

## ZF UK Tax Strategy for the financial year ending 31 December 2021

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

ZF recognises 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 an open dialogue with the applicable tax authorities.

The Group's tax strategy has been developed as part of its corporate responsibility in line with the overall corporate strategy. The strategy's priorities aim to meet the following criteria:

- Compliance with tax regulations to ensure that tax return filings are performed correctly and in a timely manner
- Ensuring that taxes are paid to the jurisdictions where the creation of value takes place, thereby avoiding inappropriate tax structuring strategies
- Assurance that tax information regarding corporate decisions and publications of financial data is valid and relevant.
- Establishing appropriate measures to minimise tax risks and prevent unexpected tax payments
- Upholding the positive reputation of ZF in the public perception as a responsible company that respects tax laws. This includes, but is not limited to, conducting transparent business practices and maintaining open communication with local tax authorities.
- Preventing inefficiencies from a tax perspective (e.g. double taxation)

## 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 tax function maintains an organisational matrix structure tailored to the operational needs of the business organisations (Divisions, Business Units and Corporate Functions) as well as maintaining a clear definition of tasks, rights and responsibilities of both the business organisation and the Group tax function.

Roles and responsibilities have been defined in the following areas:

- Policy-making competence
- Consultation requirements
- Involvement on pre-approval requirements
- Responsibility for tax -relevant elements in ZF's business processes
- Maintenance and improvement of ZF's tax compliance management system.

Within the Board of Management of the ZF Group, the responsibility for taxes lies with Corporate Function F, which includes Finance, IT, M & A and is managed by the CFO. The Group tax function, directly reporting to the Head of Corporate Function F (or Group CFO), is responsible for compliance with the tax strategy. Tax compliance measures are executed by centralised local tax functions and are included either within a tax function of a larger jurisdiction or at the local finance function level. General definitions are embedded in ZF's respective management policies, to make sure that all Group entities adhere to these principles.

ZF's UK Board of Directors oversees the ZF Group's tax strategy, governance and tax risk management as it applies to the UK. 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.

ZF ensures that taxes due are determined according to local tax laws and that internal transfer prices within the ZF Group are set in accordance with the arm's length principle.

### **ATTITUDE TOWARDS TAX RISKS – Tax risk management**

ZF's appetite for tax risk is low and therefore seeks to minimise tax risks. The ZF Tax Risk Management and Tax Control Framework are consistent with, and embedded in, the Group's overall Risk Management and Internal Control Framework. Tax risks are actively and continuously identified, assessed, monitored and managed to ensure that they remain in line with the overarching objective of the tax function, to ensure Group-wide tax compliance.

Effective tax risk management and tax compliance are ensured by the following measures:

- The tax governance framework, integrated in ZF's policy management structure
- Continuous monitoring and improvement of the tax control framework via an established Tax CMS lifecycle process
- Tax compliance control of confirmation and issue reporting process integrated in the Group's internal control system.
- A structured approach to monitoring and evaluating potential 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 ZF's 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 2021