

## Risk Management

# Establishing an Effective Risk Management Structure

Honda formulated the Honda Global Risk Management Policy in June 2015, with its applicability extended to Group subsidiaries, with the aim of driving the company's sustainable growth and stabilizing management by anticipating risk and responding swiftly. The regulations are based on the Honda Philosophy.

In order to address business-related risk, as well as risks related to disasters that have the potential to impact operations on a global scale, the Honda Global Risk Management Policy details roles for each organizational rank. At the same time, each organization is responsible for setting up an appropriate structure and promoting its own independent risk management activities. In addition, the Company has taken measures to support implementation throughout Honda, including Group companies, centered around a Risk Management Officer appointed by the Board of Directors. As well as evaluating potential risk in terms of impact and frequency, a Global Emergency Headquarters was established to provide a response to incidents proportionate to the anticipated magnitude of impact.

## Risk Analysis

After experiencing the Great East Japan Earthquake and major flooding in Thailand, Honda has since October 2013 begun identifying priority risks from the bottom up for each of its Regional and Business Operations. The purpose is to identify potential risks and implement the necessary countermeasures, thereby turning the risks into opportunities for growth.

As for specific procedures, for the 91 risk items identified by the Honda Group, such as economic crisis, economic recession and exchange rate and interest rate fluctuations, Honda performs risk assessment by calculating the potential magnitude of impact and the frequency of occurrence using common evaluation criteria. Based on the results of the assessment, the Executive Officer of each of the

Regional and Business Operations chooses the risks most relevant to its regional or business operations in the next fiscal year. In addition, information regarding risk management measures is shared among members of management every year with monitoring of progress.

In FY2017, along with identifying priority risks from the bottom up, the Company started identifying risks that require company-wide response (company-wide priority risks) by using a materiality matrix and from a long-term perspective based on our visions and strategies. From FY2018 onward, Honda will complete the top-down process of identifying company-wide priority risks and implement required response systems.

## Emergency Response

A series of large earthquakes that hit Kumamoto and other parts of Kyushu in April 2016 caused substantial damage to Honda's Kumamoto Factory and dealers.

In response to the emergency, Honda set up a Global Emergency Headquarters and made all out efforts for recovery of not just the Kumamoto Factory but also suppliers and regional communities. Our motorcycle production, which initially sustained significant damage, returned to an almost normal level of operations on August 22, 2016.

After the dissolution of the Global Emergency Headquarters, Honda conducted verification of the operational effectiveness of the headquarters and responded to issues identified during the emergency. The results of this effort have been reflected in the Global Emergency Headquarters Manual, which consequently underwent a major revision.

Also with regard to disaster drills, which had focused on ensuring the safety of human life and procedures to account for its associates, in addition to these Honda started training from a business continuity planning (BCP) viewpoint on procedures to share information for the purpose of identifying the impact on business at an earlier stage.

## Information Management

To ensure the protection of the personal information of our customers, associates and others, the proper handling of company

information, and in response to the increase in the handling of high-level, confidential information globally such as 3D data, Honda formulated the Global Confidentiality Policy (GCP) in FY2015 and created a committee to promote regional information management with the Director in charge of information management as its chairman. This enables measures such as regulations to be established and monitoring of the status of confidential information management promoting information management on a global scale. At a meeting of the Global Confidentiality Committee held in FY2017, Honda confirmed that the establishment of an information management system has been completed in each region and approved the confidentiality action policies and initiatives for the next three years starting from FY2018. Activities have been already initiated under these policies and initiatives.

In addition to the already implemented Global Privacy Policy (GPP) and the Electronic Conferencing Policy, Global Document Management Regulations were approved at a Global Confidentiality Committee meeting held in December 2016 and the formulation of all GCP-related regulations has been completed.

In Japan, we promote initiatives to strengthen information management throughout the year, led by the Japan Confidentiality Committee.

## Protection of Personal Information

In each department subject to Honda's personal information management policy, the Company appoints persons to handle information, supervise information, and manage information and requires all of them to receive training on the protection of personal information.

Also, personal information is stored with rigorous security, including in access-restricted electronic vaults or cabinets with locks. The Company takes "inventory" of personal information at least once each year and any unnecessary personal information is deleted.

In Japan, Honda formulated a new Specific Personal Information Management Policy in November 2015 in response to the enactment of the Japanese "My Number Act." Honda has also made an appropriate response to the Amended Act on the Protection of Personal Information, which took full effect in May 2017.

In FY2017, no complaints were filed with Honda globally concerning any leak of personal information.