

**BORGWARNER INC. RETIREMENT PLAN
CASH BALANCE COMPONENT**

SUMMARY PLAN DESCRIPTION
Updated 1/1/2017

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INTRODUCTION

BorgWarner Inc. (the Company) amended the BorgWarner Inc. Retirement Plan (the Plan), effective December 31, 2008, to add a cash benefit component to the Plan. The original defined benefit component of the Plan has not been changed. This Summary Plan Description (the SPD) explains the provisions of the cash balance component of the Plan.

In addition to BorgWarner Inc. various employers who are affiliated with BorgWarner Inc. have also adopted the cash balance component of the plan for certain employees.

This Summary Plan Description (SPD) describes the basic features of the cash balance component of the Plan as of January 1, 2017. This SPD is only a summary of the cash balance features of the Plan. A summary cannot include all details of the Plan document or the administration and operation of the Plan. The complete terms of the Plan are described in the Plan document. There is a separate SPD for the original defined benefit component of the Plan. In the event that there is a conflict between the Plan document and this SPD, the Plan document will control. Therefore, if you have questions or if you want to know how a Plan provision applies to you, please be sure to ask your local HR representative or the Plan's Recordkeeper.

In addition, the laws relating to employee benefit plans change regularly. Whenever a Plan provision is inconsistent with any change in the law, the Plan will be administered according to the new law, regardless of the terms of the Plan or this SPD. Whenever significant changes are made to the Plan, you will be notified through a Summary of Material Modifications (SMM). You should keep each SMM you receive and refer to it any time you refer to this SPD.

ELIGIBILITY TO PARTICIPATE

Who is eligible to participate in the Plan?

Eligible employees will be determined as of December 31, 2008. You will be notified in writing if you are eligible for this cash balance benefit.

YOUR CASH BALANCE BENEFIT

What is the Cash Balance Benefit?

Your cash balance benefit is equal to your account balance under the Plan. Your account balance is a hypothetical account balance equal to your opening balance credited to you at the time you first became eligible plus interest credits allocated to you each year after. The initial amount of your balance was based on several factors, such as your age and years of service. Your account balance always reflects the current lump sum value of your cash balance benefit.

How are the annual interest credits calculated?

You receive an interest credit as of the last day of each plan year. Interest credits are added to your account balance based on your account balance as of the beginning of the plan year and the

interest rate for the year. On and after January 1, 2017, interest credits are determined for the plan year using the composite corporate bond rate as described in Code Section 412(b)(5)(B)(ii)(II), as in effect for Plan Years beginning on or after January 1, 2008, determined as of the October preceding the beginning of the plan year for which the interest is credited. The interest credit rate will not exceed the third segment rate under Code Section 417(e)(3)(D) or Code Section 430(h)(2)(C)(iii) (determined without regard to the interest rate stabilization rules of Code Section 430(h)(2)(C) and Code Section 430(h)(2)(D)). The interest credit rate is not affected by whether the Plan's investments increase or decrease in value during the year. Your account continues to grow with interest credits until the end of the month prior to the month in which you receive your benefit from the Plan.

EXAMPLE: Assume your account balance on January 1, 2017 is \$25,000 and the interest rate for the year is 3%. Your interest credit for the plan year is \$750 (\$25,000 x 3%). Your new account balance on December 31, 2017 is \$25,750.

How will I know my account balance?

Each year you will receive a statement showing your opening account balance for the prior year, the interest credit for the prior year, and your new account balance as of the end of the prior plan year. The annual statements will be easy to read and will show the effect of interest credits on your account balance. Your account balance can never decrease because you continue to earn interest credits up to the end of the month prior to the month in which you receive your benefit from the plan.

What are the vesting rules applicable to the cash balance benefit?

Vesting describes the percentage of your cash balance benefit that you are entitled to receive from the Plan when you qualify for a distribution. You are 100% vested in your cash balance benefit at all times.

CONTRIBUTIONS TO THE PLAN

Who pays the cost of the Plan?

The cost of the plan is paid entirely by the Company. The Company has hired an actuary who determines the amount that needs to be contributed by the Company each plan year to fund the cash balance benefit.

DISTRIBUTION OF THE CASH BALANCE BENEFIT

When may I receive a distribution of the cash balance benefit from the Plan?

The cash balance benefit is payable after you terminate employment with the Company.

How is the cash balance benefit paid?

You will have a number of choices regarding the payment of your cash balance benefit.

- You (with the consent of your spouse, if you are married at the time of the distribution) will be able to elect to receive your cash balance benefit as a lump sum equal to your account balance. Lump sums can usually be rolled over to an IRA, as described on page 5.
- If you begin benefits at or after your retirement under the Plan, you and your spouse will also be able to elect to receive your cash balance benefit as a "50% Joint and Survivor Spouse Annuity." The 50% Joint and Survivor Spouse Annuity is based on your account balance and provides you with a monthly benefit for your lifetime. After your death, your surviving spouse will receive 50% of the monthly amount you were receiving for the remainder of his or her life.
- If you are married and you and your spouse do not elect the lump sum or the 50% Joint and Survivor Spouse Annuity method of payment described above, you will automatically receive your cash balance benefit in the form of a "qualified joint and survivor annuity" (a QJSA). A QJSA is also based on your account balance and provides you with a monthly benefit for your lifetime. After your death, your surviving spouse will receive 100% of the monthly amount you were receiving for his or her life.
- If you are not married and you do not elect the lump sum, you will automatically receive your cash balance benefit in the form of a life annuity. A life annuity will provide you with equal monthly payments for your lifetime.

What happens if I die before I receive my cash balance benefit?

If you have been married for at least 12 months at your death and you have not yet received any portion of your cash balance benefit, your spouse will have two choices regarding the payment of your cash balance benefit.

- Your spouse will be eligible for a "qualified preretirement survivor annuity" (a QPSA) based on your account balance.
 - The QPSA provides your surviving spouse with equal monthly payments for life. The monthly payment is equal to the monthly payment that you would have received under the QJSA described above. Payment of the QPSA will usually begin on the first day of the month following the date that would have been your normal retirement date. However, your spouse may elect to begin payments as early as the first day of the month following the date of your death.
- Your spouse may also choose to waive the QPSA and elect to receive a lump sum death benefit equal to your account balance. The lump sum death benefit will be paid as soon as administratively possible following your spouse's election. Lump sums can usually be rolled over to an IRA, as described on page 5.

If you are not married (or have been married for less than 12 months) at your death, no benefit is payable under the cash balance component of the Plan.

How do I elect when and how I want my cash balance benefit paid?

Your local HR representative can give you the forms to apply for your cash balance benefit, or you may call the BorgWarner Retiree Service Center at 877-259-5373.

If the value of your cash balance benefit is greater than \$5,000 and you are married, the QJSA or QPSA must be waived in order to elect the lump sum or the 50% Joint and Survivor Spouse Annuity. You will not be permitted to elect the lump sum or the 50% Joint and Survivor Spouse Annuity without your spouse's consent. To waive the QJSA or the QPSA, your spouse must consent irrevocably to the waiver in the presence of a notary public or your local HR representative.

When you request the forms to apply for your benefit, you will also be given a written notice that explains the QJSA or QPSA in greater detail and your right to waive these forms of payment. The notice will explain the effect of the waiver and the time period during which the QJSA or QPSA may be waived.

Are there special rules that apply to small account balances? Yes. Special rules apply if your employment terminates and the value of your cash balance benefit is \$5,000 or less. If that occurs, the Plan will automatically pay out your cash balance benefit even if you do not apply for benefits.

- If the value of your cash balance benefit is \$1,000 or less, you will be given notice ahead of time, and payment will be made directly to you in cash if you do not elect a direct rollover. If you receive the payment in cash, you will be able to roll over the amount into an IRA of your choosing.
- If the value of your cash balance benefit is more than \$1,000 but not more than \$5,000, you will be given notice ahead of time, and you will be able to elect to have the amount paid to you or rolled over to an IRA of your choosing. After you receive or roll over the amount, no further benefits are payable to anyone on your behalf. If you receive the notice and do not respond within the time provided in the notice, your cash balance account will be rolled over to an IRA with T. Rowe Price selected by the Plan Administrator.
 - If your cash balance account is automatically rolled over to the T. Rowe Price IRA selected by the Plan Administrator, it will be invested in a manner intended to preserve principal and provide a reasonable rate of interest and liquidity. The IRA will belong to you and you will assume all rights and responsibilities related to it, including the right to roll over the account to another IRA. All expenses of the IRA will be charged against the balance in the IRA. Unless you sign a new beneficiary designation for the IRA provider, the beneficiary in the event of your death will be determined in accordance with the IRA and not this Plan.
 - For more information regarding the T. Rowe Price IRA and associated fees, contact the Recordkeeper.

Can creditors reach my cash balance account? As a general rule, your cash balance account cannot be sold, used as collateral for a loan, given away, or otherwise transferred. In addition, your creditors may not attach, garnish, or otherwise interfere with your cash balance benefit.

However, there are a few limited exceptions to this general rule. For example, the law requires that all or a portion of your benefit be used for court-ordered property settlement in divorce or separation, child support, or alimony payments if the Employee Benefits Committee (the EBC) is presented with a "Qualified Domestic Relations Order." The EBC will determine whether a domestic relations order is "qualified." You have the right to receive, free of charge, a copy of the Plan's procedures for making that determination.

How will my cash balance distribution be taxed?

When you receive any payment from the Plan, it will normally be subject to income taxes. The tax on lump sum distributions may be reduced or deferred by rolling over part or all of the distribution to an IRA or another retirement plan authorized to accept your distribution.

Federal law requires that 20% be withheld on any distribution eligible for rollover (such as a lump sum) that is not actually rolled over directly to an IRA or another retirement plan authorized to accept your distribution.

When you receive a distribution, you will receive a more detailed explanation of the tax rules, rollovers and withholding. The tax rules are complex and you should consult with a qualified tax advisor about your distribution.

Are there any potential penalties related to distributions from this Plan?

Under most circumstances, if you receive benefit payments before you reach age 59 1/2, you may be required to pay an excise tax of 10% of the amount distributed, in addition to the income tax applicable to the payment. This will not apply if you receive a lump sum and roll it over to an IRA or to another qualified retirement plan.

In addition, if benefit payments are required to begin at age 70 1/2 and you do not receive at least the required minimum monthly benefit, you will be required to pay a tax equal to 50% of the amount that should have been paid to you. You should notify your local HR representative before you reach age 70 1/2.

Benefits may not be required to begin at age 70 1/2 if you are still working for the Company at that time.

ADMINISTRATION OF THE PLAN

How is the Plan administered?

The Company is responsible for making contributions to the Plan, determining eligibility and benefits, interpreting the Plan, prescribing procedures and forms for administering the plan, and

preparing reports and disclosures to participants and the government. The EBC makes most of the decisions relating to the Plan, and most of the administrative duties relating to the Plan are carried out by local HR representatives and other Company staff.

Certain responsibilities relating to the Plan are "fiduciary" responsibilities under the Employee Retirement Income Security Act of 1974 (ERISA). Each fiduciary is responsible for the exercise of the duties assigned to it, but not for the duties assigned to the other fiduciaries.

How do I make a claim for benefits under the Plan?

Several months before you wish to receive benefits under the Plan, you should request the appropriate forms to apply for benefits from your local HR representative, or you may call the BorgWarner Retiree Service Center at 877-259-5373. Most claims for benefits will be processed within thirty days after you return the forms or call the Service Center, but more complicated claims may take longer. Interest will be calculated on all claims up to the end of the month prior to distribution.

Even with more complicated claims, the claims administrator will inform you of the approval or denial of your claim within 90 days of its receipt, unless you are notified prior to that time that an extension (up to an additional 90 days) is necessary. If your claim is denied, you will receive written notification including: the reason for the decision, the section of the Plan on which the decision is based, a description of any additional material that you could present to prove your claim, an explanation of why the additional material is needed, and an explanation of the steps you must take to appeal the denial of your claim, including a statement of your right to bring civil suit under section 502(a) of ERISA in the event of a denial on appeal.

You (or your representative) have the right to appeal the denial of your claim within 60 days of receiving notification of the denial. The appeal will be a full and fair review of the denial that will afford you (or your representative) the right to submit written statements, records, or other information relating to your claim and the right to reasonable access to, and copies of, all documents, records, and other information relevant to your claim, at no cost.

The claims administrator will inform you of the approval or denial of your appealed claim within 60 days of receipt of your appeal, unless you are notified that an extension (up to an additional 60 days) is necessary. If your claim is again denied, you will receive written notification including: the reason for the decision, the section of the Plan on which the decision is based, a statement that you are entitled to receive, at no cost, reasonable access to, and copies of, all documents, records, and other information relevant to your claim, and information regarding additional appeal procedures, if any are available, including a statement of your right to bring civil suit under section 502(a) of ERISA. The 60-day period may be extended if your appeal is handled by the EBC.

INVESTMENTS

How are the assets of the Plan invested?

All contributions are paid to the Trustee to be invested in a trust fund established exclusively for the benefit of all participants. The Employee Benefit Committee (EBC) then invests the trust fund in bonds, notes, debentures, mortgages, investment trust certificates, preferred or common stocks, savings accounts, certificates of deposit, and other real and personal property and other investments permitted by the Plan. Unless responsibility is delegated to another fiduciary, such as an investment manager, the EBC is responsible for investing the trust fund, preparing annual valuations and accounts of the assets of the fund, and making payments.

AMENDMENT AND MERGER

Can the Plan be amended, merged with another plan, or terminated?

The Company has the right to amend the Plan at any time, but an amendment cannot retroactively reduce your benefits or vested percentage. The Plan can also be merged or consolidated with another plan as long as your accrued benefit under the Plan is not reduced by the merger. Finally, the Company also has the right to terminate the Plan at any time. The Plan automatically terminates if the Company goes out of business or is sold or merged and the successor does not adopt the Plan.

If the Plan is terminated, your account balance will be distributed to you to the extent assets are available to pay your benefit. If plan assets are not sufficient to provide each participant with the full value of his or her account balance, which is unlikely, the assets will be distributed according to the rules and regulations under ERISA.

Is my benefit under the Plan insured?

Your benefits are insured by the Pension Benefit Guaranty Corporation (PBGC), a federal insurance agency. If the Plan terminates without enough money to pay all benefits, the PBGC will step in to pay benefits. When that happens, most people receive all of the benefits they would have received under the Plan, but some people may lose certain benefits. Generally, the PBGC guarantees most retirement benefits and certain benefits for your survivors.

The PBGC does not guarantee benefits greater than the maximum guaranteed amount set by law for the year in which the Plan terminates, some or all of benefit increases and new benefits based on Plan provisions that have been in place for fewer than five years at the time the Plan terminates, benefits for which you have not met all of the requirements at the time the Plan terminates, and certain other benefits.

Even if certain benefits are not guaranteed, you still may receive some of those benefits from the PBGC depending on how much money the Plan has and how much the PBGC collects from the Company.

For more information on the PBGC and the benefits it guarantees, ask the Plan Administrator or the PBGC Technical Assistance Division, 1200 K Street, N.W., Suite 930, Washington, D.C. 20005-4026 or call (202) 326-4000 (not a toll-free number). TTY/TDD users may call the federal relay service toll-free at 1-800-877-8339 and ask to be connected to 202-326-4000.

Additional information is available through the PBGC's website on the Internet at <http://www.pbgc.gov>.

YOUR RIGHTS UNDER ERISA

As a Participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). ERISA provides that all Plan Participants shall be entitled to:

- Examine, without charge, at the Plan Administrator's office all documents governing the Plan, including a copy of the latest annual report (Form 5500 series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan, including copies of the latest annual report (Form 5500 series) and updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive the Plan's annual funding notice. The Plan Administrator is required by law to furnish each Participant with a copy of the annual funding notice.
- Obtain a statement telling you whether you have a right to receive a benefit at normal retirement age (age 65) and if so, what your benefits would be at normal retirement age if you stop working under the Plan now. If you do not have a right to a pension benefit, the statement will tell you how many more years you have to work to get a right to a pension benefit. (Since you are always 100% vested in your Security Account, you will always have a right to receive this benefit.) This statement must be requested in writing and is not required to be given more than once every twelve months. The Plan must provide the statement free of charge.

In addition to creating rights for Plan Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a pension benefit or exercising your rights under ERISA.

If your claim for a pension benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents related to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within thirty days, you may file suit in a Federal court. In such a case, the court may require the plan administrator to provide the materials and pay you up to \$147 a day until you receive the materials, unless the materials were not sent because of reasons beyond the

control of the administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court. If it should happen that the Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If you request a Plan document, report or statement to which you are entitled and do not receive it within 30 days, make sure your request has been received. It is intended that you be provided with any requested material as quickly as possible. However, under the law you may enforce your request by filing suit in Federal court. If you sue and the court finds you were entitled to the documents and the delay could have been avoided, the court may direct the Company to pay you up to \$147 a day until you receive the materials.

If you should have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the plan administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

IMPORTANT INFORMATION ABOUT THE PLAN

The Plan's name is the BorgWarner Inc. Retirement Plan. This SPD relates to the cash balance component of the Plan.

The Company and Plan Administrator is BorgWarner Inc., 3850 Hamlin Road, Auburn Hills, Michigan 48326. The Company's telephone number is (248) 754-9200.

The Company's Taxpayer Identification Number is 13-3404508.

The Plan's Plan Number is 001. The Plan is a defined benefit plan.

The Plan is self-administered by BorgWarner Inc. and the companies it has hired to help administer the Plan.

The Plan's Plan Year begins each January 1 and ends each December 31.

The Plan's Trustee is Northern Trust Company, 50 South LaSalle Street, Chicago, Illinois 60603.

The Plan's Recordkeeper is BorgWarner Employee Benefits Committee.

Should it be necessary, service of legal process may be made upon the Company.

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