Honda is aiming to reduce the CO₂ emissions intensity of motorcycles, automobiles and power products by 30% compared with 2000 levels by 2020, and is engaging in three initiatives to achieve this.

Material Issues

- Responding to climate change and energy issues
- Ensuring clean air
- Advancing powertrain electrification
- Utilizing resources efficiently
- Conserving water resources
- Preserving biodiversity
- Managing chemical substances and preventing pollution
Honda Environmental and Safety Vision / Honda’s Environment Statement

Ever since the 1960s, Honda has actively endeavored to solve environmental problems. We developed the low-pollution CVCC* engine that successfully reduced carbon monoxide, hydrocarbon and nitrogen oxide (NOx) emissions, while we were the world’s first automaker to comply with the U.S. Clean Air Act in the 1970s—a regulation thought at the time to be the most stringent in the world.

In 1992, Honda’s Environment Statement was released to serve as the Company’s guideline for all environmental initiatives. The statement articulates the basic stance we had developed until then to reduce environmental impact at every stage in the life cycle of our products, from product procurement to design, development, production, transportation, sale, use and disposal stages.

In addition, for Honda to further promote the above-mentioned environmental initiatives and continue to be a company that society wants to exist, the Honda Environmental and Safety Vision was established in 2011. Aimed at the realization of the joy and freedom of mobility and a sustainable society where people can enjoy life as is declared in this vision, each of Honda’s global business sites are engaging in the reduction of all kinds of environmental impacts from the aspects of both production-based and corporate activities, beginning with Greenhouse Gas (GHG) emissions, which are considered to be a cause of climate change; use of resources, including water and minerals; and suitable processing and reduction of waste.

Honda will conduct these activities while sharing Honda’s Environment Statement with everyone associated with Honda—including suppliers and distributors in addition to Honda Group companies—in order to realize this vision.

* CVCC: Compound Vortex Controlled Combustion
Environmental Management Promotion Structure and Management Cycle

Recognizing that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda’s business operations, the Environmental Committee was established in 1991, chaired by the President and CEO and comprised members of company management. In 1995, the Committee became the World Environmental Committee and assumed responsibility for discussing and formulating plans for environmental protection activities worldwide. Since then, it had continued to meet every year as the World Environment and Safety Strategy Committee. From FY2018, environmental issues have been incorporated as items to be considered at the Sustainability Strategy Committee for integrated discussions under a single committee.

Medium- and long-term environmental policies and plans at the global level are formulated at the Meeting of the World Environment and Safety Strategy Committee on the basis of company-wide direction and medium- and long-term business plans. All committee members are involved in the meeting’s decision-making.

Following the decisions made at the above meeting, the World’s Six Region Environmental Committee, made up of the environmental divisions of each regional headquarters, also meets every year. Once the information sharing process at these meetings is over, these divisions formulate concrete action plans and then implement policy.

In terms of the progress of Honda’s environmental initiatives and the themes applicable worldwide, the Corporate Planning Supervisory Unit collects information from Regional Operations and reports it at the Meeting of the Sustainability Strategy Committee. The Company is striving to continuously enhance environmental management through the reflection of the above information in the medium-term business plan and policy for the following term and the implementation of the plan-do-check-act (PDCA) cycle by each Regional Operation and environmental division.

Environmental Management System

Honda’s existing global vehicle assembly and product assembly plants had acquired ISO14001, an international certification for environmental management systems (as of March 2018). Honda is in the process of obtaining certification for newly built plants. Therefore, coverage of environmental management systems is virtually 100%.

Current Status of Compliance with Environmental Regulations

In accordance with Honda’s Environment Statement, the Company has introduced environmental management systems at all business sites and in each division, and, along with promoting continuous efforts to improve environmental performance, it strives to comply with its own voluntary environmental standards, which are more stringent from an environmental perspective than any national or local regulations.

In the last five years, Honda has not committed any serious noncompliance with environmental laws and regulations, paid substantial fines/sanctions in breach thereof, or recorded any major chemical releases.

In addition, no environment-related complaints were received through the official complaint resolution program.

Environmental Accounting

Environmental Accounting in Japan

To facilitate efficient environmental management, Honda tabulates the cost reduction and profit attributable to its environmental protection activities, thus working to keep abreast of their economic impact.

Going forward, Honda is committed to continuing improvement of the accuracy of this data, which it sees as an indicator of corporate value, and as a tool for making environment-related management decisions.
Honda’s Material Issues

Through Honda’s proprietary technologies and business activities, the Company will work to deal with climate change issues, energy issues, effective utilization of resources and preservation of clean air, which are outlined as challenges in the materiality matrix, with an aim to realize a zero-environmental impact society in the future. In particular, Honda believes that dealing with climate change and energy issues and the effective utilization of resources are priority challenges in the environmental field.

Triple ZERO

Honda has introduced the Triple ZERO concept to unify its three “zeroing” efforts addressing “climate change issues,” “energy issues” and “efficient utilization of resources,” our most important challenges. The Company is striving to realize a society with an environmental impact of zero by engaging in its business activities based on this approach.

Zeroing CO₂ emissions using renewable energy
To address “climate change issues,” Honda is striving to eliminate CO₂ emissions in products and business activities in the future by utilizing renewable energy.

Zeroing energy risks
To address “energy issues,” Honda is striving to eliminate energy risks in the future, such as those caused by a dependence on fossil fuels.

Zeroing resource and disposal risk
To address the need for “efficient utilization of resources,” Honda is striving to eliminate risks across the entire product life cycle, from the resource procurement stage to the used product recovery and disposal stages.
Mitigating Climate Change and Energy Risk

Honda is moving forward with its response to climate change through initiatives that link Honda’s business strategy with its environmental strategy. With the vision of a zero impact society, in 2014 the Company announced its aim to cut total corporate CO2 emissions in half by 2050 compared with 2000 levels. Going forward, Honda will continue with activities to reduce CO2 using science-based target setting using the latest information. As an interim objective, Honda is currently working to achieve its 2020 Product CO2 Emissions Reduction Targets to lower CO2 emissions intensity from the use of motorcycles, automobiles and power products worldwide by 30% from the 2000 base year level.

In North America, Honda conducts credit trading with the portion exceeding the amount set forth in GHG and Corporate Average Fuel Economy (CAFE) laws and regulations and is working efficiently to reduce GHG while keeping an eye on the impact of this on business. The Company believes this is also connected to risk management in terms of rising fuel prices due to carbon pricing slated to come in effect in the future. As automobiles account for approximately three quarters of Honda’s sales revenue, in pursuing the reduction of CO2 emitted from its products, Honda considers that reputational risk and potential penalties arising from failure to comply with fuel economy regulations can have a significant impact on its business. Accordingly, Honda has taken efforts to mitigate risks by applying a system called “SED” in which products are developed jointly by the Sales (S), Engineering (E) and Development (D) functions. In addition, operations such as Honda R&D Co., Ltd., Automobile Operations and the Certification & Regulation Compliance Division coordinate research on trends in fuel economy regulations around the world, while the Certification & Regulation Compliance Division publishes the results as regulatory information. Regular meetings are held to provide a forum for sharing the contents and interpretation of new regulations, as well as for discussing the responses to them. Also, Honda has built an organizational structure for developing technologies that always anticipate future fuel economy regulations through engagement with policy makers.

In recent years, stakeholders have become increasingly conscious of fuel efficiency, CO2 emissions and other environmental performance indices when choosing mobility products. Honda recognizes these changes in consumer values and market demands as critical matters to focus on, and it is actively expanding the lineup of products that it offers powered by Earth Dreams Technology*. Through these initiatives, Honda is meeting customers’ needs and generating additional profit.

The Company believes that climate change, resource depletion and other issues are compelling society, which is heavily dependent on fossil fuels, to face up to energy risks. Energy issues have a very significant business impact on the mobility business sector. As such, Honda’s concern is that unless it proceeds with energy diversification, for example, through the utilization of renewable energy, it will become difficult to sustain the Company’s business. Honda is addressing energy issues by diversifying the energy sources used in its products and business activities, with the aim of completely eliminating energy risk from heavy dependence on fossil fuels, etc. The Company has set an interim target for 2020 and aims to establish technologies that diversify home energy sources and reduce CO2 emissions from personal mobility and home living to zero. Honda is developing the Honda Smart Home System (HSHS) to help it realize this goal. In addition, in the fields of its business activities Honda plans to introduce solar power generation of 4.2 MW in FY2019 for the use of renewable energy. As mentioned above, Honda is promoting energy diversification by actively introducing large-scale solar and wind power generation at Honda’s facilities.

Honda’s total GHG emissions: Conceptual projection

Advancing Powertrain Electrification

Honda views dealing with climate change and energy risk as key challenges and actively promotes electrified products. Honda has set a goal to increase the ratio of vehicles adopting electrified technologies in its total automobile sales to two-thirds by 2030. To achieve this goal, the Company is seizing all new business opportunities by pushing forward with the development of plug-in hybrid electric vehicles (PHEV), electric vehicles (EV) and fuel cell vehicles (FCV), while entering into partnerships with other companies for the preparation of a hydrogen infrastructure involving the likes of hydrogen stations. To give an example of the Company’s efforts to develop such products and the infrastructure supporting their proliferation, American Honda Motor Co., Inc. installed 60 new EV charging stations on its Torrance, California campus, while the Honda Clarity series was announced in the United States, in which FCV, EV and PHEV powertrains are covered with the same platform (⇒ p. 43). Honda is also working to promote electrification company-wide, by designating the Yorii assembly plant as the mother plant and base for all EVs, establishing a structure enabling development and production that meets market needs worldwide.

As for motorcycles, Honda is developing the PCX Electric/Hybrid and conducting demonstration experiments for the EV-CUB. Regarding power products, the Company has expanded product selection in line with customer needs by accelerating product electrification. This includes the LiB-AID ES500, a handy storage battery that can be used as a portable power source, and the Miimo HRMS20 robotic lawn mower.

* EARTH DREAMS TECHNOLOGY: A collective term to refer to a group of innovative technologies that greatly enhances both driving performance and fuel economy, building on advancements in environmental performance to pursue a joy of driving unique to Honda.
Material Issues in the Environmental Dimension

Adopting Electrified Technologies with Motorcycles

Entered discussions on collaboration with Japan Post toward establishment of social infrastructure

Honda is pushing ahead with demonstration testing for postal delivery operation as environmentally friendly business activities, which include making a transition to a recycling-oriented society where limited resources are used more effectively as well as complying with increasingly strict exhaust emissions regulations.

Specifically, this initiative is aimed at the establishment of social infrastructure with a vision of utilizing electric motorcycles and other vehicles for postal delivery. This means exploring the possibility of introducing electric vehicles for postal delivery operation and conducting demonstration testing for installing charging stations in post offices.

Additionally, there is another initiative intended to realize efficient delivery vehicle operations and sustainable and universally available services. This includes utilization of Honda Biz LINC* telematics service for postal delivery service and establishment of a structure supporting a stable, accurate and safe postal delivery operation.

Honda will actively work to realize the establishment of social infrastructure that will contribute to the sustainability of the global environment.

Toward the Wider Use of Hydrogen

Operation of taxis as transportation infrastructure

Honda started operation of taxis using its Clarity Fuel Cell at the end of June 2017 in four major cities in Japan directed toward the wider use of FCV in the future. The Company will make use of information such as driving data gained through the taxi operation in research and development aimed at further performance evolution of FCVs to promote increased usage.

Collaboration to expand the hydrogen refueling station network in Northern California

Honda is supporting the introduction of seven hydrogen refueling stations in Northern California in collaboration with Toyota and Shell as a means to help spread the use of FCVs. Honda believes fuel cell technology has great potential to address society’s energy and environmental concerns and will build cooperative relationships so as to meet the needs of more customers.

Activities promoting hydrogen to the next generation

Honda conducts classes on hydrogen for students in collaboration with multiple local governments as part of stakeholder engagement efforts. By facilitating an accurate understanding of hydrogen among the younger generation, Honda is striving to respond to the increasing use of next-generation energy.

In addition, the Company is undertaking measures to promote the appeal of hydrogen at different events. Besides gaining the understanding of stakeholders, this serves as a valuable opportunity to hear the opinions of customers who visit the venue.
Material Issues in the Environmental Dimension

Efficient Utilization of Resources

The depletion and resulting difficulty of obtaining rare earth metals and other resources used in the Company’s products poses a significant risk to our business continuity in terms of the procurement of components and raw materials necessary for manufacturing.

Therefore, Honda considers the efficient utilization of resources one of the material issues and is actively promoting 3R (Reduction/Reuse/Recycling) activities as well as ensuring proper processing when disposing of end-of-life products.

Aiming at the elimination of risks related to resources and disposal that occur in various stages ranging from resource procurement to disposal, Honda is tackling this issue through cooperation/partnership with internal/external stakeholders.

Preservation of Clean Air

Honda recognizes that air pollution has been a critical issue since the 1960s when pollution issues escalated and believes that worsening air pollution in cities has a negative effect on people’s health, which hinders the realization of the “joy and freedom of mobility and a sustainable society where people can enjoy life.” Honda has sought to resolve this issue through the development of technologies that clean the gas emitted from products.

This began with development in 1972 of the CVCC engine, which cleared exhaust gas regulations under the U.S. Muskie Act, deemed the toughest in the world at the time.

Since then, Honda has announced a series of developments that include high-efficiency combustion technology and exhaust emissions purification technology using a catalyst.

This has resulted in a reduction in the level of exhaust emissions from automobiles to one-thousandth of that registered prior to the enactment of the Muskie Act over the 40-year period.

Honda has also enhanced the combustion efficiency of engines and cleaned exhaust emissions by promoting conversion from two-stroke to four-stroke engines in motorcycles and power products as well as shifting from a carburetor to the Honda Programmed Fuel Injection (PGM-FI) system.

Through advanced development of exhaust emission cleaning technologies such as these, Honda avoids risks associated with business continuation caused by increasing costs to deal with tighter environmental regulations.

In addition, this enables products with exceptional environmental performance to be supplied at a reasonable price, and as a result, Honda leads the industry in cleaning exhaust emissions and addressing air pollution issues, which also leads to major business opportunities.
Responses to Climate Change and Energy Issues

Goal to Reduce CO₂ Emissions Intensity in Products by 2020

Motorcycles per g/km vs. 2000 levels
Automobiles per g/km vs. 2000 levels
Power Products per kg/hour vs. 2000 levels

Reduce by 30%

*Global average CO₂ emissions from Honda products

Honda believes in the necessity of reducing CO₂ emitted from products in response to climate change and energy issues, which it views as key environmental challenges. Therefore, to ultimately realize zero CO₂ emissions in product usage, Honda has formulated and is promoting initiatives under a goal to reduce CO₂ emissions intensity of motorcycles, automobiles and power products by 30% from 2000 levels by 2020.

The scope of the above compilation includes Japan, North America, South America, Europe, Asia & Oceania and China, and it covers more than 90% of units sold by Honda worldwide for each of motorcycles, automobiles and power products.

Clarity Series of EVs Released in North America, Expanding the Range of Choices

The Honda Clarity series, which is available in three advanced electrified powertrains (FCV, EV and PHEV) installed on the same platform, went on sale in North America in December 2017. The Clarity series is the first in the world to offer the power of choice to customers who want an EV without the compromise, which has won it plaudits from different quarters, including recognition as the 2018 Green Car of the Year® by Green Car Journal of the United States.

Besides not only boasting outstanding environmental performance, The Clarity series of cars are full of practical value as well. The sedan model provides both aerodynamic performance and advanced design while efficient packaging ensures top-class interior space and ample trunk room.

Honda aims to spread the use of EVs with low environmental burden beyond North America to help mitigate the effects of climate change and reduce energy risk.
Three Initiatives to Achieve Environmental Performance Targets

Emissions from “use of products” account for approximately 80% of CO₂ emissions from Honda’s entire product life cycle. In light of this, Honda works to reduce CO₂ emissions during usage in all of its products, and manufactures and sells items that can be supplied with confidence as environmentally friendly products.

In addition, Honda is pushing ahead with the following three initiatives to realize its 2020 Product CO₂ Emissions Reduction Targets with a view to halving total CO₂ emissions by 2050 compared with 2000 levels while expanding production and sales globally.

1. Reducing CO₂ emissions through efficiency improvements of internal combustion engines
2. Reducing CO₂ emissions by introducing environmentally innovative technologies and diversifying energy sources
3. Eliminating CO₂ emissions through the use of renewable energy and total energy management

By implementing these in phases, Honda is steadily reducing CO₂ emissions with the aim of ultimately eliminating them.

By setting unique product guidelines at an advanced level for these three initiatives and making Honda products compliant with them, Honda is aiming to achieve this goal. The guidelines are articulated in the Honda Environmental Performance Standard (HEPS) formulated in 2011.

As a result of certification of products that were launched in FY2018, 27 motorcycle models, 97 automobile models and 54 power product models, or 322 models in total, achieved HEPS-certification. Cumulatively, this brings the number of HEPS-compliant products to 171 motorcycle models, 97 automobile models and 54 power product models, or 322 models in total.

In addition, there were no violations in product and service information or labeling in general.

- **High Efficient Products**
  Products that emit less CO₂ emissions because of improved internal combustion engine efficiency. This category includes products that incorporate technologies for improving fuel combustion and transmission efficiency and reducing friction between engine parts. Compliance is determined based on how well a product reduces or helps reduce CO₂ emissions during use compared with preceding models.

- **Innovative Products**
  Products that emit less CO₂ because they use an environmentally innovative technology or an alternative energy source. This category includes motorcycles that incorporate Honda’s patented Idling Stop System, automobiles that incorporate hybrid technologies or direct injection engine technologies, and power products with electronic fuel injection (FI). Alternative energy technologies include motorcycles that incorporate electromotive technologies or technologies for using renewable energy.

- **Revolutionary Products**
  Products that reduce or eliminate CO₂ emissions by harnessing renewable energies or facilitating total energy management. This category includes products that incorporate electromotive technologies or technologies for using renewable energy.
Responses to Climate Change and Energy Issues

Corporate Activities Initiatives

With the aim of ultimately achieving zero CO₂ emissions and zero energy risk, Honda is focusing on the reduction of energy consumption and CO₂ emissions while expanding production/sales globally. Mid-term plans for operations-related environmental initiatives specify the reduction of CO₂ emissions intensity per unit of production*₁ by 18% by FY2020 (baseline: FY2009) as the target. In the future, Honda will aim at sustaining the reduction until the rate of reduction of energy consumption exceeds the rate of increase of energy use for the manufacturing of products.

Toward the realization of the above-mentioned target, when building or renovating its plants Honda aggressively introduces the energy-saving technologies and know-how that is applied to its newest plants, such as the Saitama Factory’s Yorii assembly plant that achieved a 30% reduction in per unit energy use compared with other Honda plants*₂. To support the energy-saving initiatives of various business sites operating around the world, the Company has built a mechanism for promoting information sharing among business sites and regions, and at the same time, it is enhancing technical support from Japan.

In addition, Honda is actively introducing renewable energy around the world. By FY2018, Honda generated a total of 117GWh of electricity, including solar power generation and wind power generation.

Going forward, Honda will continue to use renewable energy befitting local conditions.

*₁ Intensity that is a weighted average calculated on the basis of CO₂ emissions intensity and the units produced for each of motorcycles, automobiles and power products

*₂ Comparison with Saitama Factory’s Sayama assembly plant

Received Energy Conservation Grand Prize for FY2018 with Two New Technologies

Honda received the Director-General’s Prize (Agency for Natural Resources and Energy) in the Energy Conservation Case Example Category within the Energy Conservation Grand Prize for FY2018 for a new energy-saving testing method employed at the Transmission Factory Hamamatsu Plant. Previously, when testing the durability of its Continuously Variable Transmission (CVT), an actual engine was used and the test was conducted continuously over a long period. The newly developed test apparatus cuts testing time by approximately 70% and has therefore been highly regarded for boosting efficiency by reducing gasoline consumption and being kind to the environment.

In addition, Honda Engineering Co., Ltd. received the Reviewer’s Prize in the same category for reducing the amount of hydrogen consumed in the fuel cell stack. The technology, developed to promote the increased use of FCVs, has been highly acclaimed, in particular, since energy generated in the production process has been slashed by 99.7% while processing time is kept to around one-sixth of conventional systems.

Honda will continue implementing initiatives aimed at realizing its 2030 Vision.
Initiatives in the Development Stage

3R Pre-Assessment System

Honda introduced the 3R pre-assessment system, which assesses the 3R elements of each model to be newly developed in the stage of product development, for motorcycles in 1992 and for automobiles in 2001. The Company is striving to improve the level of 3R elements.

Design Focusing on Reduction

Honda is making efforts in downsizing and weight reduction by considering alternative structures and materials for all components in each product, such as the body framework, engine and bolts. For example, the Company used thinner structural bumpers in the N-WGN, which was launched in FY2014, as part of a reduction-oriented design geared toward creating a lighter product. The availability of materials with higher rigidity and fluidity along with advances in manufacturing technologies allowed Honda to reduce the weight of the previous design by approximately 20%, which had an average thickness of 3.0 mm, by using less resin in bumper production.

In Japan, Honda is progressively expanding the use of these enhanced structural bumpers in new models launched after the N-WGN. Overseas, it has begun rolling it out globally with the 16M Civic. The Company expects to further reduce material use by applying the new design worldwide.

Design Focusing on Reuse/Recycling

Honda is engaging in structural design that takes into account easier recycling and maintenance, use of easily recyclable materials and recycled resins, and display of contents of materials for resin/rubber components, etc. For automobiles, the Company uses easily recyclable materials for a wide array of exterior/interior components, such as inner weather-stripping and the outer surface of instrument panels, and at the same time have enabled the use of recycled materials for air conditioner ducts. In addition, we label resin and rubber parts with their constituent materials wherever possible to facilitate recycling.

As a result of the activities mentioned above, with regard to the recyclable rate*1 for all new and redesigned vehicles sold in FY2018, Honda is maintaining more than 90% for automobiles and more than 95% for motorcycles, as well as a recoverability rate of more than 95% for components/materials*2 used in power products.

Initiatives at the Product Use Stage

Recycling of End-of-Life Components

Honda collects and recycles end-of-life components generated from repair, replacement, etc., from dealers nationwide. In FY2018, the Company collected and recycled approximately 160,000 end-of-life bumpers. Collected bumpers are recycled and used for splash guards and other components of the Freed model. Honda will continue the recycling of end-of-life components, including the collection/recycling of end-of-life hybrid vehicle drive batteries.

Initiatives in the Disposal Stage

Initiative for Automobiles

The Act on Recycling, etc., of End-of-Life Vehicles (automobile recycling law) requires automakers to collect and properly treat three items: fluorocarbons, airbags and shredder dust (Automobile Shredder Residue (ASR)).

In FY2018, the number of Honda automobiles collected was approximately 490,000 for fluorocarbons (+11% from the previous fiscal year), approximately 460,000 for airbags (+10%) and approximately 520,000 for ASR (+6%). Recycling rates for gas generators and ASR were 93.9% and 98.1%, respectively, which satisfy the recycling rates specified by ordinance of the relevant ministry (at least 85% for gas generators and at least 70% for ASR).

Initiative for Motorcycles

Honda joined hands with other motorcycle manufacturers in Japan and participating motorcycle importers and started to implement the voluntary recycling of motorcycles in October 2004. With the cooperation of related dealers, various companies in the motorcycle industry started this scheme for providing a safety net for the treatment of end-of-life motorcycles, the world’s first of its kind. End-of-life motorcycles are collected at the dealers and the designated points of collection free of charge and are properly recycled at recycling facilities.

Regarding end-of-life motorcycles collected at designated points of collection, there were 1,020 Honda products in FY2018, which accounted for 59.2% of all units collected. The recycling rate of Honda products came to 97.4% on a weight basis, enabling us to achieve the target recycling rate of 95% since FY2014.

Corporate Activities Initiatives

Honda is making efforts to reduce the volume of waste generated through business activities. The Company is stepping up 3R efforts that include resource reduction initiatives, such as the reduction of by-products through an increase in throughput yields. Honda does not import or export waste deemed hazardous under the terms of Annexes I, II, III, or VII of the Basel Convention. In addition, the Company is striving to eliminate all use of ozone-depleting substances (ODS) at business sites in accordance with the Montreal Protocol and local laws and regulations in the countries in which it operates, and there are no major emissions from any of its operations.
Preservation of Clean Air

With the aim of preserving clean air, Honda is working to eliminate harmful substances in exhaust emissions from the tailpipe in the usage phase.

The engines of all commercial motorcycles have been switched to four stroke, with programmed fuel injection (PGM-FI) being applied to at least 80% of models sold worldwide.

With regard to automobiles, Honda has gradually expanded models that are LEV*1 3- SULEV*1 20 emissions compliant, beginning with the Accord Hybrid released in 2013, thus meeting the California exhaust emissions standard, deemed the toughest in the world. The Accord Plug-in Hybrid was the first in the world to achieve SULEV20 status. Amid application and strengthening of exhaust emissions regulations in emerging countries, Honda is promoting response early on in various countries in Asia and the Middle East.

As for power products, Honda has cleared compliance of United States Environmental Protection Agency Phase 3 regulations, the most stringent in the world, through engine enhancement technology.

In addition, Honda is pushing ahead with initiatives in production, the process with the largest impact on the air, in an effort to preserve clean air.

In the production of automobiles, solvents found in paint and thinner used mainly in paint processes can generate Volatile Organic Compounds (VOC), the cause of largest impact on the air, in an effort to preserve clean air.

Honda strives to reduce environmental impact during product usage. The Company’s environmental initiatives. Honda is working to bring in the state-of-the-art technology to all automobile plants worldwide.

In Japan, Honda set FY2011 VOC emissions intensity as the control value pursuant to the goal established by the Japan Automobile Manufacturers Association and introduced voluntary efforts aimed at reduction from there. We have cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.

Conserving Water Resources

Cognizant of the potential for business activities to impact upstream and downstream water resources, Honda is also focusing on the conservation of water resources. Since Honda seeks out communities where harmonious coexistence with nearby water sources is viable as potential plant locations, and builds plants in compliance with host countries’ environmental assessment laws and regulations, no water sources are significantly impacted by the Company’s water use. In addition, no water sources are affected by wastewater from Honda facilities since it treats wastewater and discharges treated water in accordance with applicable laws and regulations. Under these circumstances, Honda appropriately manages the amount of water used and works to manage and provide information on wastewater, which includes thorough quality control and disclosure of water quality test findings. In addition, to minimize water use, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation. The Company is also working to recycle and reuse water in manufacturing processes, which utilize about 4.8 million cubic meters of water each year, or about 20% of all water use by Honda. This ongoing effort includes installing full recycling systems that allow reuse of almost 100% of all water at Honda Engineering Co., Ltd. (Japan), the No.2 Plant at Honda Automobile (Thailand) Co., Ltd. (Thailand) and the No.2 Plant at Guangqi Honda Automobile Co., Ltd. (China).

Honda Automobile (Thailand) Co., Ltd. has a strict water usage control and disclosure of water quality test findings. In addition, to minimize water use, Honda is focusing on the conservation of water resources. Since Honda seeks out communities where harmonious coexistence with nearby water sources is viable as potential plant locations, and builds plants in compliance with host countries’ environmental assessment laws and regulations, no water sources are significantly impacted by the Company’s water use. In addition, no water sources are affected by wastewater from Honda facilities since it treats wastewater and discharges treated water in accordance with applicable laws and regulations. Under these circumstances, Honda appropriately manages the amount of water used and works to manage and provide information on wastewater, which includes thorough quality control and disclosure of water quality test findings. In addition, to minimize water use, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation. The Company is also working to recycle and reuse water in manufacturing processes, which utilize about 4.8 million cubic meters of water each year, or about 20% of all water use by Honda. This ongoing effort includes installing full recycling systems that allow reuse of almost 100% of all water at Honda Engineering Co., Ltd. (Japan), the No.2 Plant at Honda Automobile (Thailand) Co., Ltd. (Thailand) and the No.2 Plant at Guangqi Honda Automobile Co., Ltd. (China).

Honda strives to reduce environmental impact during product usage. The Company’s lineup of engines for outboard motors consists solely of 4-stroke engines with the aim of reducing water contamination in the outboard motors being used around the world.

Besides promoting water conservation on its own accord, Honda manages a water conservation fund in North America under the Honda Marine Science Foundation, which supports the improvement and preservation of coastal areas for future generations through initiatives for marine ecosystem restoration and promoting resilience to climate change. Around US$200,000 is provided as support every year, which contributes to the preservation of the local environment. (Please refer to the link below.) Honda has undertaken conservation activities for forest watersheds continuously since 1999 as part of its social contribution program. Production sites protect and manage the forest watersheds that they benefit from and strive to keep them optimized for each region. Aware of the fact that water is an indispensable resource supporting its business, Honda will continue implementing this activity. (Please refer to the link below.)

*1 Low Emission Vehicle
*2 Super Ultra Low Emission Vehicle
Biodiversity Conservation

Recognizing that its business activities can have an impact on biodiversity, Honda has long been putting a great deal of effort into activities that have led to the conservation of biodiversity. The Company carried out tree-planting and water-recycling initiatives at its plants in the 1960s and launched the Community Forest program in 1976.

In 2011, the Company established the Honda Biodiversity Guidelines. As the basic statement, it stipulates as follows: “We recognize, under Honda’s Environment Statement, that biodiversity conservation initiatives are an essential part of our commitment to the preservation of the global environment. We will continue to work toward harmony between this commitment and our activities.”

Honda believes that minimizing the environmental impact resulting from the products it manufactures and its business activities represents the greatest contribution the Company can make to biodiversity conservation. The guidelines specify the priorities, including the development of environmental technology, initiatives based on corporate activities and initiatives for living in harmony with local communities, and Honda is actively promoting them.

Honda recognizes the emissions of GHGs and various other pollutants as two of the greatest impacts of business activities that threaten biodiversity. Consequently, the Company has set priorities under the Guidelines and is working systematically to minimize both impacts. Each of Honda’s key business sites in Japan also conducts a survey on the actual conditions of biodiversity and is promoting various activities that are appropriate for the applicable species, such as thinning, pruning and eradication of non-native species. Moreover, the Company cooperates with “Monitoring Sites 1000” (a project for promoting the monitoring of survey sites of important ecosystems) implemented by the Japanese government as a member of the International Union for Conservation of Nature and Natural Resources (IUCN), which creates an annual Red List. For the above project, Honda continues to carry out fixed-point observation and reporting on ecosystems.

Management and Reduction of Chemical Substances

Honda works to ensure the appropriate management and reduction of chemical substances contained in automotive components from the product design and development stages in order to reduce those materials that impact the environment. Laws and regulations have been brought in to ensure the appropriate management of chemical substances and the reduction of harmful substances contained in automotive components in each country based on a goal set by the United Nations in 2002 of minimizing the impact of chemical substances on people and the environment by 2020.

The International Material Data System (IMDS), a mechanism for collecting information throughout the supply chain on materials and chemical substances contained in components making up the vehicle, was developed in response to this trend largely by the German Association of the Automotive Industry. Honda is also tabulating and managing chemical substances via our independently developed global management system called the Management System of Chemical Substances (MoCS), which collects information based on IMDS.

Honda is moving ahead with the reduction of four types of heavy metals (lead, mercury, hexavalent chromium and cadmium) that are considered to have negative impacts on the environment while promoting management of chemical substances via MoCS. As an example, for all new and redesigned vehicles sold in Japan in FY2018, components that do not use mercury were chosen for combination meters. The Company is striving to eliminate the use of mercury on a voluntary basis.

PDF Honda Biodiversity Guidelines

Honda GHG Emissions in FY2018

As a responsible company operating in the mobility industry, Honda believes in the importance of calculating and disclosing GHG emissions in order to drive progress in initiatives to reduce global emissions.

As the first milestone in this endeavor, in August 2012 Honda became the world’s first mobility company to disclose estimates of all GHG emissions from its entire value chain in conformity with the GHG Protocol*, currently the world’s most widely used GHG emissions accounting standard. The Company released estimates of emissions for FY2012 not only from its own business activities (Scopes 1 and 2) but also from all upstream and downstream activities (Scope 3), extending from the procurement of raw materials to the transportation and customer use of Honda products and ending with the treatment of end-of-life products.

Honda continues to calculate and report its emissions and is making improvements to get a more accurate reading of emissions from its entire value chain. The Company is doing this in Scope 3 (other indirect emissions), for example, by widening the boundaries of data collection for categories that account for the largest proportion of estimated emissions, and by improving the accuracy of calculation methods.

The calculations for FY2018 show that GHG emissions from Honda business activities were 5.45 million t-CO₂e, and total emissions from the value chain, including other indirect emissions, were 319.59 million t-CO₂e. Honda will continue to monitor and manage data and utilize this information in the actual implementation of emissions reduction measures.

Reducing GHG Emissions from Use of Sold Products

Scope 3, category 11 emissions (emissions from use of products sold to Honda customers) account for more than 80% of GHG emissions from Honda’s entire value chain. This means finding ways to reduce emissions related to customer use of Honda products is of primary importance in reducing emissions from Honda’s value chain. To this end, the Company has established the target of reducing global average product CO₂ emissions intensity by 30% from 2000 levels by 2020, and is working to improve the fuel efficiency of our products.

Promoting Life-Cycle Assessment (LCA)

Honda has been developing its own methods to reduce the environmental impacts of its business activities and across product life cycles, from production through disposal. In March 2002, the Company built the Honda Life-Cycle Assessment (LCA) Data System, a system for quantitatively measuring CO₂ emissions from all business activities. Since then Honda has been making focused efforts to meet reduction targets set for each business area including production, purchasing, sales and service, administration and transportation.

Honda is also calculating and assessing CO₂ emissions across product life cycles, from raw material procurement to product disposal for the entire vehicle, and making use of this information in its efforts to reduce CO₂ emissions for each model. This approach is also important when considering applications for the next-generation technologies that will become more diverse further in the future. Accordingly, the Company will utilize the above information further to develop low-carbon solutions at the development stage, for instance.

* The Greenhouse Gas Protocol: Development of the GHG Protocol was led by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).
Honda’s total GHG emissions

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions from the entire Honda value chain (Scopes 1, 2, and 3)</td>
<td>279.01</td>
<td>285.10</td>
<td>307.55</td>
<td>319.59</td>
</tr>
<tr>
<td>Direct emissions from business activities (Scope 1)</td>
<td>1.38</td>
<td>1.33</td>
<td>1.28</td>
<td>1.35</td>
</tr>
<tr>
<td>Indirect emissions from energy use (Scope 2)</td>
<td>3.86</td>
<td>3.81</td>
<td>3.92</td>
<td>4.10</td>
</tr>
<tr>
<td>Emissions from Honda business activities (total of Scopes 1 and 2)</td>
<td>5.24</td>
<td>5.14</td>
<td>5.20</td>
<td>5.45</td>
</tr>
<tr>
<td>Emissions from customer use of sold products (Scope 3, category 11)</td>
<td>223.54</td>
<td>231.77</td>
<td>252.59</td>
<td>261.03</td>
</tr>
<tr>
<td>Other emissions (Scope 3, other categories)</td>
<td>50.23</td>
<td>48.19</td>
<td>49.76</td>
<td>53.10</td>
</tr>
<tr>
<td>Other indirect emissions (total of Scope 3)</td>
<td>273.77</td>
<td>279.96</td>
<td>302.35</td>
<td>314.14</td>
</tr>
</tbody>
</table>

**Notes:**
- **Scope 1:** Direct GHG emissions from business activities, as defined by the GHG Protocol (e.g., Combustion of fuel oil at a manufacturing plant, emissions from work vehicles and company cars). The Scope 1 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies).
- **Scope 2:** Indirect GHG emissions from a company’s use of energy, as defined by the GHG Protocol (e.g., electrical energy used by a manufacturing plant or office). The Scope 2 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). Honda adopts the GHG Protocol’s standard market-based method. In Japan, Honda uses electricity utilities emission factors based on the Act on Promotion of Climate Change Countermeasures and in each region except Japan, Japan, Honda uses electricity utilities emission factors and latest regional emission factors, if unavailable, national emission factors from the IEA’s Emissions from Fuel Combustion.
- **Scope 3:** Other indirect GHG emissions not included in Scope 1 and Scope 2, as defined by the GHG Protocol. Scope 3 is systematically broken down into 15 categories (e.g., category 11 includes emissions arising from the use of sold products; category 12 includes emissions arising from the end-of-life treatment of sold products).
- The “Scope 3, category 11” figures presented in this report represent the cumulative amount of GHGs that will have been emitted by products sold by Honda in the applicable fiscal year (automobiles, motorcycles, power products) as a result of their use by customers from the time they received those products until they dispose of them in the future. Calculations cover the emission of approximately 95% of all motorcycles, automobiles and power products sold worldwide under the Honda brand name. These emissions are calculated using the following formula for each model and adding the results: CO2 emissions intensity x Annual distance traveled (for power products: annual usage in hours) x Product lifetime in years x Annual unit sales.
- CO2 emissions intensity: Average annual mileage of each model set at same value per region. (Annual consumption of each model and average annual used time distinguish general business from business use.)
- Annual mileage / lifetime years of use: Referring to IEA estimation model, “SMP Model” etc.
- CO2 emission factor: Referring to the GHG calculation guidelines that public authorities in each region issued. If there are no appropriate guidelines, reference from the ones of Japanese.
- The “Scope 3, other categories” figures presented in this report are the sum of emissions from categories 1, 2, 3, 4, 5, 6, 7, 9, 10, 12 and 15. As per the GHG Protocol, Honda excludes categories 8, 13 and 14 from its calculations, as these categories are either not part of Honda business activities or emissions from these categories are accounted for in other categories.

Data indicated with ✨ received the independent practitioner’s assurance.
## Environmental Data

### GHG emissions

**Direct emissions (Scope1) (10,000 t-CO₂e)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>China</th>
<th>Asia &amp; Oceania</th>
<th>Europe</th>
<th>South America</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>141</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>138</td>
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<td></td>
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<tr>
<td>2016</td>
<td>133</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>2017</td>
<td>128</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>135</td>
<td></td>
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</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
- **Calculation method:** Emissions amount = Σ (Fuel consumption × unit calorific value) + Σ (Purchased electricity consumption etc. × emission factor)
- **Calculation period:** FY (2017-2018)
- **Unit:** metric ton (t-CO₂e)
- **Emission factors:** Honda adopts to the GHG Protocol’s standard market-based method.
- **Japan:** Emission factors based on the Act on Promotion of Global Warming Countermeasures.
- **Regions outside of Japan:** Emission factors from IEA’s Emissions from Fuel Combustion.
- **GHG emissions** includes some estimated values.

### Energy consumption

**Direct energy consumption (1,000 TJ)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>China</th>
<th>Asia &amp; Oceania</th>
<th>Europe</th>
<th>South America</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
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<td>2015</td>
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<td>2016</td>
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<td>2017</td>
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<td>2018</td>
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</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
- **Calculation method:** Consumption amount = Σ (Purchased electricity consumption etc. × emission factor)
- **Unit:** tonne of oil equivalent (toe)

### Indirect emissions (Scope2) (10,000 t-CO₂e)

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>China</th>
<th>Asia &amp; Oceania</th>
<th>Europe</th>
<th>South America</th>
<th>North America</th>
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<tr>
<td>2014</td>
<td>380</td>
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</tr>
<tr>
<td>2015</td>
<td>386</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>381</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>392</td>
<td></td>
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<tr>
<td>2018</td>
<td>410</td>
<td></td>
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</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group
- **Calculation method:** Emissions amount = Σ (Purchased electricity consumption etc. × emission factor)
- **Unit:** metric ton (t-CO₂e)

### Indirect energy consumption (1,000 TJ)

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>China</th>
<th>Asia &amp; Oceania</th>
<th>Europe</th>
<th>South America</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
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<tr>
<td>2015</td>
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<td>2016</td>
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<td>2017</td>
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<tr>
<td>2018</td>
<td></td>
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</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
- **Calculation method:** Consumption amount = Σ (Purchased electricity consumption etc. × emission factor)
- **Unit:** toe
### Environmental Data

#### Total GHG emissions (Scope 1 and 2)

<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>Asia &amp; Oceania</th>
<th>Europe</th>
<th>South America</th>
<th>North America</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>521</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2015</td>
<td>524</td>
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<tr>
<td>2016</td>
<td>514</td>
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<td>2017</td>
<td>520</td>
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<tr>
<td>2018</td>
<td>545</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Water use/wastewater volume

<table>
<thead>
<tr>
<th>Year</th>
<th>Water use volume (Amount of water intake)</th>
<th>Wastewater volume</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1,000 m³)</td>
<td>(1,000 m³)</td>
</tr>
<tr>
<td>2014</td>
<td>36,200</td>
<td>20,700</td>
</tr>
<tr>
<td>2015</td>
<td>35,300</td>
<td>20,200</td>
</tr>
<tr>
<td>2016</td>
<td>34,700</td>
<td>20,000</td>
</tr>
<tr>
<td>2017</td>
<td>35,200</td>
<td>20,300</td>
</tr>
<tr>
<td>2018</td>
<td>35,300</td>
<td>20,200</td>
</tr>
</tbody>
</table>

#### Total energy consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>Asia &amp; Oceania</th>
<th>Europe</th>
<th>South America</th>
<th>North America</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>47,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>47,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>46,600</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>47,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>49,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies).
- Calculation method: Total energy consumption = Direct energy consumption + Indirect energy consumption
- *Expressed in three significant digits.

---

**Basic Approach**

- Global Management
- Material Issues in the Environmental Dimension
- Responses to Climate Change and Energy Issues
- Efficient Utilization of Resources
- Preservation of Clean Air
- Other Important Issues

**Environmental Data**

**Safety**

- **Quality**
- **Human Resources**
- **Supply Chain**
Environmental Data

Atmospheric pollutants

SOx emissions

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>445</td>
<td>391</td>
<td>352</td>
<td>158</td>
<td>159</td>
</tr>
</tbody>
</table>

Waste generated

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,400</td>
<td>1,390</td>
<td>1,460</td>
<td>1,550</td>
<td>1,620</td>
</tr>
</tbody>
</table>

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies).

Calculation method: Emissions amount = Σ (Fuel consumption x Emission factor for each fuel)

*Calculations are based on fuel consumption.

Emission factor for each fuel: Derived from NOx emissions calculation table (combustion facilities that do not measure the amount of exhaust gas, etc.) on Environmental Activity Evaluation Program (Ministry of the Environment).
## Environmental Data

### Cost of environmental conservation activities and investments in FY2018

<table>
<thead>
<tr>
<th>Category</th>
<th>Major activities and investments</th>
<th>Investments (millions of yen)</th>
<th>Expenditures (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business area costs</td>
<td>Pollution prevention costs: Air, water, and soil pollution prevention</td>
<td>167</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td>Global warming mitigation, ozone depletion prevention, and other conservation activities</td>
<td>2,038</td>
<td>359</td>
</tr>
<tr>
<td>Recycle costs</td>
<td>Waste processing, treatment, reduction, elimination, and recycling</td>
<td>434</td>
<td>374</td>
</tr>
<tr>
<td>Upstream/downstream costs</td>
<td>Collection, recycling, resale, and proper disposal of products manufactured and sold</td>
<td>120</td>
<td>278</td>
</tr>
<tr>
<td>Management costs</td>
<td>Installation, operation, and acquisition of certification for environmental management systems</td>
<td>69</td>
<td>6,535</td>
</tr>
<tr>
<td>Environmental improvement</td>
<td>Environmental impact monitoring and measurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>costs</td>
<td>Management and training of associates and organizations responsible for environmental conservation (expenses for environment-related communications activities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Research and development costs</td>
<td>Research, development, planning, and design for impact reductions across product life cycles (R&amp;D costs for advanced eco-cars, including EVs and PHVs)</td>
<td>4,398</td>
<td>283,048</td>
</tr>
<tr>
<td>Local conservation costs</td>
<td>Environmental improvement measures, including ecosystem protection, cleanups, green space development, and natural landscape conservation</td>
<td>42</td>
<td>378</td>
</tr>
<tr>
<td>Environmental impact</td>
<td>Local conservation and communication activities (beach cleanups and watershed conservation activities)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>damage costs</td>
<td>Remediation of polluted soil</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>7,268</td>
<td>291,138</td>
</tr>
</tbody>
</table>

* Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation
* Accounting period: April 1, 2017 to March 31, 2018
* Some figures are estimated values.
* Guidelines, guidebooks and other environmental accounting publications by Japan’s Ministry of the Environment were used as references.
* Figures were calculated on a cash-flow basis with depreciation and amortization expenses excluded.

### Economic benefits (Effect on revenue and expenses)

<table>
<thead>
<tr>
<th>FY2018 (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from sale of valuable waste materials</td>
</tr>
<tr>
<td>Cost reductions from saved energy</td>
</tr>
<tr>
<td>Behavioral changes, etc.</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

### Current status of achievement vs. 2020 product CO₂ emissions intensity reduction targets

**Motorcycles (g/km)**

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>71.8</td>
<td>67.1</td>
<td>66.9</td>
<td>65.8</td>
<td>67.4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2020 target (30%) reduction: 71.8%

**Automobiles (g/km)**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>82.4</td>
<td>79.2</td>
<td>77.6</td>
<td>77.2</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

2020 target (30%) reduction: 77.2%

**Power Products (kg/hour)**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>72.8</td>
<td>73.9</td>
<td>72.2</td>
<td>71.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2020 target (28%) reduction: 71.1%
**Environmental Data**

Global number of HEPS-compliant models

- **Motorcycles** (Models)
  - 2014: 103
  - 2015: 123
  - 2016: 136
  - 2017: 163
  - 2018: 171

- **Automobiles** (Models)
  - 2014: 98
  - 2015: 105
  - 2016: 98
  - 2017: 101
  - 2018: 97

- **Power Products** (Models)
  - 2014: 44
  - 2015: 47
  - 2016: 47
  - 2017: 51
  - 2018: 54

Number of HEPS-compliant models by region (FY2018)

- **Japan**: 97
- **North America**: 67
- **South America**: 38
- **Europe**: 74
- **Asia & Oceania**: 38
- **China**: 38

**Regions**
- **High Efficient Products**
  - Innovations
  - Revolutionary Products

**Overview of Honda**

- **Contents**
- **Editorial Policy**
- **Top Message**
- **Honda Philosophy**
- **Overview of Honda**
- **Strategy**
- **Governance**
- **Performance Report**
- **GRI Content Index**
- **Financial Data**
Honda provided road safety and driving education to over six million people in Japan in collaboration with many stakeholders. This effort is also being actively expanded worldwide.

Material Issues

- Reducing traffic fatalities
- Applying automation and information technologies to everyday life
Toward a Collision-Free Mobile Society

As exemplified by the words of the Company’s founder Soichiro Honda that “as long as we are handling a mode of transportation, we are entrusted with human lives,” Honda is, on the basis of the concept of safe coexistence, aiming at a collision-free mobile society, where not only drivers and riders, but indeed everyone sharing the road, can safely and confidently enjoy the freedom of mobility.

Honda has a long history of engagement in safety initiatives dating back to the 1960s. Back then, in the period of development of motorization in Japan when there was not even a clear concept of “driving safety,” Honda started driving safety promotion activities, the first of their kind for motorcycle/automobile manufacturers. Later, the Company developed various technologies including the driver-side SRS airbag, the world’s first pedestrian dummies and the Advanced Compatibility Engineering Body Structure that helps to protect occupants of both vehicles in a collision. In 2000, Honda built the world’s first indoor crash test facility, making it possible to conduct tests that better reflect real-world crash configurations.

Safety technologies developed as described above have been aggressively applied to various products. As for pedestrian dummies, in order to enhance safety for the traffic society as a whole, their use is not only limited to the development of Honda’s products. They are also leased to other companies and research institutions, widely contributing to studies on pedestrian protection.

Honda is actively working on traffic safety, giving attention to the actual conditions of traffic issues that exist in each period and regions.

Direction of Activities

Honda is conducting safety promotion activities in three areas: “Human (Safety Education),” “Technology (Vehicle Technologies)” and “Communication (Telecommunication Networks)” with the aim of realizing a collision-free mobile society. However, issues concerning the traffic environment are diverse and vary from region to region, such as the over-concentration of traffic or poor infrastructure. Against this backdrop, Honda is rolling out initiatives that combine the three areas of “Human,” “Technology” and “Communication” in line with the actual conditions existing in each region.

In Thailand, for example, safety measures are an urgent challenge due to the high percentage of motorcycle riders among the number of traffic fatalities in particular compared with other parts of Asia. In response, from 2016 through 2020 Honda has committed to conducting a detailed investigation involving collection and analysis of information on around 1,000 traffic accidents in Thailand. The investigation first pinpoints the fundamental cause of each accident. Based on the knowledge accumulated, Honda plans to develop activities to promote more suitable safe driving practices in the area of “Human” and connect this to the development of more effective safety-related technology in the area of “Technology.” This initiative is being expanded gradually in the respective regions of Asia and Oceania.
Honda's Approach

In 1970, Honda established the Driving Safety Promotion Center. Since then, through cooperation with Honda Traffic Education Centers*, motorcycle/automobile/power product dealers, local corporations and schools, we have provided traffic safety education and training for drivers and riders to more than 6.37 million customers in Japan.

The basic ideas behind Honda’s activities are based on “To pass on safety education from person to person,” which focuses on people, and “To provide participatory hands-on education,” in which people can experience hazards in a safe environment. These activities are based on three pillars. The first pillar is “Instructor Training,” which nurtures instructors who will be responsible for traffic safety education. The second is “Opportunity Creation,” which provides people with opportunities to think and learn about traffic safety. The third is “Software Development,” in which educational programs and equipment are developed to help increase learning effectiveness.

With regard to overseas activities, since Honda started driving safety promotion activities in Brazil in 1972, it has carried out activities in 40 countries throughout the world including Japan, establishing Traffic Education Centers in various countries and cooperating with local dealers. Of those countries, emerging countries in particular contain areas where regulations, traffic rules and road infrastructure are not yet ideal despite the fact that motorization is rapidly progressing. An increase in the number of fatal traffic accidents has become a social issue. Therefore, Honda is strengthening its activities in coordination with the applicable countries and the relevant people in local governments.

*Honda facilities where internal and external instructors on traffic safety are trained and driving safety education is provided to corporations, schools and individual customers
FY2018 Activities

In FY2018, toward the realization of a “collision-free mobile society” as stated in the 2030 Vision, Honda evolved its activities in accordance with changes and the needs of traffic society in a new era on the basis of “passing on safety education from person to person” and “providing participatory hands-on education.”

In response to the increasing use of “Honda Sensing,” an advanced driver-assistance safety system, Honda developed a training program for customer contact staff of automobile dealers. The program aims to cultivate a correct understanding among customers of the abilities and limitations of the Collision Mitigation Brake System (CMBS) and the false start prevention system included in the system and promote their proper usage. Going forward, the program will be rolled out on a full scale.

The Suzuka Circuit Traffic Education Center also revamped the IT system used for its safe driving training programs for corporate and other customers, which are designed to facilitate drivers’ attitude and behavior changes. This renovation enables better visualization of individual driving habits and serves to increase training effectiveness by significantly improving the understanding of specific details in a convincing manner.

The pedestrian traffic casualties data by age shows that children aged 7 are the most frequent victims of traffic accidents. In response, Honda developed a new educational program for early elementary school students including this age group. This program is based on the theme of hazard prediction while walking on a street and incorporates a technique to help children think and recognize on their own. Honda plans to encourage traffic safety instructors to use the program and expand its usage nationwide.

Additionally, an agreement relating to the promotion of traffic accident prevention measures was concluded with Chiba Police Headquarters and the Metropolitan Police Department. The aim is to facilitate the use by the police of emergency braking and other information in a Safety Map in formulating their accident prevention measures, including road improvement.

As one of the ongoing efforts to help people with higher cerebral dysfunction to resume driving, Honda has been supporting the promotion of autonomous activities in each region, including collaboration between the Authorized Drivers School Association and Association of Occupational Therapists in Okinawa Prefecture.

Overseas, Honda Vietnam Co., Ltd. (HVN) established its Traffic Education Center in March 2017. The Driving Safety Promotion Center assisted in upgrading the skills of their local instructors.

In order to promote traffic safety in Asian countries, where automobiles are becoming increasingly popular, Honda provides relevant training to the responsible staff at overseas business locations and expects that these activities will be further developed in the future.
Opening a Traffic Education Center in Vietnam

In 1999, Honda Vietnam Co., Ltd. (HVN) embarked on full-fledged safety promotion activities. In response to the increasing use of motorcycles, HVN has since made a broad range of efforts, including providing safety advice to customers at dealers, conducting safety education for children and young people and raising safety awareness through a TV program. In March 2017, HVN established a Traffic Education Center on its plant premises located near Hanoi. In addition to its original service of providing a seminar for the acquisition of a motorcycle license, the Center now offers a similar seminar for an automobile license. Also, in collaboration with government-affiliated organizations, the Center hosts an automobile instructor contest and is significantly contributing to the traffic safety of Vietnamese society.

Conducting Education in Japan for Staff of Automobile Business Sites in Asia

Asian Honda Motor Co., Ltd. (Thailand), the regional headquarters in the Asia & Oceania region, hosted driving safety promotion activities training at the Suzuka Circuit Traffic Education Center. The responsible staff of overseas automobile business sites in Southeast Asia and Southwest Asia learned from the Center’s instructors how to give advice on the safety equipment fitted in Honda cars to customers during business negotiations or advice on safe driving at the time of vehicle delivery as well as how to operate and give instructions in a mini-school after delivery.
Honda has engaged in the development of safety technology placing an emphasis on real-life traffic environments – where multiple forms of mobility, such as motorcycles and automobiles, mix – and the realities of crashes in the real world, with high-minded objectives that go beyond meeting regulatory requirements and the attitude that “if something doesn’t exist, we will make it.”

The Company has been developing and commercializing safety technologies one after the other. In 1998, Honda developed the world’s first pedestrian dummies, while it built the world’s first indoor, all-weather omni-directional crash test facility in 2000. In 2003, Honda developed the crash-compatibility body and the world’s first Collision Mitigation Brake System (CMBS).

In 2014, the Company announced “Honda Sensing/AcuraWatch,” a new advanced driver-assistance safety system. “Honda Sensing/AcuraWatch” is a general term for advanced safety technologies that will lead to automated driving technologies in the future, which assists the driver from normal driving to collision avoidance based on information on the surroundings of the vehicle, collected through the use of sensors and other elements.

Honda will steadily continue to develop technologies as indicated in the roadmap for safety technologies for automobiles (see the diagram below), with an aim to realize “a collision-free mobile society” where anybody using the road can do so in safety.
Safety Initiatives

FY2018 Activities

The "Honda Sensing/AcuraWatch" advanced safe-driving support system continues to be used in an increasing number of models since its launch in the three regions of Japan, the United States and Europe in 2015.

In Japan, Honda has installed this system in more models in the mini-vehicle and compact vehicle categories, such as the N-Box, Grace and Shuttle, and has been increasing the number of models offering the system as a standard feature. In the United States, with the addition of the system to the Fit and HR-V in the compact vehicle category, almost all models are now offered with the system. Also, the system has been equipped on the Jazz (Fit in Japan) and HR-V in Europe, Fit in China and CR-V in Thailand.

*1 Cross-ministerial Strategic Innovation Promotion Program, a national project led by the Council for Science, Technology and Innovation of the Cabinet Office, designed to "lead science, technology and innovation beyond the framework of government ministries and traditional disciplines"

*2 SIP-Innovation of Automated Driving for Universal Services

TOPICS

Automated Driving Vehicle Test-Ride Event in Tokyo in November 2017

Honda aims for the actual application of a Level-3 equivalent automated driving system on the highway by around 2020 and to subsequently expand usage to general roads. Honda has also created a roadmap to make a Level-4 system technically feasible by around 2025 and drawn up a vision of automated driving to provide new value to people and society. To realize this vision, Honda is working to create better systems (legal, insurance, etc.), build a required infrastructure and cultivate an understanding among the general public of automated driving systems.

In November 2017, the SIP*1-Promoting Committee started implementing a large-scale field operational test for SIP-adus*2 and held the SIP-adus Workshop 2017. Honda participated in both events and offered an opportunity for policymakers and experts in and outside Japan to test ride an automated driving vehicle on the Metropolitan Expressway as part of efforts to increase recognition for the evolution of Honda’s automated driving technologies and deepen discussion toward solving relevant issues in the real world.

Automated driving vehicle test-ride event
Communication (Telecommunication Networks)

Honda’s Approach

In 1998, Honda started to offer “Internavi,” a car navigation system equipped with communication functions that provides information on traffic congestion through the use of driving data gathered from Honda vehicles. In addition to the usefulness mentioned above, Honda started to offer weather information in 2004 and disaster information in 2007. By utilizing the telematics service that integrated communication and information, the Company has started to provide drivers with information that will help them drive more safely and more comfortably.

One form of progress from these initiatives is the “Safety Map” in Japan. Emergency braking applied by cars, information on traffic accidents provided by the police and local governments, traffic information provided by local residents and other relevant information is integrated and analyzed to generate maps, which tell people including residents and drivers in advance about places on the road that require special caution.

Honda is pleased to note that many people are utilizing the maps.

In addition, Honda is currently focusing on building a system that will provide information on traffic conditions in surrounding areas and traffic accident risks on a real-time basis by integrating the “Honda Sensing/AcuraWatch” technologies with the telematics service, and, using wireless communication such as Wi-Fi, connecting with both other vehicles equipped with sensors or GPS, as well as people in surrounding areas who are carrying smartphones. Honda is striving to realize “a collision-free mobile society” where everyone sharing the road can safely and confidently enjoy the freedom of mobility.

Launching Joint Research with SoftBank on Connected Car Technologies* Using 5G*

Honda R&D Co., Ltd. has started discussing a joint research project with SoftBank Corp. with a view to the future adoption of 5G. The project aims to strengthen connected car technologies, which will offer new experiences and value by connecting mobility products, primarily cars and various other things. In FY2019, SoftBank plans to set up experimental 5G base stations on the Takasu Proving Ground, a closed test course owned by Honda R&D in Kamikawa-gun, Hokkaido. Under this 5G environment, the two companies will launch full-fledged joint research into technologies to enable a stable handover of base stations during high-speed driving and to secure data sending and receiving capabilities in weak-signal or out-of-range areas.
Honda’s Approach

Many of Honda’s models have achieved high safety assessments from NCAP*1 in various regions. In Japan, the N-Box achieved “ASV++”*2, the highest rank, in the JNCAP’s preventive safety assessment.

*1 This refers to New Car Assessment Program. This is a program that tests and evaluates the safety performance of cars, which is performed by public organizations in various regions. Testing and evaluation methods are different for each region. Ratings range from 0 to 5 (5+ is the highest rating in some regions).

*2 This refers to Advanced Safety Vehicle. Advanced safety performance, which includes the technology for automatic braking when a collision is not avoidable, is tested and evaluated. The three levels of ASV, ASV+ and ASV++ are used to assess the vehicles.

*3 This refers to the Insurance Institute for Highway Safety, which conducts the car assessment that tests and evaluates the safety performance of various cars. IIHS only awards TSP and TSP+ to vehicles that achieved excellent test results. TSP refers to Top Safety Pick.

Results of key third-party evaluations (tests conducted in 2017)

<table>
<thead>
<tr>
<th>Country / Region</th>
<th>Third-party evaluation</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>JNCAP</td>
<td>N-Box ASV++ Fit / N-Box</td>
</tr>
<tr>
<td>Europe</td>
<td>Euro NCAP</td>
<td>Performance not evaluated in FY2018</td>
</tr>
<tr>
<td>China</td>
<td>C-NCAP</td>
<td>Performance not evaluated in FY2018</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>NCAP</td>
<td>CR-V / Pilot / Odyssey / Ridgeline</td>
</tr>
<tr>
<td></td>
<td>IIHS*3</td>
<td>TSP+ Accord / CR-V / Pilot / Odyssey / Ridgeline / Acura MDX / Acura RDX</td>
</tr>
<tr>
<td>Australia</td>
<td>ANCAP</td>
<td>CR-V / Civic</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>ASEAN NCAP</td>
<td>CR-V</td>
</tr>
<tr>
<td>Latin America</td>
<td>Latin NCAP</td>
<td>Performance not evaluated in FY2018</td>
</tr>
</tbody>
</table>
Quality

120%

Aiming for 120% product quality

Material Issues

- Assuring outstanding product quality
Aiming to Bring Reassurance and Satisfaction to Customers

“We have to aim for 120% product quality. If 99% of the products we make are perfect, that would seem like a pretty good record. However, the customers who become the owners of the remaining 1% will surely consider their products 100% defective. It is unacceptable that even one customer in a thousand – even one customer in ten thousand – should receive a defective product. That’s why we have to aim for 120%.”

These words of founder Soichiro Honda define the company’s fundamental approach to quality, or more specifically, what it means to strive to be a company society wants to exist. Determined to meet or exceed the expectations of customers, Honda is taking new initiatives to reach high product quality standards.

To strengthen customer trust by offering products founded on safety and offering a new level of outstanding quality, Honda has created a quality cycle that continuously enhances quality at every stage encompassing design, development, production, sales and after-sales service.

In order to realize the basic principles of “Respect for the Individual” and “The Three Joys” (the joy of buying, the joy of selling, the joy of creating), Honda has stated that being the number one in customer satisfaction in all points of contact is a primary objective of activities. Honda works in partnership with dealers to increase customer satisfaction to allow them to continue handling products with confidence at every stage, from purchase to after-sales service, ensuring that a high level of satisfaction is provided to customers at all times.

Offering a New Level of Outstanding Quality

Over the years, Honda has implemented different activities aimed at realizing products that offer a new level of outstanding quality.

Meanwhile, the industry is heading toward an unprecedented turning point concerning response to the environment, safety and intelligence.

Honda seeks to create new value through open innovation, with examples including motorization of the powertrain, accelerating introduction of driver assistance technology to eliminate traffic accidents and teaming up with other companies, including from other industries, to challenge new forms of mobility that incorporate the Internet of Things (IoT).

Moving ahead, Honda aims to reduce trouble at all points of customer contact alongside evolution in mobility and living in addition to ensuring the utmost quality in products and services provided to customers. The pursuit of quality in each domain allows the evolution of activities that realize a new level of outstanding quality.
Global Management

Quality Management System and Quality Enhancement Promotion System

Global Honda Quality Standard (G-HQS) Aimed at Increasing Quality of Honda Brand Products

As Honda’s production and parts and materials sourcing expand globally, a shared global quality management system is essential to ensure that all Honda facilities continue to generate 120% product quality. G-HQS established in April 2005 serves as the foundation of this.

G-HQS is a set of fundamental standards supporting quality assurance and improvement activities in all domains based on Honda’s Quality Cycle. The aim is to increase the quality of Honda brand products manufactured and sold around the world. Each site complies with G-HQS to enable a uniform quality assurance system across the board and contribute to quality assurance not only in production activities but also in logistics and services.

Honda separates functions such as design/development, manufacturing, sales/service and quality into global and regional, and clearly defines roles and responsibilities when conducting activities to enhance and improve quality in accordance with Honda’s Quality Cycle. With G-HQS, goals and regulations concerning quality assurance activities for each function are stipulated globally. The means for realizing these goals and requirements are codified for each region in line with local characteristics. These means are conceived of and codified by each region independently, which enhances awareness of quality improvement and leads to the personal growth of local quality managers.

Based on ISO9001* criteria to which Honda production facilities in Japan and around the world have been or are to be certified, G-HQS represents the accumulation of knowledge Honda has gathered independently in producing quality products and preventing previous issues from recurring. It will continue to conform to ISO certification standards.

As of the end of March 2018, 61 of the 67 Honda facilities had acquired ISO9001 certification.

Global Meeting Structure

In order to ensure the strengthening of quality under this quality management system, Honda sets challenges based on quality targets established in company-wide policy, which are then modified to reflect the challenges found in different regions with countermeasures formulated for them. The management of this initiative and information-sharing are conducted regularly at the Global Quality-related Meetings, which include the Global Automobile Quality Meeting, chaired by the Chief Quality Officer (CQO) and attended by persons responsible for departments involved in quality from the headquarters and regions. Each of the Honda businesses, i.e., Automobile, Motorcycle and Power Products, holds its own Global Quality-related Meetings.

In the area of customer service, we have devised an action policy focused on each customer so that we can create value through service and provide a feeling of joy in continuing to use Honda products. Persons responsible for departments involved in quality from the headquarters and regions hold joint Global Aftersales Business Meetings to share this policy and measures globally. Productive measures and initiatives shared at the meetings are set as global benchmark levels to enable the provision of higher quality services on-site.

<table>
<thead>
<tr>
<th>Meeting structure</th>
<th>Business</th>
<th>Meeting name</th>
<th>Times/year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality related</td>
<td>Motorcycle</td>
<td>Global Production Strategy Conference</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Automobile</td>
<td>Global Automobile Quality Meeting</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Power Products</td>
<td>Global Chief Inspecting Engineer (CIE) Meeting</td>
<td>1</td>
</tr>
<tr>
<td>After sales business</td>
<td>Motorcycle</td>
<td>Global After sales Business Meeting</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Power Products</td>
<td>Power Product CIE Meeting</td>
<td>1</td>
</tr>
</tbody>
</table>

* An international quality control and quality assurance standard set by the International Organization for Standardization (ISO)
Quality Management Education

Honda offers quality management training based on in-house qualifications and the level of quality control responsibilities with the aim of improving associates’ quality assurance skills.

In Japan, Honda offers a training curriculum with four courses divided into basic training and specialized training. As part of this, the Honda QC Basic Course (HBC) is open not only to Honda associates but also to suppliers and focuses on training experts in all aspects of Honda quality management.

Outside Japan, the QC Junior (QC J) Course and the QC Foreman (QC F) Course are offered as basic training.

Training curricula content

<table>
<thead>
<tr>
<th>Category</th>
<th>Course name</th>
<th>Course content</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic training</td>
<td>QC Junior (QC J) Course</td>
<td>Targets associates six months to one year after joining Honda to learn the basics of quality control techniques.</td>
<td>1 day</td>
</tr>
<tr>
<td>Basic training</td>
<td>QC Foreman (QC F) Course</td>
<td>Targets associates engaged in production and quality duties to learn the quality control techniques and approaches required for quality assurance activities.</td>
<td>Total of 2 days</td>
</tr>
<tr>
<td>Specialized training</td>
<td>Statistical Quality Control (SQC) Course</td>
<td>Targets associates whose principal responsibility is quality control and quality improvement activities to learn professional quality control techniques and approaches.</td>
<td>Total of 2 days</td>
</tr>
<tr>
<td>Specialized training</td>
<td>Honda QC Basic Course (HBC)</td>
<td>Targets associates who are responsible for the core of quality control activities to learn skills that allow them to resolve difficult problems/issues with the aim of becoming quality control experts.</td>
<td>Total of 22 days</td>
</tr>
</tbody>
</table>

HBC flow

Themes that need to be addressed in trainees’ own departments

1. Coursework
2. Session to review how to address issues
3. SQC implementation in trainees’ own departments aimed at resolving themes/issues

Repeat the cycle of steps (2) and (3) above

Cultivates quality control experts with practical skills by teaching trainees to resolve issues in their own departments

Best Quality Award

The CQO gave out awards for themes that generate outstanding results through quality-related measures based on policy management with the aim of elevating quality awareness. Divisions in line for recognition include development, production, production technology, purchasing, certification, quality, parts/service and IT. Awards for divisions overseas were introduced in 2012, with the CQO presenting awards on-site. Over the six-year period from FY2013 to FY2018, a total of 49 sites were visited around the world enabling direct communication with associates.

Providing education on quality control

The CQO visits sites around the world to give awards face-to-face.
Honda’s Quality Cycle

Honda has created the Honda Quality Cycle that continuously enhances quality at every stage, encompassing design, development, production, sales and after-sales service in order to realize products offering a new level of outstanding quality.

This initiative aims to achieve the highest quality through the creation of drawings designed to facilitate manufacturing, as well as develop manufacturing control techniques that limit process variability, by applying and reflecting design and development expertise at the production preparation and production (mass-production) stages.

I. Design and Development
Implement quality assurance from the drawing stage by utilizing design and manufacturing expertise to create drawings designed to facilitate manufacturing.

II. Production Preparation
Prepare quality assurance in production processes by building manufacturing controls that limit process variability.

III. Production
In addition to using drawings designed to facilitate manufacturing and implementing manufacturing controls that limit process variability, conduct rigorous inspections of parts and vehicles, and take steps to ensure no damage occurs during transport.

IV. Sales and Services
Market quality issues after sales are dealt with by dealerships, which collect quality information from customers in a timely manner.

V. Quality Information Collection/Analysis and Quality Improvement
Quality information from customers and markets throughout the world is collected and analyzed with improvements quickly made to quality (market quality improvement system).
Design/Development and Production (Mass Production)

To ensure high quality, Honda conducts comprehensive quality assurance activities from the dual perspectives of design and manufacturing. For example, drawings for objects that will be machine processed include finished dimensions. Even when the same worker uses the same materials, equipment and procedures to produce an item to the dimensions specified on the relevant drawings as part of a given production process, there are inevitably small variations in the item’s finished dimensions.

To address this fact, R&D departments consider not only function and performance but also the ease of manufacture and minimization of variations when designing drawings. For their part, production departments implement manufacturing controls to keep variability within applicable standards based on drawings and develop production processes so that all workers can continue to achieve a consistent level of quality.

I. Design/Development

Assuring Quality through Drawings

Honda’s R&D departments create drawings that take ease of manufacture into consideration in order to limit process variability and prevent human error during the manufacturing process. These drawings serve as the basis of our quality assurance efforts.

Specifically, engineers utilize a database of measures and techniques previously used to prevent market quality issues and other information as they communicate closely with manufacturing departments during the initial development stage. Product function, performance and quality assurance initiatives are committed to writing and are shared to ensure efforts are coordinated with production departments’ process assurance activities and to coordinate quality assurance initiatives.

II. Production Preparation

Assuring Quality through Production Processes

Besides design drawings, Honda’s production departments establish manufacturing control items and criteria for each part, process and operation to prevent product quality issues. Engineers use these manufacturing control items and criteria to verify manufacturing variability as they work to prevent quality issues. Furthermore, Honda develops processes that limit variability by soliciting suggestions for enhancement from the sites where work is actually performed and determining manufacturing control methods for each process.
Quality Initiatives

Assuring Parts Quality through Supplier Audits

Assuring the quality of procured parts is an important element in delivering high-quality products.
Honda visits its suppliers’ manufacturing facilities to conduct quality audits based on the “Three Reality Principle,” which emphasizes “going to the actual place,” “knowing the actual situation” and “being realistic.”

These audit activities are conducted for both the production preparation and mass-production stages of supplier operations. Experts in the development and production of individual parts visit manufacturing facilities and conduct audits of suppliers’ quality systems and their implementation.

Honda then works to improve part quality through activities that emphasize communication with suppliers, for example, by sharing audit results and cooperating to identify opportunities for quality improvement.

Assuring Long-Term Reliability through Rigorous Durability Testing

Honda subjects new and redesigned models to a rigorous regimen of long-distance durability testing before beginning mass production to verify that there are no quality issues.

Honda also disassembles vehicles used in the test drives into every single part and verifies that there are no quality issues through a process consisting of several thousand checks. By accumulating data on the issues discovered through these test drives and detailed inspections as well as associated countermeasures, the Company is able to ensure a high level of quality and reliability.

III. Production (Mass Production)

Using Line End Tester (LET) System to Inspect Electronic Control Systems

Use of electronic control systems in vehicles has grown dramatically in recent years as part of an effort to achieve more environmentally friendly designs and improve driver and passenger convenience and comfort. This has created a need for efficient inspection methods to assure the quality of these components.

To this end, Honda has installed Line End Tester (LET), an inspection and diagnostic system developed in-house, at production plants in Japan and overseas.

Although the LET system was initially deployed to perform diagnostics of emissions cleaning systems and parts in order to comply with U.S. emissions regulations, Honda extended the capabilities of the device to accommodate the recent evolution of electronic control systems, allowing its use in shipping quality inspections of all electronic control systems, from switches and instruments to air conditioner, audio, engine and transmission operations. Thanks to these innovations, inspections that have traditionally depended on the human senses of smell, sight and hearing can now be performed quantitatively through communications with electronic control components, dramatically increasing the precision and efficiency with which inspections can be conducted.

Honda is continuing to quantify shipping quality assurance for electronic control systems by working to implement further enhancements in the precision and efficiency of sensory inspections.

Verification of parts following durability testing

Inspection using LET system
IV. Sales and Service

Honda has established Customer First Operations to realize optimal service operations in markets worldwide. The division has set the key objective of being "No.1 in customer satisfaction in all points of contact" based on a "customer-first" policy.

"No.1 in customer satisfaction in all points of contact" refers to the creation of an environment in which customers feel satisfied with Honda in every situation they come into contact with the Company. In addition to fulfilling customer expectations built up through past experience and information, the division aims to be No.1 in customer satisfaction by providing exciting experiences that exceed expectations.

To attain this goal, Customer First Operations will implement three activities, which are realizing a stress-free time for customers, creating new services and expanding businesses that support this platform. They are implementing basic activities to protect the customer so that regional dealers – Honda’s point of contact with customers – can address customer satisfaction enhancement more effectively and efficiently.

Honda Total Care

Honda is providing Honda Total Care in Japan as a membership service comprehensively supporting automobile lifestyles for car users and providing a sense of security.

Members can access information that is useful for car maintenance and management and make appointments for inspections via a dedicated Honda Total Care membership website. In addition, the newly established Honda Total Care Emergency Support Center is accessible with the touch of a button in case of an emergency as a part of the system that enhances customer convenience.

The Honda Total Care Emergency Support Center is a one-stop contact point for the members in trouble such as a road collision or vehicle breakdown. This service thereby relieves members from the burden and confusion of making various contacts to insurance companies and car dealers. The Center is in service 24 hours a day, seven days a week, and it makes smooth arrangements for roadside assistance for members in need and provides support for car operating instructions, among other services.

Honda has also entered into a business alliance with the Japan Automobile Federation (JAF), a first in the automotive industry, to provide the industry’s most expansive*1 roadside service as an optional service.

Honda aims to ensure the industry’s highest level of quality in customer response by strengthening the relationships with customers through these services.

Customer Relations Center

The Customer Relations Center in Japan has a very straightforward slogan: “For the customer.” Its mission is to handle inquiries from Honda customers politely, clearly and quickly, delivering the same high quality in Honda communications as is found in Honda products. The center also responds to survey requests from the Japanese government and inquiries from consumer advocacy organizations.

The center receives feedback in the form of customer questions, suggestions, requests and complaints 365 days a year, and during FY2018 it processed 239,681 inquiries. To ensure that this valuable information is put to good use in Honda’s operations, the facility shares it in a timely manner with the company’s R&D, manufacturing, service and sales departments in compliance with laws and regulations as well as Honda’s own policies concerning the handling of personal information.

Honda conducts a survey around the world on customer satisfaction related to service operations for customers who have received after-sales service from a dealer. In FY2018, the survey was conducted in 26 countries, including Japan and nations in North America, South America, Europe, Asia and Oceania, Africa and the Middle East.

The survey method involved a design enabling minute measurements of satisfaction for each part of the service process at a dealer, with the survey findings used to provide guidelines for each dealer. While comparing these guidelines with quality-related initiatives at dealers, activities are being undertaken toward better service quality at all points of customer contact by implementing a plan-do-check-act (PDCA) cycle.

In addition, once a year we conduct a survey comparing Honda with other manufacturers and brands that are the benchmarks in each country, with the results used as a reference as we work to maintain and improve customer satisfaction at an industry-leading level. In FY2018, results exceeded benchmarks in 15 countries*2.

*1 Survey by Honda; as of December 2017
*2 Internal survey by Honda; as of March 2018
V. Quality Information Collection/Analysis and Quality Improvement

Honda has established a Quality Center to bring together the various components of our organization concerned with product market quality information to enhance the functions of “preventing quality issues” and “quickly detecting and resolving quality issues when they occur” on a global scale. The facility gathers quality-related data from dealers in Japan and overseas through service departments and customer consultation centers. Measures and policies for preventing quality issues are then developed based on the issues identified from this data and provided as feedback to design, production and the design/production sections for suppliers (parts procurement), among others.

From FY2017, Honda has undertaken restructuring of its organization that includes the integration of service sections and the quality assurance section of Automobile Operations to form Customer First Operations, thereby establishing a structure that enhances the link between service and quality assurance and further strengthens the flow of customer feedback.

When a quality issue does occur, Honda moves quickly to resolve it, for example, by working closely with R&D and production departments to investigate and address the cause, assisting affected customers and taking action to prevent a recurrence.

Trial of Prediction system

Honda believes in the necessity of a system to provide peace of mind to customers in preparation for new environmental automobiles such as fuel cell and electric vehicles. With the system, automobile information is sent to Honda’s data center using telematics technology and analyzed. Potential warning signs are identified from the result prior to any trouble occurring as a precautionary measure for customers.

Honda will continue developing the system to provide further peace of mind to customers.

Image of the prediction system

Monitor and analyze

Honda’s data center

Market quality enhancement system (automobiles)
Quality Improvement Operation Process

Quality enhancement operations at Quality Innovation Center Tochigi, Japan, consist of pulling together market quality data and sharing information about collected parts and market quality issues. Personnel analyze collected parts, investigate causes and develop countermeasures and improvements in a timely manner. Specialized teams with extensive product knowledge are able to obtain detailed data using a range of analytical equipment. The operational process is configured to facilitate objective and appropriate decision-making based on gathered data.
Critical Quality Issues Exhibition Hall Presents Examples of Key Quality Issues

A critical quality issues exhibition hall was established at the Quality Innovation Center Tochigi in 2009 so as not to forget past experience with market quality issues and to make sure the lessons are passed on by displaying actual items and teaching about the issues.

The hall provides key examples of past market quality issues and targets Honda associates, suppliers, overseas distributors and service-related personnel. Around 1,500 people visit the hall annually for training or as part of a tour.

In particular, training for researchers designing and developing products is being expanded from new recruits and newly promoted managers to also include young associates in their fifth year with the Company and associates from Honda’s overseas businesses in order to strengthen activities preventing people from forgetting past issues with market quality.

Rust on the body of a Honda Civic made in 1981
Cracked exhaust manifold of Honda Life mini-vehicle made in 1999
Training for members of an overseas factory
Quality Initiatives

Analysis in Partnership with Overseas Entities

Overseas production plants play a central role in conducting the same type of quality enhancement activities as Quality Innovation Center Tochigi.

When plants encounter a particularly difficult market quality issue and request assistance, the Center investigates and analyzes the issue and reports the results back to the overseas facility.

Working with automotive production plants
Handling of Quality Issues When They Occur

When Honda determines that an issue occurs with a product that requires market action, it quickly reports the issue to government authorities in accordance with individual countries’ regulations and contacts owners by means of direct mail from dealers or by telephone to provide information about how they can receive free repairs. Associated information is also provided on Honda’s website and through the news media as necessary.

A Global Quality Committee is quickly convened in accordance with G-HQS and decisions concerning market actions are made by its chairperson in consultation with overseas members, including experts from departments involved with quality issues who are capable of making objective decisions.

Number of Global Quality Committee meetings (FY2018)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Number of times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles</td>
<td>50</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>16</td>
</tr>
<tr>
<td>Power Products</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>74</td>
</tr>
</tbody>
</table>

<Airbag recalls>
The repeated recalls for the airbags have caused Honda customers great inconvenience and concern.

Honda has always placed top priority on customer safety and peace of mind and responded with this in mind.

In light of agreed upon revisions to the consent order between the National Highway Traffic Safety Administration (NHTSA) and Takata in May 2016, Honda has decided to replace serially all Takata ammonium-nitrate based driver and passenger front airbag inflators that do not contain desiccant.

Honda will continue to make its utmost efforts to ensure the sufficient supply of replacement inflators to customers and take other necessary measures as quickly as possible.
Honda’s design and development, production, and sales and service departments are working together to win the top ranking in the Initial Quality Study (IQS) for automobiles conducted by J.D. Power, an independent evaluation organization, as an indicator of customer satisfaction, which constitutes the results of the quality cycle.

### Results of the 2017 IQS for automobiles

<table>
<thead>
<tr>
<th>Country</th>
<th>Segment</th>
<th>Model</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>Small Car</td>
<td>Fit</td>
<td>No.3</td>
</tr>
<tr>
<td></td>
<td>Midsize Pickup</td>
<td>Ridgeline</td>
<td>No.3</td>
</tr>
<tr>
<td>Japan</td>
<td>Mini-vehicle</td>
<td>N-WGN</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Minivan</td>
<td>Freed</td>
<td>No.1</td>
</tr>
<tr>
<td>China</td>
<td>Midsize SUV</td>
<td>CR-V</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Midsize Upper</td>
<td>Accord</td>
<td>No.1</td>
</tr>
<tr>
<td>India</td>
<td>Midsize</td>
<td>City</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>Premium Compact</td>
<td>Jazz</td>
<td>No.3</td>
</tr>
<tr>
<td></td>
<td>Entry Midsize</td>
<td>Amaze</td>
<td>No.3</td>
</tr>
<tr>
<td>Thailand</td>
<td>Compact SUV</td>
<td>HR-V</td>
<td>No.1</td>
</tr>
<tr>
<td></td>
<td>BR-V</td>
<td>No.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Entry Midsize</td>
<td>City</td>
<td>No.2</td>
</tr>
<tr>
<td></td>
<td>Jazz</td>
<td>No.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Midsize</td>
<td>Civic</td>
<td>No.2</td>
</tr>
</tbody>
</table>

* Includes top three vehicles in major markets from January to December 2017

**Sources:**
- J.D. Power and Associates 2017 U.S.
  - Initial Quality Study SM (based on responses from more than 77,515 owners who purchased or leased a new vehicle as surveyed from February to May 2017)
- J.D. Power Asia Pacific 2017 Japan
  - Initial Quality Study SM (based on responses from more than 22,924 owners who purchased a new vehicle as surveyed from May to June 2017)
- J.D. Power Asia Pacific 2017 China
  - Initial Quality Study SM (based on responses from more than 23,993 owners who purchased a new vehicle as surveyed from March to July 2017)
- J.D. Power Asia Pacific 2017 India
  - Initial Quality Study SM (based on responses from more than 8,578 owners who purchased a new vehicle as surveyed from May to September 2017)
- J.D. Power Asia Pacific 2017 Thailand
  - Initial Quality Study SM (based on responses from more than 4,866 owners who purchased a new vehicle as surveyed from May to September 2017)
Human Resources

3 Times 9 Times

(2020) (2025)

Target number of women in management
(compared with year 2014, Japan)

Material Issues

- Respecting human rights
- Expanding diversity and development of human resources
- Ensuring occupational health and safety
Basic Policy for Personnel Management

Honda believes that human beings are born as free and unique individuals with the capacity to think, reason and create – and the ability to dream. The Company’s wish is to nurture and promote these characteristics in Honda by respecting individual differences and trusting each other as equal partners.

From this standpoint, Honda adopts Respect for the Individual, consisting of the three elements of initiative, equality and trust, as one of the Company’s Fundamental Beliefs. Honda believes this spirit should permeate all its relationships, not only with those in the Honda Group but with everyone in all companies with which Honda does business. The Company follows the Three Principles of Personnel Management, specifically Respecting Initiative, Ensuring Fairness and Encouraging Mutual Trust, when managing its human resources in areas such as recruitment, training, assignment and utilization, evaluation and treatment. Honda seeks to create an environment in which each associate’s ambitions and abilities can be developed, as well as a workplace where an individual’s potential can be actively exercised.

As Honda’s business activities expand into various parts of the world, taking into account “the Universal Declaration of Human Rights” as well as “the ILO Declaration on Fundamental Principles and Rights at Work,” it established Associate Relations Policies in March 2012 that are applied to Honda’s daily corporate actions, putting the Three Principles of Personnel Management into practice. Honda works to understand current conditions by conducting an assessment as to whether management operates in line with the Associate Relations Policies at each Group company and to respond appropriately in case any concerns are raised. Starting from FY2017, the assessment now covers joint ventures. In FY2018, there were no incidents identified.

Examples of specific activities

<table>
<thead>
<tr>
<th>Activities (Example)</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Pre-assignment training for persons stationed overseas</td>
<td>Associates stationed overseas</td>
<td>Cultivating awareness for the importance of labor management</td>
</tr>
<tr>
<td>(monthly)</td>
<td></td>
<td>based on the Associate Relations Policies</td>
</tr>
<tr>
<td>● Pre-assignment training for persons stationed overseas</td>
<td>Associates stationed overseas as officers</td>
<td>Cultivating awareness for the importance of labor management</td>
</tr>
<tr>
<td>(as officers of locally incorporated companies annually)</td>
<td>of locally incorporated companies</td>
<td>based on the Associate Relations Policies</td>
</tr>
<tr>
<td>● Honda Associate Relations Policies practice level check</td>
<td>Honda Group local subsidiaries, including</td>
<td>Paper-based assessment to confirm business operations are conducted</td>
</tr>
<tr>
<td>(annually)</td>
<td>joint ventures</td>
<td>in accordance with the Associate Relations Policies</td>
</tr>
<tr>
<td>● Global Human Resources Committee (annually)</td>
<td>Associates responsible for human resources</td>
<td>Periodic meetings to share information and hold discussions with associates</td>
</tr>
<tr>
<td>● Regional human resources officers meeting (monthly)</td>
<td>at the corporate headquarters and regional operations</td>
<td>responsible for human resources in each region</td>
</tr>
<tr>
<td>● Global Monthly Report (monthly)</td>
<td>Honda Group local subsidiaries, including</td>
<td>A report for sharing the status of labor management of all local</td>
</tr>
<tr>
<td></td>
<td>joint ventures</td>
<td>subsidiaries, including joint ventures</td>
</tr>
</tbody>
</table>

Honda’s SUSTAINABILITY REPORT 2018
Global Management

Human Resources Vision and Strategies

In accordance with its Company Principle, “maintaining a global viewpoint, Honda is dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction,” Honda has been proactively developing business with a view to entering the global markets since its foundation. In regard to its expansion overseas, Honda’s business model has evolved from exporting to local production and then to local development. In recent years, the Company’s production and development functions are being strengthened not only in developed countries but also in emerging countries, where demand for motorization is growing. Honda is striving for autonomy of its regional operations in six regions around the world.

In order to achieve this goal, Honda is pushing ahead with Global Human Resources Management Approaches that facilitate developing and assigning global personnel who plan, design and develop products that reflect market demand and who deliver quality products in a stable manner.

To be more precise, regional operation bases used to be managed mainly by Japanese expatriates; however, this style of management is being replaced by an approach where management is run by local associates, who are most familiar with the region. By assigning associates with experience in working for local and global operations to global functions, Honda tries to diversify and localize its workforce with multinational people in order to address market changes promptly and flexibly. Honda aims for the establishment of an organization in which it can demonstrate Honda’s total strength by coordinating its operations globally.
Honda’s Approaches

Honda takes two approaches to supporting autonomous operations in six global regions and developing and assigning human resources to enhance Honda’s total strength.

The Company’s approach is to develop and reinforce local human resources. Starting with the Honda Philosophy, Honda core values and competency, Honda aims to share values with Honda Group associates and vitalize communication by creating a communication environment and making English the Company’s official language for interregional business operations. Honda provides training programs tailored for each region based on its needs and conditions, while offering at the global level shared training programs to develop global leaders.

Furthermore, in order for these global human resources to be able to play active roles worldwide, Honda has adopted a Global Job Grade System in which managerial positions varying from one operation base to another are defined by common grades across the group. The Company aims to realize ideal management-level assignments with competent local personnel actively demonstrating their abilities in response to the needs of global operation bases.

Human Resources Management Structure

At Honda, the Human Resources Division and Associate Relations Division at the corporate headquarters in Tokyo draws up global human resources strategies from the mid- to long-term perspective in coordination with operations in each region. Strategies proposed by the division are discussed annually by the management members in the Global Strategy Committee.

The directions for personnel strategies deliberated in this meeting are broken down by theme for further discussion in the Global Human Resources Committee, in which associates responsible for human resources from six regions meet once a year. Once company-wide and regional plans and targets become concrete, activities are launched throughout the Company.
An Approach Based on On-the-Job Training

Honda’s approach to personnel education is built around on-the-job training (OJT), specifically, building specialized skills and professional capabilities through direct experience. In order to facilitate effective OJT, Honda has established for every job description and area of expertise training programs with systemized contents and levels for the knowledge and skills required. These programs provide an opportunity to understand each associate's level of expertise and management capabilities, while serving as indicators to know if further development is needed. To supplement these OJT programs, Honda also offers off-the-job training (Off-JT) designed to provide associates with an opportunity to enhance their careers by developing new specialized skills or management capabilities. These training programs are level-specific and include specialized training for each job description, entry level training, basic training based on the Honda Philosophy, management training provided for acquisition of new qualifications, quality training and other training.

Principal Off-JT programs
1. Self-improvement training (career development)
2. Work performance training (skill development)
3. Management leadership training (management training)

Global Leader Development

As part of efforts to develop global leaders, Honda provides training to associates chosen from operation bases all around the world, including Japan, who will undertake global management in the future.

The Honda Executive Advanced Development School (HEADS) program, a combination of the executive leadership training (Off-JT) and an activity to draw up plans to resolve management issues in a cross-functional team, was launched in 2012 in addition to the Leadership Development Training (LDT) program.

Establishing the Global Job Grade System

Besides providing training to develop global leaders who undertake global management functions, Honda introduced the Global Job Grade System in 2011 for assigning its associates to the most suitable positions.

In this system, individual positions existing in each operation base of Honda such as development, production and sales facilities are evaluated and weighed based on roles and responsibilities and defined by common grades to be used group-wide in order to facilitate the transfer of associates to posts and locations in which they can demonstrate their abilities beyond the limits of regions and operations. Honda has adopted this system for the positions of department and division managers of the corporate headquarters and higher in order to proactively promote local associates. The Company will strive to assign the most appropriate human resources actively to operation bases in the world and utilize them in line with its growth strategies through the Global Talent Board and Regional Talent Board that manages key posts and key talent around the world.
Human Resources Initiatives

Passing on the Honda Philosophy

It is important for progress of management localization to share business judgment and codes of practice, that is to say, to globally share a set of values such as the Honda Philosophy, Honda core values and competency with local associates.

With this awareness in mind, Honda provides a training program to pass on the Honda Philosophy as a part of level-specific training that takes place worldwide. To make the programs as practical as possible, company executives and regional management pick business examples and introduce ones that demonstrate decision-making or managerial judgment that puts into practice the concept of “what to think and do based on the Honda Philosophy.”

Promoting the Use of English as an Official Language between Regions

In order for the Honda Group to exercise its total strength while operation bases in regions operate autonomously, it is essential to create an environment where its associates in the six regions can communicate closely.

In an effort to achieve this, Honda is working to make English an official language by 2020. With the adoption of this initiative, whenever interregional communication takes place, any information to be sent out will be sent in English. Documents to be used in meetings that involve regional operation bases along with any communication for information sharing will also be in English.

As a part of this initiative, Honda strives to reinforce training programs to improve the level of English among associates in Japan. English proficiency will be required for associates to be promoted to managerial positions in the future.

Creating an Environment to Enable Associates to Concentrate on Their Work with a Sense of Security

A decline in Japan’s total population and the aging of society has been pushing down its working-age population (ages 15 to 64). Japan has already entered an era of a super-aging society as people aged 65 years or over reached one-fourth of its population in 2015. At Honda, the number of experienced associates aged 50 or over is expanding rapidly, and there is a growing need to continue working after the age of 60.

Against this backdrop, Honda fully revamped its conditions of employment in 2017 to accommodate changes of the times and in associates’ needs.

As part of this effort and to provide an environment for associates aged 60 or over to continue working with enthusiasm and a sense of security, Honda introduced a flexible retirement system that allows associates to choose when to retire according to individual lifestyles and changes thereof. The conditions of employment, including pay level, were also raised as compared to those offered under the existing re-employment system.

By providing such an environment unique to Honda to enable associates to work with enthusiasm and a challenging spirit, Honda intends to maximize “the joy of working” for associates and realize a “human competitive edge” in business.
Human Resources Initiatives

Human Rights

Human Rights Training for Associates

The Three Principles of Personnel Management, Honda Code of Conduct and their basis, the Honda Philosophy, mention Honda’s policy concerning human rights. Honda provides training on the Honda Philosophy all around the world to new associates, with the aim of promoting awareness of the Honda Philosophy concept. All 1,451 associates newly hired in FY2018 in Japan have gone through this training.

Promoting Diversity

Fundamental Approach to Diversified Workforce

For Honda, diversification of the workforce means to enhance its total strength by providing equal opportunities to people regardless of their personal attributes and encouraging them to respect each other’s individual differences and talents while exerting their own abilities to the fullest, based on Honda’s fundamental belief of Respect for the Individual.

Honda pursues workforce diversification believing that these individualities evolve into innovation. Honda promotes diversity in accordance with the conditions of each of its six core regions as part of respective business operations. Efforts are being made to increase the proportion of women and minority groups (in terms of race and nationality, etc.) in management in each region and to create a framework to foster local personnel and diversity.

Initiatives at Honda in Japan

Meaning of Expanding Women’s Participation/Action Plan at Honda in Japan

In Japan, Honda has been working to expand women’s roles since 2008 and offering greater opportunities by building awareness, introducing systems to help women achieve a work-life balance and providing career support programs. As a result, the proportion of female associates in the workforce has increased from 5.0% to 7.4% within the past 13 years.

Honda carries out business operations globally, but the percentage of women in management positions in Japan still remains low at 0.8%. As part of the Company’s efforts to expand women’s roles, it has selected the number of women holding management positions as one management indicator and plans to triple the number by 2020 and realize at least nine times the number by 2025, both compared with FY2015.

These targets, however, are not the Company’s ultimate goal. What Honda intends to realize is a world where people can develop their careers regardless of gender, with more women taking an active role.

Honda’s Action Plan

1. Period of plan
   Three years from April 1, 2018 to March 31, 2021

2. Issues at Honda
   (1) Low percentage of women in management
   (2) Although the rate of competition for employment is equal among men and women, there are fewer female associates

3. Targets
   (1) At least triple the number of women holding management positions by 2020 and realize at least nine times the number by 2025 compared with FY2015
   (2) Increase the ratio of new recruits who are women to at least 20% by 2020

4. Details of initiatives and period of implementation
   - Initiative 1: Continue to foster awareness of the need to embrace diversity
     - Continuously disseminate information from top management regarding initiatives aimed at expanding participation of women (January 2015~)
   - Initiative 2: Nurture female associates and accelerate their utilization
     - Enhance career development support by supervisors based on a career development plan (April 2015~)
     - Conduct training to promote awareness of the need to include women in decision-making processes (October 2015~)
     - Continue to conduct interviews regarding career path through career advisors (October 2016~)
     - Conduct training on career/leader development for female associates (October 2016~)
     - Implement a system of transfer and a system of leave to accompany spouses who are being transferred (April 2018~)
     - Establish and increase company nurseries (April 2017~)
     - Conduct training on career/leader development for female associates (October 2016~)
     - Implement a system of transfer and a system of leave to accompany spouses who are being transferred (April 2018~)
     - Establish and increase company nurseries (April 2017~)
   - Initiative 3: Constantly strive to create an environment enabling women to build a career
     - Continue to conduct focused publicity for female science and engineering students (March 2015~)
     - Continue to participate in events promoting selection in science and engineering for high school students (March 2015~)
     - Secure and increase points of contact with and tours of business sites for female associates (March 2016~)
Initiatives for Expanding Women's Participation
In 2015, Honda again recognized that the diversification of its workforce is an important management challenge and has been making renewed efforts. In January 2015, the Company established the Diversity Promotion Office, an organization specialized in diversifying Honda’s workforce. In Japan, Honda is promoting its first set of initiatives that focus on expansion of women’s participation under three pillars: “Build awareness and foster an appropriate work climate,” “Support career building” and “Create an appropriate environment and systems.”

As an effort to “Build awareness and foster an appropriate work climate,” Honda has been holding various lectures and seminars for management-level associates and female associates. In addition to lectures for members of company management and general, office and factory managers, Honda has held a seminar for associates in management positions 39 times with 3,600 participants over the past three years since 2015. Another seminar has also been provided to all female associates. To deal with work climate and work style issues identified in its ongoing efforts and to clarify the significance of work climate and work style reforms, Honda started holding in FY2017 a work climate and work style lecture (total of 19 times with about 800 participants) and a management support workshop (total of seven times with approximately 100 participants) for members of company management and general, office and factory managers. These activities have enabled these management-level associates to better recognize and understand the issues related to an appropriate work climate and various work styles.

Additionally, to provide greater motivation to female associates and form a network among them, Honda held a Diversity Forum, in which members of company management and general have also participated. The Forum was held for female associates holding management positions in 2016 and was extended to include chief supervisors in 2017 (total participation of about 500 associates). Through these efforts, Honda is making steady progress in building awareness to foster more active roles of women in Japan.

To “Support career building” and accelerate the nurturing of female associates with a focus on the individual, the Company initiated a program in which supervisors create long-term, specific career development plans for aspiring female associates. Career advisors then hold individual interviews with these applicants to support their career building. In the past three years since 2015, such interviews were held with a total of 1,700 female associates. For female associates who have not received support by way of a career plan or consultation, Honda provided a total of 17 training sessions, including training to select a career theme to middle- and higher-level associates and another training to build a career base targeting young associates. By providing an opportunity for all female associates to take more active roles, Honda is encouraging their growth. Moreover, Honda introduced a career support program in child-rearing years in July 2016 to foster career development and started holding a seminar for female associates and their spouses on the know-how of balancing work with child care in August 2017.

Honda is also working to “Create an appropriate environment and systems” to respond to diversifying needs of associates and enable them to balance work and their desired lifestyles, not just helping associates continue working while balancing work, parenting and nursing care. In October 2016, the Company introduced a half-day paid leave system, system of working at home and system to provide financial support for child care in order to enhance its systems of short working hours and temporary nursery services. As another effort, Honda opened a company nursery in the Tochigi district in April 2017 and in the Wako district in April 2018. For associates who are forced to leave their job following a transfer of their spouses, Honda started providing a system of transfer and a system of leave to accompany their spouses in April 2018 in addition to its existing career reinstatement program, thereby enhancing its initiatives to support continued employment and career development.

Honda also supports the provisions of the Women’s Empowerment Principles (WEPs), a set of principles for companies voluntarily promoting women’s empowerment, and have signed the CEO Statement of Support for the WEPs.

Direction of Future Initiatives
Honda will maintain its ongoing initiatives to expand the participation of women, and at the same time, will extend their scope to all associates to further advance and expand diversity in the true sense of the word.

In addition to recruiting diverse human resources, Honda views the acceptance of that diversity as an integral element of its philosophy on diversity. Honda believes that respect of the individual will help foster individually and draw out each person’s unique abilities, thus increasing motivation at work. This in turn will lead to business activities that exceed customer expectations.

To this end, Honda defines diversity management as the establishment of a framework that makes effective use of diverse members and will strive to realize this.

In the future, Honda will take steps from the perspective of encouraging active roles for people of all ages and will first expand the roles of experienced associates. By encouraging personal growth, Honda seeks to foster human resources who exert their utmost efforts for society regardless of their age. Honda will also speed up work style reform initiatives so that all members can experience the joy of working by feeling comfortable in the work environment and motivated in what they do.
Human Resources Initiatives

Global Employment

As a part of efforts to diversify human resources, Honda has started a Global Employment Program where some of the new graduates who join the Company are hired directly from overseas labor markets. The Company especially puts emphasis on hiring from labor markets in emerging countries where Honda plans to further develop business. Honda strives to raise the total strength of its global workforce by developing these associates to be a core of Honda’s human resources who will drive its global business in the future.

Employment of People with Disabilities

Honda actively provides jobs to people with disabilities at its facilities in compliance with laws in each country where it does business. The Company strives to create an environment that allows associates with and without disabilities to work alongside one another in addition to making adaptations to ensure that workplaces and opportunities are fully accessible.

Honda also offers employment at its affiliates in Japan, specifically Honda Sun Co., Ltd., Honda R&D Sun Co., Ltd. and Kibunosato Honda Co., Ltd. Employment of individuals with disabilities at Honda Group companies in Japan in FY2018 stands at 2.31%, or 1,041 individuals, which is above the legally mandated level of 2.0%.

Employment of Retirees Aged 60 Years and Over

Prior to the 2004 amendments of the Act on Stabilization of Employment of Elderly Persons, Honda introduced a system in April 2003 to create opportunities for those associates who reach the retirement age of 60.

In April 2017, Honda introduced a flexible retirement system to allow associates to choose when to retire according to their plan in order to provide a more suitable working environment for people aged 60 and over. In FY2018, 84.5% of associates who have reached the age of 60 chose to continue working.

As a result of these efforts, re-employed retirees are actively participating in various workplaces while drawing on their extensive experience and specialized knowledge.

Building Healthy Working Environments

Helping Associates Balance the Demands of Work, Parenting and Nursing Care

In Japan’s increasingly aging society with a declining birthrate, establishing an environment where people can balance work, parenting and nursing care is a social issue. Under such circumstances, Honda works actively to provide programs that help associates balance the demands of work, parenting and nursing care, and to gain an understanding of these programs by sending information by means of guidebooks and the corporate intranet.

In April 2014, we introduced a Selection-based Welfare Program (Cafeteria Plan) giving associates the options of support for nursing care, as well as life events such as childbirth and child care, including babysitter agent services and child-care items rental.

As a result of these initiatives, Honda has been certified as a company that supports child-rearing by the Japanese Minister of Health, Labour and Welfare.

Honda will continue to establish systems and an environment to accelerate promoting diversity (⇒ p. 85) and enable both varied lifestyles and careers desired by individual associates.
Optimizing Work Hours

While cases of workers working long hours and taking few paid days off are raised as social issues in Japan, Honda has always been an industry leader in introducing shorter workweeks. The company instituted a five-day workweek alternating weeks in 1970, followed by a true five-day workweek in 1972. Other initiatives enjoyed by associates for more than 40 years include the banning of overtime on Wednesdays and Fridays and the introduction of a policy encouraging all associates – both labor and management – to use their allotted vacation time in full.

Furthermore, to encourage its associates to take regular annual paid vacations and use their vacation time effectively to refresh themselves and increase motivation, Honda has recently introduced a system whereby associates are accorded blocks of three to five consecutive paid holidays depending on their years of service.

As a result, total working hours averaged 1,932 per associate in FY2018, and associates averaged 18.7 paid vacation days, putting Honda at the top level of the automobile industry in terms of reducing actual working hours. Going forward, Honda will work to further reform work styles primarily through awareness-raising and a review of operating processes.

Counseling Hotlines for Associates

Honda supports associates by operating a variety of counseling hotlines as a way to build a healthier work environment.

Examples of counseling hotlines in Japan

<table>
<thead>
<tr>
<th>Hotlines</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counseling hotlines dedicated to balancing work, parenting and family life responsibilities</td>
<td>Honda created a counseling hotline at each worksite’s human resources and general affairs department to accommodate counseling requests from associates striving to balance work and family responsibilities, and to promote awareness and utilization of the company’s support programs. Each hotline is staffed by a pair of male and female counselors, who field counseling requests from associates themselves and from their supervisors.</td>
</tr>
<tr>
<td>Harassment counseling hotline</td>
<td>Honda operates a harassment counseling hotline for all associates in order to prevent any harassment in the workplace and to facilitate the rapid and appropriate resolution of incidents.</td>
</tr>
<tr>
<td>Life planning seminar hotline</td>
<td>Honda offers life planning seminars to give associates an opportunity to start thinking about their life purpose, health and economic planning so that they will be able to lead a rich and fulfilling life. Seminars are also open to associates’ spouses. In-house seminar instructors and a secretariat offer one-on-one counseling for associates who have participated in the seminars.</td>
</tr>
</tbody>
</table>

* A policy to encourage all associates to use their allotted vacation time in full: An initiative to prevent vacation days from being lost when the number of annual paid vacation days that can be carried over to the next year is exceeded
Human Resources Initiatives

Establishing a Good Relationship with Associates

Creating an Environment of Free and Open Dialogue

In accordance with Encouraging Mutual Trust based on the Three Principles of Personnel Management, Honda declares in the Associate Relations Policies that associates and the Company will respect each other’s views and endeavor to promote mutual understanding. Maintaining a relationship of mutual trust, associates and the company will make every effort to engage in sincere discussions about any issues that might arise or exist. In line with the policies, Honda strives to maintain a good relationship and resolve issues that arise through dialogues with its associates.

In addition, an appropriate notification period is set in advance in case of the implementation of important corporate measures that have a marked impact on associates.

Associate Survey

Honda conducts an associate survey in all regions to solicit worker feedback for building a healthier work environment.

Taking place once every three years in Japan to coincide with the Company’s mid-term plan, the surveys include a variety of questions designed to gauge associate views on organizational culture, the Company’s personnel system and management. Survey results are fed back to associates through in-house publications and are also incorporated into HR-related initiatives, such as management training and changes to the personnel system.

Occupational Safety and Health

As a company that holds “Respect for the Individual” as one of its Fundamental Beliefs, “no safety, no production” has been Honda’s fundamental safety principle shared throughout the Honda Group since its founding.

Based on this principle, Group companies in all parts of the world have established basic policies for occupational health and safety based on respective regional needs and conditions, and promote activities aimed at preventing industrial accidents and any recurrence thereof, and at ensuring the health of associates.

Honda and its associates act in accordance with the Honda Code of Conduct (⇒ p. 30), which outlines the behavior to be practiced by associates around the world. In the field of safety and health, Honda strives to create a safety and health workplace, while each associate works to maintain such a workplace and to prevent accidents from occurring or spreading.

Excerpt from the Relations with Colleagues / Working Environment (Safety and Health section), Honda Code of Conduct

Honda’s policy

Honda will provide a safe and healthy workplace to maintain a pleasant and safe work environment.

Required conduct

As a member of Honda, I will comply with laws, regulations and company policies related to safety and health, and strive to maintain a safe and healthy workplace, as well as to prevent and minimize accidents.
Human Resources Initiatives

Collaboration with Overseas Group Companies

With Honda’s global mid-term occupational health and safety policy of realizing a comfortable work environment through the reinforcement of its health and safety management structure, head offices in each region are taking the lead in implementing global controls for safety.

For production activities, in particular, Honda strongly focuses on implementation of an occupational health and safety management system, diffusion and execution of risk assessment and the establishment of explosion and fire prevention measures, with the aim of increasing the effectiveness of safety management in each country and region. Honda also conducts occupational health and safety audits and reviews as needed to share recognition of health and safety management, while striving to improve the management system, as well as to develop human resources for safety control in each country and region.

Health and Safety Governance Structure

As a health and safety governance structure of operation facilities, Honda has established a Health and Safety Committee, led by the Health and Safety Division, to enforce safety and health governance as well as to share and discuss issues and go through the plan-do-check-act (PDCA) cycle to prevent industrial accidents.

Additionally, Honda conducts occupational health and safety audits to check on the operation of an Occupational Safety and Health Management System (OSHMS) and progress in implementing compliance-related matters. These audits follow an OSHMS approach and are conducted by the Company-wide Safety and Health Audit Committee chaired by the officer of Honda in charge of health and safety.

Occupational Safety and Health Management System (OSHMS)

Honda has implemented an Occupational Safety and Health Management System (OSHMS) in order to ensure continuous and voluntary health and safety management and increase the level of health and safety at its facilities.

Activities based on an OSHMS approach

In FY1998, Honda set up a Health and Safety Audit Committee that performs health and safety audits throughout the Company based on the Occupational Health and Safety Assessment Series (OHSAS)°. Starting from FY2014, these audits have been conducted by using an OSHMS approach.

Safety and health audits check on how OSHMS is operated in operation facilities; safety and accident recurrence prevention measures incorporated into routine safety and health activities; and a system and its operation to ensure continuous horizontal deployment of these measures among facilities.

By performing health and safety audits to verify its health and safety activities, Honda works to improve and maintain a high level of safety and health throughout the entire Group.

Creating working environment criteria

Honda stipulates criteria for the “air environment” (in indoor and office working environments), “visual environment” (illumination criteria) and “sound environment” (machinery and equipment) in its Comfortable Workplace Guidelines, and conducts environment measurements at each facility.

° A standard for occupational health and safety formulated by an international consortium.
Human Resources Initiatives

Health and Safety Education and Training

The corporate headquarters, responsible for supervising health and safety activities, provides training to develop health and safety experts both in Honda and in its Group companies. This includes training to nurture company-wide safety and health auditors and health managers.

Each facility also provides various training programs for its associates.

Schematic diagram of Honda’s health and safety training scheme (production activities)

Further Supporting Associates’ Good Health from the Perspective of Health Management

The Honda Group hopes that all of its associates remain healthy in the same way we strive for safety. The Company believes in continuously seeking to maintain and improve the health of its associates.

To ensure the health of associates over the long term, Honda, its company clinic, company cafeteria, the Honda Health Insurance Association and Honda Motor Workers’ Union work together and examine and promote ideas for activities aimed at enabling the joy of being healthy into the future in the areas of “maintaining physical and mental well-being,” “preventing adult-onset diseases” and “encouraging exercise.”

Enhancing a Selection-Based Welfare Program

Under Honda’s Selection-based Welfare Program, associates use points (allotted as welfare-related expenses) to freely choose from a diverse menu of services the ones that match their preferences. The purpose of the program is to provide an environment that gives associates a sense of security in their lives and allows them to concentrate on their work. Honda’s program offers an enhanced menu of services for health promotion, primarily aimed at “maintaining physical and mental well-being” and “encouraging exercise,” to enable associates to enjoy a healthy life well into the future. Services for “maintaining physical and mental well-being” include receiving health checkups, counseling and guidance, as well as vaccinations, using company-owned recreation facilities and enrolling in yoga class. For “encouraging exercise,” the menu offers such services as using fitness and sports facilities and participating in sporting events.
Human Resources Initiatives

Measures to Promote Mental Health

In 2009, Honda announced a Mental Health Policy and has since been working on both creating vitality in associates and in the workplace and providing problem-solving support in an organized, systematic, and ongoing manner.

Honda-Wide Mental Health Policy

Basic approach

Based on its fundamental belief of Respect for the Individual, Honda embraces individual diversity and values communication, and by doing so, will make its utmost efforts to maintain well-being so that all associates dedicate themselves to their jobs with enthusiasm while drawing energy from and taking pride in their work.

Activity structure

To implement mental health activities, Honda has established a company-wide mental health promotion team specialized in activity planning and management. Each of Honda’s facilities has also established its own facility mental health promotion team. Honda’s major mental health initiatives to promote the mental well-being of its associates include “preventative education,” “improving working environments,” “checking stress levels,” “enhancing counseling programs” and “support for those returning to the workplace after taking time off.” The Company also distributes leaflets and pamphlets to associates aimed at facilitating an understanding of mental health care.

Measures for Prevention of Adult On-Set Diseases

As a company-wide effort to improve lifestyles and prevent adult on-set diseases, Honda has been providing a variety of programs and undertaking various initiatives matched to the needs and conditions of each facility.

Measures against smoking

Honda is working to ensure that its workplaces are free from the danger of secondhand smoke inhalation. While setting clear environment criteria for smoking areas and ensuring these areas observe these criteria by performing environment measurements, the Company conducts activities tailored to the needs and conditions of its facilities in order to minimize the effects of secondhand smoke. Honda’s activities include prohibiting smoking inside buildings, setting smoking hours, holding events to coincide with World No Tobacco Day, and allocating a given day each month as a no-smoking challenge day. Honda also carries out educational activities for smokers and extends support to associates who smoke but wish to quit.

Dietary support

At the company cafeteria, associates can choose their meals in a conscious manner according to calories, the amount of vegetables and amount of salt of each meal shown on the menu. The cafeteria also offers nutritionally well-balanced “healthy” meals with fewer calories using less salt.

Introducing the Healthy Point Program

The Honda Health Insurance Association works under the idea of realizing a healthy and spiritually-rich life.” In April 2014, the Association introduced a Healthy Point Program as a new incentive scheme to support associates who are making efforts to prevent diseases and improve their lifestyle habits.

Setting up a portal site for individuals for health promotion

A portal site for individuals, called “Health UP WEB,” went online in January 2018. The aim is to centrally manage and provide individual health information, including information related to the Healthy Point Program, foster self-awareness for one’s own health and encourage voluntary health promotion efforts.

This portal site is accessible from personal computers and smartphones, and associates can view their health checkup results of up to the past five years and keep track of their individual health promotion efforts, including pedometer records, meals and blood pressure.

Medical Checkups

With the aim of maintaining the health of its associates, Honda conducts legally required periodic health checkups of associates on a continuous basis after they join the Company. Honda also conducts stomach and bowl cancer examinations for associates aged 35 or over and provides an opportunity to receive a complete medical checkup, which includes detailed brain and lung examinations as desired, to associates aged 50 and 55. Through these early detection and early response efforts, Honda strives to ensure the health of its associates. Honda is also enhancing specific health guidance activities in collaboration with the Honda Health Insurance Association.
### Human Resources Data

#### Consolidated number of associates

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>64,975</td>
<td>64,696</td>
<td>64,755</td>
</tr>
<tr>
<td>North America</td>
<td>50,624</td>
<td>53,243</td>
<td>54,044</td>
</tr>
<tr>
<td>South America</td>
<td>16,297</td>
<td>14,716</td>
<td>14,271</td>
</tr>
<tr>
<td>Europe</td>
<td>8,111</td>
<td>8,211</td>
<td>8,591</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>52,364</td>
<td>54,380</td>
<td>55,845</td>
</tr>
<tr>
<td>Total</td>
<td>208,399</td>
<td>211,915</td>
<td>215,638</td>
</tr>
</tbody>
</table>

#### Number of new permanent associates

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>762</td>
<td>1,009</td>
<td>1,372</td>
</tr>
<tr>
<td>Male</td>
<td>660</td>
<td>875</td>
<td>1,165</td>
</tr>
<tr>
<td>Female</td>
<td>102</td>
<td>134</td>
<td>207</td>
</tr>
<tr>
<td>North America</td>
<td>4,051</td>
<td>4,789</td>
<td>5,037</td>
</tr>
<tr>
<td>Male</td>
<td>3,008</td>
<td>3,410</td>
<td>3,537</td>
</tr>
<tr>
<td>Female</td>
<td>1,043</td>
<td>1,379</td>
<td>1,500</td>
</tr>
<tr>
<td>South America</td>
<td>767</td>
<td>412</td>
<td>578</td>
</tr>
<tr>
<td>Male</td>
<td>679</td>
<td>335</td>
<td>480</td>
</tr>
<tr>
<td>Female</td>
<td>88</td>
<td>77</td>
<td>98</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>3,174</td>
<td>5,415</td>
<td>2,776</td>
</tr>
<tr>
<td>Male</td>
<td>2,795</td>
<td>4,867</td>
<td>2,143</td>
</tr>
<tr>
<td>Female</td>
<td>379</td>
<td>548</td>
<td>633</td>
</tr>
<tr>
<td>China</td>
<td>1,721</td>
<td>3,485</td>
<td>5,545</td>
</tr>
<tr>
<td>Male</td>
<td>1,541</td>
<td>3,199</td>
<td>5,208</td>
</tr>
<tr>
<td>Female</td>
<td>180</td>
<td>286</td>
<td>337</td>
</tr>
</tbody>
</table>

#### Attrition rate (%) (including compulsory retirees)

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1.9</td>
<td>2.0</td>
<td>1.5</td>
</tr>
<tr>
<td>Male</td>
<td>1.9</td>
<td>1.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Female</td>
<td>2.1</td>
<td>3.0</td>
<td>2.5</td>
</tr>
<tr>
<td>North America</td>
<td>7.8</td>
<td>9.6</td>
<td>10.5</td>
</tr>
<tr>
<td>South America</td>
<td>12.0</td>
<td>15.8</td>
<td>5.9</td>
</tr>
<tr>
<td>Europe</td>
<td>8.2</td>
<td>7.2</td>
<td>4.2</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>4.0</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>China</td>
<td>4.4</td>
<td>5.1</td>
<td>6.9</td>
</tr>
</tbody>
</table>

#### Percentage of associates from local communities taking upper management positions

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>60%</td>
</tr>
<tr>
<td>South America</td>
<td>46%</td>
</tr>
<tr>
<td>Europe</td>
<td>49%</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>39%</td>
</tr>
<tr>
<td>China</td>
<td>1%</td>
</tr>
</tbody>
</table>

#### Training hours and cost per associate

<table>
<thead>
<tr>
<th>Region</th>
<th>Annual training time (hours)</th>
<th>Annual training cost (yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>36.3</td>
<td>81,300</td>
</tr>
<tr>
<td>North America</td>
<td>14.0</td>
<td>24,400</td>
</tr>
<tr>
<td>South America</td>
<td>9.4</td>
<td>16,200</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>12.9</td>
<td>11,300</td>
</tr>
<tr>
<td>China</td>
<td>19.8</td>
<td>27,600</td>
</tr>
</tbody>
</table>

*Information on Europe is to be confirmed.
*Amounts are approximate estimates.

*With the exception of the item “Consolidated number of Associates,” HR data for Japan is tabulated from numbers for the following companies: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd., Honda Racing Corporation, Honda Technical College and Honda Access Corporation.
Human Resources Data

Ratio of women in management positions in the Honda workplace in Japan

<table>
<thead>
<tr>
<th></th>
<th>FY2015 (base year)</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared with FY2015 (times)</td>
<td>1.00</td>
<td>1.20</td>
<td>1.17</td>
<td>1.40</td>
</tr>
</tbody>
</table>

Percentage of women in the Honda workplace: FY2018

<table>
<thead>
<tr>
<th></th>
<th>Ratio of women in the entire workforce</th>
<th>Ratio of women in management positions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>7.4</td>
<td>0.8</td>
</tr>
<tr>
<td>North America</td>
<td>23.9</td>
<td>15.5</td>
</tr>
<tr>
<td>South America</td>
<td>11.6</td>
<td>8.3</td>
</tr>
<tr>
<td>Europe</td>
<td>16.9</td>
<td>16.9</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>12.4</td>
<td>15.5</td>
</tr>
<tr>
<td>China</td>
<td>12.5</td>
<td>13.9</td>
</tr>
<tr>
<td>Total</td>
<td>13.8</td>
<td>8.2</td>
</tr>
</tbody>
</table>

Base salary and ratio of total compensation for males and females in Japan

<table>
<thead>
<tr>
<th></th>
<th>Base salary (Female : Male)</th>
<th>Total compensation (Female : Male)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management positions</td>
<td>1 : 1.03</td>
<td>1 : 1.04</td>
</tr>
<tr>
<td>General associates</td>
<td>1 : 1.17</td>
<td>1 : 1.40</td>
</tr>
</tbody>
</table>

*The same pay scale is applied to male and female associates. Gaps are due to differences in factors such as age distribution and the ratio of males and females in pay grades.

Number of global hires

<table>
<thead>
<tr>
<th></th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of people hired</td>
<td>15</td>
<td>20</td>
<td>15</td>
</tr>
</tbody>
</table>

Number of associates who utilize child/nursing care support in Japan

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short working hours to facilitate child care</td>
<td>153</td>
<td>172</td>
<td>182</td>
<td>219</td>
<td>269</td>
</tr>
<tr>
<td>Male</td>
<td>2</td>
<td>0</td>
<td>5</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Female</td>
<td>151</td>
<td>172</td>
<td>177</td>
<td>213</td>
<td>255</td>
</tr>
<tr>
<td>Administrative leave to facilitate child care</td>
<td>305</td>
<td>392</td>
<td>397</td>
<td>452</td>
<td>454</td>
</tr>
<tr>
<td>Male</td>
<td>11</td>
<td>17</td>
<td>21</td>
<td>32</td>
<td>50</td>
</tr>
<tr>
<td>Female</td>
<td>294</td>
<td>375</td>
<td>376</td>
<td>420</td>
<td>404</td>
</tr>
<tr>
<td>Nursing care leave for children</td>
<td>894</td>
<td>971</td>
<td>1,116</td>
<td>1,356</td>
<td>1,797</td>
</tr>
<tr>
<td>Male</td>
<td>554</td>
<td>593</td>
<td>718</td>
<td>892</td>
<td>1,245</td>
</tr>
<tr>
<td>Female</td>
<td>340</td>
<td>378</td>
<td>398</td>
<td>464</td>
<td>552</td>
</tr>
<tr>
<td>Work at home during child raising</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>145</td>
<td>249</td>
</tr>
<tr>
<td>Male</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38</td>
<td>76</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>107</td>
<td>173</td>
</tr>
<tr>
<td>Childcare cost subsidy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>74</td>
<td>150</td>
</tr>
<tr>
<td>Male</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>73</td>
<td>145</td>
</tr>
<tr>
<td>Short working hours to facilitate nursing care</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Male</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Female</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
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<tr>
<td>Administrative leave to facilitate nursing care</td>
<td>15</td>
<td>9</td>
<td>11</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Male</td>
<td>13</td>
<td>9</td>
<td>8</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Nursing care leave</td>
<td>22</td>
<td>13</td>
<td>22</td>
<td>11</td>
<td>37</td>
</tr>
<tr>
<td>Male</td>
<td>19</td>
<td>11</td>
<td>17</td>
<td>10</td>
<td>31</td>
</tr>
<tr>
<td>Female</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Work at home during nursing care</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22</td>
<td>29</td>
</tr>
<tr>
<td>Male</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>17</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>12</td>
</tr>
</tbody>
</table>

Reinstatement rate (%) in Japan after taking child care leave

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinstatement rate</td>
<td>99.7</td>
<td>99.2</td>
<td>98.3</td>
<td>96.1</td>
<td>96.5</td>
</tr>
<tr>
<td>Male</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Female</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>95.5</td>
<td>95.7</td>
</tr>
</tbody>
</table>

*Includes persons who turned 60 and continued employment in FY2018
Human Resources Data

Total working hours per associate and average paid vacation days taken in Japan

<table>
<thead>
<tr>
<th>Region</th>
<th>Total working hours per associate</th>
<th>Average paid vacation days taken</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY2014</td>
<td>FY2015</td>
</tr>
<tr>
<td>North America</td>
<td>1,900</td>
<td>1,890</td>
</tr>
<tr>
<td>South America</td>
<td>19.2</td>
<td>19.4</td>
</tr>
<tr>
<td>Europe</td>
<td>100.0</td>
<td></td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>99.3</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>98.6</td>
<td></td>
</tr>
</tbody>
</table>

Percentage of associates going through the evaluation programs

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of associates to be targeted for the evaluation programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>100.0</td>
</tr>
<tr>
<td>South America</td>
<td>98.3</td>
</tr>
<tr>
<td>Europe</td>
<td>100.0</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>99.3</td>
</tr>
<tr>
<td>China</td>
<td>98.6</td>
</tr>
</tbody>
</table>

Percentage of performance-based remuneration in Japan

<table>
<thead>
<tr>
<th>Level</th>
<th>Proportion of performance-based remuneration in entire compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director, Operating Officer positions</td>
<td>28.0%</td>
</tr>
<tr>
<td>Management positions</td>
<td>36.7</td>
</tr>
</tbody>
</table>

* A certain level of stock options is included in remuneration for Director and Operating Officer positions.

Starting salary in Japan

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Monthly salary (yen)</th>
<th>Compared to minimum wage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school</td>
<td>173,500</td>
<td>112</td>
</tr>
<tr>
<td>Technical college and junior college</td>
<td>194,300</td>
<td>125</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>217,400</td>
<td>140</td>
</tr>
<tr>
<td>Graduate school (Master’s degree)</td>
<td>243,600</td>
<td>157</td>
</tr>
</tbody>
</table>

*Minimum wage is calculated using 20.3 eight hour days as one month based on the minimum wage for the Tokyo metropolitan area (¥98yen/hour). This is a graded salary system and there is no difference in salary for males and females with the same qualification level. Figures are as of June 1, 2018.

Results of associate surveys in Japan (Level of satisfaction working at Honda) (%)

<table>
<thead>
<tr>
<th>FY</th>
<th>All associates</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014</td>
<td>80.0</td>
<td>80.2</td>
<td>77.9</td>
</tr>
<tr>
<td>FY2017</td>
<td>74.5</td>
<td>74.7</td>
<td>72.7</td>
</tr>
</tbody>
</table>

Percentage of respondents for all associates

<table>
<thead>
<tr>
<th>Percentage of respondents for all associates</th>
<th>FY2014</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94.3</td>
<td>94.8</td>
</tr>
</tbody>
</table>

Frequency rate of lost workday injuries

*Global (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at Honda’s seven production bases in Japan and 62 overseas production bases
*Domestic [In Japan] (Frequency rate of lost workday injuries): The number of lost workday injuries per one million work hours at companies to which Honda’s labor agreement applies

*Minimum wage is calculated using 20.3 eight hour days as one month based on the minimum wage for the Tokyo metropolitan area (¥98yen/hour). This is a graded salary system and there is no difference in salary for males and females with the same qualification level. Figures are as of June 1, 2018.
Supply Chain

Units index of packaging materials used in the assembly of vehicles and equipment at our plants around the world (compared with year 2000)

Material Issues
- Responding to climate change and energy issues
- Deploying total supply chain sustainability initiatives
Strengthening Supply Chain Sustainability

In order to provide customers with a timely, stable supply of better products and services, it is necessary to put significant effort into developing and optimizing supply chains with suppliers around the world while also taking into account environmental and human rights issues.

Companies within the automobile industry, which is a broad-based industry supported by many suppliers, must pursue the reduction of not only their own environmental impacts but also those of suppliers throughout their entire supply chain.

In addition, as awareness of compliance and human rights issues grows worldwide, companies are being asked to verify working conditions and legal compliance not only for themselves but also for their suppliers, as well as to make efforts to take corrective action if required.

From FY2018, Honda is taking part in CDP’s supply chain program (an international initiative by institutional investors requesting companies for disclosure of information on climate change policies) and requesting disclosure of risks and opportunities related to Greenhouse Gas (GHG) emissions and the environment from suppliers in addition to information on matters relating to Honda’s operational domains.

In this way, through the Company’s efforts to actively promote sustainable initiatives at its development and manufacturing facilities in cooperation with all its suppliers around the world, Honda is seeking to be “a company that society wants to exist,” that is liked by and has strong roots in local communities, and to realize a supply chain where Honda can co-exist with and provide mutual benefit for the Company and local communities.

Honda is striving to strengthen supply chain sustainability mainly in the areas of purchasing and logistics.
Management of Logistics from ESG Perspective

At Honda, many parts that are used in its products are sourced from suppliers and transported to its plants. Then, they are incorporated into the Company’s products, and the completed models are sent directly from the plants to dealers. In addition to this, parts are also transported between plants, and parts for services and repairs are sent to dealers. As such, due to the extremely large volume of transportation that takes place throughout the manufacturing process at Honda, increasing efficiency, reducing environmental burden, compliance and risk management in logistics are becoming critical issues. Honda transcends conventional divisional and regional boundaries to ensure the integrated control of logistics and is conducting management from an environmental, social and governance (ESG) perspective.

Overview of Honda logistics

*1 A transportation operator retained by the supplier delivers sourced parts to the entrance of Honda’s plants.
*2 A transportation operator retained by Honda makes the rounds of parts suppliers and picks up the sourced parts.
*3 A committee to debate Supply Chain Management (SCM) issues at the global headquarters and in respective regions in order to achieve medium-term goals.

Integrated Management Framework Transcending Divisions and Regions

Honda newly established a department in April 2016 to advance ESG management in logistics on a global scale. This body has teamed up with logistics-related divisions and the six regional headquarters worldwide to formulate policies and develop strategies for combating the various logistics-related challenges and pending problems so they can be managed in an integrated fashion, including environmental response for CO2 reduction, management of transportation companies, response to laws and regulations, insurance policy and risk management.
Integrated Management of Legal Information Concerning Logistics

In order to supply products and parts across countries and regions, it is necessary to identify and analyze a variety of factors that include differing transport infrastructure, laws and risk of natural disasters. Laws and regulations, in particular, have the potential to significantly impact safety and speed in transportation. Honda has created a function for the integrated management of international treaties and legal information concerning logistics operations in order to consistently secure precise information and enable efficient, accurate and early global response, thus ensuring swift compliance with laws and regulations.

In response to the strengthening and increasing complexity of laws and regulations, Honda reinforced its global six-region compliance foundation in FY2017 and made preparations for transport regulations in line with the introduction of new technologies such as electrified technology in FY2018.

Honda will continue deepening relations with each region and working to ensure legal compliance.
Reducing CO₂ Emissions

Identifying Global CO₂ Emissions

Honda is working to improve transportation efficiency in the shipping of vehicles and equipment, parts shipped between plants, parts for services and repairs, and parts collected from suppliers. In addition to this, in FY2017 the Company commenced management of CO₂ emissions in the transportation of automobile production parts, which make up the majority of international marine transport. Honda continues striving to grasp CO₂ emissions for all products around the world by steadily expanding the scope to other product domains since FY2018.

Expanding Modal Shifts

Honda will make efforts toward expanding its modal shift that involves switching means of transportation from trucks to ship and rail transportation, with a focus mainly on transportation to distant regions.

In Vietnam, the distance between Honda’s production facility on the outskirts of Hanoi in the north and the major market of Ho Chi Minh City in the south is over 1,700km. For this reason, Honda is replacing conventional trucks with ship and rail transport for long-distance shipments between north and south.

As a result, we will achieve reductions in CO₂ of 27% with rail transport and 65% with ship transport compared with conventional truck transport.

In addition, Honda is working to increase efficiency in each transport mode and in rail transport is introducing freight cars specially designed for shipping automobiles with high load efficiency.

Transport mode in Vietnam

![Special freight cars for transporting automobiles](image1)

![Bright car carrier](image2)

Up to eight vehicles can be loaded onto each railcar.
Logistics Initiatives

Achieved CO₂ Reduction by Increasing the Ratio of Longer Carriers

In India, Honda achieved around a 6,226t reduction in CO₂ emissions for the year by improving transport efficiency of completed vehicles from its factory to dealers. Honda India has implemented this initiative in collaboration with logistics service providers and dealers in which longer carriers transport two or more dealers’ clubbed orders on the same route, if one dealer order is less than six cars. Previously Honda India has used small carriers with four car capacity for small quantity dealer orders.

- Since FY2018
  - The use of large trucks has reduced CO₂ emissions by enabling the transportation of more products at once.
  - Previous
    - CO₂ is emitted during round trips from each dealer since shipments are made for each order in small trucks with capacity for four vehicles.

Conceptual diagram of delivery

Reduced CO₂ emissions by around 6,226t a year
Reducing Waste from Packaging Materials

Updating of Packaging Specifications

Like CO₂ emissions reduction, reducing waste from packaging materials is another environmental challenge in the logistics area. Honda is working to reduce waste from packaging materials by simplifying packaging, rethinking the materials used and changing specifications. For example, disposable transport packaging that uses cardboard boxes and steel cases is being switched over to reusable plastic containers to eliminate the use of steel cases. These initiatives began with products bound for Europe and are expanding to those bound for North America.

Index of packaging materials for knock-down parts*

* Parts to be used in the assembly of completed vehicles or equipment at our plants around the world
Basic Approach to Purchasing

Purchasing Belief, Three Purchasing Principles and Purchasing Code of Conduct

Honda’s goal is to achieve a sustainable society across the supply chain. The Company implements initiatives with consideration for the environment, safety, human rights, compliance and social responsibility, among others, in partnership with its suppliers worldwide. Based on the Honda Philosophy, the Company established the Purchasing Belief and Three Purchasing Principles and engages in business that is fair and equitable with transparency.

Honda defined points of concern that it should follow, in particular, as the Purchasing Code of Conduct, and by following this Code, the Company enhances trust with related divisions and business partners as well as builds sound relationships with suppliers.

Purchasing Belief
We sustain the procurement of good products at reasonable prices and in a timely manner.

Three Purchasing Principles

Fair and open trade
We do business with suppliers who can satisfy the requirements of quality, quantity, price and timing and who can share the concept of sustainability with us, based on open competition.

Equal partnership
We conduct business on an equal footing regardless of the business size of the supplier or their nationality and other factors.

Respect for suppliers
We respect suppliers’ management and dignity.

Positioning of Purchasing Code of Conduct

Honda Philosophy

Honda Corporate Governance

Honda Code of Conduct

Global guideline

Purchasing Belief and Three Purchasing Principles

Purchasing Code of Conduct

Division guideline
Establishment of Guidelines

The Company published the Honda Supplier CSR Guidelines and Honda Green Purchasing Guidelines to share its approach to sustainability with suppliers worldwide and to promote Honda initiatives. (Please refer to the links below.) Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance along with reducing environmental impact.

If a supplier fails to follow the Guidelines, Honda immediately receives a report from the supplier and works to prevent a recurrence by requesting them to analyze the cause and draw up the corrective action plan.

If the corrective action plan received from the supplier is determined to be inappropriate, Honda considers its future business relations with them, taking into account the social impact of the problem.

In addition, via the Business Ethics Improvement Proposal Line (⇒ p. 31), Honda accepts reports and requests for consultation from all suppliers from a fair and neutral standpoint.

In addition, the Company is working across the entire supply chain, preparing check sheets for its suppliers to help assess their own initiatives and promote sustainability initiatives at sub-tier suppliers.

When selecting suppliers for components and raw materials based on these sustainability policies, Honda confirms their initiatives on Quality, Cost, Delivery, Development and Environment (QCDDE), human rights, labor, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

Press Release

Press Release

 changes in purchasing practices

- Strengthened QCDD
- Expanded and strengthened global QCDD
- Launched full-scale environmental initiatives
- Strengthened overall sustainability

- Established Purchasing Belief and Three Purchasing Principles
- Issued Honda Green Purchasing Guidelines (2001)
- Issued Honda Supplier CSR Guidelines (2010)
- Revised Honda Green Purchasing Guidelines (2011) Explicitly stated environmental initiatives as a category for evaluation of suppliers
- Revised Honda Supplier CSR Guidelines (Japan, 2013) Added content on handling of conflict minerals
- Issued Automotive Industry Guidelines to Enhance Sustainability Performance in the Supply Chain (North America, 2014)
- Issued CSR Guidelines in other regions (2015)
- Revisited the Purchasing Belief, the Three Purchasing Principles and the Purchasing Code of Conduct (2015)
Global Management of Purchasing

Purchasing System

Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda’s corporate philosophy of “building products close to the customer,” each region is encouraged to source locally. The rate of local procurement in the United States, Honda’s largest production base, reaches 80% for major global models.

Purchasing Operations, which supervises the global function overall, is located in Japan, providing cross-regional and cross-business coordination and planning sustainability policies and goals. In FY2017, the Company established the Sustainability Management Department, Purchasing Planning Division, as a department dedicated to reinforcing and accelerating sustainability initiatives.

In addition, Meetings of the International Purchasing Conference, the Global Correlation Meeting, the Six Region Sustainability Purchasing Meeting and other gatherings are held regularly, and the PDCA cycle is implemented on a global scale by promoting collaboration between Purchasing Operations and each of the regional and business operations.

International Purchasing Conference

The International Purchasing Conference, attended by the Chief Officers of Regional Operations and Purchasing Operations, is held in six regions worldwide in order to strengthen the links between regional business direction and purchasing direction.

Global Correlation Meeting

The Global Correlation Meeting is held once a year with management-level associates from purchasing and each Regional Operation with the objectives of confirming, discussing and examining Honda’s medium- and long-term direction with regard to purchasing activities on a global level and the initiatives in each region. In FY2018, the Global Correlation Meeting was held in Japan to coordinate the direction of sustainability initiatives.

Six Region Sustainability Purchasing Meeting

The Six Region Environmental Purchasing Meeting had been held since 2011 in order to strengthen initiatives aimed at a low-carbon society across the global supply chain. This meeting was composed of working level staff from six regions. It discussed and coordinated policies and methods of reducing CO2 together with suppliers in each region worldwide.

In FY2017, Honda added human rights and compliance initiatives and transformed the meeting into the Six Region Sustainability Purchasing Meeting.
Reducing Environmental Impact at Suppliers’ Sites

In the Honda Global Environmental Purchasing Vision, the Company has adopted the concept of coexisting in shared prosperity with local communities by reducing environmental impact together with Honda’s suppliers worldwide in its component procurement operations.

Based on this vision, the Company formulated the Honda Green Purchasing Guidelines, which forms the policy, and the Environmental Purchasing Grand Design, which shows the steps toward the Company’s priority of attaining a low-carbon society.

Honda shares the guidelines and the grand design with suppliers in each region and works to realize a low-carbon supply chain.

Operating a Management System for CO2 Data

In order to increase the effectiveness of reductions in environmental impacts in the supply chain, Honda has been pursuing the establishment of a system for the integrated management of data on reductions in CO2 emissions at suppliers since FY2012, which commenced full-scale operation in FY2015.

Honda is using this system to share reduction targets (reduce CO2 emissions intensity by 1% per year) and progress status and to implement the PDCA cycle with suppliers worldwide.

As of 2017, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using the system.

Going forward, the Company will comprehensively analyze data to assist in activities to reduce CO2 at suppliers.

Initiatives to Reduce Environmental Impact in the Supply Chain

Honda promotes initiatives to reduce environmental impact in each region together with suppliers, notably efforts to reduce CO2 and ensure the efficient use of resources.

To reduce CO2, Honda has been undertaking the Energy Conservation Caravan, which started in Japan in 2009, in various regions. This activity proposes energy conservation measures and supports the establishment of a structure for these initiatives by visiting supplier production sites. Honda also makes efforts to analyze CO2 data from suppliers and provide each with individualized feedback, noting areas of weaknesses and progress in achieving reductions. This program started in Japan and will be expanded to other regions going forward.

To ensure efficient use of resources, Honda will consecutively start an initiative in FY2019 concerning the management of water and waste targets (maintain or reduce consumption/emission intensities compared with FY2018 levels) for the Group company’s suppliers.
Purchasing Initiatives

Chemical Substance Management

The Company issued the Honda Chemical Substance Management Standard, which aims to ensure that all the components that make up Honda products comply with laws and regulations and to reduce their impact on the global environment and ecosystem. Honda requests suppliers around the world to establish a structure for managing chemical substances that meets the standard and to submit a conformity declaration to assure the supply of components that meet the standard. The Company also uses an industry standard management system for data on specific chemicals contained in components, which are evaluated prior to commencing mass production.

Measures to Counter Procurement Risk

Honda views all phenomena that can impact production, such as natural disasters, fires, financial issues and labor issues within the supply chain, as risks for the procurement of components and materials, and works to reduce them and to prevent the spread of any impact when they materialize. For example, Honda defines all components and raw materials that are dependent on production at one facility as Mission-Critical Parts, and inspections and countermeasures are continually implemented around the world.

Honda began operating a procurement risk management system with suppliers in Japan in December 2014. Through the operation of this system, the Company established structures to assess damage and identify the impact on production at suppliers in a short time after the occurrence of a major disaster.

Honda also performs once-yearly evaluations based on supplier surveys in order to minimize financial risk. In addition, the Company checks risk every month by referring to information from third-party organizations.

Requiring Legal Compliance from Suppliers

Honda seeks to strengthen sustainability, including compliance, throughout the supply chain. It concludes basic agreements on component procurement that specify areas of attention such as safety, disaster prevention, environmental preservation and protection of resources along with compliance with each country’s laws and regulations in conducting business.

In 2015 Honda also added provisions concerning bribery prevention to basic agreements and is working to strengthen its worldwide efforts to prevent bribery.
Third-Party Audit for Suppliers

Honda introduced a third-party audit in Japan in 2016 for suppliers with large business volume and significant influences on the Company in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain. Going forward, Honda will expand the initiative to high-risk suppliers where there is higher potential for issues or the impact on the Company may be great in case a problem did arise, based on the flow diagram indicated on the right.

The audit comprises two phases, a written investigation and an on-site investigation. For the written investigation, Honda conducts the following three measures for targeted suppliers.

- Distributes an audit check sheet based on international standards
- Confirms the status of sustainability activities
- Provides feedback on the results of analysis

The audit check sheet sets broad categories for evaluation that include the environment, compliance and information disclosure in addition to human rights and labor matters, such as child labor and forced labor, in an effort to verify supplier activities.

Next, in the on-site investigation, persons in charge from Honda and an auditing company visit a supplier’s office to conduct interviews and prepare reports in light of the findings of the written investigation. The status of sustainability initiatives is also examined together with the supplier after confirming actual production processes and related facilities.

For items requiring improvement, an improvement plan and a report on results are issued. A follow-up investigation is employed if needed to confirm that the PDCA cycle for the improvement plan is up and running and that it is linked to ongoing improvement activities.

Going forward, Honda will expand application of third-party audits in cooperation with overseas purchasing sites.

There were no instances of issues bearing significant risk in FY2018. 
Instruction and Training for Associates

To ensure that every associate involved in Honda’s purchasing operations promotes honest and fair initiatives, Honda has prepared manuals and personnel development programs in each region.

For example, in North America Honda takes up various topics through seminars, e-learning and on-the-job training (OJT). In its Basic Training Course, the Company shares its approach in such areas as the selection of suppliers and initiatives to strengthen QCDDE. Honda’s Building Business Relations training emphasizes the importance of the Company’s code of conduct, legal compliance and confidentiality in developing positive long-term relationships with suppliers.

In this way, Honda has developed programs worldwide that incorporate the cultural and social background of each region in addition to basic knowledge about purchasing operations to provide instruction for all purchasing associates.

Collaboration with Industry Groups and Suppliers

Honda is striving to strengthen sustainability across the entire supply chain through this kind of collaborative capacity building between the automotive industry and its suppliers.

Collaboration with Industry Groups

Honda North America Inc., Honda’s U.S. subsidiary, participates in four of the work groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain: the Conflict Minerals Work Group, the Working Conditions Work Group, the GHG Work Group and the Chemical Management Work Group. The Working Conditions Work Group, which Honda co-chairs, promotes training for suppliers. Since 2012, following upon its initiative in North America, the Work Group has been offering training sessions on corporate ethics, environmental regulations, the working environment, human rights and other topics for tier 1 and sub-tier suppliers in China and Mexico.

Dialogue with Suppliers

In March 2016, Honda convened a Sustainability Briefing Session, where it shared current social trends and provided feedback on the results of inspections at business partners in accordance with the Honda Supplier CSR Guidelines. Honda also regularly holds conferences around the world to share with suppliers the direction of its business and the substance of its initiatives. In FY2018, meetings were held in 30 locations around the world. At regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDE.

In Japan, Honda has held annual Suppliers Conferences since 1974. Senior management from 328 suppliers attended the conference held in January 2018. At the conference, Honda explained both company-wide policies and purchasing policies for the motorcycle, automobile and power products businesses. In FY2018, Honda started presenting the Sustainability Awards to those suppliers making outstanding efforts in all areas concerning environmental, social and governance (ESG) aspects. The award is an extension of the former Environment Awards that focused on greenhouse gases (GHG) by also including social and governance aspects.

In the North American region, Honda presents the Sustainability Award to suppliers who made the greatest contributions in social areas such as compliance, safety and health, community activities, the environment, diversity and human rights.