

BORGWARNER

BorgWarner UK Tax Strategy

As required by Schedule 19 of the UK Finance Act 2016, this statement documents BorgWarner's UK tax strategy. This UK tax strategy statement will remain in effect until such a time as any amendments are approved and published.

BorgWarner Inc., the ultimate parent company of the BorgWarner Group has the following indirect and wholly owned UK subsidiaries to which this strategy applies: BorgWarner Holdings Limited, BorgWarner Limited, BorgWarner Gateshead Limited, BorgWarner Global Holding LLC, BorgWarner UK Financing Limited, and BorgWarner UK Holdings & Services Limited.

Guiding Principles

The principles that guide BorgWarner's approach to taxes are as follows:

- To build relationships with taxing authorities based on integrity, openness, and honesty, and to seek to clarify and agree material tax positions in advance with taxing authorities where possible, practical, and efficient.
- To comply with all relevant tax laws, regulations, and reporting requirements in all the jurisdictions in which BorgWarner operates, including the OECD's arm's length principle and to timely pay the right amount of tax in each jurisdiction.
- To team effectively with BorgWarner's operations to appropriately manage the tax cost of conducting business and to only undertake transactions that align with operational and business objectives.
- To manage our tax affairs in line with BorgWarner's Code of Ethical Conduct.
- To constructively engage with governments and tax authorities to support the development of tax policy and law in the interests of all our stakeholders.
- To continuously develop and enhance the professional experience of the members of our tax team and to continuously review our tax positions in light of changing tax laws and guidance.
- Given the complicated nature of global tax laws and the inherent subjectivity of many tax rules, to seek the support of external advisors on material tax matters.

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- To control and manage tax risk and the reputation of BorgWarner through appropriate policies, procedures, and communication.

Risk Management & Governance

BorgWarner Inc. is a US company that is listed on the New York Stock Exchange and hence subject to various governance requirements, including those promulgated by the US Securities & Exchange Commission. Accordingly, BorgWarner Inc. has established and continuously reviews and updates a robust set of governance policies and procedures to effectively manage risk, including UK tax risk.

BorgWarner's enterprise policies are ultimately set by BorgWarner's Policy Committee. Each functional manager owns key policies for their area. Oversight for the global tax function and implementation of tax-related policies and procedures is led by BorgWarner's Vice President, Tax. Tax matters in the UK are managed by the designated Senior Accounting Officer, with assistance from the Vice President, Tax.

When appropriate, we complement our network with external advisors to accurately identify, measure, manage and report tax risks. External advice is sought when in-house tax staff need assistance with interpretation of complex tax law.

Tax Planning and Risk Attitude

We only engage in transactions that are consistent with and support our broader operational and business objectives and activities in a manner that provides value while appropriately minimizing our consolidated tax risks and liabilities.

Our policies and governance framework operate to maintain compliance with tax laws and regulations in all jurisdictions in which we operate and to ensure that we identify and mitigate tax risks. We have a low tolerance for tax risk and strive to obtain certainty where possible for our financial reporting obligations and to prevent any potential negative impacts to our shareholders and Company's reputation.

We are subject to consolidated accounting requirements in the US and standalone accounting requirements in every jurisdiction we operate that require us to assess and account for tax risk on either a quarterly and/or annual basis.

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Relationship with the UK tax authorities

BorgWarner is committed to engaging with the UK tax authorities openly and constructively, based upon interactions of mutual trust, transparency, and integrity. We will often work with the UK tax authorities to address inquiries and resolve any differences in opinion on the interpretation or application of tax law to our facts in an honest, ethical, and cooperative manner.

We regularly participate in meetings and conversations with the UK tax authorities in order to provide additional background to the BorgWarner business and context to our UK tax positions and filings and we always seek to provide prompt, accurate, and helpful answers in response to HMRC's queries and requests for information.

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