

ZF UK Tax Strategy for the financial year ending 31 December 2020

In compliance with Paragraph 19(2) and 22(2), schedule 19 Finance Act 2016, ZF publishes its group tax strategy which is aligned with the ZF Group's Code of Conduct and applies to all UK subsidiaries of ZF Friedrichshafen AG.

ZF recognizes its corporate responsibility, of which tax compliance represents a core component. This includes paying the right amount of tax in the right place at the right time and disclosing all relevant facts and circumstances in open dialogue with the applicable tax authorities.

RISK MANAGEMENT AND GOVERNANCE

ZF is the leading global supplier of technologies and services that improve the safety, efficiency and connectivity of commercial vehicles and passenger vehicles. Given the scope and size of its activities, ZF is exposed to a variety of tax risks including:

- Strategic tax risk – associated with the business and tax strategy and their implementation
- Tax compliance and reporting risk – related to the end-to-end process for relevant tax filings
- Transactional risk – concerning risks and exposures associated with specific transactions undertaken by a company
- Operational risk – concerning underlying risks of changing tax law and applying the existing tax laws, regulations and decisions to the routine everyday business operations

ZF's UK Board of Directors oversees the ZF Group's tax strategy, governance and tax risk management. The Board of Directors is regularly updated by the Group Chief Financial Officer and Vice-President Taxes on all material tax issues. The Board understands the importance of tax compliance and how it is achieved through internal processes, policies and best practices.

Accountability and oversight of ZF's UK tax compliance and reporting is managed by the UK Financial Controllers, supported by the corporate functions, including the Group Vice-President Taxes.

ZF invests in and utilizes tax and accounting software to facilitate its tax compliance and reporting processes. At the same time, legislative changes in jurisdictions where ZF operates are constantly monitored in order to assess any arising tax risks.

ATTITUDE TOWARDS TAX RISKS

ZF strives to create value to its stakeholders while managing tax risks to ensure compliance with all relevant tax regulations. Internal tax policies are implemented to minimize potential tax risks and establish guidelines and processes for our business operations and internal transactions.

Due to the scale of our business and volume of tax obligations, tax risks will inevitably arise. We proactively seek to identify, evaluate, manage and monitor risks to ensure they remain in line with the Group's strategy. Where there is significant uncertainty or complexity in relation to a tax risk, we seek professional external advice.

TAX PLANNING

ZF considers tax planning as part of its overall business strategy and ensures that any tax planning is based on sound commercial principles. ZF does not engage in artificial arrangements that lack commercial and economic substance. Further, to support its overall aim to pay the right amount of tax at the right time, ZF will seek to implement available government incentives and manage its tax affairs efficiently.

Where needed (due to complexity and/or materiality of a transaction or arrangement) external tax advisors are engaged to ensure full compliance with applicable tax laws.

RELATIONSHIP WITH HM REVENUE AND CUSTOMS (HMRC)

In its operations in the UK, ZF focuses on accurate reporting and compliance, including timely filing of all tax returns and meeting tax payment deadlines. We also apply all applicable local and international tax laws, treaties and guidelines and welcome an open and transparent relationship with HMRC. We will defend our position where we disagree with a decision or a ruling of a tax authority, but first we seek to resolve any disputed matters via discussion and correspondence with HMRC.

Approved November 2020