Material Issues

- Advancing powertrain electrification
- Eliminating the mobility divide
- Improving the quality of the mobility experience
- Applying automation and information technologies to everyday life
- Strengthening brand management
- Utilizing management resources efficiently
- Contributing to the economic development of developing countries
Honda’s Sustainability

The Honda Philosophy forms the values shared by all Honda Group companies and all of their associates and is the basis for Honda’s corporate activities and the associates’ behavior and decision-making.

In order to achieve both the creation of growth opportunities for the Company and a sustainable society, Honda has set striving to be “a company that society wants to exist” as its direction for the 21st century. It is also advancing initiatives known as “Creating the Joys,” “Expanding the Joys,” and “Ensuring the Joys for the Next Generation.”

The “2030 Vision” is one milestone indicating in concrete terms the direction Honda ought to take toward realizing these objectives. For Honda’s sustainability, it is important to meet stakeholders’ expectations and needs by providing value through its products and services. Equally important is to fulfill its corporate social responsibility such as by considering the impact on the environment and society and to contribute to the resolution of social issues through its business activities. To this end, Honda is devising medium- and long-term strategies that consider the roles it should fulfill and contributions it should make. Further, these are matched to the characteristics of each region around the world, using the materiality matrix, which assesses issues based on both stakeholder and Honda’s corporate perspectives, as its guide.
Honda is facing numerous social issues that have been much discussed, including poverty and refugee problems, human rights issues, climate change, energy problems, improving occupational health and safety, and the aging of society. Within this context, for Honda, which undertakes a diverse range of businesses globally, understanding its opportunities and responsibilities in the value chain will also be essential for identifying priority issues in management. In addition, in order to swiftly respond to and overcome rapid changes in the business environment, it is necessary to set forth Honda’s future direction in the form of a vision.

The “2030 Vision” embodies an ideal image of what Honda wants to be in the year 2030 in order to continue being “a company that society wants to exist” in 2050, when the Company will have marked more than 100 years since its founding.

In formulating the Vision, Honda examined long-term environmental changes from two perspectives: forecasting, or looking ahead to the future from the present point in time, and backcasting, or looking back from 2050 to the present. As the Company continues operating existing businesses, how is it going to transform and evolve the value of existing businesses in accordance with the significantly changing expectations of society and the needs of Honda customers? Moreover, how is Honda going to create unprecedented new value in motorcycle, automobile and life creation businesses, as well as new areas beyond the framework of its existing businesses? In order to formulate a vision that will enable the realization of sustainable growth over the long term, Honda has examined the direction of the transformation of its businesses toward 2030 from the three perspectives of “Current, Transformation and New.”
The 2030 Vision formulated by Honda is expressed in the statement, “Serve people worldwide with the ‘joy of expanding their life’s potential’—Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives.” To embody this Vision, the Company set the direction of its concrete initiatives as action guidelines for the 21st century from three perspectives: “Creating the Joys,” “Expanding the Joys” and “Ensuring the Joys for the Next Generation.”

From the first perspective of “Creating the Joys,” Honda will work on “creating value for ‘mobility’ and ‘daily lives.’” The Company will focus on three areas, namely mobility, robotics and energy, in order to provide people with the “joy and freedom of mobility” and “joy of making their lives better.”

From the second perspective of “Expanding the Joys,” Honda will undertake efforts to “accommodate the different characteristics of people and society.” In this area, the Company will strive to further expand the joy of people by offering products and services that are optimized for all people reflecting different cultures and values and diverse societies, irrespective of whether they are in developed or developing nations.

From the third perspective of “Ensuring the Joys for the Next Generation,” the Company will make progress “toward a clean and safe/secure society.” Striving to become No.1 in the areas of the environment and safety, Honda will invest more resources in these areas and will strive to become a company that leads efforts to realize a carbon-free and collision-free mobile society.

In this Vision, Honda has returned to its universal passion and made a major shift in its direction from quantity to quality. To this end, the Company has set its corporate attitude to realize “growth through the pursuit of quality.” The Company will aim to expand the circle of joy and let the Honda brand shine even brighter through the steadfast pursuit of the “quality of value Honda provides” and “quality of its initiatives.”

To realize this Vision, the Company will make effective utilization of limited corporate resources to transform and evolve existing businesses and create new value.
Materiality Analysis

Evaluation of Issues from the Stakeholders’ Perspective

Toward achieving our long-term vision which is based on the Honda Philosophy, key issues to be addressed are identified and prioritized from our perspective and from the viewpoint of our stakeholders. The materiality matrix provides the essential framework for organizing these issues. By creating and employing this matrix, we confirmed the coverage of overall issues and clarified where each of them is positioned.

The materiality matrix was prepared in two stages; identifying issues and then categorizing them according to their materiality. Issues were identified through dialogue among members of respective operating divisions within the Company. The process also took into account various viewpoints including global and value chain perspectives, the status of technological innovation, Sustainable Development Goals (SDGs)*1 and social issues pursuant to the Paris Agreement. We evaluated the materiality of these issues in light of the views of stakeholders through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company’s Sustainability Strategy Committee meetings and other occasions.

This resulted in the successful visualization of critical issues on a priority basis as a mobility company, including the realization of a carbon-free and collision-free mobile society. We believe our efforts should contribute to the achievement of certain SDGs, notably Goal 13 “Take urgent action to combat climate change and its impacts”; Goal 7 “Ensure access to affordable, reliable, sustainable and modern energy for all”; and Goal 3 “Ensure healthy lives and promote well-being for all at all ages.” Critical issues specified based on the views of stakeholders are being reflected in company-wide strategy and incorporated into respective business activities to achieve the Company’s vision.

*1 SDGs are international objectives related to such areas as poverty, hunger, energy, climate change and a peaceful society adopted at the United Nations Sustainable Development Summit in 2015.
*2 Disparity in quality of life between those who do and do not have access to mobility.
Honda organized the Sustainability Strategy Committee, chaired by the Executive Vice President and COO, as a platform to discuss and assess policy and initiatives related to sustainability activities. Through this Committee, we identify the challenges in realizing the long-term vision of the Company, referring to the expectations and demands of key stakeholders recognized through dialogue, and deliberate on material issues at the management level, including verifying progress of response and implementation.

From FY2018, it has been decided that sustainability issues are discussed in one committee in a more integrated manner, including environmental and safety-related domains that were discussed in a different committee until the previous fiscal year.

Taking into consideration the key challenges examined here, Honda determines corporate strategies through the Executive Council and Board of Directors. Then the Company breaks them down into policies and measures for business and functional operations and subsidiaries for actual execution.
Stakeholder Engagement

Basic Approach

To be a “company that society wants to exist,” Honda must put into practice a communication cycle. This means appropriately and accurately conveying to society the value that it seeks to provide. It also means engaging in dialogue with diverse stakeholders to grasp and understand the demands and expectations placed on the Company, translate these into concrete measures and implement them, and finally listen to stakeholders’ evaluations of its activities.

Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads to a proper understanding of stakeholders regarding the Company’s initiatives while also giving the Company an understanding of changes and risks in the social environment.

Based on this understanding, Honda engages in dialogues globally through various opportunities. These dialogues are conducted between key stakeholders (that are either impacted by Honda’s business activities or whose activities impact Honda’s business activities) as shown in the diagram indicated at the right and respective divisions within Honda. As an example, engagement with shareholders and investors consists of dialogue aimed at ensuring that Honda is understood accurately through shareholder relations and investor relations activities.

In addition, opinions gained from leading ESG rating agencies and NGOs are reflected in the Materiality Analysis (⇒ p. 17), which is utilized in identifying issues Honda ought to be addressing.
Stakeholder Engagement

Cooperation with External Organizations

To carry out our responsibility as a global mobility company, Honda engages in dialogues with government, economic and industry organizations and also cooperates with external bodies. In Japan, Honda personnel serve as vice chairman, committee head and committee member within the Japan Automobile Manufacturers Association, president of the Society of Automotive Engineers of Japan, as well as vice president of the Tokyo Chamber of Commerce and Industry.

In addition, Honda personnel serve as technical committee chairs and other representatives in the international motorcycle and automobile industry bodies such as The International Motorcycle Manufacturers Association (IMMA) and Organisation Internationale des Constructeurs d'Automobiles (OICA). Furthermore, Honda cooperates with initiatives related to sustainability through membership in the World Economic Forum (WEF) and the World Business Council for Sustainable Development (WBCSD).

At Honda, we delegate authority to regional operations within a certain scope when executing business in respective regions in order to enhance local autonomy and enable speedy decision-making. Political contributions are made following required internal procedures based on the laws and regulations of respective countries.
Selected for the Fourth Straight Year with a Bronze Class Rating in the RobecoSAM Sustainability Index

Honda was selected for the fourth year running with a Bronze Class rating in the Automobiles sector of the Sustainability Award 2019 issued by Switzerland-based RobecoSAM. RobecoSAM evaluates sustainability of approximately 2,500 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.

Securing an A-Rating on the CDP Japan 500 Climate Change Report 2018

In January 2019, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for 5,000 major companies worldwide.

Honda received an A- rating, a score at the leadership level in the CDP Japan 500 Climate Change Report 2018, one of those categories.

CDP is an international NPO that provides a global system for measuring, disclosing, managing and sharing important environmental information from companies and cities. The level of company initiatives in environmental challenges are evaluated in the four stages of information disclosure, awareness, management and leadership.

Please refer to the Environment section of the Performance Report (p. 41) for the items required by the FSB Task Force on Climate-related Financial Disclosures (TCFD), one of the CDP evaluation indices.
Research and Development

In 1960, Honda spun off the research and development division from Honda Motor Co., Ltd. as an independent entity with the founding of Honda R&D Co., Ltd. As expressed by words of Honda’s founder Soichiro Honda, “What I am researching is not technology, but rather what people like,” Honda’s research is not just technologies but also people’s values. By doing so, the Company has taken on challenges on the creation of new value through the cultivation of unexplored domains.

The operating environments are very different for each of Honda’s motorcycle, automobile, life creation, aircraft and other businesses. In addition, the digital revolution and other factors have brought about major changes in social structure that are not limited to a business domain. Against this backdrop, it is necessary to strengthen the creation of new value for the future and the timely development of highly competitive products in order to serve people worldwide with the “joy of expanding their life’s potential” as stated in Honda’s 2030 Vision Statement.

To this end, Honda reorganized Honda R&D in April 2019 with the establishment of the Innovative Research Excellence center as a facility dedicated to innovative mobility technologies for the future and the creation of advanced technologies. At the same time, Honda R&D has been reorganized by business, namely automobile, life creation and aero, to pursue the most efficient product development that takes into account the characteristics of the operating environment surrounding each business.

In the Motorcycle Business, the competition is expected to intensify further with the emergence of Chinese and Indian manufacturers in addition to Japanese, European and U.S. competitors. With the dual aim of continuously developing highly competitive products and further increasing the speed of operations, the motorcycle R&D function has been consolidated into Honda Motor Co., Ltd. Efforts are being made to push more coordination and collaboration among sales, engineering, buying and development divisions.

Honda also established the Digital Solution Center, which will be responsible for creating new value through the development of various services using digital technology in such areas as mobility, connected cars and energy management, and for innovating internal operational processes. The Center will work to strengthen the ability to create solutions, which includes not only innovating production creation “Mono-zukuri” in diverse fields, a strength of Honda, but also driving value creation, or “Koto-zukuri”.

Since its establishment, Honda R&D has operated while continuing to transform based on the unchanging concept of creating technologies that help people. The aforementioned operational changes toward the realization of the 2030 Vision will serve to heighten the ability to create new value and technologies and develop new products. In response to the great waves of change in the times, Honda is collaborating with external technological and business partners. Concurrently, it is making an effort to deliver joyful and fulfilling mobility and daily life as well as a clean and safe/securing society through value-added products and services for people.
Honda R&D Co., Ltd., a research and development subsidiary of Honda, established Honda Research Institute (HRI) in 2003. The purpose of the institute is to evolve cutting-edge intelligence research, which explores the fields of brain research and visual/aural recognition in addition to traditional mechanical engineering. With bases in Frankfurt in Germany, Silicon Valley and Columbus in the United States and Wako City in Saitama Prefecture, Japan, HRI has been working on various research projects while establishing a global network of researchers in the areas of advanced sciences.

Honda R&D Innovations, Inc., a subsidiary of Honda R&D in Silicon Valley, has been promoting Honda Xcelerator, a program to create transformative products and services through open innovation, since 2015 primarily in Silicon Valley but also in Israel, Europe, China, Japan and other areas. Honda Xcelerator helps startups with innovative ideas through funding, access to a collaborative workspace, test vehicles and support from Honda mentors. Focus areas of development for the program include personal mobility, autonomous vehicles, artificial intelligence, smart materials, robotics, energy, human machine interface and production technology. Honda aims to revolutionize mobility and energy management through co-creation.

Through Honda Xcelerator, Honda R&D will build strategic win-win relationships with startups around the world. The company also aims to strengthen the research and development of products and services for the future using new technologies and business models.

In addition, Honda established Honda R&D Innovation Lab Tokyo in February 2017 in Akasaka, Tokyo. This new facility is meant to serve as a venue for co-creation in collaboration with external experts and other research institutes in order to accelerate the research and development of intelligence technologies in Japan.