

ZF TRW UK Tax Strategy and Tax Risk Management for the financial year ending 31 December 2019

In accordance with Paragraph 19(2) and 22 (2), Schedule 19, Finance Act 2016, ZF sets out below its group tax strategy for all UK companies within the ZF global group of companies. The tax strategy includes all UK subsidiaries of ZF Friedrichshafen AG. This strategy applies from the date of publication until it is superseded.

The Group's tax strategy is to meet all corporate tax obligations and requirements related to countries and locations in which we operate. Our objective is to minimize risk and adhere to all corporate laws and regulations. The Group's appetite for tax risk is low and we only structure our affairs based on sound commercial principles. We do not engage in planning schemes or arrangements that we consider could be perceived as being aggressive or artificial in nature.

The UK Group's Tax policy is aligned with the Group's Code of Conduct and considers the Group's reputation and corporate responsibilities. This framework sets out the process for defining tax risk appetite, and for the monitoring, reporting and escalation of tax risks to audit and risk committees.

We support the objectives of the OECD projects to modernise the international tax system, and to implement the automatic exchange of information between tax authorities.

We have an open, honest and positive working relationship with HMRC. We are committed to prompt disclosure and transparency in all tax matters with HMRC. We recognise that there may be areas of differing legal interpretations between ourselves and tax authorities and where this occurs we engage in proactive discussion. External advisors are engaged in respect of complex and material transactions.

Managing Tax Risk

- Risk and internal controls are reviewed regularly by both internal audit teams and the in-house tax department.
- The members of the finance team responsible for accounting for tax are encouraged to undertake relevant training
- Changes to tax legislation which affect the group are discussed internally on a real-time basis and with the external advisors on an ongoing basis.
- The Senior Accounting officers are board members of the UK companies and attend HMRC meetings with the CCM and external audit committee meetings. One of the Senior Accounting officers is also responsible for the European Treasury Operations for the ZF Group.

Approach towards dealing with HMRC

- Make fair, accurate, complete and timely disclosure in correspondence and returns, and respond to queries and information requests in a timely fashion.
- Seek to resolve issues with HMRC in a timely manner, and where disagreements arise work with HMRC to resolve issues by agreement where possible.
- Be open and transparent about decision-making, governance and tax planning.
- Reasonably believe that transactions are structured to give a tax result which is not inconsistent with the economic consequences, nor contrary to the intentions of Parliament.
- Ensure all interactions with HMRC are conducted in an open, collaborative and professional manner.
- Keep HMRC informed of business and other developments within the group.

Approved by the UK Board of Directors December 2019