COM-BINED MANAGE-MENT REPORT

COMBINED MANAGEMENT REPORT

GROUP INFORMATION

WORLD MAP
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As a technical services provider, for more than 150 years TÜV SÜD has been protecting people, the environment and property against technical risks, facilitating sustainable technological progress in the process. More than 25,000 employees at over 1,000 locations in around 50 different countries work to provide security and added value for our customers.

TÜV SÜD's range of services covers certification and testing, inspection, auditing and system certification, knowledge services and training. As committed and responsible process specialists with extensive sector-specific knowledge, we develop tailored solutions – for retail customers and for industry, trade and government. Our experts support and shape technological change. To achieve this, they optimize technology, systems and communicate knowledge – aiming to ensure optimal safety as well as sustainable and efficient management along the entire value chain.

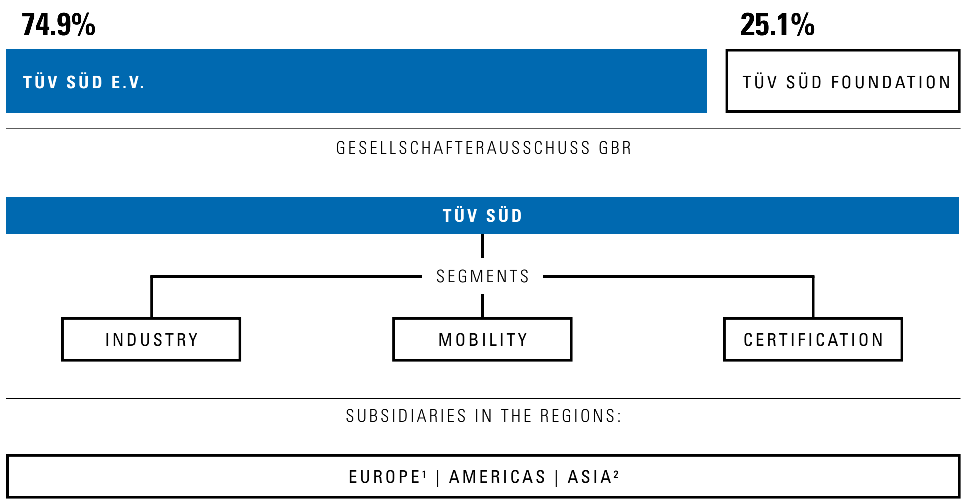
Legal structure guarantees independence

TÜV SÜD stands for independence and impartiality, which are guaranteed by the specific structure of the Group. In its capacity as management holding company, the parent company TÜV SÜD AG with registered offices in Munich, manages its subsidiaries around the world. The beneficial owners of TÜV SÜD shares are TÜV SÜD e. V., Munich, and the TÜV SÜD Foundation, Munich. Both have transferred their rights to the shares to the independent TÜV SÜD Gesellschafterausschuss GbR, a shareholder committee with registered offices in Munich. The purpose of the civil law association is to hold and manage this shareholding under stock corporation law.

The governing bodies of TÜV SÜD e. V., the TÜV SÜD Foundation and TÜV SÜD Gesellschafterausschuss GbR, are independent of the supervisory bodies of TÜV SÜD AG. This ensures their independence. 01

The TÜV SÜD Foundation publishes its own report annually.

Legal structure 01



1 _ Germany, Western Europe, Central & Eastern Europe.
2 _ North Asia, ASMEA (South & South East Asia, Middle East & Africa).

Clearly defined management structure

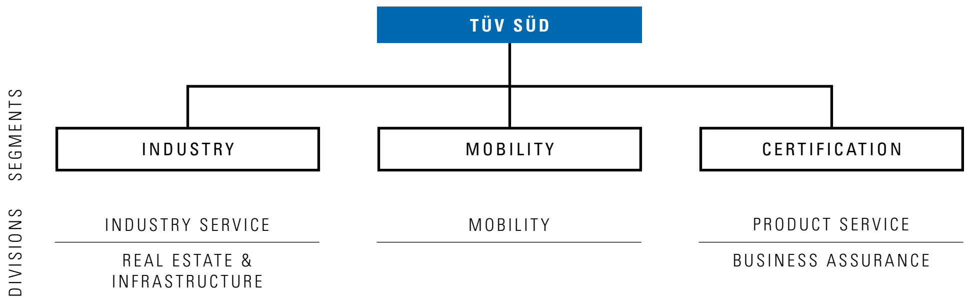
TÜV SÜD is managed as a matrix organization. The Board of Management consists of three members, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operating Officer (COO).

Below the Board of Management, the Leadership Council has been established as a body which supports the Board of Management in the implementation of overarching topics such as strategy, employee development, innovation and digitalization and comprises both the Board of Management and the heads of the divisions and key regions.

TÜV SÜD's services are grouped into three segments: INDUSTRY, MOBILITY and CERTIFICATION. The INDUSTRY Segment comprises the Industry Service and Real Estate & Infrastructure Divisions. The MOBILITY Segment contains the Mobility Division. The Product Service and Business Assurance Divisions make up the CERTIFICATION Segment. 02

While the divisions are responsible for implementing global strategies, local business development is the responsibility of the regions. The divisional and regional structure of our activities remained unchanged in the fiscal year 2021.

TÜV SÜD structure 02



Business model

We are the reliable and trustworthy partner when it comes to safety and sustainability. With our solutions, we create measurable added value for our customers, in the physical and digital world.

Our services meet these key requirements of our customers:

- We **facilitate access to the market** with our testing services and certifications. Our experts are frequently involved as early as the development process, helping to meet all of the requirements of the target markets – often long before a product is introduced onto the market.
- We **evaluate and reduce risks**, from risk assessments at facilities through to evaluations of sustainability aspects and digital risks, such as data protection and cyber security.

The market for technical services

As a technical services provider, TÜV SÜD is active on the market for TIC services (Testing, Inspection, Certification) – a market with an estimated global volume of around € 80 billion.

The largest markets for technical services are the USA, China and Germany. Large international companies such as TÜV SÜD along with a large number of small specialists are active here as technical service providers. Other market players include regulatory authorities, accreditation and standardization authorities, research and development institutions, manufacturers, retailers and systems operators.

The impact of the COVID-19 pandemic continues to shape the development of the TIC market and is changing the nature of the working world. E-business, remote working and location-independent service delivery are on the rise. Consumer behavior is also changing and necessitating the rethinking of business models, supply chains and the use of resources. The digitalization of products and processes continues to advance, resulting in new digital business models. To protect these, legislators and standard-setters are issuing new regulations and standards on cyber security.

As a result of support for environmental and climate protection goals from government and society, increasing focus is being placed on sustainability concerns when evaluating business activity. At the same time, investors and customers are demanding sustainable business models. Players in the TIC sector are expanding their specific service offerings related to security and sustainability. In smaller and emerging economies there is a growing trend towards outsourcing TIC activities with the goal of being able to provide top-quality services efficiently.

In light of this, we expect further market growth for the TIC market in 2022. However, continuation of the pandemic may pose risks to market growth.

Industry-specific environment

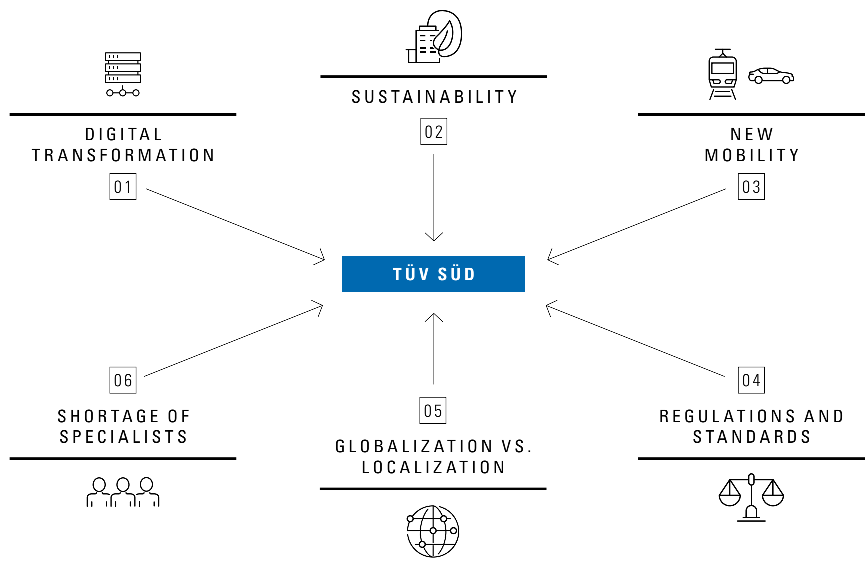
Since it was established more than 150 years ago, TÜV SÜD has made use of technological advances and the challenges these present to realizing the company's purpose: to make technological progress attainable, safe and sustainable for people and the environment.

THE COVID-19 PANDEMIC CHALLENGE
SEE PAGE
77

The advancing digitalization as well as the trend towards sustainability are long-term drivers influencing social change. The changes to the working world triggered by the COVID-19 pandemic are also accelerating the pace. This presents us with both opportunities and challenges. We support our customers with this transformation and develop new processes to respond to the changing requirements and framework conditions. Our working environment and the way we work are also changing on account of technological and societal change. We view these changes primarily as an opportunity to further develop our company and the global collaboration of our experts. 03

Challenges and trends for TÜV SÜD

03



Our business is shaped by these trends and challenges:

01 Digital transformation
Digitalization is giving rise to new business models and partnerships in the TIC industry. At the same time, new competitors are also moving into the market. The development of digital technologies, for example in the field of sensor technology, analytics and artificial intelligence (AI), is gathering pace. For us and for our customers, this opens up numerous opportunities for new services, for new processes and for the way in which our services will be provided in the future. Data and platform-based services are increasingly being developed and offered in order to better meet customers' needs and introduce new business models to the market.
INNOVATIONS REPORT
SEE PAGES 27 – 29

02 Sustainability
More and more companies are striving to work in a more sustainable manner, they want to preserve resources and design their supply chains accordingly. More stringent environmental requirements, but also a change in the mindset of society and regulatory requirements are accelerating this trend. This is also shifting the focus for our industry. Skills and services relating to sustainability, and in particular climate and environmental protection continue to gain in importance.
ENABLE MORE SUSTAINABILITY
SEE PAGE 29

03 New mobility
The future of mobility is connected and highly automated. In the future, vehicles will be driven by electric batteries or hydrogen fuel cells. This goes hand-in-hand with higher standards for (digital) vehicle safety and sustainable operation. This will present new challenges for the testing of vehicles, driver assistance systems and the entire charging infrastructure.
BUSINESS AND ECONOMIC ENVIRONMENT
SEE PAGES 41 – 47

04 Regulations and standards
Regulations and standards must be constantly adapted to keep up with rapid technological developments if they are to continue to offer security and value to society. The wealth of experience of our experts allows us to make a significant contribution to this. TÜV SÜD is also involved in various different bodies around the world. These also include international standardization bodies such as the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO).

05 Globalization vs. localization
Companies operate globally with closely intertwined supply chains. This requires an understanding of and compliance with the various different national and international standards in effect at any point in time. At the same time, the local markets in economies such as China are becoming more important. Local know-how and representation are required in order to serve these markets. The year 2021 has made us all acutely aware of how fragile global supply chains are. In response, manufacturers are seeking alternative sources and local suppliers in order to reduce their dependence.
THE MARKET FOR TECHNICAL SERVICES
SEE PAGES 22 – 23

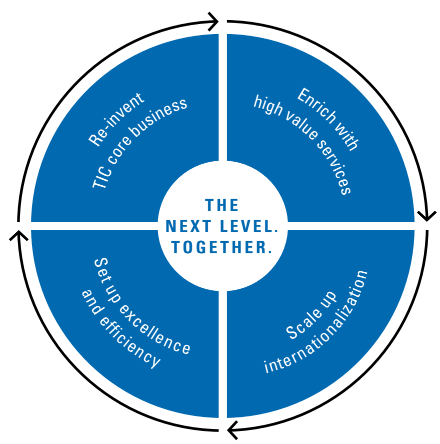
06 Shortage of specialists
Both today and in the future, the TIC market needs well-trained experts who are also capable of operating in an internationally networked environment. Successful growth will only be achieved by those companies that are successful in doing so. Otherwise, the shortage of skilled experts can be a barrier to growth. Specialists are already in high demand on local markets and keenly sought. The demographic change in Germany is making the recruitment of these experts even more difficult.
EMPLOYEE REPORT
SEE PAGES 72 – 77

Strategy

With our strategy "The Next Level. Together.", we want to reach the next level in the development of our company and take advantage of the opportunities offered by new trends and developments, driven in particular by digital technologies and sustainability topics – both for us and for our customers. In 2021, we reviewed the status of the strategy implementation, compared it to the latest market developments, and refined our strategy 2025+ accordingly. In the course of this review, we also rolled forward the time horizon of our strategy 2025+ to the year 2026.

What became clear was that the key trends and challenges are still relevant, but are developing at different speeds. In particular, digital transformation and the desire for greater sustainability in virtually all sectors of the economy have gained momentum in recent years. In light of the above, we have initiated a broad portfolio of strategic initiatives. However, our vision and the fundamental alignment of TÜV SÜD have stood the test of time and remain valid without change. We are continuing to pursue four strategic angles: 04

The Next Level. Together. 04



- **Set up excellence and efficiency:**
  We want to always offer our customers the best services – and our customers should notice the difference. This requires high levels of quality in our services, distribution, processes and excellence of our employees. Our efforts are therefore firmly focused on digital transformation in order to strengthen our internal processes and those of our customers. In the area of e-business, for example, we are driving forward investments in the creation of customer portals and online shops, worldwide and across all divisions.

- **Re-invent TIC core business:**
  Our expertise in almost every industry, combined with knowledge of the possibilities of digitalization, enables us to develop data-based, continuous and automated testing services, and also develop standards for new fields of technology. Current examples include our activities in evaluating the quality and safety of artificial intelligence or testing cyber security and software updates in vehicles. We place particular emphasis on developing services that will support our customers to achieve greater sustainability.

- **Enrich with high-quality services:**
  Based on our expertise, we want to supplement our services with technical consulting in selected areas to provide the best possible support to our customers in all project phases. One example: TÜV SÜD is a pioneer in IEC 62443 certifications and has offered this service since 2016. This standard creates a framework for the security of cyber-physical systems to minimize risks to industrial networks.

- **Scale up internationalization:**
  We aim to be market leaders in our core countries. Our focus is always on offering services and skills across national borders as well as being close to our customers locally. We want to make our relationships with our customers increasingly global and build up our business activities around the world. We consistently pursued this course once again in 2021.

In recent years, pursuing the four strategic angles of our strategy already made TÜV SÜD more adaptable and more agile – capabilities that we built on during the COVID-19 pandemic. Our strategic angles will thus remain the same, even during the pandemic, when it comes to providing even more services digitally, optimizing and automating processes and exploiting new innovative services for sustainable growth.

BUSINESS AND ECONOMIC ENVIRONMENT SEE PAGES 41 – 47

The new initiatives and projects launched in 2021 support the goals that we have already been pursuing in recent years. The focus will remain on these areas:

- We want to further expand our core business and systematically exploit existing growth opportunities, for instance in the areas of railway transport, medical technology and consumer goods.

- We want to continue to play an active role in shaping the digital transformation – on our markets with our customers as well as within our company. We are benefiting increasingly from the groundwork that has been carried out and can scale the solutions developed on that basis.

- Last but not least, we want to exploit business opportunities arising from sustainability topics. As a company we also want to become increasingly sustainable and win over our stakeholders through our actions.

In this way, we also want to be a partner for our customers in the future with respect to safety and sustainability, in both the physical and the digital world. We want to continue to sustainably improve the revenue and profitability of our business. But above all, we want to live up to the vision that we have been pursuing for more than 150 years: to protect people, assets and the environment against technical risks, facilitating technological progress in the process.

Innovation is key

Anyone who stands for the safety of technology must also know and understand the latest technological developments and innovations. TÜV SÜD has been practicing active innovation management for many years. In the fiscal year 2021, we invested approx. € 16 million (prior year: approx. € 16 million) once again in research and development for innovative projects.

Our goal is to develop innovations that are clearly tailored to the market and to quickly and effectively translate them into specific products. We want to play an active role in shaping the relevant standards and regulations and offer integrated solutions to customers in cross-divisional collaboration. Some of the topics have now reached a high maturity level, enabling us to incorporate them into the operating business and to now focus on successful scaling in addition to further refining them. Examples in this regard include our activities in highly automated driving or cyber security services. In the fiscal year 2021, the German Federal Motor Transport Authority (KBA) appointed TÜV SÜD as a technical services provider for cyber security and software updates in vehicles. The regulatory framework is provided by the United Nations Economic Commission for Europe regulations UNECE R 155 and UNECE R 156. In force since the spring they apply internationally for the type approval and the certification of management systems. As notified body, TÜV SÜD audits the management systems and issues a comprehensive report to the KBA for approval. In this way, TÜV SÜD has expanded its service portfolio for the development of connected and automated vehicles.

Once again, our activities in the year 2021 were shaped by the digital transformation of our core business and the expansion of our new, technology-driven business models. In the course of rolling forward our 2025+ business strategy we also focused more heavily on sustainable business and the associated services.

SHAPING THE DIGITAL REVOLUTION

With the advance of digitalization, business models and framework conditions are changing – for us and for our customers. TÜV SÜD spotted this trend early on. Since 2018, TÜV SÜD Digital Service GmbH, Munich, and its competence centers in Munich and Singapore have offered experts and know-how to support the digital transformation of TÜV SÜD. These two closely-linked offices drive group-wide initiatives and projects for digitalization. Developments include both digital solutions for optimizing internal processes as well as new technology-based external services. In addition to product development, they also support the operation of digital business models.

The digital service initiatives are linked to the divisional strategies at an early stage, with the inclusion of regional perspectives in turn paving the way for effective internationalization of the new solutions. Direct access to the markets facilitates flexibility in development and the introduction of innovations: We participate in German and EU initiatives as well as development initiatives and subsidized projects in the city-state of Singapore, contribute to the development of new standards, and exploit the differences in the framework conditions accordingly. For example, Singapore recently issued regulations on facade inspections. We developed tools for this specific purpose using drones and artificial intelligence (AI). This new product is now being commercialized and, optimized locally and then successively transferred to other markets.

With our e-business activities, one of our strategic and cross-divisional initiatives, we are pursuing the goal of giving our customers worldwide access to selected TÜV SÜD services via a central platform.

AI plays a central role in the megatrend of digital transformation. In the fiscal year, we combined our knowledge of existing and emerging standards related to artificial intelligence and developed a corresponding quality framework that can serve as a foundation for a management system used during the implementation of artificial intelligence and also as an audit standard. At the same time, a training program was created that became available to our customers in the second half of 2021. In addition, our experts contribute to the TÜV AI Lab, a think tank for artificial intelligence founded by all TÜV organizations. The TÜV AI Lab intends to define the technical and regulatory requirements that AI entails and develop standards for auditing safety-critical AI applications.

The plan is to successively evolve the Smart Industry Readiness Index (SIRI) developed by TÜV SÜD and the Singapore Economic Development Board (EDB) into the global standard for the transformation to Industry 4.0. The existing partnership with the World Economic Forum will play a catalytic role in it being adopted worldwide: By the end of 2021, more than 700 companies had completed an Official SIRI Assessment (OSA). A report on their experiences will be published at the World Economic Forum in 2022. More than half of the assessments were conducted by TÜV SÜD. In addition, TÜV SÜD, as the sole training partner, is responsible for the training of Certified SIRI Assessors (CSA). The International Centre for Industrial Transformation (INCIT) was founded in the fiscal year with representatives from the World Economic Forum and the Asia Development Bank to drive forward further internationalization of SIRI. As an independent, non-governmental not-for-profit organization, INCIT intends to spearhead the internationalization of SIRI and promote industrial transformation at a global level. TÜV SÜD will continue to accompany this process as a strategic partner.

ENABLE MORE SUSTAINABILITY

The lessons learned from establishing SIRI also served as a basis for the development of an approach for supporting manufacturing companies in particular on their path towards greater sustainability. The Green Compass places the focus not only on the company and its added value, but also its products. Comparable to the role of SIRI within the context of Industry 4.0, the framework helps companies develop a corresponding management approach and identify, assess and steer the associated measures.

At the same time, with its numerous newly-developed services and certifications, TÜV SÜD enables customers to make their activities more sustainable and to substantiate this accordingly. For instance, TÜV SÜD has developed the veriX procedure to assess conformity on the basis of the DIN EN ISO/IEC 17029 norm and other international standards. The veriX procedure helps energy-intensive industries validate their successes at reducing their CO_2 emissions. The process was first implemented with VERIsteel. VERIsteel allows product-specific CO_2 emissions in the steel industry to be verified, thus supporting the targeted decarbonization of companies in this emissions-intensive segment.

To address the growing number of offshore windparks in regions affected by tropical storms, TÜV SÜD has developed a computational model that simulates the impacts of extreme winds on the wind turbines. The model is based on the IEC 61400 international standard for wind turbines.

To make investments by energy providers more secure, TÜV SÜD, in association with a manufacturer of plant and equipment, developed a guideline in the fiscal year 2021 for defining the H_2-readiness of power plants and offers the corresponding certifications. The guideline provides a roadmap for converting a conventional combined cycle gas turbine power plant into a hydrogen-powered plant, while the three-stage H_2-ready certification documents the process from the design phase through to the actual retrofitting of the plant. This includes accompanying the technical safety aspects of the new energy concepts.

Our management system

TÜV SÜD's management system is based on the integrated controlling system and strategic corporate planning. We use various key figures as indicators to manage and measure the performance of the Group.

We have defined revenue growth and earnings before interest, before other financial result and before income tax, but after income from participations (EBIT) and the EBIT margin as key financial performance indicators.

These indicators are supplemented at group-level by the value-based indicator Economic Value Added (EVA®), which has been adapted to the requirements of TÜV SÜD. This measures the value added by the Group and takes into account the cost of capital used to generate the respective earnings. The EVA indicator is a key component of variable compensation in the compensation system for the first and second levels of management.

At Group level, we also use free cash flow and earnings before taxes (EBT) as additional, non-material financial indicators. The free cash flow shows the extent to which we generate long-term cash flows from our operating activities. ≡ 02

Various non-financial performance indicators relate to our employees. These indicators include headcount, the average age of employees, the proportion of female employees and the average duration of employment at the company.

Definition of financial performance indicators at TÜV SÜD ≡ 02

KEY INDICATOR	DEFINITION
EBIT	Earnings before interest, before other financial result and before income tax, but after income from participations
EVA	NOPAT – GROUP'S COST OF CAPITAL **Net operating profit after tax (NOPAT)** = EBIT – income tax (flat rate of 30%), excluding the at-equity result from the flat-rate taxation **Capital employed** = non-current operating assets + inventories and receivables – non-interest bearing liabilities and provisions[1] **Group's cost of capital** = average capital employed × weighted average cost of capital (WACC: 7%)
Free cash flow	**Cash flow from operating activities** – Cash outflow for investments in intangible assets, property, plant and equipment and investment properties

1 _ Non-interest bearing liabilities and provisions include current provisions and tax liabilities.

This value-based management is implemented in our **integrated controlling system**. It is based on a group-wide management information system, a harmonized global finance function, and accounting and reporting in accordance with International Financial Reporting Standards (IFRSs).

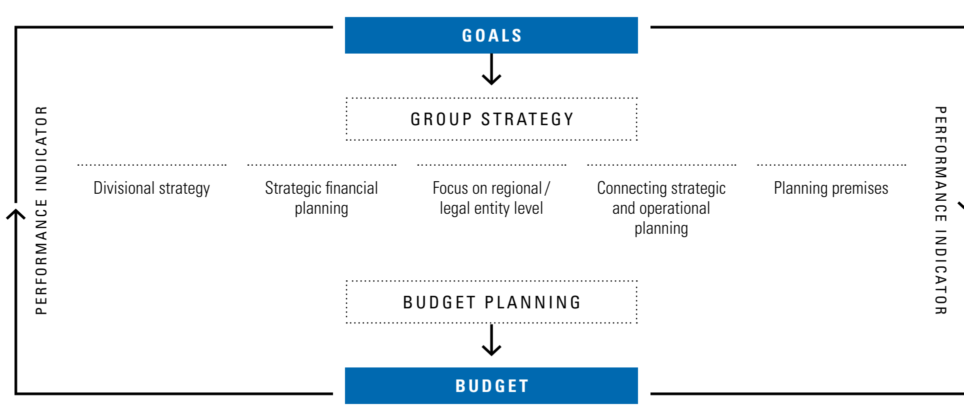
All performance indicators are determined as part of our planning and monitoring processes for the respective levels of the Group (segments, divisions, regions and legal entities) and are made available in a standardized format via our internal reporting system.

The starting point for our planning and control processes is **strategic planning**. This aims to achieve profitable and sustainable growth and a continuous increase in the value of the company.

In addition to quantitative factors and hitting operating targets, the reputation of the TÜV SÜD brand as well as sustainable business is at the forefront of everything we do. To achieve this, the quality of the services we provide and the satisfaction of our customers are crucial.

The Group's strategy, which is broken down into the respective divisional strategies, is derived from the long-term strategic goals. The divisions' targets are incorporated into the strategic financial planning and are specified in more detail at a regional level. The planning for the next year that is derived in this way, and three forecasts during the year in progress, combined with prompt monthly financial statements, form the basis for our analyses with which we measure the implementation of strategic goals and analyze deviations from the plan. 05

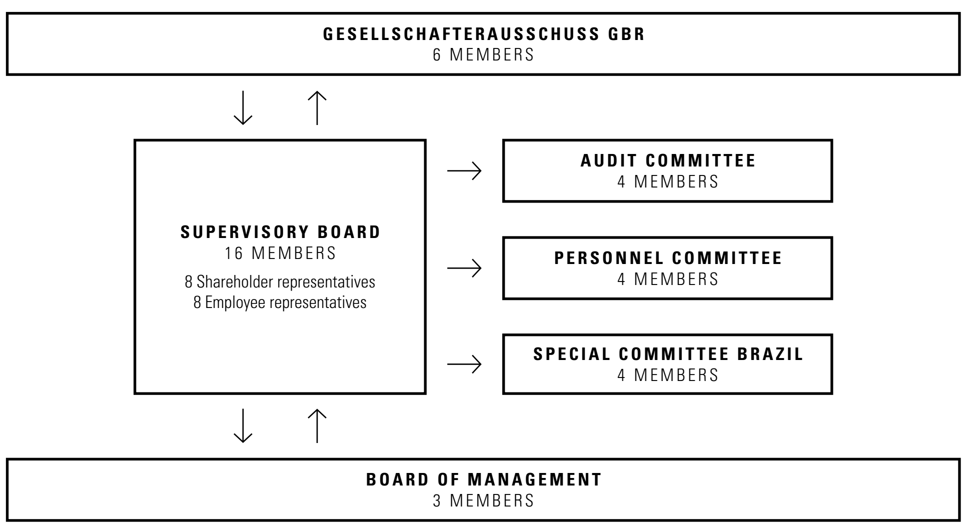
Strategic and operational planning 05



CORPORATE GOVERNANCE REPORT

The Board of Management and Supervisory Board of TÜV SÜD AG are guided by the requirements imposed by the German Corporate Governance Code on capital market-oriented companies. We consider good corporate governance to mean responsible, transparent and values-based management. It is explained in greater detail in clear guidelines and regulations that apply throughout the company. These principles are reviewed regularly and adapted in line with new findings, changed legal provisions, and national and international standards. This creates transparency and enhances the trust of our customers, our employees and the public in our work and at the same time allows us to meet the steadily increasing information requirements of national and international stakeholders. 06

Overview of the bodies and committees of TÜV SÜD AG 06



Composition of the Supervisory Board

The Supervisory Board of TÜV SÜD AG has 16 members. In accordance with German law, half of the members are employee representatives and half are shareholder representatives, who are reputable representatives of business and the public. The Supervisory Board has three female members representing the shareholders.

The Audit Committee deals primarily with monitoring the financial reporting process, the effectiveness of the internal control system, the risk management system, the compliance management system and the internal audit system. In particular, it receives reports on the Group's risk situation, the findings of internal audits, including compliance breaches, as well as planned investment and portfolio measures. It also deals with the audit of the annual financial statements, significant accounting issues and the independence of the auditors, the additional services provided by the auditors, the awarding of the audit engagement and the definition of audit focus areas and the agreement of fees.

The main tasks of the Personnel Committee include preparing appointments and the removal of members of the Board of Management, drafting recommendations on remuneration of the individual members of the Board of Management and designing and regularly reviewing the remuneration system.

The special committee Brazil is tracking the internal and external handling of the dam collapse in Brazil. It receives regular status updates, also from independent technical experts and law firms engaged for this purpose.

The Supervisory Board as a whole is regularly informed by the respective committee chairmen of the activities of the respective committees. ≡ 03

Committees of the Supervisory Board

≡ 03

	Supervisory Board	Audit Committee	Personnel Committee	Special Committee Brazil
Dr.-Ing. Dr.-Ing. E.h. Klaus Draeger	Chairman	Member	Chairman	Chairman
Harald Gömpel	Deputy Chairman		Member	Member
Dr. Christine Bortenlänger	Member			
Matthias Andreesen Viegas	Member			Member
Wolfgang Dehen	Member			Member
Thomas Eder	Member			
Dr. Jörg Matthias Grossmann	Member	Chairman		
Franz Holzhammer	Member			
Jens Krause	Member	Member		
Marcel Rath	Member	Member		
Angelique Renkhoff-Mücke	Member			
Dr. Nathalie von Siemens	Member			
Prof. Dr. Rudolf Staudigl	Member			
Dr. Eberhard Veit	Member		Member	
Rainer Wich	Member		Member	
Kai Winkler	Member			
NUMBER OF MEETINGS				
	4	4	6	4

The attendance rate at the meetings of the Supervisory Board and its committees was around 90% in 2021.

Composition of the Board of Management

CLEARLY DEFINED MANAGEMENT STRUCTURE SEE PAGES 21 – 22

The Board of Management of TÜV SÜD AG has three members. It is responsible for running the company and manages its business. It is bound to act in the interest of the company and to increase the long-term value of the company. It discharges its management duties as a collegial body with joint responsibility for managing the company.

Cooperation between the Board of Management and the Supervisory Board

TÜV SÜD's strategic direction is coordinated closely between the Board of Management and Supervisory Board of TÜV SÜD AG. The boards jointly discuss the status of strategy implementation at regular intervals. The Board of Management informs the Supervisory Board regularly, comprehensively and without delay about all relevant questions regarding business development, planning and the current situation of the company, including risks and opportunities, as well as compliance, in written and oral reports.

BOARDS OF TÜV SÜD AG SEE PAGE 16

Further information on collaboration between the Board of Management and Supervisory Board of TÜV SÜD AG can be found in the Supervisory Board report. The members of the Board of Management and Supervisory Board are listed in the Boards of TÜV SÜD AG section.

Declaration on the equal representation of women and men in management positions

In June 2017, TÜV SÜD AG set these targets for the inclusion of women in managerial positions for the period until December 31, 2021. ≡ 04

≡ 04

	Target rate	Share already achieved (December 31, 2021)	Deadline
Supervisory Board	25%	19%	December 31, 2021
Board of Management	0%	0%	December 31, 2021
First management level	20%	11%	December 31, 2021
Second management level	35%	39%	December 31, 2021

The target quota of 25% on the Supervisory Board of TÜV SÜD AG was missed as of the reporting date of December 31, 2021, after having been achieved for the first time in 2017. It currently stands at 19%. Pursuant to Section 101 (1) Sentence 1 of the German Stock Corporation Act (AktG), the members of the Supervisory Board are elected by the Annual General Meeting unless they are to be delegated to the Supervisory Board or elected as employee representatives on the Supervisory Board.

The Annual General Meeting continually reviews the election of qualified women to the Supervisory Board of TÜV SÜD AG and strives for a diverse composition. This is intended to ensure the best possible composition of the Supervisory Board of TÜV SÜD AG on the shareholder side. Three of the eight shareholder representatives elected to the Supervisory Board of TÜV SÜD AG by the Annual General Meeting in the reporting period were women. This corresponds to a female share of 37.5%. In the elections held in 2021, the Annual General Meeting has elected half women.

Employee representative bodies and trade unions also continuously review the election and appointment of qualified women to the Supervisory Board of TÜV SÜD AG. In the elections of employee representatives to the Supervisory Board of TÜV SÜD AG in 2020, there were no women among the eight elected employee representatives (0%).

A percentage increase in the percentage of women on the Board of Management is currently not envisaged. For future appointments, women will be considered on an equal footing to men.

As of the reporting date, the target ratio for the first management level below the Board of Management was not met. Due to the small number of positions at this management level at TÜV SÜD AG, changes that are small in number result in a high percentage shift. The shortfall in the defined target figure is due in particular to personnel transferring to TÜV SÜD AG subsidiaries.

The target ratio for the second management level below the Board of Management was exceeded.

In addition to TÜV SÜD AG, four German Group companies are also covered by the Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private and Public Sectors (FüPoG II). Target quotas were also defined for these German Group companies, predominantly with implementation deadlines as of December 31, 2021. These target quotas set in 2017 were at least equal to the proportions already achieved in 2017.

Compliance

Compliance with international rules and dealing fairly with our business partners and competitors are among our company's most important principles. "Add value. Inspire trust." is not only our corporate claim: It is a promise to our customers. To fulfill this, both the technical excellence of our services as well as independence, integrity and compliance with the law are necessary in our day-to-day work.

TÜV SÜD takes a preventive approach to compliance and endeavors to achieve a corporate culture that proactively excludes potential breaches by raising employee awareness and educating the workforce. The necessary measures and compliance with implemented checks are monitored at regular intervals by the internal audit function. This involves systematically reviewing compliance and performing controls based on random samples. If a specific breach of compliance is suspected, the facts are examined and sanctions imposed accordingly.

The Chief Compliance Officer is supported in his work by the Global Compliance Officer, the Corporate Compliance Officers in the respective corporate functions, regions and entities of the group and the Legal department. We have communicated concrete behavioral principles (the TÜV SÜD Code of Ethics) to all entities, and established these as an essential component of Group culture. The TÜV SÜD Code of Ethics consists of compliance regulations that include avoiding conflicts of interest and corruption, and observing embargo and trade control provisions, among other things. The compliance management system ensures compliance with these regulations, also from an organizational perspective.

SEE
WWW.TUVSUD.COM/EN/ABOUT-US/
CODE-OF-ETHICS

Through comprehensive compliance training, including an e-learning program tailored to the company's specific requirements, we ensure that our corporate compliance requirements are put into practice within the company. Employees may contact the Chief Compliance Officer or any other Compliance Officer at any time.

All seven elements of the compliance management system were revised and supplemented in 2021 in preparation for a reasonable assurance review of their appropriateness and effectiveness under the terms of standard IDW AsS 980 of the Institute of Public Auditors in Germany. In this regard, a compliance risk analysis was conducted once again, the compliance training concept modified, the key compliance guidelines revised and the compliance program supplemented with additional compliance guidelines, among other actions.

Numerous queries and reports were received by TÜV SÜD via the electronic whistleblowing system TÜV SÜD Trust Channel, which is available to employees and third parties worldwide. In the majority of cases, no breach of legal compliance was identified. In a few cases, breaches of the law or internal policies were sanctioned appropriately and resulted in consequences under labor law.

As a member of the TIC Council, TÜV SÜD is bound by the TIC Council Compliance Code. The TIC Council Compliance Code focuses on integrity, avoiding conflicts of interest, confidentiality and data protection, but also on anti-corruption, fair business conduct, occupational health and safety as well as fair working conditions including the protection of human rights. The existence of individual elements of this compliance code is investigated annually by an independent audit firm.

Risk management system

In our day-to-day work, we attach high importance to careful handling of potential risks for the company. Our risk management system is designed to identify risks, evaluate existing risk positions and optimize risks entered into. This is done in the risk committees set up for this purpose, comprising representatives of the divisions and corporate functions. We continually adapt this system to the changing business environment. In addition to the above, risk workshops are conducted at regular intervals with delegates from the divisions, business units, regions and corporate functions.

OPPORTUNITY AND RISK REPORT
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In the fiscal year 2021, a test of operating effectiveness of the TÜV SÜD risk management system in accordance with the assurance standard of the Institute of Public Auditors in Germany IDW AsS 981 was successfully completed without objection.

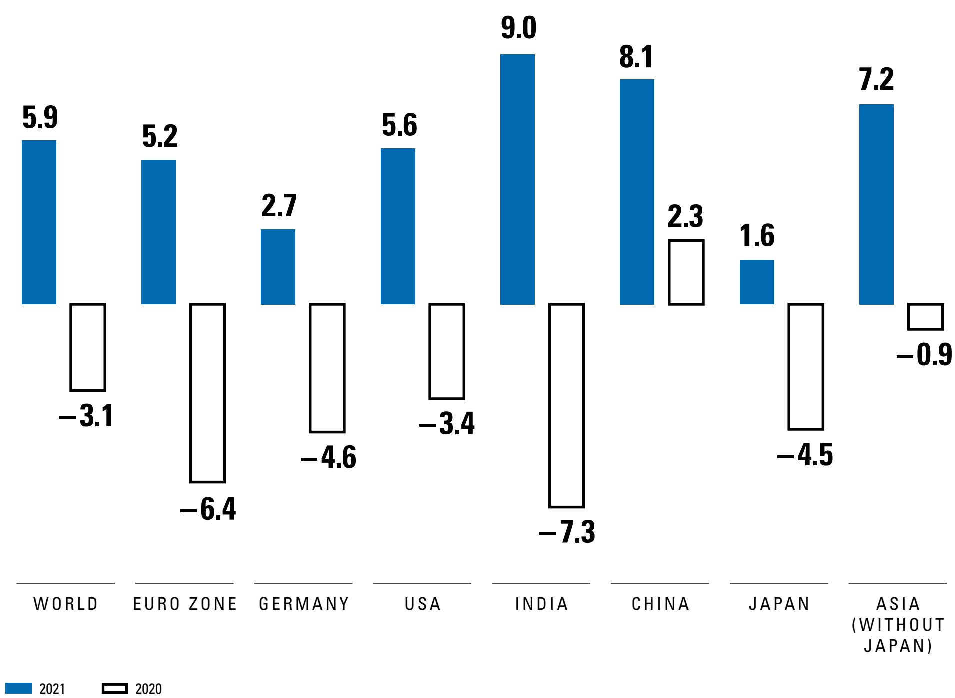
ECONOMIC REPORT

Overall economic situation

The COVID-19 pandemic continued to dominate global economic developments in the year 2021. The high case numbers put a damper on the recovery of the global economy. World trade and industrial production slowed down due to supply bottlenecks and higher energy prices. Inflation reached record highs in many countries. As a result, the economic upturn was modest in both advanced and emerging economies. In sum, global economic output grew by 5.9%. 07

Economic growth in key markets worldwide[1] 07

IN %



1 _ IMF world economic outlook (prior year forecast updated with actual figures).

EUROPEAN ECONOMY RECOVERS

In the European Union, gross domestic product rose by 5.2% after slumping by 6.4% in the prior year due to the pandemic. The European economy saw particularly rapid growth in the summer months, when momentum was greatest. As in the prior year, government programs aimed at protecting jobs prevented more wide-scale lay-offs. In addition, comprehensive financial stimulus programs and favorable terms of finance from the European Central Bank provided tailwind to the European economy. However, at the end of the year, inflationary pressure increased on account of a sharp upturn in energy prices.

In Germany, the economy was affected by government-mandated restrictions at the beginning and end of the year. GDP grew at a moderate level of 2.7%, after shrinking by 4.6% in the prior year. The contact-intensive services sector was still significantly impacted by the COVID-19 restrictions. Supply bottlenecks for commodities and key upstream products put a brake on industrial production. As a consequence of the price hikes for commodities, upstream products and energy, inflation hit 5.2%, the highest it has been since German reunification. In spite of the rapid rise in prices and continuing restrictions on spending opportunities, private consumption is returning to the level seen before the crisis. The main factor driving this trend is a rise in the real disposable income of private households as a result of the scaling back of government-subsidized short-work programs and an upturn in the labor market.

In most other European countries, the economy was not as severely dampened as in Germany. Italy, for example, saw GDP growth of 6.2% and Spain 4.9%. In the UK, economic output grew by 7.2%.

USA: EXPANDING ECONOMY

The US economy expanded by 5.6% in 2021 (prior year: contraction of 3.4%). Shored up by fiscal measures, the economy was hardly affected by the pandemic. In particular, private consumption and the residential real estate sector were motors for growth. The increase in production slowed due to supply chain problems. The high inflation rate had not resulted in a tightening of monetary policies by the US Federal Reserve at the end of 2021.

VARIED DEVELOPMENT IN EMERGING MARKETS

The Chinese economy grew by 8.1% (prior year: 2.3%), driven primarily by an increase in industrial production. However, the strict zero-COVID strategy pursued by the government caused disruptions to global supply chains and locally to energy supply.

The economy rebounded quickly in many of Asia's emerging economies, despite the spread of additional mutations of COVID-19. Positive factors in this regard were primarily the lower dependence on international supply chains and also a lower inflation rate. The Indian economy also managed to recover from the slump induced by the pandemic, recording growth of 9.0% in 2021. By contrast, due to sustained structural problems, economic growth in South America was not robust enough to overcome the downturn it had suffered.

MONETARY POLICY SHOWS NO CLEAR TREND

Advanced economies retained their expansionary monetary policies in 2021 to prop up the economy weakened by the effects of COVID-19 pandemic. Key interest rates in the euro zone, the UK and in the USA remained at a historically low level. In emerging economies, key interest rates were raised again to boost the positive price development and counter rising inflation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, CURRENCY TRANSLATION SEE PAGE 108

The euro continued to depreciate against the US dollar in the course of the fiscal year 2021 and stood at US 1.13 dollar (prior year: US 1.23 dollar) at the end of the year. Over the year, the euro also depreciated in value against other important currencies for TÜV SÜD. The development of the most important reference currencies is shown in the notes to the consolidated financial statements.

Business and economic environment

Business in the fiscal year 2021 was affected by the COVID-19 pandemic and the associated government intervention measures. These measures repeatedly led to selective and regional restrictions on social and business life and impacted our business activities, particularly in the first half of 2021. This is due to the fact that in certain divisions and markets our business depends heavily on economic developments and freedom of movement for both people and goods. Our comprehensive portfolio of technical services, which we supplement on an ongoing basis to include innovative solutions for our customers, our global presence on site at our customers, and the flexibility and know-how of our employees were once again key to mastering the challenges arising from the pandemic.

THE MARKET FOR TECHNICAL SERVICES SEE PAGES 22 – 23

Our business development is also affected by social change and technological transformation. Worldwide, social expectations and political demands for sustainable business activity are growing, particularly with regard to protecting the climate, the environment and health as well as safeguarding human rights. At the same time, the digital transformation is accelerating in many areas of the economy, not least due to the impact of the COVID-19 pandemic. Data privacy, information security and cyber security have become core issues in all sectors, worldwide. Our customers are also called upon to meet all these challenges, for which we provide a whole range of services in the fields of sustainability and digitalization.

Against this backdrop, we have placed our focus on our core competencies and regularly review our product portfolio and our business activities. Key criteria are the relevance for the TIC market and the strategic significance of the services offered.

INDUSTRY

Business activity in the INDUSTRY Segment continued to be hampered by the COVID-19 pandemic in the fiscal year. This was particularly evident in those industries that are heavily dependent on international supply chains, but it also applied to sectors and regions where entry and travel restrictions were imposed – in other words, mainly in those places where we could not take any counteraction by adjusting our business model. We minimized the impact on our business by consistently pursuing the digital transformation and scheduling inspection and testing services in a flexible manner, as well as continuing the cost optimization program.

THE MARKET FOR TECHNICAL SERVICES
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The strategic priorities in the INDUSTRY Segment are aligned with the trends of sustainability and digital transformation. With new services related to decarbonization and climate protection, we have expanded our existing product portfolio of renewable energy initiatives. In addition to concentrating on our core competences in the TIC market, focus was also placed on developing and launching smart and digital inspection as well as testing services and certifications.

We are driving forward the use of renewable energy sources in order to make our contribution to the success of the energy transition and to reaching the climate goals of our customers. The decarbonization of energy systems through the use of hydrogen is the focus here. We offer comprehensive solutions along the entire hydrogen technology value chain, including H_2-Readiness guidelines and an H_2-Ready certification of power plants. As a member of the Hydrogen Council and as a partner of H2UB, a body for connecting companies and science for the development of the hydrogen market in Europe, we actively contribute our competencies and experience in the field of hydrogen technology and continue to network in the hydrogen industry.

Services relating to wind energy are another essential component of our product portfolio. With our extensive range of services for onshore and offshore wind farms, which we are constantly expanding, we have a presence in all major regions where wind energy plays a role and foster the use of renewable energy worldwide. In Germany, we also offer our customers inspections of facilities that are subject to special control by the German ordinance on industrial health and safety (BetrSichV).

Electromobility and energy efficiency are also part of the renewable energies initiative. As one example, we conduct radiological testing for – and on – batteries for electric vehicles along the supply chain.

ENABLE MORE SUSTAINABILITY
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In addition, we offer certifications for the circular economy, such as a certification of the recycling capability of packaging, and we support the decarbonization of energy-intensive industries by offering the VeriX procedure that compares and verifies product-specific CO_2 emissions.

At the same time, with our new solutions we align with the requirements of the advancing digitalization of our inspection and testing services. One example is our noise emissions testing, a further development of the existing testing methods for pressurized containers towards almost fully digital inspection.

In the industrial and power plant sector we were able to win a number of major contracts in Western Europe and the Middle East. We view this as confirmation that our strategy is being recognized by our customers.

Around the world, the construction industry is confronted by the challenges of meeting the demands posed by climate protection, energy efficiency and facility security in the face of growing cost pressure. Our expertise combined with our digital tools for the entire lifecycle of a building supports the industry with the tasks of reducing costs and risks while measurably improving quality at the same time. Development work on the modeling of digital building twins continued, in some cases through strategic partnerships. Thus, we use the digital building as a model for precise simulations and for automated or semi-automated verification of target parameters, including the quality control of a project. Climate protection roadmaps can thus also be modeled for existing properties. In addition to this, we offer certifications for sustainable construction in accordance with BREEAM (Building Research Establishment Environmental Assessment Method) for existing properties and new builds.

New technologies are also being applied for building inspections and site supervision. With the use of video drones and 3D models, artificial intelligence can, for instance, map construction progress and the execution of trades during construction and infrastructure projects in real time. These new technologies have been successfully employed for the inspection of facades in Singapore.

INNOVATION IS KEY
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Our certification services for lifts are in demand internationally. TÜV SÜD is an accredited inspector of safety-critical lift components. Since the fiscal year, this also applies within the independent UK economic area that was created by Brexit. We are expanding our market position by means of strategic cooperations in the international arena and launching digital innovations such as the sensor-based manufacturer-independent LiftManager, which monitors operating parameters and initiates predictive maintenance.

In the second half of 2021, we acquired the testing activities of a rail technology specialist in order to expand our inspection services in our core TIC market in Germany and Switzerland. As a result, we can now also offer measurements of aerodynamics, machine dynamics, electrical and electromagnetic compatibility (EMC) and vehicle acoustics in these two countries. As designated body, independent assessment body and, since November 2021, also notified body for the railway vehicle subsystem, TÜV SÜD offers the full range of inspection, testing and certification services required by manufacturers and retrofitters of rail vehicles to obtain the approvals required in Europe from a single source.

After preparing the sale of the German planning business for railway systems and a separate operation of the Real Estate & Infrastructure business of TUV SUD Limited, Glasgow, UK, in the prior year, both entities were sold in March 2021.

MOBILITY

In the MOBILITY Segment, the regulated market was largely stable in spite of the ongoing COVID-19 pandemic. Nevertheless, national restrictions adversely affected certain services, particularly in the first half of the year. Once the situation eased as the restrictions were partly lifted in the second half of the year, these services saw significant catch-up effects. Business performance in the non-regulated market was impacted by lower traffic levels in the first half of the year and again by supply bottlenecks in the second half of the year, especially for semiconductors.

THE MARKET FOR TECHNICAL SERVICES
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The automotive industry is undergoing a fundamental transformation. The degree of complexity along a vehicle's lifecycle is growing constantly – from sourcing through to production, use and vehicle scrapping. Meeting sustainability criteria and demands for digital and technical safety are creating additional challenges for the industry. The MOBILITY Segment is supporting this transformation by providing innovative services and developing new digital business models and processes, such as in the field of highly automated driving (HAD) and the digitalization of the customer journey.

INNOVATION IS KEY
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We are driving forward the internationalization of our activities in the regulated market. We are active in Spain, Turkey, Austria and Slovakia. In the non-regulated market, we are expanding our service offerings in the USA and China, two markets on which we place special focus.

We offer emissions testing for type approvals in compliance with all international guidelines – including the Trusted Information Security Assessment Exchange (TISAX). Moreover, we conduct tests within the course of vehicle development and test hybrid and electric vehicles for environmental compatibility. In this way, we are supporting the automotive industry with our services as it transitions from conventional drives to hybrid and electric drives.

We are continuing to drive forward our commitment in the field of connected and highly automated driving. In addition, as a technical services provider for cyber security and software updates in vehicles, since June 2021 TÜV SÜD has supported car manufacturers and suppliers in implementing the international UNECE (United Nations Economic Commission for Europe) guidelines R155 and R156 for cyber security and software updates. In addition, we supported several projects for the registration of highly automated vehicles in Germany. We also won various major international contracts, for example in South Korea and the USA.

In the fiscal year 2021, we recorded impairment losses on a testing facility on account of its low capacity utilization due to market conditions, and another testing facility was written off entirely following its closure and relocation to another site. We also recorded impairment losses on a software project.

CERTIFICATION

The international alignment of the CERTIFICATION Segment, the broad customer base and the comprehensive services portfolio have comprehensively mitigated the impact of the ongoing COVID-19 pandemic. Even our Academy business has been able to drive forward its business development despite the extensive restrictions on classroom training in the first six months brought about by the pandemic, by offering digital content.

THE MARKET FOR TECHNICAL SERVICES
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The strategic priorities of the CERTIFICATION Segment were confirmed in the fiscal year by strategy 2025+. The strategic initiatives on digital transformation and the qualitative expansion of our services have been driven forward and internationalized. Particular focus was placed upon expanding our sustainability services in the fiscal year, especially with regard to the supply chain. With these strategic initiatives, we support our customers around the world in transforming their business models and allow them to access global markets. We render our services worldwide in our testing facilities, digitally or on site at our customers. When travel restrictions are in place, we also offer remote audits.

We develop specific solutions for our customers relating to the transformation of the automobile industry and the evolution of electromobility, such as in battery production. In its white paper, Achieving Global Market Access for xEV Battery Systems TÜV SÜD provides a summary of the requirements for the homologation of batteries and battery systems for electric vehicles (xEVs) with the goal of shaping market access for our customers worldwide.

Digitalization is accelerating the networking of global supply chains and the industrialization of additive manufacturing methods (advanced manufacturing). At the same time, the manufacturing industry is called upon to halve its CO_2 footprint by the year 2030. In order to help our customers master these challenges, TÜV SÜD offers certifications for industrial additive manufacturing production such as ISO/ASTM 52920 and iAM Industrial Additive Manufacturing Production Site Certification for the safe use and interoperability of these production processes. As a platform partner of the World Economic Forum, TÜV SÜD provides its expertise in the fields of CO_2 reduction in production, additive manufacturing, Smart Industry Readiness Index (SIRI) and smart safety in connected manufacturing.

INNOVATION IS KEY
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Additive manufacturing in medicine places particularly high demands on the reliability of the process chain and the reproducibility of products. This is especially true in the field of 3D printing, where some post-processing still needs to be performed manually in spite of advancing automation. TÜV SÜD has published detailed guidelines on this topic. In addition to this, TÜV SÜD offers conformity assessments for additive manufacturing to test products for conformity with the EU Medical Devices Regulation (MDR).

Consumer behavior has changed over the last two years on account of the pandemic. There has been an increase in demand for digital consumer goods and smart home products, such as connected home trainers, robotic vacuum cleaners or TVs. As substantiation of the IT security of these products, TÜV SÜD offers the CSC certification (Cybersecurity Certified) worldwide, which creates trust and transparency for these sensitive products, independent of the manufacturer. In China, our numerous testing facilities, alongside chemical analyses and tests of electro-magnetic compatibility, also offer certification services according to ENEC (European Norms Electrical Certification) and ENEC+ for electronic and lighting products.

AI-enabled medical devices and software as a medical product can improve healthcare by making it more efficient. However, the complex service and safety aspects of these devices are only partly reflected in the current regulatory requirements for medical products. To close this gap, TÜV SÜD issued an extensive checklist in association with the community of notified bodies for medical products in Germany (IG-NB) to evaluate the safety of AI-supported medical technologies. TÜV SÜD offers testing and certification services, including cyber security testing for medical products throughout their entire lifecycle – from the idea for the product to market maturity through to the end of the cycle.

The new EU Medical Devices Regulation (MDR) did not come into force until May 2021 on account of delays due to the pandemic. TÜV SÜD is the largest notified body in Europe in the field of medical devices. The high demand for testing of MDR compliance cannot be fully met at present on account of the low number of independent testing facilities in Europe. For this reason, TÜV SÜD has expanded a German testing facility complex to create additional testing capacity. The broader scope of the MDR also allows us to develop further services, such as services for aesthetics products or medical apps which must be tested for MDR compliance.

With regard to the auditing and certification business, the focus was placed on follow-up audits both as remote audits and audits performed on site at customers, where this was possible again without any restrictions due to the COVID-19 pandemic. With our TISAX we now offer global certifications based on a standard defined by the automotive industry for information security in the value chain of the automotive industry. We are constantly extending our suite of sustainability certifications, such as the ZNU (ZNU; Zentrum für Nachhaltige Unternehmensführung) standard for sustainable economic activities issued by the Center for Sustainable Leadership (ZNU) of the Faculty of Economics, Management and Society of the University of Witten/Herdecke. The ZNU standard comprises a management system that can be used to steer sustainability activities within companies and address specific sustainability issues relating to the three pillars of environment, economy and society.

We are driving forward the digitalization of training in the TÜV SÜD Digital Academy. This also involves providing a comprehensive range of statutory and sector-specific mandatory training courses, safety instruction and advanced training, also in environmental or safety-relevant areas. In addition, we offer companies legal assurance solutions regarding attendance at mandatory training. We have continued to expand our offer of virtual training courses and e-learning internationally to include the USA, India, China and Italy.

In light of the advancing digitalization and connectivity of the economy and society, Cyber Security Services are becoming increasingly important. The Business Assurance division offers IT-related services, particularly in the field of data privacy consulting and cyber security audits. It also helps customers defend themselves against phishing attacks by closing any gaps in their defenses and by offering secure cloud-based solutions. We have managed to expand our customer base, especially with our cloud-based services.

In Germany, we recorded an impairment loss on selected applications of an IT infrastructure in the fiscal year due to a system clean-up. An impairment loss was also recognized on key products of a German subsidiary since the future earnings expectations can no longer be realized.

In addition to this, we disposed of two German laboratory service providers in November.

Business development

TÜV SÜD's business development in 2021 reflects the extensive recovery of the economic and social environment from the constraints of the pandemic. TÜV SÜD was able to continue growing – despite persistently difficult general conditions. The global movement of people and goods is still hindered by the pandemic-related restrictions, while supply bottlenecks, rising energy prices, and the transformation of the European automotive industry are also impacting the development of our markets. Against this backdrop, the fiscal year 2021 once again confirmed the resilience of our business models, based on a broad service portfolio, global presence and the commitment of our employees. This enabled us to fulfill our social mission at all times in the fiscal year 2021, even under difficult conditions and in compliance with additional safety and hygiene regulations. ≡ 05

Targets and results ≡ 05

	2020	2021 Outlook	2021
Revenue	€ 2,486.0 million	€ 2,500 million up to € 2,700 million	€ 2,667.3 million
Development compared to prior period	– 4.0%	Up to 9%	7.3%
EBIT	€ 172.0 million	Increase to pre-pandemic level	€ 225.2 million
Development compared to prior period	– 15.2%		30.9%
EBIT margin	6.9%	High single-digit percentage range	8.4%
EVA	€ 39.0 million	EVA figure slightly lower than the EVA figure in 2019	€ 77.4 million
Employees	22,803		23,220
Development compared to prior period	– 1.0%	Up to 3%	1.8%

We derive the forecast of business development for the fiscal year from the existing service business at the time of planning. This is defined as organic growth.

The INDUSTRY Segment generated sales growth, but due to disposals during the year this did not reach the target corridor. However, the proceeds from disposals and the absence of charges for one-off effects had a positive impact on EBIT, with the result that the EBIT-related targets were in line with expectations.

The MOBILITY Segment achieved the defined sales targets, but failed to meet the forecast ranges for the EBIT-related target figures. This was mainly due to disproportionately large increase in purchased service cost and impairment losses recognized on intangible assets and property, plant and equipment.

The CERTIFICATION Segment met expectations for both sales growth and EBIT-related targets. Charges resulting from amortization and impairment losses required on intangible assets were fully offset.

From a Group perspective, earnings before interest, other financial result and income taxes, but including earnings contributions from investments (EBIT), totaled € 225.2 million. This significantly exceeded the target figure for EBIT in 2019 (€ 202.8 million). The main reasons for this were the positive operating business performance and lower charges from one-off effects such as depreciation, amortization and impairment losses. At 8.4%, the EBIT margin was also above the comparable figure for the prior year (6.9%) and thus within the expected corridor.

ONE-OFF EFFECTS
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Adjusted EBIT, which is more suitable for a multi-year sector comparison, reached € 235.0 million in the fiscal year, thus exceeding both the adjusted prior-year figure (€ 206.7 million, up 13.7%) and the EBIT for 2019 (€ 202.8 million). This development exceeded our expectations. The adjusted EBIT margin reached 8.8% (prior year: 8.3%).

Consolidated earnings before taxes (EBT) increased by € 56.9 million or 36.0% to € 215.1 million. Adjusted for non-recurring items, EBT amounted to € 223.5 million (prior year: € 192.9 million). The adjusted EBT margin reached 8.4% (prior year: 7.8%).

Consolidated earnings after taxes increased by € 43.5 million or 39.2% to € 154.5 million (prior year: € 111.0 million), with consolidated net income thus reaching the target corridor.

At € 77.4 million, Group EVA was higher than the prior-year figure (€ 39.0 million) and the EVA-figure of 2019 (€ 64.0 million) and thus exceeded our expectations for the EVA development. This key indicator is calculated from net operating profit after taxes (NOPAT) of € 162.0 million, less the Group's cost of capital, yielded by the product of average capital employed (€ 1,207.7 million) and 7.0% WACC. NOPAT was positively impacted by the normalization of operating activities. Average capital employed was almost at the level of the prior year (€ 1,203.6 million) and the cost of capital also remained stable. Thus, the increased NOPAT resulted in a higher EVA value than expected in the 2021 forecast.

The number of employees (FTE average) grew by 1.8% and increased from 22,803 to 23,220. The expansion of the employee base planned for the fiscal year took place primarily through the creation of jobs in Europe and China.

The planning and management of the TÜV SÜD Group is based on International Financial Reporting Standards (IFRSs). The key financial performance indicators defined for the TÜV SÜD Group are not relevant for TÜV SÜD AG in its function as a management holding company and are therefore not reliable.

OPPORTUNITY AND RISK REPORT
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For explanations in connection with the dam collapse in Brazil, reference is made to the statements in the sections Compliance and other risks and Overall evaluation of the Group's risk situation.

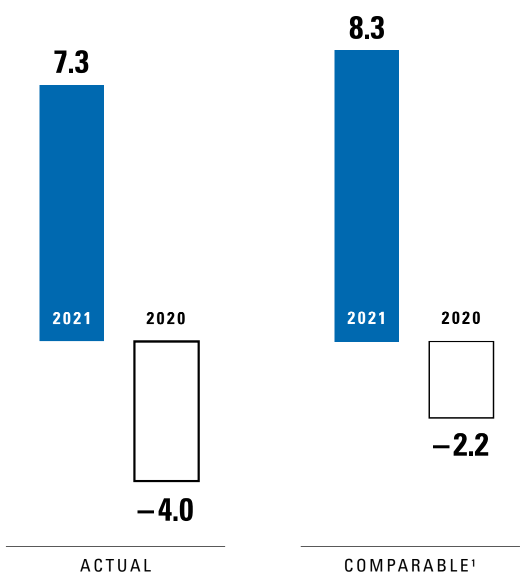
Financial performance

TÜV SÜD generated **revenue** of € 2,667.3 million in the fiscal year 2021. Revenue thus increased by € 181.3 million or 7.3% in comparison to the prior year. The forecast targets of revenue growth of up to 9% and revenue of between € 2,500 million and € 2,700 million were reached.

Organic growth of € 207.1 million or 8.3% was generated in the existing services business, in spite of negative currency translation effects of € 3.6 million (–0.1%) and a negative portfolio effect of € 22.2 million or 0.9% from the sale of the planning business for railway systems and some other German entities. 08 / 09

Revenue growth comparable 08

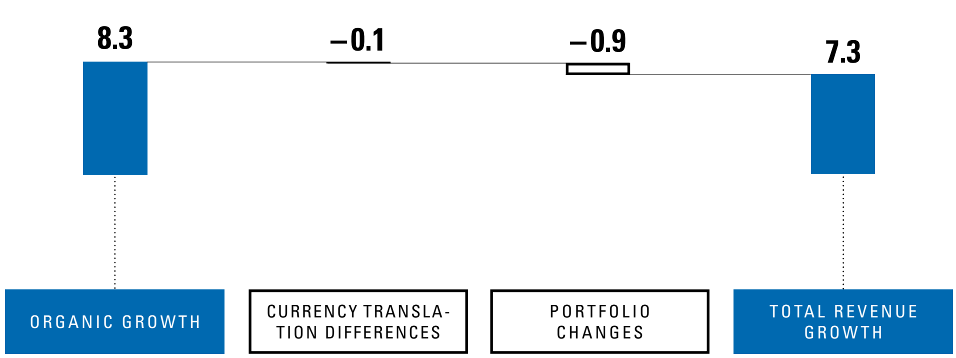
IN %



1 _ Adjusted for exchange rate and portfolio effects.

Revenue growth 2021 09

IN %

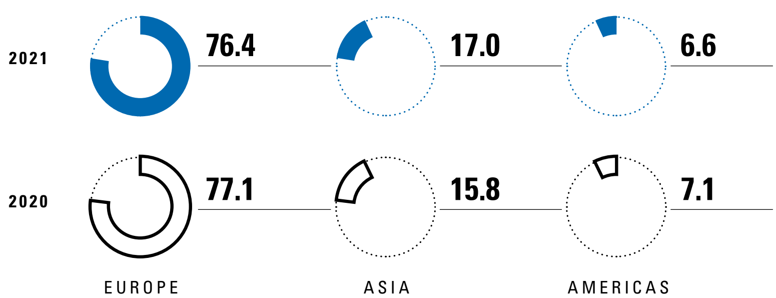


Based on customer location, revenue growth was almost equally divided between Germany and the rest of the world. Revenue growth in Germany amounted to € 91.4 million, corresponding to a share of 50.4% (prior year: 21.7% of attributable revenue decrease). Revenue generated by entities of the Group outside Germany (based on customer location) accounted for € 89.9 million or 49.6% of the increase in revenue (prior year: 78.3% of attributable revenue decrease).

Revenue by region 2020/2021 according to customer location

10

IN %



As a whole, we generated 40.1% of total revenue based on customer location outside of Germany (prior year: 39.4%) in the fiscal year. Our European home market remains the strongest region in terms of revenue. 10

Purchased service cost increased by 12.8% to € 332.0 million and thus increased at a faster rate than revenue. The increase is mainly attributable to the fact that business activity has largely returned to normal and, especially in Germany, growth in vehicle management services, which are heavily dependent on purchased services. In addition, times of peak demand on our capacity in the international project business, in South Africa and the UK, for example, were covered by purchased services. The purchased service cost in the Academy business more or less matched the level of the prior year, given that classroom training, which is heavily dependent on purchased services, could only be held to a restricted extent. At 12.4% (prior year: 11.8%), the ratio of purchased service cost to revenue increased year on year.

Personnel expenses increased by 5.7% to € 1,630.5 million. At 69.7%, the ratio of personnel expenses to operating performance was slightly below the prior-year level (70.2%).

Expenses for wages and salaries including social security contributions rose by 6.3% compared to the prior year. In addition to the increase in the headcount due to new hires – particularly in Germany and China – collective wage increases in Germany and a return to normal levels of social security contributions in China were factors contributing to the rise. The sales of entities executed over the course of the year in Germany and currency translation effects reduced personnel expenses.

Retirement benefit costs decreased by 2.7% to € 112.7 million (prior year: € 115.8 million) as a result of the contributions to insolvency insurance falling in Germany. This development was boosted by a decrease in medical benefit obligations in Germany.

Incidental personnel expenses increased by 8.4% to € 27.0 million (prior year: € 24.9 million) largely on account of higher healthcare costs related to managing the pandemic and also employee training.

Amortization, depreciation and impairment losses of intangible assets, right-of-use assets from leases, property, plant and equipment and investment property came to € 183.1 million in the fiscal year, which represents an increase of € 14.2 million or 8.4% on the prior year. Amortization and depreciation of € 160.5 million is € 7.8 million (5.1%) higher than in the prior year (€ 152.7 million). Of this amount, € 69.6 million (prior year: € 67.0 million) is attributable to the depreciation of right-of-use assets.

In addition to this, impairment losses were recognized on property, plant and equipment, right-of-use assets and intangible assets. Two testing facilities in Germany were written down by impairment losses due to unsatisfactory capacity utilization or closure. In addition, impairments were recorded on various software projects – some of which are still under development – and IT applications in Germany.

Impairment losses of € 0.3 million (prior year: € 15.6 million) were also recorded on the goodwill of fringe activities of the INDUSTRY Segment in the fiscal year 2021. In the prior year, impairments of goodwill were mostly recorded in Germany and the UK.

Other expenses increased by 4.0% to € 413.2 million. The increase is largely due to business activities returning to normal, resulting in higher operating expenses, such as external administrative services which also involved the use of hired temps. Rising energy prices and deferred maintenance led to an increase in rental and maintenance expenses. Legal and advisory fees increased, partly on account of the provisions needed to cover the costs of processing the dam collapse in Brazil in January 2019. Insurance premiums rose once again throughout the Group. By contrast, travel expenses, marketing and gifts, hospitality and entertainment remained below the level seen prior to the pandemic as not only domestic and international travel remained subject to restrictions but also classroom training and trade fairs.

Other income increased by 5.5% in the fiscal year to € 98.1 million. A positive factor in this regard was the sale of the German planning business for railway systems and other smaller entities. We received government grants (€ 6.9 million) for funded projects and research projects, particularly in Italy and China. Government assistance related to the COVID-19 pandemic was still drawn on to a limited degree in Germany and Singapore (€ 2.1 million; prior year: € 9.4 million). In addition to exchange rate gains, other significant items included the release of provisions and rental and lease income.

The **financial result** increased by € 11.6 million, coming to € 5.1 million in the fiscal year (prior year: € –6.5 million). The contribution to earnings from investments accounted for using the equity method almost entirely compensated for the net interest expense.

Earnings from investments accounted for using the equity method increased to € 14.5 million and were therefore above the prior-year level (€ 9.4 million). The positive contribution to earnings (€ 15.9 million) of the TÜVTÜRK joint ventures in Turkey was € 1.9 million below the prior-year figure and was burdened by the unfavorable exchange rate (€ – 4.7 million) between the euro and the Turkish lira. Our German joint venture in the MOBILITY Segment made a negative contribution to earnings. By contrast, the joint venture in Spain and the investment accounted for using the equity method in France both returned a profit.

The remaining components of other income / loss from participations in 2021 include, in addition to dividend distributions, income from the sale of investments. Consequently, other income / loss from participations improved by € 2.8 million from € – 2.1 million in the prior year to € 0.7 million.

The interest result improved by € 1.8 million to € – 13.0 million in the fiscal year. The net interest expense from pension provisions (unwinding of the discount on pension obligations less interest income from plan assets) improved on account of the higher funding ratio of pension obligations and the decrease in the interest rate from 0.95% in the prior year to 0.65% in the fiscal year 2021. This resulted in a larger decrease in interest expenses (down € 6.2 million) than the planned income (down € 4.5 million). In addition, a change in the discount rate has a positive effect on income in connection with the measurement of the long-service bonus and medical benefits obligations. By contrast, interest expenses from lease liabilities rose from € 8.3 million to € 8.9 million and fees were incurred for the line of credit arranged with a syndicate of banks during the year.

Other financial result of € 2.9 million also contains gains and losses from a special fund.

Income before taxes came to € 215.1 million. This corresponds to an increase of 36.0% on the prior year. The income tax expense increased by € 13.4 million or 28.4% to € 60.6 million. At 28.2%, the effective tax rate is below the rate of the prior-year of 29.8%, but is still within the normal range.

One-off effects that were negative on a net basis totaling € – 8.4 million (prior year: negative effects of € – 34.7 million) had an impact on the development of earnings in the fiscal year: ≡ 06

One-off effects ≡ 06

IN € MILLION	2021	2020
PPA amortization and impairment losses	27.0	20.9
One-off effects, provisions and reversals of impairments	– 4.3	– 10.9
Gain/loss on disposal, result from deconsolidation	– 12.9	– 0.1
Impairment of goodwill	0.0	15.6
One-off effects in earnings from investments accounted for using the equity method and in income / loss from participations	0.0	9.2
With EBIT effect	**9.8**	**34.7**
One-off effect in interest income	**– 1.4**	**0.0**
With EBT effect	**8.4**	**34.7**

The workers' compensation boards have changed their payment cycle to advance payments beginning in the year 2022 and, as a result, waived the membership fee for the year 2021. The waived amounts have been corrected in **personnel expenses.**

In the **amortization of intangible assets** in the fiscal year, we recognized adjustments amounting to € 5.3 million for the amortization of assets which we identified in the course of a purchase price allocation (PPA amortization). In addition, one-off impairments amounting to € 21.7 million were recorded on intangible assets, such as development projects and software, and also on property, plant and equipment in Germany. In the prior year, one-off impairment losses totaled € 15.5 million.

Proceeds from the sale and deconsolidation of three German entities were corrected in **other income.**

In the prior year, we adjusted the **impairment of goodwill** on selected engineering services in the UK and Germany as well as on remaining activities in the MOBILITY and CERTIFICATION Segments.

Also in the prior year, impairment losses recorded on joint ventures in Germany and Spain were recognized in **income from investments accounted for using the equity method** while impairment losses on participations and a loan in Germany were eliminated through **income/loss from participations**. In **net interest result**, we eliminated the effect from the change in the interest rate in the measurement of the provisions for long-service bonuses and medical benefits.

At € 225.2 million, **EBIT** in the fiscal year 2021 was 30.9% above the prior-year figure of € 172.0 million. The EBIT margin increased compared to the prior year by 1.5 percentage points to 8.4%. The adjustments of € 9.8 million (prior year: € 34.7 million) resulted in an improvement of adjusted EBIT. As a result, adjusted EBIT increased by 13.7% or € 28.3 million to € 235.0 million (prior year: € 206.7 million), resulting in an adjusted EBIT margin of 8.8% (prior year: 8.3%). This shows that operating activities have recovered and generally returned to normal, particularly in light of the fact that the eliminated non-recurring effects have decreased significantly in a year-on-year comparison.

The improvement in operating performance (up 6.5%) flows through to **NOPAT.** This increased by 31.5% to € 162.0 million (prior year: € 123.2 million). The higher expenses incurred in connection with the return to more normal operations were fully offset. Other positive factors were lower total one-off negative effects, such as write-offs and impairments of goodwill, in the fiscal year.

At € 1,207.7 million, **average capital employed** has risen by € 4.1 million on the prior-year figure of € 1,203.6 million. With non-current assets more or less unchanged, the increase in working capital led to this change despite the decrease in non-interest-bearing liabilities. As of the reporting date, capital employed likewise showed an increase compared with the prior year (up € 33.4 million).

At € 77.4 million, **Group EVA** was up € 38.4 million or 98.5% on the prior-year figure of € 39.0 million.

At € 215.1 million, **EBT** was € 56.9 million above the prior-year level (€ 158.2 million). Adjusted earnings before taxes increased by 15.9% or € 30.6 million to € 223.5 million (prior year: € 192.9 million). The recovery of business was supported by a positive financial result, leading to a significant increase in EBT. The return on sales, calculated in proportion to EBT, came to 8.1% in the fiscal year (prior year: 6.4%). However, the adjusted EBT margin is more suitable for assessing results over time. It increased in proportion to the development of the adjusted EBIT margin and now stands at 8.4% (prior year: 7.8%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, NOTES TO THE CONSOLIDATED INCOME STATEMENT SEE PAGES 115 – 120

Consolidated net income increased to € 154.5 million in the fiscal year 2021 and was thus € 43.5 million or 39.2% above the prior-year figure of € 111.0 million.

For further analyses of significant items of the consolidated income statement, we refer to the notes to the consolidated financial statements.

Financial position

PRINCIPLES OF FINANCE MANAGEMENT AND FINANCIAL STRATEGY

With our financing activities, we maintain a sound financial profile and ensure that TÜV SÜD has sufficient liquidity reserves to meet its payment obligations at all times. Further objectives of our corporate treasury function include managing the foreign exchange risk effectively and optimizing interest rates on an ongoing basis. Due to the significant volume of assets outsourced to cover pension obligations, the investment and risk management of these positions is of very great importance to us.

CAPITAL STRUCTURE

TÜV SÜD finances itself with cash flows from operating activities. The available cash and cash equivalents are supplemented by a syndicated credit line of € 300.0 million, with a term until July 2026, to give us the financial flexibility necessary to reach our growth targets.

With this credit facility, the available cash and the annual free cash flow, the company has sufficient liquidity to finance its planned organic and external growth.

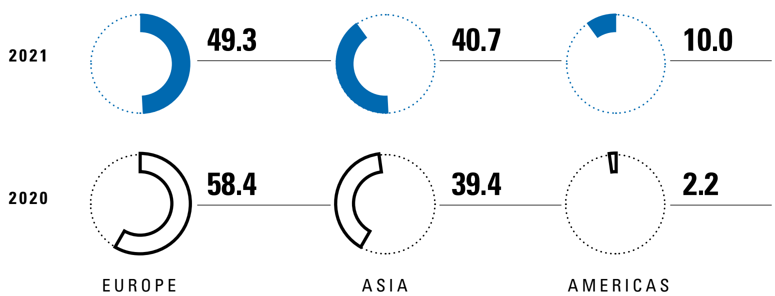
TÜV SÜD strives to ensure its credit rating remains firmly in the investment grade.

CAPITAL EXPENDITURES

Excluding business combinations, financial assets and securities, capital expenditures amounted to € 106.3 million in the fiscal year 2021 (prior year: € 110.7 million). 11

Capital expenditures 11

IN %



At € 42.5 million, 40.0% of capital expenditures was carried out in our home market Germany. Investments were made in various IT applications for use worldwide and equipment for battery testing facilities in the Product Service division. Other funds were invested in remodeling and equipping the technical service centers.

In Western Europe, we invested a total of € 5.8 million, primarily in testing facilities in the UK. Investing activities (€ 4.1 million) in Central & Eastern Europe in 2021 concentrated on the construction of a new company building in Austria. In addition, we continued with the fitting out of the testing facilities for dynamic component testing and emissions testing.

We invested € 43.3 million in the ASIA Region during the year 2021, this equates to 40.7% of the total investment volume. Investments were primarily made in fitting out the new office building in Singapore, but also in IT projects for the Product Service Division. Investments were also made in equipment for testing facilities in China.

We spent around € 10.6 million or 10.0% of our total investment volume in the AMERICAS Region. The focus here was also on equipment for battery testing facilities. Additional funds were allocated to fitting out the new office building in Boston.

We invested € 6.5 million in the acquisition of entities in 2021 (prior year: € 18.0 million). This includes payments to acquire shares in consolidated and non-consolidated affiliated companies.

As of the reporting date, there were no material investment obligations.

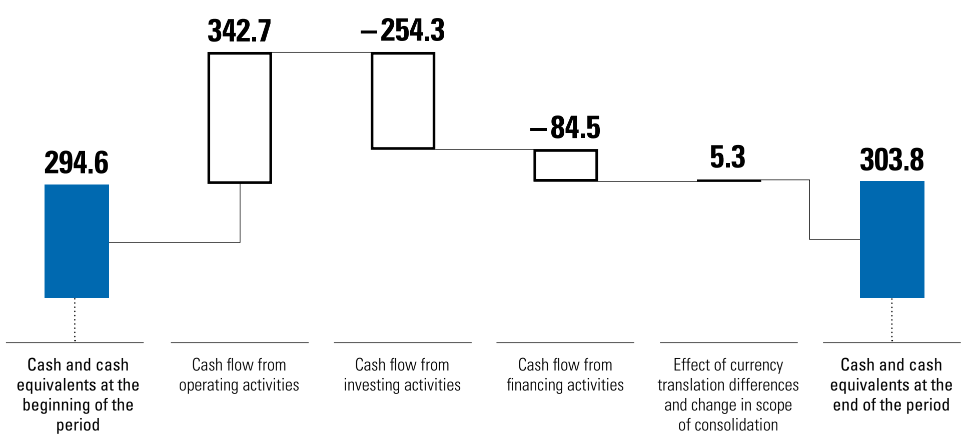
LIQUIDITY

CONSOLIDATED FINANCIAL STATEMENTS, CONSOLIDATED STATEMENT OF CASH FLOWS SEE PAGE 103

Cash and cash equivalents increased by € 9.2 million or 3.1% to € 303.8 million in fiscal year 2021. This corresponds to 11.4% (prior year: 11.2%) of total assets. The development of cash and cash equivalents in the fiscal year is presented in detail in the consolidated statement of cash flows. 12

Liquidity of the TÜV SÜD Group 2021 12

IN € MILLION



Consolidated net income, which is the starting point for deriving the statement of cash flows, increased to € 154.5 million, exceeding the prior-year figure of € 111.0 million by € 43.5 million.

Gains on disposal, primarily from the sale and deconsolidation of three German subsidiaries and two participations in the UK, reduced this starting point for the statement of cash flows by € 17.0 million (prior year: € 9.4 million). The non-cash items amortization, depreciation, impairment losses and reversals of impairments came to € 186.5 million and were thus marginally lower (€ 1.9 million) than the prior-year figure of € 188.4 million. Alongside amortization and depreciation, impairment losses were once again recognized on goodwill, intangible assets such as software and development projects as well as on right-of-use assets and property, plant and equipment. Additionally, impairment losses were recorded on a participation and on loans. Other non-cash income and expenses primarily originate from rolling forward the entities accounted for using the equity method.

The changes in working capital, other assets and liabilities resulted in a cash outflow of € 12.1 million. In the prior year, a cash inflow of € 129.4 million was recorded. The recovery in business activity meant that more capital was tied up in current assets, due primarily to a rise in trade receivables. On the equity and liabilities side, less capital was tied up as the effect of income tax liabilities in Germany in the prior year no longer applied. There continues to be an increase in trade payables due to higher contract liabilities as well as the higher current provisions. As a result, **cash flow from operating activities** decreased by € 74.4 million or 17.8% to € 342.7 million (prior year: € 417.1 million).

Cash outflow from investing activities increased by € 6.3 million to € 254.3 million in the fiscal year. Cash paid for investments in intangible assets, and property, plant and equipment of € 114.6 million is virtually unchanged in comparison to the prior year (€ 114.7 million). Investments were made mainly in software, technical service centers and testing facilities.

There was a net outflow of financial assets due, among other things, to a capital increase at a German joint venture as well as the acquisition of remaining shares in an non-consolidated subsidiary in Germany. Further reasons included cash paid for the acquisition of a participation in China and the granting of loans. In the prior year, financial assets were mainly affected by the payment of the outstanding purchase price for TÜV SÜD Pensionsgesellschaft mbH, Munich, among other items.

In sum, a cash inflow of € 17.7 million was realized in connection with corporate transactions during the fiscal year 2021. This involved the cash receipts from the disposal of three subsidiaries in Germany and an operation in the UK while cash was paid for the acquisition of a rail technology operation in Germany and Switzerland.

The acquisition of shares in a special fund and the investment of funds in US securities, time deposits in South Korea and in Chinese money market funds resulted in a net cash outflow of € 37.6 million (prior year: € 21.2 million).

The external financing of pension obligations was increased by € 10.9 million to € 117.4 million (prior year: € 106.5 million). Along with the reinvestment of pension payments, extraordinary cash-effective contributions were made to TÜV SÜD Pension Trust e. V. (€ 30.0 million; prior year: € 30.0 million) and TÜV Hessen Trust e. V. (€ 10.4 million; prior year: € 0.0 million). In addition, an amount of € 12.2 million (prior year: € 10.0 million) was added to other plan assets.

Free cash flow – defined as cash flow from operating activities less cash paid for investments in intangible assets, property, plant and equipment and investment property – stood at € 228.1 million in the fiscal year 2021 (prior year: € 302.4 million). This represents a decrease of 24.6% on the prior year. Nevertheless, investments in intangible assets and property, plant and equipment – with the volume remaining steady – were financed entirely from the cash flow from operating activities.

Cash outflow from financing activities increased by € 8.7 million to € 84.5 million (prior year: € 75.8 million). The change arises primarily from higher payouts to non-controlling interests. The dividend distribution to TÜV SÜD Gesellschafterausschuss GbR remained unchanged compared to the prior year. Repayments of lease liabilities increased on account of the higher measurement base. On the whole, repayments of loans and other financial obligations came to € 2.1 million (prior year: € 0.4 million).

The value of cash and cash equivalents of € 303.8 million as of the reporting date – consisting of checks, cash in hand, bank balances and securities with an original term of less than three months – was € 9.2 million higher than the prior-year level. With the securities disclosed in other financial assets which can be liquidated at any time, there are cash and cash equivalents totaling € 486.4 million (prior year: € 434.6 million). Additional financing flexibility is provided by various existing lines of credit (€ 13.1 million) and a new line of credit of € 300.0 million arranged with a syndicate of banks that expires in July 2026.

Financial position

Asset and capital structure

13

IN %

ASSETS

	2021	2020
NON-CURRENT ASSETS	64.6	64.6
thereof[1]:		
INTANGIBLE ASSETS	17.3	18.1
RIGHT-OF-USE ASSETS	23.4	22.2
PROPERTY, PLANT AND EQUIPMENT	32.7	31.8
DEFERRED TAX ASSETS	16.1	18.9
CURRENT ASSETS	35.4	35.4
thereof[1]:		
TRADE RECEIVABLES	53.2	48.8
CASH AND CASH EQUIVALENTS	32.1	31.4

EQUITY AND LIABILITIES

	2021	2020
EQUITY	48.2	36.5
NON-CURRENT LIABILITIES	24.6	36.0
thereof[1]:		
PENSIONS AND SIMILAR OBLIGATIONS	28.1	51.6
NON-CURRENT LEASE LIABILITIES	53.8	34.7
CURRENT LIABILITIES	27.2	27.5
thereof[1]:		
CURRENT PROVISIONS	24.2	20.5
OTHER CURRENT LIABILITIES	30.6	31.7
TOTAL ASSETS	€ 2,667.3 MILLION	€ 2,618.8 MILLION

1 _ As a percentage of current or non-current items, not of total assets.

Total assets increased by € 48.5 million or 1.9% to € 2,667.3 million in the fiscal year (prior year: € 2,618.8 million). 13

Non-current assets rose by € 29.9 million to € 1,722.3 million. Most of this increase can be attributed to other financial assets. Current assets increased by € 18.6 million to € 945.0 million, primarily due to a higher balance of trade receivables.

Intangible assets decreased by € 7.2 million, or 2.4% to € 298.3 million, primarily on account of amortization and impairments of other intangible assets. The change in goodwill is largely due to foreign currency effects and the addition of goodwill from a business combination in the Real Estate & Infrastructure Division during the year.

Amortization and impairment losses recorded on intangible assets, in particular on software, development projects and concessions, reduced the balance of other intangible assets. Impairment losses amounted to € 11.3 million.

Right-of-use assets increased by € 27.8 million or 7.4% to € 403.6 million. This includes additions to leased real estate in Germany, China and the USA. Depreciation amounted to € 69.6 million in the fiscal year (prior year: € 67.0 million).

Additions to **property, plant and equipment** related to investments in the expansion and modernization of testing facilities and buildings in Germany, the UK, and the USA. At € 2.9 million, **investment property** was at the level of the prior year.

Investments accounted for using the equity method decreased by € 12.1 million to € 19.3 million. This reduction is largely due to exchange rate differences and dividend payments by the Turkish joint venture TÜVTÜRK.

Other financial assets increased by € 32.6 million to € 144.2 million, mainly on account of the investments made in a special fund. The merger of two Spanish subsidiaries that had not been previously consolidated had the opposite effect.

The decrease in **deferred tax assets** of € 41.4 million to € 277.9 million primarily stemmed from the changes in deferred taxes on actuarial gains on the net pension obligations without affecting income.

Trade receivables increased in the fiscal year 2021 by € 51.3 million or 11.4% to € 503.2 million. They thus increased at a faster rate than revenue, which rose by 7.3%. Trade receivables – excluding contract assets – increased by € 29.5 million or 8.7% to € 368.4 million. This development was seen worldwide as business activity returned to normal after our ability to render services that had been restricted in the prior year due to the pandemic.

Contract assets increased by € 21.8 million, or 19.3% to € 134.8 million, primarily on account of catch-up effects from 2020 in Germany and China.

Days sales outstanding (DSO) averages 53 days (prior year: 52 days) throughout the Group.

Other receivables and other assets decreased by € 4.1 million or 3.2% to € 125.5 million (prior year: € 129.6 million). The increased investment in money market funds in China was offset by a decrease in both payments on account and receivables from joint ventures.

CONSOLIDATED FINANCIAL STATEMENTS, CONSOLIDATED STATEMENT OF CASH FLOWS SEE PAGE 103

Cash and cash equivalents increased by € 12.9 million to € 303.8 million. This is thus equivalent to 11.4% of total assets (prior year: 11.1%).

Subsequent to the sale of three German subsidiaries and the equipment business in the USA in the fiscal year, there were no **non-current assets and disposal groups held for sale** as of December 31, 2021.

Equity increased by € 330.6 million (up 34.6%) in the fiscal year, and stood at € 1,286.1 million as of the reporting date. The increase originates chiefly from actuarial gains net of deferred taxes, exchange rate gains and the consolidated net income of € 154.5 million (prior year: € 111.0 million). The equity ratio increased by 11.7 percentage points to 48.2%.

Non-current liabilities decreased by € 286.1 million to € 656.6 million. Most of this change resulted from the decrease in pension obligations. On the other hand, lease liabilities under IFRS 16 increased by € 26.9 million to € 353.6 million.

Provisions for pensions and similar obligations decreased by 62.0% or € 301.3 million to € 184.7 million (prior year: € 486.0 million).

The group-wide defined benefit obligation is reported at € 2,187.9 million, € 120.3 million below the prior-year figure (€ 2,308.2 million). A decrease of € 130.2 million was recorded in Germany. Actuarial gains from changes in the discount rate from 0.65% to 1.10%, coupled with pension payments, outweighed actuarial losses arising from an increase in the pension trend from 1.8% to 2.0% plus the sum of service cost and interest. An increase outside Germany (up € 9.9 million) can be largely attributed to exchange rate losses.

In order to extend the external financing of pension obligations in Germany, TÜV SÜD has outsourced operating assets to TÜV SÜD Pension Trust e. V., Munich, and TÜV Hessen Trust e. V., Darmstadt, under a contractual trust agreement (CTA). The funds are administered by these two associations in a fiduciary capacity, and serve solely to finance pension obligations. Pursuant to IAS 19, the transferred trust funds are to be treated as plan assets, and are therefore offset against pension obligations. As of the reporting date plan assets totaled € 2,003.2 million of which € 1,736.8 million consists of the trust assets of TÜV SÜD Pension Trust e. V., Munich, and € 66.1 million of the trust assets of TÜV Hessen Trust e. V. The remaining plan assets of € 200.3 million consist mainly of policy reserves of employer's pension liability insurance and assets for pension plans in other countries.

Across the entire Group, plan assets increased by € 181.0 million. The increase was attributable in particular to the actual return on plan assets in Germany and abroad of € 125.2 million as well as one-off additions of € 40.4 million in Germany. Furthermore, a sum of € 12.2 million was added to other plan assets. The pension payments made in Germany of € 64.8 million (prior year: € 66.5 million) were recontributed in light of the waiver of refund entitlements and thus strengthened the plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS SEE PAGES 129 – 135

Due to the increase in plan assets and the reduction in the defined benefit obligation, the percentage of pension obligations funded by plan assets improved overall from 78.9% in the prior year to 91.6% as of the reporting date. In Germany, coverage stood at 91.8% (prior year: 78.9%).

For a detailed presentation of the development of pension obligations and plan assets, please refer to the notes to the consolidated financial statements.

Other non-current provisions fell by € 12.0 million to € 97.8 million. They include provisions for long-service awards and medical benefits. The non-current portion of the provisions in connection with the dam collapse in Brazil is also recognized under this item.

The increase in **non-current lease liabilities** of € 26.9 million to € 353.6 million is attributable to the addition of leases for buildings in Germany, China and the USA.

Other non-current liabilities remained at a low level once again this year at € 0.5 million (prior year: € 0.1 million).

Current liabilities increased by € 4.0 million to € 724.6 million. The decrease in income tax liabilities and liabilities directly related to assets and disposal groups held for sale was offset by a rise in trade payables and current provisions.

Current provisions mainly relate to bonus obligations to employees, severance payments, provisions for legal and advisory costs and restructuring provisions.

The volume of **trade payables,** including contract liabilities, increased by € 19.3 million to € 219.8 million. While trade payables in Germany decreased for billing-related reasons, contract liabilities particularly in China and Germany increased with an offsetting effect. This development was supported by the increase in advance payments received.

Other current liabilities fell by € 6.8 million to € 221.5 million. Among other things, these include obligations to employees for vacation and overtime, as well as obligations for outstanding invoices. The reduction in other liabilities is largely due to the decrease in other liabilities from other taxes in Germany.

As of December 31, 2021, there were no **liabilities directly associated with non-current assets and disposal groups held for sale**.

Summary review of the situation

Our business activities largely returned to normal in the fiscal year 2021. Although individual areas continued to be impacted by pandemic-related restrictions, sales developed as expected. The increase in organic sales compensated for both negative currency effects and negative portfolio effects.

All segments and also all geographic segments, with the exception of AMERICAS, realized sales growth, resulting in an increase in Group sales. The positive effect from the normalization of business activities continued in the EBIT development and was reinforced by higher income from investments accounted for using the equity method compared with the prior year. EBIT thus reached a new record level of € 225.2 million, exceeding the forecast target. The EBIT margin increased to 8.4% (prior year: 6.9%).

Despite the lower volume of adjustments made compared with the prior year, adjusted EBIT reached € 235.0 million, an increase of 13.7% compared with the prior year. The adjusted EBIT margin was 8.8%, up on the prior-year figure of 8.3%.

Both earnings before taxes (EBT) and EBT adjusted for non-recurring items exceeded the prior-year figures. At 8.1% and 8.4%, the EBT margin and the adjusted EBT margin also lie above the previous-year figures (6.4% and 7.8%).

The return to more normal operations led to an outflow of funds in working capital and thus to a lower cash flow from operating activities. Nevertheless, investments and the one-off additions to pension assets were financed exclusively by cash flow from operating activities. Cash and cash equivalents at the end of the period were slightly higher than a year earlier.

TÜV SÜD continues to enjoy a comfortable level of liquidity, secured by our good credit standing and the syndicated credit line that runs until July 2026.

We protect people, the environment, and property worldwide while maintaining neutrality and objectivity. This is the basis for TÜV SÜD's success – today and in the future.

Comments on TÜV SÜD AG

In addition to reporting on the TÜV SÜD Group, the financial performance and position of TÜV SÜD AG's annual financial statements in accordance with German GAAP are explained below.

TÜV SÜD AG is the management holding company of the TÜV SÜD Group. In the fiscal year 2021, the Group comprised a total of 44 (prior year: 49) German and 113 international entities (prior year: 119). In addition to providing support to the participations, TÜV SÜD AG provides central shared services, in particular in the areas of legal, HR, finance and controlling, innovation, organization, as well as sales and marketing. Via an agency agreement with TÜV SÜD Business Services GmbH, Munich, the real estate owned by the company is leased at arm's length prices, primarily to subsidiaries within the TÜV SÜD Group. Thus, the economic development of TÜV SÜD AG depends on dividend distributions and profit and loss transfer agreements of the participations, income from the leased real estate, income from investments, income from charges relating to trademarks, offsetting between divisions and regions, charges of company-specific holding services, as well as management and other services. ≡ 07

FINANCIAL PERFORMANCE

Income statement of TÜV SÜD AG ≡ 07

IN € MILLION	2021	2020
Revenue	**131.2**	**120.1**
Total operating performance	131.2	120.1
Other operating income	16.2	16.8
Cost of materials	–45.1	–37.0
Personnel expenses	–39.0	–32.9
Amortization, depreciation and impairment losses	–11.5	–10.6
Other operating expenses	–70.7	–64.8
Financial result	88.6	31.9
Income taxes	–22.3	–40.4
Earnings after taxes = net income for the year (prior year: net loss for the year)	**47.4**	**–16.9**
Profit carried forward	347.0	366.0
Retained earnings	**394.4**	**349.1**

TÜV SÜD AG's total operating performance increased by € 11.1 million or 9.2% to € 131.2 million in the fiscal year 2021. The increase in total operating performance is primarily attributable to the cross charging of higher prepaid expenses.

Other operating income decreased by € 0.6 million or 3.6% to € 16.2 million. In addition to income from foreign currency translation and reversals of provisions, this item also contains reimbursements from insurers.

The cost of materials increased by € 8.1 million or 21.9% to € 45.1 million on account of higher license expenses, a rise in insurance premiums and the procurement of COVID-19 rapid test kits and personal protective equipment.

Personnel expenses increased by € 6.1 million or 18.5% to € 39.0 million. This is primarily due to higher pension costs, an increase in the collectively bargained wages and salaries and an increase in the headcount.

Amortization and depreciation of intangible assets and property, plant and equipment is slightly up on the prior year at € 11.5 million (prior year: € 10.6 million).

Other operating expenses rose by € 5.9 million or 9.1% to € 70.7 million. Higher costs for maintenance, particularly for the properties in Munich, as well as training measures were major factors in this increase. In addition, legal and advisory costs were incurred in connection with the dam collapse in Brazil. By contrast, expenses from currency translation decreased.

The financial result increased by € 56.7 million to € 88.6 million, primarily due to the considerably higher return on plan assets. The lower discount rate and associated higher additions to pension provisions resulted in lower contributions to earnings from subsidiaries with profit and loss transfer agreements. The sale of a planning business for railway sytems resulted in a gain on sale of € 18.3 million. This was countered by losses of € 7.2 million recorded on the sale of two German laboratory service providers. Our Turkish joint ventures, despite negative currency effects, made a positive contribution to earnings (€ 15.2 million, prior year: € 14.8 million).

Income and expenses related to the CTA are presented net in the interest result. CTA investments generated income of € 116.4 million (prior year: € 53.7 million) in the fiscal year. A loss of € 0.7 million was realized from interest rate and currency hedging in the fiscal year. This includes the fees (€ 1.2 million) for a credit facility of € 300 million with sustainability components, which was arranged in the fiscal year.

The operating result, defined as earnings before taxes and the financial result, of € – 18.9 million was below the prior-year figure of € – 8.4 million.

Taxes on income resulted in a € 18.1 million reduction in the tax expense to € 22.3 million (prior year: € 40.4 million). The tax expense in the prior year was inflated by one-off effects from plan assets and the effects of the tax measurement of pension obligations in the consolidated tax group of TÜV SÜD AG.

The € 47.4 million net income for the year is € 64.3 million above the prior year's net loss of € 16.9 million.

The TÜV SÜD Group is managed using performance indicators based on figures prepared in accordance with IFRS. These are not relevant to TÜV SÜD AG's separate financial statements as the Group parent.

Financial and non-financial performance indicators and forecasts of these indicators are of lesser significance to TÜV SÜD AG as the parent company of the Group. However, this does not affect the need to comply with the relevant legal requirements.

TÜV SÜD AG's net result for the year in accordance with German GAAP is primarily influenced by the financial result, which depends on the interest rate as well as on the profit distributions from subsidiaries.

FINANCIAL POSITION

Statement of financial position of TÜV SÜD AG ≡ 08

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Assets		
Intangible assets	8.7	14.6
Property, plant and equipment	107.2	104.2
Financial assets	1,099.1	1,070.5
Fixed assets	**1,215.0**	**1,189.3**
Receivables and other assets	41.5	43.4
Cash and cash equivalents	133.6	147.4
Current assets	**175.1**	**190.8**
Prepaid expenses	**3.1**	**2.6**
Excess of covering assets over pension and similar obligations	**354.4**	**368.5**
Total assets	**1,747.6**	**1,751.2**
Equity and liabilities		
Capital subscribed	26.0	26.0
Capital reserve	124.4	124.4
Revenue reserves	405.1	405.1
Retained earnings	394.4	349.1
Equity	**949.9**	**904.6**
Tax provisions	40.6	47.5
Other provisions	108.1	107.9
Provisions	**148.7**	**155.4**
Liabilities	**649.0**	**691.2**
Total equity and liabilities	**1,747.6**	**1,751.2**

In fixed assets, intangible assets decreased year-on-year due to amortization. Property, plant and equipment rose slightly, mainly on account of capital expenditures of € 4.5 million on assets under construction. Financial assets increased largely due to investments of € 70.0 million in an existing special fund. Shares in affiliated companies decreased, on the other hand, due to the sale of subsidiaries and impairment losses. In addition, repayments reduced the balance of loans. ≡ 08

Receivables and other assets decreased by € 1.9 million to € 41.5 million, primarily on account of lower receivables from other participations. This was countered by a rise in receivables from affiliated companies due to in-house cash transactions (cash pool).

The excess of covering assets over pension and similar obligations declined by € 14.1 million to € 354.4 million. At the beginning of the year, € 158.0 million was withdrawn from the excess cover provided by the trust assets of TÜV SÜD AG. This was offset to some extent by the return on plan assets and new contributions of € 30.0 million.

Tax provisions decreased to € 40.6 million. In the prior year, they amounted to € 47.5 million.

Other provisions increased marginally by € 0.2 million to € 108.1 million. They contain provisions for various liability risks and advisory and legal costs that are expected for coming years as a result of the accident in Brazil.

The decrease in liabilities of € 42.2 million to € 649.0 million compared with the prior year is predominantly due to a reduction in liabilities to affiliated companies as a result of in-house cash transactions (cash pool). On the other hand, liabilities to other participations and loan liabilities increased, particularly towards TUV SUD China Holding Ltd., Hong Kong.

CASH FLOWS AND CAPITAL STRUCTURE

The financial management of TÜV SÜD AG aims to maintain solvency at all times and continuously optimize liquidity.

At € 133.6 million, cash and cash equivalents are € 13.8 million below the prior-year level (€ 147.4 million). Key factors include payments by the subsidiaries from operating activities, which flowed to TÜV SÜD AG via the cash pool. These were countered by investments of € 70.0 million in a special fund and the € 30.0 million transferred to the CTA.

Equity increased by € 45.3 million to € 949.9 million. The increase corresponds to the net income for the year of € 47.4 million less the dividend payment of € 2.1 million to TÜV SÜD Gesellschafterausschuss GbR, Munich. Together with the profit brought forward from the prior year, retained earnings come to € 394.4 million.

Total assets decreased by € 3.6 million to € 1,747.6 million. The equity ratio increased from 51.7% to 54.4%.

OVERALL STATEMENT ON TÜV SÜD AG'S SITUATION

The fiscal year 2021 was in line with the expectations of the Board of Management.

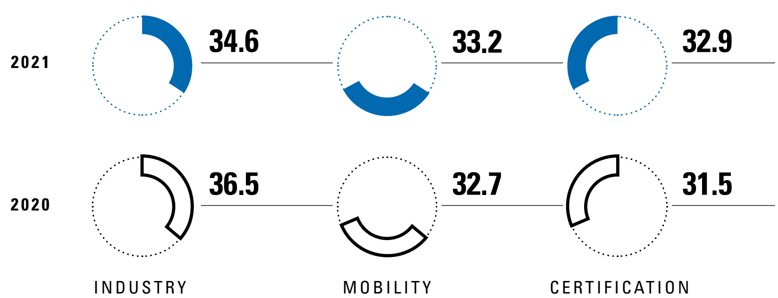
Going forward, TÜV SÜD AG will continue to depend on the business development of its subsidiaries. The discount rate for the pension obligations and the covering assets influence earnings as external factors. The Board of Management of TÜV SÜD AG expects the financial position and cash flows to remain stable in the future. The dividend distribution is considered to be secured for the coming years.

Segment report

Following the predominance of the pandemic in the year 2020, all operational segments have returned to a growth trajectory. Generally, the ground lost during the drop-off in business has been regained. 14

Revenue by segment 2020/2021[1] 14

IN %



1 _ Without OTHER and before reconciliation.

INDUSTRY

The 7,018 employees (FTE average) of the INDUSTRY Segment generated revenue of € 922.6 million, equivalent to 34.6% of consolidated revenue. The rise in revenue of 1.8% fell short of our expectations after the German planning business for railway systems was sold in the fiscal year.

Accounting for almost 60% of revenue, the **Industry Service Division** still contributed the largest share of the segment's revenue. Sales activity recovered slightly in the fiscal year. The development of business in the field of facility safety and services for the chemical and petrochemical industry was virtually on a par with the prior year. The reasons for the subdued development were delays in customers awarding contracts and also in the continuing travel restrictions and mandatory social distancing rules. On the other hand, business in the fields of energy generation and quality management as well as independent technical risk calculation and analysis developed positively, boosted by catch-up effects. Starting from the lower base line for revenue, our offerings in the field of renewable energies, the traditional environmental technology business and our sustainability services exhibited the highest percentage growth rates.

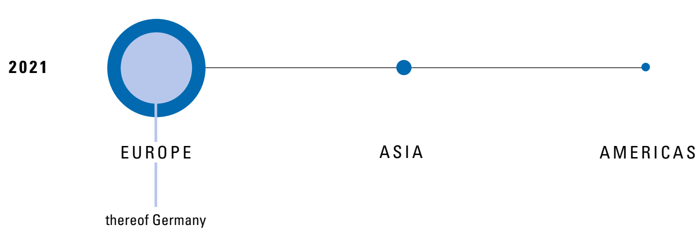
The **Real Estate & Infrastructure Division** generated approx. 40% of segment revenue. The sales focus remained on the inspection of lifts and buildings as well as rail vehicles. The regional focus lies on Germany and internationally in Spain, the UK, the Middle East and China. The sale of the German planning business for railway systems at the beginning of the year could not be fully offset by the acquisition of testing activities from a rail technology specialist. The revenue of the division stagnated at more or less the same level as the prior year.

The EBIT of the INDUSTRY Segment of € 106.8 million is up 40.0% on the prior-year figure of € 76.3 million and also above the EBIT recorded in 2019 (€ 86.9 million). We therefore surpassed our expectations for EBIT growth. With revenue flatlining, the proceeds from the sale of the planning business for railway systems had a positive impact on EBIT. At the same time, impairments and amortization of goodwill of just € 0.3 million were needed. The EBIT margin of 11.6% (prior year: 8.4%) lies above the forecast.

Segment assets decreased by € 8.7 million to € 483.4 million (prior year: € 492.1 million). The decrease in non-current assets caused by the sale of the planning business for railway systems was not fully countered by the increased trade receivables.

Investments of € 10.4 million were made to expand and equip the testing facilities in the UK and also in software applications. 15

Revenue by region – INDUSTRY 15



MOBILITY

The headcount of 6,248 employees (FTE average) in the MOBILITY Segment generated revenue of € 885.4 million in the fiscal year. This is equivalent to 33.2% of consolidated revenue. Revenue increased by € 73.5 million or 9.1% and therefore meets our forecast.

We generated higher sales in our core business of roadworthiness tests and exhaust gas analyses. In Germany, we performed nearly six million roadworthiness tests. The number of tests also climbed in Spain and Austria. With regard to driver's license tests the mandatory social distancing rules initially still had an impact on business, resulting in very high utilization of capacity in the second half of the year due to catch-up effects with an associated rise in revenue being realized. The medical / psychological services, which we only offer in Germany, also saw an upturn in business over the course of the year. The same applies to the damage assessment reports business, where demand picked up in the second half of the year after a weak first half.

Only a slight rise was recorded in demand for our services for the automotive industry, which are aimed at car showrooms and dealerships, manufacturers, suppliers, leasing specialists and insurers. Business in this sector remains dampened by supply bottlenecks worldwide.

In certain regions, a partner office network (PTI partner model) is used in the MOBILITY Segment as a growth driver for the provision of roadworthiness tests and exhaust gas analyses services. At 16.4% (prior year: 15.8%), the ratio of purchased service cost to revenue is thus above the group-wide average of 12.4%. The increase in the fiscal year is attributable to the growth trend in revenue in this business.

At € 59.3 million, EBIT for the Group was up € 28.0 million or 89.5% on the prior-year and therefore met the growth expectations. However, in absolute terms EBIT lies below the target of the year 2019. The EBIT margin almost reached the targeted corridor. The higher revenue base was burdened by a more rapid increase in purchased service costs and the need to record impairment losses on intangible assets and property, plant and equipment.

Segment assets decreased by € 22.2 million to € 401.9 million (prior year: € 424.1 million), primarily due to depreciation, amortization and disposals of non-current assets. On the other hand, trade receivables rose as business activity returned to normal.

An amount of € 14.6 million was invested in 2021, chiefly in the modernization of the technical service centers in Germany.

16

Revenue by region – MOBILITY

16

CERTIFICATION

There were 7,833 employees (FTE average) in the CERTIFICATION Segment in the fiscal year. They generated revenue of € 876.7 million, equivalent to 32.9% of consolidated revenue. Revenue growth came to € 93.7 million or 12.0% and thus met our expectations.

The **Product Service Division**, which saw revenue growth of 11.4% accounted for more than 70% of segment revenue. All lines of business profited from the global recovery in business activity.

Demand for the testing and certification of consumer goods returned to normal levels. These services are enjoying increasing demand in Germany and China in particular.

Demand also picked up in the industrial goods sector. In this business, we facilitate global market access for our customers and also provide solutions for electromobility and connected mobility. However, demand has not yet fully returned to normal levels due to recurring official interventions to contain the COVID-19 pandemic, delays along the supply chain and the ongoing transformation in the automotive industry. This is particularly true for our customers in the automotive and mechanical engineering industries.

Our medical product certifications business remains on a growth trajectory. As the largest Notified Body, we benefit from the growth of the global medical market in all countries. The introduction of the EU Medical Devices Regulation (MDR) has had a particularly favorable effect on the development of demand in Europe.

The **Business Assurance Division** recorded an increase in revenue of 13.1% in spite of the temporary restrictions imposed to contain the COVID-19 pandemic.

Our services relating to quality, environmental, energy and IT security management systems continued to account for the majority of the division's revenue. A significant rise in demand was realized with our ancillary certification services.

Business in Cyber Security Services is stable. Apart from Germany, these services were in demand particularly in India and China.

A sharp rise in revenue was realized by the Academy business on account of the extensive digitalization of the training offers.

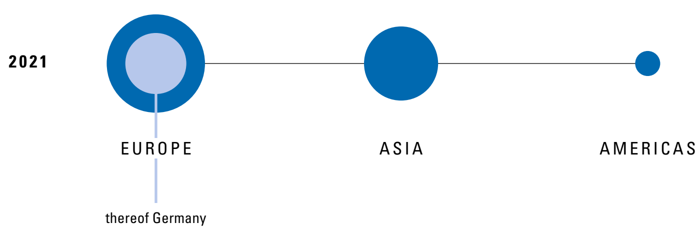
The customary engagement of external services providers for classroom training has a significant impact on the development of purchased services in this segment. These costs rose proportionally to revenue. Correspondingly, the ratio of purchased service cost to revenue remains unchanged at 13.9% (prior year: 13.9%). Personnel expenses also rose in line with revenue growth, which can be explained by the increase in the headcount in the Product Service Division. By contrast, other expenses increased at a slower rate on account of the continuing cost-saving measures. However, amortization and impairments of development projects and software burdened the result.

EBIT in the CERTIFICATION Segment reached € 77.1 million, with the increase in EBIT of 15.6% lying within the targeted corridor. The EBIT margin achieved of 8.8% also matched the forecast.

Higher investments in non-current assets and the increase in trade receivables led to a rise in segment assets of € 78.9 million to € 542.9 million.

The investment volume in the segment amounted to € 57.2 million. The focus was on the expansion of laboratory capacity in China and the USA as well as on the development of software solutions. 17

Revenue by region – CERTIFICATION 17



OTHER

The corporate functions are combined in OTHER. Revenue amounted to € 32.9 million in the fiscal year.

The EBIT of the OTHER Segment amounted to € – 18.3 million in the fiscal year and is thus significantly below the prior year (€ – 1.7 million). A key factor in this development is the rise in personnel expenses, exacerbated by a decrease in other income. Segment assets decreased by € 5.6 million in 2021 from € 486.7 million to € 481.1 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, SEGMENT REPORTING SEE PAGES 146 – 148

For an overview of the development of revenue in the segments, including OTHER, and in the regions, please refer to segment reporting in the notes to the consolidated financial statements.

NON-FINANCIAL PERFORMANCE INDICATORS

Employee report

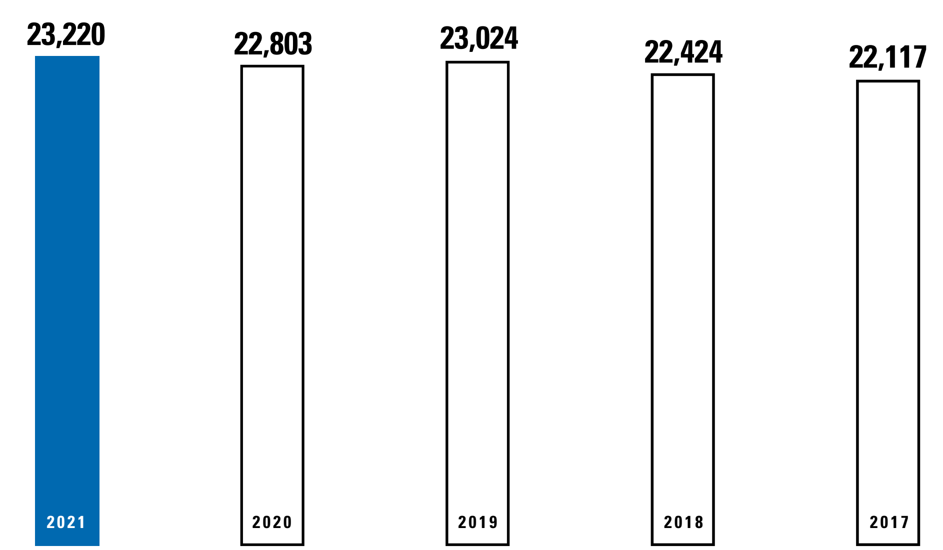
The motivation, expertise and individual skills of our employees lay the foundation for the continuing successful development of the company, both today and in the future. At year end 2021, TÜV SÜD employed more than 25,000 people (prior year: more than 25,000), more than half of whom worked outside Germany.

CHANGES IN HEADCOUNT

The average number of employees in 2021 was 23,220 FTEs, which is a slight increase of 1.8% in comparison to the prior year (22,803 FTEs) and therefore within the expected range. An increase of 0.4% was recorded in Germany and 3.3% outside of Germany. 18

Employee development 18

EMPLOYEE CAPACITY ON AN ANNUAL AVERAGE

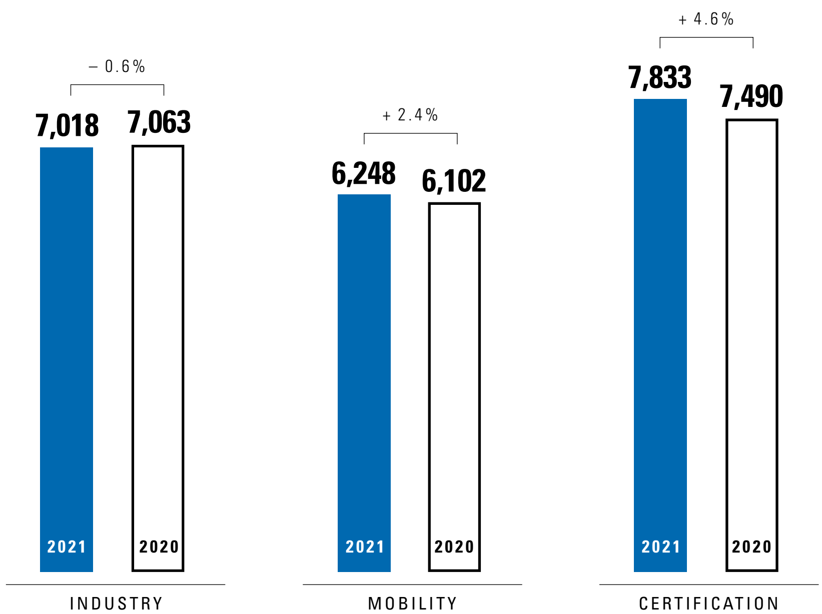


As of December 31, 2021, 23,475 employees (FTE) were employed by TÜV SÜD (prior year: 23,146). Divestments in Germany led to a loss of 247 jobs. However, this decrease was partly compensated by new hires, so that the headcount in Germany was reduced by just 76 jobs as of the reporting date. Outside of Germany, 405 new jobs were created in the existing companies.

CHANGES IN HEADCOUNT IN THE SEGMENTS AND REGIONS

Changes in employee capacity 2020/2021 by segment[1] 19

ON AN ANNUAL AVERAGE

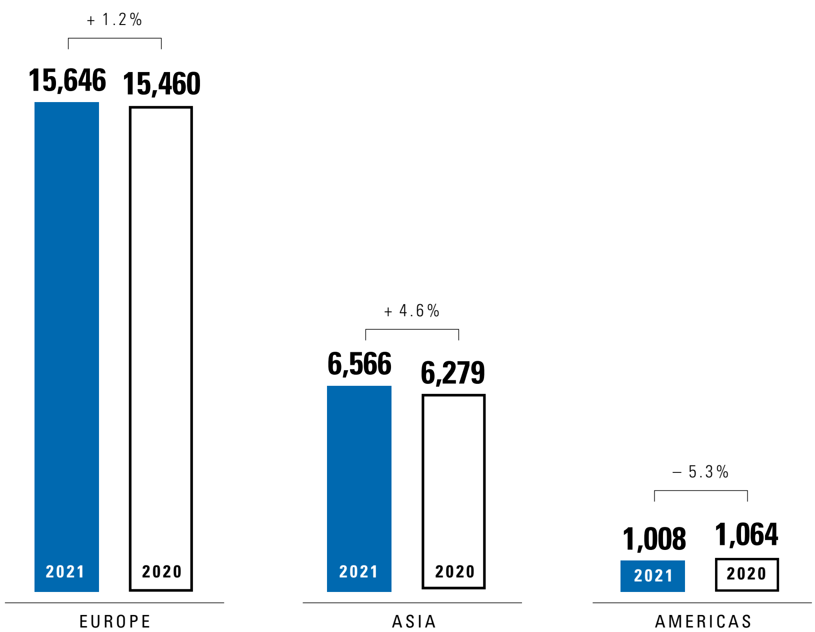


1 _ Without OTHER.

Disposals of companies in Germany and the withdrawal from selected engineering services in the UK led to a decrease in the headcount in the INDUSTRY Segment. The rise in the headcount of the MOBILITY Segment is primarily a result of new hires in Germany and Spain where the merger of a non-consolidated subsidiary had an additional effect. The CERTIFICATION Segment employs the largest workforce and continued its plans to grow headcount in testing facilities, but also in consumer goods and medical products. 19

Changes in employee capacity 2020/2021 by region 20

ON AN ANNUAL AVERAGE



More than half of the total TÜV SÜD workforce is employed outside Germany. The headcount of the EUROPE Region lies slightly above the level of the prior year. The focus of recruitment activities was on our home market Germany, which compensated the decrease in the headcount due to corporate divestments. The number of jobs in the ASIA Region was above the prior year. Capacity in the AMERICAS region was further reduced. 20

HR STRATEGY FOR SUCCESSFUL COMPANY DEVELOPMENT*

* The content of this section is voluntary and, therefore, has not been audited.

With our HR Strategy 2025+, we are creating the conditions for continued successful development in future. The focus lies on attracting talent, improving the daily work experience for employees, e.g., by digitalizing standard processes and creating and fostering competencies.

We intend to offer our employees extensive opportunities for successful development within the organization by offering them tailored development and learning opportunities. Another point of focus for our HR strategy lies on readying the next generation of executives for their future tasks, preferably from our own ranks.

In this way, we want to create the conditions for prevailing over the global competition and attracting the best talent to successfully master the challenges facing TÜV SÜD arising from new technologies and market developments.

* The content of this section is voluntary and, therefore, has not been audited.

HR DEVELOPMENT*

Based on our competence model, we offer our employees a wide range of development and learning opportunities enabling them to successfully master new challenges and tasks.

This involves developing the competencies needed for the current tasks but also the competencies that are needed to secure the sustainable growth of TÜV SÜD and enable the organization to react to changes in the framework conditions. An increasing number of learning programs are also available in digital formats to allow access to knowledge independent of the individual's current location. We foster development in our own ranks and actively seek out any talent that has the potential to take on additional tasks.

Overall, in the fiscal year 2021 our employees attended approx. 84,250 days of training (prior year: approx. 54,400 days). An increase in training was recorded once again following the restrictions imposed by the COVID-19 pandemic.

VOCATIONAL TRAINING SECURES THE FUTURE

TÜV SÜD promotes the training of young people – by offering a range of internships and placements where students can complete their thesis, cooperations with universities, traditional apprenticeships and combined degrees. In the fiscal year 2021, the average number of apprentices and interns at TÜV SÜD came to 198 (prior year: 167). In addition, this year combined degrees were once again offered in partnership with renowned educational institutions, particularly in the fields of mechanical, electrical and automotive engineering. Our goal is to retain as many graduates as possible, and to train them within the company as test engineers or certified experts.

DIVERSITY CREATES A COMPETITIVE EDGE

Diversity and the associated range in perspectives enable us to successfully master our strategic challenges and recognize the needs of our customers, partners, the society and employees. Our goal is to anchor diversity and inclusion in the structures and processes of the Group for the long term and keep nurturing a corporate culture of openness and innovation. To meet this goal, a company-wide Diversity & Inclusion Boost Project was initiated in the spring of 2021. The objectives are to create greater transparency in terms of the status quo and develop indicators and a corresponding action plan for the entire organization. TÜV SÜD has placed special focus on equal opportunities and female representation in management.

* The content of this section is voluntary and, therefore, has not been audited.

The proportion of women at the top level of management (excluding the Board of Management) in the Group decreased to 6.3% in the year 2021 (prior year: 6.8%). At 11.3%, the proportion of women one management level below is slightly above the prior-year level (10.0%). Group-wide, women made up 32% of the total workforce in the fiscal year (prior year: 32%), with the proportion at TÜV SÜD's international locations (35%) being slightly higher than in Germany (29%) (prior year: 34% and 29% respectively).

However, diversity not only includes gender aspects and TÜV SÜD pursues a holistic approach. For instance, a balanced age demographic is also important for us in order to retain knowledge in the organization and build up experience. In Germany, the average age of our employees is around 44, making them older than their colleagues in other countries (39). The average period of company affiliation in Germany (eleven years) is also higher than in other countries (seven years). Voluntary employee turnover across the Group came to 7.2% in 2021, which is above the figure for the prior year (5.7%). Employee turnover in Germany is comparatively low at 3.5% (prior year: 3.1%). An increase in employee turnover to 11.1% was recorded outside Germany (prior year: 8.6%).

WORK-LIFE-BALANCE*

Reconciling the demands of career and family is a key element of our HR policy and simultaneously an important aspect of our corporate social responsibility. To this end, for some years now we have offered our employees a wide range of programs, which we are constantly adding to. The services offered range from generally accessible information and specific support for childcare or the care of relatives to a large number of working hours models and mobile working. To continuously optimize our commitment, we have regularly participated in the "berufundfamilie" audit since 2009. The fourth recertification was scheduled for the fiscal year, which we once again passed successfully. In addition to reconciling the demands of work with family life in Germany, we will place the focus on our foreign subsidiaries in future.

The exchange program for employees' children could only be conducted within Europe in 2021 on account of the pandemic.

≡ 09

Reconciling the demands of career and family[1]

≡ 09

	2021	2020
Employees on parental leave	799	828
Percentage of employees in part-time employment during parental leave	25.3%	26.3%
Total percentage of employees in part-time employment	22.3%	22.3%
Average duration of parental leave	4.0 months	3.8 months
Thereof women	12.9 months	12.0 months
Thereof men	1.7 months	1.3 months

1 _ Germany only.

* The content of this section is voluntary and, therefore, has not been audited.

HEALTH MANAGEMENT*

A wide range of offerings in relation to occupational health management is available to employees. The framework is established by an agreement with the works council as well as global corporate health management, which defines the company-wide minimum standards and key indicators in such fields as first aid and emergency management, risk assessment and workplace hygiene. We also supported personal preventative healthcare with company-wide health campaigns. In the year 2021 we placed special focus on the issue of resilience and offered online-training, a 3D-stress obstacle training and work-related psychological counseling to this end. The offers met with an enthusiastic response.

THE COVID-19 PANDEMIC CHALLENGE

Through the internationally established structures of our occupational health management and the contingency plan we set up in 2009, we were able to quickly pool the required expertise at the beginning of the pandemic and initiate the appropriate measures and in a targeted manner. Our wide-ranging experience with preventive measures benefited us in the fiscal year. As in 2020, the health of our employees was assigned top priority. In the fiscal year the accent was placed on testing and vaccinations. Even before it became mandatory for employers to offer testing, the larger offices of TÜV SÜD had already set up internal test stations staffed by medical personnel. In addition, the workforce was extensively provided with self-test kits. As occupational physicians became integrated in the national vaccination strategy, TÜV SÜD also initiated a nation-wide vaccination campaign. In the second stage, this was extended to family members and, in December 2021, extended to include booster shots for the workforce. We recorded the positive experiences made with mobile or hybrid working models over recent months in a global policy document Future work guidelines. Our engagement during the pandemic even received external recognition: The pandemic management of TÜV SÜD was nominated for the Duty of Care Award by the International SOS Foundation in recognition of its rapid procurement of personal protective equipment.

OPPORTUNITY AND RISK REPORT

Dealing responsibly with risks and opportunities is key to our success. That is why, at the TÜV SÜD Group, we use an internal control system and a comprehensive risk management system to identify and proactively manage the risks and opportunities arising from our business activities.

INTEGRATED INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE FINANCIAL REPORTING PROCESS

The financial reporting internal control and risk management system plays a decisive role in the financial statements of TÜV SÜD AG and the TÜV SÜD Group. It comprises measures designed to ensure complete, correct and timely submission of the information necessary to prepare the separate financial statements of TÜV SÜD AG and the consolidated financial statements and combined group management report. These measures are intended to minimize the risk of material misstatement in the books and records and external reporting.

The TÜV SÜD Group has a decentralized accounting organization. Consolidated companies handle accounting tasks independently and at their sole responsibility or transfer them within the Group's regional shared service centers.

The TÜV SÜD IFRS accounting guideline ensures uniform recognition and measurement of transactions and the exercise of options on the basis of the rules applicable to the parent company. These include in particular specific instructions on applying statutory provisions and dealing with industry-specific matters. They also set out in detail the components of the financial reporting packages to be prepared by the Group companies, as well as the guidelines for reporting and processing internal transactions.

Control activities at group level include analyzing the financial reporting in the reporting packages prepared by the subsidiaries. This takes into account the reports presented by the independent auditor and the results of the closing discussions with representatives of the individual affiliated companies. During the closing meetings, the plausibility of the separate financial statements and critical individual matters at the subsidiaries are discussed. In addition to plausibility checks used during the preparation of the separate and consolidated financial statements of TÜV SÜD AG, other control mechanisms include the clearly defined segregation of responsibilities and the dual control principle. Moreover, the financial reporting internal control system is also independently audited by the Group's internal audit function in Germany and abroad and assessed by the Group's independent auditor.

INTEGRATED CONSOLIDATION AND PLANNING SYSTEM

We can consolidate and analyze historical accounting data and future-oriented controlling data via the TÜV SÜD Business Portal. The system offers central master data maintenance, standardized reporting and outstanding flexibility with regard to changes in the legal framework. This provides us with a technological platform that benefits the Group's accounting and controlling functions alike. The data consistency of the TÜV SÜD Business Portal is ensured by a multi-level validation system.

RISK MANAGEMENT SYSTEM

As an operational component of the business processes, the risk management of the Group is geared toward identifying potential risks at an early stage and in a structured manner and assessing their extent. Bids are reviewed based on defined criteria including resulting reputational risks during the contract acceptance process. In this way, appropriate countermeasures can be taken in a timely manner against pending damage to the company and any risk to the company's ability to continue as a going concern can be ruled out at an early stage.

Along with the impact on the financial performance, the impact on non-financial metrics such as reputation or strategic goals are also taken into account in the risk analysis. As part of the continuous development of our risk management system, we also review and consider the impacts of risks related to sustainability and climate change.

The aim of our risk management process is to optimize TÜV SÜD's opportunity and risk profile by creating transparency and using active management. The risk management process forms a connection between the strategic and financial objectives and is described in greater detail in risk management policies. The transparent presentation and ongoing monitoring of the cause-and-effect cycle of the risks that have been identified and the measures that have been taken allow us to take manageable risks. The risk-bearing capacity, risk tolerance and risk appetite of TÜV SÜD set the framework for the risks entered into. 21

Risk management process 21

We identify risks and opportunities based on commonly used standards. The categories for risks and opportunities have been adapted to suit the needs of TÜV SÜD. The risks are assessed on a standardized basis throughout the Group according to the potential loss amounts and likelihood of occurrence. When assessing qualitative risks, we also take into account, among other things, their potential impact on the achievement of corporate goals, TÜV SÜD's reputation as well as the sustainability and climate goals targeted by TÜV SÜD.

The risk situation of the company is continuously recorded, evaluated and documented as part of the risk management system. Events that could give rise to a risk are identified and assessed during regular surveys and local risk workshops in the divisions, regions as well as in the subsidiaries. Suitable countermeasures are initiated without delay, and their effects assessed over time. Risk Committees have been set up at the division level, and there is also a Corporate Risk Committee for group-wide issues. These committees convene every quarter to analyze and evaluate the situation with respect to risks and opportunities, and to discuss corresponding measures. Implementation of the measures is monitored by the committees.

The results of risk management are factored into budgeting and controlling. The strategic risks relevant for TÜV SÜD are addressed and assessed as a part of the internal processes for strategy implementation. Together with targets agreed in the planning meetings, these are subject to ongoing review during the revolving revisions to planning. At the same time, the results of the measures already implemented for risk management are promptly included into the forecasts for further business development. In this way, the Board of Management also receives an overall picture of the current risk situation during the year via the documented reporting channels.

Reporting on identified risks and implemented countermeasures is firmly anchored in the Group's leadership process. It is also incorporated in TÜV SÜD's information and communication system. Risk and opportunity reports are submitted to the Board of Management, the Audit Committee and Supervisory Board on a quarterly basis. Over and above these standardized reporting processes, significant issues are communicated via internal ad hoc reports.

The procedural rules, guidelines and instructions are recorded systematically and are available in a digital format for every TÜV SÜD employee. Compliance with these regulations is ensured by internal controls. In addition, those employees involved in the risk management process receive regular training.

The independent auditor annually verifies the procedures and processes implemented for the early warning system for the detection of risks as well as the appropriateness of the documentation.

CONTINUOUS MONITORING AND FURTHER DEVELOPMENT

The control and risk management system is optimized on an ongoing basis as part of our continuous monitoring and improvement processes, for example the test of operating effectiveness that was carried out in the fiscal year pursuant to the assurance standard of the Institute of Public Auditors in Germany IDW AsS 981. In this way, we take into account internal and external requirements alike. The aim of the monitoring and improvement process is to ensure the effectiveness of the internal control and risk management system. The results form part of regular and ad hoc reports to the Board of Management, Audit Committee and Supervisory Board of TÜV SÜD AG.

Risk report

The ten most important risks are reported internally to the Board of Management, Audit Committee and Supervisory Board as the top 10 risks. We report here only on the material risks with an effect on earnings or cash that TÜV SÜD is exposed to in its business operations. Qualitative risks are also considered in the analysis as soon as the net risk position is deemed to be worthy of reporting.

The effects of a possible increase in the coverage shortfall for pension obligations are reported separately from the top 10 risks. This takes account of the predominantly equity character of this risk and the limited extent to which it can be controlled. This risk is assessed in a simulation which measures the maximum potential loss within 12 months with a degree of confidence of 95%.

Various lawsuits are pending in both Brazil and Germany in connection with the dam collapse in Brumadinho, Brazil. The effects are assessed outside the risk management process and dealt with primarily by the Special Committee Brazil in the Supervisory Board. Please refer to the comments on compliance and other risks.

The ten largest risks affecting earnings add up to a weighted net risk of around € 21 million, a manageable risk position for equity and earnings in relation to the size of the company. In the prior year, the weighted net risk of the ten largest risks affecting earnings amounted to around € 44 million.

The largest risks affecting profit or loss are in the MOBILITY Segment, where four top 10 risks result in a weighted net risk of € 7 million, while the INDUSTRY Segment has two top 10 risks with a weighted net risk of € 5 million. In the CERTIFICATION Segment, there are three top 10 risks with a weighted net risk of € 4 million. In the Group, there is one top 10 risk with a weighted net risk of € 5 million.

Significant qualitative risks with a potential risk volume of more than € 5 million could arise from our activities in areas that are no longer attractive to our customers in the future. This could be the case, for example, if conventional energy generation continues to lose importance or economic, regulatory and political conditions in the market change. Corresponding risks may also arise if investments made to date cannot be amortized as a result of new market developments or ongoing projects, particularly in the digitization of our services, cannot be successfully completed.

INDUSTRY AND SYSTEMIC RISKS

Risks from changes to regulations

Risks from changes to the regulatory environment can negatively impact revenue and earnings at TÜV SÜD. These risks include sales risks from liberalization, deregulation, but also protectionist measures in our core markets as well as new regulations on such matters as supply chains or climate and environmental protection. We successfully mitigate these risks by continuously optimizing our business processes and models, developing and implementing sales and marketing concepts and diversifying the portfolio of products and services.

Changing statutory and regulatory conditions also influence the performance of our segments' business. We therefore monitor the markets closely and take an active role in the public debate on relevant topics. In this way, we seek to identify risks at an early stage and counteract their effects. This also enables us to leverage the opportunities arising as a result of changes in the business environment for our company.

Our customers are establishing new industry standards too and demand that their business partners provide prompt documentation of the implementation of and compliance with these standards, for example in the form of new accreditations or assessments. A delay in obtaining new accreditations or not having the requisite accreditation or inadequate assessment could lead to being excluded from invitations to tender or contract award processes.

The following industry and systemic risks are among the top 10 risks:
A prolongation of the restrictions to public life due to the pandemic would have a negative impact on our business activities across all segments. Contact restrictions due to quarantine orders, among other things, but also absences of our employees and those of our customers due to illness could lead to delays in order processing or restrictions in the performance of mandatory on-site audits and certifications.

The continuing disruptions in the global supply chains are affecting the automotive industry in particular and thus also the automotive market in Europe. Demand for our services, especially in the MOBILITY Segment, could therefore be lower or delayed.

New and additional requirements imposed by accreditation authorities may lead to additional expense in the CERTIFICATION Segment that cannot be passed on directly to customers.

OPERATING RISKS

Technological risks and risks from digitalization
As a technical service provider, TÜV SÜD has a global presence with various business models. Changes in the technology used, shorter innovation cycles along with digitalization and global connectivity and its manifestations have a direct impact on our customers' needs and the way we work. We meet these challenges by developing innovative services, also in the framework of strategic partnerships, with research institutes or our customers.

IT risks
Information processing is increasingly playing a key role in our business activities. All major strategic and operational functions and processes are supported to a large extent by information technology (IT) at TÜV SÜD. The IT security measures implemented serve to protect the systems against risks and threats, as well as to avoid damage and reduce risks to an acceptable level. Even in an intact IT environment, it is not possible to preclude risks entirely.

Our internal IT security policies are based on national and international standards. We monitor the regulations and compliance on an ongoing basis in order to guarantee the target level of security. Our IT security organization is led by the Chief Information Security Officer. Implementation of further technical IT safeguards as well as the recruitment of additional capacity are progressing as scheduled in light of the growing cyber security threats.

The central IT systems of TÜV SÜD are monitored and regularly tested in such a way as to enable a swift response to any disruption. Our corporate data are protected by adequate measures according to the level of protection required for the respective data. To protect our IT system against viruses and other malware, we maintain security mechanisms which we keep up to date at all times. The current incident response processes are tested and improved on a regular basis.

Extensive contingency measures are in place to ensure that we remain operative in the event of extensive damage to our IT infrastructure – for example, through fire, environmental influences or by force majeure. Comprehensive and regular backups of the central systems also ensure that we can resume operations within an acceptable time frame for the respective applications.

Recruitment risks
With their commitment, motivation and skills, our employees are key success factors for TÜV SÜD. We see our employees' training and international orientation as well as their ability to translate innovations into customer benefits as personnel-related opportunities. However, risks arise if we are unable to recruit suitable staff or retain high performers. We also perceive there to be a risk of the loss of competency and experience stemming from the age structure of our employees in some business segments. We have implemented a large number of measures to ensure the appeal of TÜV SÜD as an employer and support the long-term retention of employees within the Group.

The following performance-related risks can be found in the top 10 risks:
Fluctuations in capacity utilization as well as the expectation of future business development could affect the recoverability of a testing facility in the MOBILITY Segment.

FINANCIAL RISKS

Interest rate and price risks
Interest rate risks arise from interest-bearing items and items that are directly linked to interest rates. For securities, transaction risks arise from the market prices of the various interest-bearing investment instruments. In principle, a distinction is made between the risk from the pensions portfolio and that from the operations of the TÜV SÜD Group.

With regard to operating activities, we use financial derivatives exclusively to hedge underlying transactions. Forward exchange transactions are the main currency hedging instrument.

The risk strategy in the pensions portfolio is designed to limit some of the market risk from pension obligations by means of structured, dedicated financial assets. The objective is to compensate for the interest cost of the hedged pension obligations by means of a corresponding asset allocation wherever possible and to increase coverage over time. This is to be achieved by means of a net return on assets, new additions or recontributions with the trustors waiving their pension reimbursements.

Over 90% of the pension obligations are covered by financial assets that are for the most part segregated from operating assets through the CTA. In this way, the risks associated with pension liabilities are reduced and we ensure that the investment policy reflects the obligations. A very high percentage of the German segregated pension assets is managed in trust by TÜV SÜD Pension Trust e. V. These assets are invested by external investment companies in accordance with specific investment principles. Interest rate risks, currency risks and price risks relating to special long-term capital investment funds are partly hedged by derivative financial instruments. The portfolio's market value is subject to fluctuations resulting from changes in interest, currency and credit spread levels as well as share prices.

A reduction in the discount rate used to determine pension obligations could have a significant effect on the equity position of the Group. In addition, a change in the discount rate has an effect on income in connection with the measurement of the long-service bonus and medical benefits obligations.

Another negative effect on equity could arise from a potential reduction in the return on plan assets compared to planning.

In line with their asset allocation, parts of the plan assets could be adversely affected in their development by falling stock prices on the international financial markets as a result of the conflict in Ukraine.

The focus on a sustainable investment strategy was maintained at TÜV SÜD Pension Trust e. V. in 2021. The primary objective of the sustainability strategy enshrined in the relevant TÜV SÜD guidelines is, among other things, to reduce the potential risk of loss and reputational damage by avoiding risky and unsustainable investments.

The top 10 risks identified among financial risks

The decline of the Turkish lira and the introduction of capital controls may increase translation risks for the future dividend payment of our Turkish joint venture as well as burden the earnings contribution from the joint venture. The steady rise in the inflation rate in Turkey is impacting the development of at-equity earnings and therefore leads us to expect a lower dividend payment in the future.

COMPLIANCE AND OTHER RISKS

Risks from accreditations and designations
In the regulated business, we carry out our activities based on accreditations and designations from authorities and other government bodies. Non-compliance, quality defects or infringements of regulatory requirements could lead to a restriction, temporary suspension or revocation of the accreditation or designation. This can give rise to significant costs, for example for training or process adjustments in quality management in order to regain the authorization. Along with a drop in revenue and earnings, the suspension or revocation of accreditations and designations can also lead to reputational damage. In order to mitigate risk, we carry out regular analyses of the legal environment in the regulated business, pay close attention to adherence to TÜV SÜD compliance requirements and systematically provide training to our employees in the relevant divisions.

Liability risks
Potential damage events and liability risks could lead to significant indemnification claims, loss of reputation and costs for defense against damages. A contractual limitation of liability is generally agreed with the customer in order to mitigate the risk. In addition, TÜV SÜD has also taken out insurance policies to the extent that is customary in the industry. However, the possibility cannot be ruled out that the available insurance coverage is not sufficient in individual cases.

Risks from legal proceedings
As of the end of the reporting period, several legal proceedings were still pending in connection with services rendered by TÜV SÜD which are not related to the dam collapse in Brazil. Due to the existing global insurance coverage, no material financial risks arise from these proceedings. Sufficient provisions were recognized to cover these residual risks.

On January 25, 2019, the tailings dam of a retention basin for an iron ore mine belonging to mining company Vale S.A. close to the village of Brumadinho, Brazil, collapsed. The dam had been inspected by TÜV SÜD BRASIL CONSULTORIA LTDA. (TÜV SÜD BRASIL; formerly TÜV SÜD Bureau de Projetos e Consultoria Ltda.), São Paulo, Brazil in September 2018. This has resulted in various legal risks based on the pending and threatened proceedings in Brazil and Germany. Along with bases for claims under civil law, especially relating to the assertion of indemnification claims, there are also claims under Brazilian environmental law and aspects relating to criminal law.

If these legal risks materialize, the financial implications for TÜV SÜD BRASIL, TÜV SÜD SFDK Laboratório de Análise de Produtos EIRELI (TÜV SÜD SFDK), São Paulo, Brazil, and possibly TÜV SÜD AG may be substantial and have a significant impact on our financial performance and position for the fiscal year 2022 and future fiscal years. The risks mainly stem from various possible liability claims and technical advisory and legal costs. There may also be risks from loss of reputation. It is currently not possible to conclusively quantify these risks.

OVERALL STATEMENT ON THE RISKS FACED BY THE GROUP

From a Group perspective, we are paying particularly close attention not only to the discount rate risk from the measurement of the pension obligations and the provisions for long-service bonus and medical benefits, but also and above all to the strategic risks.

The risks in connection with the dam collapse in Brazil have remained unchanged over the prior year. Based on the current estimate, there may be further negative effects on current business activities in Brazil and significant negative financial implications for TÜV SÜD, in particular from legal risks. Should the outcome of the ongoing legal proceedings associated with the dam collapse in Brazil find to the detriment of TÜV SÜD, this may result in substantial damages or other payments that could have a significant negative impact upon the Group's financial performance and position for the fiscal year 2022 and future fiscal years and its reputation.

There are material uncertainties related to the event of the dam collapse in Brazil, which may cast significant doubt on the ability of the two subsidiaries TÜV SÜD BRASIL and its direct shareholder TÜV SÜD SFDK to continue as a going concern. Therefore, the subsidiaries may not be able to realize their assets and settle their debts in the ordinary course of business. In this respect, the continued existence of the Brazilian subsidiaries is threatened if these companies are deemed to be liable for the damages resulting from the dam collapse and no further financial support is provided by the shareholders. In addition, we refer to our comments in the notes to the consolidated financial statements under pending and imminent legal proceedings.

Looking ahead at the next two years and based on the information available to us in accordance with the risk management system that is in place, there are no apparent risks that could jeopardize the continuing existence of other TÜV SÜD entities. All organizational preconditions necessary to recognize developing risks at an early stage have been met.

Opportunity report

Thanks to our global presence, global economic growth generally provides positive impetus for business in our segments, while an increase in global economic risks can have a negative impact on our business activities.

Significant opportunities for the favorable business development of TÜV SÜD result from the implementation of strategic planning, the business outlook and the individual opportunities of the divisions and segments. In the following, the main opportunities are presented in accordance with the risk categories mentioned above.

INDUSTRY AND SYSTEMIC OPPORTUNITIES

Continued favorable business development of an entity sold in 2019 may lead to an additional purchase price payment in our favor.

If the targeted partial divestment of a German joint venture is implemented, a gain could be realized.

OPERATING OPPORTUNITIES

We regularly take part in tenders in the INDUSTRY Segment and meet the qualification requirements with our expert knowledge, particularly internationally, so that the probability of being commissioned for major projects increases. By establishing companies on site at our customers, additional growth potential can be generated, for example, in the leisure and amusement park sector.

By expanding our digital training offering, we expect additional growth opportunities in the CERTIFICATION Segment.

FINANCIAL OPPORTUNITIES

An increase in the discount rate used to determine pension obligations as well as for provisions for long-service bonuses and medical benefits could have a significant positive effect on the position of the Group's equity or income. Positive development of the key risk factors of nominal interest and credit spread results in a decrease in pension obligations, thereby reducing the shortfall in cover. After taxes, this change in the shortfall would have a positive effect on equity.

OPPORTUNITIES FROM COMPLIANCE AND OTHER OPPORTUNITIES

As a result of proceedings currently in preparation and a court case in Spain that has meanwhile been concluded in the first instance, we could be awarded further compensation payments.

Risk report of TÜV SÜD AG

TÜV SÜD AG is an investment and management holding company. As such, its risk situation is primarily determined by the economic situation of the subsidiaries.

There are financial risks in the form of interest rate risks, currency risks and price risks. Interest rate risks arise in connection with the disposition of liquidity and refinancing. To hedge these risks, derivative financial instruments in the form of interest rate swaps are also used, if required. Foreign currency risks can arise from every existing or forecast receivable or liability denominated in foreign currency. They are mainly hedged using forward exchange contracts. Currency risks arise from changes in the market price of held securities.

Industry and systemic risks arising from changes in the market conditions in the segments and regions are recorded using market and competitive analyses. Possible measures are discussed in strategy meetings.

Please refer to the explanations on group risks in respect of the dam collapse in Brazil.

OUTLOOK

Overall economic development

For 2022, we expect the global economy to recover only slowly due to supply chain problems and additional waves of the pandemic. The possible impact of the conflict in Ukraine on global economic development cannot be assessed at present. The Kiel Institute for the World Economy (IfW) is forecasting global economic growth of 4.5% for the coming year and growth of 4.0% in the year 2023 compared to growth of 5.9% in the year 2021. ≡ 10

Development of the global economy: Forecast for 2022 ≡ 10

Global	Delayed recovery
Germany	Recovery over the course of the year
Euro zone	Slower recovery
USA	Robust growth
Emerging markets	Moderate growth

After a weak phase at the beginning of the year, the German economy is expected to recover as the year progresses, particularly once the supply bottlenecks are resolved. The high order backlog and additional order intake will stimulate the willingness of German industry, including the construction sector, to make investments. This trend towards greater investment will be boosted by the still favorable terms of finance. Consumer spending by private households is expected to rise, even if the supply of consumer goods is restricted by supply bottlenecks and inflation is pushing up prices. The increase in the minimum wage in the year 2022 will presumably dampen short-term growth in employment, although the recovery of the labor market will continue regardless on account of the changed demographics.

The economic recovery of the euro zone will lose pace. Early in the year, the ongoing restrictions on social and economic activities will continue to have a negative impact primarily on the services sector and private consumption. Rising consumer prices on account of the trend in energy prices will dampen growth. Over the course of the year, the buoyant labor market might result in a rise in private consumption. The current supply bottlenecks are putting a brake on any rapid expansion in manufacturing production. In the UK, it can be expected that the domestic economy will continue to develop, even if fiscal support measures are terminated and monetary policy is tightened.

The US economy will continue to grow robustly in the year 2022. Private consumption in the USA will rise rapidly, boosted by a stable labor market. The manufacturing industry and services sector will see accelerated expansion. The expansive financial policies and "build back better" economic stimulus package have the potential to provide greater momentum. However, the inflationary trend could continue in some sectors, such as the construction industry, despite stable energy costs.

The Chinese economy will probably continue to grow at a moderate pace, at least as long as the government intervention in the real estate industry and IT sector continue to have an effect and an expansive monetary policy stabilizes growth. However, consistent implementation of the zero-COVID strategy could slow growth in China and have a knock-on effect on global supply chains.

The picture in the large emerging economies is less uniform. In the emerging economies of Asia, including India, there will generally be economic growth, not least because of structural reform, sustained high global demand for semiconductors and increasing levels of industrial investment. By contrast, growth in South America is expected to remain moderate.

Future development of the TÜV SÜD Group

A prolongation or expansion of the measures taken to contain the COVID-19 pandemic could unfavorably affect the forecast development of business at TÜV SÜD and lead to currently unquantifiable deviations from the statements made below in the outlook about business developments in the coming year.

The following statements on the outlook for the development of TÜV SÜD in the next fiscal year are based on the planning for 2022. This was prepared by the Board of Management and approved by the Supervisory Board in December 2021.

We have derived interim goals from the revised 2025+ strategic planning, which now extends into the year 2026, and applied them to the outlook for 2022. The outlook has been adjusted to reflect the experiences and results of the development business and market trends in 2021, the second year of the pandemic. It has been assumed that there will be a general recovery in the global economy and that economic and social life will return to normal.

The current pandemic situation in terms of its impact on economic and social development as well as the achievement of defined interim goals is assessed and evaluated in regular scenario analyses. The effects of a pandemic situation possibly lasting over the next six months, which are almost impossible to forecast at present, with a continuation or even expansion of the measures to contain the virus, were considered in the outlook for the future development of TÜV SÜD primarily as a marginal scenario.

Possible further financial and non-financial burdens from the accident at the dam in Brazil in 2019, extending beyond the provisions already in place, have likewise not been taken into account. These include a possible future negative impact on our business development and our brand value in particular. It is not currently possible to make any additional disclosures, which extend beyond the statements made on the provisions already recognized, regarding the amount of future budget deviations in particular as well as estimates and assumptions about the probability of certain scenarios occurring.

We intend to keep growing organically. To this end, we are concentrating on our own core competencies and aligning with forward-looking trends, digitalization and new technologies in particular. We are focusing our global activities from which we expect sustainable growth on markets that exhibit stable economic growth and reliable framework conditions.

Revenue growth: Forecast for 2022 ≡ 11

		Development in forecast year 2021	Development in fiscal year 2021	Development in forecast year 2022
Group	Up to 4.5% € 2,700 million to € 2,850 million	↗	↗	↗
INDUSTRY Segment	Mid-single-digit percentage rate growth	↗	→	→
MOBILITY Segment	Mid-single-digit percentage rate growth	↗	↗	→
CERTIFICATION Segment	Low double-digit percentage rate growth	↗	↗	↗

As a reliable partner, we offer our customers worldwide a local portfolio of services and our customers reward us for this. For TÜV SÜD, we anticipate organic revenue growth of up to 4.5% in the forecast period. The Group's revenue from its existing entities is therefore expected to range between € 2,700 million and € 2,850 million. Deviations from this forecast could occur depending on the course of the COVID-19 pandemic. Currently, around 40% of Group sales – by customer location – are generated abroad. This level will remain stable in the coming years. ≡ 11

INDUSTRY

In the year covered by the outlook, we expect mid-single-digit revenue growth in the INDUSTRY Segment. Almost 60% of segment sales are attributable to the Industry Service Division. The Real Estate & Infrastructure Division is expected to contribute slightly more than 40% to segment revenue.

We currently generate approx. 40% of revenue in the segment outside of Germany, with the majority of business outside Germany being attributable to the Industry Service Division. This share of revenue will remain stable over the coming year.

Our services in the field of facility safety will make the biggest contribution to revenue in the **Industry Service Division.** Due to our global presence and innovative digital testing approaches, such as Asset Integrity Management, we are able to provide our customers high-quality service even during the pandemic and in spite of travel and access restrictions. We aim to add sustainable technologies to our existing services portfolio in order to provide our customers the best possible support, also with the decarbonization of industrial plant and equipment. We intend to offer these and other services, such as Climate Action Certification, worldwide.

In the field of technical construction monitoring, energy generation and quality management, we anticipate stable development. While revenue expectations in Germany are dampened by the exit from nuclear power, we see growth opportunities in international project business in South Africa, the Middle East and Malaysia. We also perceive additional revenue potential in Eastern Europe. The strongly international market for amusement parks should also recover.

As the global market leader for independent technical risk calculations and analyses, we expect growth impetus to come from catch-up effects, particularly in the US market. On-site inspections had to be postponed for the second time in the year 2021 on account of the travel and access restrictions related to the pandemic.

We expect higher demand for our services for the chemical and petrochemical industry as soon as our customers resume their planned investment projects. We profit from intensive cooperation with key accounts and strategic cooperations, particularly in Europe, that allow us to intensify our presence on site at the customers' facilities.

In the field of renewable energies and sustainability, which includes the traditional environmental technology business and hydrogen technology, revenue growth is forecast to almost reach double digits. We anticipate significant growth in the environmental and wind energy business. This expectation can be seen as an expression of our desire to accompany the energy transition by offering sustainability services. Our services related to the use of hydrogen and the expansion of our cooperation with strategic key customers in the USA and the Middle East will generate additional growth stimulus.

We perceive an upwards trend in business in Western Europe, Southeast Asia and the Middle East. We intend to address this trend by making large investments, including potential acquisitions, in attractive markets.

The **Real Estate & Infrastructure Division** operates worldwide in a stable market environment that exhibits growth potential. For this reason we expect continued business growth for the division, which will receive additional impetus from rising demand for services in sustainability and digitalization. We are consciously building on our market position in key markets. At the same time, we intend to tap into additional markets using digitalized services.

The area of building-related technical services, comprising testing and certification including building surveys and sustainability certification, will continue on its growth trajectory, in particular in Germany and Singapore. Our digital Building Information Modeling (BIM) and services related to the entire lifecycle of a building help customers to implement the globally growing regulatory requirements for climate neutrality and greater building efficiency and therefore makes a contribution towards reaching the goals of the Paris Agreement. In the insurance markets, digital Guided Inspection will create additional sales potential. Our fire safety testing facility in Thailand will extend our international network of testing facilities and we will be able to offer additional services for the regulated market in Asia.

Our safety-related services for lifts are always in demand, worldwide. In Germany, we intend to defend our position as market leader. Internationally, our goal is to expand our market position and steadily consolidate our local competencies. Our services for lift manufacturers and operators in regulated markets will drive growth, as will innovative digital products such as LiftManager.

The railway transport area will grow in the forecast year 2022, particularly in its core European market and further consolidate its market position after the acquisition of the testing activities of a rail technology specialist. We also anticipate rising demand in China, which we intend to address with our local testing facilities for railway technology. We are continuing to expand our competence in the execution of complex international railway projects. Our unique selling point in comparison to our competitors is and remains our comprehensive portfolio of services.

MOBILITY

As a partner of the automotive industry, the MOBILITY Segment is also facing the challenges posed by the technological transformation towards electromobility, climate change, digitalization and global supply chains, which are driving forward the transformation process in the automotive industry.

We are forecasting stable mid-single-digit percentage growth in the MOBILITY Segment over the forecast period. The international business will account for approx. 10% of revenue in 2022.

The core business includes roadworthiness tests and exhaust gas analyses, but also damage and valuation reports, as well as driver's license tests. We offer these to both private individuals and corporate customers in Germany, Austria, Spain and Turkey. We expect demand for roadworthiness tests and exhaust gas analyses to remain stable the forecast year 2022. We perceive additional growth from the opening of technical service centers in Slovakia. At the same time, our comprehensive digital offerings are being constantly expanded and optimized, which will make it possible to use our services almost without any contact at all – from booking an appointment online through to payment (digital customer journey). We also expect to see revenue growth from expanding business in damage and valuation reports, particularly from winning additional market share and major interregional customers.

We anticipate positive effects from continuing the internationalization of our product offers and from marketing innovative digital products, such as services for highly-automated vehicles. Demand for medical / psychological examinations is expected to remain stable for the foreseeable future. We assume that the current uncertainties related to the development of the automotive industry, supply chain delays and the semiconductor crisis will affect the development of revenue from homologation services. The same applies to our remarketing business that offers services for car dealers, manufacturers, suppliers and lease companies as well as insurance companies. Demand for emissions testing depends on the regulatory environment, the introduction of the Euro7 emission standard and the degree to which electric vehicles penetrate the market.

The transformation of the automotive industry has once again shown how important it is that we focus on digitalization and new technologies in the automotive sector. We are therefore continuing to exploit the potential offered by digitalization through innovations and the optimization of processes. We are exploring the possibilities afforded by the use of new and sustainable technologies in cooperation with our customers and also with research institutes.

CERTIFICATION

For the CERTIFICATION Segment we forecast low double-digit percentage revenue growth in the planning year 2022. The Product Service Division generates approx. 70% of the segment’s revenue and the Business Assurance Division 30%.

With its international alignment, the segment will generate more than 60% of its revenue outside Germany in the forecast period, primarily in the Product Service Division and in the certification business of the Business Assurance Division.

The **Product Service Division** will continue on its growth trajectory. It thus remains the growth driver of the segment and also of the TÜV SÜD Group. The focus of our activities will be on targeted market exploitation as well as expanding in the field of medical products. Moreover, we are driving forward the market launch of innovative digital and also sustainable services for our customers. The largest share of revenue in absolute terms will be provided by the ASIA Region at more than 45%. We expect to see the highest percentage growth in revenue on the European market, including Germany.

In the consumer goods business, we are increasingly targeting business with large and key accounts, and will support them by providing quality assurance for their supply chains, primarily in the ASIA Region. Thanks to our international network of testing facilities, we can offer standardized inspection and certification services for the retail industry directly at their production location. We will expand this service portfolio by adding new products focusing on sustainability and the circular economy.

We expect to see significant catch-up effects in the industrial goods business arising from the last two years of the pandemic and therefore a rise in revenue in all regions. Our core business remains testing and certification services for automotive and industrial components as well as machines. We are complementing this on an ongoing basis by adding innovative and digital services, also for innovative manufacturing such as connected factories. As a solutions provider for electromobility and connectivity, we support our customers on all global markets.

We are expanding our technological and global market leadership in the market for battery testing and are systematically investing in the expansion of our capacity around the world. The battery testing facilities in China are expected to once again contribute around half of the planned revenue growth. The focus of our service offering for hydrogen and fuel cells lies on testing and certification of components and systems.

We will further develop our global market leadership in the medical products segment from our core markets of Germany and the USA. The delay in the EU Medical Devices Regulation (MDR), to the year 2022 may change the competitive environment as other certification providers for medical products are admitted to the market, where they could play an active role. Nevertheless, the MDR and the EU Regulation on In-Vitro Diagnostic Devices (IVDR) will remain the main growth drivers. In addition, we offer chemical and biological tests for non-active medical devices at our own testing facilities. We anticipate further growth from this business.

Our services for management system certification as well as for training and cyber security are bundled in the **Business Assurance Division.** With our products, we help our customers to reliably manage and improve business processes, train their staff and assess and reduce risks. Over 37% of revenue is generated outside Germany, with the trend on the rise. We forecast significant revenue growth in fiscal year 2022 for this division. This is particularly true of the certification and academy business, after we systematically transitioned the underlying business model last year to remote and online solutions, such as remote audits and virtual classroom training. The growth trend will enjoy tailwind from the general market recovery. We anticipate additional growth impetus from new services related to sustainability, information security, supply chains and online training. In addition, we will profit from the digitalization of the working world, triggered by the COVID-19 pandemic.

The certification business will continue to grow continuously. The traditional combined management system certification business will exhibit a slight downwards trend after the year 2021 was dominated by follow-up audits which led to a corresponding increase in revenue. Remote audits have proven their worth and digital services, such as the Audit & Certification Engine, are in high demand. Ancillary certification services, such as supplier audits, remain a revenue driver. We also expect to see growth stimulus from our sustainability and supply chain services. We also see potential for further growth in IT-related certifications of our Cyber Security Certification Suite, which also includes ISO 27001 (information security management) or TISAX (information security in the automotive industry). We want to assert and expand our market leadership in Germany by providing a comprehensive range of services. We can already offer the certification of integrated management systems from a single source to customers all around the world, thanks to our global presence. At the same time, we are driving forward the internationalization of our ancillary certification services. We perceive growth opportunities primarily in the USA, India and ASEAN states.

Following the realignment and transition of the business model to a primarily digital academy, the training business will generate the most rapid revenue growth, in both relative and absolute terms. This growth will be enabled by the open seminar business, the digitalization of the training offer and the market launch of digital training content. The continuing internationalization of the business will facilitate further growth. We expect to see rising demand in the forecast period, particularly on the US market.

Constant revenue growth will be generated by our existing product portfolio in cyber security services. We will further expand our data privacy services, such as offering data protection officers and a data protection portal for small and medium-sized enterprises. In addition, we plan to expand our offering related to confidential cloud computing. Internationally, we perceive market opportunities, particularly in China and India. We are supplementing the services offered by the TÜV SÜD Group, for example in the areas of medical products, vehicle safety and supply chain management, with cyber security services. This is based on our conviction that cyber security will become an integral element of TIC services offered across all divisions in the field of integrated product, plant and process security.

EARNINGS TREND: UPWARDS

We focus our business activities on markets and cutting-edge sectors in which stable and profitable growth is anticipated, with targeted returns of between 8% and 10%.

We support the development of operating business using transparent and harmonized cost and process structures. For example, we regularly analyze our business processes and derive measures to enhance quality and efficiency to consistently optimize internal processes, our goal being to achieve sustainable earnings and profit development. ≡ 12

EBIT development: Forecast for 2022 ≡ 12

		Development in forecast year 2021	Development in fiscal year 2021	Development in forecast year 2022
Group	Range of € 200 million to € 240 million	↗	↗	↗
INDUSTRY Segment	High single-digit percentage growth	↗	↗	↗
MOBILITY Segment	Low double-digit percentage growth	↗	↗	↗
CERTIFICATION Segment	High single-digit percentage growth	↗	↗	↗

The economic development of our markets together with regulatory and political decisions as well as global trends and events will set the underlying trend for the success of our business. The earnings of TÜV SÜD in the forecast year 2022 will be based on our forward-looking alignment towards innovative services associated with sustainability and digitalization. New technologies and intensive cooperation with key international customers offer potential to expand our business activity. Our acknowledged competence in our core markets and our balanced customer base make us less susceptible to temporary market volatility. At the same time, our modern IT infrastructure enables us to provide our employees safe working conditions, ensure a high degree of flexibility and be available for our customers at all times.

We therefore expect EBIT to develop positively in all segments. EBIT is forecast to lie in a range between € 200 million and € 240 million. However, the increase could be lower should the COVID-19 pandemic continue or should there be additional negative effects in connection with the dam collapse in Brazil for which it was not possible to recognize provisions as of December 31, 2021. The EBIT margin will generally remain steady in the upper single-digit percentage range.

With regard to the INDUSTRY Segment, we are budgeting in 2022 for an increase in EBIT that is expected to lie in the upper single-digit percentage range. The EBIT margin is expected to be in the upper single-digit percentage range. The EBIT in the MOBILITY Segment is likely to grow by a low double-digit percentage with the EBIT margin lying in the high single-digits. In the CERTIFICATION Segment, EBIT growth is anticipated to lie in the high single-digits. The EBIT margin is expected to be in the upper single-digit percentage range.

The decisive factors for the sustained success of our business are our proximity to customers thanks to our global presence, our competence in technical services and the trust that our customers place in us. We are therefore investing in sustainable and digital innovations as well as in expanding our core markets. For the forecast year 2022, we have earmarked a total investment framework of € 115 million to € 145 million for future-oriented projects, the expansion of our testing facility capacity and the modernization of existing facilities and buildings. In addition, we plan to spend approx. € 20 million on training our employees.

Economic Value Added (EVA) is a key indicator used to measure the business performance of TÜV SÜD. Based on the EBIT trends described above and a rise in the average capital employed, we are forecasting EVA to lie in a range of between € 60 million and € 70 million in the planning year 2022.

We plan to expand our staff base each year by up to 3%. Depending on the needs at the individual locations and expected growth, we want to recruit well qualified and committed people for our company. The focus of our recruitment activities will be placed on the CERTIFICATION Segment in ASIA. We do not expect to see any significant change in the other non-financial indicators compared to the prior year.