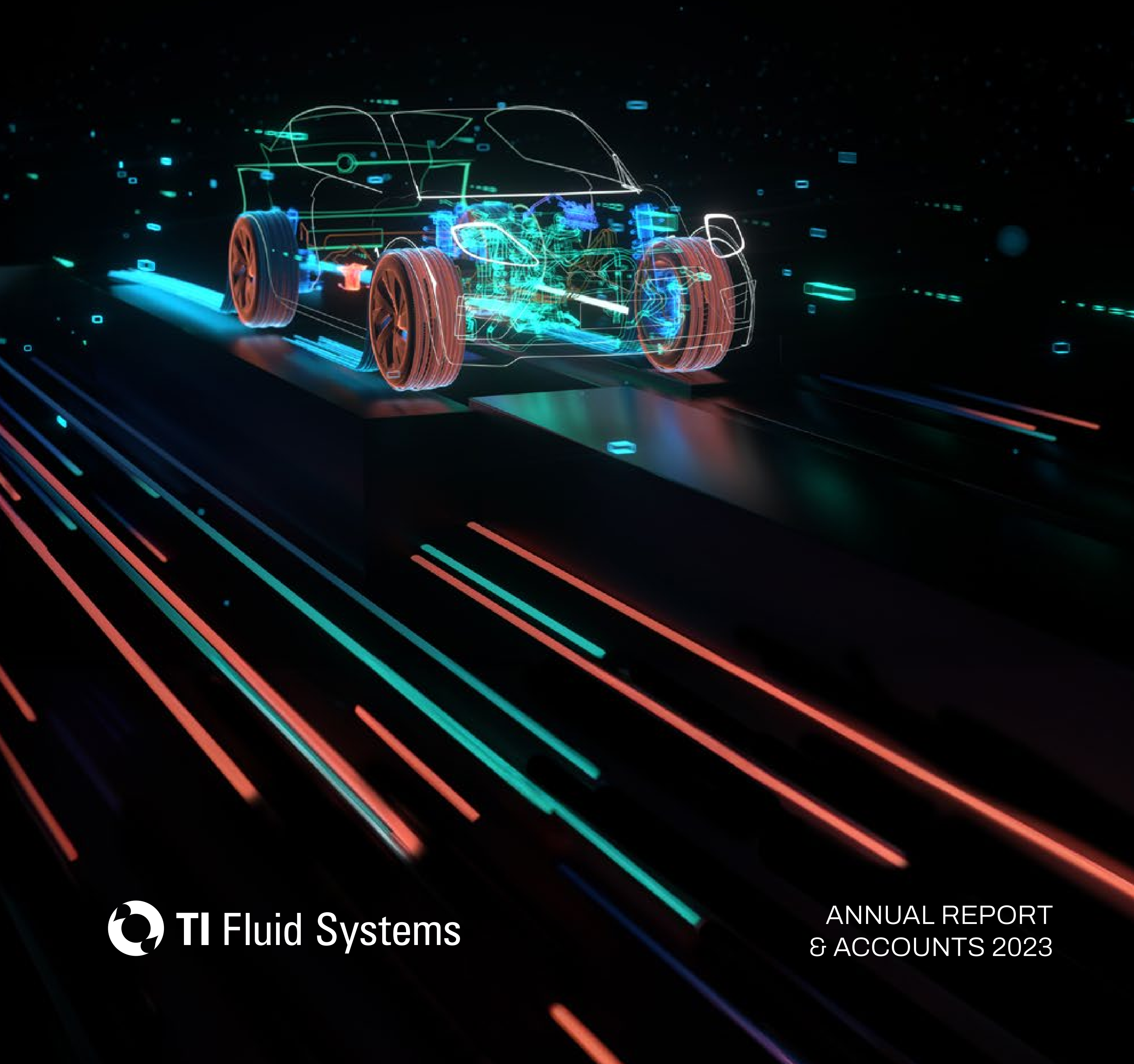
Greener technologies.
Cleaner vehicles.
A sustainable future.



TI Fluid Systems

ANNUAL REPORT
& ACCOUNTS 2023

2023 Highlights

Delivering on our commitments and creating value for shareholders

1 Strong financial performance

Constant currency revenue growth
11.1%

Adjusted EBIT margin +190bps
7.4%

Adjusted Free Cash Flow Conversion
36%
of EBITDA

2 Bookings underpin transition to EVs

Total bookings
€3.0bn

BEV bookings
€1.3bn

HEV bookings
€0.8bn

3 Enhancing our position in China

New launches
48

New launches with local OEMs
25

BEV bookings
€0.4bn

4 Executing capital allocation policy

Cascade Engineering Europe acquisition
€26m

Progressive dividend
€35m

Approved €40m share buyback
€6m
by year end

5 A more sustainable business

Scope 1 & 2 emissions
-15%
versus 2021

2030 targets: SBTi approved
Scope 1 & 2: -50%
Scope 3: -30%

Management reporting measures

Revenue[1]
+7.6% (+11.1% constant currency)
€3,516m
2022: €3,268m

Adjusted EBIT
+44.2%
€259.6m
2022: €180.0m

Adjusted Basic EPS (€ cents)[2]
+56.8%
25.76c
2022: 16.43c

ROCE
+ 930 bps
27.6%
2022: 18.3%

Adjusted Free Cash Flow
+79.5%
€140.7m
2022: €78.4m

(1) Adjusted measures are non-IFRS metrics and reconciled in Note 3 and defined in the glossary in Note 37

(2) Adjusted Net Income definition changed to exclude impact of purchase accounting adjustments, consistent with other metrics, see Note 3

Statutory reporting measures

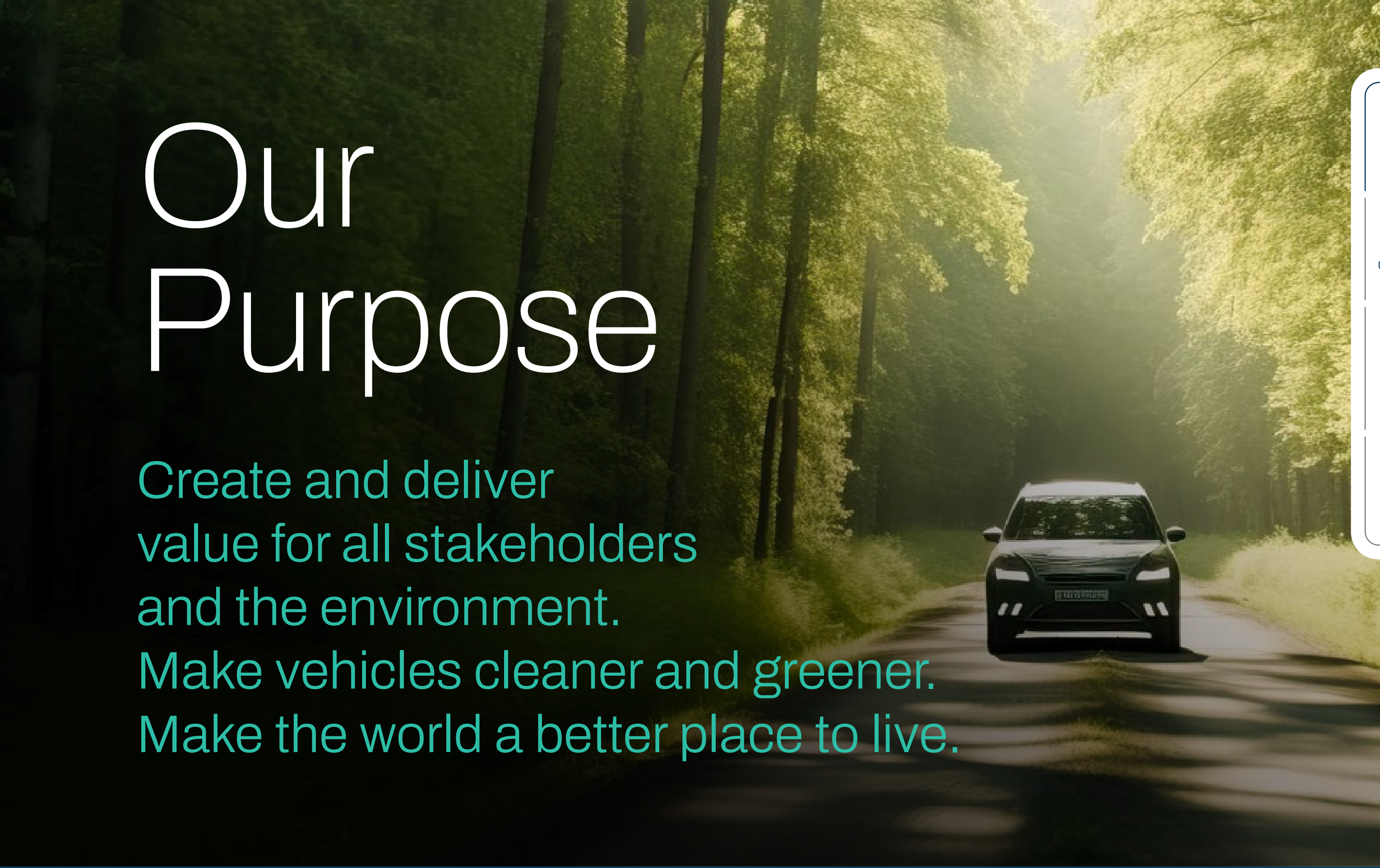
	2023	2022
Operating profit/(loss)	€195.8m	€(217.0)m
Profit/(loss) after tax	€83.6m	€(279.0)m
Basic EPS	16.19c	(54.39)c
Dividend per Share	6.83c	2.54c

Non-financial measures

Customer satisfaction
7.7 PPM
2022: 6.1 PPM

GHG emissions year-on-year reduction (Scope 1 & 2)
-15%
2022: +0.3%

BEV and HEV bookings
€2.1bn
2022: €2.6bn



Our Purpose

Create and deliver value for all stakeholders and the environment. Make vehicles cleaner and greener. Make the world a better place to live.

Contents

TI Fluid Systems at a glance

Fluid Thinking, Thermal Innovation

TI Fluid Systems designs and manufactures thermal and fluid system solutions that improve efficiency, performance and sustainability for vehicle manufacturers worldwide.

27,000 **people**

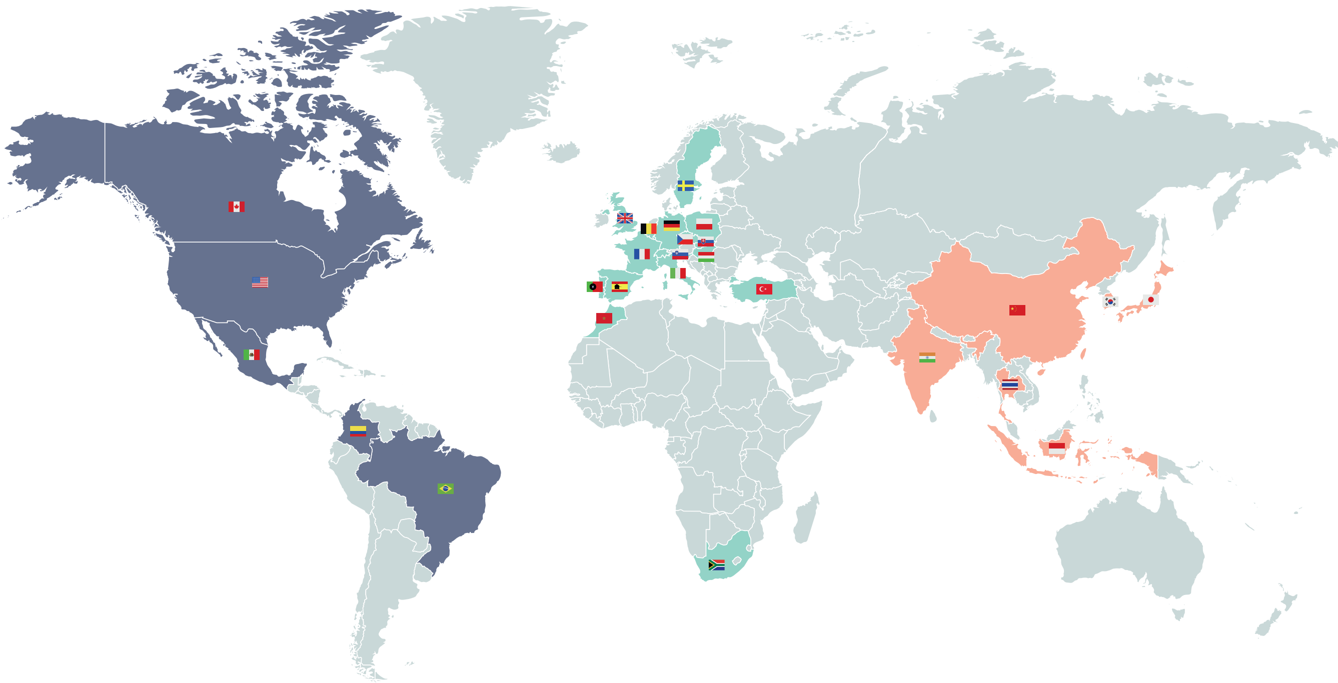
2 **segments**

€3.5 **billion revenue**

3 **regions**

Product portfolio covering all propulsions

Our global reach: a competitive, flexible manufacturing footprint, close to customers.



KEY

	Americas	Europe and Africa	Asia Pacific
Revenue	30%	39%	31%
People	8,600	10,600	7,800
Manufacturing locations	21	49	28
Engineering centres	2	5	6

Diversified customer base, serving all global OEMs

Revenue by customer

- VW Group
- Stellantis Group
- KIA-Hyundai Group
- Mercedes-Benz
- Toyota Group
- Ford
- RNM Alliance
- BMW
- GM
- Great Wall
- Honda
- Other

Two strong segments

Revenue by segment

- Fluid Carrying Systems
- Fuel Tank Delivery Systems

TI supplies…

12
of the top selling vehicle nameplates in North America

19
of the top selling vehicle nameplates in Europe

Source: S&P Global Mobility January 2024 and Company estimates

Strong global market positions

No 1
supplier of brake & fuel lines

No 3
supplier of plastic fuel tanks

Top 5
supplier of thermal management

Our products

A product portfolio catering to all propulsions

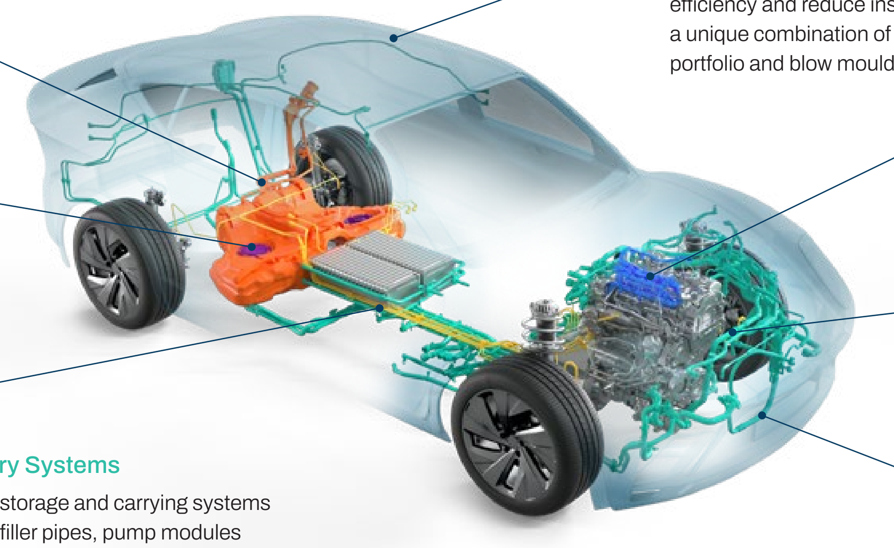
We design, engineer, manufacture and supply highly engineered automotive fluid storage, carrying, delivery and thermal management systems for all vehicle architectures, from internal combustion engines (ICE) to battery electric vehicles (BEV).

KEY

1	Fuel Tank Products	I H
2	Fuel Delivery Products	I H
3	Autonomous Cooling/Cleaning	I H E
4	Powertrain Products	I H
5	Thermal Coolant Products	I H E
6	Thermal Refrigerant Products	I H E
7	Brake & Fuel Lines	I H E

Vehicle Drivetrain Availability:

- I ICE
- H (P)HEV
- E BEV



Thermal Management

- Complete range of refrigerant for cabin comfort and coolant lines for battery performance, connectors and components
- Portfolio ranges from traditional to innovative lightweight multi-layer nylon lines, to increase efficiency
- Modules for EVs reduce weight, increase efficiency and reduce installation time. TI has a unique combination of thermal management portfolio and blow moulding capability

Fuel Tanks & Delivery Systems

- Industry-leading fuel storage and carrying systems including: fuel tanks, filler pipes, pump modules
- Innovative/lightweight solutions reduce evaporative emissions and meet hybrid standards
- Only supplier with a fully integrated design, development, manufacturing and supply capability for fuel tank system to optimise ICE engine efficiency

Brake & Fuel Lines

- A range of complete fluid carrying assemblies for brake and fuel lines, that optimise underbody space, cost and installation speed
- Market-leader offering durable, cost-effective solutions in plastic, rubber, aluminum, and steel to cover all systems and vehicle types

Safety & performance critical

- Safety and performance requirements drive high value-add at a low cost compared to the cost of a vehicle

Innovative

- Award-winning products
- Track record of innovation, often in collaboration with customers

Embedded with customers

- Specifically designed for each customer
- Rigorously designed components designed to customer-specific specifications

Product strategy aligned with customer needs

Reducing emissions for all powertrains

Emissions reduction has been a key driver of product innovation for decades as countries around the world steadily increase legislative requirements for fuel economy and emissions reduction.

Transition to BEV

Megatrend shaping the industry, aimed at zero emission mobility. The electrification of the powertrain represents a seismic shift, with OEMs committed to transitioning to electric vehicles. In 2023, EVs represented 24% of global automotive production – this is forecast to increase to 65% by 2030.

TIFS Technology Roadmap

Product portfolio supporting customer's strategic needs

BEV efficiency challenges

BEV efficiency is the biggest challenge OEMs face – OEMs need to find ways to increase driving range and reduce charging time, whilst being cost competitive. Weight reduction is a key way of reducing energy consumption and increasing driving range.

Sustainable materials

Reshaping product design and a shifting to more sustainable materials, including increasing recycled content. Our innovations require less energy to manufacture, supporting our customers' focus on Scope 3 emissions.

Increasing efficiency, reducing emissions and cost

Growth in thermal management content

- Electrification significantly increases the revenue potential of our existing portfolio of thermal products, consisting of lines and connectors
- BEVs need significantly more lines and connectors due to battery heating and cooling needs. We estimate that BEVs require lines that are 2–4x longer than ICE vehicles. The number of connectors required on an EV is 6–7x higher
- Our multi-layer lines are adapted to fit customer-specific temperature, pressure, emissions, weight and cost requirements

Thermal management innovation

- Managing battery and electric motor temperatures in EVs is critical to vehicle performance, driving range, battery life and system health. This drives significantly higher thermal management requirements for EVs as compared to ICE
- To meet the EV efficiency challenge, we have developed lighter, lower cost thermal products offering efficiency improvements, whilst also being specifically adapted to the unique pressure and temperature requirements of EVs
- Our nylon-plastic-based multi-layer coolant lines are up to 30% lighter, reduce risk of leakage, at a 20% lower cost and are easier to assemble than conventional rubber hoses

ITMA coolant modules

- Our Integrated Thermal Management (ITMA) coolant modules play a key role in increasing EV efficiency. By integrating the functionalities and components into a single, compact unit we can deliver significant weight reduction, increasing efficiency gains at a reduced cost
- Our blow moulding capabilities are a differentiator in designing geometries with significant flexibility and functional integration
- Our modules deliver up to a one-third reduction in weight with 30% fewer sub-components and are 60% faster to install compared to an EV retrofitted with a classic coolant loop

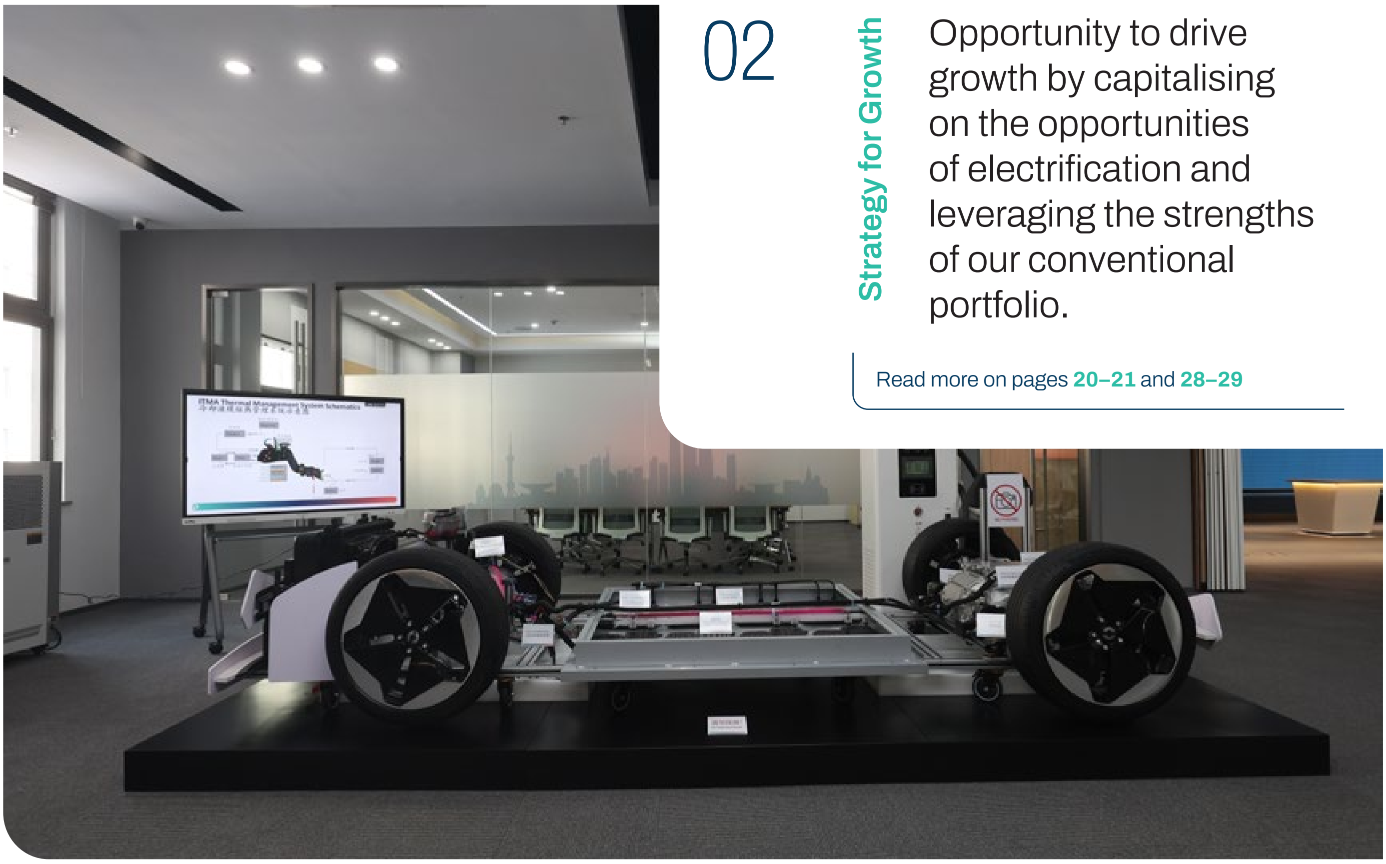
Our compelling investment proposition

01

Market Leading

Powertrain agnostic portfolio with leading market positions, diverse automotive customer base and global presence.

Read more on pages **18–19**



02

Strategy for Growth

Opportunity to drive growth by capitalising on the opportunities of electrification and leveraging the strengths of our conventional portfolio.

Read more on pages **20–21** and **28–29**

03

Double-digit Margins

On track to return to industry-leading profitability with strong cash conversion.

Read more on pages 32–35

04

Balanced Capital Allocation

Capital allocation focused on shareholder value creation whilst maintaining a strong balance sheet.

Read more on page 32

05

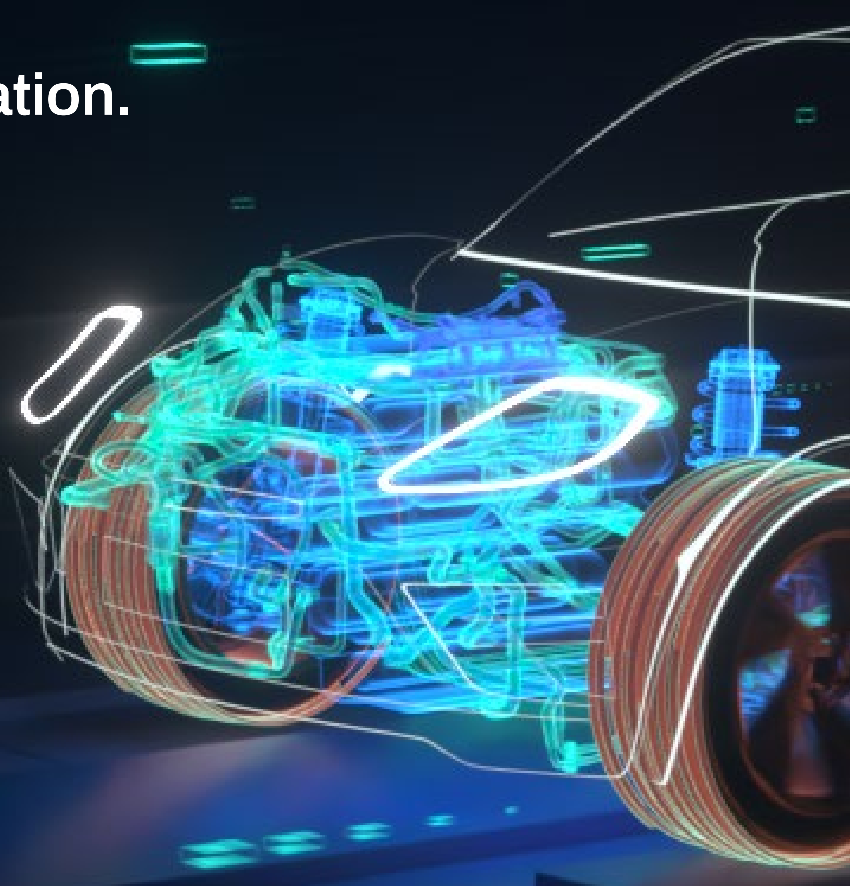
Sustainable Growth

Making a positive impact through our commercial and operational strategy.

Read more on pages 40–41

Strategic report

**Fluid Thinking.
Thermal Innovation.**



In this section

Chair's statement

> "TI's performance in 2023 was strong as the Group delivered on its financial commitments and continued to lay the foundation for a successful transition to EVs. The Group entered 2024 well-positioned to deliver continued progress, and I am confident in our prospects."

Tim Cobbold
Chair

Dear Shareholder,

After a difficult 2022, 2023 was a year of considerable progress for TI. The Group delivered a strong financial performance, not least a significant increase in profitability, and made good strategic progress. In doing so, the Group delivered on its financial commitments, whilst continuing to lay the foundations for a successful transition to electric vehicles (EVs consisting of battery electric vehicles, or BEVs, and hybrid electric vehicles, or HEVs).

The Group's financial results should be seen in the context of an improved operating environment compared with 2022. Nonetheless, the industry faced other challenges in 2023 – inflation, the UAW strike and new geopolitical issues. TI's ability to deliver both operationally and strategically in a difficult environment is testament to the resilience and hard work of the entire team. On behalf of the Board, I would like to thank our people for their dedication and continued enthusiasm for embracing change.

Financial performance

2023 financial performance was strong, with double-digit revenue growth at constant currency and a significant expansion of Adjusted EBIT margin. Constant currency revenue growth was 11.1% and the Adjusted EBIT margin expanded by 190 basis points to 7.4%.

The primary drivers of financial performance were cost reduction actions and commercial recoveries from customers in a year in which car production volumes rebounded. These positives were partially offset by cost inflation, which stabilised but at a high level, and foreign exchange headwinds. The 190 basis points increase in Adjusted EBIT margin represents material progress from the low point of 2022 towards the mid-term goal of returning the business to double-digit Adjusted EBIT margins, which we know shareholders value.

Whilst continuing to maximise the returns from ICE-powered vehicles, TI's long-term future depends on successfully navigating the transition to EVs. In 2023, EV bookings were €2.1 billion (2022: €2.6 billion), with BEV bookings in line with the prior year at €1.3 billion. This was a good performance given the broader market, with lower addressable volumes available to quote and a mix shift towards local Chinese OEMs.

It demonstrates how well the commercial organisation balanced a focus on cost recoveries with winning new business for EV platforms from the same customers. It also reflects the value of recent investments in technologies and product development for BEV and HEV platforms. Margins on these EV bookings are normalising towards historic levels.

Strategic progress

At the Capital Markets presentation in September 2023, TI presented its roadmap for the next phase of the Group's Strategy, Taking-the-Turn, together with, for the first time, the associated mid and long-term financial targets. These targets are set out in more detail in the CEO review on pages 12–15. This strategy is focused on delivering sustainable long-term growth by capitalising on the opportunities of electrification, whilst maximising the strengths of our conventional portfolio for ICE vehicles.

The roadmap and related targets, which were well received by investors, now provide shareholders with both clarity as to how TI expects to grow through the transition to EVs and the potential financial returns they can expect.

In 2023, the Group continued to focus on implementing the strategy with EV bookings now running at over 70% of total bookings, an increase of over 30 percentage points since 2019. The focus on the EV market in China, where TI has been strong historically with global OEMs, has been switched to the local OEMs with good early progress being made.

At the Capital Markets Day, the Group also announced a switch to a regional structure to better focus on the EV and other growth opportunities, which vary significantly by geography. This new organisation will position the Group to respond more quickly and more flexibly to the demands of customers as they implement EV technologies. From the start of 2024, the regional structure is in place and operating well at this early stage.

In September 2023, the Group announced the acquisition of Cascade Engineering Europe (Cascade) for €26 million, its first acquisition since 2016. Cascade represents the type of smaller bolt-on acquisition that allows TI to accelerate product and technological development, in line with the strategy.

TI operates in a complex and dynamic industry, and it is clear that the speed of the transition to EV is variable and varies across geographies. The Taking-the-Turn Strategy is designed to ensure that the Group is well-positioned to respond to the transition, whatever its shape or speed.

Sustainability

Sustainability is at the heart of the Group's purpose. It has long been central to product innovation and is key to future commercial success. The aim is that TI's sustainability initiatives are not standalone projects, but rather part of the day-to-day running of the Group – from products that help customers with their EV transition to improving TI's own environmental impact. 2023 has been another year of progress with a double-digit reduction in Scope 1 & 2 emissions compared to a 2021 baseline and the SBTi's approval of the Group's 2030 carbon emission reduction targets.

Recognising its importance, the Board maintains close oversight of sustainability through the ESG Committee, which is chaired by Elaine Sarsynski and consists of both Executive and Non-Executive Directors, as well as members of the Executive Committee. Reflecting a commitment to sustainable value creation, sustainability is a component of TI's long-term incentive scheme, which applies to the Executive Directors, members of the Executive Committee and other senior personnel. More details on our sustainability progress in 2023 can be found on pages 40–41.

People

Our people have demonstrated they are exceptionally resilient and dedicated during the last few years in particular. Whilst the existential challenges of 2020, 2021 and 2022 have diminished, 2023 brought different challenges. The team at TI proved once again its agility and readiness to respond with exceptional levels of commitment. On behalf of the Board, I would like to thank all our people for their hard work and dedication.

Board composition and governance

Strong governance, coupled with diversity of thought, are necessary foundations for long-term growth and success. The current composition of the Board brings considerable diversity of experience and I was proud to lead a Board with 50% female representation in 2023. As discussed in the Nominations Committee report on pages 86–87, the Board is not yet compliant with the new Listing Rule 9.8.6R (9) (a). Doing so remains a key priority for Board succession planning. I remain committed personally to seeking to meet this expectation at every Board appointment going forward, whilst always appointing the person we judge to be the best candidate.

As previously announced, Susan Levine has decided not to stand for re-election at the 2024 Annual General Meeting (AGM) and will step down from the Board at the AGM. My colleagues and I have appreciated Susan's commitment. It has been a great pleasure to work alongside her and we wish her well.

The externally-facilitated Board evaluation undertaken at end of 2022 rated the Board's overall effectiveness highly. However, we are always seeking to improve, and the Board agenda in 2023 was adjusted in response to the evaluation. In addition to maintaining our focus on strategy and product portfolio expansion, additional Board time was allocated to risk management, diversity, IT and cybersecurity, and to supply chain.

Further information on the Board is available in the Governance section starting on page 72 and within the Committee reports on pages 86–118.

Stakeholder engagement

Engaging with stakeholders to understand their needs and requirements plays a key role in ensuring decisions create long-term, sustainable value for all. Over many years, the Group's success and resilience has been supported by strong relationships with the Group's stakeholders.

From a Board perspective, 2023 has been a year of increased direct engagement with employees with multiple touchpoints by multiple Directors. These included plant tours in the US, UK and Morocco for three Directors and skip-level meetings with employees at sites in Germany and the UK. The Board also reviews and discusses the outcomes of the Group's annual Engagement Survey and health & safety performance.

Members of the Board visited the Group's recently expanded facilities in Morocco in mid-October. The Moroccan facilities are focused on supplying to EVs in Europe, so are particularly important strategically going forward. The Group has made considerable investments in these plants and it was rewarding to see the benefits of this from a business perspective as well as the passion, professionalism and commitments of the TI staff in Morocco.

I remain committed to the value of shareholder engagement, and shareholder feedback is shared with the Board regularly throughout the year. In particular, shareholder views, expressed over a number of years were incorporated into the design of the revised capital allocation policy presented in our Interim Results in August.

In the autumn, in line with the usual three-year cycle, we consulted with shareholders on the new Remuneration policy. I would like to thank John Smith, Chair of the Remuneration Committee, for his stewardship of the process, and shareholders for their constructive feedback, which helped shape the new policy.

Early in 2024, following on from my initial consultation with shareholders, which took place shortly after my appointment as Chair, I wrote to all major shareholders repeating the standing invitation to meet with them at their convenience to address any aspect of TI's business. The nature of the discussions and actions taken, if any, will be disclosed in the 2024 Annual Report.

More information about how we, as a Board, have sought to fulfil our duties under Section 172 of the Companies Act 2006, can be found on pages 36–39.

Returns to shareholders

In August, the Group announced a revised capital allocation policy, which sought to improve returns to shareholders. The new policy, which is explained in more detail on page 32 included adopting a progressive dividend policy, to provide more attractive shareholder returns and greater visibility, starting with a dividend of €35 million for 2023 (2022: €13.0 million) and a share buyback programme of up to €40 million.

On 15 September 2023, an interim dividend of €11.8 million or 2.30 Euro cents (1.96 pence), per ordinary share (2022: 1.00 Euro cents or 0.85 pence) was paid. The Board proposes to pay a final dividend in respect of 2023 of 4.53 Euro cents, or pence, per ordinary share (2022: 1.54 Euro cents or 1.34 pence).

In October 2023, we commenced a €40 million share buyback programme and by 31 December 2023, €6 million of the programme had been completed.

Looking ahead

In summary, I am pleased with the progress the Group has made, from both a strategic and financial perspective, in 2023. The Group is in a strong position as it entered 2024, with a clear strategy, Taking-the-Turn, a roadmap through the industry's transition to EVs, a product portfolio that caters to all propulsion types and the continued commitment of the team. I am confident in the Group's prospects and its ability to deliver continued progress in 2024 and beyond.

Tim Cobbold
Chair

11 March 2024

Chief Executive Officer's statement

> **TIFS on Track.**
>
> In 2023, we achieved double-digit revenue growth at constant currency, a significant increase in Adjusted EBIT margin and strong cash generation. We also made important progress on the execution of our 'Taking-the-Turn' strategy, further positioning TI for a successful transition to electrification."

Hans Dieltjens
Chief Executive Officer and President

Strong 2023 performance and progress

In 2023, TI delivered a strong performance, demonstrating the quality, professionalism and commitment of the wider team as the organisation delivered growth in revenue and profitability. This success is a result of the hard work and dedication of our people, and I would like to thank them all for their contribution.

11.1%
constant currency revenue growth

190bps
Adjusted EBIT margin expansion

€1.3 billion
BEV bookings

We have made significant progress towards our mid-term financial targets, with revenue growing at 11.1% at constant currency and our Adjusted EBIT margin increasing by 190 basis points to 7.4% as compared to 2022. Our 36% conversion of Adjusted EBITDA to cash reflects our financial discipline. So all in all, we delivered on our promises, with the full year slightly ahead of expectations, even after upgrading our 2023 financial outlook in August.

We also delivered an improvement in our environmental footprint. TI's success is built on innovating and developing products that reduce vehicle emissions and increase efficiency, and we are committed to manufacturing products in a more sustainable manner. Actions to improve our environmental footprint resulted in a double-digit reduction in our Scope 1 & 2 carbon emissions versus a 2021 baseline and we are on plan for our 50% reduction commitment by 2030.

When I became CEO in late 2021, it was clear that we needed to respond to the accelerating pace of the industry transition to electric vehicles (EV). Since then, our 'Take-the-Turn' strategy has driven a significant step up in EV bookings. As we set out at our Capital Markets Event in September 2023, 'Taking-the-Turn' is the next step to accelerate our strategic execution. We also set mid-term financial targets to grow revenue to €3.8–4.2 billion[1] and return to a double-digit Adjusted EBIT margin. Our Taking-the-Turn strategy and progress towards our financial targets are on track.

Our EV product portfolio leverages our deep expertise in fluid handling and builds on existing technologies, products and strengths. Our product-agnostic portfolio is a key differentiator, particularly brake lines which are truly propulsion-agnostic, and our lines and connectors, which are used in coolant or refrigerant systems, and where we have decades of experience. Additionally, our connectors, lines and Integrated Thermal Modules support the increased heating and cooling requirements of EVs and are expected to translate into higher EV volume growth in the future.

Finally, conventional products are an integral part of our business, particularly fuel tanks and delivery systems for ICE vehicles. We are focused on maximising their profitability and cash flow, and ensuring we capture the opportunities presented by hybrid vehicles.

EVs are clearly the future, but the shape and pace of the transition are more difficult to predict. We are, therefore, disciplined in how we invest in ICE and EV product lines and are successfully managing the transition within our historic levels of restructuring and capital expenditure.

Our industry

TI operates in a dynamic and rapidly changing industry. In 2023, we again demonstrated our agility by responding to significant industry growth, whilst maintaining our focus on execution. Global light vehicle production volumes recovered sharply, increasing by 9.4% year-on-year to 90.1 million units, driven by strong demand, inventory restocking and easing supply chain shortages.

However, the operating environment was not without its challenges, including persistently high inflation, volatility in customer production schedules, and the UAW strike. Despite this, all regions and propulsion types experienced growth, with EV volumes increasing 36% year on year, resulting in EVs accounting for 24% of global light vehicle production. BEV production increased 33% to 13% of global light vehicle production. Production volumes from the local Chinese OEMs increased 21%, well ahead of overall growth in Chinese light vehicle production of 9.4%.

2023 performance: double-digit revenue growth and significant margin recovery

In 2023, TI achieved 11.1% revenue growth at constant currency, with revenue of €3,516.2 million. This growth was driven by the recovery in industry volumes, inflationary cost recoveries, and the successful launch of new products.

We successfully completed launches across a broad mix of product lines, customers and powertrains across all regions which will drive future growth.

Revenue growth was strongest in Europe & Africa and North America, with constant currency growth rates of 14.2% and 14.3% respectively. In both regions we outperformed light vehicle production (by 300 basis points in Europe & Africa, and by 480 basis points in North America). In Asia Pacific, constant currency revenue growth was 4.5%, again reflecting industry volume growth, inflationary recoveries and launches. We underperformed light vehicle production in the region by 450 basis points due to China where we have lower share with the local OEMs, creating a negative mix effect. As discussed below, we expect launches in 2023 and plans for 2024 will improve our position with local OEMs.

The key financial highlight of the year was the significant recovery in Adjusted EBIT margin to 7.4%, 190 basis points higher year-on-year. Adjusted EBIT increased by 44.2% to €259.6 million from €180.0 million in 2022. This was due to a strong commercial performance and cost actions.

Despite the working capital investment needs of growth, Adjusted Free Cash Flow conversion was 36% of Adjusted EBITDA, better than our historic track record and prior outlook.

Delivering on our priorities

At our Capital Markets Event last September, we outlined our strategy for sustainable and profitable growth. We set clear financial targets based on delivering revenue growth and a return to double-digit Adjusted EBIT margins:

- Revenue: 2026 target of €3.8–4.2 billion; 2030 target of >€4.5 billion(1)
- Adjusted EBIT margin: mid-term target to return to double digits
- Adjusted Free Cash Flow conversion of circa 30% of Adjusted EBITDA
- Carbon emissions: re-affirmed 2030 targets for a 50% reduction in Scope 1 & 2, and a 30% reduction in Scope 3 versus 2021

The key strategic drivers for delivering on these targets are set out on pages 20–21. We made substantial progress towards achieving these targets in 2023, but the entire team recognises that more work remains to be done.

(1) Future revenue stated at constant currency – 2022 average rates.

Chief Executive Officer's statement
continued

Sustainable, long-term revenue growth

TI has a clear strategy for achieving sustainable revenue growth. The key strategic building blocks include expanding our fluid handling business for EVs, strengthening our position in Modules & Systems for EVs, enhancing our position in China and maximising the profitability of our conventional portfolio for ICE vehicles.

Expanding our fluid handling business – lines & connectors

- EVs present a tremendous growth opportunity for fluid handling products, particularly lines and connectors. We estimate that BEVs require 4–5x as many connectors and 2–4x as many coolant lines versus a comparable ICE vehicle. In 2023, over 40% of our bookings related to Thermal products largely in this product field.
- Our e-Mobility Innovation Centres (eMICs) are a differentiator in winning new thermal management business for EVs. These centres bring critical design, engineering, and testing capabilities under one roof to drive innovation and enable more effective collaboration with customers. They also provide customers with one-stop shops to tackle their thermal management challenges and accelerate speed to market.
- A key component of our strategy is to further develop our technologies and capabilities for EVs. We can drive this development organically, but there are also inorganic opportunities. A good example is the acquisition of Cascade Engineering Europe (Cascade), which increases our market share in thermal connectors, broadens our speciality connectors offering, and increases our vertical integration. The business was acquired for a base purchase price of approximately €26.2 million.

Strengthening our position in Modules & Systems

- Towards the end of 2023, we announced a collaboration with Sanden, a leader in refrigerant and e-compressors. This co-operation accelerates development of our next generation Thermal Refrigerant Modules (ITMrs or Integrated Thermal Module refrigerant) as we can now offer system solutions including the compressor, a critical component. We also secured our first bookings for our ITMas or Integrated Thermal Manifolds for coolant applications with programme awards in Europe and China.

Enhancing our position in China

- TI has a long history of operating successfully in China, with strong market positions with global OEMs. We are leveraging this position to increase share with the local OEMs who have had strong growth momentum in the last two years. Our actions in 2023, including the decision to move to a regional model and the opening of an eMIC in Jiading, Shanghai, are already showing results and increased traction. Both improve the agility of the local team to respond quickly to specific local market needs in a region where speed is a critical factor. This progress can be seen in new launches – 48 in 2023, over half with local OEMs, and a further 81 planned for 2024. BEV bookings amounted to €0.4 billion (2022: €0.4 billion) with a number of strategic wins. These include an entry point with the largest local OEM with brake lines and PHEV tanks.

Maximising our conventional portfolio

- The majority of TI's conventional products are used in ICE vehicles where TI is well-positioned to be the natural choice for platform extensions. This is reflected in bookings, which include extensions for a number of ICE programmes. We are also delivering strong profitability – in 2023, our Fuel Tank Delivery Systems segment grew revenue 10.5% at constant currency, well ahead of growth in its addressable markets (estimated at 6.6%), and generated an Adjusted EBIT margin of 8.8%.

Finally, in 2023 we maintained our focus on bookings, which are a key priority and underpin our future success. We successfully maintained our BEV awards at the same level as 2022 at €1.3 billion (2022: €1.3 billion) of which China represented 33% or €0.4 billion (2022: 35% and €0.4 billion respectively). HEV awards were €0.8 billion (2022: €1.3 billion). This was a good performance, particularly given the commercial organisation's focus on inflationary cost recoveries. Moreover, our bookings demonstrate that our Taking-the-Turn strategy is delivering with important wins in Thermal Management, Modules & Systems and in China.

Returning to double-digit Adjusted EBIT margins

In 2023, we took an important step towards achieving our targeted double-digit Adjusted EBIT margin. This was driven by commercial actions, volume growth and productivity measures. Productivity included actions taken to optimise our footprint, headcount and purchasing with a less volatile trading environment helping to drive efficiency gains. During the year, we invested €13.4 million (2022: €22.8 million) in restructuring, largely related to headcount reductions and footprint optimisation. Cost recoveries also played an important role as we secured compensation for a fair share of inflation borne by TI.

Looking ahead, the three building blocks of our path to a double-digit Adjusted EBIT margin remain unchanged. Conversion of volume growth and mix, recovering costs and driving productivity remain the key three components, combined with launching and winning new EV product lines at historic margins.

Delivering on our sustainability agenda

Sustainability is at the heart of our purpose, commercial strategy and how we run our business. This starts with our products and a focus on new, cleaner technologies to support customers in producing greener vehicles. In 2023, TI revenues related to BEVs and HEVs are broadly in line with the industry, and EV bookings represented over two-thirds of total bookings.

Secondly, we improved our own environmental footprint. Greater use of renewable energy and increasing energy efficiency have delivered a double-digit reduction in our Scope 1 & 2 emissions in 2023 compared to a 2021 baseline. We are on track to deliver a planned 50% reduction by 2030.

Thirdly, in 2023, we significantly expanded our safety management system to an additional 27 manufacturing locations. This is building awareness, driving better reporting and improving our health & safety culture.

And finally, there are lots of great examples of how our team has engaged with the communities in which they operate in this report, and particularly on pages 36–39.

People and shift to a regional organisation

The regional organisation announced last September improves alignment with customers and industry developments. It is also a better fit with the wider geopolitical environment, including deglobalisation. Our regional leaders are better placed to adapt to changes in their individual markets, particularly the EV transition, which is moving at different speeds in different regions. The regional structure allows a more effective shift in resources between product lines and captures synergies as we transition our portfolio for electrification.

Talent remains a key priority. This starts with developing, retaining and promoting talent from within. At the same time, we seek to bring valuable new skills into the Group through select external appointments. As a result, we have a well-balanced leadership team, with a mix of experienced TI leaders and external appointees with a broad range of skills and diversity of experience.

We continue to embed the ‘Six Mindsets for Success’ into our culture through consistent reinforcement at internal presentations and alignment with our day-to-day activities. By embracing our Six Mindsets, we will instill a winning culture that is agile and able to adapt in order to ensure success through the industry transition.

Improving returns to shareholders

Our revised capital allocation strategy seeks to optimise shareholder value creation by balancing investment in growth with shareholder returns. By moving to a progressive dividend, starting with €35 million per annum, we aim to improve returns and visibility. We are also making progress with the €40 million share buyback announced in August.

More detail on our revised capital allocation policy can be found on page 32.

Confident in our prospects

Looking ahead, we expect to make further progress in 2024 towards our mid-term financial targets as we continue to execute our strategy. Our flexible business model, committed workforce and propulsion agnostic product portfolio mean we are well-positioned to continue to create value for shareholders.

Hans Dieltjens
Chief Executive Officer and President

11 March 2024

Business model

Our business model leverages our expertise in fluid handling, market-leading positions in safety and performance critical products, and global footprint to help customers meet their efficiency and emissions challenges. It is driven by our purpose, underpinned by our values and supported by a disciplined financial framework.

Our key resources

Product portfolio for all propulsions

Award-winning product portfolio and technologies with strong market positions, catering to all propulsions and well-aligned with automotive megatrends

People

Global workforce of 27,000 employees – committed, resilient and agile

Customer relationships

Trusted relationships built on a track record of delivery

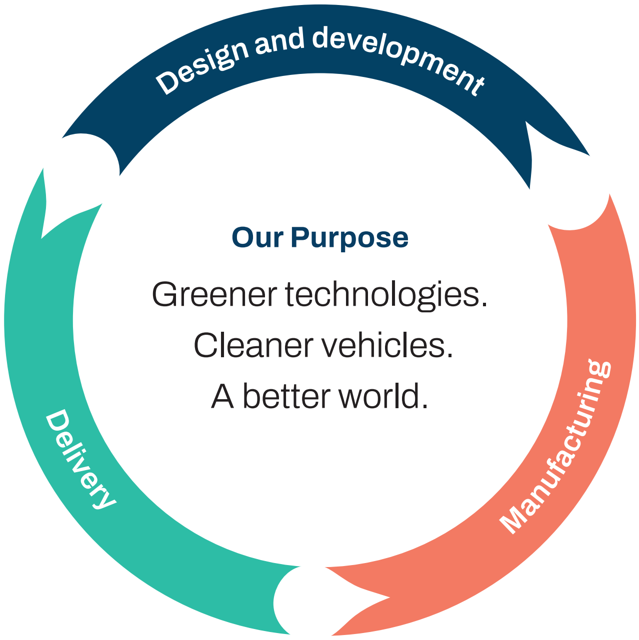
Global footprint

We support our customers globally with 98 manufacturing locations in 27 countries

Financial strength

Track record of profitability, cash conversion and a strong balance sheet

What we do



We design, develop, manufacture and deliver cost competitive solutions to OEM customers' efficiency and emissions challenges

Underpinned by

Culture and values

Our differentiators

Design and development

Deep expertise in highly engineered automotive fluid systems

Knowledge of OEM-specific approach to engineering, design and development built over 100 years and long-term customer relationships

Collaborative, working with customers to innovate

eMICs provide a unique, one-stop shop to work with customers to develop, design, test and prototype innovative products and accelerate development cycles

Manufacturing

Global manufacturing capabilities with economies of scale and a low cost footprint

Vertical integration contributes to a cost competitive structure and provides differentiated knowledge of key components

Facilities located close to customers, builds strong relationships at a local level

Delivery

Efficient just-in-time delivery

Customer proximity creates significant transportation savings, whilst optimising logistics, reducing supply disruption risk and minimising environmental impacts

Value created for all stakeholders

Customers

We design, develop and deliver high-quality products critical to customers' performance and safety needs. We collaborate with customers to innovate and develop solutions to support cleaner and greener vehicles.

Employees

We strive to provide our employees with an inclusive and diverse working environment, as well as opportunities to grow and develop through a culture of collaborative learning.

Suppliers

We collaborate and support our supply base so they can provide high-quality products that meet our advanced technology requirements in a cost efficient manner.

Communities

We are committed to creating a positive legacy in our communities and for the next generation.

Environment

Our products play a key role in cleaner, greener vehicles, enabling our customers' transition to electrification. We are also committed to improving our own environmental footprint.

Shareholders

We are focused on creating value for shareholders through our financial performance and returns, including a progressive dividend and share buyback programme.

Six Mindsets for Success

Financial discipline

A strong position in a market transitioning to electrification

Global Light Vehicle Production (GLVP) in 2023

GLVP

90.1 million units

+9.4% yoy

2022: 82.3 million units

By region

Europe & Africa:

+11.2%

North America:

+9.5%

Asia Pacific:

+9.0%

By propulsion

Total EV 21.5 million units:

+36%

BEV 11.6 million units:

+33%

HEV 9.9 million units:

+40%

TI Fluid Systems: 170 basis points outperformance in 2023

Performance by region

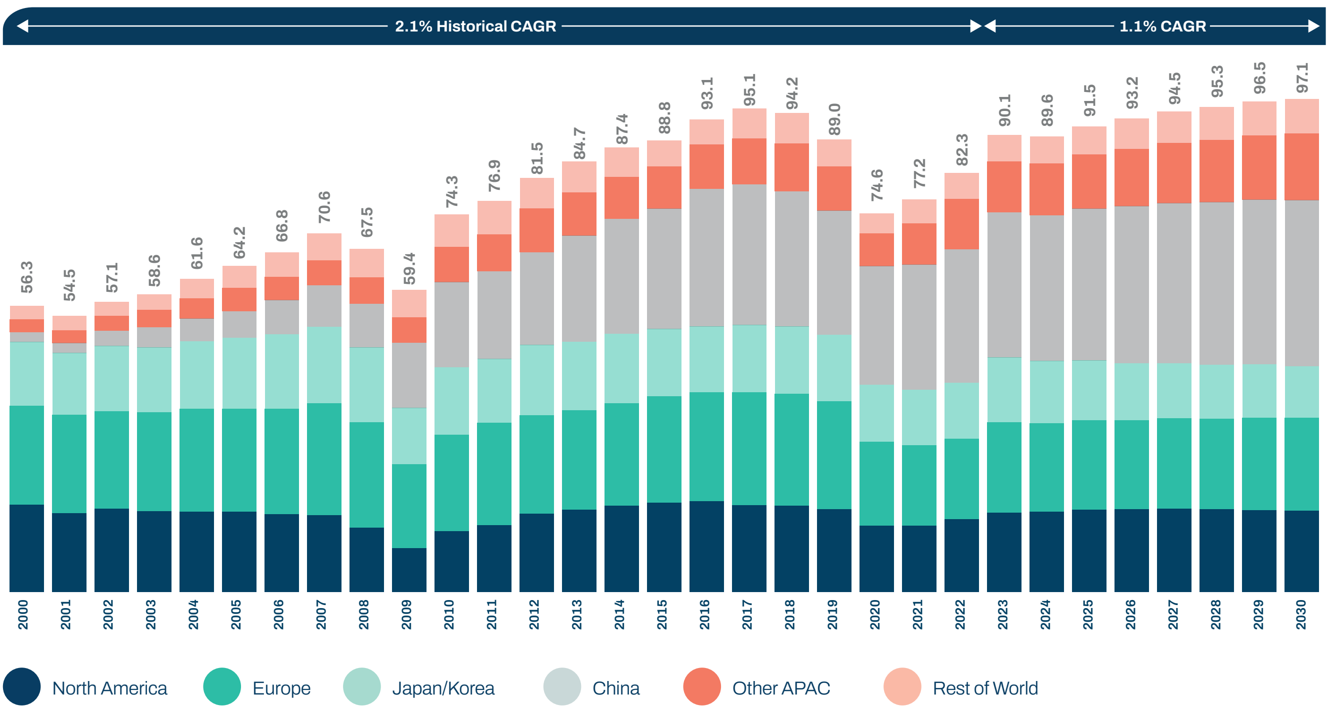
	TI constant currency revenue growth	Light vehicle production growth
Europe & Africa	14.2%	11.2%
North America	14.3%	9.5%
Asia Pacific	4.5%	9.0%
Latin America	16.4%	3.1%
Group	11.1%	9.4%

In 2023, Global Light Vehicle Production (GLVP) recovered sharply, up 9.4% to 90.1 million units driven by strong demand and restocking as supply chain shortages eased and production volatility substantially reduced. Global EV production increased 36% to 21.5 million units. In China, Light Vehicle Production (LVP) increased 9.4% year-on-year with the local OEMs continuing to take share and BEVs further increasing to 25% of production (2022: 22%).

Industry growth was broad-based across all key regions and, with 90.1 million units produced, the industry as a whole surpassed pre-pandemic production (2019: 89.0 million units). However, the recovery has been uneven and production in Europe in particular remains 16% below pre-pandemic volumes.

Outperformance was 480 basis points in North America and 300 basis points in Europe & Africa. Both segments outperformed in North America, particularly Fuel Tank Delivery Systems (FTDS). In Europe & Africa, both segments delivered double digit growth, but Fluid Carrying Systems (FCS) was particularly strong as a result of thermal volumes. The Group underperformed LVP in Asia Pacific by 450 basis points, largely due to negative mix in China and under-representation with the local OEMs. The Group as a whole outperformed GLVP by 170 basis points.

Global Light Vehicle Production – long-term growth outlook (millions)



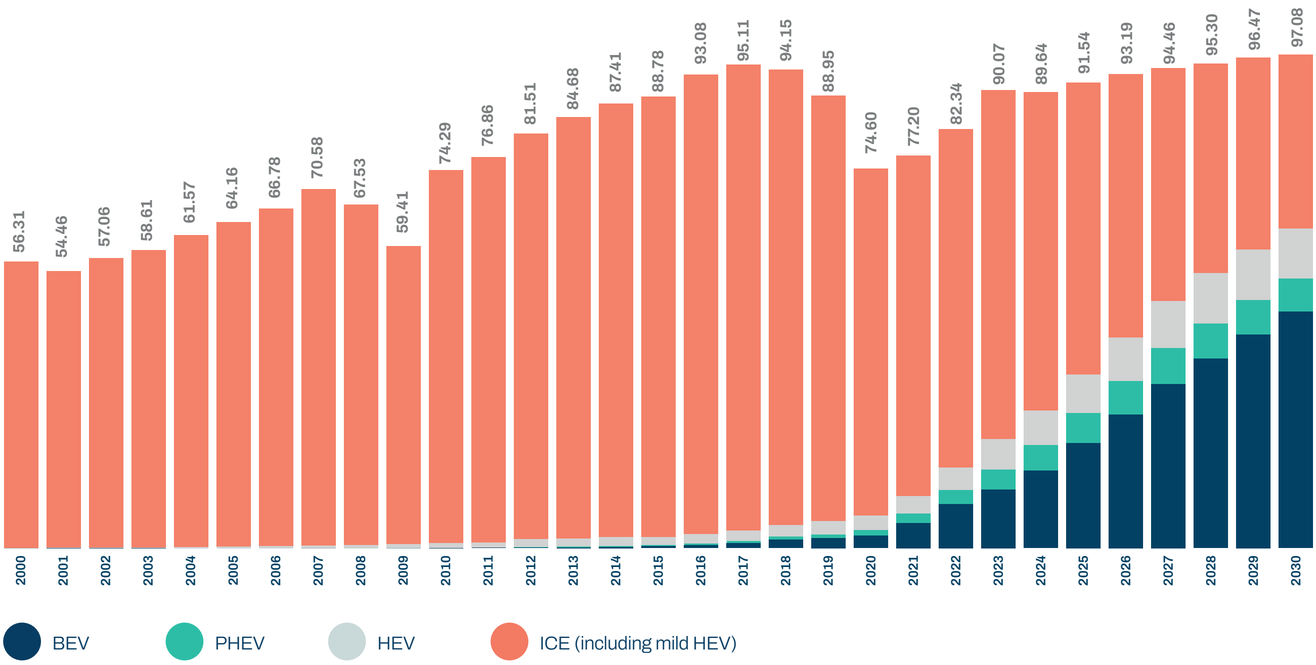
Source: S&P Global Mobility January 2024 and Company estimates

Transition to electrification accelerating

By 2030: % of GLVP

EVs:	BEVs:	HEVs:
65%	48%	17%
2023: 24%	2023: 13%	2023: 11%

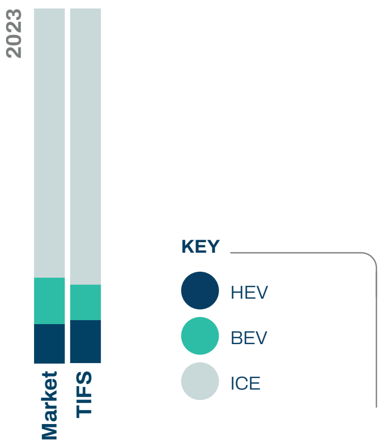
Global Light Vehicle Production – by propulsion (millions)



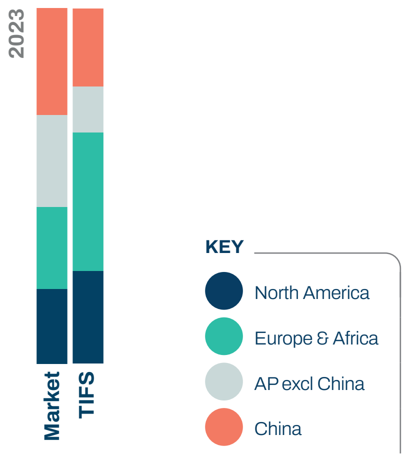
Source: S&P Global Mobility January 2024 and Company estimates

TI Fluid Systems aligned with a market in transition

By propulsion



By region



We operate in a dynamic, growing market. Our resilience is underpinned by geographic diversification and a propulsion agnostic portfolio. This has served the Group well during the last decade and a half, during which time global car market has undergone notable changes. Most notably, the emergence of China as the largest single car producer in the world and the acceleration of EV penetration. TIFS' revenue composition is broadly in line with the market, testament to the Group's ongoing agility and ability to adapt.

Delivering our strategy
Taking-the-Turn

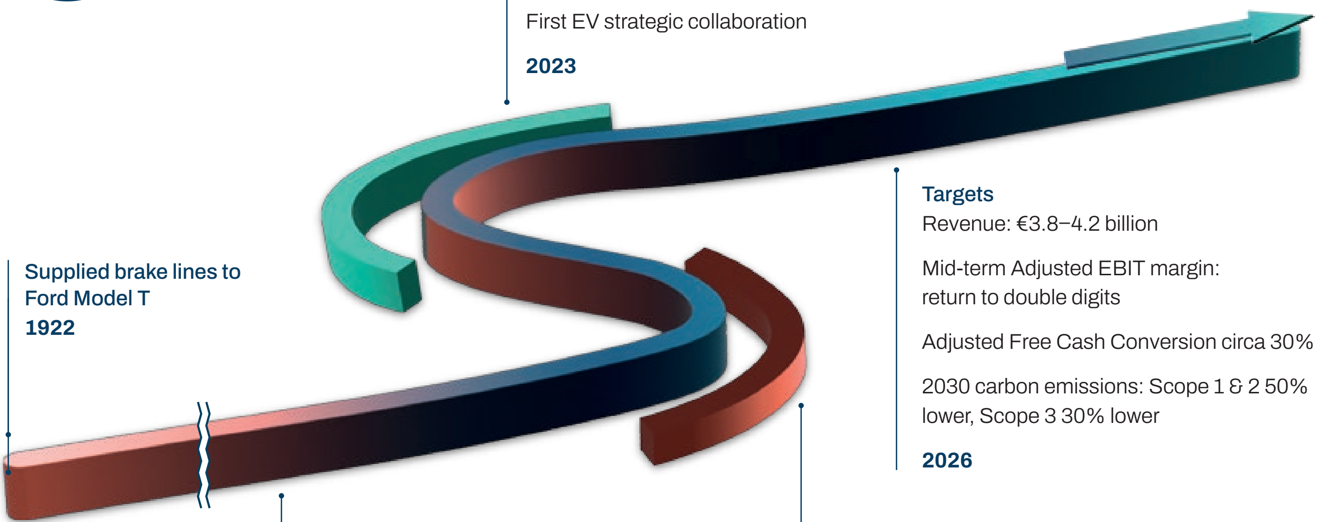
Our strategy for sustainable and profitable growth

Our purpose is at the heart of our strategy. By making vehicles cleaner and greener, we will create value for all our stakeholders – customers, supply chain partners, people, shareholders and the environment.

TI is in a strong position, with a propulsion agnostic product portfolio. Our transition is built on existing products, capabilities and expertise.

By capitalising on the opportunities of electrification and maximising the strengths of our conventional portfolio, we will drive attractive revenue growth and return to industry-leading, double-digit Adjusted EBIT margins.

T3 Technology Transformation Talent



Notes: EV comprises BEV (Electric and Fuel Cell) and HEV (Full Hybrids); EV Bookings shown include lifetime revenue. Future revenue stated at constant exchange rates.

> "Our plans are ambitious, and our 'Take the Turn' strategy has evolved to 'Taking-the-Turn' as we accelerate our execution. I believe we have the right strategy, the right people, the right assets and the enthusiasm to deliver."

Hans Dieltjens
Chief Executive Officer and President

Taking-the-Turn

T3 Technology Transformation Talent

	Strategic objectives	Targets
Revenue growth	• Fluid handling for EVs • Modules & Systems • China • Capitalise on conventional portfolio	**Revenue**[1] • By 2026: €3.8–4.2 billion • By 2030: >€4.5 billion
Return to double-digit adjusted EBIT margins	• Convert volume growth • Productivity and commercial effectiveness • Transform ICE business	**Adjusted EBIT margin** • Mid term: double-digit
Attractive shareholder value creation	• Strong cash generation • Maintain strong balance sheet • Attractive shareholder returns	• 30% cash conversion • Progressive dividend • Leverage 1.5x
A more sustainable business	• Emission reduction technologies • People strategy • Improving our operational footprint	**2030 emissions reduction targets (versus 2021 baseline)** • Scope 1 & 2: -50% • Scope 3: -30%

(1) Future revenue stated at constant currency – 2022 average rates.

Strategy in action

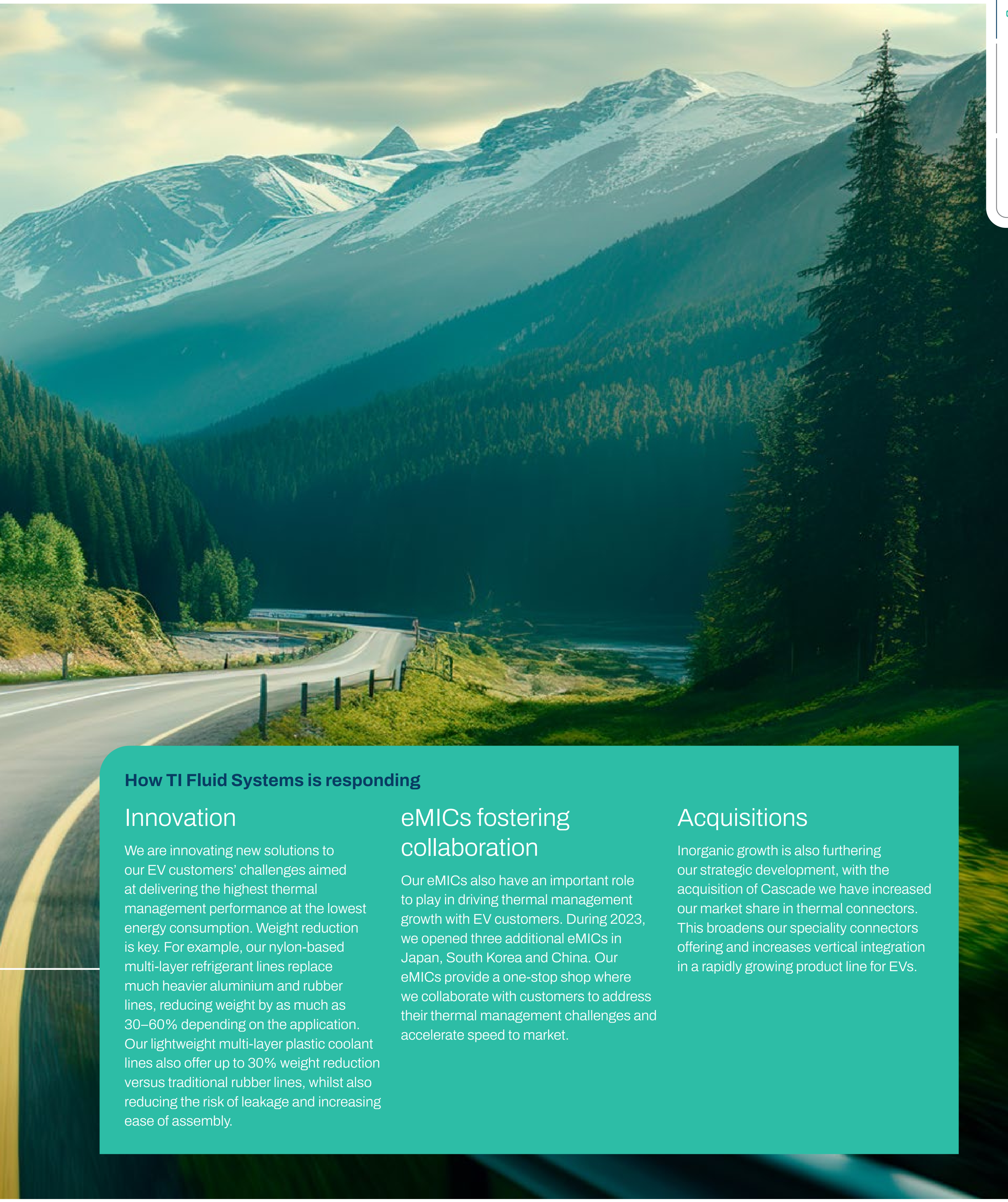
Electrification increases the revenue potential of our core thermal products

The opportunity

Our existing thermal management portfolio of lines and connectors is the foundation of our future growth. EVs require significantly more cooling and heating capability to control the temperature of the battery and electric motor – which are critical to performance, driving range, battery life and system health.

We estimate that the length of coolant and refrigerant lines required for BEVs increases by a factor of 2–4x, and the number of connectors can be 6–7x more than for a traditional ICE vehicle.

Increased content combined with growth in EV penetration creates an exciting growth opportunity. TI is ideally positioned – with our market leading positions in thermal management, we can leverage existing know-how, existing operations and existing customer relationships to drive revenue growth.



How TI Fluid Systems is responding

Innovation

We are innovating new solutions to our EV customers' challenges aimed at delivering the highest thermal management performance at the lowest energy consumption. Weight reduction is key. For example, our nylon-based multi-layer refrigerant lines replace much heavier aluminium and rubber lines, reducing weight by as much as 30–60% depending on the application. Our lightweight multi-layer plastic coolant lines also offer up to 30% weight reduction versus traditional rubber lines, whilst also reducing the risk of leakage and increasing ease of assembly.

eMICs fostering collaboration

Our eMICs also have an important role to play in driving thermal management growth with EV customers. During 2023, we opened three additional eMICs in Japan, South Korea and China. Our eMICs provide a one-stop shop where we collaborate with customers to address their thermal management challenges and accelerate speed to market.

Acquisitions

Inorganic growth is also furthering our strategic development, with the acquisition of Cascade we have increased our market share in thermal connectors. This broadens our speciality connectors offering and increases vertical integration in a rapidly growing product line for EVs.

Strategy in action
continued

Modules & Systems: an exciting EV opportunity

Our Modules & Systems provide a solution to the efficiency challenges faced by BEV manufacturers. By integrating functionalities and components, such as lines, connectors, valves and reservoirs in a single compact unit, we can deliver significant weight reduction and greater efficiency at a lower cost. Our blow moulding capabilities also mean we have the ability to design different geometries with significant flexibility. We expect the market for Modules & Systems to increase materially to approximately €10 billion by 2030.

How TI Fluid Systems is responding

We estimate that our coolant modules deliver up to a one-third weight reduction with 30% less sub-components compared to an EV retrofitted with a classic coolant loop. Our coolant modules are also over 60% faster to install.

During 2023, we continued to develop our Modules & Systems product portfolio, including through a collaboration with Sanden. Sanden is a leader in refrigerant and e-compressors. By partnering with them, we can accelerate development of our next generation Thermal Refrigerant Modules.

Commercial successes including bookings for our ITMA 1.0 and 1.2 coolant module for two OEMs for programmes in Europe and China. We also have many collaborations underway across our portfolio of Modules & Systems, working with OEMs globally.

Strategy in action
continued

China: a dynamic market leading the EV transition

Over the last 25 years, the Chinese market has grown from two million light vehicles produced in 2000 to almost 29 million in 2023, making China the single largest car producer in the world. China also leads in the production of EVs, with a BEV penetration rate of 25% in 2023, which is expected to more than double by 2028. More recently, much of China's growth has been driven by local OEMs, especially in BEVs. These local OEMs require faster development cycles and competitive pricing through competitive designs, specifications and local sources.

How TI Fluid Systems is responding

With almost 40 years of local knowledge and relationships, our Chinese operations are wholly-owned, enabling quick decision making. We have 20 plants close to customers and a new facility near Heifei, a major EV production hub. Growing our share with local Chinese OEMs is a key component of our growth strategy, focusing on local specifications, local suppliers and local development.

During 2023, we opened our latest eMIC in Jiading, Shanghai, which will accelerate our development speed. We are also developing products to local specifications, including new brake line solutions, which are an important entry point with a large, local Chinese OEM. Our move to a regional structure in 2024 further empowers our strong and stable local team.

In 2023, and our revenue with local Chinese OEMs grew significantly. With 48 launches in 2023, and a further 81 planned for 2024, we are enhancing our position in China.

Strategy in action
continued

Maximising our conventional portfolio

Our conventional products remain highly profitable and cash generative. Whilst ICE vehicle production volumes will decline in the coming years, we are focused on generating the maximum value from our conventional portfolio.

How TI Fluid Systems is responding

Driving profit and cash

Our market-leading positions mean we are well-placed to be the natural choice for platform extensions – with most OEMs no longer investing in new platforms, customers come to TI to extend existing programmes, and our bookings for 2023 reflect this.

Our strong results in Fuel Tank Delivery Systems also demonstrates that we are growing well ahead of our addressable markets, with constant currency growth of 10.5% (versus estimated addressable market growth of 6.6%). The business also delivered an Adjusted EBIT margin of 8.3%, and is highly cash generative.

We are constantly optimising our footprint and cost base to adapt to changing customer demands to retain long-term cost competitiveness.

Key performance indicators

The key performance indicators (KPIs) set out below are used to measure our performance against financial and non-financial measures, which reflect how we are delivering against our strategic objectives (as set out on pages 20–21).

Financial

Revenue €3,516m

2019	3,411	-4%
2020	2,815	-16%
2021	2,957	+6%
2022	3,268	+5%
2023	3,516	+11%

Why is this a KPI?

We have market-leading positions and a strong product portfolio, which we will leverage to drive attractive revenue growth.

Definition

Constant currency growth to exclude the effects of foreign exchange movements.

2023 performance and target

Very strong growth, +11% at constant currency. Our target is to grow revenue to €3.8–4.2 billion by 2026 and to >€4.5 billion by 2030.

Adjusted EBIT €259.6m

2019	340	10.0%
2020	173	6.2%
2021	213	7.2%
2022	180	5.5%
2023	260	7.4%

Why is this a KPI?

The primary measure of improving the profitability of our business and the quality of our revenue growth.

Definition

Adjusted EBIT margin is Adjusted EBIT (defined in Note 3) as a percentage of revenue.

2023 performance and target

A 190 basis point improvement, significant progress towards our mid-term double-digit target.

Adjusted Basic EPS 25.76 Euro cents

2019	39.39
2020	10.68
2021	18.78
2022	16.43
2023	25.76

Why is this a KPI?

Reflects consistent, long-term growth and value creation for shareholders.

Definition

Adjusted net income divided by the weighted average number of shares. Adjusted net income is the profit or loss for the period adjusted for exceptional items, principally, but not wholly, non-cash depreciation and amortisation on purchase accounting and restructuring charges.

2023 performance and target

Material growth, +57% reflecting significantly higher profit and a lower effective tax rate.

Adjusted Free Cash Flow €140.7m

2019	180
2020	148
2021	117
2022	78
2023	141

Why is this a KPI?

Cash generation enables us to invest in growth and provide returns to shareholders. Strong cash generation is also a measure of the quality of earnings.

Definition

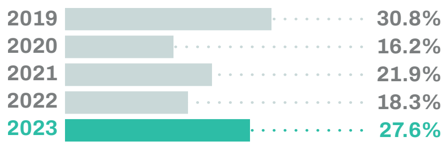
Cash generated from operating activities less cash used in investing activities and adjusted for restructuring, derivatives, the impact of business acquisitions and disposals and cash movements in financial assets.

2023 performance and target

Adjusted free cash flow of €140.7 million, or conversion of 36% of Adjusted EBITDA (see Note 3), ahead of our targeted 30% due to disciplined working capital management.

Non-financial

ROCE
27.6%



Why is this a KPI?

We have introduced ROCE as a KPI in 2023 as it provides an indication of our ability to deploy capital effectively to create value.

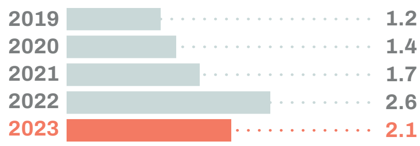
Definition

Adjusted EBIT divided by average capital employed. Capital employed is defined in Note 37 on page 197.

2023 performance and target

Significant year on year improvement reflecting higher profitability.

BEV and HEV Bookings
€2.1bn



Why is this a KPI?

BEV and HEV bookings are a key indicator of our success in transitioning to electrification and future growth.

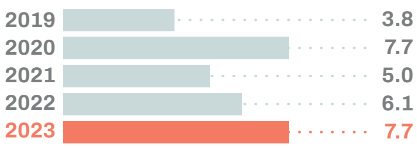
Definition

New business awards in the year on BEVs and HEVs (BEV, PHEV and self-charging HEV) measured as the amount of the award over the vehicle production lifetime based on current expected production volume.

2023 performance and target

€2.1 billion of awards, with BEV awards of €1.3 billion (2022: €1.3 billion) and HEV awards of €0.8 billion (2022: €1.3 billion).

Customer Satisfaction
7.7 PPM



Why is this a KPI?

Quality is key to customer satisfaction and drives repeat business in a consolidated industry.

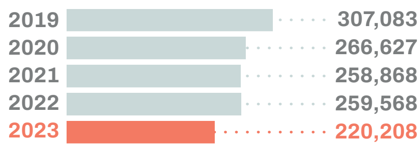
Definition

The quantity of non-conforming pieces rejected by external customers versus pieces sold, measured in parts per million (PPM).

2023 performance and target

The global external quality rating for 2023 remains at a very low level and is broadly in-line with our benchmark global target of 7 PPM.

Scope 1 & 2 Emissions
220,208 tonnes CO_2e



Why is this a KPI?

We have updated this KPI (previously Energy Intensity) to a more relevant measure of emissions reduction, in-line with the Group's SBTi approved targets.

Definition

Scope 1 & 2 emissions are measured according to the greenhouse gas protocol and are presented in metric tonnes.

2023 performance and target

A 15% reduction (versus a 2021) baseline due to increasing use of renewable energy and improved energy efficiency. Our 2030 target is to reduce Scope 1 & 2 emissions by 50% (versus 2021) by 2030.

Chief Financial Officer's report

"2023 has been a year of double-digit growth, significant margin expansion and strong cash conversion."

Alexander De Bock
Chief Financial Officer

+190 basis points to 7.4%
Adjusted EBIT margin

€141 million
Adjusted Free Cash flow
Conversion 36% of Adjusted EBITDA

1.5x
Net debt/Adjusted EBITDA

Strong financial performance, disciplined delivery

Our financial performance demonstrates that we are successfully executing the strategy set out in September. We have achieved double-digit revenue growth at constant currency, a 190 basis point Adjusted EBIT margin expansion, a significant reduction in our tax rate and excellent cash conversion, ahead of target. This ultimately results in an industry-leading return on capital employed of 27.6%.

Additionally, we have advanced strategically through M&A and collaborations. Our balance sheet is strong, with leverage reducing to 1.5x Adjusted EBITDA and our updated capital allocation policy will ensure we provide more attractive returns whilst maintaining our resilience and flexibility to invest in growth.

With our well-defined strategy, we have a significant opportunity to further create value for shareholders by delivering profitable growth. We have made good progress towards our targets through disciplined execution, and I am confident that we will continue to build on this in 2024.

Capital allocation policy

In August 2023, we announced our revised capital allocation policy. This will optimise shareholder value creation through balancing investment in the business and returns to shareholders, and is underpinned by a strong balance sheet.

Capex/ Capitalised R & D	Inorganic growth	Dividends	Deleveraging	Share buyback
Continued to invest ~4–5% of revenue to support organic growth prioritising thermal	A key driver of value creation through technology and market share gains	Progressive growth Start at €35 million for 2023	Term loan prepayment in H2 2023	Up to €40 million starting in 2023
✓ 3.5% invested in 2023	✓ Cascade	✓ Interim paid, final proposed	✓ Repaid €99.2m August	✓ On track

Targeting net leverage of ~1.5x Adjusted EBITDA, retaining a strong financial position

Key financial highlights

	Adjusted				Statutory		
	2023	2022	Change	Change at constant currency	2023	2022	Change
Revenue	€3,516.2m	€3,268.3m	7.6%	11.1%	€3,516.2m	€3,268.3m	7.6%
EBITDA	€393.0m	€333.3m	17.9%	23.1%	€374.7m	€(9.4)m	
EBIT/Operating profit/(loss)	€259.6m	€180.0m	44.2%	52.3%	€195.8m	€(217.0)m	
EBIT margin	7.4%	5.5%	+190bps				
Net Income	€132.8m	€84.3m	57.5%		€83.6m	€(279.0)m	
Basic EPS	25.8c	16.4c	56.8%		16.2c	(54.4)c	
Dividend per share	6.83c	2.54c	168.9%		6.83c	2.54c	168.9%
Free Cash Flow	€140.7m	€78.4m	79.5%		€104.2m	€ 50.9	104.7%
ROCE	27.6%	18.3%	+930bps				
Net debt: Adjusted EBITDA	1.5x	1.9x	-0.4x				

Double-digit revenue growth

Revenue for the year increased 11.1% at constant currency to €3,516.2 million, driven by industry volume growth, higher prices to compensate for cost inflation and new launches. Growth was broad-based across both segments and all regions. Reported revenue growth was 7.6% due to a foreign exchange headwind from the strengthening of the Euro against key currencies, particularly in the second half.

Revenue by segment and by region €m

	2023	2022	Change	Constant currency	Light vehicle production growth
Total Group revenue	3,516.2	3,268.3	7.6%	11.1%	9.4%
By segment					
FCS	2,018.1	1,869.7	7.9%	11.6%	9.4%
FTDS	1,498.1	1,398.6	7.1%	10.5%	9.4%
By region					
Europe & Africa	1,375.3	1,207.1	13.9%	14.2%	11.2%
Asia Pacific	1,087.5	1,114.3	(2.4)%	4.5%	9.0%
North America	997.9	895.8	11.4%	14.3%	9.5%
Latin America	55.5	51.1	8.6%	16.5%	3.1%

Revenue by segment: Fluid Carrying Systems (FCS) revenue increased 11.6% at constant currency as a result of industry volume growth, inflationary cost recoveries and successful launches of thermal management programmes for hybrid and battery electric vehicles. Fuel Tanks & Delivery Systems (FTDS) revenue increased 10.5% at constant currency, well ahead of the 6.6% growth in addressable markets. This was driven by inflationary cost recoveries, and our success on hybrid vehicle platforms.

Revenue by region: in Europe & Africa and North America we delivered mid-teens revenue growth at constant currency. In both regions, growth was a result of industry volume growth, inflationary cost recoveries and launches. These more than offset volatility in customer production schedules, particularly for EVs in Europe towards the end of the year. The impact of the UAW strike on our business in the second half was limited. Both regions outperformed LVP.

In Asia Pacific, revenue growth at constant currency was 4.5%, below light vehicle production growth due to negative mix effects, specifically market share gains by local Chinese OEMs with whom we are under-represented.

Foreign exchange reduced reported revenue growth by 350 basis points. This is largely related to the strengthening of the Euro against the US dollar, Korean won and Chinese renminbi. Over half of the Group's revenues are denominated in these currencies.

Significant Adjusted EBIT margin recovery

The Group uses several financial measures to manage the business, including Adjusted EBIT, which is a non-IFRS measure, but which has been consistently used by the Group to monitor and measure the underlying operating performance of the business, and to ensure that decisions taken align with the Group's long-term interests. The metrics are also used in certain of our compensation plans and to communicate to our investors. A reconciliation between the reported and adjusted measures is shown in Note 4.

One of the key financial highlights of the year was the significant recovery of the Group's Adjusted EBIT margin, which increased 190 basis points to 7.4% (2022: 5.5%). Adjusted EBIT increased 44.2% to €259.6 million (2022: €180.0 million) with strong operating leverage, converting 32% of incremental revenue into Adjusted EBIT.

Chief Financial Officer's report

continued

The Group benefited from volume growth, inflationary cost recovery agreements with customers in order to recover a fair share of the cost increases borne by TI since 2021, efficiencies in operations, purchasing and restructuring benefits. These were only partially offset by other factors, including foreign exchange movements.

2023 represents significant progress towards our mid-term goal of returning to a double-digit Adjusted EBIT margin. We entered 2024 with a strong focus on productivity and a pipeline of initiatives in areas such as purchasing and fixed costs.

Statutory Operating Profit was €195.8 million (2022: €217.0 million loss), with a material year-on-year improvement due to the non-recurrence of a €317.4 million exceptional impairment charge and improved underlying profitability compared to 2022. Key adjusting items excluded from Adjusted EBIT but included in Statutory Operating Profit are below.

Reconciliation of Adjusted EBIT to Statutory Operating Profit

	2023 €m	2022 €m
Statutory Operating Profit/(Loss)	195.8	(217.0)
Depreciation and amortisation on purchase accounting	45.5	54.3
Restructuring costs	13.4	22.8
Exceptional impairment charge	–	317.4
Other	4.9	2.5
Adjusted EBIT	259.6	180.0

The largest adjusting item relates to non-cash depreciation and amortisation on purchase accounting, mainly relating to Bain's acquisition of the Group in 2015. In order to improve our cost structure and address the constantly evolving needs of our customers, we incurred restructuring costs of €13.4 million (2022: €22.8 million). These costs are in line with historic levels and the majority are cash related.

In 2022, the Group realised an exceptional impairment charge of €317.4 million relating to the impairment of goodwill arising from the Bain acquisition and other assets, including property, plant and equipment, other intangibles and right-of-use assets. There are no material impairment charges relating to 2023.

Higher net finance expense

Net finance expense was higher year on year at €74.7 million (2022: €58.7 million). This was due to increased interest rates on the Group's term loans, retirement obligations and leases, partially offset by higher interest income.

In August 2023, we repaid €99.2 million of term loan debt. This reduced term loan interest costs and crystallised an accelerated fee write-off of €2.8 million.

Reducing effective tax rate

The adjusted income tax expense was €52.0 million (2022: €36.9 million), with the adjusted effective tax rate reducing to 28.1% (2022: 30.4%) on Adjusted profit before tax of €184.9 million (2022: €121.3 million). Historical one-off factors that have resulted in a higher effective tax rate have largely been addressed. This combined with significantly higher profitability has resulted in an adjusted effective tax rate reducing towards the average of the countries in which we operate. The Group's statutory income tax expense was €37.5 million (2022: €3.3 million).

Earnings per share significantly higher

During 2023, we updated our definition of Adjusted Net Income to include an adjustment for depreciation and amortisation arising on purchase accounting, net of tax. This is consistent with the definition of Adjusted EBIT and, therefore, in Management's view, this change in definition improves consistency within the adjusted performance measures and provides increased transparency into the performance of the Company. The adjustment to the comparative data for 2022 is an increase of €40 million, and the data is presented including this adjustment.

On this basis, Adjusted Net Income and Adjusted Basic EPS increased 57.5% and 56.8% to €132.8 million and 25.8 Euro cents respectively (2022 restated: €84.3 million and 16.4 Euro cents). The weighted average number of shares for 2023 was 515.6 million (2022: 513.1 million).

On a statutory basis, the Group's Profit for the Year was €83.6 million (2022: loss €279.0 million), resulting in Basic Earnings per Share (EPS) of 16.2 Euro cents for the year (2022: loss of 54.4 Euro cents).

Maintaining cash discipline: 36% Adjusted Free Cash Flow conversion

	2023 €m	2022 €m
Net cash generated from operating activities	236.1	167.5
Net cash used in investing activities	(131.9)	(116.6)
Free cash flow	104.2	50.9
Cash received on movements of financial assets at FVTPL	–	(0.9)
Net restructuring cash spend	14.3	23.6
Purchase of subsidiary net of cash acquired	18.6	–
Tax paid on the gain on disposal of associated undertakings	–	3.0
Costs associated with business acquisitions or disposals	2.4	1.8
Costs associated with 'SaaS' arrangements	1.2	–
Adjusted Free Cash Flow	140.7	78.4

The Group uses Adjusted Free Cash Flow as its primary operating measure of cash flow performance. Strong cash discipline resulted in Adjusted Free Cash Flow conversion of 36% of Adjusted EBITDA, ahead of the Group's circa 30% target.

Adjusted Free Cash Flow increased 79% to €140.7 million (2022: €78.4 million), reflecting strong profitability and excellent working capital management. Our working capital ratio improved significantly to 8.7% (2022: 10.3%) due to receivables and inventory management. As a result, the Group's working capital outflow was only €10.9 million (2022: €22.7 million outflow) despite double-digit revenue growth. Group tax payments increased to €66.5 million (2022: €58.3 million).

Our capex needs are modest, at 3.5% of revenue in 2023, with €124.4 million (2022: €117.9 million) invested, largely consisting of maintenance capex and thermal growth investments. The net cash outflow on restructuring was €14.3 million (2022: €23.6 million), predominantly related to severance payments.

Free cash flows of €104.2 million (2022: €50.9 million) were offset by financing cash outflows of €162.5 million, the largest item being the €99.2 million prepayment of our USD term loan. The €18.6 million cash outflow for acquisitions relates to Cascade including payment of an existing trading balance with Cascade). Other financing cash flows include total dividend cash outflow of €19.8 million (2022: €12.6 million) and a further €6.3 million outflow as part of the ongoing share buyback programme announced in August 2023.

Very strong return on capital employed (ROCE)

The Group's ROCE increased to an industry-leading level of 27.6% (2022: 18.3%). This demonstrates our discipline in deploying capital effectively to maximise value creation.

Improving returns for shareholders: progressive dividend and share buyback

Under the Group's revised capital allocation policy, TI has adopted a progressive dividend policy. This seeks to improve the quantum and visibility of shareholder returns, starting with a dividend of €35.0 million for 2023 (2022: €13.1 million). An interim dividend of 2.30 Euro cents per share, or €11.8 million, was paid in September 2023. The Board intends to recommend a final dividend of 4.53 Euro cents per share, or €23.2 million.

The Group has also made good progress with its €40 million share buyback programme. As at 31 December 2023, 3.8 million shares had been purchased for a total of €5.8 million and cancelled.

Composition of net debt

			2023		2022	
	Currency	Interest rate exposure	Amount	€ equivalent	Amount	€ equivalent
Borrowings						
Secured US term loan (2026)	USD	1mth term SOFR +3.25%	$185.0m	€167.5m	$294.8m	€276.2m
Secured Euro term loan (2026)	Euro	Euribor +3.25%	€257.6m	€257.6m	€260.3m	€260.3m
Unsecured Senior Notes (2029)	Euro	Fixed at 3.75%	€600.0m	€600.0m	€600.0m	€600.0m
Unamortised fees				€(13.4)m		€(20.6)m
Total gross debt drawn at year end				€1,011.7m		€1,115.9m
Cash and cash equivalents at year end				€(416.7)m		€(491.0)m
Net debt				€595.0m		€624.9m

Additionally, the Group has a revolving credit facility of up to €203.7 million expiring in July 2026. This was largely undrawn at year end apart from €4.2 million used to issue letters of credit.

Strong balance sheet and liquidity

Net debt at 31 December 2023 was €595.0 million (2022: €624.9 million), with the reduction versus the prior year reflecting cash generation. At year end, the Group's net leverage ratio reduced to 1.5x Adjusted EBITDA (2022: 1.9x), driven by higher adjusted EBITDA and lower net debt.

The Group's debt is on attractive terms, secured until 2026 and 2029, and with almost 60% of drawn facilities at a fixed rate of 3.75%. The prepayment of €99.2 million of USD term loan using available cash has reduced gross leverage. The Group's strong balance sheet provides flexibility to invest in growth in combination with attractive shareholder returns.

Total available liquidity (cash plus available facilities) on 31 December 2023 was €616.2 million (2022: €699.9 million) with the reduction due primarily to the €99.2 million term loan repayment.

The Group excludes IFRS 16 lease liabilities from its net debt and leverage ratio – if these were included, net debt would be €727.5 million (2022: €774.5 million) and net leverage would be 1.9x Adjusted EBITDA (2022: 2.3x).

The Group operates funded and unfunded defined benefit schemes across multiple territories. All major plans are closed to new entrants, but a few allow for future accrual. Schemes are subject to periodic actuarial valuations. As at 31 December 2023, the Group's net liability position was €103.9 million (2022: €104.2 million) with asset performance offsetting lower discount rates.

Outlook

Our 2024 planning assumptions are based on a modest year-on-year industry volume decline. Automotive production volumes for 2024 are forecast to be slightly higher in North America, flat in China and slightly negative in Europe.

For 2024, we expect flat to low-single digit constant currency revenue growth. Through productivity and efficiency initiatives, we expect to further increase our Adjusted EBIT margin above the 7.4% achieved in 2023. We are targeting strong Adjusted Free Cash Flow conversion of approximately 30% of Adjusted EBITDA.

Building on the significant strides made in 2023, we expect 2024 to be another year of progress towards our goal of achieving revenue of €3.8–4.2 billion by 2026 and returning to a double-digit Adjusted EBIT margin in the mid term.

Alexander De Bock
Chief Financial Officer

11 March 2024

Section 172
and stakeholder engagement

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

Stakeholder engagement

How we engage with, and consider, our key stakeholders

Section 172(1) statement

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

Shareholders

In addition to our largest shareholder, BC Omega Holdco, Ltd., (Bain Shareholder) who is controlled by Bain Capital Fund XI, LP and its affiliates, our shares are held by both institutional and retail investors throughout the world, with a range of investment styles.

Why we engage

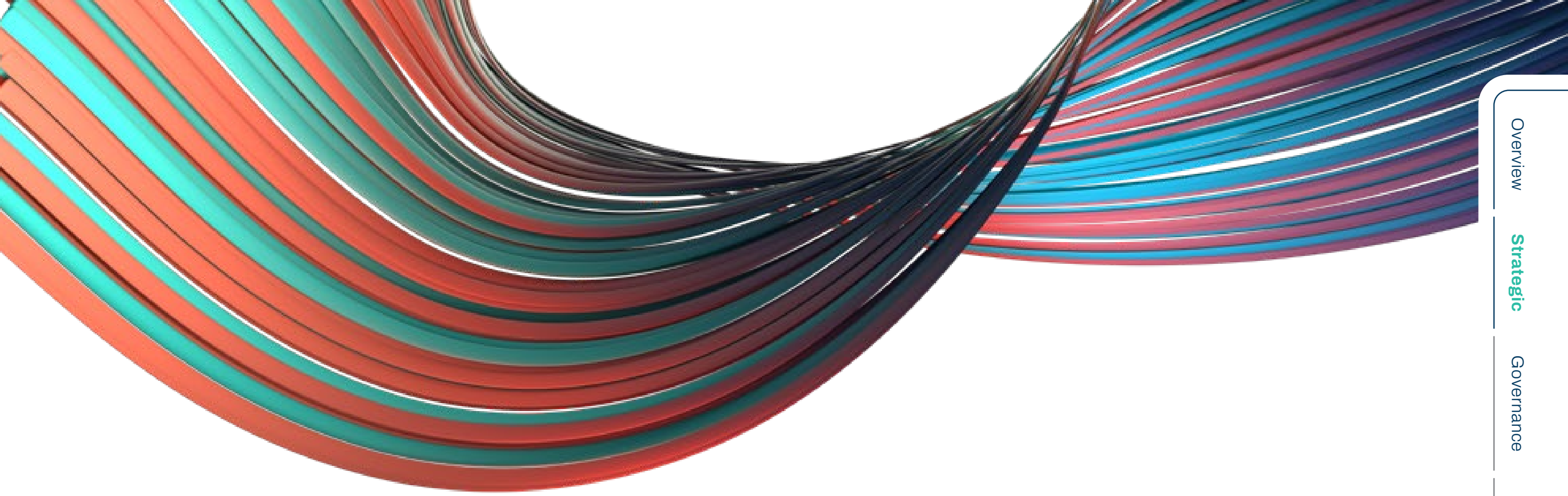
- Quality of governance
- Effectiveness of the Board and management
- Growth potential and profitability
- Share price appreciation
- Dividends

How we engage

- Executive Directors, supported by our investor relations team, had numerous one-on-one and group meetings and calls, engaging with shareholders representing over 80% of our current shareholders (by shareholding value)
- The Company held a Capital Markets Day in September 2023, to provide an in-depth review of our business model, strategy and product portfolio to all shareholders
- Our Remuneration Chair and members of the Executive Committee met with a significant number of our top 20 shareholders to gain their input on our remuneration practices and policies
- Shareholder feedback was a key consideration in shaping the Group's revised capital allocation policy, which included a €40 million share buyback. In order to allow the Company to exercise its Buy Back Authority, shareholder approval of a Rule 9 Waiver was sought at a General Meeting in September. Approval was granted, with 62.45% of Independent shareholders present and voting at the General Meeting in September voting in favour. Following this, the Company actively engaged with shareholders representing over two thirds of votes cast against. Feedback received indicates that votes cast against did not reflect shareholders' views on the buyback, but rather their adherence to their internal policies on voting on Rule 9 waivers in general. Whilst the Company acknowledges that certain of its shareholders will be obliged to follow their internal voting guidelines, the Company considers that it remains in the best interest of shareholders to seek shareholder approval of a Rule 9 waiver at its 2024 AGM
- All shareholders are kept informed of the performance of the business on a regular basis through trading updates in January, May and November, the half and full-year announcements and conference calls in August and March, and our full Annual Report in April

Outcomes and actions

- Regular updates to the Board by Executive Directors, advisers and brokers on share performance, shareholder register and shareholder views and sentiment
- The Board continued to review the development and implementation of the Company's strategy, with particular emphasis on sustainable and profitable long-term growth based on delivering revenue growth through the industry's transition to electrification and a return to double-digit adjusted EBIT margins
- Trading updates and results announcements included additional information and reporting on strategic progress
- Changes to the manner by which the Company implements our remuneration policy based on shareholder feedback
- Making Investor Presentations and recordings of Investor Q&A and other presentations available on our website
- Improve and adjust the focus of investor communications based on feedback



Employees

We have a global workforce made up of 27,600 employees and contractors, including, approximately, 4,200 salaried employees, who work in 27 countries.

Why we engage

- To improve motivation, morale and productivity through good communication
- To foster retention and reduce employee turnover
- To identify issues and solutions quickly
- To identify needs for resources and support

How we engage

- Conducted an Ethics Sentiment Survey
- Held 'All Employee' meetings and calls throughout the year to provide updates on our Taking-the-Turn strategy, financial performance, leadership changes, and environmental and safety initiatives
- Our designated Non-Executive Director for workforce engagement attended an All Employee meeting and reviewed our survey results, employee feedback and whistleblower reports
- Several of our non-executive directors participated in site visits and skip level fire side chats at our manufacturing locations throughout the year
- Held several top management meetings to review the evolution of our Taking-the-Turn strategy to Taking-the-Turn, including the review and report on progress and results

Outcomes and actions

- Continued to evolve our 'Six Mindsets for Success' to enhance Group culture and focus on strategic objectives (more details can be seen on page 40)
- Our corporate purpose and business strategy is established and monitored by the Board
- Continued the roll out of our intelligent learning platform to allow employees to increase their knowledge, learn new skills and develop their career path
- Conducted ongoing inclusivity education for the Top 300 management
- Monitored the implementation of the Diversity and Inclusion policy at all locations based on university graduation rates as well as updated HR procedures to eliminate hiring bias and promote diversity
- Supported the implementation of work from home and hybrid work arrangements
- Reviewed succession planning

Customers

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

Why we engage

- To drive revenue growth and business success
- To identify sourcing opportunities
- To align product and technology development with customer needs
- To effectively and efficiently address any supply or quality issues

How we engage

- We have extensive and regular contact with our OEM customers at all organisational levels, and in all regions, regarding sourcing, commercial matters, product performance and quality, programme launches and the development and planning of new products
- With respect to significant commercial matters and strategic initiatives, our Executive Vice Presidents, CCO and CEO communicate directly with senior executives and our customers

Outcomes and actions

- The Board receives regular updates from the Executive Directors and members of the Executive Committee on commercial matters and customer relationships, including new business awards and strategic development programmes
- In response to ongoing inflationary cost increases, successfully negotiated and finalised multiple price adjustment and cost-recovery arrangements with customers in all regions
- Implemented a network of five e-Mobility Innovation Centres (eMICs) in each major global automotive market, including the opening of three additional eMICs in Japan (Nagoya), South Korea (Incheon) and China (Jiading, Shanghai), to support collaboration with customers to design, prototype, and test integrated thermal management products and systems necessary to support the transition to EVs
- The Board reviews and approves major capital investment and product development strategies to promote manufacturing footprint and technology alignment with our customers, including supporting new business and development activities focused on EV platforms
- The annual budget and Medium-Term Plan approved by the Board incorporates our strategic growth with our customers, including through medium-term product development and technology alignment
- Approved ongoing restructuring plans that align with customer manufacturing footprint and promote efficient supply arrangements
- Support the achievement of a range of greenhouse gas reduction initiatives in line with expectations and similar programmes of our OEM customers

Section 172
and stakeholder engagement continued

Community

As a global Company, our community encompasses our wider society and environment, as well as the local communities in the countries around the world in which we operate.

Why we engage

- To promote our reputation as a responsible and ethical business
- To attract, motivate and retain employees
- To conserve resources and reduce our impact on the environment to ensure we are a sustainable business

How we engage

- Consistent with our Mindsets, 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
- The expansion of our EHS group has improved our processes to measure, report and assess our greenhouse gas emissions and the environmental impact that our operations have on the wider community
- 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)

Outcomes and actions

- Submitted our Scope 1 & 2 and our Scope 3 emissions targets to SBTi for approval. SBTi granted approval in Q4 2023
- Developed and launched the production of advanced products, such as thermal systems and ITMAs
- Established scholarships at leading universities in China, Germany, Poland, Mexico, and The United States. Over 40 scholarships awarded
- Participated in a variety of humanitarian related charitable projects including earthquake relief in Turkey and Morocco, and supported a variety of breast cancer awareness and research

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 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

How we engage

- 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

Outcomes and actions

- The Audit & Risk Committee was updated on supply chain risk and ethics and compliance
- Coordinated closely with suppliers to manage supply shortages and disruptions to ensure continued production
- Addressed requests for price increases in a fair and consistent manner
- Managed supplier payments consistent with contractual terms to avoid negative impact on our supply base
- Ongoing coordination with key suppliers to develop and engineer their materials and components in order to allow, in turn, the Group to provide products and systems that meet the requirements for HEVs and BEVs

Case study

TIFS Asia-Pacific e-Mobility Innovation Centers opened in 2023

In June, TI opened two state-of-the-art e-Mobility Innovation Centers (eMICs) in Incheon, South Korea, and Nagoya, Japan, building on the earlier success of eMICs in Rastatt, Germany. Customers, national media and local government officials were invited to see the facilities.

The events clearly struck a chord with the media, delivering significant print, online and broadcast coverage before and after the openings. In the lead up to both events, journalists from both countries wrote about the significance of the new eMICs, with 23 stories hitting the press in South Korea, and 31 articles being published in Japan.

TI's eMICs are a competitive differentiator for TI, enabling the Group to fast-track the development of innovative thermal management solutions for electric vehicles (EVs). Our facilities in Asia are strategically located to allow close working with our customers in the key regions in the EV market.

All eMICs offer a unique combination of six core competencies – virtual engineering, design, processing, prototyping, product testing, and vehicle testing which are brought together in each facility. Engineers at both sites work with customers to shorten product development cycles for our customers, enabling products to be brought quickly to the market.

Towards the end of 2023, a further eMIC was opened in China, the fifth and final eMIC in North America in mid-2024. Through our five eMICs, we will deepen our collaboration and relationships with customers in all of the regions in which we operate.

Sustainability

"Our commitment to running a sustainable business for employees, shareholders and the communities where we operate has taken the turn to action and achievement in 2023. This year, the Group reduced its Scope 1 & 2 CO_2eT emissions by 15% year on year as compared to the previous year, as compared to our 2021 baseline."

Elaine Sarsynski
Chair, ESG Committee

Our approach to sustainability

We are committed to enabling a sustainable future and improving the environmental and social wellbeing of the communities where we operate. Our approach to sustainability is focused on the areas where we have the most positive and negative impact, as determined by our internal and external stakeholders. We believe in executing our sustainability strategy holistically throughout the entire organisation, this includes both financial and non-financial impacts on the environment, communities, employees, products, and our business.

Our Taking-the-Turn strategy reflects three main pillars that combine to drive sustainable growth throughout the business: Technology (Electrification), Transformation (Environmental and Social Initiatives), and Talent (Learning).

Technology	At the heart of our Taking-the-Turn strategy is product development and engineering, which supports both the greening and the electrification of the automotive industry simultaneously. To meet the unique requirements of hybrid electric vehicles (HEVs) and battery electric vehicles (BEVs), the Group is capitalising on our extensive knowledge of fluid components, lighter-weight materials, systems architecture and manufacturing processes to provide our OEM customers with advanced designs and products, especially thermal management systems, which are efficient and cost effective.
Transformation	Climate change is a significant issue, and the need to decarbonise our industry is crucial. The Group is committed to reduce greenhouse gas emissions and build a more sustainable future. Whilst it is important that our technology and advanced products support the automotive industry's transition to cleaner and greener electric vehicles, we recognise that we must transform our business in line with new standards and expectations of environmental responsibility to deliver sustainable value to our stakeholders – investors, customers, suppliers, employees and the communities where we operate.
Talent	In 2023, we introduced our six mindsets for success. Our human capital strategy is built on attracting, developing and retaining the talent required to position the Group for the future of our industry. We provided over 12,000 hours of key product and process knowledge training and over 5,000 hours of skill development training through our Fluid Learning platform, including training on each of the six mindsets.

Embrace Change	Become the Expert	Be a Continuous Learner	Innovate	Win as a Team	Own Inclusion & Engagement
In order to succeed, we can't keep doing things the same way we used to. Change is necessary.	Be dedicated to your own technical and professional development to be the best you can be in your career.	Go out and seek opportunities to learn every day. Do not wait for someone to tell you to learn.	Find ways to be innovative in your work, team, and function.	The only way to win as a company is by winning together. There is no 'us' versus 'them', just "we".	Understand and live the idea that inclusion and engagement 'Starts with Me'.

Pursuant to UK regulation, we are providing the following information:

Greenhouse gas emissions

Global: Scope 1 & 2 in tonnes total carbon dioxide equivalent (CO_2eT) emissions

We are providing our Scope 1 & 2 emissions using the GHG Protocol for market-based emissions. In 2023, we achieved a 15% decrease in emissions with an 11.1% increase in revenue compared to the previous year. As we execute our renewable energy procurement strategy and our energy conservation programmes, we expect to see year-over-year decreases in GHG emissions and anticipate meeting our SBTi approved 50% emissions reduction target in 2030.

UK Total: Scope 1 & 2 emissions (CO_2eT)

Our UK emissions have remained very low in part due to the purchase of renewable electricity by our operations. In 2023, we recorded our second consecutive year of zero Scope 2 manufacturing emissions in the UK. Additionally, our Scope 1 emissions have continued to decline from our 2021 baseline year, with 2023 culminating in more than a 50% reduction from the baseline.

Intensity factor (CO_2eT per million Euro revenue)

The Group's energy intensity factor is based on CO_2(e) 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, our operations were using some baseline level of electricity and/or fuel for heat and/or air conditioning to protect our facilities and equipment. This baseline use of electricity and/or fuel, coupled with lower sales volumes, slightly increased our intensity factor. We have seen a two-year decrease (2022-2023). In 2023, the significant decrease in our energy intensity factor was directly related to the execution of programmes related to renewable energy purchase. We expect to see this trend continue as we work on energy efficiency projects and increase procurement of renewable energy in the future.

The Group has officially adopted our SBTi-approved CO_2(e) emissions reduction target that calls for a 50% reduction of Scope 1 and 2 emissions and a 30% reduction of Scope 3 emissions, in each case by 2030 on an absolute basis from a 2021 baseline.

Diversity and inclusion

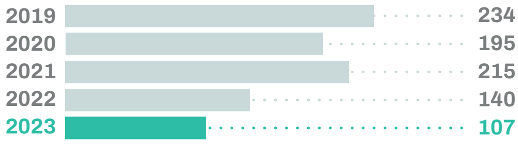
Women represented approximately 32% of the Group's total salaried workforce, including 14% of senior management.

At 31 December 2023	M	Percent Men	F	Percent Female	Grand Total
CEO	1	100%	–	–	1
Executive Committee	6	86%	1	14%	7
Direct reports to Executive Committee	42	75%	14	25%	56
Other salaried	2,859	68%	1,331	32%	4,190
Grand total	2,908	68%	1,346	32%	4,254

Scope 1 emissions

Global (Tonnes CO_2e)

UK (Tonnes CO_2e)

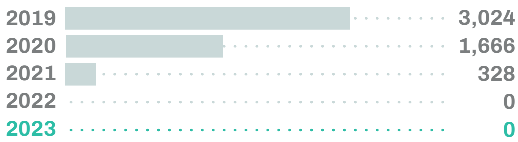


Scope 2 emissions

Global (Tonnes CO_2e)

* 2021 global Scope 2 emissions data was adjusted from prior reporting on account of minor corrections made as part of our continued efforts to improve validation and reconciliation of data. Changes in Scope 2 emissions in 2021 were related to a steam reporting error. This resulted in the addition of 826 tonnes of Scope 2 emissions.

UK (Tonnes CO_2e)



Energy intensity

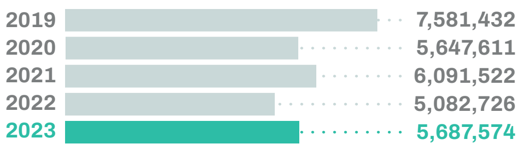
(Tonnes CO_2e/€m revenue)

* 2021 energy intensity factor increased by 0.28 tonnes CO_2e/€m revenue. This change is due to the increase in Scope 2 emissions reported for 2021.

Electricity consumption

Global (kWh)

UK (kWh)



Principal risks and uncertainties

Operating in an increasingly risky and uncertain environment, the Group's global operations continue to be exposed to a number of risks, which could, either on their own, or in combination with others, have an adverse impact on the Group's results, strategy, business performance and reputation, which, in turn, could impact upon shareholder returns and the wider stakeholders. The following section highlights the most significant risks that may affect the Group's ability to deliver the strategy, as set out on pages 20–21.

The management and mitigation strategy, described in the principal risks section below, seeks to reduce the impact or likelihood of a major risk occurring. The Board also recognises there could be risks that may be unknown, or that may be judged to be insignificant at present but may later prove to be significant.

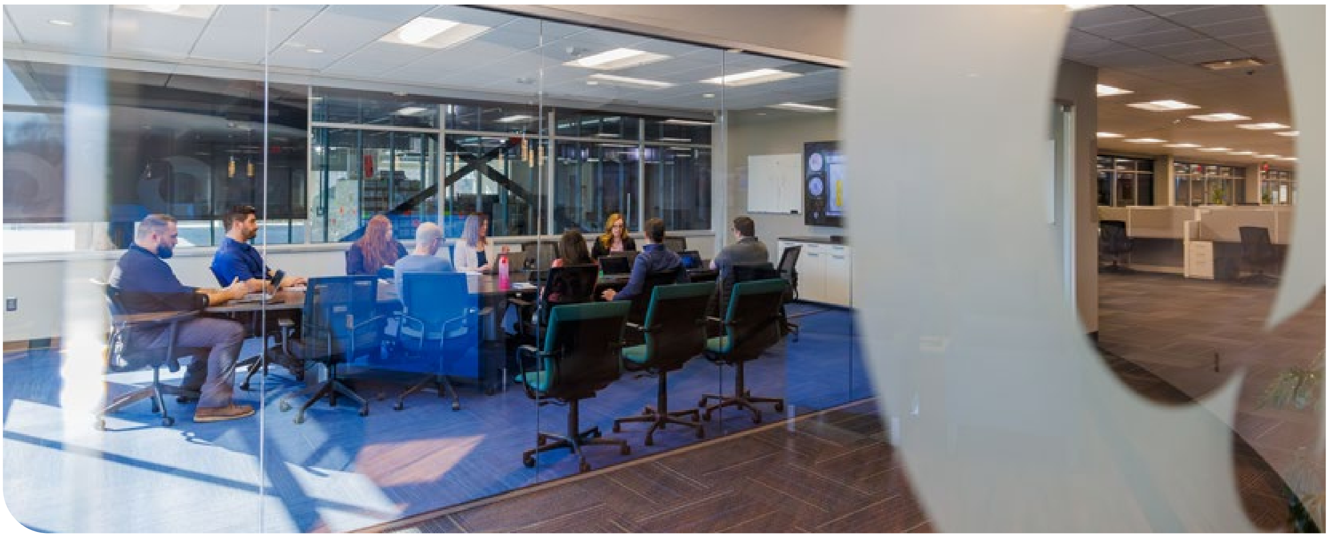
2023 has seen a confluence of significant challenges that threaten to disrupt the macro environment. These challenges are multifaceted, stemming from a complex interplay of global and geopolitical events, economic headwinds, and technological shifts. These, which include the ongoing war in Ukraine and other geopolitical events, continuing supply chain challenges, and evolution in the trends of electrification, have created a volatile and uncertain environment for the automotive ecosystem. Navigating inflationary pressures, resource shortages, and evolving dynamics amongst the market players further complicates the landscape.

The recent conflict in the Middle East reinforces the increasing prominence of risk relating to geopolitical tensions and its increasing potential impact on the global economy. The growing economic and trade tensions between countries could also have significant ramifications for the automotive industry in relation to access to market, supply chain and regulatory environment.

The risk of economic challenges, and even slowdown in major economies, will have a direct impact on demand for vehicles, putting pressure on automotive manufacturers and suppliers alike. 2023 has seen the changes in economic environment of China impacting many sectors. Continuing regulatory change further complicates the risk landscape, and is now a business constant that arises across all aspects of the environmental, social and governance spectrum.

The automotive supplier industry faces a complex and challenging landscape in 2024, whilst the increasing demand for electrified vehicles and the growing adoption of advanced technologies such as autonomous driving and connectivity offer significant growth potential. Navigating this uncertain landscape will require agility, resilience, and a clear strategic vision in order to adapt to changing market conditions and new technologies.

The Group remains vigilant to development in the macro environment, and the management of resilience (such as our liquidity and pivoting to electrification) is an important focus area during this time of heightening volatility and uncertainty. With significant inflationary pressure across all aspects of our operations, our ability to manage the impact of cost increases, and to recover through pricing and efficiency, is critical. Furthermore, climate change continues to drive the pace and potential severity of many of the principal risks that are already being managed. Specifically, climate change affects our technology and product-development risk as vehicle electrification continues across the industry, broadening our business continuity risk as we seek to transition to lower-carbon, more efficient manufacturing operations and address physical risks to our facilities. As we respond by actioning our Taking-the-Turn strategy, our technological agility to develop and adapt our product offerings to meet the EV requirements of our customers is critical. Vehicle electrification also results in a significant impact on human resource management, as we need to ensure that the Group has sufficient human resources with the appropriate skillset, such as product design and development.



Risk management framework and structure

Governance	Role	Outputs
Board oversight	• Responsible for the Group's system of risk management and internal controls	Guidance and direction
Audit & Risk Committee	• Supports the Board • Advises on the Group's risk appetite, tolerance and strategy, risk exposures and risk mitigation strategy	Guidance and direction
Executive Risk Committee	• Group's risk governance body • Establishes formal procedures and structure to manage risk • Oversees the risk management and control framework • Determines the nature and extent of principal and other risks as well as risk appetite	Group risk register Regular risk reviews Reporting to Board
Group Risk & Controls Function	• Maintains an enterprise risk management (ERM) framework that ensures consistency across the Company • Guides the integration of ERM with other organisational and strategic planning activities • Monitors risk landscape to understand and interpret changes to enable the business to respond proactively • Analyses risk data and provide insights on risk to the wider business	Guidance and direction Risk framework reporting
Functional, Operational and Executive Risk Owners and Champions	• Identify and manage risks • Design and implement controls • Implement guidance • Report to Executive Committee • Supported by operational and functional teams	Functional risk registers

Risk management process

The Group Risk and Internal Controls Team maintains the enterprise risk management (ERM) framework and coordinates risk management activities across the Group, working closely with a network of risk champions embedded within functional management.

Risks are identified by our people across the business operations and functions at multiple layers of the organisation, by considering what could prevent us from achieving our strategic objectives or impact the success of our business model.

Our functional and operational risk owners and champions use a standard framework based on qualitative and quantitative indicators to determine a risk score for each risk identified, based on its likelihood and impact on the business, taking into account current mitigating control activities, in order to identify where additional activities may be needed to manage the risk within our risk appetite. Risks identified and assessed through the bottom-up process are aggregated at the Group level to arrive at an overall view of the Group's operational risks, which feeds into the assessment of principal risks. This process allows risks to be identified, assessed and monitored at the risk owner level, and that management controls are embedded in the businesses. Functional risk registers are a key tool for this bottom-up process, and they are reviewed at least half-yearly.

A top-down approach also takes place with a focus on reviewing our principal risks and emerging risks, taking into account the results of the bottom-up risk assessment, as well as setting the risk appetite and tolerances. The assessment of the principal risks, risk appetite, mitigating actions, and the evaluation of potential emerging risks are reviewed and approved by the Executive Risk Committee (ERC) and the Board of Directors. The Audit & Risk Committee reviews the effectiveness of the process, whilst the whole Board reviews and approves the principal risk assessment and the risk appetite, and evaluates whether principal risks are appropriately managed in accordance with the respective risk appetite.

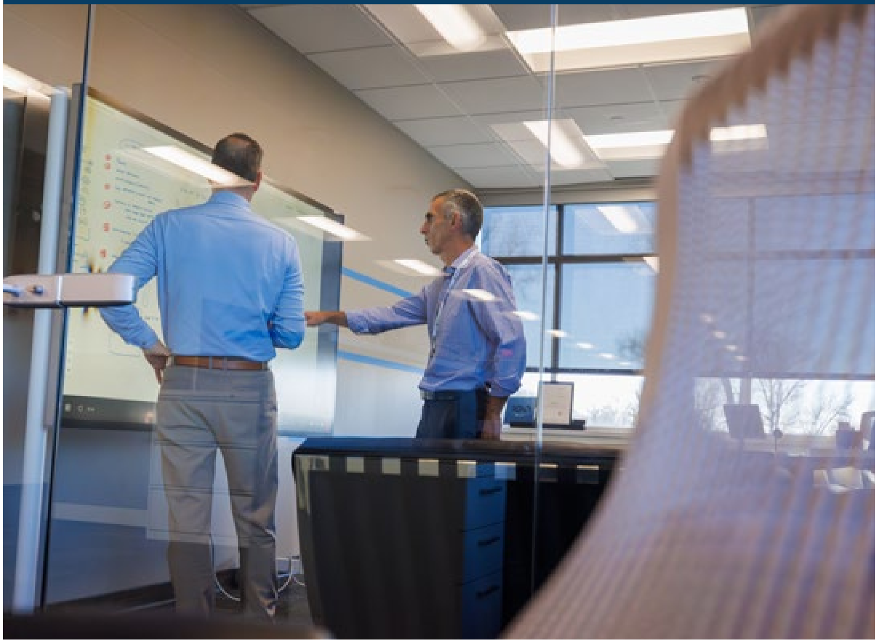
During the year, deep-dive risk analyses are performed on specific areas to assist the Executive Committee and/or Board in their review of business and strategic decision making. These areas included specific elements of emerging and principal risks, such as China market dynamics, cybersecurity risk management, and warranty risk procedures.

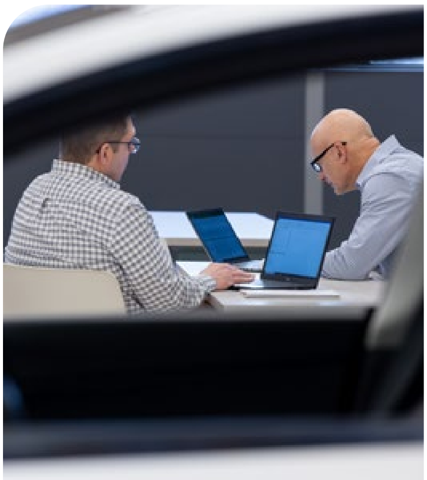
The governance process within the framework ensures that the completeness of identified risks, and adequacy of mitigating actions, are appropriately reviewed by the ERC and are reported to the Board on a regular basis.

Principal risks and uncertainties
continued

Key developments in 2023

- The ERC was established, which comprises of the members of the Executive Committee, as well as a number of key functional and operational leaders within the business. The ERC meets quarterly, with an explicit focus on risk management and reporting, and is sponsored and chaired by the Chief Executive Officer & President
- The Group's risk management framework and approach was reconsidered and significantly enhanced, including the design and implementation of a formal operating model and establishment of a clearer structure to ensure a robust, embedded, consistent and repeatable risk management processes across the business. This also included a re-evaluation of risk categorisation and risk appetite
- A Group-wide refresh of the functional risk registers was undertaken, including the establishment of a risk champion network involving various functions
- The Group's adoption of a regional organisational structure from 2024 reinforces the focus on managing risks and opportunities relating to each region, allowing greater agility, market focus and integrated product offering and management specific to each region
- Functional management furthered the definition of a centralised structure to achieve a global overview of risks associated with each function, and to drive sharing of resources and expertise across the global operations in managing risks within each function
- Further work was carried out, with input from external advisers to further identify risks and opportunities arising from climate change, and to consider the various possible measures to meet the Group's sustainability targets
- Enhancement of IT infrastructure and systems for managing sales-related information and customer relationships, as well as programme management, is currently underway
- A comprehensive review of entity-level controls was undertaken, and the enhancement and remediation actions identified have largely been implemented during the year. Associated with this was a comprehensive review and update of the matters reserved for the Board and delegation of authority to enable a more robust and efficient review and approval process for business decisions, in conjunction with the change in organisational structure





Priorities for 2024 and 2025

The Board and the ERC have set out plans to further strengthen the Group's enterprise risk management (ERM) processes during 2024 and 2025. The Group sets out the following improvement priorities:

- Risk culture: Further strengthening risk culture to embed key risk management principles into operations, and initiation of role-appropriate risk management training and education
- Infrastructure: Deployment of key risk indicators and alignment to key performance indicators, formalisation of process to assign ownership of risks, and embedding of an integrated risk-reporting process
- Governance: Increased scope of deep-dive reviews by the Board or its Committees and the ERC on key risk areas
- Process: Ensure the risk management process established in 2023 is fully embedded in the business and repeatable, broadening the use of a consistent approach to risk assessment, embedding the periodic review of risk registers, further enhancing the process to identify emerging risks on an ongoing basis and deploying risk management functionality within the Group's governance, risk and compliance (GRC) tool for an integrated approach in managing risk, controls and assurance

Principal risks

The Group considered its risks in the following risk categories:

- **Strategic and external risks:** Risks that threaten the Group's ability to deliver expected strategic goals, including those arising from the broader macroeconomic and political climate, or emerging from the realisation of our strategy, competitive pressures or regulatory matters
- **Operational risks:** Risks that impact the day-to-day operations arising from inadequate or failed internal procedures
- **Financial and reporting risks:** Risks that relate to our mandatory and regulatory reporting activities, such as our financial reporting process
- **Compliance risks:** Risks that relate to the risk of our regulatory and/or contractual obligations not being met. This may result in financial penalties for the organisation, sanctions from regulators and damage to our reputation

The Board has the ultimate responsibility to approve and ensure a robust system of internal controls and risk management processes to manage the principal risks identified by the Group. A robust assessment has been undertaken to assess the relevance and appropriateness of the Group's principal risks. The assessment was performed against the risk categories above.

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

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

In the light of the ongoing major conflicts globally, including the continued war in Ukraine and the conflict in the Middle East, as well as economic tension between major economies, geopolitical events could have a potentially significant impact on business operations, markets, sales volumes, supply and the overall macro-economic environment. In the 2023 assessment, the Board and the ERC recognised the increasing profile and impact of geopolitical risks, and concluded on the inclusion of a new principal risk related to geopolitical conditions.

In addition, as part of the 2023 assessment, the Board and the ERC further refined the definition of the principal risk associated with cyber events, to represent the risk of a single, highly sophisticated cyberattack (such as ransomware attack) with significant operational and financial consequences on the business, instead of low-impact cyberthreats that the business faces regularly. This focuses management attention, at the principal risk level, on the critical risk. The heat map below shows, among other risks, management's assessment of likelihood and potential impact of a critical cyberattack.

The following chart shows the principal risk movement from the 2022 Annual Report:

Principal risks and uncertainties

continued

Risk appetite

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

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

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

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

Emerging risks

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

As the Board continues to review and refine the Group's approach to vehicle electrification, operational sustainability and talent development (all of which are embodied in the Taking-the-Turn strategy) it has been conscious of developments in strategic risks that may need to be considered, in addition to those already identified as principal risks. For example, if the Group chooses to address the need to enhance the Group's product capabilities other than organically (for instance through significant mergers and acquisitions or joint venture arrangements), this may necessitate additional resources and expertise, and would naturally entail risks relating to management, execution and value delivery.

The Board remains acutely aware of the changing market dynamics that will continue to arise from climate change and the growing demand for EVs. The Board feels that the Taking-the-Turn strategy will position the Group well to respond positively to these market changes. The main direct impact of climate change is incorporated within the principal risks, particularly the impact of climate change regulation leading to electrification, and increasing complexity of reporting requirements. However, it is recognised that increased frequency of future climate-related risk events (severe storms, floods, rising sea levels, etc.), and the transition to a low carbon economy, may also adversely impact asset values and financial performance over time and, as such, will continue to be monitored and mitigated where practical to do so. Conversely the potential for delays in regulatory changes mandating electrification of vehicles may extend the timelines for return on investments in new technology, but expand opportunities for conventional ICE vehicles.

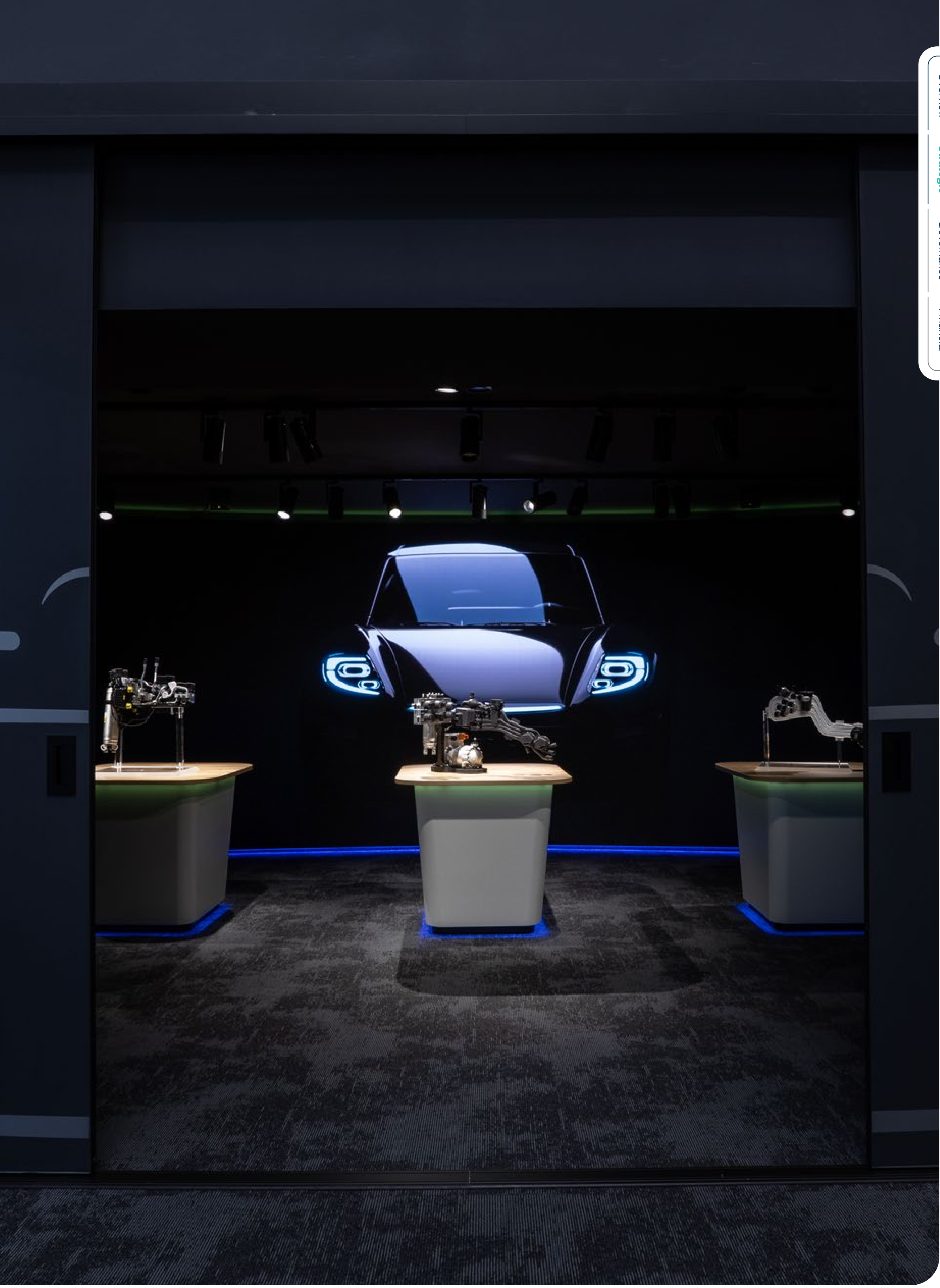
Climate change and sustainability issues also prompted increasing levels of regulations and requirements, especially for listed companies. The use of plastic within the Group's operation and increasing trend towards sustainable supply chains are likely to become an area of increasing focus that will be addressed as part of the Group's sustainability strategy.

The potential for further disruptive technologies, which may impact demand for our products, trends toward in-housing of supply chain by customers and the increasing global share of Chinese car manufacturers, may pose challenges as well as opportunities for maintaining or deepening market penetration.

Management is cognisant of the potential impact generative artificial intelligence may have on the labour force, as well as the need for enhanced governance within operations and the IT infrastructure with regards to protection of data, information and intellectual property.

Furthermore, with the challenging economic climate, the higher cost of financing and the degree of investment in technology required to meet market demand, management is carefully managing liquidity and monitoring changes in refinancing requirements. The Group currently has a strong level of liquidity and resilience in terms of long-term viability.

In the light of the process undertaken, the Board is satisfied that the current year risk assessment has been sufficiently robust, and is of the view that other than those reported below, there are no distinct risks that are material to the Group at the date of this report.



Principal risks and uncertainties
continued

Principal risks	Description	Impact
1 **Global light vehicle production volumes**	The Group has 98 manufacturing locations globally and a substantial amount of its revenue is closely linked to the economic cycle, the general macroeconomic environment and the trends in product offerings from vehicle manufacturers.	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 with generally high levels of operational gearing, means that a large reduction in revenue will have an impact on profitability. The transition from ICE as the predominant vehicle powertrain towards EVs, will continue to necessitate changes in our product portfolio offering. In the light of increasing uncertainty in the macro environment, and economic challenges in the China economy, the risk is assessed to have increased since the prior year.
2 **Product quality**	The Group's business is based on the repeatable supply and delivery of components and parts to an agreed specification and time.	Failure to meet customer requirements or specifications can have adverse financial consequences, such as the loss of a customer, warranty claims and product liability, and could, potentially, cause long-term damage to the Group's reputation.

KEY

Technology Transformation Talent

Increased Decreased No change

Controls and mitigation	Ownership
• The Group's global presence, supplying a wide range of customers, acts as a hedge to mitigate 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, in response to the transition to full electrification, remains a major focus. More detail is given in the principal risk relating to product development and changes in technology • The Group's product offering covers the range from ICE vehicles to EVs, which shelters the mix impact arising from any change in the pace of electrification	Regional Presidents, Chief Commercial Officer **Link to strategy:** Revenue growth **Change in risk level:** ↑ **Risk appetite:** High
• 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 the local manufacturing level, are subject to oversight by regional quality teams. The Group's quality management function is integrated into a central function to ensure more robust procedures for identifying and managing product quality concerns • 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 • The Group has formal procedures for identifying and reviewing all warranty issues, with regular reporting to the Board and senior management. Rigorous analysis and testing are performed for all warranty concerns raised by the customers	Chief Operating Officer (supported by Vice President Quality) **Link to strategy:** Revenue growth; Return to double-digit adjusted EBIT margins **Change in risk level:** ↔ **Risk appetite:** Low

For linkages to our strategy, refer to the strategic objectives outlined on page 21 under the four key areas below:

- Revenue growth
- Return to double-digit adjusted EBIT margins
- Attractive shareholder value creation
- A more sustainable business

Principal risks and uncertainties

continued

Principal risks	Description	Impact
3 **Competition and customer pricing pressure**	This risk encompasses a number of identified global trends in the markets in which the Group operates. The Group operates in a dynamic competitive environment and faces competition from other manufacturers and suppliers of automotive components in each of the market segments in which it operates. The Group may be subject to pressure from customers to reduce costs (and hence prices) on contracts.	The Group's customers face constant pressure to lower selling and production costs to remain competitive, 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 products or technologies, could impact the Group's market share and profitability. The environment for bidding and securing new contract awards from customers is competitive, with the increasing need to balance the economics of recovering current inflationary impacts with securing increased penetration in new EV businesses, whilst maintaining strong customer relationships. Therefore, in facing inflationary input costs, the Group's ability to maintain margin could be limited by competitive pressure and contractual price reductions.
4 **Business continuity**	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 risk areas to the Group, including force majeure events (such as fire, flood and climate change-related events), equipment breakdown, key supplier failure or supply chain disruptions, disruptions from events such as pandemic shutdowns, maintaining stable labour relations, and ensuring the reliability of the Group's business management systems and IT infrastructure. In addition, the Group is exposed to risks from accidents and incidents arising from health and safety failures.	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 Group. In periods of high demand, or in the event of supply chain difficulties, availability of raw materials and components may be constrained, which could interrupt production and/or result in cost increases, all of which could have an impact on the profitability of the Group's operations. In certain circumstances, the loss of a supplier, or supplier quality failing, could lead to an inability to obtain materials and sub-components necessary to supply products in a timely or efficient manner. As our product portfolio pivots in response to the electrification trend, the capability and capacity of our current supply base to respond may heighten risk. The loss or instability of systems capability at a Group facility could impact the Group's ability to operate one or more plants and supply its customers. Injuries arising from health and safety incidents could result in lost time, reduced employee morale and possible changes in working practices. Serious incidents can have a detrimental impact on the Group's reputation.

KEY

Technology Transformation Talent

Increased Decreased No change

Controls and mitigation

- The Group seeks to offset pricing pressure by achieving improved operating efficiencies and cost reductions. Continuous operational improvements to drive higher process and cost efficiency is constantly management's priority
- A growing trend by some customers to standardise and globalise vehicle platforms has the potential to minimise the Group's exposure to the cancellation of any single vehicle platform or model
- The Group has a strong reputation and industry-leading technology, which supports its status as a key supplier to its customers. The Group is considered to be a key supplier, by many of its customers
- The Group engages in extensive and regular dialogue, and has strong commercial and engineering relationships with key customers. The effective management of customer relationships and commercial activities is a significant focus area of management, which will be underpinned by implementation of a robust customer relationship management solution in 2024
- The Group uses market intelligence and competitor analysis to support its market activities and inform investment decisions. The Group also leverages a robust screening process to evaluate new business proposals
- The Group implemented a centralised Commercial and Business Development functional structure to strengthen its ability to deploy cross-regional development and growth opportunities
- Across the Group, there is an emphasis on research and development and improving the technical content of products
- The Group develops robust internal procedures to identify and evaluate the impact of inflationary cost increases and cost recovery approach on a timely basis. The Group increasingly seeks greater flexibility and agility in the pricing structure to more effectively react to cost pressures in an inflationary environment

Ownership

Chief Commercial Officer

Link to strategy:

Revenue growth; Return to double-digit adjusted EBIT margins; Attractive shareholder value creation

Change in risk level:

↔

Risk appetite:

Medium

- The Group implemented business continuity planning (BCP) at key locations to enhance the localised continuity planning strategy operated at the facilities
- The wide geographic spread of operations, purchasing and supply chain functions allows the Group to use a range of techniques to address potential supply disruption, such as long-term purchase contracts, dual sourcing, and ongoing research and development into alternative materials and solutions. The Group's global network of facilities also provides a degree of back-up capacity
- The Group maintains a scheduled programme of maintenance and inspection of all equipment
- 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's decentralised IT systems worldwide provide some resilience against the loss of production or systems capability to the Group as a whole. Furthermore, the Group IT function maintains a formal disruption recovery plan for the organisation
- 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 at each manufacturing facility. Our health and safety protocols were enhanced in response to the COVID-19 pandemic to ensure a safer work environment and safeguards against significant infection risk. Health and safety performance is monitored regularly by each division and by the Group
- The Group's Global Operations Committee, with representation from different functions, identifies and discusses operational issues on a timely basis
- Further details of mitigation against risks associated with climate change are outlined in the Task Force on Climate-Related Financial Disclosures on page 62

Regional Presidents, Chief Operating Officer

Link to strategy:

Revenue growth; Return to double-digit adjusted EBIT margins; Attractive shareholder value creation; A more sustainable business

Change in risk level:

↔

Risk appetite:

Low

Principal risks and uncertainties
continued

Principal risks	Description	Impact
5 **Product development and changes in technology**	The automotive industry is subject to changes in technology, and the Group's products are subject to changes in regulatory requirements to reduce emissions and increase fuel economy. Operating across numerous markets and territories requires compliance with a wide variety of regulations. Changes in consumer demand, e.g. the popularity of a particular vehicle type, model, platform or technology, such as HEVs and BEVs, may also impact demand for the Group's products. In addition, the Group's products have performance-critical applications and high levels of technical content and know-how. Product development in this evolving environment naturally entails the risk of changes in product design, specification and range.	Failure to keep current with changes in technology in the light vehicle automotive industry, or in competitive technologies, may render certain existing products obsolete or less attractive, as well as damage the Group's market position and reputational strength. Product development has a direct impact on the Group's next generation product offerings, which significantly impacts the Group's future commercial viability. Changing environmental regulations could affect demand for, and/or changes in, the specifications of certain products. Failure to comply with all relevant regulatory requirements could affect the Group's reputation and/or its ability to operate in certain markets or territories. The Group's technologies and intellectual property rights also need to be kept current through continuous improvement and research and development, and are susceptible to theft, infringement, loss and/or replication by competitors.
6 **Regulatory compliance**	The Group has global operations. The markets in which the Group operates are covered by a range of different regulatory systems and complex compliance requirements, and may be subject to cycles, structural changes and other external factors, such as changes in tariffs, customs arrangements and other regulations. As a listed company, TI Fluid Systems plc is also subject to increasing regulatory requirements.	Significant changes to the different regulatory systems and compliance requirements, in and between the countries and regions in which the Group operates, may have a negative impact on the Group's operations in a particular country or market. The accelerating pace of change towards full electrification of vehicles is expected to continue to bring tightening legislative requirements. In the light of increasing volume and complexity in reporting and governance requirements, particularly in relation to sustainability and ESG reporting, management assessed that this risk has increased in their 2023 risk assessment.

KEY

Technology Transformation Talent

Increased Decreased No change

Controls and mitigation	Ownership
• The Group operates in the automotive industry in which performance-critical technology evolves and is adopted in a deliberate and measured manner. The Group's products, materials and processes are continually developed and enhanced through research and development and technical input • The Group continues its commitment to invest significantly in alternative engineering solutions and the development of more advanced designs and innovative products to ensure compliance with changes to environmental regulations and customer demand • The Group has developed, and is implementing, an engineering skills transition plan to ensure our engineering resource has the necessary skills to support an enhanced EV product offering • Since 2023, the Group deployed its strategy to construct a global footprint of eMIC, which established an international network of technical centres focusing on research and development. In addition, the Group has established regional application centres, which focus on application engineering worldwide • The Group developed formal product technology and development roadmaps in relation to thermal management (coolant and refrigerant), to clearly outline the Group's product development strategy in the forthcoming years • The Group seeks to maintain close relationships and technical partnerships with key customers and other parties, and enters into joint development agreements with customers. In addition, the Group continues to explore non-organic options to expand the Group's technology platform and product offering • The Group actively registers, manages and enforces its intellectual property rights • During 2023, the Group implemented a specific focus on Modules & Systems (MAS) as a product line, with dedicated technical and engineering resources to develop the next generation product offering	Chief Technology Officer **Link to strategy:** Revenue growth; Return to double-digit adjusted EBIT margins; Attractive shareholder value creation; A more sustainable business **Change in risk level:** ↔ **Risk appetite:** High
• 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 actively monitors the opportunities and threats posed by climate change, to both the Group's product offering and its operations, and proactively refocusing development and engineering work in this area. The Board receives regular updates on changes in regulatory requirements in relation to ESG (particularly reporting requirements), and ensures that appropriate measures are in place to comply with new and forthcoming requirements • Where relevant or necessary, the Group obtains assistance from external experts and advisers in considering and responding to new requirements • Focus throughout the Group on adherence to our Code of Business Conduct (COBC), including ongoing training and the review of policies and procedures • The Group has a separate Group Risk & Controls function led by the Vice President Risk & Global Controller, and has implemented a formal three lines of defence structure for risk management and controls. The Group Risk and Controls function is implementing an internal control optimisation programme to further strengthen the Group's internal control environment, paving the way to meet the forthcoming requirements on internal control reporting under the new UK Corporate Governance Code 2024	Chief Legal & ESG Officer and Company Secretary, Vice President Risk & Global Controller **Link to strategy:** A more sustainable business **Change in risk level:** ↑ **Risk appetite:** Low

Principal risks and uncertainties

continued

Principal risks	Description	Impact
7 **Talent attraction and retention**	The future success of the Group is dependent upon the continued services of key personnel and the acquisition of new talent to address the skills gap as our end markets and product offerings change over time. Succession and change management planning is a routine consideration given some of the Group's key global positions at all levels, including business unit, region and Group.	The Group competes globally to attract and retain personnel in a number of key roles. A lack of new talent with new skills, the inability to retain and develop existing talent, replace retiring senior management or effectively manage leadership transitions, could hinder the Group's operations and strategy delivery. A loss of key personnel, with associated intellectual property and expertise, could disrupt our business and strategy. In a number of local markets, the Group may experience a shortage of skilled and experienced personnel for certain key roles. Global social trends and events may focus current and potential employees on the desirability of our businesses as a place of employment.
8 **Critical cyber event**	The Group is dependent on the robustness and reliability of its internal and external IT systems for day-to-day operations. Critical, disruptive cyber events (including ransomware attack, malware attack, phishing and password attack) remain a serious threat to the smooth running of the business. The level of cyberattack faced by businesses has been increasing. Following the COVID-19 pandemic, our operational dynamic has evolved, with a higher level of remote working becoming an established practice. If uncontrolled, exposure through unprotected mobile devices and remote access can be critical.	Should the Group, or its key cloud service suppliers, be affected by a critical cyberattack (denial of service, data breach and compromise) resulting from an external or internal threat, this could result in suspension of critical business services and loss of sensitive data. Subsequently, the Group could receive fines and contractual claims, suffer reputational damage, and be unable to meet customer expectations (leading to a loss of customer confidence). Prolonged outages could further erode trust in the business, resulting in long-term reputational damage.
9 **Geopolitical conditions**	Geopolitical factors that lead to an unfavourable business climate and significant tensions between major economies or blocs could adversely impact the Group's operations and markets. Examples include changes in political relationships between countries in which the Group operates, increasing trade protectionism measures, differing tax or regulatory regimes, potential changes in economic policies and sanction requirements. This risk remains elevated in certain geographies due to geopolitical events such as the war in Ukraine and the conflict in the Middle East, and tensions in trade relations between major economies.	Failure to anticipate or adapt to geopolitical changes in time could result in deterioration of financial performance and reduced access to certain markets financial performance, with an impact on the carrying value of assets. The fragility of international relations carries a consequential adverse impact on the automotive supply chain and world financial markets, such as the availability of energy and other resources required for operations.

KEY

Technology
Transformation
Talent

Increased
Decreased
No change

Controls and mitigation	Ownership
• The Group has in place competitive incentive arrangements, including bonuses, pensions and long-term incentive plans • The Group continues to enhance its activities to further embrace diversity and inclusion across its operations. Cultural awareness training is ongoing across our organisation • The Group operates a skills-focused training and development programme across the Group • The Group operates established recruitment and development programmes • Succession plans continue to be reviewed for relevant key positions • The wide organisation structure across the organisation's geography provides some resilience to labour issues in each location, as leadership and specialists travel to areas of need to provide support	Chief IT, HR & Communications Officer **Link to strategy:** Revenue growth; Attractive shareholder value creation; A more sustainable business **Change in risk level:** ↔ **Risk appetite:** Medium
The Company has an established cybersecurity programme, which aims to mitigate the risks and operational disruption caused by cyber events. The programme is continually updated and tested, and includes: • Backup processes, endpoint protection, encryption of data, enhanced cloud-based security tooling and protection, web and email content protection • Use of cyber software to enhance protection • Identity and access management and multi-factor authentication • Continued cybersecurity awareness training for all employees • Vulnerability and penetration testing for external and internal IT services and websites • Data security audits and external assessment	Chief IT, HR & Communications Officer **Link to strategy:** A more sustainable business **Change in risk level:** ↔ **Risk appetite:** Low
• Regular monitoring and assessment of emerging trends and potential risks and opportunities relating to economic or geopolitical uncertainties • Monitoring of end market exposure and changes in key end markets due to macroeconomic factors • Financial warning signs could give earlier indications of potential problems, and half-yearly assessments of the carrying value of goodwill and other assets are performed • We continue to diversify and localise our supply base and adapt development of our product range to mitigate exposure to any single market or region	Chief Executive Officer & President, Regional Presidents **Link to strategy:** Revenue growth; Return to double-digit adjusted EBIT margins; Attractive shareholder value creation; A more sustainable business **Change in risk level:** New principal risk in 2023 **Risk appetite:** Medium

Task Force on Climate-Related Financial Disclosures (TCFD)

The following pages detail the Group's 2023 annual disclosure with respect to the TCFD.

The Group has complied with the TCFD recommendations and recommendations disclosures around governance, strategy, risk management, and metrics and targets.

In accordance with Listing Rule 9.8.6 R(8), the table maps the Group's climate-related financial disclosures in the following section to the specific recommendations and recommended disclosures of the Task Force on Climate-Related Financial Disclosure. The Group has reviewed the Task Force on Climate-related Financial Disclosures – Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, published in October 2021. There is specific guidance for the automotive sector, as such, we have reviewed and considered the transportation group and all sector guidance contained in the document as we developed our disclosures.

The Group's disclosures are consistent with the TCFD Recommendations and Recommended Disclosures.

	TCFD recommended disclosures	Reference pages	Consistent
Governance	Describe the Board's oversight of climate-related risks and opportunities	See Governance – Board of Directors on pages 76–78	Consistent
	Describe management's role in assessing and managing climate-related risks and opportunities	See Governance – Management on page 63	Consistent
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term	See Background and Framework and Strategy and Financial Planning on pages 57–59	Consistent
	Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning	See Strategy and Financial Planning on pages 58–59	Consistent
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	See Strategy and Financial Planning on pages 58–59	Consistent
Risk management	Describe the organisation's processes for identifying and assessing climate-related risks	See Risk Management on pages 62–64	Consistent
	Describe the organisation's processes for managing climate-related risks	See Risk Management on pages 62–64	Consistent
	Describe how processes for managing climate-related risks are integrated into the organisation's overall risk management	See Risk Management on pages 62–64	Consistent
Metrics and targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	See Metrics and Targets on page 64–65	Consistent
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	See Metrics and Targets on pages 64–65 and Sustainability on page 41	Consistent
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	See Metrics and Targets on pages 64–65	Consistent

Climate-related risks, opportunities, and financial impacts

Background and framework

Governments, investors, and industry have come to realise that urgent and impactful action to address climate change is needed. Automotive manufacturers in every major market have announced ambitious plans to address climate change through the electrification of the vehicle fleet and significant decarbonisation of their own manufacturing operations and supply bases. In addition to public announcements and press coverage, the Group's commercial and engineering teams are in regular contact with our customers. Over the last several years, we have seen, first hand, the growing investment, activity and momentum around both powertrain electrification and supplier sustainability in the form of advanced development activities and quoting for BEV and HEV programmes as well as business awards that include supplier commitments to reduce greenhouse gas emissions. Likewise, investors, regulators and consumers have clearly communicated the expectation that all businesses must take demonstrable actions to improve environmental sustainability as well as climate-related analysis and disclosures.

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

- **Vehicle electrification.** The Group will have market and technology risks and opportunities as our OEM customers shift to a lower carbon economy by increasing the electrification of vehicles (i.e. HEVs and BEVs replacing ICEs).
- **Changes in operating expenses.** The Group will have operational risks and opportunities highlighted by transitional cost changes for plastics and metals, as it strives to manufacture its products in a more environmentally responsible and sustainable manner.
- **Changes in policy related to carbon price.** The Group may experience operational risks as emerging and expanding carbon price legislation comes into effect. This is likely to represent a risk from increases in energy, raw materials, and operations costs (from GHG emissions). Consequently, costs across the supply chain could be affected (e.g., from increased material and service costs, when carbon price is passed on from suppliers).
- **Direct climate impact.** The Group will have physical risks from climate change. As the world continues to warm up, we will be exposed to increases in heat stress and to a lesser extent other perils, such as flooding, sea level rise, and changing water availability and quality, which could affect some of the Group's global locations.

As part of its overall decarbonisation strategy, the Group is committed to disclosing its potential climate-related risks and opportunities in line with the TCFD recommendations. To enhance this analysis and quantify the financial impacts of its climate risks and opportunities, the Group engaged a global consulting firm that assists companies on their sustainability journeys. The consultant and its supporting partner who specialises in physical risk modelling assisted the Group in developing two fully compliant scenarios for this report. The data analysis and work completed on the two scenarios was started in early 2023. The Group chose to use the most complete and fully vetted data we had available which was generally from the 2022 calendar year. Using 2022 full year data sets results with many of the data points referenced to calendar year 2022 in this disclosure.

The main objectives of the work that was completed in 2023 for these TCFD disclosures are related to better identifying and quantifying key transition and physical climate risks and opportunities over the short term (until 2025), medium term (2030), and long term (2050), across different climate scenarios. Please note that our TCFD time periods for short, medium and long term do not directly align to our financial time periods. The Group elected to align our timing for TCFD to our SBTi near term dates and a more commonly aligned climate long-term target date of 2050 consistent with the Paris Agreement. Based on the Group's previous sustainability and climate risk initiatives, peer benchmarking, TCFD guidance, and the consultant's expertise, the Group identified a long list of potential climate risks and opportunities and shortlisted the top six based on the Group's vulnerability and exposure to the different risks and opportunities. We addressed these key risks and opportunities using two climate scenarios. The two scenarios selected were the Business As Usual (BAU) and Low Carbon (LC) scenarios. The Group then developed quantification approaches, performed desktop research, and collected the data needed to estimate the unmitigated potential financial impact of the six key risks and opportunities, across the short, medium and long term in both the BAU and LC scenarios. The six key risks and opportunities fall into the following four groups of risks and opportunities: vehicle electrification, changes in operating expense related to plastic and metal pricing, changes in policy related to carbon pricing, and direct climate impact.

For the purposes of these disclosures the BAU scenario represents a scenario where minimal additional climate action is taken by governments. It incorporates the policies of governments as currently stated. It aligns with ~2.7°C warming by 2100. The LC scenario assumes that governments will meet their announced climate commitments in full and on time. It aligns with <2°C warming by 2100. It should be noted that the quantification of the six key risks across the two scenarios is not a forecast, and is simply an indication of the potential outcome that could occur, based on the available data. These risks and opportunities are modelled as unmitigated elements; once mitigative measures are taken the level of potential risk and/or opportunity would be subject to change. There are many factors that cannot be accurately modelled that could drastically affect these outcomes.

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

Task Force on Climate-Related Financial Disclosures (TCFD) continued

Strategy

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

Vehicle electrification

The automotive industry is responding to climate change, primarily, through the electrification of vehicle powertrains. Over the next decade, HEV and BEV platforms are forecasted to grow dramatically, whilst ICE platforms will decline. See our markets section on pages 18–19. This transition in the market represents the most significant risk and the largest opportunity for the Group.

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

The Group has modelled the potential financial impact of the expected change in mix between ICE, HEV and BEV platforms over the short, medium and long term. In 2023, we worked extensively, including with experts to further develop our risks and opportunities related to this transitional market shift.

The transition to a low-carbon economy, including emerging policies and regulations incentivising low-carbon passenger vehicles and restricting conventional vehicles, will shift demand from components for internal combustion engine vehicles to components for electric vehicles. This transition will provide an opportunity to increase the Group's revenue.

Our analysis is based on current business awards, S&P Global Mobility forecasted production volumes and mix, and management estimates, supported by third-party analysis, for longer-term production volumes and mix, as well as International Energy Agency (IEA) data for global Electric Vehicle (EV) sales projections for 2025, 2030 and 2050. The IEA data includes the following vehicles in their Electric Vehicles (EV) sales assumptions: Battery electric vehicles (BEV), Fuel cell electric vehicles (FCEV), and Plug-in hybrid electric vehicles (PHEV). For consistency, these vehicle types were combined as "EV" in the S&P analysis.

For the BAU and LC Scenarios, the Group's revenue related to EVs was modelled to grow at the same rate as the IEA's global EV sales market projections. Note that the change in EV sales includes growth in the overall vehicle market and the shift from other vehicle types to EVs. This assumption implies that the Group's market share remains constant. The Group recognises electrification as an opportunity to grow the business and revenue from the products we currently manufacture and products we are developing.

Electric car sales had a growth record year in 2022, despite supply chain disruptions, macro-economic and geopolitical uncertainty, and high commodity and energy prices; moreover, the global car market contracted with a 3% reduction in 2022 from 2021. Over 26 million electric cars were on the road in 2022, up 60% relative to 2021 and more than five times the stock in 2018. In 2022, about 70% of the global stock of electric cars were BEVs. Action is now needed to ensure rapid deployment of EV charging facilities and to enhance electricity networks so that inadequate infrastructure does not hold back their expansion.

In the BAU and LC Scenarios, widespread policy support helps sales of EVs worldwide to continue their expansion – today, more than 50 countries, with ~60% of the world population, have policies in place to incentivise the uptake of EVs, with 30 countries having set target dates to phase out ICE vehicles in the next two decades.

China is arguably the most important individual market for EVs as more than half of all the EVs on the road today are in China, which has already exceeded its 2025 target for new energy vehicle sales. Europe has the second largest EV market, where one in every four cars sold was electric in 2022. In the US, EV sales represent around 8% of the market, this is expected to grow to 50% by 2030 due to the Inflation Reduction Act and Bipartisan Infrastructure Law boosting affordability and supporting the development of charging infrastructure.

Currently, the most common policy measures to support EV deployment are fuel-economy and CO_2 emission standards, as well as financial incentives such as purchase subsidies and tax credits that make EVs more cost competitive compared to conventional ICE vehicles. Governments are also supporting the development of EV charging infrastructure, for example by offering financial incentives for public and private chargers and by stipulating infrastructure requirements in building codes.

At the same time transition to EVs also represents a risk to the Group's manufacturing of ICE related components. This is in large part due to the expected decrease in demand for components specific to conventional fuel automobiles and associated decrease in revenue related to the sale of ICE parts.

This risk was modelled using essentially the same methodology used to model the opportunity. As defined by the IEA, conventional fuel vehicles are defined as vehicles which use an internal combustion engine (ICE), i.e., are powered by fossil fuels. They include HEV, which depend on an ICE.

For the BAU and LC scenarios, the Group's revenue related to ICE vehicles was modelled to decline at the same rate as the IEA's global ICE vehicles sales market projections. Note that the change in ICE sales includes growth in the overall vehicle market and the shift from other vehicle types to EVs, assuming that the Group's market share remains constant.

The number of EV models currently available remains much lower than conventional ICE. However, the number of ICE models has dipped across various car markets, more prominently in China, where the number of available ICE options was 8% lower in 2022 than in 2016, versus 3–4% lower in the US and Europe over the same period. This could be driven by contracting car markets and a shift towards EVs from carmakers. It is predicted that the number of ICE models could remain stable, whilst the number of new models shrinks, if carmakers focus on electrification and keep selling existing ICE products rather than increasing budgets to develop new models.

Projections indicate that by 2030, sales of ICE vehicles will decline from 65 million in 2022, to around 60 million in the BAU scenario and 55 million in the Low Carbon scenario.

Revenue expansion from new thermal products and systems, including opportunities for M&A and/or joint ventures for adjacent thermal products, have not been taken into consideration in the model and would create further revenue growth opportunities.

Changes in operating expense related to plastic and metal pricing

Plastic and metals are the two largest raw material components that the Group purchases on an annual basis. Both of these materials are expected to see a potential significant change in cost in the future.

Plastic prices will be impacted due to a rise in input costs specifically associated with the change in price of oil due to climate change. The change in plastic cost is likely to be passed from supplier to the Group. Data from IEA was used for the crude oil pricing in 2022 as well as forecast prices for 2025, 2030, and 2050.

For this modelling the changes in plastic prices depend primarily on changes in oil prices. This correlation was tested through a regression analysis, which indicated that the strong historical correlation between plastic and crude oil prices will continue through 2050. The modelling assumes that the Group's revenue will change at the same rate as the S&P market projections up to 2030. From 2030 to 2050, the estimated growth rate was calculated by using the S&P data source for the years available beyond 2030 (2030–2035) to provide a conservative estimate, and this value was 1.3% p.a.

This modelling is significantly limited by a lack of credible, peer-reviewed data on the forecasted price of plastic under the different climate scenarios. In both scenarios, the 2022 baseline price for crude oil based on the actual price as published by the IEA (98 USD/barrel) was used. From that, oil prices are projected to decrease across the short, medium and long terms (based on information sourced from the 2023 IEA World Energy Outlook), which indicated a decreasing trend in the price of plastic. However, this assumes that there are no other variables influencing the price of plastic, which is unlikely. Additionally, the analysis does not account for changes to the types of plastic used, or technical enhancements to production and recycling methods (e.g., the possible impact of the prevalence of bioplastics has not been accounted for in this analysis). Therefore, this estimate could shift based on external factors affecting the price and availability of plastic, and of oil.

Cost increases associated with metals represent another transitional risk to the Group. Increasing pressure to decarbonise metals, such as steel and aluminium, will lead to increase in production costs for manufacturing low carbon alternatives in the medium to long term, resulting in higher prices. Similarly, for metals such as copper, that are critical energy transition materials, a rapid increase in demand is expected to increase prices.

The Group used the same data from our Scope 3 Category 1 calculations, raw material procurement spend and quantity coupled with the following data sets to quantify the transitional risk associated with metal prices:

- data from Mission Possible Partnership: 2022, 2025, 2030 and 2050 global average steel and aluminium prices
- data from International Monetary Fund (IMF): 2022, 2025, 2030 and 2050 global average copper prices

This modelling applies the same assumption for the Group's revenue as that applied for plastic prices (see above). Increase in metal prices includes the impacts from increased demand and higher production costs to produce low-emission materials, and does not include changes in cost of carbon pricing which is modelled separately. For steel and aluminium, the LC scenario is aligned with the Mission Possible Partnership's 2050 Net Zero pathways. Similarly for copper, a Net Zero 2050 scenario was used as the LC scenario.

Metals such as steel and aluminium are highly energy intensive, and current-day manufacturing methods reliant on fossil fuels make them very carbon intensive materials. The energy transition is therefore expected to increase the price of such metals in the LC scenario, due to the adoption of low carbon technologies and fuels (such as green hydrogen, electrification, carbon capture utilisation and storage). Furthermore, prices of energy transition metals such as copper are expected to increase due to high demand in the automotive and renewable electricity sectors. Therefore, it is anticipated that this will lead to higher prices in the medium to long term under the LC scenario.

In the BAU scenario, metal prices are expected to remain relatively flat, as limited investments in greener technologies are assumed, and emphasis is placed on improving energy efficiency.

Changes in policy related to carbon pricing

The Group is expected to face the transition risks associated with increases in carbon prices and the cost of energy.

Emerging and expanding carbon price increases energy, raw materials, and operations costs (from GHG emissions). Consequently, costs across the supply chain could be affected (e.g., from increased material and service costs, when carbon price is passed on from suppliers).

In modelling this transition risk, the Group's total 2022 Scopes 1 & 2 GHG emissions and proportion allocated to each country of operation were used along with projections for 2023 – 2030 GHG Emission. Due to a lack of a single data source providing carbon pricing inputs for all geographies and scenario timeframes, a hybrid approach has been used to compile the carbon pricing inputs, using data from the following sources:

- World Bank: Current carbon price by country in 2023
- IEA (International Energy Agency): Projected carbon price by country, for the EU, the US, the UK, Canada, and China, for medium and long term
- NGFS (Network for Greening the Financial System): Current and projected carbon price by country, for all other geographies, for medium and long term

This approach estimates the impact of changes in carbon pricing from Scopes 1 & 2 emissions from our own operations only, and does not include carbon pricing impact on purchased goods and services. Carbon pricing levels in 2025 (for quantification of short-term impact) assumed a linear change in carbon prices between 2023 and 2030.

For short and medium term, emissions projections have been developed internally. In the long term, for the BAU scenario, it was assumed that emissions remain constant at 2030 levels between 2030 and 2050. For the LC scenario, it was assumed Net Zero emissions are achieved by 2050 and emissions reduce linearly between 2030 and 2050.

Task Force on Climate-Related Financial Disclosures (TCFD) continued

The analysis does not include potential cost impact from applications of carbon price to high-carbon materials such as metals and the increased supplier costs from material carbon tax passed to the Group, due to limited information on the evolution of emission intensity of materials and services currently being purchased.

80% of the Group's Scope 1 & 2 emissions are from seven geographies: the United States of America, China, Poland, Germany, Mexico, India, and South Korea. Introduction or expansion of carbon pricing legislation in these geographies could pose significant risk of increasing operating expenditure. Existing and scheduled CO_2 pricing schemes are reflected in the BAU scenario, which covers electricity generation, industry, energy production sectors, and other end-use sectors (e.g., aviation, road transport and buildings), where applicable.

In the LC scenario, higher CO_2 prices are assumed across all regions with Net Zero emissions pledges, which represent more aggressive prices than the BAU scenario. In the EU, for example, in the LC scenario, carbon prices are expected to increase by 130% by 2050 (compared to the baseline year), compared to 56% increase during that same period under the BAU scenario.

The Group is currently not covered by existing regulated carbon pricing schemes, even in regions like the EU, as the Group is not a heavy emitter. The Group may or may not be affected by these schemes, as the scope of future carbon pricing schemes evolve. The quantification approach reflects a conservative estimate, assuming the Group is subject to carbon pricing in all geographies of operation.

Direct climate impacts

The Group may face potential physical risks from climate change, such as increases in heat stress, drought, flooding, sea level rise, and changing water availability and quality, which could affect the Group's locations and operations and the need to re-locate several operations. As part of our effort to better quantify our physical climate risks the Group has improved the robustness of the climate evaluation.

The Group has completed a refresh of its physical modelling. Physical impacts were assessed based on the analysis of climate risks exposure data from an external adviser, for 126 of the Group's sites. For each location, the external adviser provided climate risk metrics for different climate perils than may be expected to be relevant for different points in time for the BAU and LC climate scenarios. The table below describes the metrics used to assess the physical risks of each climate peril.

Peril	Unit	Metric
Heat waves	Events/year	Absolute heat wave: Annual count of three-day periods with high temperature above local historical 95th percentile temperature
Cold waves	Events/year	Days per year with temperature lower than threshold – depending on location this is either 0 or -10 (°C)
Wildfires	Events/1000 years	Number of wildfires expected in a 1 square km grid cell per 1000 years
Flooding	% probability	Probability of 0.3m flood occurrence
Severe storms	Days/year	Days per year where environmental conditions are conducive to severe thunderstorms
Wind	% probability	Probability of 119 km/h wind occurrence
Precipitation	% probability	Probability of 150mm precipitation occurrence
Rising mean temperatures	Days/year	Days per year with temperature exceeding the local historical 99th percentile temperature
Sea level rise	% fraction flooded	Fraction of land within the 90m grid cell inundated by high tide
Droughts	Fraction	Total water stress: Human water demand over water supply for the local and upstream watersheds

The most significant direct climate impact relates to increasing heat stress potentially leading to decreasing productivity, loss of working hours, impact to employee health, and increased costs related to cooling. The Group gathered data from 126 sites including offices, research and development centres, and manufacturing and assembly sites. These data included site coordinates, site description, building value, inventory value, contents value, site profit, indication of the presence of a basement and cooling system, and an estimation of the physical intensity of the work performed.

Cooling costs due to increased heat stress were modelled using a climate risk analysis model of an external adviser, which estimates an asset's annual additional electricity consumption for cooling based on its occupancy, size, and the projected annual number of cooling degree days. The average annual electricity consumption cost for an asset is estimated using the provided electricity price.

Productivity costs due to increased heat stress were modelled using the external adviser's approach which estimates the proportion of annual work hours lost based on the physical intensity of work performed, cooling system prevalence, and projections of wet bulb globe temperature (WBGT) from the external climate risk analysis model. The model is derived from the International Organisation for Standardisation (ISO) guidance on work/rest ratios necessary to keep the internal body temperature of workers within safe limits. The external climate data does not consider any existing adaptation measures currently in place at the Group's site locations (beyond the presence of a cooling system), which might reduce impact.

Exposure to heat stress was also modelled using the external climate risk analysis model, which is most useful for understanding the trend of climate peril metrics over time, and how climate perils differ under three different climate scenarios (i.e., High Carbon, Business as Usual and Low Carbon). A High Carbon scenario is represented by temperatures that are >4°C global mean temperature warming by 2100 and is only used in addressing the physical risk. The high carbon scenario was only completed for physical risks and as such was not used comprehensively in this disclosure. When analysing site exposure to a specific peril metric and time period, we utilised the 5th and 95th percentile results associated with that metric provided in the output data. When combined, the values at different confidence intervals provide an indication of the uncertainty range associated with a specific peril metric.

The modelling across each scenario for heat stress (and most of the other climate perils analysed) shows similar results through 2050. Beyond 2050, a distinct divergence between the climate impacts on the three scenarios is observed. This trend corresponds to the delay between when policies on climate change are implemented, and when they begin to have an effect on climate.

Exposure to heat stress is measured by the number of "heat waves" occurring for the particular location, time period, and climate scenario of interest. A heat wave is defined as a three-day consecutive period with the daily high temperature exceeding the local historical 95th percentile temperature.

The Group's exposure to heat stress was significantly higher than other climate perils. In the BAU scenario, 57% of the total number of manufacturing and office locations are expected to be at risk from heat stress in 2050. "At risk" is defined as at least five heat waves annually. By 2060, this value rises to 90%, and by 2070, 99% are expected to be at risk from heat stress.

Heat stress exposure is high across all of The Group's operating geographies (i.e., at least one site in each country is at high risk). However, sites in South America (e.g., Brazil, Colombia), South Africa, and Indonesia are especially at risk due to the significant increase in risk from 2020 to 2050.

Losses associated with heat stress are predominately from lost worker productivity. These losses could be mitigated through the installation of cooling systems (where none exist currently) or by increasing the cooling load of existing systems. The operational cost of electricity for cooling sites is expected to be significantly less than the loss associated with worker breaks due to heat stress. The analysis focused on the impact on operating costs, and there could be significant capital expenses associated with installing or retrofitting cooling systems, which has not been modelled in this analysis.

The highest total heat stress losses in this model are noted in Mexico, China, India and Thailand, driven by losses in worker productivity. Cooling cost is a relatively small portion of the total heat stress losses. The main sources of cost of cooling are in Mexico, China, Spain and the United States, driven by the higher price of electricity and the number of sites with cooling systems installed.

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

Task Force on Climate-Related Financial Disclosures (TCFD) continued

Summary of key climate risks and opportunities

The table below summarises our assessment of key climate risks and opportunities as discussed above.

	Vehicle electrification	Change in plastic price	Change in metal price	Change in carbon price and cost of energy	Increase in heat stress and cooling costs
Type	Transition	Transition	Transition	Transition	Physical
TCFD category	Market	Market	Market	Policy & Legal	Acute
Primary potential financial impact	Change in revenue	Change in operating costs	Change in operating costs	Change in operating costs	Change in operating costs
Unmitigated annual financial impact:					
BAU scenario					
Short term	High	Medium	Low	Low	Medium
Medium term	High	Medium	Low	Low	Medium
Long term	High	High	Medium	Medium	Medium
LC scenario					
Short term	High	Medium	Medium	Medium	Medium
Medium term	High	High	Medium	Medium	Medium
Long term	High	High	Medium	Low	Medium
Mitigation	• Close monitoring and proactive response to changes in customer demand is actively being completed by our commercial and engineering teams • Actively development of new and enhanced products to support electrification • Defined strategy to address changes in market dynamics • Continued product portfolio that addresses both ICE and EV contents	• Close collaboration with supply chain • Diversification and location of supplier base to help manage costs • Purchasing is monitoring our commodity costs actively • Purchasing is engaged with our Engineering teams with respect to looking at LCAs and using this to potentially alter plastic options to lower carbon options	• Close collaboration with supply chain • Diversification and location of supplier base to help manage costs • Purchasing is monitoring our commodity costs actively • Purchasing is engaged with our Engineering teams with respect to looking at LCAs and using this to potentially alter recycled metal content • The engineering team is looking actively looking at alternative materials that can be substituted for traditional metallic applications	• Targets and measures to reduce Scopes 1, 2 & 3 emissions • Active evaluation of options for decarbonisation and renewable energy sources • Close monitoring of regulatory development and proactively responding to evolving conditions • The legal team, sustainability/EHS team is actively engaged in evaluation of legislation through various working groups, list servers, and other publicly available sources of information • Assess options and mechanism of passing cost increase through to customers	• Annual analysis of physical risks covering all sites • Footprint management through lease acquisition and renewal • The Group began developing Business continuity and emergency plans over five years ago which are in place and regularly updated for certain key sites • In 2024, the Group will evaluate how we can better use the assessment completed for TCFD for climate perils and information provided by our insurer in our site selection process for new locations

KEY

Low impact: <€10m   Medium impact: €10–50m   High impact: >€50m

Governance

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

Board of Directors

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

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

The ESG Committee of the Board provides guidance and oversight on all elements of the Group's sustainability programme, including the scope of environmental initiatives to address the sustainability transition driven by climate change. The ESG Committee meets regularly with senior management throughout the year and reports to the Board on its activities and sustainability progress by the Group. In particular, the ESG Committee reviewed and recommended the adoption of the Group's recently approved Scopes 1, 2, & 3 emissions reduction targets. For more information on the ESG Committee see pages 118–119.

The Remuneration Committee of the Board, with input from the ESG Committee, establishes performance targets for the Group's Annual Bonus and Long-Term Incentive Plans, which align with both the Group's electrification strategy and its sustainability transition in order to align senior management with interests of the Group's wider stakeholders. The Remuneration Committee regularly reports to the Board on its activities. See the Statement by the Chair of the Remuneration Committee on pages 94–96.

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

Management

Within the Group's management, the Executive Committee (CEO and other C-level Executives and Executive Vice Presidents), together with the Global EHS Director and the Vice President Risk & Global Controller, are primarily responsible for identifying and assessing climate-related impacts and leading the implementation of the Group's electrification strategy and sustainability transition.

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

Budgeting and action plans relating to the Group's electrification strategy and environmental initiatives are communicated to the entire organisation in a top-down manner and are incorporated into the Group's annual budget and the Medium-Term Plan.

Risk management

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

Generally. At this stage, most climate-related risks appear to be included within already-identified and assessed risk categories: production volume, technology change, regulation, competition and customer pricing and pressure, and business continuity. In other words, climate change appears to be increasing the pace and intensity of previously-identified risks rather than presenting fundamentally new or different risks to our business. For more information on our process to identify and assess risks, see our principal risks and uncertainties on pages 42–55.

The Group will ensure a timely and comprehensive overview of potential disruption and opportunities from climate change to the business. To effectively complete this, it is necessary to regularly (i.e., annually) review the business' vulnerabilities to both physical and transition risks, as well as assess potential opportunities. New information from the latest release of scientific evidence (e.g., climate scenarios, regional projections, and climate modelling of climate perils) could help refine the current risks and opportunities assessment results. Such a regular review should also cover those considered as 'low' risk because some of the impacts of climate change could be non-linear and abrupt.

Vehicle electrification. We identify, assess, and manage the impact of vehicle electrification through our existing commercial, engineering and purchase processes. For the medium term, we work closely with our customers through the commercial and engineering organisations to understand their fluid system requirements, and to identify advanced engineering and quoting opportunities for upcoming vehicle programmes. For the long term, we not only utilise planning and development information from our customers, but also refer to production volume forecasts from S&P Global Mobility and other industry sources. All quoting and pricing arrangements go through our screening process to ensure that business awards meet expected financial metrics. Necessary capital investments must, depending on magnitude, be approved by various levels of management and, in certain cases, the Board.

Changes in operating expense. Environmental initiatives to progress our sustainability transition are identified, assessed and managed by cross functional teams, led by the Global EHS Director, who works with divisional and regional management, including country and plant-level management within our existing operations, manufacturing engineering and capital expenditure processes. The Group's actions, with respect to its sustainability transition, are being transitioned to a 1.5°C scenario in conjunction with the submission of our CO_2(e) emissions reduction targets.

Task Force on Climate-Related Financial Disclosures (TCFD) continued

To better assess plastics prices, we plan to regularly review data and analyses related to the transition away from fossil fuel-based plastics to bio-based plastics. This could have significant impacts on the quantification of the plastic price risk that is presented in this analysis, as the current quantification approach does not consider the shift from fossil fuel-based to bio-based products. Emerging information related to the projected ratio of bio-based plastics to fossil fuel-based plastics in different climate scenarios and the cost premium of bio-based plastics is likely to be further developed in the coming years, which will bring new insight to quantification analyses. The Group will continue to monitor the availability of low carbon metals and alternatives as well as our metals procurement data. The Group's Purchasing function is actively working on improvements to our supplier sustainability initiatives and we anticipate additional supplier specific data to be more readily available and fully vetted in the coming years.

Changes in policy related to carbon price. For future disclosures, the Group will develop a more robust emissions trajectory beyond 2030, by incorporating a long-term decarbonisation strategy. This will improve the accuracy of long-term (2050) carbon pricing impacts. As our supplier sustainability programme matures, we intend to use that data to include potential impacts of carbon pricing on the price of relevant carbon intensive materials.

Keeping abreast of regulatory change will be critical to the fundamental understanding of policy changes and the effects those changes may have on associated carbon pricing.

Direct climate impact. Physical impacts were assessed based on the analysis of climate risk exposure data for 126 of the Group's sites based on an external risk model. For each location, the model provided climate risk metrics for different climate perils, expected for different years for the BAU and LC climate scenarios. The following physical risk metrics were evaluated in the model: heat waves, cold waves, wildfires, flooding, severe storms, wind, precipitation, rising mean temperatures, seal level rise, and droughts.

The most significant direct climate impact is related to increasing heat stress potentially leading to decreasing productivity, loss of working hours, impact to employee health, and increased costs related to cooling. We will continue to monitor our operations with respect to dealing with elevated temperatures. For example, in India this year several extended periods of elevated temperatures were reported. Our EHS and operations teams are in regular contact with the operations to ensure that employees have a safe and healthy work environment.

Metrics and targets

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

Metrics

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

Sustainability transition. In 2023, the Group tracked the following metrics to assess risks and opportunities in line with our sustainability transition. We monitor Scope 1 & 2 emissions at the global level with respect to our Targets. Additionally, we also monitor the Scope 1 & 2, energy consumption, water and waste data as shown below. As we continue to mature our systems we will likely add energy conservation targets and redefine our water conservation metrics.

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

Scopes 1 & 2 emissions are calculated using market and location based GHG Protocol methodology. In our annual reporting, we provide market-based emission reporting that is rolled up for the entire Group. Location based reporting remains publicly available via our CDP disclosure.

Scope 3 CO_2(e) emissions are relevant to our business. Consistent with the GHG Protocol, we have developed a Scope 3 emissions inventory for 2021 and 2022. Our 2021 baseline year and 2022 Scope 3 emissions are developed according to the GHG Protocol and were revised this year using the US EPA EEIO data base for Spend-based calculations. This was done to provide more transparency with the calculation, and we felt that the EEIO data is better suited for our manufacturing than the CEDA database we formerly used. This recalculation resulted in a downward shift in the overall emissions for Scope 3.

Our total 2021 baseline year Scope 3 emissions were 1,051,797 tonnes of CO_2(e). This represents approximately 81% of our total emissions mass in 2021. In 2022, our Scope 3 emissions were 1,068,073 tonnes of CO_2(e), representing 81% of our total group-wide emissions. Categories 9 and 10 were added based on dialogue with SBTi as we worked thought the approval process. A detailed breakdown of our 2023 Scope 3 emissions is provided below.

No.	Category of Emission	2021	2021 Revised	2022	2022 Revised	2023
1	Purchased Goods & Services	895,021	726,208	934,094	755,386	739,419
2	Capital Goods	187,329	131,027	135,586	98,691	92,662
3	Fuel & Energy-Related Activities	62,969	62,969	66,908	66,908	69,356
4	Upstream Transportation & Distribution	11,159	36,455	39,325	53,478	105,182
5	Waste Generated in Operations	5,660	5,660	4,031	4,031	3,305
6	Business Travel	971	980	2,354	2,376	3,492
7	Employee Commuting	42,206	42,206	43,618	43,618	37,827
8	Upstream Leased Assets	318	318	360	360	370
9	Downstream Transportation & Distribution	–	29,372	–	34,268	34,601
10	Processing of Sold Products	–	15,396	–	7,495	7,087
11	Use of Sold Products	–	–	–	–	–
12	EoL of Sold Products	1,206	1,206	1,462	1,462	1,847
13	Downstream Leased Assets	–	–	–	–	–
14	Franchises	–	–	–	–	–
15	Investments	–	–	–	–	–
	Total	**1,206,839**	**1,051,797**	**1,227,738**	**1,068,073**	**1,095,148**

(1) Our products do not directly consume energy and, therefore, no indirect use phase emissions are included in our Scope 3. The Group is working on methodology which may allow us to realistically calculate emissions for this category and may include the Use of Sold Products future Scope 3 reporting.

(2) TIFS has no downstream leased assets, franchises or investments.

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

Targets

Vehicle electrification. The Group establishes annual booking targets for HEV and BEV programmes, which are incorporated into the Annual Bonus Plan as performance criteria. See the Remuneration report on pages 108–115 for more information.

Changes in operating expenses. Future KPIs for plastics and metals are currently under consideration. See Sustainability on pages 40–41 for more information.

Changes in policy related to carbon pricing. The Group updated its targets for the absolute reduction of Scopes 1, 2 & 3 CO_2(e) emissions and also established water conservation objectives. As legislation changes this will be monitored closely. A longer-term decarbonisation evaluation of our supply chain will be considered as our supplier sustainability programme matures.

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

We have clearly identified GHG and wase management targets. The Group has committed to reduce absolute Scope 1 & 2 GHG emissions 50% by 2030 from a 2021 baseline year. The Group also committed to reduce absolute Scope 3 GHG emissions 30% within the same timeframe.

In 2023 the Group set waste related targets. A key element of our business's sustainability is built around management of the non-hazardous and hazardous waste that the Group generates. Our focus is based around the following four elements: Reduce, Reuse, Refurbish, Recycle. In 2022, our EHS teams established a new baseline waste generation volume that incorporates hazardous and non-hazardous waste generation. We have been working on waste minimisation and reduction for years. With this new baseline established we have set a new waste minimisation target and new landfill avoidance target. The targets are 90% landfill avoidance and 80% recycling rate for waste materials by 2030.

Going concern and viability statement

Going concern

At 31 December 2023, the Group's external financing arrangements comprised unsecured Senior Notes of €600.0 million (maturing on 15 April 2029), a Euro term loan of €257.6 million (repayable in instalments until 16 December 2026), a US Dollar term loan of $185.0 million (repayable in instalments until 16 December 2026) and a revolving credit facility (RCF) of $225.0 million (maturing 16 July 2026). The amount utilised under the RCF, as at 31 December 2023, was €4.2 million, with the available undrawn amount at €199.5 million. The only covenant measure that exists applies to the RCF and is a net leverage ratio, which must be below 3.8x Adjusted EBITDA when the revolving facility is drawn over 35%.

In addition, the Group held €416.7 million of cash and cash equivalents as at 31 December 2023. Actual available liquidity, including cash and revolving facility on 31 December 2023, was, therefore, €616.2 million, which provides a strong basis for the Group's liquidity during the review period.

The Directors have reviewed the likely performance of the Group and the Company for the period to the end of 2025 by reference to an outlook using the approved Budget and Medium-Term Plan as a base case scenario (volumes used: 2024 89.1 million units, 2025 90.6 million units).

A severe, yet plausible, downside scenario, mindful of developing geopolitical tensions and emerging economic challenges, was produced comprising a 10% reduction in global light vehicle production volumes against the base case (volumes used: 2024 80.2 million units, 2025 81.5 million units), a further 5% annual reduction in operating margin due to increased costs, a further 0.5% annual sales price reduction and a €8 million profit impact of business disruption from an unexpected plant closure. These reflect the downside impact of principal risks facing the business in respect of global light vehicle production volumes, cost pressures (commodities and energy costs), customer price reduction pressures and the impact of a business disruption. The downside scenario showed an availability of liquidity headroom without the use of the revolving credit facility. There were no covenant breaches under this downside scenario in the review period.

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

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

Viability statement

In accordance with paragraph 31 of the UK Corporate Governance Code 2018, the Directors have assessed the viability of the Group over a five-year period to 31 December 2028, which aligns to the internal planning horizon and to the data set used in the impairment review. The Directors' assessment has been made with reference to the Group's current position and prospects, the Group's existing committed finance facilities, the Group's strategy, business model and the potential impact of the principal risks and how these are managed and mitigated, as detailed in this Strategic report.

The Group has a formalised process of budgeting, reporting and review along with procedures to forecast its profitability, capital position, funding requirement and cash flows, which form the Budget for 2024 and Medium-Term Plan for 2025–2028. These plans provide the basis for the Directors to assess the adequacy of resources available to the Group to meet its strategic business objectives, both in the short and long term. The plans for the period commencing on 1 January 2024 were reviewed and approved by the Board on 8 December 2023, and formed the base case model to which downside scenarios were applied.

In making their assessment, the Directors have used a combination of scenarios and stress tests to the Group's financial projections to 31 December 2028, which models the principal risks likely to have a significant financial impact. Of these, the severe yet plausible downside scenario assumed:

- 10% lower annual global production volumes compared to the base case – volumes used: 2024 80.2 million units, 2025 81.5 million units, 2026 83.0 million units, 2027 84.6 million units, 2028 85.7 million units (Principal risk: Global light vehicle production volumes)
- 5% further increase in direct costs due to increased commodity pricing and costs associated with purchasing energy to meet our carbon reduction commitments (Principal risk: Competitor and customer pricing pressure)
- 0.5% further sales price reduction (Principal risk: Competitor and customer pricing pressure)
- €8 million profit impact of an unexpected facility disruption, only partially recovered from insurance (Principal risk: Business continuity)
- incremental annual capital expenditure of €10 million (Principal risk: Product development and changes in technology)

The combination of the above was considered appropriate to capture any sustained impact arising from current geopolitical tensions and emerging economic challenges.

The impact of this scenario would be to reduce available liquidity by €792 million at the end of the review period compared to the base case, which showed available liquidity of €1,009 million. The Directors considered the beneficial impact arising from potential further remediation actions, but these were not factored into the downside scenarios, allowing further room for prudence.

In all of the scenarios assessed, including the severe, yet plausible, scenario, there is no indication of potential breaches of the covenant on leverage ratio, and there remains sufficient liquidity headroom from the Group's current liquidity. In the severe, yet plausible, scenario, the revolving credit facility would remain undrawn over the five-year period.

A reverse stress test was also performed to determine the level of global light vehicle production volume, which would extinguish all cash. It was found that a reduction of 31% for each year compared to the base case (volumes used: 2024 61.4 million units, 2025 62.4 million units, 2026 63.5 million units, 2027 64.7 million units, 2028 65.6 million) for the five years under review, excluding any mitigating actions, would be required to use all the Group's cash without utilising the $225 million revolving credit facility. This contrasts with the 2020 global light vehicle production drop of 16.1% compared to 2019 – the Directors do not believe that a sustained 31% drop is likely and, therefore, do not regard this as a plausible outcome.

The Group successfully refinanced its borrowings on 16 April 2021 by issuing eight-year unsecured senior notes, which were used to repay portions of the USD and EUR secured term loans. At the same time, the $225 million revolving credit facility and the USD and EUR term loans were repriced and the maturities extended by two years from 2024 to 2026. This transaction served to diversify, stagger and extend the average maturity from four years to seven years. The revolving credit facilities and term loans are in place until 2026. We assumed that they will be renewed, in the context of strengthening financial profitability and cash generation during 2023, with the ability to return capital to shareholders through a share buyback programme, make a voluntary repayment of the USD term loans and implement a progressive dividend policy.

The powertrain agnostic product portfolio of the Group allows it to adapt to the pace at which its customers migrate to vehicle electrification. The Group has clear strategy to drive growth by capitalising the market opportunities of electrification and leveraging the competitive strength of its conventional portfolio, and has demonstrated its ability to develop and deploy thermal management product offering for electric vehicles. With a diverse customer base and global presence, the Group is well positioned to navigate through this transitional phase of the automotive industry.

The longer-term risks associated with climate change on the business are considered to be outside the time horizon of this review, but are modelled in the impairment review (see Note 19 to the financial statements). The base case already includes additional capital expenditure related to carbon reduction projects as well as additional costs arising from increasing energy costs.

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

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

Janis Acosta
Company Secretary

11 March 2024

Non-financial and sustainability information statement (NFSIS)

The statements below reflect our commitment to, and management of, employees, communities, the environment, human rights, anti-bribery and anti-corruption in the last 12 months as required by sections 414CA and 414CB of the Companies Act 2006. Policies on these matters can be found on the Company website and references to the Annual Report and Accounts pages as provided below.

The table below highlights how we have met the NFSIS Companies Act 2006 requirements by disclosing non-financial information and climate-related risks and opportunities and where to locate the information.

Reporting requirement	Description	Pages
Business model	The Group uses non-financial information in all aspects of its business, from the development of its business model and strategy to reviewing and measuring principal risks and the performance of the business. Our key non-financial performance indicator is customer satisfaction (PPM), which measures our product quality and, indirectly, customer satisfaction.	Business model on pages 16–17 Strategy on pages 20–21 Key performance indicators on pages 30–31 Principal risks and uncertainties on pages 42–55 Audit & Risk Committee report on pages 88–93 Sustainability on pages 40–41
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 Principal risks and uncertainties: Succession of key personnel on page 54 Code of Business Conduct on our website Health and safety programme on page 51 CEO and Chair statements on pages 10–15 Employee and stakeholder engagement on pages 36–39 S172 statement on pages 36–39 Board composition on page 73 Diversity and Inclusion policy on page 83 Six Mindsets on page 40 Strategy on pages 20–21 Talent in the workforce on page 40
Environmental matters	The business strategy places a focus on developing and supplying leading technology products to help our customers make more environmentally friendly vehicles. In addition, our own impact on the environment, including our greenhouse gas emissions, is being measured, and reduction initiatives are underway. We also seek to ensure responsible sourcing through our Global Supplier Requirements Manual as well as our purchasing terms and conditions, which can be found on our website.	Business model: Contribution to environmentally friendly products on pages 16–17 Sustainability report 2023 Energy consumption on pages 40–41 TCFD disclosure on pages 56–65. The climate-related financial disclosure requirements (a)–(h) of s414CB(2A) have been addressed in the TCFD disclosure (a) page 63, (b) pages 63–64, (c) pages 57–59, (d) pages 57–62, (e) pages 56–65, (f) pages 57–64, (g) pages 64–65, (h) page 65. Section 172 statement on pages 36–39 ESG Committee report on pages 118–119 Key performance indicators on pages 30–31 Climate policies on pages 56–65 Strategy on pages 20–21 SBTi and CO_2 targets on page 41

Reporting requirement	Description	Pages
Communities 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 and in strict accordance with our Code of Business Conduct (COBC). The Group conducts regular training on our COBC, which includes elements related to anti-trust and anti-bribery (including the UK Bribery Act). We take the protection of human rights seriously and have zero tolerance for the use of slave and child labour. We also seek to make a positive impact in the many local communities in which we operate through local charitable and outreach activities.	Stakeholder engagement on pages 36–39 ESG Committee report on pages 118–119 Charitable work on page 38 Sustainability report 2023 Tax Strategy on our website Employee practices/engagement on page 37 Strategy on pages 20–21
Human rights and anti-bribery corruption	The Group maintains a strong commitment to the highest principles of business conduct and ethics. The Company's Code of Business Conduct (COBC) makes clear that the Company will enter into representation or supplier agreements only with companies and individuals, a demonstrating a record of and commitment to the highest ethical standards. The COBC also requires that external parties are informed of their responsibility to act in a manner consistent with the Company's COBC, other policies and any applicable laws or regulations. If any employee becomes aware of any activity contrary to these requirements, the employee is instructed to report in accordance with the COBC. We require that all employees complete online COBC training as well as regular refresher training. The COBC is regularly reviewed and updated, as necessary and is available on the Company's website. In addition, the Company has adopted a Human Rights policy, which reinforces the provisions contained in the COBC and explicitly states the Company's commitment to human rights including aligning with the United Nations Guiding Principles on Business and Human Rights and the International Labor Organization Declaration on Fundamental Principles and Rights at Work. This year, the Company implemented the Sustainable Purchases policy. This new policy requires all third-party service providers to adopt the same high standards that we require of ourselves within the COBC and the Human Rights policy.	Modern Slavery Statement on our website Human Rights policy on our website Code of Business Conduct on page on our website Strategy on pages 20–21
Principal risks	The Group employs the management and mitigation strategy described in the principal risks and uncertainties section, and intended to reduce the impact or likelihood of a major risk occurring. The Board also recognises there could be risks that may be unknown or that may be judged to be insignificant at present but may later prove to be significant.	Principal Risks and Uncertainties disclosures on pages 42–55 Audit & Risk Committee report on pages 88–93
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 ethical standards and in strict accordance with our Code of Business Conduct (COBC). The Group conducts regular training on our COBC, which includes elements related to anti-trust and anti-bribery (including the UK Bribery Act). We take the protection of human rights seriously and have zero tolerance for the use of slave and child labour. We also seek to make a positive impact in the many local communities in which we operate through local charitable and outreach activities.	Business model: Compliance with laws and regulations on pages 16–17 Principal risks and uncertainties: External risk on pages 42–55 Code of Business Conduct on page on our website Ethics and compliance on page 37 Community involvement on page 38 Whistleblowing on page 84 Group's Tax Strategy on our website