
Subject: Federal-Mogul – UK Tax Strategy**Function:** All Functions**Issued for:** UK Operations**Issue Date:** February 20, 2018**Supersedes:** New**Subject Policy Number:** FMFN-GB001**Department:** All Departments**Country Policy # Referenced:** FMFN-GB001**Global Policy # Referenced:** Not Applicable**Page:** 1 of 3

I. Summary

This tax strategy (the 'Strategy') relates to UK tax and is applicable to all UK members of Federal-Mogul.

Publication of the Strategy is regarded as complying with the duty under Part 2 of Schedule 19 of Finance Act 2016 in respect of the financial year ending 31 December 2017.

II. Definitions

- A. HMRC – Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support and the administration of other regulatory regimes including the national minimum wage.
- B. OECD – The Organization for Economic Co-operation and Development is an intergovernmental economic organization with 35-member countries, founded in 1960 to stimulate economic progress and world trade.

III. Policy/Scope

A. **About Federal-Mogul in the UK**

Federal-Mogul LLC is a leading global supplier of technology and innovation in vehicle and industrial products for fuel economy, emissions reduction, and safety systems, serving original equipment manufacturers ("OEM") and the replacement parts market ("Aftermarket"). Its product applications cover a multitude of industries including automotive, light, medium and heavy-duty commercial vehicles, agricultural, marine, rail, aerospace, off-road, power generation, industrial equipment, as well as the independent aftermarket. The operations are conducted through manufacturing, distribution and technical facilities located in 24 countries on all major continents.

In the UK, Federal-Mogul operates a Friction plant in Chapel-en-le-Frith, a Pins plant in Bradford, a Valve, Seats and Guides plant in Coventry and has technical and engineering activities at these sites. In addition, Federal-Mogul runs an engineering facility in Essex. The Aftermarket distribution center is located in Bradford. The corporate office for the UK is located in Manchester. Federal-Mogul owns overseas investments through some of the UK based legal entities.

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B. Commitment to Compliance

Federal-Mogul is committed to conducting its tax affairs in a responsible manner and in compliance with all applicable tax laws and regulations. Our transfer pricing policy is aligned to OECD and HMRC guidelines.

C. Tax Governance and Risk Management

The Vice President of Global Tax owns and formulates Federal-Mogul's approach to tax, which is governed by a number of business policies. Federal-Mogul's Code of Conduct sets the underlying principles of proper business behavior. Additionally, the Audit Committee of Federal-Mogul LLC, US, monitors the Internal Control and Risk Management System. Federal-Mogul's internal SOX controls and the position of the Chief Accounting Officer also support a strong financial control environment.

As there is no dedicated Federal-Mogul tax function in the UK, tax compliance activities have been outsourced to firms of reputable advisors and service providers. Tax aspects requiring greater coordination such as transfer pricing are managed by the Global Tax Team. Federal-Mogul reviews and monitors its operations in the UK to ensure ongoing tax compliance in response to ongoing regulatory change.

Tax issues, like all other business risks, are identified, assessed, managed and monitored under the Federal-Mogul's risk management approach. This involves the Global Tax Department collating and monitoring quarterly status and tax issues reports from all locations. Our risk assessment is supported through the advice and opinions of external advisors.

D. Tax Planning

We look to ensure commercial transactions are structured in a tax efficient manner but in doing so we will always act responsibly and in line with our principles referred to above. This includes taking advantage from tax incentives and exemptions. However, we do not engage in artificial tax arrangements which lack economic substance.

E. Tax Risk Appetite

Federal-Mogul has a strong history of compliance and to minimise risk, we consult with advisors where there is uncertainty on the application or interpretation of tax law. In addition, we proactively seek pre-transaction clearance with HMRC on a case by case basis.

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F. HMRC Relationship

We do not have a HMRC Customer Compliance Manager ('CCM'). However, Federal-Mogul is committed to an open and transparent relationship with the tax authorities. We engage with HMRC with honesty, integrity and respect and work collaboratively to resolve disputes and obtain certainty. Communication on day to day matters is managed by our UK Head of Finance with additional input from advisors where appropriate.

IV. Administration/Responsibilities

The Strategy is owned and approved by the Vice President of Global Tax. It is the responsibility of the directors of the UK companies to implement and adhere to the Strategy.

The Strategy is subject to annual review by the Federal-Mogul Corporate Tax Team and will remain in effect until any amendments are approved by the Vice President of Global Tax.

V. References

A. UK's Finance Bill 2016: http://www.legislation.gov.uk/ukpga/2016/24/pdfs/ukpga_20160024_en.pdf