermore, if his resignation occurs simultaneously with a qualifying retirement or at some point thereafter as a result of: (i) the Group's request for him not to serve on the Board or to resign from the Board; or (b) any action (or inaction) by the Board to remove him from the Board or not to re-nominate him to the Board or (ii) upon expiration of his contract (in each case, a 'board retirement'), his outstanding and unvested annual performance share grants will fully time vest. In all cases, vesting of the annual performance share grants remains subject to achievement of the applicable performance metrics.

Non-Executive Directors

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 13 May 2021 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:

	Date of appointment
Executive Directors	
William Kozyra	30 June 2015
Ronald Hundzinski	6 January 2020
Non-Executive Directors	
Manfred Wennemer	28 September 2016
Tim Cobbold	4 November 2019
John Smith	24 October 2017
Jeffrey Vanneste	24 October 2017
Elaine Sarsynski	14 August 2018
Andrea Dunstan	7 March 2019
Stephen Thomas	22 January 2015
Susan Levine	11 December 2019

Remuneration scenarios

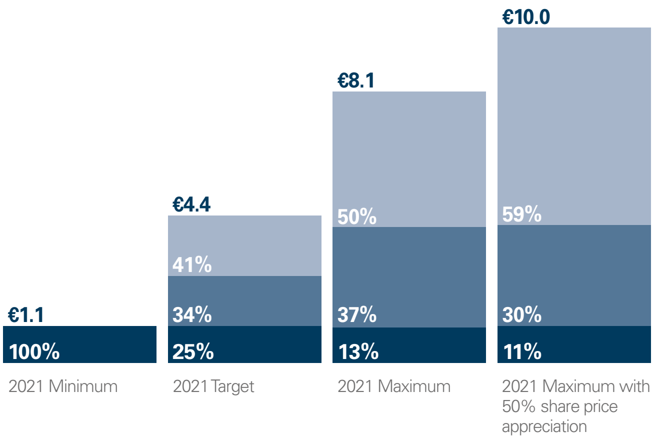
The charts below illustrate Executive Directors' remuneration under four different performance scenarios:

- Minimum – basic salary, company matching US retirement savings contributions and benefits as set out in the Remuneration Policy, no bonus and no vesting of the LTIP
- Target – basic salary, company matching US retirement savings contributions and benefits as set out in the Remuneration Policy
  - a bonus at target of 150% of basic salary and LTIP vesting at median of 182% of basic salary for the CEO
  - a bonus at target of 125% of basic salary and LTIP vesting at median of 182% of basic salary for the CFO
- Maximum – basic salary, company matching US retirement savings contributions and benefits as set out in the Remuneration Policy
  - a bonus at maximum of 300% of basic salary and LTIP vesting at maximum (plus outperformance) of 400% of basic salary for the CEO
  - a bonus at maximum of 250% of basic salary and LTIP vesting at maximum of 300% of basic salary for the CFO
- Maximum with 50% share price appreciation – indicative maximum remuneration, assuming LTIP vesting at maximum with share price appreciation of 50% on the LTIP during the performance period

In accordance with the regulations, share price growth has not been included except where indicated. In the scenarios below, the potential value of the Annual Bonus Plan is estimated for the current plan year. Any amount earned would be paid in the following year with any bonus earned over 100% of salary deferred into Company shares with a two-year holding period to apply. The deferral would only apply to an Executive Director who has not met the new higher shareholding guideline. The potential value of the Long-Term Incentive Plan is estimated for the current three-year performance period beginning in 2021. Any amount earned would be paid following the three-year performance period with a two-year holding period to apply.

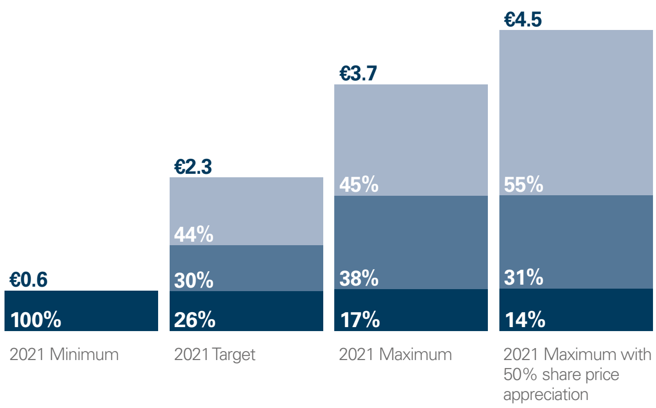
William Kozyra

Potential earnings by pay element



Ronald Hundzinski

Potential earnings by pay element



Fixed pay | Annual Bonus | Long-Term Incentive Plan

€ figures in millions

Fixed pay consists of the 2021 annualised basic salary and estimated value of retirement contributions and benefits provided under the Remuneration Policy, excluding any one-offs. Actual figures may vary in future years.
The value annual bonus is calculated on the annualised 2021 basic salary and assumes a constant share price for the value of any deferred element.
The value of the LTIP award is as proposed to be awarded in 2021 and does not include additional shares awarded in lieu of dividends that may have been accrued during the vesting period.
The basis of the calculation of the share price appreciation is that the share price in the calculation for the 'maximum' bar chart is assumed to increase by 50% across the performance period.
€1 = $1.14

Statement of conditions elsewhere in the Company

The Remuneration Committee considers pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. The Remuneration Committee considers the range of base pay increases across the Group. While the Group does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy set out in this report, the Group does receive updates from the Executive Directors on their discussions and reviews with senior management and employees. In addition, employees are able to ask questions regarding remuneration and other business matters during routine all employee meetings.

Consideration of shareholder views

The Company welcomes dialogue with its shareholders, and the Remuneration Committee will consult with key shareholders prior to any significant changes to its Remuneration Policy.

In 2020 and early 2021, the Group invited shareholders representing over 80% of outstanding shares to comment on, and participate in the development of, our 2021 Remuneration Policy. The resulting engagement helped to form parts of the proposed Remuneration Policy outlined.

PART B: IMPLEMENTATION OF REMUNERATION POLICY

Remuneration in brief

The table below summarises the Directors' Remuneration Policy, the remuneration outcomes in respect of 2020 and the implementation of the Policy for 2021.

Element and overview of policy	Outcomes in respect of 2020	Implementation for 2021
Base salary Set at a level which is market competitive to attract and retain executives and at a level which reflects an individual's experience, role, competency and performance.	A 5% increase in annual base pay which was in line with the range of increases awarded to the US workforce has been approved for the CEO. This increase, planned for 1 January 2020, was made effective 15 December 2020. Annualised salaries for 2020 were as follows: Executive Director | 2020 €000 | Increase in salary William Kozyra | 996 | 5% Ronald Hundzinski* | 526 | Nil €1 = $1.14 *Ronald Hundzinski's employment began on 6 January 2020	Considering the economic environment, the Company has applied one general base pay increase to the wider workforce and Executive Directors over a two-year period. As such the CEO will receive no change in base pay in the year 2021; while the CFO received a 5% increase in annual base pay on 1 January 2021 covering 2020 and 2021, which was in line with the range of increases awarded to the US workforce. This increase in base pay for the CFO recognises his exemplary performance and leadership during the economic crisis in 2020. Annualised salaries effective 1 January 2021 are as follows: Executive Director | 2021 €000 | Increase in salary William Kozyra | 996 | Nil Ronald Hundzinski | 553 | 5% €1 = $1.14
Benefits Provide a benefits package in line with practice relative to the Company's comparator group.	Access to health insurance, car and perquisite allowance.	No change for 2021. Benefits remain in line with Remuneration Policy.
Pension Nominal matching defined contribution retirement savings plan.	Total matching contribution up to the 401k tax deferral limit, resulting in contributions of €11,250 for the CEO and €6,275 for the CFO (€1 = $1.14) in 2020.	No substantial changes for 2021. Pensions remain in line with Remuneration Policy and in line with the wider workforce in the US which are below typical pension provisions in Europe.
Annual and deferred bonus plan ('ABP') Annual incentive of up to 300% of base pay based on financial and strategic targets measured over a one year period. Until shareholding guidelines are met, the Committee may use its discretion to pay up to the first 100% of salary in cash, with any element above 100% of salary deferred into ordinary shares and subject to a holding period of two years.	Maximum opportunity for the CEO and CFO of 300% and 250% of base pay respectively. Following the end of the financial year, the Committee considered a number of factors, including management's excellent performance and a more significant recovery in the automobile market than anticipated. Following this review, the Committee determined that the Executive Directors would receive awards of 75% of maximum. Further details are provided on pages 100-101. Metric | Weight | Achievement Adjusted EBIT Margin | 40% | 40% Adjusted Free Cash Flow | 40% | 40% Strategic initiative | 20% | 20% Total | 100% | 100% Discretionary adjustment | | (25%) Total (after the application of discretion) | | 75%	Maximum opportunity for the CEO and CFO of 300% and 250% of base pay respectively. Reflecting the importance of delivering our short-term strategic priorities, we intend to increase the weighting on the strategic initiatives measure from 20% to 25% of the ABP. Metric | Weight Adjusted EBIT Margin | 35% Adjusted Free Cash Flow | 40% Strategic initiative | 25% Total | 100%

Element and overview of policy	Outcomes in respect of 2020	Implementation for 2021
Long-Term Incentive Plan ('LTIP') Annual share award of up to 300% of base pay. Vesting is subject to performance conditions measured over a three-year period; with an opportunity to earn up to a further 33% of the maximum award for outperformance (up to 400% of base salary in total). Awards are subject to a post-vesting holding period of two years.	In 2020, conditional share grants equivalent to 400% of salary for the CEO and 300% of salary for the CFO were made subject to the following performance conditions. Metric — Weight Cumulative Adjusted Free Cash Flow — 80% Relative Adjusted Total Shareholder Return versus the FTSE 250 — 20% The outperformance measure is a further achievement of adjusted free cash flow.	In 2021, the Committee intends to make conditional share grants of 300% of salary for both the CEO and CFO. The outperformance grant of up to an additional 100% of base salary will apply for the CEO only. Metric — Weight Cumulative Adjusted Free Cash Flow — 60% Relative Adjusted Total Shareholder Return versus the FTSE 250 — 20% ESG Initiative aligned with the Company's long-term sustainable success — 20% The outperformance measure is a further achievement of adjusted free cash flow.
Shareholding guidelines Executive Directors are required to build up to and hold a shareholding equal to 500% of base salary for the CEO and 400% of base for the CFO.	The CEO has far exceeded his shareholding guideline under the Policy. The CFO has also exceeded his shareholding guideline after one year of employment. Executive Director — Ownership guideline as percent of salary — Shares owned as percent of salary William Kozyra — 300% — 2170% Ronald Hundzinski — 300% — 344%	The shareholding guidelines will apply at the new higher levels under the new Policy.

UK Corporate Governance Code

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

Factors	Details
Clarity	The Remuneration Committee is mindful of operating a Remuneration Policy that is transparent and clear for both shareholders and participants.
Simplicity	We operate a standard UK incentive structure which is appropriately aligned to our strategy and which has been designed to avoid complexity.
Risk	Performance measures and targets are aligned with the Group's strategy with appropriate regard to the risk appetite of the Group. In addition our Policy has a number of features to mitigate excessive risk taking, including LTIP holding periods, recovery provisions and significant shareholding guidelines which extend post departure.
Predictability	Page 95 of our Remuneration Policy provides four illustrations of the application of the Policy. Payments are directly aligned to the performance of the Group and the Executive Directors.
Proportionality	Targets under the ABP and LTIP reflect the Group's strategic priorities and have been set at an appropriate level so that full payout requires exceptional performance.
Alignment to culture	The Remuneration Policy has been designed to support a high-performance culture with appropriate reward for superior performance.

ANNUAL REPORT ON REMUNERATION

Remuneration – Directors (audited information)

The table below sets out a single figure for the total remuneration received by each Executive and Non-Executive Director for the year ended 31 December 2020 and the prior year:

	Basic salary/ Fees[1] €000		Taxable benefits[1] €000		Annual bonus[1] €000		LTIP[1,5] €000		Pension[1] €000		Other[1,4] €000		Total[1] €000		Fixed Pay[1] €000		Variable Pay[1] €000	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Executive Directors[7]																		
William Kozyra	**962**	949	**66**	54	**2,241**	1,708	**0**	0	**11**	11	**8**	8	**3,288**	2,730	**1,047**	1,022	**2,241**	1,708
Ronald Hundzinski[2]	**526**	0	**39**	0	**987**	0	**0**	0	**6**	0	**749**	0	**2,307**	0	**579**	0	**1,728**	0
Non-Executive Directors[6]																		
Manfred Wennemer	**333**	347	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**333**	347	**333**	347	**0**	0
Tim Cobbold	**130**	21	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**130**	21	**130**	21	**0**	0
John Smith	**104**	109	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	109	**104**	109	**0**	0
Jeffrey Vanneste	**104**	109	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	109	**104**	109	**0**	0
Elaine Sarsynski	**104**	109	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	109	**104**	109	**0**	0
Andrea Dunstan	**104**	89	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**104**	89	**104**	89	**0**	0
Stephen Thomas[3]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**0**	0	**0**	0	**0**	0
Susan Levine[3]	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**0**	0	**0**	0	**0**	0

1 Figures in the table above are converted at the following exchange rates: €1 = $1.14 and €1 = £0.89 except as otherwise noted
2 As announced on 18 November 2019, Ronald Hundzinski was appointed the Group's new CFO effective 6 January 2020
3 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
4 On joining the Group, in line with the Remuneration Policy, Ronald Hundzinski received buyout awards to compensate him for forfeited incentives awarded to him by his former employer. A restricted share award of 815,674 company shares was granted on 27 March 2020 to compensate him for forfeited restricted share awards. The award vests, subject to continued employment, in accordance with the original time frame: 361,635 shares on 27 March 2020, 361,635 shares on 5 February 2021 and 92,404 shares on 5 February 2022. The awards vesting in 2021 (361,635) and 2022 (92,404) valued on 17 March 2020 at the closing share price of £1.366 have a face value of £493,993 and £126,224, respectively. The €749k under Ronald Hundzinski consists for €522k of buyout shares €219k of buyout cash and applying to both Executive Directors €8k in medical coverage (€1 = $1.14)
5 LTIP conditional share awards granted in 2018 are due to lapse in respect of performance to 31 December 2020. Therefore none of the amounts shown above are attributable to share price changes
6 As part of the fixed cost savings initiatives implemented in response to COVID-19 the Non-Executive Directors fees were temporarily reduced by 10% from May to September 2020 inclusive
7 The Company has advanced and paid directly PAYE obligations of €51,435 and €22,335 (€1 = £0.89) for CEO and CFO which will be reimbursed to the Company by HMRC directly or by the Executive Director to the extent foreign tax credits used in their local tax filings provide a benefit over and above their normal local tax obligations

As the 2018 LTIP resulted in zero vesting, largely due to the economic trends, there was no portion of the overall compensation attributable to share price growth.

Executive Directors

Salary

Base salaries are typically reviewed and eligible for adjustments once per year with changes implemented on 1 January. Considering the economic impact of COVID-19, the Company elected to provide one base pay increase over a period of two years, which was implemented on 15 December 2020 for the CEO and 1 January 2021 for the CFO. This was consistent with providing a discretionary general pay increase to the wider non-represented workforce.

Executive Director	2020 €000	2019 €000	Increase in salary
William Kozyra	996	949	5%
Ronald Hundzinski	526	0	Nil

Annualised base salary
€1 = $1.14

Pension

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 2020, the total matching contribution resulted in contributions of €11,250 for the CEO and €6,275 for the CFO (€1 = $1.14).

Annual bonus for 2020 performance

COVID-19 created a unique landscape for setting and managing incentive schemes, in particular the 2020 ABP. The Remuneration Committee set stretching but achievable targets for the 2020 ABP based on our internal expectations for the year during a period of extreme uncertainty. Following the end of the year, the Remuneration Committee assessed performance and noted that the Group had performed significantly well and surpassed maximum achievement target payout for 2020. Given the extreme nature of the year, the Committee undertook a further assessment of the underlying financial performance of the Group taking into account that the third quarter of the year saw the automotive market recover more quickly than anticipated when setting targets.

During the assessment the Remuneration Committee took into account the following:
- as a result of management's significant performance on cash generation and fixed cost reduction in the year, the Group was able to re-pay employee base salary sacrifice and also implement a base pay increase for the two-year period covering 2020 and 2021. In addition, eligible employees participated in a 2020 bonus scheme as normal
- although the Company's share price initially declined following the outbreak of COVID-19, it has since largely recovered
- the Group did not materially rely on UK government support during the year and has re-paid the furlough support its employees received
- an interim dividend of 6.74 Euro cents per ordinary share based on the Group's financial position and prospects was declared on 25 January 2021
- the objective for the Company's strategic initiative related to business awards in the growing HEV/BEV segment were fully achieved, with such awards accounting for 47% of lifetime sales earned in the year

Given all of the above, the Committee exercised discretion to cap the ABP awards for Executive Directors at 75% of maximum.

The table below outlines the 2020 measures, targets and performance outcomes:

Performance condition	Weighting	Threshold (30% of Maximum)	Target (70% of Maximum)	Maximum (100% of Maximum)	Actual performance	Achievement
Adjusted EBIT Margin	40%	0.0%	1.5%	3.0%	6.2%	40%
Adjusted Free Cash Flow	40%	€0m	€11m	€22m	€148m	40%
Strategic initiative	20%				Achieved	20%
Total (Calculated payout)						100%
Remuneration Committee discretion						(25%)
Total after the application of discretion (Actual payout)						75%

Constant exchange rates used in considering achievements levels

In line with the Remuneration Policy, Executive Directors' ABP awards consists of a cash payment of 100% of base salary, with the remaining portion deferred into ordinary shares and subject to a holding period of two years. The final bonuses including the portion deferred into shares were as follows:

	Annual bonus award			
Executive Director	% achievement of maximum	Total award amount €000	Portion paid in cash €000	Portion deferred in shares €000
William Kozyra	75%	2,241	996	1,245
Ronald Hundzinski	75%	987	526	461

€1 = $1.14

LTIP Grants in 2020

Awards granted during the year

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 2020, the CEO received a maximum grant (with outperformance) of 400% of base salary and the CFO received a maximum grant of 300% of base salary. The following table sets out the performance conditions which will be assessed over a three-year performance period (2020 to 2022):

						Number of shares granted		% of base salary at Grant Price of £1.70	
Plan	Performance condition	Weighting	Vesting at threshold	Threshold	Maximum	CEO	CFO	CEO	CFO
Basic	Adjusted Cumulative Free Cash Flow	80%	20%	€110m	€260m	1,276,782	674,609	240%	240%
	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper quartile	319,196	168,652	60%	60%
	Total	**100%**				**1,595,978**	**843,261**	**300%**	**300%**
Outperformance	Adjusted Cumulative Free Cash Flow	100%	N/A	N/A	€ 285m	531,992	N/A	100%	N/A
	Total					**2,127,970**	**843,261**	**400%**	**300%**

Vesting will occur on a straight-line basis between Threshold and Maximum.
A holding period of two years post-vesting will be applied to the LTIP grants.

LTIP Vesting

The conclusion of 2020 marks the end of the 2018 LTIP. Below are the measures, targets, achievements and vesting level for Executive Directors.

							Number of shares granted	Number of shares earned
Plan	Performance condition	Weighting	Vesting at threshold	Threshold	Maximum	Achievement	CEO	CEO
Basic	Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	80%	20%	4%	10%	0%	742,268	0
	Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper quartile	0%	185,567	0
	Total	**100%**				**0%**	**927,835**	**0**
Outperformance	Adjusted Basic Earnings Per Share Growth (Compound Annual Growth Rate)	100%	N/A	N/A	12%	0%	272,165	0
	Total						**1,200,000**	**0**

Payments to past Directors and payments for loss of office

During the year, the Company has not made any payments to past Directors nor for loss of office. However, as Ron Hundzinski began employment after Tim Knutson's departure, we engaged Tim Knutson as an adviser during the first quarter of 2020 on a day rate basis with fees totalling €68,421.

Statement of Directors' shareholdings and share interests (audited information)

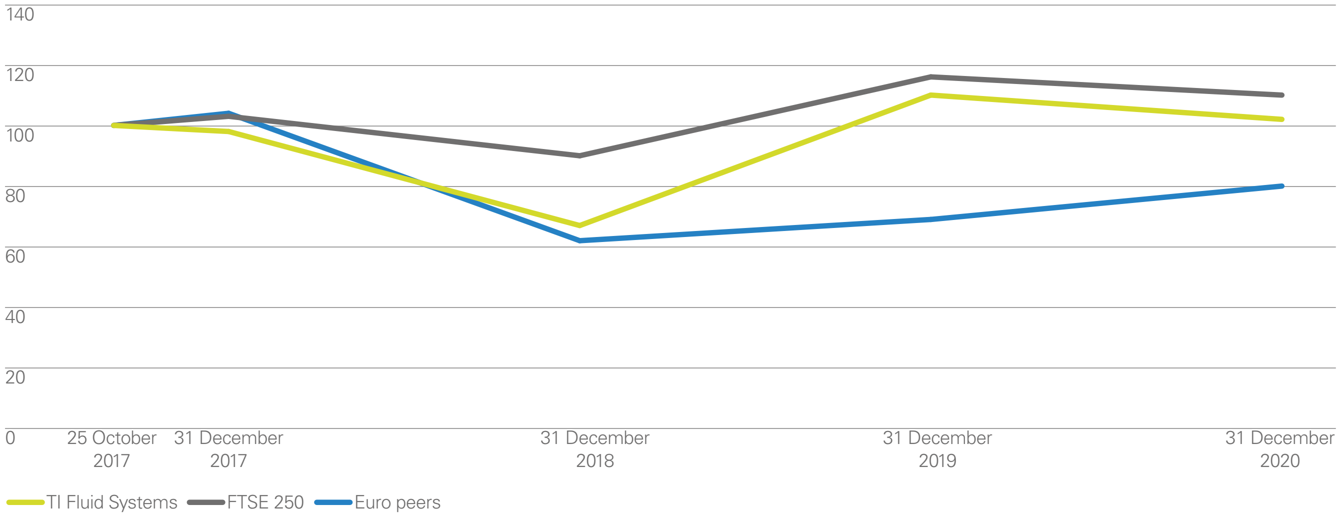
Interests of the Executive and Non-Executive Directors in the share capital of the Company as of 31 December 2020 are shown in the table below:

		Shares held directly		Other shares held	Options		Shareholding requirements	
	Current shareholding[1]	Beneficially owned	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested but unexercised	Unvested	% of salary	Shareholding requirement met?[3]
Executive Directors								
William Kozyra	7,844,921	7,433,622	411,299	5,032,645	0	0	300%	Yes
Ronald Hundzinski[4]	658,001	203,962	454,039	843,261	0	0	300%	Yes
Non-Executive Directors								
Manfred Wennemer	185,364	185,364	0	0	0	0	n/a	
John Smith	98,783	98,783	0	0	0	0	n/a	
Jeffrey Vanneste	58,483	58,483	0	0	0	0	n/a	
Elaine Sarsynski	0	0	0	0	0	0	n/a	
Andrea Dunstan	0	0	0	0	0	0	n/a	
Tim Cobbold	0	0	0	0	0	0	n/a	
Steven Thomas[2]	0	0	0	0	0	0	n/a	
Susan Levine[2]	0	0	0	0	0	0	n/a	

1 No share movement between year end and the date of publication
2 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
3 Shareholding requirement calculated based on 31 December 2020 share price of £2.45
4 On joining the Group, in line with the Remuneration Policy, Ronald Hundzinski received buyout awards to compensate him for forfeited incentives awarded to him by his former employer. A restricted share award of 815,674 company shares was granted on 27 March 2020 to compensate him for forfeited restricted share awards. The award vests, subject to continued employment, in accordance with the original time frame: 361,635 shares on 27 March 2020, 361,635 shares on 5 February 2021 and 92,404 shares on 5 February 2022. The awards vesting in 2021 (361,635) and 2022 (92,404) valued on 17 March 2020 at the closing share price of £1.366 have a face value of £493,993 and £126,224, respectively

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 European automotive peers. The FTSE 250 Index was chosen as it is the comparator group against which TSR performance is measured under our LTIP. In addition, we have shown the performance of a set of European automotive peers to provide a relevant sector comparison. The chart shows the total return to investors since the Company listed on the London Stock Exchange on 25 October 2017.



Historical CEO payouts

The following table sets out details of the CEO's single figure and incentive payouts for the last four financial years.

Year	CEO	CEO single figure of total remuneration €000	Annual bonus award (% of maximum)	Long-term incentives vesting (% of maximum)
2020	William Kozyra	3,288	75%	0%
2019	William Kozyra	2,730	60%	0%
2018	William Kozyra	2,668	60%	0%
2017	William Kozyra	8,401	Not applicable	Not applicable

See notes under single figure table.
The ABP and LTIP in place prior to the IPO were not subject to a maximum.

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
2020	Option A	145:1	84:1	54:1
2019	Option A	93:1	77:1	47:1

Employee	2020 Single figure remuneration €000	Salary component €000
Chief Executive Officer	3,288	962
UK employee at 25th percentile	23	18
UK employee at median	39	31
UK employee at 75th percentile	60	54

€1 = $1.14 and €1 = £0.89

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 2020. 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 99. Total pay and benefits for the UK comparison employees includes base salary, bonus, pension benefits, taxable benefits, and any share-based remuneration. Total pay and benefits were annualised to convert to full-time equivalent employee pay and benefits.

Factors influencing our CEO pay ratio

Our CEO pay ratio data compares the CEO's remuneration to selected UK employees, as required by the regulations. Our UK workforce represents approximately 1% of our total employee population and is largely made up of production-related employees in the manufacturing industry. These employees have a 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 appropriate reward for superior performance. As a result the pay ratios are likely to fluctuate in line with performance depending on the outcome of incentive plans each year.

The change in CEO pay ratio is largely due to a larger ABP award for performance in 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.

Also relevant, is that when we compare 23 automotive supply CEO's compensation based in Europe and the United States with TI Fluid Systems median UK-based employees, we find that Mr. Kozyra is well below what might be expected for a CEO of his experience and track record of creating shareholder value.

Percentage change in the remuneration of the Directors compared with employees

		Year-on-year change in remuneration for Directors compared to the global average employee									
		Executive Directors		Non-Executive Directors							
2020	Average Employee[1]	William Kozyra	Ronald Hundzinski[2]	Manfred Wennemer	Tim Cobbold	John Smith	Jeffrey Vanneste	Elaine Sarsynski	Andrea Dunstan	Stephen Thomas[3]	Susan Levine[3]
Salary/Fees[4]	5.2%	1.4%	–	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	-4.2%	–	–
Bonus	29.5%	31.3%	–	–	–	–	–	–	–	–	–
Benefits[5]	–	22.1%	–	–	–	–	–	–	–	–	–

1 Theoretical assumptions for 'average employee' were made as there are no employees of the PLC entity for comparison purposes
2 As announced on 18 November 2019, Ronald Hundzinski was appointed the Group's new CFO effective 6 January 2020
3 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
4 The percentage change calculation is based on annualised Salary/Fees of the Directors
5 The percentage change calculation is based on annualised Benefits, with the year-on-year change resulting primarily from Mr. Kozyra not utilising the tax return support benefit in 2019

As there are no employees in the Parent PLC entity to be used as the 'average employee' for comparison, our voluntary disclosure is based on the following assumptions. Base salary comparator group is all employees globally. Annual bonus comparator group is all ABP eligible employees. The percentage change in annual bonus is based on the best available estimates at the time of publication. During 2020, the Company engaged with employees through monthly all employee meetings and engagement surveys during which our approach to executive and employee remuneration was outlined with respect to salary sacrifice and pay increase programmes throughout the year.

Relative importance of spend on pay
The table below sets out the relative importance of spend on pay in the 2020 and 2019 financial periods. All figures provided are taken from the relevant Company's accounts.

	Disbursements from profit in 2020 financial year €m	Disbursements from profit in 2019 financial year €m	% Change from prior year
Profit distribution by way of dividend	0	46.6	-100%
Overall spend on pay including Executive Directors	709.7	825.5	-14.0%

Implementation of Remuneration Policy for Executive Directors in 2021
The following section summarises how remuneration arrangements will be operated from 1 January 2021 onwards.

Base salary
As outlined earlier in this report, the Company has elected to provide one general base pay increase over the two-year period beginning 1 January 2020 to 31 December 2021. As such, the CEO will not be eligible for a base pay adjustment in 2021.
The Remuneration Committee has agreed to increase the CFO's base salary by 5%, effective from 1 January 2021, which was in line with the range of increases awarded to the US workforce. This adjustment to the CFO's base pay recognises (i) his exemplary performance in joining and supporting the Company through the COVID-19 crisis in 2020 and (ii) his base compensation level compared to a set of CFO peers with similar experience and performance track record.

The table below sets out the annualised base salary of the Chief Executive Officer and Chief Financial Officer in 2021, and the comparison with the annual salary received in 2020.

Executive Director	2021 €000	2020 €000	Increase in salary
William Kozyra	996	996	Nil
Ronald Hundzinski	553	526	5%

Annualised Base Pay
€1 = $1.14

As announced on 17 February 2021, William Kozyra will retire in the fourth quarter of 2021 and will be succeeded by Hans Dieltjens after an appropriate transition period. Hans' remuneration will be disclosed in conjunction with his ascension to the Chief Executive Officer position and appointment as an Executive Director and will be aligned with the 2021 Remuneration Policy.

Benefits and pension
No changes in benefit and pension schemes. Please refer to Remuneration Policy for details.

Annual bonus plan ('ABP')
The maximum opportunity for the year ending 31 December 2021 for the CEO and CFO will be 300% and 250% of salary respectively.

Consistent with the new Remuneration Policy, if the Executive Director has not achieved the shareholding guideline, any awards under the ABP will consist of a cash payment of up to 100% of base salary with the remainder of the bonus (if any) deferred into an award of shares to be held for two years which will also be subject to malus and clawback provisions as detailed in the Policy.

During the year the Remuneration Committee reviewed ABP measures to confirm that they continued to be appropriate and aligned with our strategic priorities for the year. The Committee reflected on the economic environment and possible volatility of automotive productions resulting from COVID-19 and determined that the current measures of Adjusted EBIT Margin (35% Weight), Adjusted Free Cash Flow (40% Weight) and a Strategic Measure (25% Weight) related to the Company's EV strategy continue to be appropriate and incentivising for the management team. 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 2021 of 300% of salary, with the CEO receiving an additional grant of 100% of base salary linked to an outperformance measure.

Consistent with prior years (and policy), Relative TSR Rank against the FTSE 250 (20% weight) continues to provide direct alignment between management and shareholder. Cumulative Adjusted Free Cash Flow (60% weight) provides focus on an important Key Performance Indicator, especially considering the economic situation caused by COVID-19. Finally, the Committee has introduced a third measure to the LTIP regarding Environment, Social and Governance ('ESG') progress. The Committee believes this ESG measure will align the LTIP with the wider objectives of the Company's strategy for long-term success. The following table sets out the performance measures applicable to grants:

Performance condition	Weighting	Vesting at threshold	Threshold	Maximum
Cumulative Adjusted Free Cash Flow	60%	20%	€500m	€620m
Relative Adjusted Total Shareholder Return versus the FTSE 250	20%	25%	Median	Upper quartile
ESG Initiative: Take actions and implement procedures to improve average Environmental and Social rating	20%	25%	10%	20%
Total	**100%**			
Outperformance				
Cumulative Adjusted Free Cash Flow	100%	N/A	€675m	

ESG Initiative

Take actions and implement procedures to improve average Environmental and Social rating (by a third-party agency) by 20% through a variety of initiatives, including but not limited to:

- increased environmental, safety and diversity data disclosure
- enhanced policies, governance procedures and operating systems to manage and provide oversight of ESG matters including at the Board level
- continuing to progress diversity and inclusion initiatives, with management inclusivity assessments and anti-bias training

Vesting will occur on a straight-line basis between Threshold and Maximum.

The outperformance condition for the 2021 awards is Adjusted Free Cash Flow of €675m. Achievement of this will trigger an award of 100% of base salary for the CEO.

All measures are assessed over a three-year performance period (2021 to 2023). A holding period of two years post-vesting will be applied to Executive Director LTIP grants.

Implementation of Non-Executive Director Remuneration Policy in 2021

Chairman and Non-Executive Director fees

The fee levels that will apply for 2021 are set out below.

	2021	2020
Base fees		
Chairman	£327,818	£318,270
Senior Independent Director ('SID')[1]	£124,125	£124,125
Non-Executive Director ('NED')[1]	£99,725	£99,725
Additional fees		
Audit & Risk Committee Chair	Included in base fees	Included in base fees
Remuneration Committee Chair	Included in base fees	Included in base fees

1 SID and NED fees may be increased at a later time in 2021

Remuneration Committee

Membership

The Remuneration Committee consists of three Non-Executive Directors: Andrea Dunstan, John Smith and Jeffrey Vanneste. There were ten 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 takes into account 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 £80,607, based on time and materials. The Committee is satisfied that the advice received was objective and independent. 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 2020 AGM and the Directors' Remuneration Policy at the 2018 AGM were as follows:

Resolution	Votes for	% For	Votes against	% Against	Total votes cast	Votes withheld
Directors' Remuneration report (2020 AGM)	468,397,586	95.33%	22,936,030	4.67%	491,333,616	1,452,816
Directors' Remuneration Policy (2018 AGM)	424,188,516	87.68%	59,588,154	12.32%	483,776,670	–

Approval

This report was approved by the Board of Directors, on the recommendation of the Remuneration Committee, on 9 March 2021 and signed on its behalf by:

Andrea Dunstan

Chair of the Remuneration Committee

15 March 2021

Directors' report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 31 December 2020. The Directors' report comprises pages 108-110 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.

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. 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 191-194.

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 2020, the Company had 520,269,141 ordinary shares of 1 pence each in issue. There were no ordinary shares held in Treasury, no restrictions on transfer of issued shares and no shares hold special rights regarding the control of the company. All of the issued ordinary shares carry voting rights of one vote per share. Details of the changes in issued share capital during the year are shown in Note 7 on page 195.

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. No interim dividend or final dividend were paid in 2020.

Employee Benefit Trust

Equiniti Trust (Jersey) Limited, as a Trustee of the TI Fluid Systems Employee Benefit Trust holds 1,499,907 being 0.29% of the issued share capital of the Company as at 31 December 2020 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 2020 and at the date of this report are listed on pages 68-69, 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 83-107.

The Company has adopted best practice guidelines and the 2018 UK Corporate Governance Code. Executive and Non-Executive Directors, apart from Andrea Dunstan who has decided to not seek re-election, will offer themselves for re-election at the 2021 Annual General Meeting. The rules for appointment and replacement of Directors are contained in the Company's Articles. They include that the number of Directors must not be less than two or more than 15 in number and the Board may appoint any person to be a Director. Any Director so appointed by the Board shall hold office only until the next general meeting and shall then be eligible for election. Details of the Directors' service contracts, letters of appointment and interest in the shares of the Company are shown in the Report on Directors' Remuneration on pages 83-107.

Substantial shareholdings
As at 31 December 2020, 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	283,091,546	54.41
Liontrust Special Situations Fund	42,206,820	8.11
EQMC Europe Development Capital Fund	15,931,439	3.06

As at 15 March 2021, the following interests in 3% or more of the Company's ordinary share capital had been notified to the Company:

Shareholder	Number of shares	Percentage held (%)
BC Omega Holdco Ltd	283,091,546	54.41
Liontrust Special Situations Fund	42,206,820	8.11

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 2020 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 2022).

Special resolutions will also be proposed to renew the Directors' power to make non-pre-emptive issues for cash up to a nominal amount of £260,135 being 5% of the Company's issued ordinary share capital as at 5 April 2021. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2021 (or, if earlier, until the close of business on 16 August 2022). This disapplication authority is in line with institutional shareholder guidance, and in particular with the Pre-emption Group's Statement of Principles (the 'Pre-emption Principles'). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued ordinary share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The Directors have no present intention of exercising either authority.

The Company was also authorised at the Annual General Meeting held in 2020 to make market purchases of up to 52,026,914 ordinary shares being 10% of the Company's issued ordinary share capital as at 5 April 2021 and sets the minimum and maximum prices which may be paid. This authorisation will expire on the earlier of the conclusion of the Annual General Meeting of the Company for 2021 (or, if earlier, until the close of business on 16 August 2022).

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 76-77 in terms of the Board and senior leadership team balance and their independence. Employee diversity information and our Core Values details are in the Sustainability report on pages 39-49.

Suppliers, Customer and Others
As set out in the Large Company Regulations, Schedule 7, Part 4, paragraph 11B, the Directors confirm that they have regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the financial year. Details can be found as to how the Board fulfils this duty can be found in the Section 172(1) statement on pages 63-64 and throughout the Strategic Report located on pages 8-65.

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 130 and expenditure in Note 5.2 on page 144 in the Group Financial Statements.

Key performance indicators
Details of the Group's key performance indicators can be found on page 38.

Principal risks and uncertainties
Details of the principal risks and uncertainties faced by the Group can be found in the Strategic Report on pages 58-61.

Financial instruments
An explanation of the Group's treasury policies and existing financial instruments are set out in Note 1.10.3 on page 133 and Note 3 on page 141 of the financial statements. Details of how we use hedging to manage foreign currency and interest rate risks can be found in Note 3.3 in Group Financial Statements on page 141.

Annual General Meeting
A separate notice convening the Annual General Meeting of the Company to be held on 13 May 2021 will be sent out 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 66-111. 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 pages 62-65.
- 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 63-64. 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 2020
- Non-Financial Information Statement can be found on page 65
- Greenhouse gas emissions report can be found in the Sustainability report on page 48

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 statement 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 s418 of the Companies Act 2006.

By order of the Board

Matthew Paroly
Company Secretary
15 March 2021

Statement of Directors' responsibilities in respect of the financial statements

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 and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the Directors to prepare the Group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 for the Group and Company, international accounting standards in conformity with the requirements of the Companies Act 2006 and, for the Group, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent
- 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 also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section of this report confirm that, to the best of their knowledge:

- the Group and Company financial statements, which have been prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group and profit of the Company
- the Strategic Review includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces

This responsibility statement was approved by the Board of Directors on 15 March 2021 and is signed on its behalf:

By order of the Board

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Financial statements

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 2020 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts ("the Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2020; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated and Company Statements of Cash Flows for the year then ended; and the Notes to the Group and Company Financial Statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 1 to the Group Financial Statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group Financial Statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 to the group.

Other than those disclosed in Note 33 to the financial statements, we have provided no non-audit services to the group 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 17 components (2019: 18 components) where we performed a full scope audit of their complete financial information, either due to their size or risk characteristics. These components are located in Belgium, Brazil, China, Czech Republic, Germany, Korea, Poland, Spain and Turkey.
- There are no significant components within the group.
- We also identified a further nine components (2019: eight components) where we performed targeted specified procedures based on risk and materiality on the financial information. These components are located in India, Mexico and the U.S.A. This is supplemented by analytical procedures on the components that are not in scope.
- In addition the group audit team in the UK audited the company and performed audit procedures on the consolidation and accounting areas that are centralised, including goodwill and intangible asset impairment assessments, specific aspects of warranty provisioning and customer settlements, corporate taxation, defined benefit pension obligations, refinancing transactions and treasury balances and transactions.
- This scope of work provided coverage of 76% (2019: 74%) of revenue, 77% (2019: 72%) of operating result and 76% (2019: 74%) of net assets.
- As part of the supervision process, the group engagement team has performed remote reviews for all components, which included meetings on approach and conclusions with the component teams and review of their audit files and final deliverables.

Key audit matters

- Goodwill, tangible and intangible assets impairment assessment (group)
- Warranty provisioning (group)
- Deferred tax asset recognition and provisioning for uncertain tax positions (group)
- Impact of COVID-19 (group and company)

Materiality

- Overall group materiality: €7.9 million (2019: €9.0 million) based on 5% of a three year average of profit before tax, adjusted for exceptional items.
- Overall company materiality: €8.7 million (2019: €8.5 million) based on 1% of net assets.
- Performance materiality: €5.9 million (2019: €6.75 million) (group) and €6.5 million (2019: €6.38 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.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, 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 international accounting standards in conformity with the requirements of the Companies Act 2006, the Listing Rules of the UK Financial Conduct Authority, the UK Corporate Governance Code, the UK Bribery Act, UK tax legislation and equivalent local laws and regulations applicable to component teams; and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent journal entries (for example journal entries to increase profit) and bias in relation to judgements and estimates, particularly in the areas of goodwill, tangible and intangible assets impairment assessment; warranty provisioning; customer settlements; retirement benefit obligations; and restructuring provisioning. 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 asset impairment assessment and retirement benefit obligations;
- identifying and substantively testing higher risk journal entries, in particular any that increased profit, that had unusual account combinations or were posted by senior management;
- having discussions with and corroborating key assertions made by finance management with internal audit, the group's legal counsel and senior group and divisional management including views on accounting judgements and estimates, and considering known or suspected instances of non-compliance with laws and regulation and fraud;
- reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- reviewing internal audit reports in so far as they related to the financial statements;
- reviewing legal expense accounts to identify significant legal spend which may be indicative of serious breaches of laws and regulations; and
- reviewing component teams' key working papers for all in-scope components with a particular focus on the areas involving judgement and estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Impact of COVID-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Goodwill, tangible and intangible assets impairment assessment (group) Refer to the Audit & Risk Committee report on page 80, Note 1 (Summary of Significant Accounting Policies), Note 15 (Intangible assets), Note 16 (Property, Plant and Equipment), Note 17 (Leases) and Note 18 (Impairments). The group holds goodwill of €535.9 million (2019: €739.0 million), intangible assets of €347.9 million (2019: €443.2 million), property, plant and equipment of €590.8 million (2019: 715.0 million) and right-of-use assets of €124.9 million (2019: €161.4 million) as at 31 December 2020. All Cash Generating Units (CGUs) containing goodwill must be tested for impairment annually and also when there are indicators of impairment. The determination of the recoverable amount requires judgement by management in valuing the relevant CGUs through value in use models utilising discounted cash flow calculations. There are judgements and estimates involved in management's impairment assessment including cash flow forecasts, discount rates and long term growth rates. Management has also reflected the increased uncertainty from COVID-19 by probability weighting a base case and downside scenario in order to arrive at expected future cash flows. A change in these assumptions can result in changes to recoverable amounts which may lead to impairment and/or reversal of impairment. The decline in global vehicle production and the expected effect of COVID-19 on future sales volumes due to COVID-19 was an impairment indicator in the first half of 2020. Management therefore performed a full impairment assessment as at 30 June 2020 which resulted in an impairment loss of €304.6 million in the interim financial statements. Management have since performed their annual impairment assessment as at 31 December 2020 which resulted in neither an additional impairment nor a reversal of previously recognised impairments.	We assessed management's impairment analyses and focused our audit on challenging the key judgements and estimates. Procedures we performed included: – verifying the accuracy of the underlying calculations in the model and agreeing the base case cash flow forecasts to the latest medium term plan approved by the Board; – evaluating the appropriateness of base case forecast cash flows by understanding management's process for forecasting, examining support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows dependent on enhancing capital expenditure in future periods; – discussions with the commercial team to understand expected future business performance including the impact of climate change and corroborating finance management's explanations; – evaluating management's forecasting accuracy by comparing previous periods' outturn with forecasts for those periods made as part of the Board approved medium term plans; – validating the source of industry volume data which management used to prepare their plans and assessing the credibility of the source, including comparison to alternative sources of market information; – on a sample basis, obtaining evidence in the form of award documentation from customers for future business; – validating that the benefit from restructuring activities have been considered in the forecast cash flows only if the restructuring activities have been implemented at the year end; – engaging our valuation specialists to assess the appropriateness of discount rates and long term growth rates considering the risks specific to the geographies and relevant industry of the CGUs being tested for impairment; – evaluating management's assessment of the plausible volume scenarios and the relative probabilities assigned to the operating cash flows arising from these scenarios; – evaluating management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions; – assessing management's analysis of whether improvements in trading during the second half of the year are sufficiently sustained for the impairment on assets other than goodwill to be reversed; and – assessing the appropriateness of the related disclosures in the financial statements. Based on this work, we consider that the impairment loss recorded in the year and carrying value of goodwill are materially correct and we believe that the disclosures in the financial statements are appropriate.

Key audit matter	How our audit addressed the key audit matter
Warranty provisioning (group) Refer to the Audit & Risk Committee report on page 80, Note 1 (Summary of Significant Accounting Policies) and Note 30 (Provisions). The group is exposed to warranty claims in the event that products fail to perform in accordance with previously agreed specifications. Warranty provisions are established to cover potential exposures which arise from this situation. The warranty provision at 31 December 2020 to cover potential exposures on existing claims is €14.6 million (2019: €13.9 million). The outcome of warranty claims is often difficult to predict as the settlement can be dependent on the customer relationship, the complexity of the issue and the negotiation process. Due to this, there is a range of possible outcomes on warranty matters.	We focused on the judgements and estimates made by management in assessing the likelihood and quantification of material exposures and also on testing the completeness of matters management have considered for requiring a provision. Our procedures, at a group, divisional and component level, were designed to assess appropriateness of the warranty provision and included: – understanding the nature of the specific claims through discussions with management and reviewing correspondence with customers; – assessing management's evaluation of the likelihood and extent of exposure, the underlying issue with the relevant product and the status of negotiations with the customer; – corroborating management's assessment by reviewing correspondence with the counterparty, where applicable; – discussions with senior group and divisional executives, including members of the quality teams and personnel involved in the negotiation of the specific issues, reviewing internal management reporting and making enquiries to assess whether all material open issues have been assessed for provisioning purposes; – discussions with executive management to understand the status of negotiations on the specific issues; – challenging management by evaluating alternative scenarios to assess the impact of a range of possible outcomes and the impact of these outcomes on the provision; and – evaluating historical settlements against the initial provisions to assess management's ability to make accurate estimates. Based on the work performed and our evaluation of the range of possible outcomes on each matter individually and in aggregate we believe the warranty provision is materially correct.
Deferred tax asset recognition (DTA) and provisioning for uncertain tax positions (UTPs) (group) Refer to the Audit & Risk Committee report on page 80, Note 1 (Summary of Significant Accounting Policies) and Note 12 (Income Tax). The group has a wide geographic footprint and is subject to tax laws in a number of jurisdictions. The group has recognised provisions against UTPs, the valuation of which is an inherently judgemental area. As at 31 December 2020, the group has UTP provisions of €31.9 million (2019: €33.8 million). As at 31 December 2020, following the losses recorded in the year, the group has recognised €62.4 million (2019: €25.1 million) of DTAs on the balance sheet, the valuation of which involves judgement and estimates. Realisation of the assets will be dependent on a number of factors including appropriate taxable temporary timing differences and whether there will be sufficient taxable profits in future periods.	In conjunction with our tax specialists, we evaluated and challenged management's judgements and estimates in respect of tax exposures to assess the appropriateness of the group's UTP provisioning and the recognition of DTAs. Our procedures included: Provisioning for uncertain tax positions – reviewing recent correspondence with relevant tax authorities and assessing the complexity and developments in the tax environment in the relevant territories; – obtaining and evaluating certain third party tax opinions that the group has obtained to assess the appropriateness of assumptions used; – involving our subject matter experts in the relevant territory to understand and evaluate the tax practices and assessing provisions in this context; and – presenting and evaluating alternative scenarios to assess the impact of a range of possible outcomes and the impact of these outcomes on the provision. Deferred tax asset recognition – evaluating management's assessment as to whether there will be sufficient taxable profits in future periods to support the recognition of deferred tax assets by assessing the future cash flow forecasts and the process by which they were prepared, including testing the underlying calculations and comparing forecasts to historical performance; – assessing the recoverability of DTAs by considering the period, and extent to which, the losses are available to be utilised against future profits as per the relevant local tax regulations; and – validating that the forecast future taxable profits are consistent with the forecasts applied in the impairment assessment and going concern. Assessing the appropriateness of the related disclosures in the financial statements with respect to DTA and UTPs. Based on the evidence obtained we consider that the UTPs and DTA are materially correct and that the related disclosures are appropriate.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (group and company) COVID-19 has had a significant impact on the group. Global light vehicle production volumes have seen a sharp decline since 2019 and are expected to take several years to recover. The resulting impact on the group's results and outlook for the future has caused us to alter the nature and extent of our procedures, particularly in the areas of impairment assessment and restructuring provisioning. Please see the key audit matters on goodwill, tangible and intangible impairment assessment above. With regards to the restructuring activities, there is a level of judgement and estimation involved in assessing if there is a constructive obligation to recognise a provision for these restructuring activities, especially those initiated towards the year end. As is the case with many other organisations management's way of working, including the operation of controls, has been impacted by COVID-19 as a result of a large number of staff working remotely. There is inevitably an increase in risk due to the remote accessing of IT systems and potentially heightened cyber risk. Due to travel restrictions and safety concerns, members of the group audit team did not physically visit any component.	We do not consider COVID-19 to present an audit risk in itself. Notwithstanding this, we have considered the impact of COVID-19 on the financial statements and designed and performed procedures to address heightened risks on the financial statements. The key audit matter titled Goodwill, tangible and intangible assets impairment assessment sets out the impact of COVID-19 on the group's impairment assessment and our procedures. With regards to restructuring provisioning for the group, our procedures included: – assessing the timing of implementation of the restructuring initiatives by reviewing Board approvals and inspecting communications with employees affected by these restructuring programmes; – verifying supporting documentation including employees payroll records and invoices for costs incurred to test whether the costs are valid restructuring costs; and – assessing the completeness of restructuring provision by comparing the restructuring activities for which a provision is made to the restructuring activities approved by management. With regards to the impact of COVID-19 on our audit process, we have interacted with group, divisional and local company management remotely throughout. Remote working has allowed us to have frequent contact with a wide group of management across the group. We increased the oversight of our component teams using video conferencing and remote workpaper reviews to satisfy ourselves as to the sufficiency of audit work performed by the component audit teams. Our audit places limited reliance on the group's IT and control environment. However, in response to any incremental risk from remote working, we understood key changes to the group's IT controls and processes as part of our assessment of audit risks. We also met with senior management responsible for cyber security and considered whether there were developments in the year that warranted further procedures. Based on the work performed, we consider that the incremental risk posed by COVID-19 has been mitigated to an accepted level.

How we tailored the audit scope

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. 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.

The group operates two divisions of 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 a number of countries. Overall, the group has 180 reporting components across 28 countries. We did not identify any individually significant components within the group. We have performed full scope audits on the financial information of 17 components (2019: 18 components) and targeted specified procedures based on risk and materiality on the financial information of nine components (2019: eight components). This is supplemented by analytical procedures on the remaining components that are not in scope. The group audit team in the UK performed audit procedures on the consolidation and accounting areas that are centralised, including goodwill and intangible asset impairment assessments, specific aspects of warranty provisioning and customer settlements, corporate taxation, defined benefit pension obligations, refinancing transactions and treasury balances and transactions. This scope of work provided coverage of 76% (2019: 74%) of revenue, 77% (2019: 72%) of operating result and 76% (2019: 74%) of net assets.

The coverage for both the current and prior year is sufficient and in compliance with the applicable auditing standards. Our audit involves full scope audits of components in Belgium, Brazil, China, Czech Republic, Germany, Korea, Poland, Spain, Turkey and targeted specified procedures for the components in India, Mexico and the U.S.A. Our specified procedures for components in Mexico and the U.S.A covered all material balances. We selected a component in India to perform targeted specified procedures around inventory in response to a matter that we were informed of by internal audit. 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 model of working; visiting TI's sites for some but not all activities. Due to the travel restrictions imposed by COVID-19, we modified the way we interacted with the component audit and local finance teams. Our interaction with component audit and local finance team's included attending clearance meetings for all components and holding regular video conferencing calls with component audit teams, as well as reviewing and assessing any matters reported. The group engagement team also reviewed selected audit working papers for all components with a particular focus on their significant risks. The group audit team has performed the audit of the parent company.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows

	Financial statements – group	Financial statements – company
Overall materiality	€7.9 million (2019: €9.0 million)	€8.7 million (2019: €8.5 million)
How we determined it	5% of a three year average of profit before tax, adjusted for exceptional items	1% of net assets
Rationale for benchmark applied	Profit before tax adjusted for exceptional items is a generally accepted auditing benchmark for profit orientated businesses. Adjusting for exceptional items provides a consistent year on year basis for determining materiality. For the current year audit, we have adjusted our approach to the calculation to take account of the short-term effects of the pandemic on the current year results. In doing so we have applied the group's three year average profit before tax as a basis to determine our 2020 materiality as opposed to the 'in year' profit before tax. We have taken this judgement noting that the results for the current year are likely to be a short-term downturn in trading due to COVID-19 and not a permanent rebasing in the profitability of the business.	As there is no trading activity within the parent company, net assets were considered an appropriate benchmark.

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 €700,000 and €5,581,500. Our procedures for the component in India did not require the application of materiality.

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% of overall materiality, amounting to €5.9 million for the Group Financial Statements and €6.5 million for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above €0.4 million (group audit) (2019: €0.45 million) and €0.4 million (company audit) (2019: €0.43 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 evaluation of the internal governance processes around management's going concern assessment;
- agreeing the underlying cash flow projections to management approved forecasts, assessing how these forecasts are compiled and assessing the historical accuracy of management's forecasts;
- understanding and evaluating the key assumptions within management's forecasts;
- considering liquidity and available facilities by reference to documents supporting those arrangements;
- assessing whether the severe but plausible scenario and stress testing performed by management appropriately considered the principal risks facing the business;
- assessed covenant compliance based on management's forecasts and the severe but plausible scenario;
- 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 on page 62 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 company's 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. 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 2020 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 Report on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:
– the directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
– the disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
– the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
– the directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
– the directors' statement as to whether they have a reasonable expectation that the group and the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:
– the directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
– the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
– the section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Report on Directors' Remuneration 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 20 years, covering the years ended 31 December 2001 to 31 December 2020. 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.

Andrew Hammond (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
15 March 2021

Consolidated Income Statement

For the year ended 31 December

Continuing operations	Notes	2020 Before exceptional item €m	2020 Exceptional item €m	2020 €m	2019 €m
Revenue	4	**2,814.5**	–	**2,814.5**	3,411.1
Cost of sales	5	**(2,493.1)**	**(120.4)**	**(2,613.5)**	(2,922.7)
Gross profit/(loss)		**321.4**	**(120.4)**	**201.0**	488.4
Distribution costs	5	**(83.7)**	–	**(83.7)**	(95.0)
Administrative expenses	5	**(145.1)**	**(184.2)**	**(329.3)**	(141.7)
Other income	10	**8.5**	–	**8.5**	6.7
Net foreign exchange gains	10	**27.2**	–	**27.2**	0.5
Operating profit/(loss)		**128.3**	**(304.6)**	**(176.3)**	258.9
Finance income	11	**3.5**	–	**3.5**	15.0
Finance expense	11	**(77.5)**	–	**(77.5)**	(72.5)
Net finance expense		**(74.0)**	–	**(74.0)**	(57.5)
Share of (loss)/profit of associates	19	**(3.5)**	–	**(3.5)**	0.3
Profit/(loss) before income tax		**50.8**	**(304.6)**	**(253.8)**	201.7
Income tax (expense)/credit	12	**(28.1)**	**29.7**	**1.6**	(57.1)
Profit/(loss) for the year		**22.7**	**(274.9)**	**(252.2)**	144.6
Profit/(loss) for the year attributable to:					
Owners of the Parent Company		**20.8**	**(274.9)**	**(254.1)**	141.6
Non-controlling interests	25	**1.9**	–	**1.9**	3.0
		22.7	**(274.9)**	**(252.2)**	144.6
Total earnings per share (Euro, cents)					
Basic	13	**0.04**		**(48.88)**	27.24
Diluted	13	**0.04**		**(48.88)**	27.24

Consolidated Statement of Comprehensive Income
For the year ended 31 December

	Notes	2020 €m	2019 €m
(Loss)/profit for the year		**(252.2)**	144.6
Other comprehensive (expense)/income			
Items that will not be reclassified to profit or loss			
– Re-measurements of retirement benefit obligations	29	**(21.1)**	(10.7)
– Income tax credit on retirement benefit obligations	12	**3.6**	2.3
		(17.5)	(8.4)
Items that may be subsequently reclassified to profit or loss			
– Currency translation		**(52.4)**	14.8
– Cash flow hedges	24	**13.2**	4.9
– Net investment hedges	24	**6.9**	0.3
		(32.3)	20.0
Other comprehensive (expense)/income for the year		**(49.8)**	11.6
Total comprehensive (expense)/income for the year		**(302.0)**	156.2
Attributable to:			
– Owners of the Parent Company		**(303.2)**	153.4
– Non-controlling interests	25	**1.2**	2.8
Total comprehensive (expense)/income for the year		**(302.0)**	156.2

Consolidated Balance Sheet
As at 31 December

	Notes	2020 €m	2019 €m
Non-current assets			
Intangible assets	15	**883.8**	1,182.2
Right-of-use assets	17	**124.9**	161.4
Property, plant and equipment	16	**590.8**	715.0
Investments in associates	19	**14.6**	19.2
Deferred income tax assets	12	**62.4**	25.1
Trade and other receivables	21	**18.9**	21.6
		1,695.4	2,124.5
Current assets			
Inventories	20	**351.4**	367.1
Trade and other receivables	21	**534.8**	574.5
Current income tax assets	12	**13.7**	13.7
Derivative financial instruments	28	**0.4**	18.4
Financial assets at fair value through profit and loss	22	**0.9**	0.9
Cash and cash equivalents	22	**485.8**	411.7
		1,387.0	1,386.3
Total assets		**3,082.4**	3,510.8
Equity			
Share capital	23	**6.8**	6.8
Share premium	23	**2.2**	2.2
Other reserves	24	**(137.7)**	(106.1)
Accumulated profits		**987.7**	1,261.7
Equity attributable to owners of the Parent Company		**859.0**	1,164.6
Non-controlling interests	25	**25.2**	24.5
Total equity		**884.2**	1,189.1
Non-current liabilities			
Trade and other payables	26	**20.0**	12.3
Borrowings	27	**1,069.3**	1,148.5
Lease liabilities	17	**122.4**	138.0
Deferred income tax liabilities	12	**104.3**	128.5
Retirement benefit obligations	29	**160.7**	153.7
Provisions	30	**4.9**	5.0
		1,481.6	1,586.0
Current liabilities			
Trade and other payables	26	**614.1**	611.2
Current income tax liabilities	12	**40.7**	48.7
Borrowings	27	**7.4**	2.4
Lease liabilities	17	**28.6**	28.7
Derivative financial instruments	28	**0.2**	25.4
Provisions	30	**25.6**	19.3
		716.6	735.7
Total liabilities		**2,198.2**	2,321.7
Total equity and liabilities		**3,082.4**	3,510.8

The Financial Statements on pages 122 to 184 were authorised for issue by the Board of Directors on 15 March 2021 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Consolidated Statement of Changes in Equity
For the period ended 31 December

	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2020	**6.8**	**2.2**	**(106.1)**	**1,261.7**	**1,164.6**	**24.5**	**1,189.1**
(Loss)/profit for the year	–	–	–	**(254.1)**	**(254.1)**	**1.9**	**(252.2)**
Other comprehensive expense for the year	–	–	**(31.6)**	**(17.5)**	**(49.1)**	**(0.7)**	**(49.8)**
Total comprehensive (expense)/income for the year	–	–	**(31.6)**	**(271.6)**	**(303.2)**	**1.2**	**(302.0)**
Share-based expense	–	–	–	**0.9**	**0.9**	–	**0.9**
Dividends paid	–	–	–	–	–	**(0.5)**	**(0.5)**
Purchase of own shares	–	–	–	**(3.5)**	**(3.5)**	–	**(3.5)**
Issue of own shares from Employee Benefit Trust	–	–	–	**0.2**	**0.2**	–	**0.2**
Balance at 31 December 2020	**6.8**	**2.2**	**(137.7)**	**987.7**	**859.0**	**25.2**	**884.2**

	Ordinary shares €m	Share premium €m	Other reserves €m	Accumulated profits €m	Total €m	Non-controlling interests €m	Total equity €m
Balance at 1 January 2019	6.8	1.4	(126.3)	1,175.7	1,057.6	22.5	1,080.1
Profit for the year	–	–	–	141.6	141.6	3.0	144.6
Other comprehensive income/(expense) for the year	–	–	20.2	(8.4)	11.8	(0.2)	11.6
Total comprehensive income for the year	–	–	20.2	133.2	153.4	2.8	156.2
Decrease in share held by non-controlling interests	–	–	–	0.1	0.1	(0.1)	–
Share-based expense	–	–	–	1.4	1.4	–	1.4
Net employee tax settlement from vested shares	–	–	–	(2.1)	(2.1)	–	(2.1)
Dividends paid	–	–	–	(46.6)	(46.6)	(0.7)	(47.3)
Shares issued	–	0.8	–	–	0.8	–	0.8
Balance at 31 December 2019	6.8	2.2	(106.1)	1,261.7	1,164.6	24.5	1,189.1

Consolidated Statement of Cash Flows
For the year ended 31 December

	Notes	2020 €m	2019 €m
Cash flows from operating activities			
Cash generated from operations	31	**374.4**	477.2
Interest paid		**(57.1)**	(63.1)
Income tax paid		**(59.7)**	(79.7)
Net cash generated from operating activities		**257.6**	334.4
Cash flows from investing activities			
Payment for property, plant and equipment		**(82.1)**	(119.4)
Payment for intangible assets		**(30.1)**	(39.7)
Proceeds from the sale of property, plant and equipment		**13.8**	0.6
Interest received		**3.0**	1.5
Net cash used by investing activities		**(95.4)**	(157.0)
Cash flows from financing activities			
Purchase of own shares	23	**(3.5)**	–
Proceeds from new borrowings	27.1	**213.6**	–
Fees paid on proceeds from new borrowings	27.1	**(17.7)**	(0.3)
Voluntary repayments of borrowings	27.1	**(209.6)**	(50.0)
Scheduled repayments of borrowings	27.1	**(5.3)**	(4.5)
Lease principal repayments	17	**(28.6)**	(27.1)
Dividends paid		**–**	(46.6)
Dividends paid to non-controlling interests	25	**(0.5)**	(0.7)
Net cash used by financing activities		**(51.6)**	(129.2)
Increase in cash and cash equivalents		**110.6**	48.2
Cash and cash equivalents at the beginning of the year	22	**411.7**	360.1
Currency translation on cash and cash equivalents		**(36.5)**	3.4
Cash and cash equivalents at the end of the year	22	**485.8**	411.7

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

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated financial statements have been prepared under the historical cost convention, except for the fair valuation of assets and liabilities of subsidiary companies acquired, and financial assets and liabilities at fair value through profit and loss ('FVTPL') (including derivative instruments not in hedged relationships).

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge, actual results may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are critical to the consolidated financial statements are disclosed in Note 1.4.

1.1.1. Going Concern

The Directors are of the opinion that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of its consolidated financial statements. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Further information on the Group's borrowings is given in Note 27.

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

1.1.2. Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates (the 'functional currency'). The functional currency of each Group company has been assessed against the underlying transactions and economic conditions in which it operates.

These financial statements are presented in Euro, which is the Group's presentation currency. All financial information presented in Euro has been rounded to the nearest 100,000 except where stated otherwise.

1.1.3. Changes in Accounting Policy and Disclosures

Changes in accounting policies and disclosures are set out below:

1.1.3.1. New and Revised IFRS Affecting Amounts Reported in the Current Year (and/or Prior Years)

There are no standards or IFRS IC interpretations effective in the current year that would be expected to have a material impact on the Group.

1.1.3.2. New and Revised IFRS in Issue but not yet Effective

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2021, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the consolidated financial statements.

1. Summary of Significant Accounting Policies continued

The Group has not applied the following new and revised standards that have been issued but are not yet effective or are not yet endorsed by the EU:

Amendment to IFRS 16: COVID-19-Related Rent Concessions[1]	Provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.
Interest rate benchmark (IBOR) reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16[1]	Provides temporary exceptions from applying specific hedge accounting requirements, and accounting for changes in the basis for determining the contractual cash flows of a financial instrument, as a result of IBOR reform.
Amendments to IFRS 3: Reference to the Conceptual Framework[2]	Updates reference to the Conceptual Framework without significantly changing the requirements.
Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use[2]	Prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended.
Amendments to IAS 37: Onerous Contracts: Cost of Fulfilling a Contract[2]	The amendments specify that the 'cost of fulfilling' a contract must relate directly to the contract and can either be incremental costs or an allocation of other direct costs.
Annual Improvements to IFRS Standards 2018-2020: Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets[2]	Various minor amendments and clarifications including to clarify which fees an entity includes when it applies the '10 per cent' test in IFRS 9 in assessing whether to derecognise a financial liability.
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current[3]	Provides guidance on whether debt and other liabilities with an uncertain settlement date should be classified as current or non-current.
IFRS 17 'Insurance Contracts'[3]	IFRS 17 replaces IFRS 4 for all entities that issue contracts and investment contracts with discretionary participation features.

1 Effective for the Group's 2021 Financial Statements
2 Effective for the Group's 2022 Financial Statements
3 Effective for the Group's 2023 Financial Statements

The new and revised standards disclosed above are not expected to have a material impact on the Group. There are no other standards or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.2. Consolidation

1.2.1. Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from, its involvement with the Group and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred to the former owners of the acquiree for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and any equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred in accordance with IFRS 3 'Business Combinations'.

Intercompany transactions and balances between Group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of subsidiaries and their countries of incorporation is presented in Note 4 of the Parent Company's financial statements. The term 'Group' means the Company and its consolidated subsidiaries and undertakings.

1.2.2. Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, under which the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognised in the Income Statement, and its share of post-acquisition movements in Other Comprehensive Income is recognised in the Statement of Other Comprehensive Income, both with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

1. Summary of Significant Accounting Policies continued

The Group determines at each reporting date whether there is any objective evidence that an investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment, which is recognised in the Income Statement, as the difference between the recoverable amount of the associate and its carrying value.

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	2020 Average	2020 Year end	2019 Average	2019 Year end
US dollar	**1.141**	**1.224**	1.120	1.122
Chinese renminbi	**7.869**	**7.988**	7.731	7.815
Korean won	**1,344**	**1,331**	1,304	1,295

1.4. Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of accounting estimates and for management to exercise judgement in applying the Group's accounting policies. Assumptions and accounting estimates are subject to regular review, governed by Group-wide policies and controls. Any revisions required to accounting estimates are recognised in the year in which the revisions are made including all future periods affected.

The judgement and estimates that have the most significant and critical effect on the amounts included in the financial statements are post-employment obligations, impairments of assets, and recognition of deferred tax assets as described below. The Group has determined that the judgement as to whether the periods covered by an option to extend a lease are reasonably certain to be exercised, and whether options to terminate a lease are reasonably certain not be exercised, when assessing the lease term, are no longer considered to be critical. This follows successful adoption of the new lease accounting standard, IFRS 16, in the 2019 financial statements.

1.4.1. Critical Accounting Estimates

1.4.1.1 Post-employment obligations

Costs and obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including discount rates, inflation rates, salary growth and mortality assumptions. Further details, including a sensitivity analysis illustrating how changes in the principal assumptions would impact the total defined benefit obligation, are included in the Retirement Benefit Obligations note. See Note 29.5.

1.4.1.2 Impairments of assets

Following the COVID-19 pandemic, global automotive production volumes have been significantly impacted. Management considered this to be an indicator of impairment and accordingly performed full impairment tests as at 30 June 2020 and at 31 December 2020.

Management have designated certain input assumptions to the Group impairment test as being critical estimates and have established volume forecast scenarios, from which operating cash flows over a five-year budget horizon were derived. As the scenarios were designed to cover all reasonably conceivable outcomes, the key source of estimation uncertainty in arriving at the forecast operating cash flows is deemed to be the allocation of scenario probabilities. The resulting CGU recoverable amounts, as calculated using the discounted cash flow model, are then in turn sensitive to the use of discount rates and long-term expected growth rates. Further discussion regarding how these critical estimates have been made and sensitivity analysis of CGU recoverable amounts to changes in these assumptions can be found in Note 18.

1.4.2 Critical Accounting Judgements

1.4.2.1 Impairments of assets

As noted above, management performed a full impairment test as at 30 June 2020 and at 31 December 2020. They have applied judgement in establishing volume forecast scenarios, from which operating cash flows over a five-year budget horizon were derived. Further judgement has then been applied in assigning relative probabilities to these scenarios, such that weighted average operating cash flows could be calculated for use in the discounted cash flow model. Based on the outcome of the 31 December 2020 impairment test, judgement has been applied by management in establishing whether there is sufficient evidence of a significant and prolonged improvement in the forecast profitability of CGUs to support the reversal of any previously recognised impairment losses. Further discussion on the outcome of this judgement is included within Note 18.

1. Summary of Significant Accounting Policies continued

1.4.2.2 Deferred tax assets

Due to the COVID-19 pandemic, global automotive production volumes in the period have been significantly impacted and caused trading losses. Recognition of deferred tax assets is based on forecast future taxable income and therefore involves the exercise of management's judgement regarding the future financial performance of particular legal entities or tax groups in which the deferred tax assets are recognised. Management have looked at short and medium-term production volume forecasts to assess the trading profits to support recognition of the assets. The forecasts used are the same as those used in the impairment test noted in 1.4.2.1 above.

1.5. 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.

Amortisation

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year are as follows:

– Capitalised development expenses	5-10 years (over the life of the production cycle)
– Computer software and licences	3-6 years
– Technology	4-8 years
– Customer platforms	11-25 years

Intangible assets that are under development are not amortised until they are brought into use. They are reviewed for indications of impairment to ensure that expectations of future economic benefits remain valid. Where there is any indication to the contrary, capitalisation ceases and costs are expensed.

1.7. Property, Plant and Equipment ('PP&E')

PP&E is stated at historical cost, which includes expenses directly attributable to bringing assets into productive use including finance charges, less accumulated depreciation. Assets acquired as part of the acquisition of the Group are valued at fair value as part of the acquisition accounting. Land is not depreciated. When major components of an item of PP&E have different useful lives, they are accounted for as separate items.

1. Summary of Significant Accounting Policies continued

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:

– Freehold buildings	30-50 years
– Leased buildings improvements	30-50 years or the period of the lease if shorter
– Plant, machinery and equipment	3-20 years

Depreciation is not charged on assets in the course of construction. Once completed these are transferred to the relevant category above and depreciated accordingly.

Enhancement expenditure of PP&E items is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of replaced parts is de-recognised. All other repairs and maintenance are charged to the Income Statement as incurred.

Gains and losses on disposals of PP&E are determined by comparing the proceeds from disposal with the carrying amount, and are recognised net within other income in the Income Statement.

Investment grants received against the cost of acquired PP&E assets are included in payables as deferred income and credited to the Income Statement on a straight-line basis over the useful lives of the relevant assets.

1.8. Impairment of Non-Financial Assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at CGU level, the lowest level for which there are separately identifiable cash flows. Non-financial assets other than goodwill that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

1.9. Right-of-Use Assets and Lease Liabilities

Right-of-use assets and lease liabilities are created for all leases on the balance sheet, unless the lease term is short, or the underlying asset has a low value ('exempt leases'). Short-term leases are leases with a lease term of 12 months or less. Payments associated with exempt leases are recognised on a straight-line basis as an expense in the income statement.

The Group first applied IFRS 16 'Leases' on 1 January 2019, in accordance with the simplified transition (modified retrospective) approach permitted in the standard, with the cumulative effect of initially applying the new standard recognised on that date. All lease liabilities recognised on the balance sheet ('non-exempt leases'), were initially measured at the present value of their remaining lease payments, discounted using the Group's incremental borrowing rates as of 1 January 2019. All right-of-use assets existing at that date were initially measured at the amount of the lease liability after adjusting for any prepaid or accrued lease expenses.

Since 1 January 2019, a right-of-use asset and a corresponding lease liability has been recognised for all new non-exempt leases at the date at which the underlying leased assets are made available for use by the Group discounted using the Group's incremental borrowing rate at that date.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
– fixed payments (including in-substance fixed payments), less any lease incentives receivable
– variable lease payments that are based on an index or a rate
– the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the Group's control.

After initial recognition, lease interest payable is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The carrying amount of lease liabilities is remeasured when there is a change in the future lease payments due under a lease, due to a change in the lease term or fixed lease payments under the lease, including changes in the assessment to purchase the underlying asset. A corresponding adjustment is also made to the right-of-use asset. Lease liabilities are remeasured at the Group's incremental borrowing rates at the date of the change, except where changes in lease payments result from a change in an index or a rate.

1. Summary of Significant Accounting Policies continued

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.

1.10.1. Financial Assets

Financial assets are classified into 'financial assets at amortised cost' and 'financial assets at FVTPL'. The classification is determined at the time of initial recognition and depends on the Group's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest.

Financial assets at amortised cost

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss. The Group's financial assets at amortised cost comprise 'trade and other receivables excluding prepayments' and 'cash and cash equivalents'.

Financial assets at FVTPL

A financial asset is classified in this category if it does not meet the criteria for recognition as a financial asset at amortised cost. Derivatives are classified in this category unless they are designated as in hedging relationships. These contracts are marked to market by re-measuring them to fair value at the end of each reporting period. The resulting gain or loss is recognised in the Income Statement.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet, when there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables and contract assets, the Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL'. A default on a financial asset occurs when the counterparty fails to make contractual payments within 180 days of when they fall due. The Group also assesses on a forward-looking basis the expected credit losses associated with the trade receivables.

For all other financial instruments, the Group recognises lifetime ECL only when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime ECL that is expected to result from default events on the financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers an actual or expected significant deterioration in the financial instrument's external credit rating where available; significant deterioration in external market indicators of credit risk for a particular financial instrument e.g. a significant increase in the credit spread or the credit default swap prices for the debtor, indications that any debtor is experiencing significant financial difficulty, default or delinquency in payments, an increase in the probability that any debtor will enter bankruptcy, or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1.10.2. Financial Liabilities

Financial liabilities are classified as either 'financial liabilities at amortised cost' or 'financial liabilities at FVTPL'.

Financial liabilities are recognised initially on the date at which the Group becomes party to the contractual provisions of the instrument.

Financial liabilities at amortised cost

The classification of financial liabilities at amortised cost is determined at the time of initial recognition and depends on the Group's business model for managing the financial liabilities and whether the contractual cash flows represent solely payments of principal and interest.

Financial liabilities at amortised cost, including borrowings and trade and other payables excluding deferred income and lease liabilities, are measured using the effective interest method, which calculates the amortised cost of a financial liability and allocates interest expense over its term. The effective interest rate discounts estimated cash payments, (including all issuance discounts and transactions costs) through the expected life of the financial liability, to the net carrying amount on initial recognition.

1. Summary of Significant Accounting Policies continued

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 Note 28. Derivatives are initially recognised at fair value at the date the derivative contracts are entered into, and are subsequently marked to market by re-measuring to their fair value at the end of each reporting period. Derivatives designated as hedging instruments are accounted for in accordance with the hedge accounting policy below.

1.10.3. Hedge Accounting

The Group enters into derivatives to manage its exposure to foreign currency risk and interest rate risk. Derivatives are initially recognised at their fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each Balance Sheet date.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Prior to this date, the Group designated certain derivatives as either:

- Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecasted transaction (cash flow hedge);
- Hedges of a net investment in a foreign operation (net investment hedge).

At the inception of a hedging transaction, the Group documented the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documented its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions were effective in offsetting changes in fair values or cash flows of hedged items. The Group's cost of hedging, the time value of options and forward element of forward contracts were initially recorded in other comprehensive income and subsequently reclassified to profit and loss over time.

Cash flow hedges

The Group uses foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations and, prior to March 2020, variability in cash flows relating to US dollar borrowings. The Group also used interest rate swaps to hedge the interest rate risk arising from its borrowings, which fixed the interest rate for a portion of the borrowings.

The effective portion of changes in the fair value of derivatives that were designated and qualified for hedge accounting were recognised in other comprehensive income. The gain or loss relating to the ineffective portion was recognised immediately within finance income or expense in the Income Statement.

When hedge accounting was discontinued for these cash flow hedges, the amount that had been accumulated in the cash flow hedge reserve was treated as follows:

(i) if the hedged future cash flows for the US dollar borrowings were still expected to occur, that amount remained in the cash flow hedge reserve until the future interest or borrowings cash flows occur, or until that amount was a loss, and it was expected that all, or a portion of that loss, would not be recovered in one or more future period. In those circumstances, the amount that was not expected to be recovered was immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.

(ii) if the hedged future cash flows for the US dollar borrowings were no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve was immediately transferred to finance income or expense in the Income Statement as a reclassification adjustment.

Net investment hedges

Prior to March 2020, hedges of net investments in foreign operations were accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument, relating to the effective portion of the hedge, was recognised in other comprehensive income. The gain or loss relating to the ineffective portion was recognised in the Income Statement.

1. Summary of Significant Accounting Policies continued

Gains and losses accumulated in equity are included in the Income Statement when the foreign operation is partially disposed of or sold. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives, which are not designated as part of a hedging relationship, are classified as current assets or liabilities.

1.11. Inventories

Inventories are valued at the lower of cost, including an appropriate proportion of overheads, and net realisable value, on the first in first out principle. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Tooling that is being manufactured for an external customer or supplier is reported as an item of inventory until complete, and represents the gross amount recoverable from the customer in respect of costs incurred, less progress payments received.

For productive material, cost is standard cost, and for non-productive material (including consumables) cost is actual cost. The standard cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads all at standard, based on normal operating conditions. Cash discounts, trade discounts and rebates are deducted from the costs of purchase. Other costs are included only to the extent that they are incurred in bringing inventories to their present location and condition. Provision is made for slow moving and obsolete inventory.

1.12. Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The Group recognises expected credit losses that will result from all possible default events over the expected life of a financial instrument 'lifetime ECL' for all trade and other receivables.

1.13. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits and money market funds with original maturities of three months or less.

1.14. Share Capital

Ordinary shares of the Company are classified as equity. Costs directly attributable to the issue of ordinary shares are recognised in equity as a deduction, net of any tax effects from the proceeds.

1.15. Trade and Other Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses are recognised when ownership of goods or services has been transferred but not invoiced. Trade and other payables are recognised at amortised cost.

1.16. Provisions

A provision is recognised if, because of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense. Provisions are not recognised for future operating losses.

Product warranties

A product warranty provision is recognised when specific events occur with the underlying product. The provision is based on contractual considerations, historical warranty data and expected outcomes against their associated probabilities. Specific claims are provided for reflecting management's best estimates of potential exposure.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

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

1. Summary of Significant Accounting Policies continued

Step 1:
To be recognised as a contract, there must be appropriate approval from both parties and clear identification of each party's rights under the agreement. The payment terms should be evident, with collection of consideration probable.

The Group's customer arrangements take a variety of forms, with typical contractual frameworks comprising: master terms and conditions, programme award letters, purchase orders and release orders.

For piece part revenue, volume requirements and mutually enforceable terms are established on the customer issuance of a release order and therefore this is the relevant accounting unit of contract.

Tooling, prototype and development ('TPD') requirements are typically specified in a purchase order or equivalent.

Step 2:
The performance obligation within a piece part release order is to manufacture and deliver the specified volume of requested parts. The performance obligation of a TPD order is to construct or undertake the relevant tooling and development activities. Where the different obligations are separable, in terms of both capability and within the contractual documentation, they are accounted for as distinct performance obligations. Further details regarding the nature of goods and services sold is included in Note 2.

Step 3:
The fair value of consideration receivable is the transaction price specified in the relevant release order or purchase order, net of returns, discounts, sales taxes and volume rebates.

For piece part revenue, the price is fixed at the given release order (contract) and does not include any element of variable consideration.

For TPD revenue, where there is any uncertainty over the amount of consideration that will ultimately be recognised, the transaction price is constrained until such uncertainty is resolved. Amounts invoiced in excess of the transaction price will be reflected as pricing accruals or revenue deferrals.

Step 4:
The transaction price established in step 3 is allocated to the distinct performance obligations identified in step 2.

Step 5:
Revenue is recognised on satisfaction of the specified performance obligations, consistent with the passing of control of the goods and services.

For piece part revenue, control is deemed to have passed at the point in time delivery of the parts specified in the applicable release order is made.

Where consignment arrangements apply, revenue is only recognised when control of the underlying inventory has passed to the customer.

For TPD activities, control is deemed to have passed once production part approval process ('PPAP') or start of production ('SOP') has been achieved, depending on the specific terms of the agreement. Costs incurred up until this point are recognised as work-in-progress on the Balance Sheet and reviewed regularly for impairment should their future recovery become doubtful. Upfront deposits and progress billings are recorded in deferred revenue, until point of recognition.

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.

1.18. Other Income and Net Foreign Exchange Gains and Losses

Other income includes government grants, gains and losses on disposals of non-current assets, royalty income 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, after the effect of hedging arrangements.

1. Summary of Significant Accounting Policies continued

1.19. Employee Benefits

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Accrued paid absence such as holiday pay entitlement is charged to the Income Statement as earned. A liability is recognised for the amount expected to be paid under bonus plans if the Group has a present legal or constructive obligation to pay this amount because of past service provided by the employee, and the obligation can be estimated reliably.

Defined contribution plan

Payments to a defined contribution retirement benefit plan are recognised as an expense when employees have rendered service entitling them to the contributions. A defined contribution plan is a post-employment benefit plan under which the Group may elect to pay discretionary and fixed contributions to a separate trust and has no legal or constructive obligation to pay further amounts in respect of past service.

Defined benefit plan

A defined benefit plan provides an amount of benefit that an employee will receive at a later date, usually dependent on one or more factors such as age, periods of service and compensation. Defined benefit arrangements in the Group include funded and unfunded pension plans, post-employment healthcare, statutory termination indemnities and long-service awards.

The liability recognised in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation ('DBO') at the end of the reporting period less the fair value of plan assets. Where the fair value of plan assets exceeds the present value of the DBO, an asset is recognised only to the extent of future economic benefits accruing to the Group either as cash refunds or as a reduction in contributions.

The service cost of providing benefits for funded plans accruing during the year and any past service costs are charged as an operating expense. The interest cost or credit arising from the unwinding of the discount on the net actuarial liability or asset is recognised in the Income Statement as finance expense or income. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related benefit obligation.

Defined benefit plans – funded

The Group operates funded pension plans in the US, Canada and UK. The US plans are subject to annual actuarial review, whilst the others are formally valued at least triennially. Assets are held in trusts and are separately administered from the Group's activities. Assets include readily marketable equities, credit and diversified growth/multi-strategy funds, and qualifying insurance policies, and are valued at fair value. The Group makes contributions based on actuarial advice sufficient to meet the liabilities of the plans.

Defined benefit plans – unfunded including healthcare

The Group operates unfunded employment benefit plans in certain countries of which the most significant are post-employment healthcare in the US, a closed arrangement, and pension plans in Germany. Other liabilities include statutory termination indemnities and long-service awards.

Share-based compensation

The fair value of equity-settled payments to employees is determined at the date of grant using a Monte Carlo simulation and Black-Scholes option-pricing models. The expense is recognised in the Income Statement on the straight-line basis over the period that the employees become entitled to the awards. The credit entry relating to the awards is recorded in equity (Note 7).

The Group reviews the estimate of the number of shares expected to vest at each balance sheet date. The total amount expensed is determined by reference to the fair value of the options granted, including any market performance and any non-vesting conditions, and excluding the impact of any service and non-market performance vesting conditions. Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest.

1.20. Income Tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income and equity.

Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Uncertain tax positions

The Group operates in many jurisdictions and is subject to tax audits which are often complex and can take several years to conclude. Therefore, the accrual for current tax includes provisions for uncertain tax positions, which require estimates for each matter and the exercise of judgement in respect of the interpretation of tax laws and the likelihood of challenge to historic positions. Management uses in-house tax experts, professional advisers and previous experience when assessing tax risks. Depending on their nature, estimates of interest and penalties are included either in interest payable or in tax liabilities. As amounts provided for in any year could differ from eventual tax liabilities, subsequent adjustments may arise which have a material impact on the Group's tax rate and/or cash tax payments.

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. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority, on either the same taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis.

1.21. Exceptional Items

Exceptional items are defined as those items that, by virtue of their nature, size and expected frequency, warrant separate additional disclosure in the consolidated financial statements in order to fully understand the underlying performance of the Group. These may include the costs of closure of locations or income from the disposal of assets on closure of locations, the costs of significant headcount reductions, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums on voluntary repayments of borrowings, impairment charges and the recognition of previously de-recognised deferred tax assets.

1.22. Deferred Income

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

1.23. Climate Change

In preparation of the consolidated financial statements the impact of known climate change measures needs to be considered to the extent that they may affect the carrying value of assets, their useful lives and recoverability, as well as the quantification and recognition of liabilities and provisions. There is no material impact arising from considering these matters. It is, however, noted that we specifically consider the potential impact on forecast operating cash flows arising from future changes in climate change regimes in our annual impairment review as set out in Note 18.

2. Segment Reporting

Notes to segment reporting

In accordance with the provisions of IFRS 8 'Operating Segments', the Group's segment reporting is based on the management approach with regard to segment identification; under which information regularly provided to the chief operating decision maker ('CODM') for decision-making purposes forms the basis of the disclosure. The Company's CODM is the Chief Executive Officer and the Chief Financial Officer. The CODM evaluates the performance of the Company's segments primarily on the basis of revenue and Adjusted EBITDA, and Adjusted EBIT, both non-IFRS measures.

Two operating segments have been identified by the Group: Fluid Carrying Systems ('FCS') and Fuel Tank and Delivery Systems ('FTDS').

Inter-segment revenue is attributable solely to the ordinary business activities of the respective segment and is conducted on an arm's-length basis.

Fluid Carrying Systems ('FCS')

FCS products include brake and fuel lines and bundles, thermal management fluid systems (including HEV and BEV heating and cooling lines), powertrain components and quick-connectors. There is a high degree of vertical integration from the purchase of raw materials, through tube manufacturing to the assembly of finished products.

Fuel Tank and Delivery Systems ('FTDS')

FTDS products include plastic fuel tanks, filler pipes, pumps and modules and level sensors.

The Group recognises revenue on a point in time basis, when the performance obligation to manufacture and deliver products has been satisfied and control of the parts has transferred to the customer. Volume requirements and delivery schedules are communicated using frequent release orders with many customers utilising electronic delivery interfaces to transmit such information and self-billing processes to manage their payment obligations. Payment terms are typically between 30 and 60 days from date of invoicing.

2. Segment Reporting continued

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 PPAP or SOP, depending on the specific terms of the agreement, as at this point all agreed upon specifications have been met. Project durations vary depending on the scope and complexity of requirements. Payment terms are typically 30 to 60 days post-customer acceptance.

Allocation of corporate costs

Corporate costs comprise costs of stewardship of the Group. Costs incurred in administrative services performed at the corporate level are allocated to divisions in line with utilisation of the services. Where direct allocation is not possible, costs are allocated based on revenue for the year.

2.1. Revenue, Adjusted EBITDA and Adjusted EBIT by Segment:

	Notes	2020 €m	2019 €m
Revenue		**2,814.5**	3,411.1
(Loss)/profit for the year		**(252.2)**	144.6
Add back:			
Income tax (credit)/expense – after exceptional items	12	**(1.6)**	57.1
(Loss)/profit before income tax		**(253.8)**	201.7
Net finance expense	11	**74.0**	57.5
Share of loss/(profit) of associates	19	**3.5**	(0.3)
Operating (loss)/profit		**(176.3)**	258.9
Depreciation and impairment of PP&E	16	**104.6**	108.6
Depreciation and impairment of right-of-use assets	17	**31.9**	31.5
Amortisation and impairment of intangible assets	15	**76.7**	89.8
Share of (loss)/profit of associates	19	**(3.5)**	0.3
Exceptional items	9	**304.6**	–
***EBITDA**		**338.0**	489.1
Net foreign exchange gains		**(27.2)**	(0.5)
Dividend received from associates	19	**0.5**	0.5
Restructuring costs		**16.1**	9.0
Share of loss/(profit) of associates	19	**3.5**	(0.3)
***Adjusted EBITDA**		**330.9**	497.8
Less:			
Depreciation and impairment of PP&E	16	**(104.6)**	(108.6)
Depreciation and impairment of right-of-use assets	17	**(31.9)**	(31.5)
Amortisation and impairment of intangible assets	15	**(76.7)**	(89.8)
Add back:			
Depreciation uplift arising on purchase accounting	16	**12.9**	14.5
Amortisation uplift arising on purchase accounting	15	**42.7**	58.0
***Adjusted EBIT**		**173.3**	340.4

*Non-IFRS alternative performance measure. See page 57.

During 2020 the Group recognised a €2.1 million (2019: €9.1 million) settlement gain following a lump sum buyout offering of two of the Group's US pension plans (see Note 29).

Restructuring costs of €16.1 million (€7.0 million in FCS and €9.1 million in FTDS) are stated net of gains on disposal of land and buildings in FCS of €3.4 million completed in the year as part of the approved restructuring activities.

Following a definitive ruling on a Brazilian indirect tax matter, the FCS division recognised a benefit of €0.2 million (2019: €3.3 million) while FTDS recognised a benefit of €0.1 million (2019: €1.5 million).

2. Segment Reporting continued

	2020 €m	2019 €m
Revenue		
– FCS – External	**1,526.9**	1,917.6
– Inter-segment	**67.9**	82.4
Total	**1,594.8**	2,000.0
– FTDS – External	**1,287.6**	1,493.5
– Inter-segment	**3.3**	4.8
Total	**1,290.9**	1,498.3
Inter-segment elimination	**(71.2)**	(87.2)
Total consolidated revenue	**2,814.5**	3,411.1
Adjusted EBITDA		
– FCS	**170.8**	274.0
– FTDS	**160.1**	223.8
Total	**330.9**	497.8
Adjusted EBITDA % of revenue		
– FCS	**11.2%**	14.3%
– FTDS	**12.4%**	15.0%
Total	**11.8%**	14.6%
Adjusted EBIT		
– FCS	**97.2**	199.4
– FTDS	**76.1**	141.0
Total	**173.3**	340.4
Adjusted EBIT % of revenue		
– FCS	**6.4%**	10.4%
– FTDS	**5.9%**	9.4%
Total	**6.2%**	10.0%

2.2. Revenue by Geography & Customer Concentration

	2020 €m	2019 €m
Germany	**191.7**	298.3
Spain	**140.6**	164.4
Poland	**133.0**	139.8
Czech Republic	**107.1**	126.1
Turkey	**100.0**	113.7
Belgium	**94.3**	121.4
France	**90.5**	106.9
United Kingdom	**59.4**	80.7
Africa	**24.2**	38.4
Other	**136.7**	178.9
Europe and Africa	**1,077.5**	1,368.6
China	**654.2**	643.7
South Korea	**217.2**	229.1
Other	**111.1**	157.8
Asia Pacific	**982.5**	1,030.6
US	**499.2**	686.8
Mexico	**203.4**	236.6
Canada	**12.1**	13.3
North America	**714.7**	936.7
Latin America	**39.8**	75.2
Total	**2,814.5**	3,411.1

2. Segment Reporting continued

Three customers account individually for more than 10% of total revenue and collectively contributed 34.1% of total revenue across both reporting segments in the year (2019: three customers contributed 32.0%). Revenue recognised for these customers by segment is as follows:

31 December 2020	FCS €m	FTDS €m	Total €m
Revenue	479.8	480.1	959.9

31 December 2019	FCS €m	FTDS €m	Total €m
Revenue	547.4	541.7	1,089.1

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:

	2020 €m	2019 €m
Germany	131.2	177.9
Poland	101.3	120.6
Czech Republic	84.9	104.1
Spain	76.7	99.2
Turkey	52.4	66.2
Belgium	50.7	63.5
United Kingdom	31.3	48.3
Rest of Europe	82.8	124.4
Europe and Africa	611.3	804.2
US	272.6	433.4
Mexico	71.0	136.4
Rest of North America	2.3	8.2
North America	345.9	578.0
China	411.3	446.3
South Korea	186.9	200.2
Rest of World	77.6	70.7
Total	1,633.0	2,099.4

31 December 2020	FCS €m	FTDS €m	Total €m
Goodwill	511.8	24.1	535.9
Intangible assets	213.7	134.2	347.9
Property, plant and equipment	340.2	250.6	590.8
Non-current trade and other receivables	9.8	9.1	18.9
Right-of-use assets	75.5	49.4	124.9
Investments in associates	14.6	–	14.6
Total	1,165.6	467.4	1,633.0

31 December 2019	FCS €m	FTDS €m	Total €m
Goodwill	679.4	59.6	739.0
Intangible assets	257.1	186.1	443.2
Property, plant and equipment	379.6	335.4	715.0
Non-current trade and other receivables	9.8	11.8	21.6
Right-of-use assets	96.2	65.2	161.4
Investment in associates	19.2	–	19.2
Total	1,441.3	658.1	2,099.4

3. Financial Risk Management

The Board of Directors and key management have overall responsibility for the establishment and oversight of the Group's risk management policies, which are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group's capital structure (comprising of debt (Note 27) and equity (Note 23)) is regularly monitored to safeguard its 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 2020 the First Lien Net Leverage Ratio was 2.1x (31 December 2019 1.6x). The negative covenants restrict certain additional indebtedness, the granting of liens, and the placing of investments against specified basket limits. All basket limits allow sufficient headroom to manage current and expected transactions.

The Group was in full compliance with its financial covenants in respect of its borrowings and committed facilities throughout each of the years presented. The level of debt is monitored on an actual and projected basis to ensure continued compliance.

The Group has exposure to the following significant risks from its activities:

3.1. Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The following categories comprise the main credit exposures of the Group:
– trade and other receivables excluding prepayments
– cash and liquid assets
– derivative financial instruments

The credit risk for trade and other receivables excluding prepayments is normally managed by the operating subsidiaries, by reference to credit rating agencies and historic trading experience with customers. Further details are available in Note 21.

Cash, which is surplus to normal working capital needs, and any approved capital investments in the operating subsidiaries, is managed by Group Treasury.

The use of derivative financial instruments is governed by Group policies and managed by Group Treasury. In most cases, the counterparties are investment grade banks.

Guarantees issued by third parties comprise letters of credit and other bank guarantees, nearly all of which are of a standby nature. Most of the issuing banks are rated investment grade and these ratings are monitored. If any of these banks became unable to meet their obligations under a guarantee, it is expected that a similar guarantee could be issued by another bank or alternative security provided to the beneficiary.

3.2. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Group has access to various forms of funding and these are considered sufficient to meet anticipated liquidity requirements. The Directors believe that there is currently no significant risk that the Group will be unable to fund its planned commitments.

Cash flow forecasts of the Group's liquidity requirements are monitored regularly to ensure there is sufficient cash and undrawn committed borrowing facilities to meet operational needs of the Group over the medium term. Surplus cash generated by the operating entities over and above balances required for normal working capital and any approved investment is managed by Group Treasury.

3.3. Market Risk

Market risk, is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group enters into derivative contracts, and incurs financial liabilities, in order to manage market risks.

3.3.1. 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 US dollars, Chinese renminbi and Euro.

The Group uses forward foreign exchange contracts to manage much of the residual transactional currency risk. In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Most of the instruments terminated in March had original maturity dates of October 2020. Due to the market fluctuations at the start of the COVID-19 pandemic, the Group decided to crystallise these asset positions and convert them to cash. The Group realised cash proceeds of €15.9 million on termination of these derivatives and in total received €16.6 million in the year from these arrangements.

3. Financial Risk Management continued

Derivative instruments used by the Group to manage foreign currency exposure fall under the following main categories:

Forward foreign exchange contracts – not designated in hedge relationships

The nominal value of these derivatives as at 31 December 2020 was €62.9 million (31 December 2019: €180.8 million) and the aggregate fair value was €0.2 million receivable (31 December 2019: €1.4 million receivable).

Forward foreign exchange contracts – designated in cash flow hedge relationships

In October 2015, the Group entered into a series of forward foreign exchange contracts and US dollar interest rate swaps with a number of financial institutions. In aggregate, these instruments converted a portion of the drawings under the main borrowing facilities of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%. These contracts hedge foreign exchange exposure on US dollar-based intra-group borrowings, in Euro functional-currency Group entities. The hedge ratio of this economic relationship was 1:1. In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships. The average strike price in these contracts prior to termination was 1.16 US dollar to the Euro. The nominal value of the forward foreign exchange contracts in this arrangement as at 31 December 2020 was therefore €nil (31 December 2019: €564.7 million), and their aggregate fair value was also €nil (31 December 2019: €8.8 million receivable). A fair value gain of €27.3 million (31 December 2019: €33.9 million gain), was recorded in other comprehensive income in the year, and a €13.1 million gain (31 December 2019: €22.2 million gain) was subsequently recycled to the Income Statement. An ineffectiveness loss of €7.1 million (31 December 2019: €0.2 million loss) was recorded in the Income Statement (Note 11) of which €7.0 million was as a result of early termination of the contracts. Sources of hedge ineffectiveness principally arise from movements in the Company's and hedging counterparty's credit spread not reflected in the movements in the value of the hedged transactions, and from the unwind of the discounting inherent in off-market designations not at zero fair value at inception.

Forward foreign exchange contracts – designated in net investment hedges

In October 2015, the Group entered into a series of forward foreign exchange contracts to hedge the net investment in the Group's Korean won subsidiary. In March 2020, the Group terminated all its forward foreign exchange contracts designated in net investment hedges. The nominal value of these derivatives as at 31 December 2020 was therefore €nil (31 December 2019: KRW 265,893 million (€186.2 million); and their aggregate fair value was also €nil (31 December 2019: €17.0 million payable). A fair value gain of €6.9 million (31 December 2019: gain of €0.3 million) was recorded in other comprehensive income in the year for these contracts. No amounts were recycled during the year and there was no ineffectiveness.

Sensitivity analysis

The Group is primarily exposed to changes in Euro/US dollar exchange rates on its US dollar denominated intercompany borrowings. The Group's exposure to a change in other exchange rates is insignificant. The Group's exposure to a +/- 1% change in Euro/USD exchange rate would be a €1.4 million profit/€1.4million loss.

Following termination of the Group's hedging instruments including those which manage interest rate risk, the Group is currently reviewing its hedging programme in the context of its external and intercompany borrowings in order to determine which of these instruments will be replaced.

3.3.2. Interest Rate Risk

Most of the Group's interest rate risk arises on its main external borrowing facilities. On 30 September 2020, the Group successfully executed a refinancing of its external borrowings, see Note 27.

Until 30 September 2020, the interest expense arising from the secured term loans, denominated in US dollars and Euro, were based on floating rates of respectively, one-month US dollar LIBOR (minimum 0.75%) +2.5% p.a. and three-month EURIBOR (minimum 0.75%) +2.75% p.a.

From 30 September 2020, the interest expense arising from the secured term loans, denominated in US dollars and Euro is now based on floating rates of respectively, three-month US dollar LIBOR (minimum 0.75%) +3.75% p.a. and three-month EURIBOR (minimum 0.75%) +3.75% p.a.

Until the refinancing on 30 September 2020, the Group also had an asset-backed loan facility which bore interest at US$ LIBOR +1.25% p.a. or US$ LIBOR +1.50% p.a. if drawings are over $50 million. This facility was terminated as part of the refinancing.

The Group also has a revolving credit facility. The interest payable on this facility was increased from a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. (depending on leverage ratios) to a range of US$ LIBOR +3.0% to US$ LIBOR + 3.75% p.a. (depending on total net leverage ratio). The facility was increased by $100 million to $225 million on 30 September 2020 and was extended from 16 July 2023 to 16 July 2024. The facility is undrawn at 31 December 2020.

Interest rate swaps

As noted above, the Group has used interest rate swaps to manage the risk and used such contracts, together with the forward foreign exchange contracts to fix in €355.0 million of debt at 4.2%. In March 2020, the Group terminated all its interest rate swaps. The notional value of the interest rate swaps is therefore €nil at 31 December 2020 (31 December 2019: $400.0 million) and their fair value is also €nil (31 December 2019: €1.1 million receivable). In aggregate, a fair value loss of €2.3 million (31 December 2019: €3.2 million loss) has been recorded in other comprehensive income during the year and a €1.3 million loss (31 December 2019: €3.6 million gain) was subsequently recycled to the income statement. No ineffectiveness was recorded in the Income Statement.

Interest rate floors

In March 2020, the Group terminated all its interest rate floors. The aggregate fair value of these derivatives is therefore €nil at 31 December 2020 (31 December 2019: €1.3 million payable).

3. Financial Risk Management continued

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, €2.4 million lower or €nil higher.

Other financial matters

In its normal course of business, the Group does not offer supplier financing arrangements and has not engaged any financial provider to provide these services to parties in the supply chain.

4. Revenue

4.1. Geographic analysis: Revenue by origin

	2020 €m	2019 €m
Europe and Africa	**1,077.5**	1,368.6
Asia Pacific	**982.5**	1,030.6
North America	**714.7**	936.7
Latin America	**39.8**	75.2
	2,814.5	3,411.1

4.2. Geographic analysis: Revenue by destination

	2020 €m	2019 €m
Europe and Africa	**1,073.7**	1,361.8
Asia Pacific	**982.8**	1,029.4
North America	**718.4**	944.5
Latin America	**39.6**	75.4
	2,814.5	3,411.1

4.3. Transaction price allocated to started but incomplete performance obligations

	2020 €m	2019 €m
Tooling, prototype and development revenue to be recognised in one year	**78.9**	99.6
Tooling, prototype and development revenue to be recognised in more than one year	**13.5**	25.9
	92.4	125.5

5. Cost of Sales, Distribution Costs and Administrative Expenses

5.1. Total cost of sales, distribution costs and administrative expenses

	2020 €m	2019 €m
Cost of sales	**2,613.5**	2,922.7
Distribution costs	**83.7**	95.0
Administrative expenses	**329.3**	141.7
Total cost of sales, distribution costs and administrative expenses	**3,026.5**	3,159.4

The nature of costs included in cost of sales, distribution costs and administrative expenses is as follows:

	Notes	2020 €m	2019 €m
Materials and other operating costs		**1,650.0**	1,917.5
Personnel costs	6.1	**709.7**	825.5
Depreciation, amortisation and impairment charges before exceptional costs		**213.2**	229.9
Expense relating to short-term and low value leases	17	**5.7**	8.5
Utilities		**54.4**	64.6
Repairs and maintenance		**32.0**	40.6
Freight inward, including customs duties		**56.9**	72.8
Exceptional costs	9	**304.6**	–
Total cost of sales, distribution costs and administrative expenses		**3,026.5**	3,159.4

Personnel costs include share-based costs (Note 7).

Administrative expenses comprise the costs of the Group's administration, commercial and finance functions, along with all other corporate operating costs.

5. Cost of Sales, Distribution Costs and Administrative Expenses continued

5.2. Research and development expenditure

Research and development expenditure before third-party income, comprised:

	Notes	2020 €m	2019 €m
Research and development expenses		**43.0**	45.1
Capitalised development costs	15.2	**24.3**	31.7
Total research and development expenditure		**67.3**	76.8

6. Personnel Costs and Numbers

6.1. Personnel costs

	Notes	2020 €m	2019 €m
Wages and salaries (including employee severance amounts)		**585.9**	685.0
Share-based costs (including social security costs)	7	**1.1**	1.4
Social security costs		**111.9**	134.6
Pension and other post-employment costs: defined benefit current service cost	29.2	**8.7**	8.1
Pension and other post-employment costs: defined benefit settlement gain	29.2	**(2.2)**	(9.3)
Pension and other post-employment costs: defined contribution		**4.3**	5.7
Total personnel costs		**709.7**	825.5

Wages and salaries costs in the year include employee severance amounts totalling €18.1 million (2019: €8.8 million).

Economic support payments received direct from government authorities amounted to a net €32.0 million and any payroll support was fully passed on to employees (2019: €nil).

6.2. Transactions with Key Management Personnel

Key management personnel comprise the Board of Directors and key officers who report directly to the Chief Executive Officer. The total number of key management personnel was 15 (2019: 15).

At no time during 2020 or 2019 were any loans to key management personnel made by the Group.

Compensation of key management personnel	2020 €m	2019 €m
Short-term employee benefits	**10.8**	11.6
Post-employment benefits	**0.1**	0.1
Share-based costs	**0.8**	0.7
Total	**11.7**	12.4

There was €5.2 million of compensation outstanding at 31 December 2020 (2019: €5.0 million). In addition to salaries, the Group also provides non-cash benefits to key management personnel and contributes to post-employment pension plans on their behalf.

6.3. Personnel numbers

Average monthly number of people employed by function	2020	2019
Direct production	**13,089**	14,054
Indirect operational	**7,288**	7,704
Commercial and administration	**1,584**	1,651
Total	**21,961**	23,409

In addition to the above, the Group employed an average of 3,731 agency and other temporary workers during the year (2019: 3,871) whose costs were included in other operating costs.

7. Share-based Compensation

On 24 October 2017, the TI Fluid Systems Plc Long-Term Incentive Plan was adopted. Under the plan, awards are granted annually with a three-year vesting period. Vesting is contingent on the attainment of certain performance conditions over the three-year performance period as well as the continued service of the award holder. The performance conditions applicable to awards outstanding as at 31 December 2020 are summarised in the below table:

2018 & 2019 Conditional Share Awards ('CSAs')

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
EPS Growth ('**EPS**')	80%	EPS compound annual growth rate over performance period	Non-market-based
Total Shareholder Return ('**TSR**')	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market-based

2020 Conditional Share Awards

Tranche	Percentage of award grant	Performance Condition	Performance Condition Classification
Cumulative Adjusted Free Cash flow ('**AFC**')	80%	Threshold €110 million, maximum €260 million, outperformance €285 million	Non-market-based
Total Shareholder Return ('**TSR**')	20%	Rank of the Company's total shareholder return for the performance period against the FTSE 250	Market-based

2020 Restricted Stock Units ('RSUs')

The 2020 RSUs have no performance conditions, other than the continued service of the holder throughout the three-year vesting period.

Certain Executive Directors are entitled to bonus shares of up to 133% of their CSAs, subject to achieving an enhanced target in relation to the relevant performance condition.

Award holders are entitled to a dividend equivalent payment, in respect of their awards, for all ordinary dividends that are declared and paid between the award date and the settlement date. These may be paid in cash at the date of vesting, or paid in the form of additional conditional awards, subject to the same conditions as the original grant.

As the awards are settled in shares of the Company, or cash at the discretion of the Company, they are accounted for as equity settled awards under IFRS 2 and fair valued at date of grant using the Black-Scholes Option Pricing Model (EPS and AFC tranches) and Monte Carlo simulation (TSR tranche). The fair value is recognised in the Income Statement straight line over the vesting period, with the anticipated number of awards vesting adjusted for management's estimate of forfeiture rate and attainment of non-market-based performance conditions. Achievement of market-based performance conditions is reflected in the initial fair value of the award.

The weighted average fair value of awards granted in the year was €1.68 comprising €1.47 for 2020 CSAs and €1.90 for 2020 RSUs (2019 CSAs: €1.89).

The assumptions used for the grants in the year included a weighted average share price of €1.93 (2019: €2.22), expected option life of 3 years (2019: 3 years), expected volatility of 43.5% (2019: 37.6%) and a weighted average risk free interest rate of 0.02% (2019: 0.71%). 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.

7. Share-based Compensation continued
The below table provides a reconciliation of awards outstanding:

	Number of awards
Outstanding at 1 January 2019	5,175,000
Granted during the year	7,074,214
Forfeited during the year	(495,000)
Outstanding at 31 December 2019	**11,754,214**
Granted during the year	7,722,455
Forfeited during the year	(1,527,330)
Outstanding at 31 December 2020	**17,949,339**

The total share-based cost for the year was €1.1 million, including €0.2 million in relation to employers taxes (2019: €1.4 million).

8. Directors' Remuneration
The Directors' emoluments, fees, payments for service, compensation for cancelled shares under long-term incentive schemes and pension benefits are disclosed in the Remuneration Report. See page 83.

9. Exceptional Items

	Notes	**2020 €m**	2019 €m
Cost of sales	18	**120.4**	–
Administrative expenses	18	**184.2**	–
Exceptional expense before income tax		**304.6**	–
Income tax credit	12	**(29.7)**	–
Total exceptional expense recognised in Income Statement		**274.9**	–

The exceptional administrative expenses of €184.2 million relate to impairments of goodwill made during the year. The exceptional cost of sales expense of €120.4 million relates to impairments of intangible assets, property, plant and equipment and lease right-of-use assets during the year. Refer to Note 18 for further details regarding these impairment charges and to Note 12 for the associated income tax impacts.

10. Other Income and Net Foreign Exchange Gains

	2020 €m	2019 €m
Government grants	**1.5**	2.9
Royalty income	**2.2**	0.3
Losses on disposal of PP&E and intangible assets	**(0.5)**	(1.6)
Other miscellaneous items	**5.3**	5.1
	8.5	6.7

Other miscellaneous items in the current year include €2.8 million for the refund of a one-off VAT claim settled.

Other miscellaneous items in the prior year include €2.6 million in relation to a cash compensation settlement received.

Net foreign exchange gains recognised in the year of €27.2 million (2019: €0.5 million) primarily relate to gains on the Group's unhedged US dollar denominated intercompany borrowings in Euro functional currency companies. These arose after March 2020, following termination of all the Group's forward foreign exchange contracts designated in cash flow hedge relationships; see Note 3. The US dollar average exposure from March 2020 on which these gains arose was $276 million.

11. Finance Income and Expense

	Notes	2020 €m	2019 €m
Finance income			
Interest on short-term deposits, other financial assets and other interest income		**2.2**	2.0
Interest income on indirect tax receivable		–	2.8
Fair value gain on derivatives and foreign exchange contracts not in hedged relationships		**1.3**	10.2
Finance income		**3.5**	15.0
Finance expense			
Interest payable on term loans including expensed fees		**(55.9)**	(56.5)
Net interest expense of retirement benefit obligations	29.2	**(4.1)**	(4.6)
Fair value net losses on financial instruments: ineffectiveness	3	**(7.1)**	(0.2)
Net interest expense related to specific uncertain tax positions		–	(0.3)
Interest payable on lease liabilities	17.2.2	**(10.4)**	(10.5)
Utilisation of discount on provisions and other finance expense		–	(0.4)
Finance expense		**(77.5)**	(72.5)
Total net finance expense		**(74.0)**	(57.5)

Fees included in interest payable under the effective interest method	Notes	2020 €m	2019 €m
Fees included in interest payable on term loans	27	**(8.0)**	(7.7)

In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps. Termination of the hedges resulted in the recognition of ineffectiveness of €7.0 million.

The reduction in the fair value gain on derivatives and foreign exchange contracts not in hedged relationships from €10.2 million in the prior year, to €1.3 million in the current year, is principally caused by the termination of the Group's hedge arrangements in March 2020 as mentioned above.

12. Income Tax

12.1. Income Tax Credit/(Expense)

	2020 €m	2019 €m
Current tax on profit for the year	**(58.5)**	(83.6)
Adjustments in respect of prior years	**5.5**	17.8
Total current tax expense	**(53.0)**	(65.8)
Origination and reversal of temporary deferred tax differences	**24.9**	8.7
Exceptional deferred tax impact of impairment charge	**29.7**	–
Total deferred tax benefit	**54.6**	8.7
Income tax credit/(expense) – Income Statement	**1.6**	(57.1)
Origination and reversal of temporary deferred tax differences	**3.6**	2.3
Income tax expense – Statement of Comprehensive Income	**3.6**	2.3
Total income tax credit/(expense)	**5.2**	(54.8)

The Group income tax charge, before exceptional items, is €28.1 million, down €29.0 million over 2019. The 2019 Group income tax charge, €57.1 million, was favourably impacted by the €12.2 million prior year tax credit recognised in respect of the US Research & Experimentation claims. Group profit before tax after adjusting for the impact of the Group's share of associate after tax profits and losses, €3.5 million losses (2019: €0.3 million profits), amounted to €54.3 million (2019: €201.4 million). Normalising 2019 for the €12.2 million prior year tax credit, the 2020 and 2019 effective tax rates were 51.7% and 34.4% respectively.

For 2020, the Group is reporting an exceptional impairment charge of €304.6 million with a deferred tax benefit of €29.7 million which results in an exceptional effective tax rate of 9.8%. 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.

12. Income Tax continued

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 UK, Group tax charges recognised in respect of unrecognised overseas distributable reserves and the impact of purchase accounting adjustments.

	2020		2019	
	Profit before tax €m	**Tax charge €m**	Profit before tax €m	Tax charge €m
Results excluding exceptional items	**50.8**	**(28.1)**	201.7	(57.1)
Adjustments:				
Share of associate loss/(profit)	**3.5**	**–**	(0.3)	–
Prior year tax benefit related to US R&E claims	**–**	**–**	–	(12.2)
	54.3	**(28.1)**	201.4	(69.3)
Analysed as:				
Tax charges (including deferred tax assets) recognised	**148.5**	**(36.5)**	309.8	(81.9)
Tax losses where no deferred tax assets recognised	**(38.6)**	**(0.2)**	(35.9)	(0.2)
UK withholding tax and Group tax on unremitted distributable reserves	**–**	**(5.2)**	–	(5.2)
Annual amortisation and depreciation of assets with historic purchase price accounting adjustments	**(55.6)**	**13.8**	(72.5)	18.0
	54.3	**(28.1)**	201.4	(69.3)

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:

	2020 Before exceptional item €m	**Exceptional item €m**	**2020 €m**	2019 €m
Profit/(loss) before income tax	**50.8**	**(304.6)**	**(253.8)**	201.7
Income tax calculated at UK statutory tax rate of 19% (2019: 19%) applicable to profits in respective countries	**(9.7)**	**57.9**	**48.2**	(38.3)
Tax effects of:				
Overseas tax rates (excluding associates)	**(5.1)**	**9.0**	**3.9**	(16.2)
Income not subject to tax	**9.9**	**–**	**9.9**	6.4
Expenses not deductible for tax purposes – other & UK non-deductible interest/expenses	**(14.7)**	**–**	**(14.7)**	(13.1)
Expenses not deductible for tax purposes – goodwill impairment	**–**	**(35.0)**	**(35.0)**	–
Temporary differences on unremitted earnings	**(3.3)**	**–**	**(3.3)**	(3.3)
Specific tax provisions	**(2.5)**	**–**	**(2.5)**	(3.1)
Unrecognised deferred tax assets	**(4.5)**	**(2.2)**	**(6.7)**	(3.7)
Other taxes	**(8.3)**	**–**	**(8.3)**	(10.6)
Adjustment in respect of prior years – US R&E tax credit (see note below)	**–**	**–**	**–**	12.2
Adjustment in respect of prior years – current tax adjustments	**5.5**	**–**	**5.5**	12.1
Adjustment in respect of prior years – deferred tax adjustments	**0.7**	**–**	**0.7**	(5.0)
Impact of changes in tax rate	**(0.2)**	**–**	**(0.2)**	0.3
Double Tax Relief and other tax credits	**4.1**	**–**	**4.1**	5.2
Income tax (expense)/credit – Income Statement	**(28.1)**	**29.7**	**1.6**	(57.1)
Deferred tax credit on re-measurement of retirement benefit obligations	**3.6**	**–**	**3.6**	2.3
Income tax credit – Statement of Comprehensive Income	**3.6**	**–**	**3.6**	2.3
Total tax (expense)/credit	**(24.5)**	**29.7**	**5.2**	(54.8)

Other taxes comprised various local taxes of €2.0 million (2019: €3.2 million) together with taxes withheld on dividend, interest and royalty remittances totalling €6.3 million (2019: €7.4 million).

12. Income Tax continued

During 2019, TI Automotive LLC ('TI US') completed a Research and Experimentation ('R&E') study for the years 2011 through 2018. As a result of the R&E study, TI US was able to report a material tax benefit in the 2019 accounts in the amount of €12.2 million net of the uncertain tax position associated with the tax credit. The R&E tax credit had a material favourable impact on the 2019 effective tax rate for the Group.

For 2020, the Group is reporting an exceptional impairment charge of €304.6 million with a deferred tax benefit of €29.7 million. 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 and 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.

12.2. Current Income Tax Assets and Liabilities

	2020 €m	2019 €m
Current income tax assets	**13.7**	13.7
Current income tax liabilities	**(40.7)**	(48.7)
Net current income tax liabilities	**(27.0)**	(35.0)

Uncertain tax positions

The Group maintains a provision for uncertain tax positions. As at 31 December 2020, the balance was €31.9 million (2019: €33.8 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 12 months although the timing of any settlements are not certain.

12.3. Deferred Tax Assets and Liabilities

	2020 €m	2019 €m
Deferred tax assets	**62.4**	25.1
Deferred tax liabilities	**(104.3)**	(128.5)
Net deferred tax liabilities	**(41.9)**	(103.4)

The total deferred tax asset balance as at 31 December 2020 is €62.4 million. It is expected that €28.1 million of the deferred tax asset will be recovered within the next 12 months and the remaining €34.3 million of the deferred tax asset will be recovered after 12 months.

The total deferred tax liability balance as at 31 December 2020 is €104.3 million. It is expected that €16.7 million of the deferred tax liability will be settled within the next 12 months and the remaining €87.6 million of the deferred tax liability will be settled after 12 months.

12. Income Tax continued

12.3.1. Movement on Net Deferred Tax Liabilities

	2020 €m	2019 €m
At 1 January	**(103.4)**	(106.7)
Income statement benefit	**24.9**	8.7
Exceptional income statement benefit – tax impact of impairment charge	**29.7**	–
Tax on remeasurement of retirement benefit obligations	**3.6**	2.3
Transfer of uncertain tax position balance from current tax to deferred tax	**(0.7)**	(7.3)
Currency translation	**4.0**	(0.4)
At 31 December	**(41.9)**	(103.4)

Deferred tax assets originating from tax loss carry forwards mainly relate to Germany, France and Spain as at 31 December 2020. Forecasts for Germany, France and Spain are prepared by management on a five-year basis and use external automotive industry data sources. The forecast demonstrate several years of continued future profitability and all have consistent expectations of future financial performance. As a result, management believe that the current tax losses will be utilised.

The aggregate amount of tax liabilities not recognised with respect to temporary differences associated with investment in subsidiaries, branches and associates, and interests in joint ventures is €nil.

12.3.2. Gross Deferred Tax Assets and Liabilities

The analysis of deferred tax assets and liabilities below represents gross amounts before netting of deferred tax assets and liabilities in certain tax jurisdictions as reflected in the table in 12.3 above.

	Assets					Liabilities					
Gross deferred tax assets and liabilities	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Tax credits €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	Total €m
At 1 January 2019	39.3	14.4	13.1	–	26.8	(62.4)	(23.2)	(87.0)	(4.0)	(23.7)	(106.7)
Included in the Income Statement	(4.0)	(2.6)	(4.7)	(2.4)	4.7	2.6	2.7	13.9	1.3	(2.8)	8.7
Included in other comprehensive income	2.3	–	–	–	–	–	–	–	–	–	2.3
Transfer of uncertain tax position balance from current tax to deferred tax	–	–	–	–	(7.3)	–	–	–	–	–	(7.3)
Reclassification	–	–	–	13.3	(13.3)	–	–	–	–	–	–
Currency translation differences	0.6	0.3	0.2	–	0.2	(0.6)	(0.1)	(0.9)	(0.1)	–	(0.4)
At 31 December 2019	38.2	12.1	8.6	10.9	11.1	(60.4)	(20.6)	(74.0)	(2.8)	(26.5)	(103.4)

12. Income Tax continued

Gross deferred tax assets and liabilities	Provision for pensions and employee benefits €m	Deferred interest deductions €m	Tax losses €m	Tax credits €m	Other specific provisions €m	Excess depreciation on fixed assets and goodwill €m	Development intangibles €m	Acquisition related intangible assets €m	Loan fees €m	Unremitted earnings €m	Total €m
	Assets					Liabilities					
Included in the Income Statement	(0.3)	(10.5)	9.0	8.1	2.8	3.6	2.8	10.5	1.1	(2.2)	24.9
Exceptional income statement benefit – tax impact of impairment charge	–	–	–	–	–	25.7	–	4.0	–	–	29.7
Included in other comprehensive income	3.6	–	–	–	–	–	–	–	–	–	3.6
Transfer of uncertain tax position balance from current tax to deferred tax	–	–	–	(0.7)	–	–	–	–	–	–	(0.7)
Currency translation differences	(2.3)	(0.3)	(0.5)	(0.6)	(0.5)	2.8	0.3	2.5	0.2	2.4	4.0
At 31 December 2020	39.2	1.3	17.1	17.7	13.4	(28.3)	(17.5)	(57.0)	(1.5)	(26.3)	(41.9)

12.4. Unrecognised Deferred Tax Assets

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2020, the Group did not recognise deferred income tax assets (net of specific tax provisions) of €161.0 million (2019: €147.8 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 €643.2 million (2019: €636.3 million) that can be carried forward against future taxable income. All material tax losses referred to above can be carried forward without time limitation (UK: €616.8 million and Brazil: €22.0 million).

13. Earnings Per Share

13.1. Basic and Diluted Earnings Per Share

	2020			2019		
	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	(254.1)	519.8	(48.88)	141.6	519.9	27.24
Dilutive shares	–	2.6	–	–	–	–
Diluted	(254.1)	522.4	(48.88)	141.6	519.9	27.24

* The dilutive shares attributable to long-term incentives are antidilutive in respect of statutory Loss Per Share. However, these are dilutive in Adjusted Earnings Per Share as shown in note 13.2.

13.2. Adjusted Earnings Per Share

	2020		2019	
	Basic	Diluted	Basic	Diluted
Adjusted Net Income (€m)	13.7	13.7	150.3	150.3
Weighted average number of shares (in millions)	519.8	522.4	519.9	519.9
Adjusted Earnings Per Share (€, in cents)	2.64	2.62	28.91	28.91

Adjusted Net Income is based on loss for the period attributable to shareholders €254.1 million (2019: €141.6 million profit) after adding back net adjustments of €267.8 million (2019: €8.7 million).

14. Dividends

The following dividends were declared and paid by the Group:

	2020 €m	2019 €m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of €5.94 per share	–	30.9
Interim dividend for the year ended 31 December 2019 of €3.02 per share	–	15.7
Total dividend	–	46.6
Proposed final dividend for the year ended 31 December 2019 of €5.94 per share	–	30.9

On 17 March 2020, the Group announced a final dividend of €30.9 million in relation to the financial year ended 31 December 2019. However, in light of the COVID-19 pandemic in H1 2020, the dividend was not approved by the Board of Directors and cancelled.

15. Intangible Assets

	2020 €m	2019 €m
Goodwill	**535.9**	739.0
Capitalised development expenses, computer software and licences, technology and customer platforms	**347.9**	443.2
Total intangible assets	**883.8**	1,182.2

15.1. Goodwill

Goodwill is deemed to have an indefinite useful life. It is carried at cost and reviewed annually for impairment.

	€m
Cost at 1 January 2020	**739.0**
Currency translation	**(24.8)**
Cost at 31 December 2020	**714.2**
Accumulated impairment at 1 January 2020	–
Exceptional impairment charge	**(184.2)**
Currency translation	**5.9**
Accumulated impairment at 31 December 2020	**(178.3)**
Net book value at 31 December 2020	**535.9**

	€m
Cost at 1 January 2019	733.3
Currency translation	5.7
Cost at 31 December 2019	739.0
Accumulated impairment at 1 January 2019	–
Accumulated impairment at 31 December 2019	–
Net book value at 31 December 2019	739.0

15. Intangible Assets continued

15.2. Capitalised Development Expenses, Computer Software and Licences, Technology and Customer Platforms

Intangibles assets are amortised over their useful economic life, which range from 3 to 25 years.

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms* €m	Total €m
Cost at 1 January 2020	**237.4**	**16.2**	**135.9**	**474.4**	**863.9**
Accumulated amortisation	**(102.2)**	**(11.3)**	**(125.5)**	**(181.7)**	**(420.7)**
Net book value at 1 January 2020	**135.2**	**4.9**	**10.4**	**292.7**	**443.2**
Additions	**24.3**	**8.4**	**–**	**–**	**32.7**
Disposals	**(0.1)**	**–**	**–**	**–**	**(0.1)**
Amortisation charge	**(26.7)**	**(1.6)**	**(2.3)**	**(40.4)**	**(71.0)**
Impairments – exceptional charge	**(21.2)**	**(0.5)**	**(0.7)**	**(15.2)**	**(37.6)**
Impairments – other charges	**(5.7)**	**–**	**–**	**–**	**(5.7)**
Currency translation	**(2.9)**	**(0.6)**	**(0.5)**	**(9.6)**	**(13.6)**
Net book value at 31 December 2020	**102.9**	**10.6**	**6.9**	**227.5**	**347.9**
Cost at 31 December 2020	**254.4**	**23.3**	**126.7**	**455.2**	**859.6**
Accumulated amortisation	**(151.5)**	**(12.7)**	**(119.8)**	**(227.7)**	**(511.7)**
Net book value at 31 December 2020	**102.9**	**10.6**	**6.9**	**227.5**	**347.9**

* Customer platforms includes intangible assets relating to: customer platforms; aftermarket customer relationships; trade names and trademarks.

	Capitalised development expenses €m	Computer software and licences €m	Technology €m	Customer platforms €m	Total €m
Cost at 1 January 2019	205.4	15.0	130.7	469.0	820.1
Accumulated amortisation	(71.5)	(9.8)	(104.2)	(138.1)	(323.6)
Net book value at 1 January 2019	133.9	5.2	26.5	330.9	496.5
Additions	31.7	1.2	–	–	32.9
Disposals	(0.6)	–	–	–	(0.6)
Amortisation charge	(28.3)	(1.5)	(16.5)	(41.5)	(87.8)
Impairments	(2.0)	–	–	–	(2.0)
Currency translation	0.5	–	0.4	3.3	4.2
Net book value at 31 December 2019	135.2	4.9	10.4	292.7	443.2
Cost at 31 December 2019	237.4	16.2	135.9	474.4	863.9
Accumulated amortisation	(102.2)	(11.3)	(125.5)	(181.7)	(420.7)
Net book value at 31 December 2019	135.2	4.9	10.4	292.7	443.2

The above amortisation charges for 'technology' and 'customer platforms' amounting to €42.7 million (2019: €58.0 million) arise from intangible assets recognised through purchase price accounting. Amortisation charges are included within cost of sales.

16. Property, Plant and Equipment

16.1. Movements in Property, Plant and Equipment

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	175.5	820.2	88.9	1,084.6
Accumulated depreciation	(23.6)	(346.0)	–	(369.6)
Net book value at 1 January 2020	151.9	474.2	88.9	715.0
Additions	3.5	51.3	23.6	78.4
Disposals	(2.6)	(6.3)	(1.8)	(10.7)
Impairments – other charges	–	(2.9)	–	(2.9)
Impairments – exceptional charge	(13.9)	(41.6)	(10.5)	(66.0)
Transfers between categories	(1.4)	32.9	(31.5)	–
Depreciation charge	(7.3)	(94.4)	–	(101.7)
Currency translation	(5.7)	(12.5)	(3.1)	(21.3)
Net book value at 31 December 2020	124.5	400.7	65.6	590.8
Cost	162.2	792.8	76.1	1,031.1
Accumulated depreciation	(37.7)	(392.1)	(10.5)	(440.3)
Net book value at 31 December 2020	124.5	400.7	65.6	590.8

	Land and buildings €m	Plant, machinery and equipment €m	Assets in the course of construction €m	Total €m
Cost	176.7	754.2	95.9	1,026.8
Accumulated depreciation	(18.7)	(301.6)	–	(320.3)
Net book value at 1 January 2019	158.0	452.6	95.9	706.5
Change in accounting policy: adoption of IFRS 16	(1.4)	–	–	(1.4)
Restated net book value at 1 January 2019	156.6	452.6	95.9	705.1
Additions	3.8	83.5	27.2	114.5
Disposals	0.1	(0.8)	(0.9)	(1.6)
Impairments	–	(1.5)	–	(1.5)
Transfers between categories	0.6	32.2	(32.8)	–
Depreciation charge	(8.9)	(98.2)	–	(107.1)
Currency translation	(0.3)	6.4	(0.5)	5.6
Net book value at 31 December 2019	151.9	474.2	88.9	715.0
Cost	175.5	820.2	88.9	1,084.6
Accumulated depreciation	(23.6)	(346.0)	–	(369.6)
Net book value at 31 December 2019	151.9	474.2	88.9	715.0

16.2. Depreciation Charge

The above depreciation charge includes €12.9 million, comprising €2.1 million from 'land and buildings' and €11.0 million from 'plant, machinery and equipment' in relation to the fair value uplift arising from purchase price accounting (2019: €14.5 million, comprising €1.3 million from 'land and buildings' and €13.2 million from 'plant, machinery and equipment').

The total depreciation charge is analysed below:

	2020 €m	2019 €m
Cost of sales	100.0	104.5
Distribution costs	0.4	0.8
Administrative expenses	1.3	1.8
Total depreciation charge	101.7	107.1

17. Leases

17.1. Leasing Activities

The Group as Lessee

The Group leases various manufacturing facilities, offices, plant & machinery and cars. Rental contracts are typically made for fixed initial periods of 1 to 10 years for manufacturing facilities and offices, and 2 to 5 years for plant & machinery and cars. Many agreements also have extension options, as described below, and contain a range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options (or periods after termination options) are only included for valuation purposes in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of €52.1 million (2019: €51.7 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 lease terms for a number of leases were renegotiated during the year as a result of the COVID-19 pandemic, to either reduce the rent on a temporary basis 'rent forgiveness', or to reduce the rent on a temporary basis, and increase later payments, so that the total overall payments are unchanged 'rent holidays'. IFRS 16 has been revised to permit companies not to assess whether particular COVID-19-related rent concessions are lease modifications and, instead, account for those concessions as if they were not lease modifications. This expedient may be early adopted in these financial statements. The Group has decided not to adopt this expedient. Rent holidays that have been negotiated are not considered to be lease modifications.

17.2. Amounts recognised in the Balance Sheet

The balance sheet shows the following amounts relating to leases:

	2020 €m	2019 €m
Right-of-Use Assets	**124.9**	161.4
Non-current liabilities		
Lease Liabilities	**122.4**	138.0
Current liabilities		
Lease Liabilities	**28.6**	28.7
Total Lease Liabilities	**151.0**	166.7

The range of incremental borrowing rates applied to lease liabilities in the year by region was:

	2020 Range	2019 Range
Europe and Africa	**3.4% – 23.2%**	3.4% – 23.2%
North America	**3.4% – 12.6%**	4.9% – 12.6%
Asia Pacific	**3.5% – 12.5%**	5.3% – 13.4%
Latin America	**7.6% – 47.9%**	8.7% – 18.2%

The weighted average incremental borrowing rate applied to the lease liabilities at 31 December 2020 is 6.7% (2019: 6.7%). The Group believes that any reasonably possible change in the weighted average incremental borrowing rate would not cause the carrying value of lease liabilities or the lease interest payable charged to the income statement to be materially different.

17. Leases continued

17.2.1 Right-of-Use Assets

Movements in right-of-use assets in the year are disclosed below:

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
At 1 January 2020	**149.4**	**12.0**	**161.4**
Additions	**13.7**	**3.6**	**17.3**
Disposals	**(0.2)**	**–**	**(0.2)**
Remeasurements	**2.4**	**(0.1)**	**2.3**
Exceptional impairments	**(15.9)**	**(0.9)**	**(16.8)**
Impairments	**(0.6)**	**–**	**(0.6)**
Depreciation charge	**(25.3)**	**(6.0)**	**(31.3)**
Transfers to property, plant and equipment	**(2.0)**	**–**	**(2.0)**
Currency translation	**(5.2)**	**–**	**(5.2)**
Net book value at 31 December 2020	**116.3**	**8.6**	**124.9**
Cost	**176.4**	**18.2**	**194.6**
Accumulated depreciation	**(60.1)**	**(9.6)**	**(69.7)**
Net book value at 31 December 2020	**116.3**	**8.6**	**124.9**

	Land and buildings €m	Plant, machinery and equipment €m	Total €m
At 1 January 2019	134.0	12.3	146.3
Additions	42.3	5.2	47.5
Disposals	(1.3)	–	(1.3)
Remeasurements	0.4	0.2	0.6
Depreciation charge	(25.8)	(5.7)	(31.5)
Currency translation	(0.2)	–	(0.2)
Net book value at 31 December 2019	149.4	12.0	161.4
Cost	174.5	17.7	192.2
Accumulated depreciation	(25.1)	(5.7)	(30.8)
Net book value at 31 December 2019	149.4	12.0	161.4

17.2.2 Lease liabilities

Movements in lease liabilities in the year are disclosed below:

	Notes	2020 €m	2019 €m
Opening Balance		**166.7**	147.0
Additions	27.7	**17.9**	47.5
Disposals		**(0.3)**	(1.3)
Remeasurements		**2.3**	0.6
Accrued interest	11	**10.4**	10.5
Repayments		**(39.0)**	(37.6)
Currency translation		**(7.0)**	–
At 31 December 2020		**151.0**	166.7
Non-current		**122.4**	138.0
Current		**28.6**	28.7
At 31 December 2020		**151.0**	166.7

17. Leases continued

The maturity of lease liabilities is:

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	**37.5**	**8.9**	**28.6**
Between one and five years	**96.0**	**20.4**	**75.6**
Over five years	**54.5**	**7.7**	**46.8**
Total at 31 December 2020	**188.0**	**37.0**	**151.0**

	Total minimum lease payments €m	Interest €m	Principal €m
Less than one year	39.2	10.5	28.7
Between one and five years	109.9	26.7	83.2
Over five years	65.7	10.9	54.8
Total at 31 December 2019	214.8	48.1	166.7

The currency denomination of lease liabilities is:

	2020 €m	2019 €m
Euro	**69.6**	75.6
US dollar	**41.6**	44.7
Chinese renminbi	**19.6**	27.1
Other	**20.2**	19.3
Total lease liabilities	**151.0**	166.7

17.3. Amounts recognised in the income and cash flow statements

The statement of profit or loss includes the following amounts relating to leases:

	Notes	2020 €m	2019 €m
Depreciation charge of right-of-use assets		**31.3**	31.5
Exceptional Impairment charge of right-of-use assets	18	**16.8**	–
Impairment charge of right-of-use assets		**0.6**	–
Interest payable on lease liabilities	11	**10.4**	10.5
Expense relating to short-term and low value leases	5.1	**5.7**	8.5

Due to the COVID-19 pandemic, global automotive production volumes are expected to be significantly impacted. Management consider this to be an indicator of impairment and have therefore performed a full impairment test on right-of-use assets as at 30 June 2020 and 31 December 2020. These resulted in an exceptional impairment to right-of-use assets in the year of €16.8 million. The Group has also impaired various leased properties which it expects to vacate early. The total of these impairments is €0.6 million.

The total depreciation charge on right-of-use assets in 2020 and 2019 is all recognised in cost of sales.

The statement of cash flows includes the following amounts relating to leases:

	2020 €m	2019 €m
Cash paid for short-term and low value leases reported within cash generated from operations	**5.7**	8.5
Interest paid on lease liabilities reported within interest paid	**10.4**	10.5
Lease principal repayments reported separately in cash flows from financing activities	**28.6**	27.1
Total cash outflow for leases	**44.7**	46.1

18. Impairments

18.1. Impairment Tests for Goodwill and Intangibles

The purchase of TIFS Holdings Ltd ('TIFSHL') on 30 June 2015, which was the previous Parent Company of the Group, and the consequent fair valuation of assets and liabilities, resulted in total goodwill recognition of €711.1 million and intangibles of €663.2 million. The purchase of Millennium Industries Corporation on 16 February 2016 resulted in total goodwill recognition of €57.1 million and intangibles of €72.6 million, included in the FCS-NA CGU.

The intangible assets recognised from acquisitions, as outlined above, included €369.7 million and €57.1 million in relation to customer platforms arising on the Bain and Millennium acquisitions respectively. These assets reflect the future revenue expected to arise from customer platforms existing at the date of acquisition, based on platform lives and probabilities of renewals.

During H1 2020, forecasts for global automotive production volumes in the near and medium term were significantly impacted by the COVID-19 pandemic, when compared to equivalent forecasts that underpinned the Group's 2019 annual impairment assessment, where no impairment was recognised. The scale of this volume deterioration, which was beyond what was reasonably estimable in early 2020, triggered the Group to perform a full impairment test as at 30 June 2020.

The impairment test for goodwill and intangible assets is conducted at a CGU level, which the Group defines as the intersection between the two operating segments, FCS and FTDS, and the geographic sub divisions, North America ('NA'), Europe ('EU'), Asia Pacific ('AP') and Latin America ('LA').

The results of the H1 2020 impairment test indicated that the carrying values of CGU assets were higher than their recoverable amounts for six of the CGUs, resulting in the following impairments being recognised at 30 June 2020:

	Recoverable amount €m	Impairment of goodwill €m	Impairment of other CGU assets €m	Total exceptional impairment charge €m
FCS-NA	437.2	71.7	–	71.7
FCS-EU	421.5	77.7	–	77.7
FCS-LA	–	–	6.3	6.3
FTDS-NA	68.1	–	88.8	88.8
FTDS-EU	273.2	34.8	22.2	57.0
FTDS-LA	–	–	3.1	3.1
	1,200.0	**184.2**	**120.4**	**304.6**

The 'other CGU asset' impairments of €120.4 million have been apportioned across the respective CGU asset categories on a pro rata basis resulting in the following asset class allocation:

	H1 2020 impairment charge €m
Goodwill	**184.2**
Capitalised development expenses	**21.2**
Computer software and licences	**0.5**
Other intangible assets	**15.9**
Land & buildings	**13.9**
PP&E	**41.6**
Assets in the course of construction	**10.5**
Right-of-use assets	**16.8**
	304.6

The reduction in asset carrying values following the H1 impairment gave rise to a reduced H2 depreciation and amortisation charge of €6.9 million. The portion of this not attributed to assets arising on purchase accounting resulted in an improvement to Adjusted EBIT of €5.5 million for FTDS and €0.2 million for FCS.

18. Impairments continued

Following the H1 2020 impairment, the goodwill and intangible asset carrying values as at 31 December 2020 were as follows:

	2020		2019	
	Goodwill €m	**Intangibles €m**	Goodwill €m	Intangibles €m
FCS				
North America	**139.5**	**80.7**	223.9	102.5
Europe and Africa	**140.7**	**47.1**	218.4	53.9
Asia Pacific	**231.6**	**85.9**	237.1	100.6
Latin America	**–**	**–**	–	0.2
FTDS				
North America	**–**	**6.2**	–	41.5
Europe and Africa	**–**	**81.2**	34.8	95.5
Asia Pacific	**24.1**	**46.8**	24.8	48.7
Latin America	**–**	**–**	–	0.3
	535.9	**347.9**	739.0	443.2

The intangible assets above include customer platforms arising on the Bain and Millennium acquisitions with carrying values at 31 December 2020 of €168.5 million and €28.7 million respectively (year ended 31 December 2019: €206.7 million and €36.4 million) with remaining useful lives of 5.0 and 5.7 years.

18.2. H1 2020 Impairment Test

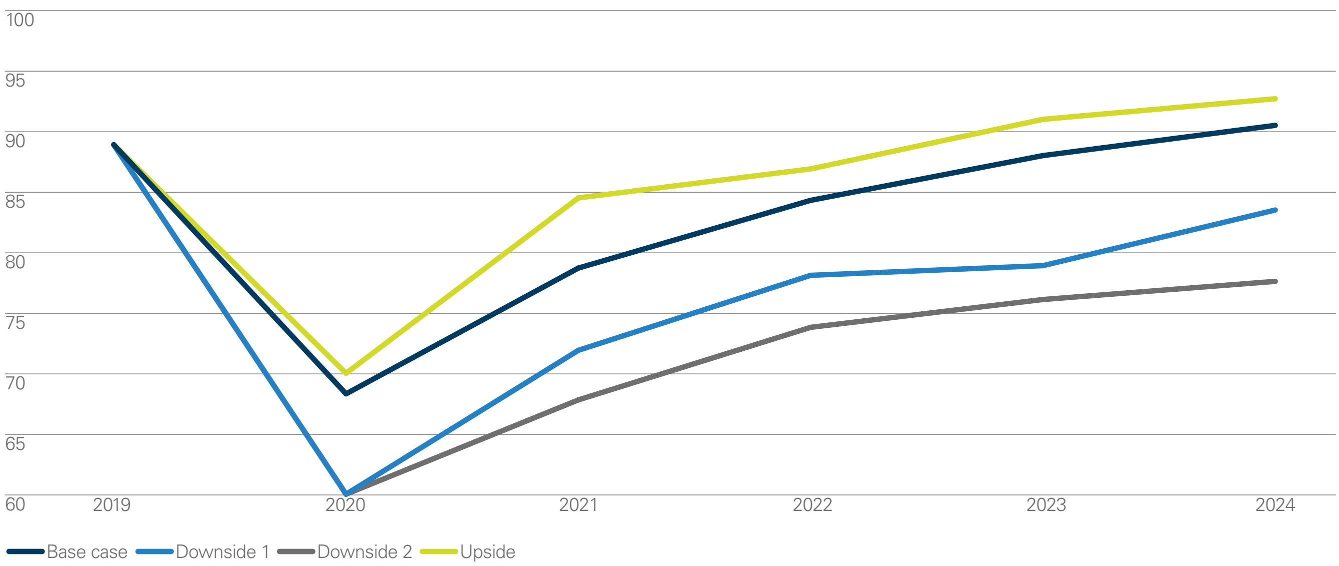
The recoverable amount estimated in the H1 2020 impairment test for the CGUs was determined based on a value-in-use calculation. Due to the high level of uncertainty over future global automotive production volumes, management elected to use an 'expected cash flow' approach, as described in IAS 36, to obtain their estimate of future operating cash flows for each of the CGUs. To determine the expected cash flows, the Group established four volume scenarios which covered the period from 30 June 2020 to 30 June 2025, with relative probabilities then assigned to the operating cash flows arising from these scenarios. Weighted average operating cash flows across the scenarios were then calculated for inclusion in the discounted cash flow model.

To reflect the high level of uncertainty in future volume projections, the four scenarios demonstrated alternative profiles in terms of likely future volumes and the rate of market volume recovery.

The base case scenario utilised May 2020 IHS global light vehicle production forecasts. These forecasts exhibited a significant reduction in 2020 production units versus 2019, with a subsequent recovery profile that returned volumes to 2019 levels in 2024, a compound annual growth rate (CAGR) of 0.4%.

The three additional scenarios reflected two downside volume profiles relative to the base scenario and one upside volume profile. These scenarios were prepared by reflecting factors such as historical external forecasting accuracy, geographical distributions of volume and different potential rates of market volume recovery, as demonstrated in the graph below.

Scenario volume forecasts (million units)



18. Impairments continued

The table below outlines the respective probabilities assigned to each of these scenarios as well as the 2019 actual production volumes and 2020 forecast production volumes, with corresponding growths rates over this period.

Scenario	Assigned probability	2019 global light vehicle production (million units)	2020 global light vehicle production management forecast (million units)	2019-2024 CAGR
Base case	70%	88.9	68.3	0.4%
Downside 1	15%	88.9	60.0	(1.2)%
Downside 2	10%	88.9	60.0	(2.7)%
Upside	5%	88.9	70.0	0.8%

The probabilities were selected by management with consideration to global economic forecasts, and the perceived likelihood of plausible outcomes.

Assumptions

The key assumptions used in the value-in-use calculations were:
- forecast operating cash flows
- long-term expected growth rates
- discount rates

As outlined above, the forecast operating cash flows were established using the respective volume scenarios and the resultant forecast demand for our products given those volumes. Product mix, pricing assumptions, market outperformance and working capital management actions, which remain broadly consistent with those that underpinned the 2019 impairment review, were then applied to the forecast sales profiles.

Refer to section 18.3 for the discount and growth rates used in both the H1 2020 and H2 2020 impairment models.

Sensitivity analysis

The H1 2020 impairment review necessitated that the CGU assets, within the scope of IAS 36, of FCS-LA and FTDS-LA, be fully impaired. Each scenario modelled resulted in operating cash outflows. The Latin American CGUs were therefore excluded from the following sensitivity analysis, as management did not believe reasonably possible changes in input assumptions would alter this result.

Where the H1 impairment test resulted in an impairment, or where at H1 management believed a reasonably possible change in assumption would cause a future impairment, sensitivity testing was performed.

The following table demonstrates the impact of changes in the H1 long-term expected growth rates and discount rates, in isolation, for CGUs deemed to be sensitive to such changes.

		H1 assumption		Impact of 100 BPS change	
	Recoverable amount €m	Discount rate	Long-term expected growth rate	Discount rate €m	Long-term expected growth rate €m
FCS-NA	437.2	15.3%	2.0%	32.7	20.1
FCS-EU	421.5	16.0%	2.8%	36.4	22.9
FTDS-NA	68.1	16.3%	3.0%	7.2	4.5
FTDS-EU	273.2	17.0%	2.5%	20.4	12.1

Potential variability in the amount and timing of operating cash flows was incorporated in the calculation of forecast operating cash flows, using the expected cash flow approach and four scenarios outlined above.

Assuming 100% probability weightings to each of the four H1 scenarios resulted in the following hypothetical impairments:

	As recorded	**100% Base Case**	**100% Downside 1**	**100% Downside 2**	**100% Upside**
FCS-NA	71.7	38.2	147.3	221.3	14.2
FCS-EU	77.7	33.1	208.0	237.7	–
FCS-LA	6.3	6.3	6.3	6.3	6.3
FTDS-NA	88.8	81.6	111.5	132.3	33.7
FTDS-EU	57.0	45.8	105.1	127.2	–
FTDS-LA	3.1	3.1	3.1	3.1	3.1
	304.6	**208.1**	**581.3**	**727.9**	**57.3**

18. Impairments continued

No impairments were recorded in FCS-AP and FTDS-AP due to more resilient production volume forecasts in the Asia Pacific region. Applying a 100% weighting to the Downside 2 scenario still resulted in recoverable amounts in excess of CGU net assets.

In response to the COVID-19 pandemic, management initiated a number of mitigating cost reduction schemes, including global restructuring programmes. Only savings from restructuring events that were appropriately authorised by management and communicated to the affected employees on or before 30 June 2020 were reflected in the H1 2020 forecast operating cash flows. The impact of restructuring activities undertaken subsequent to this date has been included in the H2 impairment test; see section 18.3 for further details.

18.3. H2 2020 Impairment Test

Due to continuing uncertainty over global automotive production volumes in the near and medium term, management performed an additional full impairment test as at 31 December 2020, to establish whether the recoverable amounts of CGU assets exceed their carrying values.

During the second half of 2020, automotive production volumes have shown some signs of stabilising, with actual 2020 global light vehicle production of 74.6 million units compared with 68.3 million forecast in the H1 2020 base case scenario.

As greater clarity emerges over the market response to the pandemic, management believe it is appropriate to reduce the number of scenarios used in the expected cash flow model to reflect a narrower range of plausible outcomes.

Accordingly, two scenarios have been established utilising IHS global light vehicle production forecasts; a 'base case' and a 'downside'.

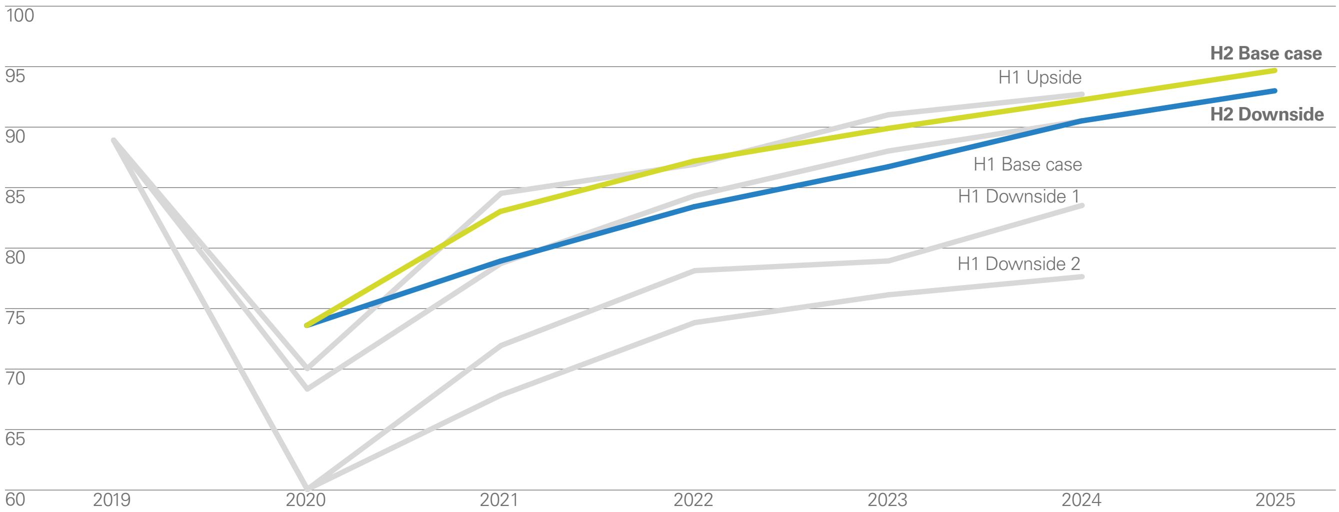
The base case scenario uses November 2020 IHS volume forecasts, adjusted for product mix, pricing assumptions and market outperformance to establish forecast sales values. Contribution margin, fixed cost, research and development expenditure, capital expenditure and working capital management estimates are then applied to arrive at the forecast operating cash flows for inclusion in the value-in-use discounted cash flow model. Cash flows resulting from restructuring activities not announced at the reporting date and cash flows that are contingent on enhanced capital expenditure are excluded from the forecasts.

The downside scenario uses a more conservative volume forecast dataset issued by IHS and also incorporates risk adjustments where appropriate for potential programme losses, and longer-term impacts to consumer demand arising from technological evolution in response to climate change and evolving mobilisation trends.

As outlined in Note 1, management have considered the potential impacts of climate change on the impairment assessment. This has included risk adjusting forecast cash flows to capture uncertainty regarding possible future changes to environmental regimes and their impact on existing automotive market trends, including the transition to full electrification.

The below graph demonstrates the volume profile of these two scenarios across the five-year medium-term plan horizon. These have been superimposed onto the H1 2020 volume scenarios for reference purposes.

Scenario volume forecasts (million units)



18. Impairments continued

The below table outlines the respective probabilities assigned to each of these scenarios as well as the 2020 actual production volumes and 2021 forecast production volumes, with corresponding growths rates over this period.

Scenario	Assigned probability	2020 global light vehicle production (million units)	2021 global light vehicle production management forecast (million units)	2020-2025 CAGR
Base case	85%	74.6	83.0	4.9%
Downside	15%	74.6	78.9	4.5%

The probabilities were selected by management with consideration to global economic forecasts, and the perceived likelihood of plausible outcomes.

Applying the weighted average operating cash flows from the two scenarios to the value-in-use calculation resulted in CGU headroom as outlined in the below table. This table also includes the goodwill and other asset impairments recorded in H1 2020, for context.

CGU	2020 H2 headroom (€m)	2020 H1 goodwill impairment (€m)	2020 H1 other asset impairments (€m)
FCS-NA	**85.2**	71.7	–
FCS-EU	**42.8**	77.7	–
FCS-AP	**260.5**	–	–
FCS-LA	**0.4**	–	6.3
FTDS-NA	**52.3**	–	88.8
FTDS-EU	**18.8**	34.8	22.2
FTDS-AP	**405.6**	–	–
FTDS-LA	**0.6**	–	3.1
	866.2	184.2	120.4

The outcome of the H2 2020 impairment test demonstrates that CGU recoverable amounts are in excess of their respective asset carrying values, and therefore no additional impairments have been recorded in the second half of 2020.

This observed increase in recoverable amount when compared to the H1 2020 impairment test is a result of improved external automotive volume forecasts in combination with the execution of internal cost saving initiatives and restructuring activities. To the extent that such activities were appropriately authorised by management, and communicated to the affected employees on or before 31 December 2020, the associated cash savings have been reflected in management's forecast of operating cash flows.

Whilst impairments recorded against goodwill cannot be reversed in a subsequent reporting period, management are required to monitor external and internal sources of information for indicators that previously recognised impairment losses for intangible assets, PP&E and leased right-of-use assets may have decreased or no longer exist. This is applicable to FCS-LA, FTDS-LA, FTDS-NA and FTDS-EU, where asset impairments, other than goodwill, were recorded at H1 2020.

Both Latin America CGUs were fully impaired at H1 2020, as a result of forecast negative cash flows. Although restructuring activities have been implemented during H2 2020 to mitigate these negative cash flows, uncertainty over the longer-term economic viability of operations in this region lead management to conclude that it is appropriate to maintain the impairment losses as at 31 December 2020.

Despite positive headroom in FTDS-NA and FTDS-EU providing an indication that previously recognised impairment losses have decreased, management do not believe sufficient time has passed since recognising these impairment losses in H1 2020 to evidence a significant and prolonged improvement in the economic performance arising from the underlying CGU assets. Furthermore, as evidenced in the H2 2020 sensitivity analysis (below) reasonably possible changes to the estimates made in the H2 2020 impairment model may result in significant variations in resulting headroom over the short term, particularly where market interruption caused by the COVID-19 pandemic persists.

Management will therefore continue to monitor external and internal sources during 2021, and until such a time that indicators of a sustained improvement in future CGU cash generation can be demonstrated with sufficient confidence, before contemplating the reversal of impairment losses.

18. Impairments continued

Assumptions

The key assumptions used in the value-in-use calculations are:
– forecast operating cash flows
– long-term expected growth rates
– discount rates

Forecast operating cash flows were established using the respective volume scenarios and the resultant forecast demand for our products given those volumes. Product mix, pricing assumptions, market outperformance and working capital management actions were then applied to the forecast sales profiles.

Long-term expected growth rates and discount rates are determined with reference to the services of third-party valuation experts and utilise externally available sources of information, adjusted where relevant for industry specific factors. Long-term growth rates are based on long-term economic forecasts for growth in the automotive sector in the geographical regions in which the CGUs operate. Discount rates are calculated for each division using a weighted average cost of capital specific to the geographical regions from which the cash flows are derived.

The range of discount and growth rates used were as follows:

	2020 H2		2020 H1		2019	
	FCS	**FTDS**	FCS	FTDS	FCS	FTDS
Pre-tax discount rates						
North America	**15.25%**	**16.25%**	15.25%	16.25%	13.75%	14.75%
Europe and Africa	**15.50%**	**16.25%**	16.00%	17.00%	15.50%	16.50%
Asia Pacific	**15.50%**	**15.75%**	16.00%	16.50%	15.50%	15.75%
Latin America	**26.00%**	**24.50%**	27.00%	26.50%	26.25%	27.00%
Long-term growth rates						
North America	**2.00%**	**3.00%**	2.00%	3.00%	2.50%	3.50%
Europe and Africa	**2.75%**	**2.50%**	2.75%	2.50%	3.25%	3.00%
Asia Pacific	**5.00%**	**4.75%**	5.00%	4.75%	5.50%	5.25%
Latin America	**4.50%**	**3.50%**	4.50%	3.50%	5.00%	4.00%

Management consider the input assumptions used in the impairment model to be critical estimates, as there is a significant risk of a material adjustment to the carrying value of CGU net assets resulting from changes in these assumptions.

Sensitivity analysis

Where management believe a reasonably possible change in assumption could result in the recognition of additional impairment charges, or in the reversal of previously recognised impairment charges, sensitivity analysis has been performed.

Based on the observed level of headroom in FCS-AP, FTDS-AP, FCS-NA and FCS-EU, management do not believe a reasonably possible change in assumptions would impact the carrying value of CGU assets. When applying a 100% probability weighting to the downside scenario, all four CGUs still demonstrate positive headroom. Furthermore, the H1 2020 impairments in FCS-NA and FCS-EU were to goodwill only, which cannot be reversed in a subsequent reporting period.

Both Latin America CGUs were fully impaired at H1 2020 due to forecast operating losses, and as described above, despite implementing restructuring initiatives during H2 of 2020, management believe the economic environment in this region will not be conducive to reducing the previously recognised impairment losses in the short to medium term.

Sensitivity analysis has therefore been performed for FTDS-NA and FTDS-EU.

18. Impairments continued

The following table demonstrates the impact of changes in the long-term expected growth rates and discount rates, in isolation, for CGUs deemed to be sensitive to such changes.

		H2 assumption		Impact of 100 BPS change	
	Recoverable amount €m	Discount rate	Long-term expected growth rate	Discount rate €m	Long-term expected growth rate €m
FTDS-NA	96.9	16.25%	3.0%	7.7	4.5
FTDS-EU	275.7	16.25%	2.5%	18.8	10.3

Potential variability in the amount and timing of operating cash flows was incorporated in the calculation of forecast operating cash flows, using the expected cash flow approach and two scenarios outlined above.

Assuming 100% probability weightings to each of the H2 scenarios resulted in the following hypothetical headroom/impairment:

	As calculated (€m)	100% Base case (€m)	100% Downside (€m)
FTDS-NA	52.3	60.3	7.3
FTDS-EU	18.8	27.8	(32.1)

19. Investments in Associates

The Group's only associated undertaking is SeAH FS Co., Ltd ('SeAH FS'). The Group holds 20% of the issued ordinary shares. SeAH FS is registered in South Korea and is engaged in manufacturing and engineering. Its financial year end is 31 December and its registered address is 180-15 Kebong-Dong Young, Deoungpo-Gu, Seoul. SeAH FS is a private company, and there is no quoted price available for its shares. There are no contingent liabilities relating to the Group's investment.

There were no sales of goods by the Group to SeAH FS in either 2020 or 2019. Purchases of goods by the Group from SeAH FS in the year totalled €8.1 million (2019: €10.5 million).

The movements in investments in associates in the year were:

	2020 €m	2019 €m
Balance at 1 January	**19.2**	19.6
Share of (loss)/profit for the year	**(3.5)**	0.3
Dividends paid	**(0.5)**	(0.5)
Currency translation	**(0.6)**	(0.2)
Balance at 31 December	**14.6**	19.2

Group proportional share of associate's net income (20% share)	**2020 €m**	2019 €m
Revenue	**34.8**	19.6
Earnings before interest and income taxes (EBIT)	**(2.4)**	0.6
Share of associate net (loss)/profit for the year	**(3.5)**	0.1

Group proportional share of associate's net assets (20% share)	**2020 €m**	2019 €m
Current assets	**21.5**	13.1
Non-current assets	**11.2**	16.4
Total assets	**32.7**	29.5
Current liabilities	**(10.2)**	(2.8)
Non-current liabilities	**(1.2)**	(1.0)
Total liabilities	**(11.4)**	(3.8)
Shareholders' funds (before fair value adjustment on acquisition)	**21.3**	25.7

The summarised financial information is based on the unaudited consolidated financial statements of the associate for 2020 and the parent financial statements of the associate for 2019. The functional currency of the associate is Korean won, which has been converted to Euro at prevailing exchange rates.

20. Inventories

	2020 €m	2019 €m
Raw materials	**132.6**	141.7
Work-in-progress	**37.3**	39.8
Finished goods	**39.6**	39.9
Tooling under development	**109.3**	110.9
Consumables	**32.6**	34.8
Total inventories	**351.4**	367.1

Consignment inventories from external suppliers held on the Group's premises at 31 December 2020 amounted to €15.9 million (2019: €19.7 million) and are excluded from the balances above.

The value of inventories has been assessed on the basis of fair value, in determining that the carrying value is the lower of cost less any related selling costs and net realisable value.

The cost of inventories recognised as an expense in cost of sales during the year was €1,336.9 million (2019: €1,600.4 million), including €11.0 million relating to write-downs of inventory to net realisable value (2019: €9.2 million).

21. Trade and Other Receivables

	2020 €m	2019 €m
Trade receivables	**477.7**	514.4
Allowance for doubtful debts	**(4.2)**	(3.9)
Net trade receivables	**473.5**	510.5
Prepayments	**57.6**	67.7
Contract assets – accrued income	**19.6**	13.7
Other receivables	**3.0**	4.2
Total trade and other receivables	**553.7**	596.1
Non-current	**18.9**	21.6
Current	**534.8**	574.5

Trade receivables disclosed above include amounts that are overdue at the end of the year for which the Group has not recognised an allowance for doubtful debts, because there is still a reasonable expectation of recovering these balances.

21.1. Aged Analysis of Net Trade Receivables

	2020 €m	2019 €m
Not overdue	**456.4**	468.8
Up to three months overdue	**15.7**	35.4
Three to six months overdue	**1.3**	2.9
Over six months overdue	**0.1**	3.4
Net trade receivables	**473.5**	510.5

21.2. Movement in Allowance for Doubtful Debts

	2020 €m	2019 €m
At 1 January	**(3.9)**	(4.0)
Receivables provided for as uncollectible	**(1.3)**	(3.1)
Amounts written off during the year as uncollectible	**0.3**	0.5
Amounts recovered during the year	**0.7**	2.7
At 31 December	**(4.2)**	(3.9)

In determining the recoverability of a trade receivable, the Group considers all currently available and forward-looking information to assess the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Receivables provided for as uncollectible and charged to the Income Statement are included in administrative expenses.

A loss allowance is recognised at an amount equal to the lifetime expected credit losses ('ECL') over the life of the contract 'lifetime ECL'.

21. Trade and Other Receivables continued

21.3. Credit Quality of Receivables

The Group has a large number of customers and considers credit ratings only in respect of major customers from either Standard and Poor's or Moody's. Those customers that have no credit rating are monitored as part of normal credit control procedures.

Credit rating	2020 €m	2019 €m
A – AAA	155.5	151.4
B – BBB	180.5	230.3
Counterparties without external credit rating	137.5	128.8
Net trade receivables	473.5	510.5

21.4. Currency Risk of Receivables

	2020 €m	2019 €m
Chinese renminbi	166.2	163.8
Euro	153.9	164.2
US dollar	89.5	103.2
Other currencies	66.9	83.5
Total net trade receivables and other receivables	476.5	514.7

21.5. Movement in Accrued Income

	2020 €m	2019 €m
At 1 January	13.7	13.2
Unbilled performance	9.1	8.2
Transfers to receivables	(1.8)	(7.1)
Impairments through P&L	(0.1)	–
Other movements	(0.6)	(0.7)
Currency translation	(0.7)	0.1
At 31 December	19.6	13.7

22. Cash and Liquid Assets

	2020 €m	2019 €m
Cash at bank and in hand	485.8	411.7
Cash and cash equivalents in the Balance Sheet	485.8	411.7
Other deposits	0.9	0.9
Financial assets at FVTPL	0.9	0.9
Total cash and liquid assets	486.7	412.6

Other deposits of €0.9 million (2019: €0.9 million) include €0.7 million (2019: €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 2013-14.

Financial institution credit rating	2020 €m	2019 €m
A – AA	391.0	338.3
B – BBB or lower	94.8	73.4
Cash and cash equivalents in the Balance Sheet	485.8	411.7

Cash and cash equivalent balances include €0.8 million (2019: €1.7 million) held by subsidiaries as collateral primarily for letters of credit and foreign exchange facilities.

23. 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 1 January 2019	519,901,503	£0.01	5.2	6.8	1.4	8.2
Shares issued	367,638	£0.01	–	–	0.8	0.8
At 31 December 2019	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2020	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

In the prior year, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan.

The Group holds shares in the TI Fluid Systems Employee Benefit Trust ('EBT') for the purpose of satisfying awards made to employees under the TI Fluid Systems Plc Long-Term Incentive Plan and Deferred Bonus Plan. Such shares are shown as a deduction to equity in the Statement of Changes in Equity and are not treated as outstanding for the purposes of calculating earnings per share.

The movements in ordinary shares held by the EBT in the current and prior year were as follows:

	Number of shares €m	€m
At 1 January 2019	**176,729**	–
Forfeited to EBT by Restricted Stock Award holders	513,165	–
Release to satisfy vested Restricted Stock Units	(269,138)	–
At 31 December 2019	**420,756**	–
Market purchase	1,572,175	3.5
Release to satisfy Deferred Bonus Plan	(493,024)	(0.2)
At 31 December 2020	**1,499,907**	**3.3**

The Company is a public limited company which is incorporated and domiciled in England and Wales, with registered number 09402231.

24. Reserves
Other Reserves

	Forward contracts cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2020	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)
Amount recognised in OCI during the year – fair value gains/(losses): effective hedges	11.1	16.2	–	(2.3)	25.0	–	25.0
Amounts recycled from OCI – foreign exchange remeasurement	(11.1)	–	–	–	(11.1)	–	(11.1)
Amortisation	–	(2.0)	–	–	(2.0)	–	(2.0)
Amounts recycled from OCI – interest	–	–	–	1.3	1.3	–	1.3
Movement in fair value of effective cash flow hedges	–	14.2	–	(1.0)	13.2	–	13.2
Net investment hedges	–	–	6.9	–	6.9	–	6.9
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	(51.7)	(51.7)
Items that may be subsequently reclassified to profit or loss	–	14.2	6.9	(1.0)	20.1	(51.7)	(31.6)
At 31 December 2020	–	–	(10.0)	–	(10.0)	(127.7)	(137.7)

24. Reserves continued

Items that may be subsequently reclassified to profit or loss	Forward contracts cash flow hedge reserve €m	Forward contracts cost of hedging reserve €m	Net investment hedges €m	Interest rate swaps €m	Hedging reserve €m	Currency translation reserve €m	Total €m
At 1 January 2019	–	(25.9)	(17.2)	7.8	(35.3)	(91.0)	(126.3)
Amount recognised in OCI during the year – fair value gains: effective hedges	13.3	20.6	–	(3.2)	30.7	–	30.7
Amounts recycled from OCI – foreign exchange remeasurement	(13.3)	–	–	–	(13.3)	–	(13.3)
Amortisation	–	(8.9)	–	–	(8.9)	–	(8.9)
Amounts recycled from OCI – interest	–	–	–	(3.6)	(3.6)	–	(3.6)
Movement in fair value of effective cash flow hedges	–	11.7	–	(6.8)	4.9	–	4.9
Net investment hedges	–	–	0.3	–	0.3	–	0.3
Currency translation attributable to owners of the Parent Company	–	–	–	–	–	15.0	15.0
Items that may be subsequently reclassified to profit or loss	–	11.7	0.3	(6.8)	5.2	15.0	20.2
At 31 December 2019	–	(14.2)	(16.9)	1.0	(30.1)	(76.0)	(106.1)

25. Non-Controlling Interests

	2020 €m	2019 €m
At 1 January	**24.5**	22.5
Share of profit for the year	**1.9**	3.0
Currency translation	**(0.7)**	(0.2)
Total comprehensive income for the year	**1.2**	2.8
Reduction in non-controlling interests	**–**	(0.1)
Dividends paid	**(0.5)**	(0.7)
At 31 December	**25.2**	24.5

The Group holds a 97% interest in Bundy India Ltd and a 73% interest in Hanil Tube Corporation, which is located in South Korea. Non-controlling interests represent the remaining 3% and 27% respectively.

26. Trade and Other Payables

	2020 €m	2019 €m
Trade payables	**261.2**	276.9
Accrued expenses	**178.8**	166.7
Contract liabilities – deferred income	**130.8**	116.2
Social security and other taxes	**46.1**	46.2
Other payables	**16.1**	16.2
Amounts due to associates	**1.1**	1.3
Total trade and other payables	**634.1**	623.5
Non-current	**20.0**	12.3
Current	**614.1**	611.2

Accrued expenses include net capital investment grant balances totalling €1.5 million (2019: €2.9 million).

26. Trade and Other Payables continued

26.1. Movement in Contract Liabilities – Deferred Income

	2020 €m	2019 €m
At 1 January	**116.2**	93.3
Advance billings	**75.8**	47.9
Amounts recognised as revenue	**(52.7)**	(34.8)
Reversal of prior year deferred income	**(5.0)**	(1.1)
Other movements	**(2.2)**	9.5
Currency translation	**(1.3)**	1.4
At 31 December	**130.8**	116.2

27. Borrowings

	Notes	2020 €m	2019 €m
Non-current:			
Secured loans:			
– Main borrowing facilities	27.4	**1,069.2**	1,148.4
– Other secured loans	27.5	**0.1**	0.1
Total non-current borrowings		**1,069.3**	1,148.5
Current:			
Secured loans:			
– Main borrowing facilities	27.4	**7.4**	2.3
– Other secured loans	27.5	**–**	0.1
Total current borrowings		**7.4**	2.4
Total borrowings		**1,076.7**	1,150.9
Main borrowing facilities	27.4	**1,076.6**	1,150.7
Other loans	27.5	**0.1**	0.2
Total borrowings		**1,076.7**	1,150.9

The main borrowing facilities are shown net of issuance discounts and fees of €25.3 million (2019: €16.9 million).

27.1. Movement in Total Borrowings

	Main borrowing facilities €m	Other loans €m	Total borrowings €m
At 1 January 2020	**1,150.7**	**0.2**	**1,150.9**
Accrued interest	**47.9**	**–**	**47.9**
Scheduled payments	**(53.1)**	**(0.1)**	**(53.2)**
Fees expensed	**8.0**	**–**	**8.0**
New borrowings	**213.6**	**–**	**213.6**
Fees paid on new borrowings	**(17.7)**	**–**	**(17.7)**
Voluntary repayments of borrowings	**(209.6)**	**–**	**(209.6)**
Currency translation	**(63.2)**	**–**	**(63.2)**
At 31 December 2020	**1,076.6**	**0.1**	**1,076.7**

New borrowings in the year consisted of a partial drawdown of the asset-backed loan of $25.0 million (€22.6 million), a draw-down of the revolving credit facility of $125.0 million (€113.0 million) and an increase in the Euro tranche of the main borrowings of €78.0 million as a result of the Group's refinancing see Note 27.4.

Voluntary repayments of borrowings in the year consisted of a repayment of the asset-backed loan of $25.0 million drawn earlier in the year (€22.8 million), a repayment of the revolving credit facility drawn earlier in the year of $125.0 million (€106.2 million) and a repayment of the US dollar tranche of the main borrowings of $94.2 million (€80.6 million) as a result of the Group's refinancing.

27. Borrowings continued

	Main borrowing facilities €m	Other loans €m	Total borrowings €m
At 1 January 2019	1,181.4	0.3	1,181.7
Accrued interest	48.8	0.3	49.1
Scheduled payments	(53.2)	(0.4)	(53.6)
Fees expensed	7.7	–	7.7
Fees paid on new borrowings	(0.3)	–	(0.3)
Voluntary repayments of borrowings	(50.0)	–	(50.0)
Currency translation	16.3	–	16.3
At 31 December 2019	1,150.7	0.2	1,150.9

27.2. Currency Denomination of Borrowings

	2020 €m	2019 €m
US dollar	**587.9**	731.5
Euro	**488.8**	419.4
Total borrowings	**1,076.7**	1,150.9

27.3. Maturity of Borrowings

	2020 €m	2019 €m
Less than one year	**7.4**	2.4
Between one and five years	**1,069.3**	1,148.5
Total borrowings	**1,076.7**	1,150.9

27.4. Main Borrowing Facilities

The main borrowing facilities comprise a package of secured loans consisting of a term loan, a revolving credit facility, and until 30 September 2020, an asset-backed loan.

The amounts outstanding under the agreements are:

	2020 €m	2019 €m
Principal outstanding:		
US term loan	**603.1**	743.2
Euro term loan	**498.8**	424.4
Main borrowing facilities	**1,101.9**	1,167.6
Issuance discounts and fees	**(25.3)**	(16.9)
Main borrowing facilities	**1,076.6**	1,150.7

On 30 September 2020, the Group successfully executed a refinancing of its external borrowings. The key elements of the transaction were as follows:

- The Euro term loan of €422.0 million was extended from 30 June 2022 to 16 December 2024, the amount was increased by €78.0 million to €500.0 million, and the rate was increased by 1% from EURIBOR (minimum 0.75% p.a.) +2.75% p.a. to EURIBOR (minimum 0.75% p.a.) +3.75% p.a.
- The US dollar term loan of $834.2 million was extended from 30 June 2022 to 16 December 2024, the amount was decreased by $94.2 million to $740.0 million, and the rate was increased by 1.25% from US dollar LIBOR (minimum 0.75% p.a.) +2.5% p.a. to US dollar LIBOR (minimum 0.75% p.a.) +3.75% p.a. The loan also became repayable at $1.85 million per quarter until the final balance falls due on 16 December 2024. Prior to the refinancing, capital payments were not due during the remaining lifetime of the loan, as they had been prepaid as part of a voluntary repayment made in a prior year.
- The revolving credit facility ('RCF') of $125.0 million was increased by $100.0 million to $225.0 million and was extended from 16 July 2023 to 16 July 2024. The amount payable on the facility was increased from a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. (depending on leverage ratios) to a range of US$ LIBOR +3.0% to US$ LIBOR + 3.75% p.a. (depending on total net leverage ratio).
- The asset-backed loan facility of up to $100.0 million (depending on the levels of inventory and receivables) was extinguished. This facility bore interest at US$ LIBOR +1.25% p.a. or US$ LIBOR +1.50% p.a. if drawings are over $50.0 million. Unamortised transaction costs of $0.9 million (€0.8 million) were released on the extinguishment of this loan and recognised as finance expense.

The refinancing was treated as a modification, with the exception of the asset-backed loan facility, which was treated as an extinguishment.

27. Borrowings continued

Directly attributable incremental fees of €17.7 million were capitalised as part of the transaction consisting of €7.1 million for the Euro term loan, $9.4 million (€8.3 million) for the US dollar term loan, and $2.6 million for the RCF (€2.3 million) to be released to the Income Statement over the remaining term of the term loans and the RCF facility.

Term loan

The principal outstanding of the US term loan in US dollars at 31 December 2020 is $738.2 million (2019: $834.2 million).

Following the Group's refinancing on 30 September 2020, the interest rate payable on the US term loan is three-month US dollar LIBOR (minimum 0.75% p.a.) +3.75% p.a. and on the Euro term loan is three-month EURIBOR (minimum 0.75% p.a.) +3.75% p.a. The US dollar term loan is repayable in amounts of $1.85 million per quarter until the balance falls due on 16 December 2024. Prior to the refinancing, capital payments were not due during the remaining lifetime of the loan, as they had been prepaid as part of a voluntary repayment made in a prior year. The Euro term loan is repayable in amounts of €1.25 million per quarter (€1.1 million per quarter before refinancing), with the balance also falling due on 16 December 2024.

On 6 October 2015, the Group entered into hedging transactions with a number of financial institutions which effectively converted borrowings of $400.0 million at floating interest rates into €355.0 million at a fixed interest rate of 4.2%, thereby reducing foreign currency exposure for future cash flows and locking in lower long-term Euro fixed interest rates (Note 3.3.2). In March 2020, the Group terminated all these hedging instruments. Most of the instruments had original maturity dates of October 2020. Due to the market fluctuations at the start of the COVID-19 pandemic, the Group decided to crystallise these asset positions and convert them to cash.

Revolving Credit Facility and Asset-Backed Loan

Prior to the Group's refinancing, the revolving credit agreement provided a facility of up to $125.0 million. Drawings under this facility bore interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.5% p.a. depending on the Group's leverage ratios. On 27 March 2020, the Group drew down the full amount available under the facility. The amount was repaid in full on 29 July 2020. After the Group's refinancing on 30 September 2020, the facility's interest rate was increased to bear interest in a range of US$ LIBOR +3.0% to US$ LIBOR + 3.75% p.a. (depending on total net leverage ratio). The facility was also increased by $100.0 million to $225.0 million, was extended from 16 July 2023 to 16 July 2024, and became available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. The facility is undrawn at 31 December 2020 (except for letters of credit see below).

The asset-backed loan ('ABL') provided up to $100.0 million depending upon the level of inventories and trade receivables in the Group's US and Canadian businesses. The facility was also available to be used to issue letters of credit on behalf of TI Group Automotive Systems LLC, a subsidiary undertaking. Drawings under the facility bore interest at US$ LIBOR +1.50% p.a. unless the drawings were below $50.0 million when the rate was US$ LIBOR +1.25% p.a. On 27 March 2020, the Group drew down $25.0 million under the facility. The amount was repaid in full on 21 May 2020. The facility was extinguished on 30 September 2020 as part of the Group's refinancing.

The net undrawn facilities under the agreements are shown below:

	2020		2019	
	$m	**€m**	$m	€m
Asset-backed loan:				
Availability	–	–	77.7	69.2
Utilisation for letters of credit	–	–	(3.8)	(3.4)
Net undrawn asset-backed loan facility	–	–	73.9	65.8
Revolving credit agreement	**225.0**	**183.8**	125.0	111.4
Utilisation for letters of credit	**(3.8)**	**(3.1)**	–	–
Net undrawn revolving credit facility	**221.2**	**180.7**	125.0	111.4
Main borrowings: net undrawn facilities	**221.2**	**180.7**	198.9	177.2

Issuance discounts and fees

Initial issuance discounts and fees from the 2015 agreements, brought forward at 1 January 2020 were €67.4 million. As a result of the refinancing, an additional €17.7 million of fees were capitalised in the year bringing the total fees capitalised to €85.1 million at 31 December 2020.

All capitalised fees are expensed using the effective interest rate method over the remaining terms of the facilities.

27.5. Other Secured Loans

A subsidiary in Spain has granted security over certain of its assets in return for credit facilities from its banks. The loan has total amortisation repayments of €54,000 per annum payable quarterly (2019: €54,000) and expires on 15 June 2022. The balance outstanding at 31 December 2020 is €115,000 (2019: €169,000).

27. Borrowings continued

27.6. Total Undrawn Borrowing Facilities

	2020 €m	2019 €m
Floating rate:		
Expiring within one year	**4.8**	6.1
Expiring after more than one year	**180.7**	177.2
Total at floating rate	**185.5**	183.3
Fixed rate:		
Expiring within one year	**3.8**	3.9
Total at fixed rate	**3.8**	3.9
Total at the end of the year	**189.3**	187.2

27.7. Movements in Net Borrowings and Lease Liabilities

			Non-cash changes				
	At 1 January 2020 €m	**Cash flows €m**	**New leases €m**	**Fees expensed €m**	**Currency translation €m**	**Remeasurement and disposals €m**	**At 31 December 2020 €m**
Cash and cash equivalents	**411.7**	**110.6**	**–**	**–**	**(36.5)**	**–**	**485.8**
Financial assets at FVTPL	**0.9**	**–**	**–**	**–**	**–**	**–**	**0.9**
Borrowings	**(1,150.9)**	**19.0**	**–**	**(8.0)**	**63.2**	**–**	**(1,076.7)**
Total net borrowings	**(738.3)**	**129.6**	**–**	**(8.0)**	**26.7**	**–**	**(590.0)**
Lease liabilities	**(166.7)**	**28.6**	**(17.9)**	**–**	**7.0**	**(2.0)**	**(151.0)**
Net borrowings and lease liabilities	**(905.0)**	**158.2**	**(17.9)**	**(8.0)**	**33.7**	**(2.0)**	**(741.0)**

			Non-cash changes				
	At 1 January 2019 €m	Cash flows €m	New leases €m	Fees expensed €m	Currency translation €m	Remeasurement and disposals €m	At 31 December 2019 €m
Cash and cash equivalents	360.1	48.2	–	–	3.4	–	411.7
Financial assets at FVTPL	1.2	(0.3)	–	–	–	–	0.9
Borrowings	(1,181.7)	54.8	–	(7.7)	(16.3)	–	(1,150.9)
Total net borrowings	(820.4)	102.7	–	(7.7)	(12.9)	–	(738.3)
Lease liabilities	(147.0)	27.1	(47.5)	–	–	0.7	(166.7)
Net borrowings and lease liabilities	(967.4)	129.8	(47.5)	(7.7)	(12.9)	0.7	(905.0)

Cash flows from financing activities arising from changes in financial liabilities are analysed below:

	2020 €m	2019 €m
Proceeds from new borrowings	**(213.6)**	–
Fees paid on proceeds from new borrowings	**17.7**	0.3
Voluntary repayments of borrowings	**209.6**	50.0
Scheduled repayments of borrowings	**5.3**	4.5
Lease principal repayments	**28.6**	27.1
Cash outflows from financing activities arising from changes in financial liabilities	**47.6**	81.9
Borrowings cash flows	**19.0**	54.8
Lease liabilities cash flows	**28.6**	27.1
Cash outflows from financing activities arising from changes in financial liabilities	**47.6**	81.9

28. Fair Values of Financial Assets and Liabilities

28.1. Financial Instruments by Category

As at 31 December 2020:

Financial assets	**Assets at amortised cost €m**	**Assets at FVTPL €m**	**Total €m**
Cash and cash equivalents	**485.8**	–	**485.8**
Financial assets at FVTPL	–	**0.9**	**0.9**
Trade and other receivables excluding prepayments	**496.1**	–	**496.1**
Derivative financial instruments:			
– Forward foreign exchange contracts (cash flow hedges)	–	**0.4**	**0.4**
Total at 31 December 2020	**981.9**	**1.3**	**983.2**

Financial liabilities	**Liabilities at amortised cost €m**	**Liabilities at FVTPL €m**	**Total €m**
Trade and other payables excluding deferred income	**(503.3)**	–	**(503.3)**
Borrowings	**(1,076.7)**	–	**(1,076.7)**
Lease liabilities	**(151.0)**	–	**(151.0)**
Derivative financial instruments:			
– Forward foreign exchange contracts (cash flow hedges)	–	**(0.2)**	**(0.2)**
Total at 31 December 2020	**(1,731.0)**	**(0.2)**	**(1,731.2)**

In March 2020, the Group terminated all its forward foreign exchange contracts designated in cash flow hedge relationships, its forward foreign exchange contracts designated in net investment hedges, and all its interest rate swaps.

As at 31 December 2019:

Financial assets	Assets at amortised cost €m	Assets in hedged relationships €m	Assets at FVTPL €m	Total €m
Cash and cash equivalents	411.7	–	–	411.7
Financial assets at FVTPL	–	–	0.9	0.9
Trade and other receivables excluding prepayments	528.4	–	–	528.4
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	14.2	3.1	17.3
– Interest rate swaps (cash flow hedges)	–	1.1	–	1.1
Total at 31 December 2019	940.1	15.3	4.0	959.4

Financial liabilities	Liabilities at amortised cost €m	Liabilities in hedged relationships €m	Liabilities at FVTPL €m	Total €m
Trade and other payables excluding deferred income	(507.3)	–	–	(507.3)
Borrowings	(1,150.9)	–	–	(1,150.9)
Lease liabilities	(166.7)	–	–	(166.7)
Derivative financial instruments:				
– Forward foreign exchange contracts (cash flow hedges)	–	(5.4)	(1.7)	(7.1)
– Forward foreign exchange contracts (net investment hedges)	–	(17.0)	–	(17.0)
– Interest rate floor	–	–	(1.3)	(1.3)
Total at 31 December 2019	(1,824.9)	(22.4)	(3.0)	(1,850.3)

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.

28. Fair Values of Financial Assets and Liabilities continued

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 fair values of non-derivative amounts are determined in accordance with generally accepted valuation techniques based on discounted cash flow analysis. For the non-derivative items reported above, it is assumed that by their nature their carrying value approximates their fair value.

28.2. Contracted Maturities of Financial Liabilities

As at 31 December 2020:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Over five years €m	Total €m
Borrowings excluding issuance discounts and fees	**11.1**	**11.1**	**1,079.7**	**–**	**1,101.9**
Interest	**50.1**	**49.6**	**97.7**	**–**	**197.4**
Total borrowings	**61.2**	**60.7**	**1,177.4**	**–**	**1,299.3**
Lease liabilities	**37.5**	**32.3**	**63.7**	**54.5**	**188.0**
Trade and other payables excluding deferred income	**491.4**	**11.9**	**–**	**–**	**503.3**
Total at 31 December 2020	**590.1**	**104.9**	**1,241.1**	**54.5**	**1,990.6**

As at 31 December 2019:

	Less than one year €m	Between one and two years €m	Between two and five years €m	Over five years €m	Total €m
Non-derivatives					
Borrowings excluding issuance discounts and fees	4.5	4.5	1,158.8	–	1,167.8
Interest	47.8	47.0	23.2	–	118.0
Total borrowings	52.3	51.5	1,182.0	–	1,285.8
Lease liabilities	39.2	35.8	74.1	65.7	214.8
Trade and other payables excluding deferred income	501.3	6.0	–	–	507.3
Total non-derivatives at 31 December 2019	592.8	93.3	1,256.1	65.7	2,007.9
Derivatives					
Cash flow hedging instrument:					
– Outflow	313.6	–	–	–	313.6
– Inflow	(291.6)	–	–	–	(291.6)
Interest rate swaps	1.3	–	–	–	1.3
Total derivatives at 31 December 2019	23.3	–	–	–	23.3

29. Retirement Benefit Obligations

29.1. Defined Benefit Arrangements

Pension plans

The Group operates funded defined benefit pension plans in the US, Canada and the UK under broadly similar regulatory frameworks. All of the plans provide benefits to members in the form of a guaranteed level of pension payable for life. The level of pensions provided is determined by members' length of service and, for most of these plans, pensionable remuneration. Plan assets are held in trusts from which all benefit payments are made. The plans are governed by local regulations and practice, including the nature of the relationship between their trustees and the Group. Responsibility for governance of the plans, including investment strategy and schedules of contributions, rests primarily with the trustees, some of whom who are appointed by the Group and the remainder by the members in accordance with the rules of each plan.

There are five plans in the US, all of which are closed to both new entrants and future accrual. The active members are not required to make contributions to the plans. Pensions in payment are not subject to inflationary increase. The plan in Canada remains open to new entrants, and is contributory. Pensions in payment are subject to discretionary inflationary increase. The UK plan is closed to new entrants but remains open to future accrual. Pensions in payment are subject to annual increase based on the UK Retail Price Index.

Independent accounting valuations of all major defined benefit scheme assets and liabilities were carried out as at 31 December 2020. The US pension plans are subject to annual actuarial valuation, and were most recently valued by independent qualified actuaries as at 1 January 2020. The Canadian plan is subject to actuarial valuation at least triennially, and was most recently formally valued as at 31 December 2020 (final results to be published by Q4 2021 as per filing deadlines). The UK plan is subject to triennial actuarial valuation, and was most recently formally valued as at 6 April 2018. Employer funding contributions to the US and other funded pension plans are agreed at each formal valuation, and for the year ended 31 December 2020 totalled €7.8 million (2019: €5.0 million). Contributions for the 12 months ended 31 December 2021 are expected to amount to €4.5 million.

In this note the US plans are shown separately as 'US pensions', and the Canadian and UK plans are aggregated as 'other pensions'.

29. Retirement Benefit Obligations continued

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 2020. In this note the US scheme is shown separately as 'US healthcare', and the other healthcare liabilities are aggregated within 'other post-employment liabilities'.

Other post-employment arrangements

The Group operates certain other pension and retirement plans primarily in Germany, France, Italy, Korea, Poland and Belgium, where obligations are either partially funded or unfunded. In this note these plans are aggregated within 'other post-employment liabilities'.

29.2. Defined Benefit Arrangements in the Primary Financial Statements

The net liability for defined benefit arrangements is as follows:

a. Balance Sheet

Net liability	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Present value of retirement benefit obligations	**(209.2)**	**(117.9)**	**(33.8)**	**(95.3)**	**(456.2)**
Fair value of plan assets	**156.9**	**115.4**	**–**	**26.8**	**299.1**
Asset ceiling	**–**	**(3.6)**	**–**	**–**	**(3.6)**
Net liability at 31 December 2020	**(52.3)**	**(6.1)**	**(33.8)**	**(68.5)**	**(160.7)**

Net liability	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Present value of retirement benefit obligations	(222.9)	(107.9)	(34.0)	(92.0)	(456.8)
Fair value of plan assets	171.7	111.9	–	24.5	308.1
Asset ceiling	–	(5.0)	–	–	(5.0)
Net liability at 31 December 2019	(51.2)	(1.0)	(34.0)	(67.5)	(153.7)

The present value of retirement benefit obligations by member type is as follows:

	2020 €m	2019 €m
Active members	**143.5**	139.3
Deferred members	**92.1**	95.6
Retirees	**220.6**	221.9
Total	**456.2**	456.8

The expected payments at 31 December 2020 for retirement benefit obligations are as follows:

	Payments expected €m
2021	**21.2**
2022	**21.2**
2023	**22.3**
2024	**22.3**
2025	**22.3**
2026 onwards	**569.8**

The implied weighted average duration at 31 December 2020 of retirement benefit obligations are as follows (in years): US pensions 12.3 (2019: 12.1), Other pensions 21.8 (2019: 20.8) and US healthcare 9.3 (2019: 9.1).

29. Retirement Benefit Obligations continued

b. Income Statement

Net income/(expense) recognised in the Income Statement is as follows:

Net expense	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Current service cost	**(0.2)**	**(1.3)**	**–**	**(7.2)**	**(8.7)**
Settlement/curtailment gain	**2.1**	**–**	**–**	**0.1**	**2.2**
Net interest (expense)/income	**(2.4)**	**0.1**	**(1.0)**	**(0.8)**	**(4.1)**
Total expense year ended 31 December 2020	**(0.5)**	**(1.2)**	**(1.0)**	**(7.9)**	**(10.6)**

During 2020, a settlement gain of €2.1 million (2019: €9.1 million) was recognised following a buyout offering of the Group's US pension plan.

Net expense	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Current service cost	(0.1)	(1.1)	–	(6.9)	(8.1)
Settlement gain	9.1	–	–	0.2	9.3
Net interest (expense)/income	(2.3)	0.2	(1.3)	(1.2)	(4.6)
Total income/(expense) for the year ended 31 December 2019	6.7	(0.9)	(1.3)	(7.9)	(3.4)

c. Statement of Comprehensive Income

Re-measurements of retirement benefit obligations included in the Statement of Comprehensive Income are as follows:

Income/(expense)	**US pensions €m**	**Other pensions €m**	**US healthcare €m**	**Other post-employment liabilities €m**	**Total €m**
Return on assets excluding amounts recognised in the Income Statement	**13.0**	**9.5**	**–**	**–**	**22.5**
Changes in demographic assumptions	**(0.5)**	**(0.3)**	**–**	**0.2**	**(0.6)**
Changes in financial assumptions	**(22.6)**	**(14.7)**	**(4.1)**	**(3.0)**	**(44.4)**
Experience gains/(losses)	**0.5**	**(0.3)**	**(0.2)**	**0.2**	**0.2**
Change in asset ceiling	**–**	**1.2**	**–**	**–**	**1.2**
Total net expense year ended 31 December 2020	**(9.6)**	**(4.6)**	**(4.3)**	**(2.6)**	**(21.1)**

Income/(expense)	US pensions €m	Other pensions €m	US healthcare €m	Other post-employment liabilities €m	Total €m
Return on assets excluding amounts recognised in the Income Statement	26.7	11.6	–	(0.1)	38.2
Changes in demographic assumptions	1.7	0.5	0.3	(0.1)	2.4
Changes in financial assumptions	(30.4)	(15.0)	(3.1)	(6.4)	(54.9)
Experience gains/(losses)	0.9	–	0.9	(0.1)	1.7
Change in asset ceiling	–	1.9	–	–	1.9
Total net expense year ended 31 December 2019	(1.1)	(1.0)	(1.9)	(6.7)	(10.7)

29. Retirement Benefit Obligations continued

29.3. Composition of Plan Assets

Plan assets are comprised as follows:

	US pensions €m	Other pensions €m	Other post-employment liabilities €m	Total €m
Investment funds: Equities*	**89.8**	**8.4**	**–**	**98.2**
Investment funds: Credit*	**62.5**	**40.4**	**–**	**102.9**
Investment funds: Diversified growth/multi strategy*	**–**	**58.4**	**–**	**58.4**
Insurance contracts	**–**	**7.8**	**26.6**	**34.4**
Cash and cash equivalents	**4.6**	**0.4**	**0.2**	**5.2**
Plan assets at 31 December 2020	**156.9**	**115.4**	**26.8**	**299.1**

	US pensions €m	Other pensions €m	Other post-employment liabilities €m	Total €m
Investment funds: Equities*	103.7	8.6	–	112.3
Investment funds: Credit*	65.6	36.2	–	101.8
Investment funds: Diversified growth/multi strategy*	–	59.0	–	59.0
Insurance contracts	–	7.9	24.3	32.2
Cash and cash equivalents	2.4	0.2	0.2	2.8
Plan assets at 31 December 2019	171.7	111.9	24.5	308.1

* 87% and 89% of the assets held by the retirement benefit plans as of 31 December 2020 and 31 December 2019, respectively, are in investment funds comprised of underlying equity, credit and diversified growth assets with quoted market prices. Investment funds themselves are not considered quoted as they are pooled, commingled vehicles such as unit trusts and mutual funds, whereby the pension scheme owns units in the fund alongside other investors. The remaining assets held by the plan are unquoted insurance policies, principal-interest guaranteed insurance contracts and cash and cash equivalents.

29.4. Net Defined Benefit Obligations

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Deficit €m	Asset ceiling €m	Total €m
At 1 January 2020		**(456.8)**	**308.1**	**(148.7)**	**(5.0)**	**(153.7)**
Current service cost	29.2b	**(8.7)**	**–**	**(8.7)**	**–**	**(8.7)**
Net interest (expense)/income	29.2b	**(11.2)**	**7.1**	**(4.1)**	**–**	**(4.1)**
Re-measurements	29.2c	**(44.8)**	**22.5**	**(22.3)**	**1.2**	**(21.1)**
Employer contributions		**–**	**11.9**	**11.9**	**–**	**11.9**
Employee contributions		**(0.4)**	**0.4**	**–**	**–**	**–**
Benefits and administration expenses paid		**22.6**	**(18.9)**	**3.7**	**–**	**3.7**
Settlements/curtailments	29.2b	**13.2**	**(11.0)**	**2.2**	**–**	**2.2**
Currency translation		**29.9**	**(21.0)**	**8.9**	**0.2**	**9.1**
At 31 December 2020		**(456.2)**	**299.1**	**(157.1)**	**(3.6)**	**(160.7)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Deficit €m	Asset ceiling €m	Total €m
At 1 January 2019		(433.7)	292.1	(141.6)	(6.6)	(148.2)
Current service cost	29.2b	(8.1)	–	(8.1)	–	(8.1)
Net interest (expense)/income	29.2b	(15.2)	10.6	(4.6)	–	(4.6)
Re-measurements	29.2c	(50.8)	38.2	(12.6)	1.9	(10.7)
Employer contributions	29.2c	–	7.9	7.9	–	7.9
Employee contributions		(0.4)	0.4	–	–	–
Benefits and administration expenses paid		24.3	(21.0)	3.3	–	3.3
Settlements	29.2b	39.4	(30.1)	9.3	–	9.3
Currency translation		(12.3)	10.0	(2.3)	(0.3)	(2.6)
At 31 December 2019		(456.8)	308.1	(148.7)	(5.0)	(153.7)

29. Retirement Benefit Obligations continued

a. US pensions

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Total €m**
At 1 January 2020		**(222.9)**	**171.7**	**(51.2)**
Current service cost	29.2b	**(0.2)**	**–**	**(0.2)**
Net interest (expense)/income	29.2b	**(6.8)**	**4.4**	**(2.4)**
Re-measurements	29.2c	**(22.6)**	**13.0**	**(9.6)**
Employer contributions		**–**	**6.8**	**6.8**
Benefits and administration expenses paid		**11.4**	**(13.8)**	**(2.4)**
Settlement	29.2b	**13.1**	**(11.0)**	**2.1**
Currency translation		**18.8**	**(14.2)**	**4.6**
At 31 December 2020		**(209.2)**	**156.9**	**(52.3)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Total €m
At 1 January 2019		(231.0)	174.2	(56.8)
Current service cost	29.2b	(0.1)	–	(0.1)
Net interest (expense)/income	29.2b	(9.5)	7.2	(2.3)
Re-measurements	29.2c	(27.8)	26.7	(1.1)
Employer contributions		–	3.8	3.8
Benefits and administration expenses paid		11.4	(14.0)	(2.6)
Settlement	29.2b	39.2	(30.1)	9.1
Currency translation		(5.1)	3.9	(1.2)
At 31 December 2019		(222.9)	171.7	(51.2)

b. Other pensions

Movements in net defined benefit obligations	Notes	**Present value of obligation €m**	**Fair value of plan assets €m**	**Surplus/ (deficit) €m**	**Asset ceiling €m**	**Total €m**
At 1 January 2020		**(107.9)**	**111.9**	**4.0**	**(5.0)**	**(1.0)**
Current service cost	29.2b	**(1.3)**	**–**	**(1.3)**	**–**	**(1.3)**
Net interest (expense)/income	29.2b	**(2.3)**	**2.4**	**0.1**	**–**	**0.1**
Re-measurements	29.2c	**(15.3)**	**9.5**	**(5.8)**	**1.2**	**(4.6)**
Employer contributions		**–**	**1.0**	**1.0**	**–**	**1.0**
Employee contributions		**(0.3)**	**0.3**	**–**	**–**	**–**
Benefits and administration expenses paid		**2.9**	**(3.1)**	**(0.2)**	**–**	**(0.2)**
Currency translation		**6.3**	**(6.6)**	**(0.3)**	**0.2**	**(0.1)**
At 31 December 2020		**(117.9)**	**115.4**	**(2.5)**	**(3.6)**	**(6.1)**

Movements in net defined benefit obligations	Notes	Present value of obligation €m	Fair value of plan assets €m	Surplus €m	Asset ceiling €m	Total €m
At 1 January 2019		(86.2)	92.8	6.6	(6.6)	–
Current service cost	29.2b	(1.1)	–	(1.1)	–	(1.1)
Net interest (expense)/income	29.2b	(2.6)	2.8	0.2	–	0.2
Re-measurements	29.2c	(14.5)	11.6	(2.9)	1.9	(1.0)
Employer contributions		–	1.2	1.2	–	1.2
Employee contributions		(0.3)	0.3	–	–	–
Benefits and administration expenses paid		3.0	(3.2)	(0.2)	–	(0.2)
Currency translation		(6.2)	6.4	0.2	(0.3)	(0.1)
At 31 December 2019		(107.9)	111.9	4.0	(5.0)	(1.0)

29. Retirement Benefit Obligations continued

c. US healthcare and other post-employment liabilities

Movements in net defined benefit obligations	Notes	Other post-employment liabilities Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	Total €m
At 1 January 2020		**(92.0)**	**24.5**	**(67.5)**	**(34.0)**	**(101.5)**
Current service cost	29.2b	**(7.2)**	**–**	**(7.2)**	**–**	**(7.2)**
Net interest (expense)/income		**(1.1)**	**0.3**	**(0.8)**	**(1.0)**	**(1.8)**
Re-measurements	29.2c	**(2.6)**	**–**	**(2.6)**	**(4.3)**	**(6.9)**
Employer contributions		**–**	**4.1**	**4.1**	**–**	**4.1**
Employee contributions		**(0.1)**	**0.1**	**–**	**–**	**–**
Benefits paid		**5.8**	**(1.9)**	**3.9**	**2.4**	**6.3**
Curtailments		**0.1**	**–**	**0.1**	**–**	**0.1**
Currency translation		**1.8**	**(0.3)**	**1.5**	**3.1**	**4.6**
At 31 December 2020		**(95.3)**	**26.8**	**(68.5)**	**(33.8)**	**(102.3)**

Movements in net defined benefit obligations	Notes	Other post-employment liabilities Present value of obligation €m	Fair value of plan assets €m	Total €m	US healthcare €m	Total €m
At 1 January 2019		(83.4)	25.1	(58.3)	(33.1)	(91.4)
Current service cost	29.2b	(6.9)	–	(6.9)	–	(6.9)
Net interest (expense)/income	29.2b	(1.8)	0.6	(1.2)	(1.3)	(2.5)
Re-measurements		(6.6)	(0.1)	(6.7)	(1.9)	(8.6)
Employer contributions	29.2c	–	2.9	2.9	–	2.9
Employee contributions		(0.1)	0.1	–	–	–
Benefits paid		6.9	(3.8)	3.1	3.0	6.1
Settlements		0.2	–	0.2	–	0.2
Currency translation		(0.3)	(0.3)	(0.6)	(0.7)	(1.3)
At 31 December 2019		(92.0)	24.5	(67.5)	(34.0)	(101.5)

d. Other post-employment liabilities

	2020 €m	2019 €m
Unfunded German pension plans	**26.9**	26.1
Statutory retiring indemnities in France, Italy and Korea	**19.3**	20.1
Long-service awards in Germany and Poland	**12.2**	11.2
Retirement plans in Belgium	**2.9**	2.7
Unfunded arrangements under the US and UK pension plans	**1.6**	1.6
Other liabilities	**5.6**	5.8
Total other post-employment liabilities at 31 December	**68.5**	67.5

29. Retirement Benefit Obligations continued

29.5. Principal Assumptions

The principal assumptions in measuring plan liabilities are as follows:

US Pensions	2020	2019
Discount rate	**2.40%**	3.20%
Mortality assumptions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**23**	22
Females	**24**	23
Retiring 20 years after the end of the current reporting year:		
Males	**24**	23
Females	**25**	24

For US pensions, assumptions with regard to life expectancies from retirement at age 65 are based on Pri-2012 collar- and gender-specific mortality tables, adjusted and generationally projected using Scale MP-2020.

Other pensions	2020	2019
Discount rate	**1.55%**	2.25%
Inflation rate	**2.79%**	2.84%
Salary increases	**2.90%**	2.96%
Benefit increases	**3.00%**	3.10%
Mortality assumptions for other pensions: life expectancy from age 65		
Retiring at the end of the current reporting year:		
Males	**22**	22
Females	**24**	24
Retiring 20 years after the end of the current reporting year:		
Males	**23**	22
Females	**25**	25

US healthcare	2020	2019
Discount rate	**2.15%**	3.05%
Healthcare cost trend: Initial rate	**6.25%**	6.50%

Other post-employment liabilities	2020	2019
Discount rate	**1.15%**	1.45%
Inflation rate	**1.29%**	1.30%
Salary increases	**2.97%**	2.85%
Benefit increases	**1.94%**	1.95%

Changes in the principal assumptions would decrease/(increase) the total defined benefit obligation (DBO) as follows:

		2020		2019	
Decrease/(increase) in DBO	Change in assumption	**Increase €m**	**Decrease €m**	Increase €m	Decrease €m
Discount rate	0.5%	**30.9**	**(36.2)**	29.5	(34.7)
Inflation rate	0.5%	**(11.1)**	**11.0**	(8.7)	9.7
Salary growth rate	0.5%	**(3.7)**	**3.5**	(3.3)	3.1
Life expectancy	1 year	**(16.3)**	**16.4**	(15.7)	15.2
Healthcare cost trend: Initial rate	0.5%	**(1.4)**	**1.3**	(1.4)	1.3

The sensitivity analysis above illustrates the change in each major assumption whilst holding all others constant. The methods of calculating the defined benefit obligation for this purpose are the same as used for calculating the end of year position.

29. Retirement Benefit Obligations continued

29.6. Pension Plans – Risk Analysis

Asset volatility	Plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets were to underperform this yield, this would create a deficit. All the funded plans hold a proportion of equities, which are expected to outperform bonds in the long term, but which are also likely to experience greater price volatility and therefore risk in the short term. As plans mature, the Group's strategy is to reduce the level of investment risk by investing more in assets whose risk profile is a better match for the liabilities.
Changes in bond yields	A decrease in bond yields has the effect of increasing plan liabilities, although this is partially offset by an increase in the value of the plans' bond holdings.
Inflation risk	The Group's pension obligations in Canada, the UK and Germany are inflation linked. Caps on the level of inflationary increases are in place to protect the plans against above normal inflation. The US pension obligations are not inflation indexed. The majority of the plan assets are not directly inflation indexed, meaning that an increase in inflation will tend to increase the deficit.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of each retired member and his/her spouse, so increases in life expectancy result in an increase in the plans' liabilities.

The investments of the funded plans are managed within an asset-liability matching framework that has been developed to achieve long-term investments that align with the obligations of the plans. One objective is to match assets to the pension obligations by investing in annuities and long-term fixed interest securities with maturities that match the benefit payments as they fall due in the appropriate currency. The plans actively monitor how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. The processes used to manage the risks have not changed from previous years.

Investments are diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets consist of bonds and equities, although the plans also hold investment funds and liability driven investments. Equities have been shown to offer the best returns over the long term with an acceptable level of risk.

30. Provisions

Movements in provisions are as follows:

	Product warranty €m	Restructuring €m	Other €m	Total €m
At 1 January 2020	13.9	5.1	5.3	24.3
Provisions made during the period	15.0	16.1	0.2	31.3
Provisions used during the period	(12.1)	(2.6)	(0.3)	(15.0)
Provisions reversed during the period	(1.5)	–	–	(1.5)
Utilisation of discount	–	–	(0.1)	(0.1)
Non-cash movements	–	(7.0)	–	(7.0)
Currency translation	(0.7)	(0.6)	(0.2)	(1.5)
At 31 December 2020	**14.6**	**11.0**	**4.9**	**30.5**

Total provisions

	2020 €m	2019 €m
Non-current	4.9	5.0
Current	25.6	19.3
Total provisions	**30.5**	**24.3**

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 2021.

Restructuring

Restructuring provisions comprise planned headcount reductions and similar costs of balancing production capacity with market requirements. The charge for the period, primarily severance, of €19.5 million is offset by the €3.4 million net gain on the disposal of properties related to the restructuring activities. Cash paid in the period of €13.0 million has been offset by proceeds on disposal of these properties of €10.4 million. The provision at 31 December 2020 relates to global restructuring initiatives in response to reduced output following the COVID-19 pandemic. The balance is expected to be fully utilised in 2021.

Other provisions

Other provisions at 31 December 2020 comprise provisions for disputed claims for indirect taxes totalling €0.7 million (2019: €1.2 million) and asset retirement obligations totalling €4.2 million (2019: €4.1 million). Asset retirement obligations are linked to the useful lives of the underlying assets, with expected utilisation ranging from 2021 to 2025. The indirect tax provisions are expected to be utilised over the next five years.

31. Cash Generated from Operations

	Notes	2020 €m	2019 €m
(Loss)/profit for the year		**(252.2)**	144.6
Income tax expense before exceptional items		**28.1**	57.1
Exceptional income tax credit		**(29.7)**	–
(Loss)/profit before income tax		**(253.8)**	201.7
Adjustments for:			
Depreciation, amortisation and impairment charges	15/16/17	**213.2**	229.9
Exceptional impairment charges	9/18	**304.6**	–
Loss on disposal of PP&E and intangible assets	10	**0.5**	1.6
Gain on disposal of PP&E in restructuring costs	30	**(3.4)**	–
Share-based payment excluding social security costs	7	**0.9**	1.4
Net finance expense	11	**74.0**	57.5
Unremitted share of (loss)/profit from associates	19	**4.0**	0.2
Net foreign exchange gains	10	**(27.2)**	(0.5)
Changes in working capital:			
– Inventories		**–**	(10.8)
– Trade and other receivables		**38.6**	(0.4)
– Trade and other payables		**24.3**	13.9
Change in provisions		**7.8**	(4.9)
Change in retirement benefit obligations		**(9.1)**	(12.4)
Total		**374.4**	477.2

The changes in working capital (movements in inventories, trade and other receivables and trade and other payables) reflect a number of non-cash transactions. The most significant of these arises from movements due to changes in foreign exchange rates, on translation of the Group's overseas operations into the Group's presentation currency, Euro.

32. Commitments and Contingencies

Capital Commitments

Expenditure on non-current assets authorised and contracted for at the end of the year but not yet incurred is as below:

	2020 €m	2019 €m
Intangible assets	**10.4**	7.3
Property, plant and equipment	**47.3**	46.9
Total	**57.7**	54.2

32.1. Lease Commitments

a. The Group as lessor

Property that is surplus to the Group's requirements may be sub-let to third parties. The future aggregate minimum rentals receivable under non-cancellable operating leases at 31 December 2020 was €0.3 million (2019: €0.4 million). During the year, a total of €0.6 million of rental income was recognised in the Income Statement (2019: €0.6 million).

b. The Group as lessee

The Group is committed to €4.2 million of leases, not yet commenced as at 31 December 2020 (2019: €7.2 million).

32.2. Purchase Commitments

As part of its normal business practices, the Group enters into contracts with suppliers for purchases of raw materials, components and services to facilitate adequate supply of these materials and services. These arrangements may contain fixed or minimum quantity purchase requirements. These purchase commitments are off-balance sheet agreements to purchase goods or services that are enforceable and legally binding on the Group.

The table below summarises the contractual purchase commitments as at the end of the year:

	2020 €m	2019 €m
Less than one year	**35.5**	29.3
Between one year and five years	**14.9**	13.6
After five years	**4.1**	5.0
Total	**54.5**	47.9

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. Auditors' Remuneration

Services provided by the Company's Auditor and its associates

During the year, the Group obtained the following services from PricewaterhouseCoopers LLP, the Company's Auditor:

	2020 €m	2019 €m
Fees payable to the Company's Auditor and its associates for the audit of the Parent Company and the Group financial statements	**2.6**	1.6
Fees payable to the Company's Auditor and its associates for the audit of the Company's subsidiaries	**0.8**	0.6
Tax compliance and advisory services	**–**	0.2
Other assurance services	**0.2**	0.1
Total	**3.6**	2.5

34. Related Party Transactions and Controlling Parties

34.1. Transactions with Affiliates of the funds managed by Bain Capital

The 'funds managed by Bain Capital' represent affiliates of and funds advised by Bain Capital LLC.

During the year, the Group did not procure products and materials from companies in which the funds managed by Bain Capital, the Group's ultimate controlling party since 30 June 2015, had investment interests (2019: €0.2 million). These transactions were completed on the basis of normal commercial terms.

The Group does not incur management charges from Bain Capital LLC.

34.2. Transactions with Group Companies

Balances and transactions between Group companies have been eliminated on consolidation, and are not disclosed in this note except for subsidiaries that are not wholly owned. Transactions with those companies are made on the Group's standard terms of trade.

The Group holds 73% of the shares in Hanil Tube Corporation ('Hanil') which is located in South Korea. At 31 December 2020, Hanil had trade and loan receivables net of payables from other Group undertakings amounting to €31.4 million (2019: €25.6 million) and made sales within the Group during the year of €6.8 million (2019: €7.3 million).

The Group holds 97% of the shares in Bundy India Ltd. At 31 December 2020, Bundy India Ltd had trade and loan payables net of receivables to other Group undertakings amounting to €4.1 million (2019: €6.1 million) and made sales within the Group during the year of €6.1 million (2019: €8.4 million).

Ultimate controlling party

The funds managed by Bain Capital, via BC Omega Holdco Ltd, have been the Company's ultimate controlling party since its incorporation.

34.3. Transactions with Associates

	2020 €m	2019 €m
Amounts owed to associates	**1.1**	1.3
Purchases from associates in the year	**8.1**	10.5

Transactions with related parties other than subsidiaries are attributable solely to the ordinary business activities of the respective company and were conducted on an arm's-length basis.

35. Events After the Balance Sheet Date

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 2020.

Company Balance Sheet
At 31 December

	Notes	2020 €m	2019 €m
Non-current assets			
Investments in subsidiaries	4	**905.7**	904.8
		905.7	904.8
Current assets			
Loans due from related parties	5	**16.4**	17.4
Trade and other receivables	6	**0.1**	–
Cash and cash equivalents		**1.8**	0.1
		18.3	17.5
Total assets		**924.0**	922.3
Equity			
Share capital	7	**6.8**	6.8
Share premium	7	**2.2**	2.2
Accumulated profits		**878.7**	864.0
Total equity		**887.7**	873.0
Current liabilities			
Trade and other payables	8	**0.8**	0.7
Loans due to related parties	9	**35.5**	48.6
		36.3	49.3
Total liabilities		**36.3**	49.3
Total equity and liabilities		**924.0**	922.3

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 €17.1 million (2019: €26.7 million).

The Financial Statements on pages 185 to 196 were authorised for issue by the Board of Directors on 15 March 2021 and were signed on its behalf by:

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Company Statement of Changes in Equity
For the year ended 31 December

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2020	**6.8**	**2.2**	**864.0**	**873.0**
Profit for the year	**–**	**–**	**17.1**	**17.1**
Share-based expense	**–**	**–**	**0.9**	**0.9**
Purchase of own shares	**–**	**–**	**(3.5)**	**(3.5)**
Issue of own shares from Employee Benefit Trust	**–**	**–**	**0.2**	**0.2**
Balance at 31 December 2020	**6.8**	**2.2**	**878.7**	**887.7**

	Ordinary shares €m	Share premium €m	Accumulated profits €m	Total equity €m
Balance at 1 January 2019	6.8	1.4	884.6	892.8
Profit for the year	–	–	26.7	26.7
Share-based expense	–	–	1.4	1.4
Net employee tax settlement from vested RSU's	–	–	(2.1)	(2.1)
Dividend paid	–	–	(46.6)	(46.6)
Shares issued to Directors and certain employees	–	0.8	–	0.8
Balance at 31 December 2019	6.8	2.2	864.0	873.0

Company Statement of Cash Flows
For the year ended 31 December

	Notes	2020 €m	2019 €m
Cash flows from operating activities			
Cash generated from operations	10	**17.9**	26.8
Net cash generated from operating activities		**17.9**	26.8
Cash flows from financing activities			
Purchase of own shares	7	**(3.5)**	–
Dividends paid		**–**	(46.6)
Net borrowings (to)/from subsidiary undertakings		**(12.7)**	15.7
Net cash used by financing activities		**(16.2)**	(30.9)
Increase/(decrease) in cash and cash equivalents		**1.7**	(4.1)
Cash and cash equivalents at the beginning of the year		**0.1**	4.2
Cash and cash equivalents at the end of the year		**1.8**	0.1

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 International Financial Reporting Standards ('IFRS') as adopted by the European Union, the UK Companies Act 2006 applicable to companies reporting under IFRS, and International Financial Reporting Interpretations Committee ('IFRS IC') interpretations issued and effective at the time of preparing these financial statements.

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 IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's reasonable knowledge 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.

1.1.3. Changes in Accounting Policy and Disclosures

There are no amendments to standards or new standards where adoption by the Company for the first time has had a material impact on the Company's financial statements for the current financial reporting year.

A number of new standards, amendments to standards, and interpretations are effective for annual periods beginning on or after 1 January 2021, or are not yet effective because they have not yet been endorsed by the EU. These have not been applied in preparing the Company's financial statements and are not expected to have a material impact on the Company. These are discussed further in the consolidated financial statements. 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 Company.

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, 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' 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 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. Summary of Significant Accounting Policies continued

1.8. Taxation

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.

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. These may include the costs of closure of locations or income from the disposal of assets on closure of locations, the costs of significant headcount reductions, costs arising from the acquisition or disposal of businesses including related contractual management incentive charges, transaction costs of a significant and non-recurring nature, debt-refinancing costs including early redemption premiums on voluntary repayments of borrowings, impairment charges and the recognition of previously de-recognised deferred tax assets.

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 €17.1 million (2019: €26.7 million profit).

3. Directors' Remuneration

The Company has no employees. Full information on Directors' remuneration is disclosed in the consolidated financial statements. Non-Executive Director costs of €0.9 million (2019: €0.8 million) have been borne by the Company, all other costs have been met by other subsidiaries of the Group.

4. Investments in Subsidiaries

	2020 €m	2019 €m
At 1 January	**904.8**	903.4
Share-based expense	**0.9**	1.4
At 31 December	**905.7**	904.8

Investments in subsidiary undertakings are recorded at cost, which was the fair value of the consideration paid. No impairments have been recorded.

The grant by the Company of share-based awards over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received in the year of €0.9 million (2019: €1.4 million) measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity. Refer to Note 7 of the consolidated financial statements for more information.

The Company's subsidiary undertakings, including its operating and non-operating subsidiaries, are as follows:

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
Americas				
TI Group Automotive Systems LLC*	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
TI Automotive LLC*	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
Hanil USA LLC*	US	**100%**	100%	50 Hanil Drive, Tallassee, Alabama, 36078
Hutchings International Enterprises Inc. (Dormant)	US	**100%**	100%	2020 Taylor Road, Auburn Hills, MI 48326
Omega Newco Sub Inc.*	US	**100%**	100%	1209 Orange Street, City of Wilmington, New Castle 19801
TI Automotive Ligonier Corporation*	US	**100%**	100%	925 North Main Street, Ligonier, IN 46767
TI Automotive Canada Inc.*	Canada	**100%**	100%	316 Orenda Road, Bramalea, Ontario, Canada, L6T 1G3
TI Group Automotive Systems S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI Automotive Reynosa S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
TI-Hanil Mexico S de RL de CV	Mexico	**100%**	100%	Mike Allen S/N, Parque Industrial Reynosa – Seccion Norte, Reynosa, Tamaulipas, Mexico 88780
Fabricaciones Electromecanicas SA de CV (Dormant)	Mexico	**100%**	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
Marwal de Mexico SA de CV	Mexico	**100%**	100%	Via Jose Lopez Portillo 8-A, Tultitlan, Estado de Mexico, Mexico 54940
TI Brasil Industria e Comercio Ltda	Brazil	**100%**	100%	Rodovia Presidente Dutra, Km 145, 7 Sao Jose dos Campos, SP-Brasil CEP 12220-611
Bundy Colombia SAS	Colombia	**100%**	100%	Carrera 13A No 6-98 Parque Industrial Montana, Mosquero, Cundinamarca, 34225
TI Automotive Argentina SA	Argentina	**100%**	100%	Uruguay 4351, Victoria, San Fernando, Buenos Aires, Argentina, B1644 HKO
Europe and Africa				
Omega Acquisition Bidco Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Korean Won Hedgco II Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Omega Newco Sub I Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
Omega Newco Sub II Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TIFS Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Euro Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive USA Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Deeside) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (UK) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Canada Holdings Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive (China) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Czech Holdings (UK) Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive German Holdings (UK) Ltd*	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
Hanil Tube Holdings Ltd	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Finance plc (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Nominees Ltd (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Automotive Pension Plan Trustee Ltd (Dormant)**	UK	**100%**	100%	4650 Kingsgate, Cascade Way, Oxford Business Park South, Oxford OX4 2SU
TI Group Automotive Systems (Belgium) SA*	Belgium	**100%**	100%	Rue Wérihet 61, B-4020 Wandre (Liège)
TI Automotive AC sro	Czech Republic	**100%**	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Group Automotive Systems sro	Czech Republic	**100%**	100%	Belgická 4727/17, Rýnovice, 466 05 Jablonec nad Nisou
TI Automotive France Holdings SAS	France	**100%**	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Automotive Fuel Systems SAS	France	**100%**	100%	1, avenue Ampère, Zone Industrielle, 51000 Châlons-en Champagne, France
TI Group Automotive Systems SAS	France	**100%**	100%	Z.I. Bld de l'industrie 37530 Nazelles-Negron, France
TI Automotive Holdings GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive (Ettlingen) GmbH*	Germany	**100%**	100%	Hertzstrasse 24-30, 76275 Ettlingen
TI Automotive (Fuldabruck) GmbH*	Germany	**100%**	100%	Industriestrasse 3, 34277 Fuldabruck
TI Automotive (Heidelberg) GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Systems Germany GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
TI Automotive Engineering Centre (Heidelberg) GmbH*	Germany	**100%**	100%	Dischingerstr. 11, 69123 Heidelberg
TI Automotive Technology Center GmbH*	Germany	**100%**	100%	Lochfeldstraße 31, 76437 Rastatt
TI Automotive (Hungary) Kft	Hungary	**100%**	100%	H-9027, Györ, Körtefa utca, 6.ép
TI Automotive Italia Holdings Srl	Italy	**100%**	100%	Via Mosè Bianchi, 71-20149 Milano
TI Automotive Cisliano Srl	Italy	**100%**	100%	Via Abbiategrasso, 20080 Cisliano (MI)
TI Automotive Brindisi Srl	Italy	**100%**	100%	Via Pinan, 2-16012 Busalla (GE)
TI Group Automotive Systems SpA	Italy	**100%**	100%	Via Pinan, 2-16012 Busalla (GE)
TI Poland sp.zo.o*	Poland	**100%**	100%	Bestwin´ska 143 a, Bielsko-Biala, 43-346, Poland
LLC TI Automotive	Russia	**100%**	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
Hanil RUS LLC	Russia	**100%**	100%	Russian Federation 188643, Leningradskaya region, Vsevolozhsk, Vsevolozhskiy prospect, 113
TI-Hanil Slovakia s.r.o.	Slovakia	**100%**	100%	Krásno nad Kysucou 2203, 023 02 Krásno nad Kysucou, Slovakia
TI Automotive Slovakia s.r.o (Dormant)	Slovakia	**100%**	100%	Prilohy 46, Zavar, Slovakia, 91926
TI Automotive proizvodnja avtomobilskih delov, d.o.o.	Slovenia	**100%**	100%	Belokranjska cesta 4, 8000 Novo mesto
TI Automotive Morocco Sarl	Morocco	**100%**	100%	Zone Franche D'Exportation, Ilot 62, lot 2, PL1, 90090, Tangier, Morocco
TI Automotive Thermal Morocco Sarl	Morocco	**100%**	100%	Tangier Automotive City, Lot 111 -11bis, Tangier, Morocco
TI Group Automotive Systems (South Africa) (Pty) Ltd	South Africa	**100%**	100%	62 Palmgate Crescent, Southgate Business Park, Umbogintwini, 4026, South Africa
TI Automotive Fuel Systems (South Africa) (Pty) Ltd	South Africa	**100%**	100%	EW1 Building Zone 1A, Mdubu Road, Sunnyridge, East London 5208, South Africa
TI Automotive Pamplona SL	Spain	**100%**	100%	Polígono Industrial Comarca 1, calle E, s/n. 31195 Berrioplano (Navarra), Spain
TI Group Automotive Systems SA	Spain	**100%**	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems Spain Holdings S.L.	Spain	**100%**	100%	Carretera. San Adrián-La Roca, Km. 15,9, 08170 Montornés del Valles, Barcelona, Spain
TI Group Automotive Systems AB	Sweden	**100%**	100%	PO Box 904, 531 19 Lidkoping, Sweden
TI Otomotiv Sanayi ve Ticaret Ltd	Turkey	**100%**	100%	Nosab Sedir Cad. 203. Sok. No: 6 16140 Nilüfer Bursa
Asia Pacific				
Bundy Fluid Systems Co Ltd	China	**100%**	100%	No. 57 Longhai Road ETDZ, Qinhuangdao City
Bundy Fluid Systems (Chongqing) Co Ltd	China	**100%**	100%	Building C1, Zone C, Number 5 Workshop, Standard Workshop Project Phase 1, Huachao Industrial Park, Cuiyun Road, Northern New District, Chongqing
Bundy Fluid Systems (Shanghai) Co Ltd	China	**100%**	100%	34 Bundy Workshop, 409 Hua Jing Road, Waigaoqiao FTZ, Shanghai
TI Automotive (Tianjin) Co Ltd	China	**100%**	100%	No.6 Xiang'an Road, TEDA Tianjin
TI Automotive Systems (Changchun) Co Ltd	China	**100%**	100%	2599 Zi Bo Rd., Economic Technological Development Zone, Changchun
TI Automotive Systems (Shanghai) Co Ltd	China	**100%**	100%	Bld 1, Bld 2, No 100 Yin Long Road, Jiading District, Shanghai

4. Investments in Subsidiaries continued

		Ownership interest and voting rights held 2020	Ownership interest and voting rights held 2019	Address of registered office
TI Fluid Systems (Chengdu) Ltd	China	**100%**	0%	No 1 Building, Aerospace Sega Science & Technology Industrial Park, No 889 Wenbai Avenue, Baihe Subdistrict, Economic & Technological Development Zone (Longquanyi District), Chengdu, Sichuan
Wuhan Bundy Fluid Systems Co Ltd	China	**100%**	100%	Wuhan Economic & Technological Development Zone
TI Automotive (Hong Kong) Holdings Ltd	Hong Kong	**100%**	100%	Suite 1B, 8/F., Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong
Bundy India Ltd	India	**97%**	97%	Plot 2 GIDC Industrial Estate, Makarpura, Baroda, 390010, India
Hanil Tube India Private Ltd	India	**100%**	100%	B-75, SIPCOT Industrial Area, Chennai 600-058, Tamu Nadu
PT TI Automotive Indonesia	Indonesia	**100%**	100%	Jl. Cempaka Raya km.37, Jatimulya, Bekasi, Tambun Selatan, Jawa Barat
TI Automotive Japan Ltd	Japan	**100%**	100%	3-29-1 Tsuruya-Cho, Kanagawa-ku, Yokohama-city, Kanagawa Pref, Japan, 221-0835
Hanil Tube Corporation	South Korea	**73%**	73%	17, Wonjeon-ro, Seo-gu, Incheon, Korea 22744
TI Automotive Ltd (Korea)	South Korea	**100%**	100%	708, Baeksuk-Dong, Cheonan City, Chungnam, 330220
TI Automotive (Thailand) Ltd	Thailand	**100%**	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160
TI Automotive ROH (Thailand) Ltd	Thailand	**100%**	100%	700/652 Moo 1, Amata Nakorn Industrial Estate, Tambon PanThong, Amphur PhanThong, Chonburi, Thailand, 20160

* Companies identified by an asterisk, together with certain other smaller subsidiaries, are guarantors to the 2015 term loan agreements of TI Group Automotive Systems LLC.
** Companies that are dormant in the UK and are exempt from preparing individual financial statements by virtue of section 394A of Companies Act 2006.

All companies above are incorporated and unless dormant, operate principally in the country indicated. All companies operate in the global automotive component supply sector. Omega Acquisition Bidco Ltd is the only immediate subsidiary of the Company.

5. Loans Due from Related Parties

	2020 €m	2019 €m
Loans due from related parties	**16.4**	17.4

Loans due from a related party at 31 December 2020 comprised an amount drawn against Euro-denominated intercompany facility agreements from a subsidiary undertaking totalling €16.4 million (2019: €17.4 million). The loans are repayable in full on demand and bore interest at six-month EURIBOR plus a margin of 4.25% (2019: 4.25%) according to the agreed facility.

6. Trade and Other Receivables

	2020 €m	2019 €m
Other receivables	**0.1**	–
Total trade and other receivables	**0.1**	–

The Company has paid directly certain PAYE obligations of the CEO and CFO which are recoverable in full. Details are disclosed in the Remuneration Report. See page 83.

7. Issued Share Capital

	Number of shares	Nominal value of each share	Ordinary shares £m	Ordinary shares €m	Share premium €m	Total €m
At 1 January 2019	519,901,503	£0.01	5.2	6.8	1.4	8.2
Shares issued	367,638	£0.01	–	–	0.8	0.8
At 31 December 2019	520,269,141	£0.01	5.2	6.8	2.2	9.0
At 31 December 2020	**520,269,141**	**£0.01**	**5.2**	**6.8**	**2.2**	**9.0**

In the prior year, 367,638 ordinary shares were issued in connection with the Company's Deferred Bonus Plan.

The Company holds shares in the TI Fluid Systems Employee Benefit Trust ('EBT') for the purpose of satisfying awards made to employees under the TI Fluid Systems Plc Long-Term Incentive Plan and Deferred Bonus Plan. Such shares are shown as a deduction to equity in the Statement of Changes in Equity and are not treated as outstanding for the purposes of calculating earnings per share.

The movements in ordinary shares held by the EBT in the current and prior year were as follows:

	Number of shares	€m
At 1 January 2019	**176,729**	**–**
Forfeited to EBT by Restricted Stock Award holders	513,165	–
Release to satisfy vested Restricted Stock Units	(269,138)	–
At 31 December 2019	**420,756**	**–**
Market purchase	1,572,175	3.5
Release to satisfy Deferred Bonus Plan	(493,024)	(0.2)
At 31 December 2020	**1,499,907**	**3.3**

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

	2020 €m	2019 €m
Accrued expenses	**0.8**	0.7
Total trade and other payables	**0.8**	0.7

9. Loans Due to Related Parties

	2020 €m	2019 €m
Loans due to related parties	**35.5**	48.6

Loans due to related parties at 31 December 2020 comprised an amount drawn against Euro-denominated intercompany facility agreement from a subsidiary undertaking totalling €32.0 million (2019: €48.6 million). The loans are repayable in full on demand and therefore have been classified as currently payable.

The loans bore interest at six-month EURIBOR plus a margin between 2.75% and 4.25% (2019: 2.75% and 4.25%).

During the year, a subsidiary undertaking of the Company loaned funds of €3.5 million to the Company's Employee Benefit Trust (EBT), which is consolidated in accordance with Note 1.2 of the consolidated financial statements. These funds were subsequently used by the EBT to acquire shares in the Company, on market. Shares held by the trust are accounted for as treasury shares and accordingly are shown as a deduction in equity in the Company financial statements.

10. Cash Generated from Operations

	2020 €m	2019 €m
Profit for the year	**17.1**	26.7
Adjustments for:		
Net interest income	**0.7**	0.3
Net foreign exchange losses	**0.1**	–
Changes in working capital:		
– Trade and other receivables	**(0.1)**	–
– Trade and other payables	**0.1**	(0.2)
Cash generated from operations	**17.9**	26.8

Profit for the year includes dividends received of €18.0 million (2019: €30.0 million).

11. Events After the Balance Sheet Date

On 25 January 2021, the Company 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 Company's annual dividend cycle for the year ended 31 December 2020.

Consolidated Income Statement

For the years ended 31 December

	2020 €m	Unaudited 2019 €m	2018 €m	2017 €m	2016 €m
Revenue	**2,814.5**	3,411.1	3,472.8	3,490.9	3,348.6
Cost of sales before exceptional items	**(2,493.1)**	(2,922.7)	(2,938.2)	(2,928.5)	(2,801.1)
Exceptional items	**(120.4)**	–	–	–	–
Gross profit	**201.0**	488.4	534.6	562.4	547.5
Distribution costs	**(83.7)**	(95.0)	(102.4)	(103.7)	(103.6)
Administrative expenses before exceptional items	**(145.1)**	(141.7)	(164.5)	(177.8)	(188.6)
Exceptional items	**(184.2)**	–	–	(40.2)	(23.2)
Administrative expenses after exceptional items	**(329.3)**	(141.7)	(164.5)	(218.0)	(211.8)
Other income	**8.5**	6.7	12.2	7.7	6.5
Net foreign exchange gains/(losses)	**27.2**	0.5	1.2	24.6	(2.0)
Operating (loss)/profit	**(176.3)**	258.9	281.1	273.0	236.6
Finance income	**3.5**	15.0	14.3	11.2	10.1
Finance expense before exceptional items	**(77.5)**	(72.5)	(67.0)	(100.1)	(115.2)
Exceptional items	**–**	–	(11.8)	(26.4)	–
Finance expense after exceptional items	**(77.5)**	(72.5)	(78.8)	(126.5)	(115.2)
Net finance expense after exceptional items	**(74.0)**	(57.5)	(64.5)	(115.3)	(105.1)
Share of (loss)/profit of associates	**(3.5)**	0.3	0.5	0.3	1.3
(Loss)/profit before income tax	**(253.8)**	201.7	217.1	158.0	132.8
Income tax expense before exceptional items	**(28.1)**	(57.1)	(77.0)	(68.2)	(88.9)
Exceptional items	**29.7**	–	–	25.4	–
Income tax credit/(expense) after exceptional items	**1.6**	(57.1)	(77.0)	(42.8)	(88.9)
(Loss)/profit for the year	**(252.2)**	144.6	140.1	115.2	43.9
(Loss)/profit for the year attributable to:					
Owners of the Parent Company	**(254.1)**	141.6	137.8	112.5	42.2
Non-controlling interests	**1.9**	3.0	2.3	2.7	1.7
	(252.2)	144.6	140.1	115.2	43.9

Consolidated Balance Sheet

At 31 December

	2020 €m	Unaudited 2019 €m	2018 €m	2017 €m	2016 €m
Non-current assets					
Intangible assets	**883.8**	1,182.2	1,229.8	1,273.9	1,412.8
Right-of-use assets	**124.9**	161.4	–	–	–
Property, plant and equipment	**590.8**	715.0	706.5	686.8	699.7
Investments in associates	**14.6**	19.2	19.6	19.2	19.4
Derivative financial instruments	**–**	–	5.4	8.3	28.4
Deferred income tax assets	**62.4**	25.1	34.9	51.0	69.9
Trade and other receivables	**18.9**	21.6	14.8	13.4	12.9
	1,695.4	2,124.5	2,011.0	2,052.6	2,243.1
Current assets					
Inventories	**351.4**	367.1	352.8	329.3	298.5
Trade and other receivables	**534.8**	574.5	578.3	588.3	613.1
Current income tax assets	**13.7**	13.7	4.4	8.2	9.6
Derivative financial instruments	**0.4**	18.4	8.5	5.3	6.1
Financial assets at fair value through profit and loss	**0.9**	0.9	1.2	2.9	2.9
Cash and cash equivalents	**485.8**	411.7	360.1	287.2	196.2
	1,387.0	1,386.3	1,305.3	1,221.2	1,126.4
Total assets	**3,082.4**	3,510.8	3,316.3	3,273.8	3,369.5
Equity					
Share capital	**6.8**	6.8	6.8	6.8	493.7
Share premium	**2.2**	2.2	1.4	404.3	–
Other reserves	**(137.7)**	(106.1)	(126.3)	(130.5)	(64.5)
Accumulated profits/(losses)	**987.7**	1,261.7	1,175.7	640.9	36.2
Equity attributable to owners of the Parent Company	**859.0**	1,164.6	1,057.6	921.5	465.4
Non-controlling interests	**25.2**	24.5	22.5	20.3	19.0
Total equity	**884.2**	1,189.1	1,080.1	941.8	484.4
Non-current liabilities					
Trade and other payables	**20.0**	12.3	17.1	17.6	12.1
Borrowings	**1,069.3**	1,148.5	1,179.3	1,178.2	1,695.8
Lease liabilities	**122.4**	138.0	–	–	–
Derivative financial instruments	**–**	–	45.3	72.4	19.2
Deferred income tax liabilities	**104.3**	128.5	141.6	159.8	221.5
Retirement benefit obligations	**160.7**	153.7	148.2	162.4	193.0
Provisions	**4.9**	5.0	4.9	5.5	7.2
	1,481.6	1,586.0	1,536.4	1,595.9	2,148.8
Current liabilities					
Trade and other payables	**614.1**	611.2	608.4	637.6	635.2
Current income tax liabilities	**40.7**	48.7	60.2	69.6	71.3
Borrowings	**7.4**	2.4	4.4	3.0	2.9
Lease liabilities	**28.6**	28.7	–	–	–
Derivative financial instruments	**0.2**	25.4	2.8	3.4	4.6
Provisions	**25.6**	19.3	24.0	22.5	22.3
	716.6	735.7	699.8	736.1	736.3
Total liabilities	**2,198.2**	2,321.7	2,236.2	2,332.0	2,885.1
Total equity and liabilities	**3,082.4**	3,510.8	3,316.3	3,273.8	3,369.5

The consolidated financial record presents the financial results for those businesses that were part of the Group for the years ended 31 December 2016 to 31 December 2020 inclusive.

Shareholder information

Company registered number
09402231

Directors
Manfred Wennemer
Non-Executive Chairman

William L. Kozyra
Chief Executive Officer and President

Ronald Hundzinski
Chief Financial Officer

Tim Cobbold
Senior Independent Director

Andrea Dunstan
Independent Non-Executive Director

Susan Levine
Non-Executive Director

Elaine Sarsynski
Independent Non-Executive Director

John Smith
Independent Non-Executive Director

Stephen Thomas
Non-Executive Director

Jeffrey Vanneste
Independent Non-Executive Director

Company Secretary
Matthew Paroly

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United States of America

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Bankers
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Canary Wharf
London E14 5HQ

Legal advisers to the Company
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London EC2M 3XF

Joint corporate brokers
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25 Shoe Lane
London EC4A 4AU

J.P. Morgan Cazenove
25 Bank Street
Canary Wharf
London E14 5JP

Peel Hunt LLP
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EC2M 2AT

Registrars
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+44 (0)121-415-7047 (Overseas)
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Corporate calendar
Annual General Meeting
13 May 2021

Announcement of Interim Results
10 August 2021

Announcement of Final Results
March 2022

Cautionary statement regarding forward-looking statements

This Annual Report contains certain forward-looking statements with respect to the financial condition, results of operations and business of TI Fluid Systems plc (the 'Company'). The words 'believe', 'expect', 'anticipate', 'intend', 'estimate', 'forecast', 'project', 'will', 'may', 'should' and similar expressions identify forward-looking statements. Others can be identified from the context in which they are made. By their nature, forward-looking statements involve risks and uncertainties, and such forward-looking statements are made only as of the date of this Annual Report. Accordingly, no assurance can be given that the forward-looking statements will prove to be accurate and you are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty therein. Past performance of the Company cannot be relied on as a guide to future performance. Nothing in this Annual Report should be construed as a profit forecast.

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Two projects are supported via Carbon Footprint Ltd. Firstly, a tree planting scheme in the UK which supports a programme of replanting to offset carbon use. Also, a project to support biodiversity within the Amazon, called the Portel-Pará REDD project which is working to prevent unplanned deforestation in native forests, which has occurred due to logging, squatting and attempts to implement pastures. The project is expected to avoid over 22 million tonnes of carbon dioxide equivalent greenhouse gas emissions over a 40-year period. This will be achieved by managing the land in the form of a 'private conservation reserve', through rigorous monitoring and enforcement.

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