

Tax Strategy

This paper sets out the tax strategy for the companies listed in the Appendix (“Honda UK”) for the fiscal year 2017 (as shown in the appendix) as required by Schedule 19 of the Finance Act 2016.

This tax strategy applies to all UK taxes applicable to Honda UK and the document is owned by the Senior Vice President of Honda Motor Europe Limited with responsibility for financial matters. It will be reviewed annually, updated as appropriate and approved by the Senior Vice President.

1 HOW HONDA UK MANAGES ITS TAX RISKS

Guided by the fundamental beliefs of “Respect for the Individual” and “The Three Joys” (“The Joy of Buying,” “The Joy of Selling,” and “The Joy of Creating”), Honda endeavours to share joy with people around the world and aspires to be “a company society wants to exist.” A prerequisite to fulfilling this philosophy is to act with integrity to customers and society at all times. Failure to do this would result in loss of the confidence and trust which Honda has established over the years; this is a precious asset that would be extremely difficult to recover. For this reason, the Global Code of Conduct was developed and can be found at <http://world.honda.com/codeofconduct/>.

This philosophy and management principles drive our approach to managing taxes and there is a requirement for accurate and timely reporting of tax information. The management of tax risk is the responsibility of the representatives of each company and we seek advice from external professional advisors as required to ensure we remain compliant with our obligations. Honda maintains on-going application of tax governance with strong internal controls in order to substantially reduce tax risk to materially acceptable levels. The Compliance and Ethics policy ensures that Honda Associates acting in good faith are confident that they can raise any matter with the Company that concerns them in the knowledge that it will be taken seriously, treated as confidential and that no action will be taken against them.

Compliance and Reporting Non-compliance Incidents

Compliance and Ethics

Honda's policy

Honda continuously carries out initiatives to strengthen compliance in order to reinforce the trust established with society. Persons who work at Honda are also required to comply with relevant laws, regulations, and policies while acting ethically.

Required conduct

I will comply with laws, regulations and company policies.
I will act ethically in accordance with social norms and common sense.

2 HONDA UK'S ATTITUDE TO TAX PLANNING

Society's expectations toward Honda continue to evolve with the times. As a responsible global company, Honda will undertake the resolution of problems while listening to the voices of its diverse stakeholders so as to meet their expectations and earn their trust.

Honda UK will not engage in artificial transactions the sole purpose of which is to obtain a tax advantage. However, Honda UK will consider undertaking a transaction in a way that gives rise to UK tax efficiencies providing this is aligned to Honda UK's commercial objectives and complies with the associated UK tax legislation and will seek advice from external professional advisors as required.

Honda UK will not engage in tax efficiencies if the underlying commercial objectives do not support the position, or if the arrangements impact upon Honda UK's reputation, brand, corporate and social responsibilities, or future working relationships with HMRC.

Relationships with Society

Contribution to Society

Honda's policy

Honda strives to contribute to society through its business activities, such as the provision of products and services that exceed the expectations of customers and society. Honda also engages in socially beneficial activities to fulfill its social responsibility as a corporate citizen.

Required conduct

I will fully acknowledge Honda's basic stance to contribute to society and strive to fulfill our expected roles in the community.

3 HONDA UK AND ITS TAX RISKS

Honda aims to pay the appropriate amount of tax at the right time and maintain the level of tax risk which is acceptable for its business. Honda UK seeks to achieve this aim through;

- (a) submitting all UK tax returns on a timely basis, including sufficient detail to enable HMRC to form an accurate view of the affairs of the company filing the return with an adequate supporting audit trail and sign-off process. This includes regular meetings with the relevant officers from HMRC and the CRM (as well as other European fiscal authorities), regular business updates and tours of our facilities;
- (b) paying the appropriate amount of tax at the right time. Where this view may differ to the position taken by HMRC, Honda UK aims to be transparent about the filing position it has taken;
- (c) maintaining tax accounting arrangements which are robust and accurate and comply, where applicable, with the Senior Accounting Officer (SAO) provisions in the UK;
- (d) ensuring that the departments who are involved in Honda UK's tax processes are both adequately resourced, supported and that key personnel are retained in order to manage tax compliance issues on a timely basis; and
- (e) ensuring all tax filing positions are supported with appropriate documentary evidence.

4 WORKING WITH HMRC

Our objective is to ensure that relationships between Honda and tax authorities (including HMRC) are transparent, constructive and based on mutual trust. Honda UK will comply with all relevant legal disclosure and approval requirements and all information will be clearly presented.

In its dealings with HMRC, Honda UK will act in an open, honest and transparent manner. Honda UK's strategic aim is to avoid unnecessary disputes with HMRC and thus minimise tax risk, and we seek to achieve this through: (a) continuing to host regular face-to-face meetings with HMRC to discuss current business initiatives and the associated tax accounting; (b) where appropriate, seeking pre-transaction clearances from HMRC; and (c) making the tax compliance procedures and controls available for review by HMRC upon request.

This Tax Strategy document is communicated to all the relevant stakeholders within Honda UK, from the Senior Executives who are making regular commercial decisions to those individuals who are involved in the daily tax processes/procedures that we operate, so that it is firmly embedded in the culture that we adopt. This Tax Strategy will be subject to continuous review by these stakeholders to ensure that Honda UK is adhering to its strategic aims and objectives.

Relationships with Shareholders, Investors, and Other Stakeholders

Timely and Appropriate Disclosure of Information

Honda's policy

In order to remain a highly transparent company, Honda strives for appropriate communication with customers, business partners, shareholders and investors, local communities, and other stakeholders.

Required conduct

I will appropriately disclose information in compliance with laws, regulations, and company policies when engaging in disclosure of information to outside parties and interact with stakeholders in a courteous manner.

HONDA PHILOSOPHY AND MANAGEMENT PRINCIPLES

Fundamental beliefs	
Respect for the Individual	
Initiative	Initiative means not to be bound by preconceived ideas, but think creatively and act on your own initiative and judgment, while understanding that you must take responsibility for the results of those actions.
Equality	Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, social or economic status have no bearing on the individual's opportunities.
Trust	The relationship among associates at Honda should be based on mutual trust. Trust is created by recognizing each other as individuals, helping out where others are deficient, accepting help where we are deficient, sharing our knowledge, and making a sincere effort to fulfill our responsibilities.
The Three Joys	
The joy of buying	The joy of buying is achieved through providing products and services that exceed the needs and expectations of each customer.
The joy of selling	The joy of selling occurs when those who are engaged in selling and servicing Honda products develop relationships with a customer based on mutual trust. Through this relationship, Honda associates, dealers and distributors experience pride and joy in satisfying the customer and in representing Honda to the customer.
The joy of creating	The joy of creating occurs when Honda associates and suppliers involved in the design, development, engineering and manufacturing of Honda products recognize a sense of joy in our customers and dealers. The joy of creating occurs when quality products exceed expectations and we experience pride in a job well done.
Company principle	
Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction.	
Management policies	
<ul style="list-style-type: none"> • Proceed always with ambition and youthfulness. • Respect sound theory, develop fresh ideas and make the most effective use of time. 	<ul style="list-style-type: none"> • Enjoy your work, and encourage open communications. • Strive constantly for a harmonious flow of work. • Be ever mindful of the value of research and endeavor.

APPENDIX – LIST OF COMPANIES (HONDA UK)

Company name	Fiscal Year 2017
HONDA R&D EUROPE (U.K.) LTD.	1 April 2017 to 31 March 2018
HONDA ENGINEERING EUROPE LTD.	1 April 2017 to 31 March 2018
HONDA OF THE U.K. MANUFACTURING LTD.	1 April 2017 to 31 March 2018
YUTAKA GIKEN (UK) LTD.	1 April 2017 to 31 March 2018
UYS LIMITED	1 April 2017 to 31 March 2018
UYT LIMITED	1 April 2017 to 31 March 2018
HONDA MOTOR EUROPE LTD.	1 April 2017 to 31 March 2018
HONDA FINANCE EUROPE PLC.	1 April 2017 to 31 March 2018
HONDA TRADING EUROPE LTD.	1 April 2017 to 31 March 2018
EUTIC CORPORATION	1 January 2017 to 31 December 2017
HONDA LOGISTICS UK LIMITED	1 April 2017 to 31 March 2018
EURO LOGISTICS SERVICES LIMITED	1 April 2017 to 31 March 2018
YACHIYO INDUSTRY (UK) LIMITED	1 April 2017 to 31 March 2018
HKC EUROPE LTD	1 April 2017 to 31 March 2018
HIRATA YACHIYO LEASING LIMITED	1 April 2017 to 31 March 2018
HONDA MOTOR EUROPE LOGISTICS NV – UK BRANCH	1 April 2017 to 31 March 2018