7 Environment

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
Ever since the 1960s, Honda has actively endeavored to solve environmental issues. In the 1970s, Honda developed the low-pollution CVCC* engine that successfully reduced carbon monoxide, hydrocarbon and nitrogen oxide (NOx) emissions, making Honda the world’s first automaker to comply with the U.S. Clean Air Act – 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 to reduce environmental impact at every stage in the life cycle of its 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 is engaging in the reduction of an array of environmental impacts from the aspects of both production-based and corporate activities. Such environmental impacts include 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.

Honda Environmental and Safety Vision

Realizing the joy and freedom of mobility and a sustainable society where people can enjoy life

Honda’s Environment Statement

As a responsible member of society whose task lies in the preservation of the global environment, the Company will make every effort to contribute to human health and the preservation of the global environment in each phase of its corporate activities. Only in this way will we be able to count on a successful future not only for our company, but for the world.

We should pursue our daily business under the following principles:

1. We will make efforts to recycle materials and conserve resources and energy at every stage of our products’ life cycle—from research, design, production and sales, to services and disposal.

2. We will make every effort to minimize and find appropriate methods to dispose of waste and contaminants that are produced through the use of our products, and in every stage of the life cycle of these products.

3. As both a member of the company and of society, each associate will focus on the importance of making efforts to preserve human health and the global environment, and will do his or her part to ensure that the company as a whole acts responsibly.

4. We will consider the influence that our corporate activities have on the regional environment and society, and endeavor to improve the social standing of the company.

Established and announced in June 1992 Honda’s Environment Statement

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

Honda recognizes that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda’s business operations. Based on this recognition, the Environmental Committee was established in 1991, chaired by the President and CEO and comprised of members of company management. In 1995, the Committee became the World Environment 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.

In 2017, the Committee was merged into the Sustainability Strategy Committee for integrated discussions. In 2019, however, Honda re-established the World Environment and Safety Committee as a separate committee to promote more detailed implementation of the plan-do-check-act (PDCA) cycle. Chaired by the President and CEO, this re-established Committee deliberates on the PDCA cycle of each region as well as risks and opportunities concerning climate change, energy and resources. It also explores Honda’s short-, medium- and long-term environmental strategies based on these risks and opportunities.

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 concludes, these divisions formulate concrete action plans and then implement necessary measures.

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 World Environment and Safety 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 PDCA cycle by each Regional Operation and environmental division.

Environmental Management System

Honda’s existing global vehicle assembly and product assembly plants have acquired ISO14001, an international certification for environmental management systems (as of March 2020). 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. 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.

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<tr>
<th>DATA</th>
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<tbody>
<tr>
<td>Cost of environmental conservation activities and investments</td>
<td>Economic benefits (Effect on revenue and expenses)</td>
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<tr>
<td>&gt; p.78</td>
<td>&gt; p.78</td>
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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 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.
Dealing with Climate Change and Energy Issues

The mobility environment is currently undergoing dramatic changes. Amid such changes, Honda is moving forward with its response to climate change through initiatives that link Honda’s business strategy with its environmental strategy. The Company is proactively striving to reduce environmental impact while foreseeing changes in the marketplace and among customers as well as placing its priority on contributing to the lives of customers.

With the long-term vision of a zero impact society, Honda has announced its aim to cut total product life cycle CO₂ emissions in half by 2050 (compared with 2000 levels). (This goal is equivalent to a 90% reduction in CO₂ emissions intensity from the use of automobiles.)

As a step toward this goal, 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.

As an additional challenge to lead the realization of a carbon-free society, Honda has started exploring ways to achieve carbon neutral status in 2050.

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.

At present, products of Honda mainly use fossil fuels and thus have greater environmental impact. As such, Honda’s concern is that unless it proceeds with energy diversification into renewable and other low environmental impact energy sources, it will become difficult to sustain its business. Keeping this concern in mind, Honda is constantly developing products based on environmental technologies, which can bring enriching lives and the joy of mobility to customers worldwide, to provide optimum products where needed on an ongoing basis.

There is more than one approach to the protection of the global environment, and efforts to maximize the use of renewable energy are also crucial. Recognizing there are diverse approaches to solutions toward the use of renewable energy and CO₂ reduction, Honda has formulated a “multi-pathway” concept to proactively offer environmentally friendly products matched to each region. A symbolic technology in this area is “e: Technology,” a set of Honda’s electrification technologies. For maximizing the use of renewable energy, Honda is moving ahead with the development of technologies necessary to build a future society, which links energy management service with mobility service. In 2019, the Company announced the “Honda eMaaS” concept along with a plan to formulate proposals for commercialization and conduct market feasibility tests. The concept combines Energy as a Service (EaaS), a next-generation service to optimize power supply and energy use, and Mobility as a Service (MaaS), a next-generation mobility service. Honda will align its groups of products in different fields and offer diverse value to society and customers. (⇒ p. 18).

In its corporate activities as well, Honda is working to increase the use of renewable energy by introducing a type of renewable energy suited for each region. For example, Honda purchased renewable energy through a virtual power purchase agreement (VPPA) in North America, making the largest offtake in the country’s automobile industry. This accounted for about 60% of energy used in production activities in North America (⇒ p. 62). Honda will continue its efforts to maximize the use and spread of renewable energy.
Material Issues in the Environmental Dimension

Advancing Powertrain Electrification

Honda views changes in social needs and the social structure induced by climate change and energy diversification as key challenges and actively promotes product electrification.

Increasing the lineup and use of electrified products will lead to lower CO2 emissions from product use and allow Honda to become carbon-neutral, reducing risks associated with climate change. This will also create various opportunities for improving convenience and encouraging product use during emergencies and disasters. Based on this belief, Honda has set a target to electrify two-thirds of its global automobile sales by 2030. To achieve this goal, the Company is seizing all new business opportunities by enhancing and upgrading its product lineup.

In the Automobile Business, Honda has been developing and selling EVs and clean power units, including hydrogen fuel cells. In FY2020, Honda rolled out the Honda e, its first mass-produced EV, in Europe and Japan and the Rinen VE-1 and X-NV in China. Going forward, the Company will continue to enhance its lineup of EVs on a global scale.

The Clarity Fuel Cell, Honda’s FCV, has already gained high market recognition and has been used in feasibility tests across Japan to check its compatibility with the hydrogen infrastructure. In FY2020, Honda announced its joint research project with Isuzu Motors Limited to carry out tests on the use of fuel cells in large commercial vehicles. In this way, Honda is actively seeking to harness the potential of a hydrogen-based society.

As an effort to accelerate the market growth of electric power units, Honda has expanded the lineup of vehicles equipped with the Intelligent Multi-Mode Drive (i-MMD), Honda’s original hybrid system offering top-class efficiency, from sedan-type vehicles to sport utility vehicles (SUV). With the addition of the compact i-MMD newly developed for the Fit-class vehicles, Honda is now offering more high-performance hybrid vehicles to customers worldwide. Honda also plans to release plug-in hybrid electric vehicles (PHEV) fitted with the i-MMD, starting with the Clarity PHEV, to markets demanding such vehicles.

In the Motorcycle Business and Life Creation Business, Honda is engaging in lease sales and the monitoring of the Benly e:, an electric motorized scooter equipped with a mobile power pack. The Company is conducting feasibility tests of the scooter in areas where motorcycle sales are strong. As an example, Honda is undertaking a feasibility test of the Benly e: and its mobile power pack in the Philippines for the utilization of surplus power and verifying the test results.

In Europe, Honda is promoting the Honda Energy Management Project, an energy management system based on a Vehicle to X (V2X) communication network that connects vehicles with other vehicles, people and road infrastructure. The system uses batteries mounted on the Honda e and other battery EVs. In tandem with artificial intelligence (AI) technology, it ensures optimum energy management, such as charging and discharging clean energy to and from the mounted batteries and controlling power usage to reduce peak power. Honda is promoting feasibility tests of EV ecosystems that bring benefits to both customers and power providers and taking up the challenge of realizing an electrified society.
Material Issues in the Environmental Dimension

Climate Change: Risk and Opportunity Analysis Based on Multiple Scenarios

Honda identifies specific risks and opportunities by performing analysis on multiple scenarios and translates the results into tangible products and services while promoting risk reduction and opportunity creation. The table below provides a list of Honda's efforts in each risk and opportunity category. Honda is making a range of efforts to increase the resilience of its strategies against the identified risks and opportunities.

<table>
<thead>
<tr>
<th>Transition risk ⇒ 2°C</th>
<th>Physical risk ⇒ 4°C</th>
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<tbody>
<tr>
<td><strong>Major impact</strong></td>
<td><strong>Major impact</strong></td>
</tr>
<tr>
<td>Changes in the market to eliminate forms of mobility with greater CO₂ emissions</td>
<td>Disruption of infrastructure caused by extreme weather events</td>
</tr>
<tr>
<td>Diversification of energy needed for product use and services</td>
<td>Increased necessity for products and services that respond to extreme weather events</td>
</tr>
<tr>
<td><strong>Policy and legal risks</strong></td>
<td><strong>Acute risk</strong></td>
</tr>
<tr>
<td>More stringent regulations for GHG emissions</td>
<td>Increased severity of floods and other extreme weather events</td>
</tr>
<tr>
<td>Greater obligation to report emissions</td>
<td>Increase in floods and other extreme weather events</td>
</tr>
<tr>
<td><strong>Technology risk</strong></td>
<td><strong>Chronic risk</strong></td>
</tr>
<tr>
<td>Replacement with low-carbon products</td>
<td>Shifts in rain and other climate patterns</td>
</tr>
<tr>
<td><strong>Market risk</strong></td>
<td><strong>Efforts to reduce water intake and energy use</strong></td>
</tr>
<tr>
<td>Changes in consumer behavior</td>
<td>Higher average temperatures</td>
</tr>
<tr>
<td>Uncertainty in market signals</td>
<td><strong>Measures against procurement risk</strong></td>
</tr>
<tr>
<td>Higher raw materials costs</td>
<td><strong>Measures against procurement risk</strong></td>
</tr>
<tr>
<td>Product development under the multi-pathway strategy</td>
<td>Formulation of a global value chain</td>
</tr>
<tr>
<td><strong>Reputation risk</strong></td>
<td><strong>Establishment of a global BCP</strong></td>
</tr>
<tr>
<td>Changes in consumer perceptions</td>
<td>Transition to carbon neutral status</td>
</tr>
<tr>
<td>Accusations against the industry</td>
<td>Communicating resilient strategies</td>
</tr>
<tr>
<td>Growing concerns among stakeholders</td>
<td><strong>Disclosures</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Opportunities for Honda</strong></th>
<th><strong>Risks for Honda</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of new products and services</td>
<td>Promotion of better fuel efficiency and electrification</td>
</tr>
<tr>
<td>Expansion of low-carbon products and services</td>
<td>Disclosure of emissions from the entire product life cycle</td>
</tr>
<tr>
<td>Diversification of business activities</td>
<td>Product designs based on 3Rs (reduce, reuse and recycle)</td>
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<tr>
<td><strong>Specific response / corresponding section</strong></td>
<td><strong>Specific response / corresponding section</strong></td>
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</tbody>
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*1 Task Force on Climate-related Financial Disclosures
*2 Total cost of ownership

(⇒ p. 58, 64) (⇒ p. 19, 20) (⇒ p. 18, 19, 28) (⇒ p. 20) (⇒ p. 58, 64) (⇒ p. 19, 20) (⇒ p. 58, 64) (⇒ p. 19, 20) (⇒ p. 18, 19, 28) (⇒ p. 20)
Material Issues in the Environmental Dimension

Efficient Utilization of Resources

The difficulty of obtaining or depletion of 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.

Taking into consideration the risks involved in resource depletion and waste disposal, Honda aims to reduce the overall amount of waste generation. Accordingly, the Company has set the goal of annual reduction of waste generation per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031.

For water resources as well, Honda is giving consideration to water supply and depletion risks. Honda has thus established the target of annual reduction of water intake per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031. In both areas of waste generation and water intake, the Company will remain committed to minimizing environmental impacts.

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.

Initiative for the elimination of risks related to resources and disposal

<table>
<thead>
<tr>
<th>Reduction</th>
<th>Reuse</th>
<th>Recycling</th>
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<tbody>
<tr>
<td>Design focusing on Reduction</td>
<td>Design focusing on Reuse/Recycling</td>
<td>3R pre-assessment system</td>
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<tr>
<td>Initiatives for saving resources</td>
<td>Recycling of by-products</td>
<td>Recycling of end-of-life products</td>
</tr>
<tr>
<td>Reuse of used parts</td>
<td>Reduction of substances of concern</td>
<td>Compliance with the recycling law for end-of-life products and voluntary initiatives</td>
</tr>
</tbody>
</table>
Preservation of Clean Air

Honda recognizes that air pollution has been a critical issue since the 1960s and believes that worsening air pollution in cities has a negative effect on people’s health, inhibiting the joy and freedom of mobility and a sustainable society where people can enjoy life. The Company, therefore, has sought to resolve this issue through the development of technologies that clean the gas emitted from its products.

This began with the announcement in 1972 of the CVCC engine, which cleared exhaust gas regulations under the U.S. Clean Air Act of 1970, sometimes called the “Muskie Act” that was deemed to be the toughest in the world at the time. Since then, Honda has developed many technologies, including 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.
TOPICS

Concluded Renewable Energy Purchase Agreements Covering More Than 60% of Electricity Used in North America

Seeking to greatly reduce CO₂ emissions from the production process in North America, Honda will start to purchase wind power generated by the Boiling Springs Wind Farm in Oklahoma in the fall of 2020 and solar power from a solar facility in Texas in the fall of 2021. Through these virtual power purchase agreements (VPPAs) to buy a total of 320 MW of clean energy corresponding to more than 60% of electricity used in North America, Honda will make a great step forward toward its voluntary CO₂ reduction goal.

While continuing to purchase electricity from the local utility for each manufacturing facility, Honda aims to achieve net zero CO₂ emissions from its Ohio, Indiana and Alabama manufacturing operations by receiving and retiring renewable energy certificates (RECs) equal to the power produced through the VPPAs. Currently, 21% of the electricity Honda uses in North America is supplied from extremely low or zero CO₂ sources. Honda hopes the VPPAs will raise the total use of renewable electricity in North America to more than 80%.

A VPPA is a way to purchase renewable energy in locations where renewables are not available from the local electric utility. Honda’s agreement to purchase electricity from a renewable energy supplier does not send the clean energy directly to the Company’s facilities; instead, it is sold into the electricity grid where the clean power is generated.

This means that Honda’s “virtual purchase” of renewable energy adds more clean energy into the electricity grid within the United States. This will push up the ratio of electricity generated using renewable energy and result in a reduction in CO₂ emitted from the use of electricity in North America.

The Boiling Springs Wind Farm VPPA implements an innovative contract structure to potentially mitigate Honda’s financial risks in the VPPA market by setting upper and lower bounds on the Company’s exposure to energy market price fluctuations. This provides a means to control risks of energy price fluctuations for companies like Honda and generates stable revenues for clean energy suppliers.

The wind and solar VPPAs are part of Honda’s ongoing efforts not only to purchase renewable power but also to generate renewable power onsite at its North American operations. To date, Honda has installed 7.3 MW of renewable wind and solar power at its facilities across the region.

WEB

How Honda Gets Renewable Energy (Video)

> https://www.youtube.com/watch?v=1x8869lvD2Y
Responses to Climate Change and Energy Issues

Goal to Reduce CO₂ Emissions Intensity in Products by 2020

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 approximately 90% of units sold by Honda worldwide for each of motorcycles, automobiles and power products.

DATA

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

> p.78
Honda announced “Honda e: Technology,” a new term used to refer to its original, highly efficient electrification technologies, encompassing electric mobility products in the motorcycle and automobile fields as well as energy management technology.

Honda e: Technology is a collective term referring to Honda’s highly efficient electrification technologies that will realize the creation of value for mobility and people’s daily lives as aspired in the 2030 Vision. Under this concept, Honda will add the same prefix “e:” to a group of technologies and related products for the electrification of motorcycles, automobiles and power products. By doing so, the Company will publicly appeal and convey its products and technologies in each domain in a coherent manner.

In the automobile field, Honda updated its two-motor hybrid system with high efficiency and low fuel consumption, which is a core electrification technology, for adoption in small vehicles. Under the name “e: HEV,” the system has been installed on the Fit released in 2020. Honda has also been providing the urban commuter Honda e in Europe and plans to release this electric vehicle in Japan in 2021. In this way, the Company is making proactive efforts to promote electrification.

In the motorcycle field, Honda released the Benly e: series of business-use electric motorized scooters. Honda will collaborate with Japan Post Co., Ltd. in Japan to help provide a cleaner living environment and improve the country’s social infrastructure.

In the field of life creation, Honda aims to promote low-carbon, efficient energy use by widely offering the Honda Mobile Power Pack, a power source for electric scooters and other vehicles.
Responses to Climate Change and Energy Issues

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 FY2020, 15 motorcycle models, 3 automobile models and 6 power product models — a total of 24 models — were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 186 motorcycle models, 94 automobile models and 54 power product models, or 334 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 and automobiles that can run on ethanol and power products that can run on gaseous fuels. Compliance is determined based on how well a product reduces or helps reduce CO₂ emissions during use compared with preceding models.

**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.
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. In the future, Honda will aim at sustaining 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 latest energy-saving technologies and know-how at plants, including the Saitama Factory’s Yorii assembly plant that achieved a 30% reduction in per unit energy use compared with other Honda plants*. 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. In FY2020, Honda utilized a total of 328 GWh of electricity generated through renewable energy such as solar and wind power.

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

* Comparison with Saitama Factory’s Sayama assembly plant
Efficient Utilization of Resources

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 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 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 has enabled the use of recycled materials for air conditioner products. 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 for all new and redesigned vehicles sold in FY2020, Honda is maintaining more than 90% for automobiles and more than 95% for motorcycles. Meanwhile, the recoverability rate for components/materials*2 used in power products was more than 95%.

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 FY2020, 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.

*1 Index based on “Definition of Recyclable Rate for New Vehicles and Guidelines on Calculation Method” issued by Japan Automobile Manufacturers Association, Inc. (JAMA)

*2 Recyclable rate that includes the thermal energy recovered; in accordance with calculation methods of recyclable rate for cars in ISO21468, etc.
**Efficient Utilization of Resources**

*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 FY2019, the number of Honda automobiles collected was approximately 470,000 for fluorocarbons (-1.9% from the previous fiscal year), approximately 470,000 for airbags (-0.6%) and approximately 530,000 for ASR (+1.4%). Recycling rates for gas generators and ASR were 94.2% and 97.3%, 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 1,039 Honda products in FY2020, which accounted for 51.8% of all units collected. The recycling rate of Honda products came to 97.9% 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.
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 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 - SULEV*2 emissions compliant, beginning with the Accord Hybrid released in 2013, thus meeting the California exhaust emissions standard, deemed to be 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 photochemical oxidants. Honda’s production activities in the past have sought to reduce VOC emissions such as through the introduction of a highly efficient paint process using robots; overhaul and increased recovery rate of thinners used for cleaning; and installation of equipment to incinerate and purify VOC. In addition to these initiatives, the Company introduced Honda Smart Ecological Paint that eliminates a middle coating process from a commonly used 4-coat/3-bake auto body painting process to realize a 3-coat/2-bake water-based painting process, thus reducing the generation of VOC. The technology was rolled out at the Yorii assembly plant, which sets the benchmark for 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. The Company has cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.

*1 Low Emission Vehicle
*2 Super Ultra Low Emission Vehicle
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 consideration of 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 the conservation of water resources 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.)

WEB
"Honda Marine Science Foundation"
> https://www.honda.com/environment/marine-science-foundation

WEB
"Forest watersheds"
(Japanese only)
> https://www.honda.co.jp/philanthropy/forest/about/
Other Important Issues

### 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 its products and 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, Honda continues to carry out fixed-point observation and reporting on ecosystems in collaboration 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.

### 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 introduced in each country to ensure the appropriate management of chemical substances and the reduction of harmful substances contained in automotive components. These legislations are 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 the management of chemical substances via MoCS. As an example, for all new and redesigned vehicles sold in Japan in FY2020, 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.

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**Honda Biodiversity Guidelines**

Environmental Data

Scope of Consolidation

Environmental data are provided on pages 74 to 77 for the year ended March 31, 2020 from Honda Motor Co., Ltd. and 428 consolidated subsidiaries and affiliated companies in Japan and outside Japan (as of December 31, 2019).

Honda GHG Emissions in FY2020

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 disclosed estimates of all FY2012 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 became the world’s first mobility company to release estimates of emissions 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 GHG emissions from its entire value chain and is making improvements to get a more accurate reading of emissions. 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 FY2020 show that GHG emissions from Honda business activities were 5.03 million t-CO\textsubscript{2}e, and total emissions from the value chain, including other indirect emissions, were 303.12 million t-CO\textsubscript{2}e. Honda will continue to monitor and manage data and utilize this information in the actual implementation of emissions reduction measures.

* 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).
Environmental Data

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% by 2020 (compared with 2000 levels), 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.
# Environmental Data

## Honda’s total GHG emissions

<table>
<thead>
<tr>
<th>Breakdown</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions from the entire Honda value chain (Scopes 1, 2 and 3)</td>
<td>302.89</td>
<td>308.33</td>
<td>315.29</td>
<td>303.12</td>
</tr>
<tr>
<td>Direct emissions from business activities (Scope 1)</td>
<td>1.28</td>
<td>1.35</td>
<td>1.38</td>
<td>1.24</td>
</tr>
<tr>
<td>Indirect emissions from energy use (Scope 2)</td>
<td>4.00</td>
<td>4.17</td>
<td>4.09</td>
<td>3.79</td>
</tr>
<tr>
<td>Emissions from Honda business activities (Total of Scopes 1 and 2)</td>
<td>5.28</td>
<td>5.52</td>
<td>5.47</td>
<td>5.03</td>
</tr>
<tr>
<td>Emissions from customer use of sold products (Scope 3, category 11)</td>
<td>247.85</td>
<td>249.71</td>
<td>256.10</td>
<td>247.25</td>
</tr>
<tr>
<td>Other emissions (Scope 3, other categories)</td>
<td>49.76</td>
<td>53.10</td>
<td>53.72</td>
<td>50.84</td>
</tr>
<tr>
<td>Other indirect emissions (Total of Scope 3)</td>
<td>297.61</td>
<td>302.81</td>
<td>309.82</td>
<td>298.09</td>
</tr>
</tbody>
</table>

*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). In Japan, Honda uses the emission factor based on the Act on Promotion of Climate Change Countermeasures and in each region except Japan, emission factors from the 2006 IPCC Guidelines for National GHG Inventories. Figures for climate change potential coefficient are derived from the IPCC’s Fourth Assessment Report (2007).

*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 to the GHG Protocol’s standard market-based method. In Japan, Honda uses electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures. In each region except Japan, Honda uses electricity utilities emission factors and latest regional emission factors, and 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 and aircraft) 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 90% of all motorcycles, automobiles, power products and aircraft 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 or 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 or 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.

**Correction of previous data error**

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 (Scope 1)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>North America</th>
<th>South America</th>
<th>Europe</th>
<th>Asia &amp; Oceania</th>
<th>China</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>131</td>
<td>128</td>
<td>135</td>
<td>138</td>
<td>124</td>
<td>170</td>
<td>739</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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 = \( \Sigma (\text{Volume of fuel usage} \times \text{CO}_2 \text{ emission factor}) + \text{CO}_2 \text{ emissions from non-energy sources} \) (Volume of non-CO\(_2\) GHG emissions \( \times \) Global warming factors)

**Emission factor:**
- **Japan:** Emission factors based on the Act on Promotion of Global Warming Countermeasures (excluding relatively small-scale companies)
- **Regions outside of Japan:** Emission factors from the 2006 IPCC Guidelines for National GHG Inventories

*Figures of GHG emissions from non-energy sources include some estimated values.*

#### Energy consumption

**Direct energy consumption (Scope 1)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>North America</th>
<th>South America</th>
<th>Europe</th>
<th>Asia &amp; Oceania</th>
<th>China</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22,400</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>22,000</td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23,100</td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23,400</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>21,400</td>
</tr>
</tbody>
</table>

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

**Calculation method:** Consumption amount = \( \Sigma (\text{Purchased electricity consumption etc.} \times \text{unit calorific value}) \) (Fuel consumption \( \times \) unit calorific value)

**Unit calorific value:**
- **Japan:** Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures
- **Regions outside of Japan:** Derived from the 2006 IPCC Guidelines for National GHG Inventories

*Calculations are mainly based on energy consumed by stationary exhaust sources.*

#### Indirect emissions (Scope 2)

**Total GHG emissions (Scope 2)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japan</th>
<th>North America</th>
<th>South America</th>
<th>Europe</th>
<th>Asia &amp; Oceania</th>
<th>China</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>384</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>384</td>
</tr>
<tr>
<td>2017</td>
<td>400</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>400</td>
</tr>
<tr>
<td>2018</td>
<td>417</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>417</td>
</tr>
<tr>
<td>2019</td>
<td>409</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>409</td>
</tr>
<tr>
<td>2020</td>
<td>379</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>379</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 = \( \Sigma (\text{Purchased electricity consumption etc.} \times \text{unit calorific value}) \) (Fuel consumption \( \times \) unit calorific value)

**Honda adopts to the GHG Protocol’s standard market-based method.**

**Emission factor:**
- **Japan:** Emission factors based on the Act on Promotion of Global Warming Countermeasures
- **Regions outside of Japan:** Electricity utilises emission factors based on the Act on Promotion of Global Warming Countermeasures

*Figures of GHG emissions from non-energy sources include some estimated values.*

*Expressed in three significant digits

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Honda Sustainability Report 2020
### Environmental Data

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

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (10,000 t-CO₂e)</td>
<td>515</td>
<td>528</td>
<td>552</td>
<td>547</td>
<td>503</td>
</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
- **Calculation method:** Total GHG emissions (Scope 1 and 2) = Direct GHG emissions + Indirect GHG emissions
- **Expressed in three significant digits**

#### Total energy consumption

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (TJ)</td>
<td>46,600</td>
<td>47,200</td>
<td>49,000</td>
<td>49,500</td>
<td>46,300</td>
</tr>
</tbody>
</table>

- **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**

#### Water intake/Wastewater volume

**Amount of water intake**

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (1,000 m³)</td>
<td>34,700</td>
<td>35,100</td>
<td>35,900</td>
<td>36,200</td>
<td>34,100</td>
</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
- **Calculation method:** Amount of water intake = Σ (Purchased from the water facilities + Groundwater intake + Rainwater utilization amount + Surface such as rivers/water intake)
- **Expressed in three significant digits**
- **Correction of previous data error**

#### Wastewater volume

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (1,000 m³)</td>
<td>20,300</td>
<td>20,200</td>
<td>20,700</td>
<td>21,300</td>
<td>20,000</td>
</tr>
</tbody>
</table>

- **Companies covered:** All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
- **Calculation method:** Volume amount = Σ (Wastewater processed by other companies + Discharge directly into public waters)
- **Figures include some estimated values.**
- **Expressed in three significant digits**
### Environmental Data

#### Atmospheric pollutants

**SOx emissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>SOx emissions (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>352</td>
</tr>
<tr>
<td>2017</td>
<td>158</td>
</tr>
<tr>
<td>2018</td>
<td>159</td>
</tr>
<tr>
<td>2019</td>
<td>170</td>
</tr>
<tr>
<td>2020</td>
<td>138</td>
</tr>
</tbody>
</table>

**NOx emissions**

<table>
<thead>
<tr>
<th>Year</th>
<th>NOx emissions (t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,029</td>
</tr>
<tr>
<td>2017</td>
<td>981</td>
</tr>
<tr>
<td>2018</td>
<td>1,014</td>
</tr>
<tr>
<td>2019</td>
<td>1,019</td>
</tr>
<tr>
<td>2020</td>
<td>902</td>
</tr>
</tbody>
</table>

### Waste generated

#### Waste generated

<table>
<thead>
<tr>
<th>Year</th>
<th>Waste generated (1,000 t)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>1,460</td>
</tr>
<tr>
<td>2017</td>
<td>1,550</td>
</tr>
<tr>
<td>2018</td>
<td>1,620</td>
</tr>
<tr>
<td>2019</td>
<td>1,690</td>
</tr>
<tr>
<td>2020</td>
<td>1,550</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 = \[ \sum (\text{Fuel consumption} \times \text{Density} \times \text{Sulfur content} \times \frac{64}{32}) \]

- Calculations are based on fuel consumption.
- Density: Derived from the translation coefficient list in Statistics Information by Petroleum Association of Japan
- Sulfur content: Derived from Act on the Quality Control of Gasoline and Other Fuels or the standard of LP gas (JIS K 2240)

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**Calculation method for NOx emissions**

**Calculation method for SOx emissions**

**Calculation method for Waste generated**

- However, regions outside of Japan are beyond the scope of data for industrial waste (excluding harmful waste defined in accordance with regulations in respective countries) and general administrative waste.
- Expressed in three significant digits
Environmental Data

Cost of environmental conservation activities and investments in FY2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Major activities and investments</th>
<th>FY2020 Investments (millions of yen)</th>
<th>FY2020 Expenditures (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business area costs</td>
<td>▪ Air, water, and soil pollution prevention</td>
<td>307</td>
<td>172</td>
</tr>
<tr>
<td>Global environmental conservation costs</td>
<td>▪ Global warming mitigation, ozone depletion prevention and other conservation activities</td>
<td>1,438</td>
<td>223</td>
</tr>
<tr>
<td>Recycling costs</td>
<td>▪ Waste processing, treatment, reduction, elimination and recycling</td>
<td>31</td>
<td>508</td>
</tr>
<tr>
<td>Upstream/downstream costs</td>
<td>▪ Collection, recycling, resale and proper disposal of products manufactured and sold</td>
<td>133</td>
<td>316</td>
</tr>
<tr>
<td>Management costs</td>
<td>▪ Installation, operation and acquisition of certification for environmental management systems</td>
<td>31</td>
<td>1,785</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>2,128</td>
<td>264,122</td>
</tr>
<tr>
<td>Local conservation costs</td>
<td>▪ Environmental improvement measures, including ecosystem protection, cleanups, green space development and natural landscape conservation (beach cleanups and watershed conservation activities)</td>
<td>10</td>
<td>282</td>
</tr>
<tr>
<td>Environmental damage costs</td>
<td>▪ Remediation of polluted soil</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>4,079</strong></td>
<td><strong>267,412</strong></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, 2019 to March 31, 2020
- 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>FY2020 (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><strong>Total</strong></td>
</tr>
</tbody>
</table>
**Performance Report**

**Environmental Data**

- **Global number of HEPS-compliant models**
  - **Motorcycles** (Models)
    - 2016: 136
    - 2017: 163
    - 2018: 171
    - 2019: 188
    - 2020: 186
  - **Automobiles** (Models)
    - 2016: 98
    - 2017: 101
    - 2018: 97
    - 2019: 93
    - 2020: 94
  - **Power Products** (Models)
    - 2016: 47
    - 2017: 51
    - 2018: 54
    - 2019: 49
    - 2020: 54

- **Number of HEPS-compliant models by region (FY2020)**
  - **Motorcycles**
    - Japan: 98
    - North America: 71
    - South America: 39
    - Europe: 74
    - Asia & Oceania: 138
  - **Automobiles**
    - Power Products: 43
  - **Power Products**
    - Asia & Oceania: 47
  - **Revolutionary Products**
    - North America: 51
    - South America: 54
    - Europe: 49
    - Asia & Oceania: 54

**Honda  Sustainability Report 2020**
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 “Safety for Everyone,” 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*1 and the Advanced Compatibility Engineering (ACE) body structure*2 that helps to protect occupants of both vehicles in a collision. In 2000, Honda built the world’s first omni-directional 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.

*1 Anthropomorphic models used to reproduce the human body’s kinematics during vehicle-to-pedestrian collision with the aim of identifying parts of the vehicle body most often resulting in injuries and reducing pedestrian head injuries during the collision with a vehicle. The current third-generation dummies have more “realistic” neck, back and thighs in addition to the head, thus offering more accurate pedestrian kinematics after a collision and allow realistic collision analysis.

*2 A safety body structure that efficiently distributes and absorbs frontal crash energy through the engine room. It offers significantly greater occupant protection and reduces damage to the other impacted vehicles.

Global Safety Slogan

Safety for Everyone

Honda dreams of a collision-free mobile society where our customers, and everyone sharing the road, can safely and confidently enjoy the freedom of mobility.
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, Honda decided to conduct a detailed investigation from 2016 to 2020 to collect and analyze information on around 1,000 traffic accidents in Thailand. The investigation, still ongoing as of the end of FY2020, 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.
Human (Safety Education)

Basic Approach in the Area of Human (Safety Education)

In 1970, Honda established the Driving Safety Promotion Center in Japan and subsequently a department dedicated to promoting activities overseas within the Center in 1972. Since then, Honda has been reinforcing its efforts overseas by establishing Traffic Education Centers* in various countries and cooperating with local dealers. As of 2019, Honda is carrying out driving safety promotion activities in 41 countries and regions throughout the world including Japan.

Honda’s activities are based on the ideas “To pass on safety education from person to person” by conveying the importance of driving safety directly to customers at dealers and “To provide a participatory hands-on education program” under the guidance of expert instructors.

In Japan, Honda has provided traffic safety education and training for drivers and riders to more than 6.57 million customers to date in cooperation with Honda Traffic Education Centers, motorcycle and automobile dealers, local corporations and schools.

Overseas, the Company has established Traffic Education Centers in various countries to play a key role in its efforts and encourage collaboration with dealers, while its subsidiaries lead a broad range of activities. 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. As such, an increase in the number of fatal traffic accidents has become a social issue. Therefore, Honda is undertaking activities matched to the traffic situation of each country while collaborating with local governments and relevant organizations.

Countries and regions where traffic safety education and driving training are conducted

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

Initiatives in the Area of Human (Safety Education)

Collaboration with Overseas Offices

Honda holds a meeting of managers in charge of promoting driving safety education at respective overseas offices. The 2019 Safety Driving Managers Meeting was attended by 21 managers from nine countries and regions mainly in Asia and representatives from each Traffic Education Center in Japan.

Nurturing Instructors at Traffic Education Centers in Japan

From many years of various motorcycle and automobile riding/driving safety promotion activities, Honda’s Traffic Education Centers in Japan have accumulated a pool of advanced safe riding/driving techniques and instruction know-how. For promoting safety practices globally, Honda intends to pass on this pool of knowledge to instructors of overseas offices to invigorate and instill activities in their own countries.

In Japan, these Centers regularly provide training to instructors of overseas offices. Since 1997, Honda has also been hosting the annual Safety Japan Instructors Competition. A total of 75 participants, 38 from Traffic Education Centers and business sites in Japan and 37 from eight countries and regions, participated in the 2019 competition.

Collaboration with Traffic Education Centers

In Japan, Honda provides participatory hands-on education matched to the needs of companies, organizations and individuals.

Specifically, Honda’s seven Traffic Education Centers across Japan offer training to traffic safety instructors. They also provide participatory hands-on education mainly to companies, organizations, schools and individual customers to improve their riding/driving skills and facilitate their safety driving awareness and understanding. In 2019, Honda provided education to some 90,000 persons (as of December 31).

TOPICS

Conducting Training in Japan to Nurture Instructors to Lead Driving Safety Promotion Activities in India

Honda Motorcycle & Scooter India Pvt. Ltd. (HMSI), a Honda subsidiary in India engaging in production and sales of motorcycles, has been nurturing motorcycle and automobile chief instructors. The effort aligns with its preparation to operate a Traffic Education Center in cooperation with the state government in the future. In March 2019, 10 trainees from HMSI received 11-day training at the Suzuka Circuit Traffic Education Center. During the training that involved lectures, practical training and role playing, they developed an internal instructor training schedule of HMSI, made plans for motorcycle riding lessons and served as instructors in a mock training setting. For reducing the number of traffic accidents in India, Honda will continue to play its part in strengthening and instilling riding/driving safety activities in the country.
Collaboration with Local Communities

In Japan, Honda offers educational programs and teaches instruction techniques to traffic safety instructors, employees of partner companies and other persons responsible for conveying traffic safety in each local community.

For traffic safety instructors in local communities, Honda holds a study session on traffic safety educational programs every year since 2015. In 2019, 30 instructors from 19 districts participated in the session and jointly created an educational program.

For our partner companies, Honda provides training to nurture Honda Partnership Instructors. Instructors who have received training at Honda work to promote traffic safety within their own companies and in surrounding areas, thereby conducting various activities, including parent-child traffic safety lessons.

Collaboration with Relevant Organizations

In Japan, Honda proactively fosters collaboration with members of organizations and industries engaging in driving safety promotion activities in order to reduce traffic accidents.

As an example, Honda’s Safety Map, released to the public in March 2013, was created based on information provided by local residents. It can be used freely by all road users, including drivers, riders, pedestrians and cyclists, via personal computers and smartphones. In addition to personal use, more companies and organizations are now using the map for the purpose of preventing traffic accidents.

Honda has also cooperated in running the Driving School Instructors Competition, 2019 Motorcycle Safety Driving Competition and driving safety seminars for high school students and elderly drivers.

Development of a Program for Upper Grade Elementary School and Junior High School Students

In 2019, Honda developed the “For the children who will star in the societies of the future” program targeting upper grade elementary school and junior high school students in Japan. Following rules and maintaining good manners as well as turning the practice into a habit are a basic necessity in leading an enriched social life. The program thus embraces Honda’s desire to let children, who will lead the next generation, to regard traffic safety as a matter having significance to themselves and avoid traffic accidents.

The program consists of an introductory part and main part. The main part is made up of three video materials respectively dealing with “walking,” “riding bicycles” and “traffic signs.” These can be taught individually so that traffic safety instructors can freely combine them according to the needs of a school or the duration of a session. The program is also characterized by its interactive nature, allowing instructors to proceed by asking questions to children for each example situation.
Development of Educational Equipment

In Japan, Honda leverages its driving safety know-how accumulated over the years and provides educational equipment and software programs, including simulators, for use at various driving safety education opportunities. These equipment and programs are constantly upgraded in keeping pace with the changing needs of society.

Example driving safety educational equipment developed by Honda include the Honda Riding Simulator for virtual motorcycle hazard prediction training difficult to conduct on the road; Honda Bicycle Simulator that reproduces actual traffic conditions and allows the user to simulate bicycle riding on the street; Honda Safety Navi, a simple simulator that allows hands-on learning of various traffic conditions; and Honda Movie KYT that uses computer graphics to improve hazard prediction abilities, including instant cognitive and judgment skills.

Activities in the Welfare Field

In Japan, Honda offers training opportunities and venues for persons with disabilities who want to drive again. In this capacity, the Company provides its know-how to hospital and driving school personnel in charge of evaluating the driving competence of these persons. It also offers support for the creation of a local collaboration environment in which driving school instructors and occupational therapists exchange information and opinions.

As a means to evaluate the driving competence of those wishing to resume driving, Honda provides the Safety Training Program for Disabled Drivers*1 that provides training using a simulator and actual vehicle. Additionally, in collaboration with NPOs and welfare-related companies, Honda uses its Safety Training Program for Drivers with Disabled Passengers*2 to encourage welfare facility drivers providing pickup and drop-off services to gain driving skills that give due consideration to their passengers.

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*1 A program offered at Honda Traffic Education Centers as a means to evaluate the driving competence of people with higher cerebral dysfunction wishing to resume driving. It is used to check their current ability to drive an actual vehicle and train them to overcome the identified issues.

*2 A program offered at Honda Traffic Education Centers for welfare facility drivers providing pickup and drop-off services. It provides advice on preventing accidents during these services as well as training to facilitate an understanding of the importance of giving due consideration to their passengers.
Safety Initiatives

Technology (Vehicle Technologies)

Honda’s Approach

Honda has engaged in the development of safety technology focusing on real traffic and collisions involving multiple types of road users. The Company is dedicated to developing safety technology, setting higher targets often exceeding requirements in a spirit that “if it does not 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 omni-directional crash test facility in 2000. In 2003, Honda developed the crash-compatibility body and the world’s first Collision Mitigation Braking System (CMBS).

In 2014, the Company announced “Honda Sensing/AcuraWatch,” new advanced safety and driver-assistance technologies using sensors and a camera. To accommodate the versatile functions of these sensing devices, Honda has added a greater data processing capability to the system. It recognizes the driver’s intention and the vehicle’s conditions along with the surrounding environment and applies collaborative control over the braking system, steering wheel and other vehicle components. The system assists the driver from normal driving to risk avoidance in an emergency by providing both vehicle speed/following distance controls and lane keeping control.

Overview of the Honda Sensing System

Installed on the New Fit Compact Car Released in February 2020

The system adopts the latest high-speed image processing chip to enable the measurement of the distance to an object with a monocular camera instead of the millimeter-wave radar used previously. This front wide-view camera quickly detects when a pedestrian steps into the street from the side on a general road or when another vehicle cuts into the lane on an expressway. The sonar sensors installed on the front and rear of the vehicle support the system’s false start prevention function, false reverse-start prevention function and short-distance collision mitigation braking function (called the City-Brake Active System).

Notional image of the detection range
The “Honda Sensing/AcuraWatch” advanced safety and driver-assistance 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. For the new Fit released in February 2020, Honda Sensing was adopted as standard in all available models*.

In the United States, Honda aims to install Honda Sensing/AcuraWatch as a standard feature in all vehicles sold in the country by 2022. In FY2020, the system was newly fitted on the Civic Type R.

Also, Honda has been working to steadily increase the use of the system in Europe and China. The system was equipped for the first time on the Honda e in Europe and the Envix and Breeze in China.

* A version without Honda Sensing is also available in some types.
Honda R&D Americas, Inc. (HRA) in the United States has been engaging in research and development of safety technologies matched to the traffic conditions and accident characteristics in the country.

On August 23, 2019, HRA's safety center in Raymond, Ohio, hosted a press event to announce a new airbag design.

Designed to protect the passenger, the new airbag has been developed based on traffic accident surveys in the United States and Honda's long-accumulated knowledge on collision safety performance. The new airbag seeks to enhance protection in various accident scenarios, including crashes between vehicles or between a vehicle and another object, and reduce the risk of traffic injuries and fatalities.

The new airbag features four major, separate components, including a "sail panel." This panel catches the passenger forced forward in an accident and cradles his or her head by pulling the two side chambers inward, mitigating the potential for head injury and risk of brain damage.

Compared with conventional airbags, the new airbag is more closely fitted to a passenger and thus expected to provide better protection in an angled frontal collision. Honda plans to offer the airbag on the new Acura TLX slated to be released in the United States in 2020.

Honda operated a booth at the 26th ESV 2019 held in the Netherlands in June 2019 and presented to motor vehicle safety engineers around the world the outcome of research concerning its new approach toward safety technologies.

The approach seeks to realize a new caring safety technology attuned to each driver by providing a combination of “integrated safety technology” and “relief creation technology.” Through improvement of the integrated safety technology, Honda will provide advanced safety tailored to each driver and surrounding conditions. The technology uses a camera and sensors to omni-directionally monitor both inside and outside a vehicle, including all occupants as well as pedestrians and cyclists in the surrounding environment, thereby preventing accidents.

In the relief creation technology, the vehicle monitors the driver’s conditions through its camera and other sensing devices, while augmenting his or her abilities to recognize and respond to any risk and understand other vehicles and motorcycles in a mutual manner. Through the technology, Honda intends to deliver to each driver a sense of security and confidence in driving.

At the 4th ESV held in 1973, Honda showcased for the first time its experimental safety vehicle equipped with anti-collision measures and four-wheel anti-lock braking system (ABS). Showing to engineers around the world the future of safety technology development, Honda has since been working to put the technology into practical use.

At the ESV 2019, Honda again presented its direction of technology development along with the outcome of its research and gained the understanding of motor vehicle safety engineers and policymakers in each country. Honda will continue to focus on technology development for the future while exchanging views with vehicle safety professionals across the world.

* An international conference held every two years sponsored by the U.S. Department of Transportation and the National Highway Traffic Safety Administration (NHTSA)
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 integrates communication and information, the Company has started to provide drivers with information that will help them drive more safely and more comfortably.

In Japan, as one form of progress from these initiatives, Honda has created a “Safety Map” currently used by many people. Various information, such as 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 the Safety Map. The Map tells local residents and drivers in advance about places on the road that require special caution.

In addition, Honda is currently focusing on building a system to integrate Honda Sensing/AcuraWatch technologies and the telematics service. The system will provide information on traffic conditions and traffic accidents risks on a real-time basis using wireless communication such as Wi-Fi to connect vehicles equipped with sensors or GPS and smartphones carried by people in the surrounding areas. Honda is striving to realize “a collision-free mobile society” where everyone sharing the road can safely and confidently enjoy the freedom of mobility.
Honda joined a project consigned by Japan’s Ministry of Internal Affairs and Communications (MIC). The project performs surveys on the feasibility of advanced systems utilizing probe information in the United States. Under a public-private partnership, Honda has been conducting feasibility tests using its connected car technology to support repairs of aging roads in the country.

The project is being promoted by companies requested by MIC, namely Honda, NEXCO-West USA, Inc. (a U.S. subsidiary of West Nippon Expressway Co., Ltd.), Pacific Consultants Co., Ltd., Oriental Consultants Global Co., Ltd., SoftBank Corp. and ZENRIN DataCom Co., Ltd.

Honda provides the HR-V fitted with specialized measuring equipment, with its on-board computer performing real-time analysis of the data collected from the vehicle stability assist (VSA) sensors.

The on-board computer generates road conditions information, including surface irregularities, degree of aging and crack sizes. Honda is proceeding with the development of a technology to centrally collect the information at a data center via the on-board communication module and facilitate identification of areas needing repairs.

In the future, Honda seeks to achieve safer mobility through the use of its connected car technology by swiftly providing information on road surface conditions that need repairing to local governments and road management organizations.
Honda’s Approach

Many of Honda’s models have achieved high safety assessments from NCAP*1 in various regions. In Japan, the N-BOX was evaluated as “ASV+++” *2, the highest rank, in the preventive safety assessment of JNCAP*3.

Results of key third-party evaluations (tests conducted in FY2020)

<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>CR-V / Insight / Accord / N-WGN</td>
</tr>
<tr>
<td></td>
<td>ASV+++</td>
<td>N-BOX / Accord / N-WGN</td>
</tr>
<tr>
<td>Europe</td>
<td>Euro NCAP</td>
<td>Performance not evaluated in FY2020</td>
</tr>
<tr>
<td>China</td>
<td>C-NCAP</td>
<td>Accord</td>
</tr>
<tr>
<td>China</td>
<td>C-IASI*4</td>
<td>GGG</td>
</tr>
<tr>
<td>China</td>
<td></td>
<td>Performance not evaluated in FY2020</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>NCAP</td>
<td>CR-V / Passport</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>IHS*5</td>
<td>TSP+</td>
</tr>
<tr>
<td>U.S.A.</td>
<td></td>
<td>Insight / RDX</td>
</tr>
<tr>
<td>U.S.A.</td>
<td></td>
<td>TSP</td>
</tr>
<tr>
<td>U.S.A.</td>
<td></td>
<td>Accord / CR-V / Civic (2 doors, 4 doors, 5 doors)</td>
</tr>
<tr>
<td>Australia</td>
<td>ANCAP</td>
<td>Performance not evaluated in FY2020</td>
</tr>
<tr>
<td>Southeast Asia</td>
<td>ASEAN NCAP</td>
<td>Accord / City</td>
</tr>
<tr>
<td>Latin America</td>
<td>Latin NCAP</td>
<td>Performance not evaluated in FY2020</td>
</tr>
</tbody>
</table>

N-BOX Receiving the Highest Rating in the JNCAP’s Preventive Safety Assessment

The N-BOX, which was released in October 2019 after undergoing minor remodeling for performance improvement, achieved the highest rating in the JNCAP’s FY2020 Preventive Safety Assessment (ASV+++).

The remodeling involved an improvement of the performance of “Honda Sensing” advanced safety and driver-assistance system to support accident prevention. The N-BOX now has an improved Collision Mitigation Braking System (CMBS) capable of avoiding bicycles crossing the street and a better ability to detect pedestrians at night without street lighting.

In addition, the second-generation N-BOX won the Crash Safety Performance Assessment Five Star Award, which is the highest rating, right after its release in 2017. Accordingly, the vehicle has been highly esteemed in both preventive safety and crash safety.

CR-V Receiving High Marks from Third-Party Rating Organizations Both in Japan and the United States

The CR-V, an SUV which is sold around the world, received high marks from third-party rating organizations both in Japan and the United States. In the United States, the 2020 model received a 5-star NCAP rating. Meanwhile, in Japan, the vehicle won the Five Star Award, the highest rating possible, in the field of collision safety performance assessment in the new car assessment program held in May 2019.
7 Quality

Material Issues
- Assuring outstanding product quality
Basic Approach

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.

Honda offers products founded on safety and a new level of outstanding quality to strengthen customer trust. To this end, Honda has created a quality cycle (p. 98) that continuously enhances quality at every stage encompassing planning, 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 collaboration with dealers to satisfy customers at every stage from sales to after-market service so that customers can continue using and enjoying Honda products and services.

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 accelerating introduction of powertrain electrification as well as driver-assistance technologies to eliminate traffic accidents. Honda also aims to team 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 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. Each of the Honda businesses (i.e., Automobile, Motorcycle and Life Creation) holds its own Global Quality-related Meetings.

In the area of customer service, Honda has devised an action policy focused on each customer so that it 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.

Global Meeting Structure

<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 Chief Inspecting Engineer (CIE) Meeting</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Automobile</td>
<td>Global Automobile Quality Meeting</td>
<td>3</td>
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<tr>
<td></td>
<td></td>
<td>Global CIE Meeting</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Life Creation</td>
<td>Global CIE Meeting</td>
<td>1</td>
</tr>
<tr>
<td>Aftersales business</td>
<td>Motorcycle</td>
<td>Global Aftersales Business Meeting</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Automobile</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Life Creation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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.

Providing education on quality control

HBC flow

Trainees

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 presented 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 eight-year period from FY2013 to FY2020, a total of 60 sites were visited around the world enabling direct communication with associates.

The CQO visits sites around the world to directly present awards.

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></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></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>

* SQC Course and HBC are held in Japan.
Honda’s Quality Cycle

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

This initiative aims to apply and reflect design and development expertise at the production preparation and production (mass-production) stages. The goal is to achieve the highest quality by creating drawings designed to facilitate manufacturing and by developing manufacturing control techniques that limit process variability.

### Honda’s Quality Cycle

**I. Planning 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).

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**Global Honda Quality Standard (G-HQS)**

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**Performance Report**

- Environment .......................... 53
- Safety ................................. 80
- **Quality ................................ 94**
  - Basic Approach
  - Global Management
- Quality Initiatives
  - Third-Party Evaluation
- Human Resources ...................... 110
- Supply Chain ........................... 134
- Social Contribution Activities ...... 149
Planning/Development and Production (Mass Production)

To ensure high quality, Honda conducts comprehensive quality assurance activities from the dual perspectives of planning and manufacturing. For example, drawings for objects that will be machine processed include finished dimensions. However, 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.

Strengthening Activities to Improve Planning and Development

Honda is strengthening activities to reduce quality-related issues at each stage of planning, development, production preparation and production (mass production). This involves investigating any cause in the event of a major quality issue and introducing measures to prevent recurrence.

To prevent specification-related issues, Honda identifies the impact of previous changed and changing points. It then implements improvements through a review committee that examines changing points and works through pending issues.

Honda has also been evolving planning and development procedures. Honda is strengthening its design review to enhance the accuracy of planning in the initial stages of new technology development. The Company has also formulated evaluation conditions and standards to minimize deviation from expected values demanded by customers and society and sets aside a sufficient timeframe for verification.
I. Planning/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. They communicate closely with manufacturing departments during the initial development stage and put product function, performance and quality assurance initiatives in writing. These are shared to ensure efforts are coordinated with production departments’ process assurance activities and to coordinate quality assurance initiatives.

Establishment of Development Procedures with Suppliers

For many years, Honda has been committed to development that consists of “purchasing components with guaranteed performance.” This involves presenting requirements to a supplier, who then designs and tests the component before Honda procures it. Honda’s R&D departments, purchasing departments and other related departments have initiated a project to reduce critical quality issues in such components, producing a manual for development based on “purchasing components with guaranteed performance.” The manual is revised annually.

In the planning phase of advance development, technical challenges to component development are first organized. Accordingly, roles and responsibilities are determined depending on the development experience and technical know-how of Honda and its suppliers. A decision is then made on which areas of the development plan should focus on, such as increasing the accuracy of Honda’s requirements or taking a concrete approach toward verification.

In addition, quality assurance roles and responsibilities are clarified among Honda’s departments/business sites and suppliers based on logistics, distribution channel and contractual agreements at the time of mass production. Areas requiring quality control in development, production preparation and mass production are then conveyed to the relevant departments.

Should a quality-related issue arise by monitoring quality product defects applying the aforementioned procedures, an investigation into the cause is conducted to ensure continuous improvement in development procedures.

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.

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 control 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.
Quality Initiatives

Assuring Long-Term Reliability through Rigorous Durability Testing

Honda subjects new and redesigned models to rigorous 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.

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.

The LET was initially deployed to perform diagnostics of emission cleaning systems and parts in order to comply with U.S. emissions regulations. Honda subsequently extended the capabilities of the device to accommodate the recent evolution of electronic control systems, allowing its use in shipping quality inspection 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.

III. Production (Mass Production)

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

Equipping 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.
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 each and 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.

Customer Satisfaction Survey

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 FY2020, the survey was conducted in 26 countries, including Japan and countries in North America, South America, Europe, Asia and Oceania, Africa and the Middle East. The survey method enabled 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 Honda conducts a survey comparing with other manufacturers and brands that are the benchmarks in each country, and the results are used as a reference to maintain and improve customer satisfaction at an industry-leading level. In FY2020, Honda attained top-level customer satisfaction in 19 countries*.

* Internal survey by Honda; as of March 2020
Quality Initiatives

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 FY2020 it processed 224,272 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 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 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* 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.

* Survey by Honda; as of December 2019
V. Quality Information Collection/Analysis and Quality Improvement

Honda has established a Quality Center to bring together the various components of its 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 information from dealers in Japan and overseas through service departments and customer relation 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 development/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. The new structure 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 vehicles such as fuel cell and electric vehicles.

With the system, vehicle 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.
**Quality Initiatives**

**Quality Innovation Center Tochigi**

The Center brings together into a single facility all the organizational components, which span from collating product quality data and analyzing issues to considering countermeasures and providing quick and precise feedback to development and production departments.

In particular, locating quality and service departments in a single facility allows for effective analysis and development of countermeasures thanks to the ability to share information quickly.

**Quality improvement operation process**

- **Parts collection**
  Parts collected from the market are classified by category and managed to facilitate quick analysis.

- **Sharing market quality information**
  Service, R&D and analysis departments gather and share information from the market.

- **Analyzing materials**
  Issues caused by materials are analyzed using the latest scientific equipment, including composition analysis and X-ray diffraction analysis systems.

- **Measuring part precision**
  Parts’ dimensional precision is verified using 3D measurement and the latest roundness measurement equipment.

- **Bench environment test**
  Analyses are conducted in road environments found around the world, from low temperatures to under the scorching sun, to humid conditions, traffic jams and high speeds.

- **Exhaust gas and mode driving verification**
  The compliance of exhaust gas components with emissions regulations and proper system operation during mode driving are verified.

- **Bench vibration test**
  Actual vehicle vibrations are reproduced on a testing bench together with analyzing issues.

**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.
Quality Initiatives

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 that the past experience with market quality issues is not forgotten 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. Around 2,700 people visit the hall annually for training or as part of a tour. The targets include not only Honda associates but also suppliers, overseas distributors and service division personnel.

In particular, training for engineers 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.
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.
### Quality Initiatives

#### Handling of Quality Issues When They Occur

When Honda determines that an issue occurs with a product that requires market action, it quickly notifies government authorities in accordance with individual countries' regulations and contacts owners by means of direct mail or telephone from dealers to provide information about how they can receive repairs free of charge. In addition to Honda's website, market action information is provided 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.

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<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.

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### Number of Global Quality Committee meetings (FY2020)

<table>
<thead>
<tr>
<th>Segment</th>
<th>Number of times</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobiles</td>
<td>56</td>
</tr>
<tr>
<td>Motorcycles</td>
<td>21</td>
</tr>
<tr>
<td>Life Creation</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>82</td>
</tr>
</tbody>
</table>
Third-Party Evaluation

Honda strives 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. Honda’s planning and development, production, and sales and service departments are working together in this effort.

Results of the 2019 IQS for automobiles

<table>
<thead>
<tr>
<th>Country</th>
<th>Segment</th>
<th>Model</th>
<th>Brand</th>
<th>J.D. Power Asia Pacific Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>Small Premium Car</td>
<td>ILX</td>
<td>Honda</td>
<td>No. 16</td>
</tr>
<tr>
<td></td>
<td>Compact SUV</td>
<td>CR-V</td>
<td>Acura</td>
<td>No. 24</td>
</tr>
<tr>
<td>Japan</td>
<td>Midsize</td>
<td>N-WGN</td>
<td>Honda</td>
<td>No. 4</td>
</tr>
<tr>
<td></td>
<td>Midsize</td>
<td>Vezel</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minivan</td>
<td>Step WGN</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Minivan</td>
<td>Freed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>Midsize</td>
<td>City</td>
<td></td>
<td>No. 2</td>
</tr>
<tr>
<td></td>
<td>Midsize Upper</td>
<td>Accord</td>
<td></td>
<td>No. 1</td>
</tr>
<tr>
<td></td>
<td>Large SUV</td>
<td>UR-V</td>
<td></td>
<td>No. 2</td>
</tr>
<tr>
<td></td>
<td>Large MPV</td>
<td>Elision</td>
<td></td>
<td>No. 1</td>
</tr>
<tr>
<td>India</td>
<td>Entry Midsize</td>
<td>Amaze</td>
<td></td>
<td>No. 1</td>
</tr>
<tr>
<td></td>
<td>Compact SUV</td>
<td>WR-V</td>
<td></td>
<td>No. 3</td>
</tr>
<tr>
<td>Thailand</td>
<td>Entry Midsize</td>
<td>Jazz</td>
<td></td>
<td>No. 1</td>
</tr>
<tr>
<td></td>
<td>Compact SUV</td>
<td>City</td>
<td></td>
<td>No. 3</td>
</tr>
<tr>
<td></td>
<td>Midsize</td>
<td>Civic</td>
<td></td>
<td>No. 2</td>
</tr>
<tr>
<td></td>
<td>Midsize</td>
<td>Civic</td>
<td></td>
<td>No. 3</td>
</tr>
</tbody>
</table>

Includes top three vehicles in major markets from January to December 2019

Sources:
- J.D. Power and Associates 2019 U.S.
  - Initial Quality Study SM (based on responses from more than 76,256 owners who purchased or leased a new vehicle as surveyed from February to May 2019)
- J.D. Power Asia Pacific 2019 Japan
  - Initial Quality Study SM (based on responses from more than 21,728 owners who purchased a new vehicle as surveyed from May to June 2019)
- J.D. Power Asia Pacific 2019 China
  - Initial Quality Study SM (based on responses from more than 33,468 owners who purchased a new vehicle as surveyed from November 2018 to May 2019)
- J.D. Power Asia Pacific 2019 India
  - Initial Quality Study SM (based on responses from more than 6,051 owners who purchased a new vehicle as surveyed from May to September 2019)
- J.D. Power Asia Pacific 2019 Thailand
  - Initial Quality Study SM (based on responses from more than 6,632 owners who purchased a new vehicle as surveyed from August 2018 to June 2019)
7 Human Resources

Material Issues
- Respecting human rights
- Expanding diversity and development of human resources
- Ensuring occupational health and safety
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, 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 while taking into account “the Universal Declaration of Human Rights” as well as “the ILO Declaration on Fundamental Principles and Rights at Work.”

### Three Principles of Personnel Management

- **Respecting Initiative**
  - Honda respects the individuality, creative thinking and judgment of each associate.

- **Ensuring Fairness**
  - At Honda, every person should have equal employment opportunities. An individual’s race, gender, age, religion, national origin and social or economic status have no impact on the individual’s opportunities.

- **Encouraging Mutual Trust**
  - Honda and its associates should respect, trust and recognize each other as individuals and make sincere efforts to fulfill our responsibilities.

### Associate Relations Policies

To put these Three Principles into practice, Honda has established the following Associate Relations Policies:

1. **Respecting individual human rights**
   - We accept the individual characteristics and differences of our associates and respect their willingness and initiative.
   - We will respect each individual’s basic human rights and will not allow forced labor or child labor.

2. **No discrimination**
   - Based on the principle that all human beings should have equal employment opportunities, we will strive to create opportunities for free and fair competition.
   - We will not tolerate discrimination or harassment of any form in the workplace on the basis of an individual’s race, ethnicity, national origin, religion, gender or age, among other characteristics.

3. **Complying with laws and ordinances**
   - We will respect the social norms, customs and culture of each country.
   - We will comply with the laws, regulations and ordinances enacted in each country and region.

4. **Creating an environment of free, open-minded dialogue**
   - The associates and the Company will respect each other’s views and endeavor to promote mutual understanding. Maintaining a relationship of mutual trust, the associates and the Company will make every effort to engage in sincere discussions about any issues that might arise or exist.
   - Respecting freedom of association, or not to associate, and collective bargaining, the Company will attempt to resolve any and all issues in line with the laws, conventions and usages of each respective country and region.

5. **Maintaining a working environment where each associate can work with a sense of security**
   - The Company will provide a safe and healthy workplace where all associates can concentrate on work with a sense of security.
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 the 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. This initiative facilitates 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.

Global human resources management approaches

- Globally common foundation
  - Establishing a global job grade system
  - Enhancing global communications
  - Making English an official language
  - Passing on Honda Philosophy

- Optimum assignment
- Selection

- Global leader development at the corporate headquarters
- Local human resources development at Regional Operations
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.

Another approach is the Global Job Grade System (⇒ p. 115), which allows these global human resources to be able to play active roles worldwide.

The system defines managerial positions varying from one operation base to another 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 draw up global human resources strategies from a 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.
Honda upholds the idea of “Respect for the Individual” in the Honda Philosophy and includes “Respect of Human Rights” in the Honda Code of Conduct to show its policy to “maintain its stance as a company committed to practicing fairness and sincerity and respect human rights.” Also in the Code, Honda specifically requires its associates to “respect fellow associates, interact with them in a sincere and appropriate manner, and never engage in any form of harassment or unjust, discriminatory behavior in the workplace.”

In its company-wide risk management activities, Honda regards human rights as an important risk and manages it accordingly. As a measure to prevent the risk from occurring, Honda works to identify any risk concerns by conducting an annual assessment of Group companies to check if their operations comply with the Associate Relations Policies (⇒ p. 111). Starting from FY2017, the scope of the assessment was extended to include joint ventures. Honda also performs monthly checks on the status of labor management of all local subsidiaries, including joint ventures, and shares the results in the Global Monthly Report. Moreover, to make an appropriate response when there is a risk concern, Honda has in place a system to share and discuss the issue through meetings with regional human resources officers.

In addition, Honda provides training on the Honda Philosophy all around the world. The Company also works to promote awareness and thorough implementation of the Code of Conduct by distributing leaflets, posting the relevant information on the corporate intranet and providing training. Additionally, level-specific pre-assignment training is provided to persons stationed overseas to cultivate awareness for the importance of local labor management based on the Associate Relations Policies. In FY2020, there were no incidents identified.

Honda is also striving to create an open organizational culture that allows associates to report any violation related to human rights to their respective superiors or resolve the issue among themselves. At the same time, Honda has set up the Business Ethics Kaizen Proposal Line in Japan and other regions overseas to receive consultation in a fair and neutral manner.

Diversification Aimed at Leveraging Total Workforce Strength

Individual differences that are demonstrated by its workforce represent a strength of a company in flexibly responding to the ever-changing business environment. Honda globally pursues workforce diversification, believing that these individualities integrate and evolve into innovation.

For Honda, diversification of the workforce means to enhance its total strength by providing equal opportunities to people regardless of their personal attributes, such as race, nationality, cultural background, age, gender, gender identity, sexual orientation, past career, educational background and having disabilities or not. Honda also encourages them to respect each other’s individual differences and talents while exerting their own abilities to the fullest, based on Honda’s philosophy of Respect for the Individual.

Specifically, each of Honda’s six core regions is hiring and developing personnel by setting a target for increasing the proportion of women and minority groups (in terms of race and nationality, etc.) in management and job assignments in accordance with the conditions of each region.

In addition, Honda has been implementing a variety of initiatives for all associates worldwide such as facilitating the understanding of the importance of diversity and continually carrying out enlightenment activities.
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. Specifically, 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), 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.

Honda utilizes the Global Talent Board that manages key posts and key talent around the world and Regional Talent Board. Through such means, 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.
Toward the realization of the 2030 Vision, Honda will make effective use of its limited management resources to transform and evolve existing businesses and create new value. To do so, it is important that each region takes a global viewpoint and operates business efficiently while increasing mutual, complementary relationships according to respective roles. Among these regions, Japan in particular is required to lead every aspect of Honda operations globally. For this reason, Honda has been promoting interregional communication by improving the level of English among associates in Japan.

Specifically, Honda in Japan has implemented English learning support programs on a company-wide basis, offering various choices depending on personal goals and purposes. Honda has also been working to reinforce associates’ English skills, which are needed for career development and in business operations, by functional group, such as sales, manufacturing, research and development and purchasing. For ensuring speedier and more in-depth interregional information sharing and promoting collaboration with local associates, Honda will steadily and continuously increase the use of English, which is its official language, in meeting materials and general communication, depending on how and by whom particular information is used.
Human Resources Initiatives

Initiatives Related to Diversity

Advancement in Workforce Diversification

Since 2015, Honda has been positioning and promoting workforce diversification as a company-wide priority task toward demonstrating the total strength of its workforce. “People” play a main role in achieving the 2030 Vision. In addition to the experience and technology that have supported Honda’s growth to date, it is now essential to spur innovation through the fusion of diverse values.

In January 2015, the Company established the Diversity Promotion Office, an organization specialized in diversifying Honda’s workforce. In Japan, Honda first embarked on the expansion of women’s participation. During the period from 2015 to 2017, which the Company regards as a phase to build awareness, Honda has established a foundation to realize a world where people can equally develop their careers regardless of gender. In FY2019, the scope of efforts has extended from female associates to all associates, and Honda is moving on to the next phase of evolution and expansion. It has been strengthening its efforts for all associates, including superiors responsible for managing diverse human resources, experienced associates making up the majority of its workforce, people with disabilities and the LGBT community.

Promoting Diversity Management

Honda defines diversity management as the establishment of a framework that makes effective use of diverse members. In addition to recruiting diverse human resources, it is crucial to accept their diversity and respect individuality. Honda is proceeding with organizational management that draws out the independence of members, allows them to share objectives they can relate to and guides them to fully perform their duties. More specifically, Honda’s diversity management initiatives are led by its management in a conscious effort to promote the development of human resources and creation of an organization with a focus on the respect for individuality.

Major Initiatives for Promoting Diversity Management

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Lecture on diversity management</th>
<th>Training for cultivating superiors’ diversity skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aim</td>
<td>Foster an appropriate work climate to accept, nurture and leverage diversity</td>
<td>Identify their own challenges to clarify the way they want to be and learn how to achieve that goal</td>
</tr>
<tr>
<td>Target</td>
<td>Associates holding division manager or equivalent positions and those in management positions</td>
<td>Associates holding division manager or equivalent positions</td>
</tr>
<tr>
<td>Number of participants</td>
<td>Total of about 1,500 over the two years since 2018</td>
<td>Total of about 160 over the two years since 2018</td>
</tr>
<tr>
<td>Duration</td>
<td>2 hours</td>
<td>7 hours/session x 4 days</td>
</tr>
</tbody>
</table>
Human Resources Initiatives

Meaning of Expanding Women's Participation

In Japan, Honda has been working to expand women's roles since 2007 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% in the 2005 base year to 7.9%.

Honda carries out business operations globally, but the participation of women remains low in Japan compared with other business sites. 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 has been striving 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.
Human Resources Initiatives

Initiatives for Expanding Women’s Participation

In order to accelerate the expansion of women’s participation, Honda has been promoting initiatives under three pillars: “Build awareness and foster an appropriate work climate,” “Support career building” and “Create an appropriate environment and systems.” Through its efforts undertaken over the three years since 2015, Honda has steadily increased associates’ awareness for the idea of workforce diversity and the meaning of expanding women’s participation, and is beginning to achieve some concrete results. As an example of an external evaluation, Honda received the second level (★★) “L-boshi” certification from the Ministry of Health, Labour and Welfare as a female-friendly company in August 2018. In March 2019, Honda was selected for the Ministry of Economy, Trade and Industry’s New Diversity Management Selection 100. The designation is designed to increase the number of companies engaging in diversity management and to award those achieving value creation by leveraging the abilities of diverse human resources. Honda also supports the provisions of the Women’s Empowerment Principles (WEPs), a set of principles for companies voluntarily promoting women’s empowerment.

<table>
<thead>
<tr>
<th>Pillars of initiatives</th>
<th>Objective</th>
<th>Target</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build awareness and foster an appropriate work climate</td>
<td>Increase women’s participation</td>
<td>Management-level associates</td>
<td>Lecture for increasing women’s participation (about 30 participants)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female associates</td>
<td>Lectures and seminars (total of 39 times from 2015 to 2018; 3,600 participants)</td>
</tr>
<tr>
<td>Hold company-wide diversity exchange events</td>
<td>Associates in management positions</td>
<td>All associates</td>
<td>Shira of Work – Seminar to Raise Awareness for Self-Reliant Human Resources (total of 31 times from 2015 to 2017; 2,700 participants)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Female associates</td>
<td>Diversity Forum 2016 (total participation of about 30 associates)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chief supervisors</td>
<td>Diversity Forum (total participation of about 500 associates)</td>
</tr>
<tr>
<td>Foster an appropriate work climate and build work style awareness</td>
<td>Management-level associates</td>
<td>Members of company management</td>
<td>Work climate and work style lecture (total of 19 times; about 800 participants)</td>
</tr>
<tr>
<td>Support career building</td>
<td>Nurture associates with a focus on the individual</td>
<td>Female associates</td>
<td>Introduction of career development plans. Individual interviews with career advisors with a total of about 2,400 female associates over the five years since 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Applicants</td>
<td>Management support workshop (total of 7 times; about 100 participants)</td>
</tr>
<tr>
<td>Support associates in child-rearing years</td>
<td>Associates taking maternity leave and/or child care leave</td>
<td>Other than above</td>
<td>Career theme training for middle- and higher-level associates and career base training for young associates (total of 31 times; 700 participants)</td>
</tr>
<tr>
<td>Create an appropriate environment and systems</td>
<td>Associates engaging in child care or nursing care</td>
<td>Associates in child-rearing and nursing-care years</td>
<td>Half-day paid leave system (for all associates); further enhancement of the system of working at home (since April 2017); enhancement of the system of short working hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Associates in child-rearing and nursing-care years</td>
<td>System to provide financial support for child care; enhancement of children’s nursing care leave (since June 2017)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Establishment of fixed-shift system for shift work associates at manufacturing workplaces (since April 2019)</td>
</tr>
<tr>
<td></td>
<td>Associates leaving their job following a transfer of their spouses</td>
<td>Associates leaving their job following a transfer of their spouses</td>
<td>A system of transfer and a system of leave to accompany their spouses (since April 2019)</td>
</tr>
</tbody>
</table>

* A certification program under the Act on Promotion of Women’s Participation and Advancement in the Workplace. Among companies which have created and submitted an action plan, the Ministry of Health, Labour and Welfare certifies those showing excellent progress in implementing initiatives for increasing women’s participation.
Human Resources Initiatives

Initiatives for LGBT Associates

Honda respects diversity in terms of gender identity, sexual orientation and a sense of value. To create an environment that allows individual associates to remain true to themselves and demonstrate their abilities to the fullest, the Company has proactively been working to promote an understanding and acceptance of gender diversity since 2019. Honda is also promoting corporate activities to facilitate society’s understanding of LGBT. As a specific effort, the Company is supporting LGBT-related and other events.

Increasing Opportunities for Experienced Associates to Expand Their Roles

In promoting age-based diversity, Honda seeks to expand opportunities of active participation for every associate regardless of age. In order for Honda to maximize its comprehensive corporate strength toward the realization of the 2030 Vision, each associate needs to adapt to a likely change in his or her work resulting from the anticipated changes in company operations. As experienced associates aged 50 or over, who have supported its growth to date, are growing in numbers, Honda has launched career story training that focuses on individuals, rather than treating them as a group. The program offers an opportunity for individual associates to think about their career development by themselves.

In terms of the creation of necessary systems, Honda introduced a flexible retirement system in April 2017 to allow associates to choose when to retire (up to the age of 65) according to their plan in order to provide a more suitable working environment for people aged 60 and over. In FY2020, 86% of associates who have reached the retirement 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.

Employment of People with Disabilities

Honda actively provides jobs to people with disabilities at its business sites in compliance with laws in each country where it does business.

In Japan, based on the idea of normalization, Honda has led society in promoting the employment of people with disabilities. Honda seeks to enable working people to exert their unique abilities and take an active role in society through their work regardless of the presence or absence of disabilities. Accordingly, the Company has been striving 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 established three affiliates in Japan to empower and provide employment opportunities to people with disabilities: Honda Sun Co., Ltd. in 1981, Kibounosato Honda Co., Ltd. in 1982 and Honda R&D Sun Co., Ltd. in 1992.

Employment of individuals with disabilities at Honda Group companies in Japan in FY2020 stands at 2.3%, or 1,096 individuals, which is above the legally mandated level of 2.2%.
Advancement of Diversification in Employment

As a part of workforce diversification efforts, Honda proactively recruits people with diverse backgrounds, regardless of nationality.

Specifically, Honda has been recruiting foreign exchange students studying at universities and graduate schools in Japan and started a Global Employment Program to hire human resources directly from overseas labor markets.

In the future, Honda will strive to raise the total strength of its global workforce by enabling these diverse human resources to fully demonstrate their abilities.

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

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

In April 2014, Honda 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 has been implementing other initiatives as well to meet diverse needs of individual associates. Specifically, the Company introduced a system of transfer and a system of leave in April 2018 for associates to accompany their spouses being transferred. In April 2019, the Company also extended the scope of its existing system of short working hours, system of working at home and half-day paid leave system. Beginning from April 2020, Honda introduced a system of short-term leave for disease and fertility treatment and a system of long-term leave for fertility treatment.

Honda will continue to establish systems and an environment to accelerate initiatives related to diversity (⇒ p.117) and enable both varied lifestyles and careers desired by individual associates.
Human Resources Initiatives

External Evaluations of Honda’s Initiatives for Promoting Diversity

Selected for the New Diversity Management Selection 100

In March 2019, Honda was commended by the Minister of Economy, Trade and Industry for its diversity management which leads to value creation by leveraging the abilities of diverse human resources.

“L-boshi” Certification

In August 2018, Honda received the “L-boshi” certification from the Japanese Minister of Health, Labour and Welfare as a company promoting the participation of women.

“Kurumin” Certification

In July 2012, Honda received the “Kurumin” certification from the Japanese Minister of Health, Labour and Welfare as a company supporting child-rearing.

Direction of Future Initiatives

In addition to recruiting diverse human resources, Honda views the acceptance of diversity as an integral element of its philosophy on diversity. Honda believes that respect of the individual will help foster individuality and draw out each person’s unique abilities, thus increasing motivation at work.

Honda will maintain its ongoing initiatives to expand the participation of women. At the same time, it will extend their scope to all associates to further advance and expand diversity in the true sense of the word. The Company believes that these initiatives will enable each and every associate to exercise independence and achieve personal growth, which in turn will maximize Honda’s comprehensive strength – the goal of its workforce diversification efforts.
Human Resources Initiatives

Building Healthy Working Environments

Realizing Work Styles That Pursue the Quality of Output and More Effective Use of Time

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 on 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 introduced a system whereby associates are accorded blocks of three to five consecutive paid holidays depending on their years of continuous service.

From the viewpoint of work style reform, Honda is further evolving its initiatives to create a culture and environment that enables diverse human resources to demonstrate their abilities to the fullest in order to pursue the quality of output and make the most effective use of limited time. While implementing appropriate time management, Honda has been making efforts to encourage telecommuting and other flexible work styles for increasing output within a limited amount of time and to raise awareness of both management and associates for streamlining work and promoting the delegation of authority.

As a result, total annual working hours averaged 1,997 per associate in FY2020, and associates averaged 18.8 paid vacation days.

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, family life responsibilities and medical treatment</td>
<td>Honda operates 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 seminar.</td>
</tr>
</tbody>
</table>

DATA

<table>
<thead>
<tr>
<th>HOTLINE</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total working hours per associate and average vacation days taken in Japan</td>
<td></td>
</tr>
</tbody>
</table>

*p.132

*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

Evaluation and Treatment

Personnel Evaluation System

In accordance with Respecting Initiative, Ensuring Fairness and Encouraging Mutual Trust based on the Three Principles of Personnel Management, Honda has introduced to Regional Operations in the six regions human resources evaluation programs adapted to the needs and conditions of each region.

For example, in Japan, Honda places emphasis on two-way communication with supervisors in associate development and evaluation, and all associates have at least three interviews with their supervisors each year. During the first interview in April, associates come out with a clear vision for the future and their direction going forward through their supervisor’s advice. They then work out their individual role based on the organization’s business goals for the fiscal year in question. During interviews in June and December, supervisors evaluate associate performance and initiatives during the preceding six months and feed back each associate’s strengths and weaknesses. Additionally, by facilitating a discussion of subjects such as future objectives and career directions, the interviews pave the way for associates’ skill development and raising motivation.

Compensation and Incentives

Based on the Three Principles of Personnel Management, Honda gives its associates equal opportunities to make the most of their individual potential and carefully evaluate their abilities and accomplishments at business sites regardless of personal factors. Honda’s compensation and evaluation system is built in line with the above approach in consideration of the needs and conditions of each region.

Honda in Japan has adopted a compensation and evaluation system in which performance of general associates is evaluated in two stages: development of abilities and demonstration of abilities. In the former stage, Honda places emphasis more on how associates’ abilities evolve, whereas associates’ demonstration of abilities and achievement are focused on in the latter stage. An annual salary system is applied to compensation for associates in management positions or higher. The higher their positions are, the more their accomplishments and company performance are taken into consideration.

DATA

<table>
<thead>
<tr>
<th>Percentage of performance-based remuneration in Japan</th>
<th>Starting salary in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; p.132</td>
<td>&gt; p.132</td>
</tr>
</tbody>
</table>

Human Resources Data
**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.

**Measurement of Associate Engagement**

Honda measures associate engagement in all regions to obtain associate feedback for building a healthier work environment. The measurement is conducted based on the common criteria within each region, with the target of achieving a “very good” engagement level of associates working at Honda. The measurement results are used as basic data in activities to create a work environment in which each associate shines and demonstrates individuality.

In Japan, along with conducting the associate survey every three years, Honda started measuring associates’ engagement level in 2018 to monitor changes over time. The results are fed back to each workplace. By encouraging each workplace to undertake initiatives to invigorate people and organizations, Honda aims to create an environment that provides greater motivation at work for diverse human resources.

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**Occupational Safety and Health**

Honda’s efforts to build a safe and secure work environment have their origin in the Company Principle formulated in 1956. They are also based on the Fundamental Beliefs of “Respect for the Individual” and “The Three Joys.”

Under the fundamental safety principle of “no safety, no production,” which has been passed on since its founding, Honda seeks to realize a work environment that brings the joy that all people can work with a true sense of security.

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. To eliminate serious industrial accidents in Japan and overseas, Group companies also promote activities aimed at preventing industrial accidents and their recurrence, as well as ensuring the health of associates.

Honda and its associates act in accordance with the Honda Code of Conduct (p. 45), which outlines the behavior to be practiced by associates around the world. In the field of safety and health, Honda strives to create a health and safety workplace, while each associate works to maintain such a workplace and to prevent accidents from occurring or recurring.

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

Honda’s policy
Honda will provide a health and safety 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 health and safety 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 controls for safety.

For production activities, in particular, Honda aims to increase the effectiveness of safety management in each country and region. To this end, the Regional Operations take the lead in carrying out proactive activities by focusing on the implementation of an occupational health and safety management system, diffusion and execution of risk assessment and the establishment of explosion and fire prevention measures.

Honda also conducts occupational health and safety audits and reviews based on a plan to share recognition of health and safety management. At the same time, the Company strives to improve the management system as well as to develop human resources for safety control in each country and region.

DATA

- Frequency rate of lost workday injuries
  > p.132

- Number of Industry Accident Fatalities (in Japan and Overseas)
  > p.132

Health and Safety Governance Structure

As a workplace health and safety governance structure, Honda has established a Health and Safety Committee, led by the Health and Safety Management Division, to enforce safety and health governance. Issues are shared and discussed jointly among labor and management for establishing a system to realize a safe and comfortable work environment.

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 OSHMS in order to ensure continuous and voluntary health and safety management and constantly improve the level of health and safety at its workplaces.

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 an OSHMS is operated in workplaces; 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 workplaces. These audits also check the implementation and management status of various requirements following revisions to relevant laws.

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.

* A standard for occupational health and safety formulated by an international consortium
Creating working environment criteria

Honda stipulates workshop environmental criteria in its Comfortable Workplace Guidelines and Hazardous Operations Management Regulations. In accordance with the three basic items of work and health management*, the Company performs periodic inspections and improvements to appropriately maintain and manage its working environments.

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 business site also provides various training programs for its associates.

Diagram of Honda's health and safety training scheme (production activities)

Human Resources Initiatives

Each Associate Working Safely and Energetically While Remaining Healthy Both Physically and Mentally

Honda hopes that all of its associates remain healthy in the same way we strive for safety.

Honda aims to become a company in which each associate works safely and energetically while remaining healthy both physically and mentally as they make their own efforts to maintain and promote their health for their own future in a comfortable work environment.

Toward achieving this goal, a Health Statement has been announced by Honda's president. Also, various health promotion measures are being strengthened, including raising self-awareness for health, educating managers and supervisors and providing occupational health education.

Medical Checkups

With the aim of maintaining the health of its associates, Honda provides options to receive cancer examinations (stomach, bowel and uterus) in addition to legally mandated periodic health checkups. For associates aged 50 and 55, Honda also provides an opportunity to receive a more thorough medical checkup, which includes detailed brain and lung examinations as desired.

Measures for Prevention of Adult On-Set Diseases

In order to help associates maintain good lifestyle habits so that each can shine and work with pride, Honda has been undertaking various initiatives matched to the needs and conditions of each workplace, including health awareness events and individual health guidance.

*Refers to working environment management, work management and health management and constitutes the fundamental approach to work and health management.
Activities toward ensuring that no smoking would be allowed on the premises by 2023

Ensuring the health of our customers and associates is the topmost priority for us, and to put in place measures to prevent any effects of “unwanted passive smoking” on their health, we at Honda are currently working toward the goal that no smoking would be allowed on the premises of all our operation bases inside Japan, starting in April 2023. During the time until this ban on smoking on our premises takes effect, we will promote various related educational activities as a way to help gain the understanding of both smokers and nonsmokers on what unwanted passive smoking is all about. Support will also be provided to help any willing current smokers kick their habit, in collaboration with related divisions such as the divisions in charge of health management.

Activities to provide support for the associates’ eating habits

Our cafeteria menus show numerical figures for caloric intake, vegetable intake, and the salt content of each individual dish, enabling each associate to choose their dishes with an awareness of the intake levels. Included in the menus are nutritionally well-balanced “Health-oriented Dishes,” offering limited caloric intake and salt content. Our menus also offer “Vegetable Specials” that provide half the vegetable intake necessary for a day, and well-balanced and low-calorie “Healthy Dishes,” adding creative touches so that the associates could focus more on what they eat daily. Furthermore, as an initiative to heighten associates’ interest in their eating habits, there is a “Healthy Food Day” once a month at the cafeterias, which on this day offer even more health-conscious “Nice Meals” for all of the cafeterias’ course meals.

Collaboration with the Health Insurance Association

Introducing the Healthy Point Program

The Honda Health Insurance Association works under the idea of “realizing a healthy and spiritually-rich life.”

Toward this goal, the Association introduced a Healthy Point Program as an incentive scheme to support associates who are making efforts to prevent diseases and improve their lifestyle habits.

Additionally, 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, foster self-awareness for one’s own health and encourage voluntary health promotion efforts. This portal site is accessible from personal computers and smartphones, which allows associates to view their health checkup results of the past five years and keep track of their individual, daily health promotion efforts, including pedometer records, meals and blood pressure.

Walking events are also held to provide motivation for associates to start health promotion activities. For reinforcing specific health guidance, the Association and each business site are collaborating to set up a system to make it easier for associates to receive health checkups and guidance.
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.

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 business sites has also established its own workplace 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 work after taking time off.” The Company also distributes leaflets and pamphlets to associates aimed at facilitating an understanding of mental health care.

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 classes. For “encouraging exercise,” the menu offers such services as using fitness and sports facilities and participating in sporting events.
### Human Resources Data

#### Consolidated number of associates

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>64,755</td>
<td>66,507</td>
<td>67,144</td>
</tr>
<tr>
<td>North America</td>
<td>54,044</td>
<td>55,076</td>
<td>52,598</td>
</tr>
<tr>
<td>South America</td>
<td>14,271</td>
<td>14,835</td>
<td>15,870</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>8,591</td>
<td>9,118</td>
<td>8,658</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>55,845</td>
<td>57,012</td>
<td>57,320</td>
</tr>
<tr>
<td>China</td>
<td>18,132</td>
<td>17,174</td>
<td>17,084</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>215,638</td>
<td>219,722</td>
<td>218,674</td>
</tr>
</tbody>
</table>

#### Number of new permanent associates

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1,372</td>
<td>1,529</td>
<td>1,485</td>
</tr>
<tr>
<td>Male</td>
<td>1,165</td>
<td>1,294</td>
<td>1,234</td>
</tr>
<tr>
<td>Female</td>
<td>207</td>
<td>235</td>
<td>251</td>
</tr>
<tr>
<td>North America</td>
<td>5,037</td>
<td>4,456</td>
<td>2,549</td>
</tr>
<tr>
<td>Male</td>
<td>3,537</td>
<td>3,176</td>
<td>1,731</td>
</tr>
<tr>
<td>Female</td>
<td>1,500</td>
<td>1,280</td>
<td>818</td>
</tr>
<tr>
<td>South America</td>
<td>578</td>
<td>992</td>
<td>1,428</td>
</tr>
<tr>
<td>Male</td>
<td>480</td>
<td>820</td>
<td>1,191</td>
</tr>
<tr>
<td>Female</td>
<td>98</td>
<td>172</td>
<td>237</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>819</td>
<td>739</td>
<td>158</td>
</tr>
<tr>
<td>Male</td>
<td>677</td>
<td>589</td>
<td>101</td>
</tr>
<tr>
<td>Female</td>
<td>142</td>
<td>150</td>
<td>57</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>480</td>
<td>820</td>
<td>1,191</td>
</tr>
<tr>
<td>Male</td>
<td>98</td>
<td>172</td>
<td>237</td>
</tr>
<tr>
<td>Female</td>
<td>480</td>
<td>820</td>
<td>1,191</td>
</tr>
<tr>
<td>China</td>
<td>5,545</td>
<td>8,986</td>
<td>2,141</td>
</tr>
<tr>
<td>Male</td>
<td>5,208</td>
<td>7,972</td>
<td>1,837</td>
</tr>
<tr>
<td>Female</td>
<td>337</td>
<td>1,014</td>
<td>304</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1.5</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Male</td>
<td>1.4</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Female</td>
<td>2.5</td>
<td>2.9</td>
<td>2.4</td>
</tr>
<tr>
<td>North America</td>
<td>10.5</td>
<td>11.7</td>
<td>11.2</td>
</tr>
<tr>
<td>South America</td>
<td>5.9</td>
<td>5.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>4.7</td>
<td>2.9</td>
<td>6.6</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>3.9</td>
<td>2.2</td>
<td>5.7</td>
</tr>
<tr>
<td>China</td>
<td>6.9</td>
<td>6.3</td>
<td>5.8</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>59</td>
</tr>
<tr>
<td>South America</td>
<td>48</td>
</tr>
<tr>
<td>Europe</td>
<td>46</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>38</td>
</tr>
<tr>
<td>China</td>
<td>3</td>
</tr>
</tbody>
</table>

#### Number of associates by gender

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>48,512</td>
<td>49,202</td>
<td>48,369</td>
</tr>
<tr>
<td>Male</td>
<td>44,712</td>
<td>45,107</td>
<td>44,257</td>
</tr>
<tr>
<td>Female</td>
<td>3,800</td>
<td>4,005</td>
<td>4,112</td>
</tr>
<tr>
<td>North America</td>
<td>5,037</td>
<td>4,456</td>
<td>2,549</td>
</tr>
<tr>
<td>Male</td>
<td>3,537</td>
<td>3,176</td>
<td>1,731</td>
</tr>
<tr>
<td>Female</td>
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<td>1,280</td>
<td>818</td>
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<tr>
<td>South America</td>
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<td>992</td>
<td>1,428</td>
</tr>
<tr>
<td>Male</td>
<td>480</td>
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<td>1,191</td>
</tr>
<tr>
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<td>98</td>
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<td>237</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
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<td>739</td>
<td>158</td>
</tr>
<tr>
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<td>101</td>
</tr>
<tr>
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<td>142</td>
<td>150</td>
<td>57</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
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<td>820</td>
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</tr>
<tr>
<td>Male</td>
<td>98</td>
<td>172</td>
<td>237</td>
</tr>
<tr>
<td>Female</td>
<td>480</td>
<td>820</td>
<td>1,191</td>
</tr>
<tr>
<td>China</td>
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<td>2,141</td>
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<tr>
<td>Male</td>
<td>5,208</td>
<td>7,972</td>
<td>1,837</td>
</tr>
<tr>
<td>Female</td>
<td>337</td>
<td>1,014</td>
<td>304</td>
</tr>
</tbody>
</table>

#### Number of associates by employment contract and type

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>41,741</td>
<td>42,550</td>
<td>43,173</td>
</tr>
<tr>
<td>Permanent</td>
<td>6,667</td>
<td>6,475</td>
<td>5,151</td>
</tr>
<tr>
<td>Non-permanent</td>
<td>48,304</td>
<td>48,848</td>
<td>48,142</td>
</tr>
<tr>
<td>Full-time</td>
<td>104</td>
<td>177</td>
<td>182</td>
</tr>
<tr>
<td>Part-time</td>
<td>104</td>
<td>177</td>
<td>182</td>
</tr>
</tbody>
</table>

*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.*

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**Consolidated number of associates**

**Number of new permanent associates**

**Attribution rate (%) (including compulsory retirees)**

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

**Number of associates by gender**

**Number of associates by employment contract and type**

Amounts are approximate estimates.
### Human Resources Data

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

<table>
<thead>
<tr>
<th>FY2015 (base year)</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compared with FY2015 (times)</td>
<td>1.00</td>
<td>1.40</td>
<td>1.90</td>
</tr>
</tbody>
</table>

#### Percentage of women in the Honda workplace: FY2020

<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>7.9</td>
<td>1.2</td>
</tr>
<tr>
<td>North America</td>
<td>24.9</td>
<td>15.7</td>
</tr>
<tr>
<td>South America</td>
<td>12.7</td>
<td>10.5</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>17.4</td>
<td>14.7</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>12.1</td>
<td>8.2</td>
</tr>
<tr>
<td>China</td>
<td>12.3</td>
<td>12.6</td>
</tr>
<tr>
<td>Total</td>
<td>13.8</td>
<td>8.0</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>General associates</th>
<th>Base salary (Female : Male)</th>
<th>Total compensation (Female : Male)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1:1.18</td>
<td>1:1.34</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 persons over 60 employed by Honda in Japan

<table>
<thead>
<tr>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of persons</td>
<td>711</td>
<td>729</td>
<td>1,097</td>
<td>1,155</td>
</tr>
</tbody>
</table>

*Includes persons who turned 60 and continued employment in each fiscal year

#### Number of associates with disabilities and percentage of employment of individuals with disabilities in Japan

<table>
<thead>
<tr>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of associates</td>
<td>1,094</td>
<td>1,073</td>
<td>1,041</td>
<td>1,055</td>
</tr>
<tr>
<td>Percentage of employment</td>
<td>2.30</td>
<td>2.32</td>
<td>2.31</td>
<td>2.32</td>
</tr>
</tbody>
</table>

*Law governing the employment of people with disabilities stipulate that employment of one individual with a serious disability is equivalent to employing two less severely disabled individuals for purposes of calculating the number of associates with disabilities and percentage of employment. Data depicted in the table are current as of June 1 of each year.
Human Resources Data

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

<table>
<thead>
<tr>
<th>Region</th>
<th>FY2016</th>
<th>FY2017</th>
<th>FY2018</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total working hours per associate</td>
<td>1,964</td>
<td>1,954</td>
<td>1,932</td>
<td>1,909</td>
<td>1,997</td>
</tr>
<tr>
<td>Average paid vacation days taken</td>
<td>18.4</td>
<td>19.0</td>
<td>18.7</td>
<td>19.3</td>
<td>18.8</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>98.0</td>
</tr>
<tr>
<td>South America</td>
<td>100.0</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>100.0</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>100.0</td>
</tr>
<tr>
<td>China</td>
<td>100.0</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>98.0</td>
</tr>
<tr>
<td>South America</td>
<td>100.0</td>
</tr>
<tr>
<td>Europe/Africa/Middle East</td>
<td>100.0</td>
</tr>
<tr>
<td>Asia &amp; Oceania</td>
<td>100.0</td>
</tr>
<tr>
<td>China</td>
<td>100.0</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>50*</td>
</tr>
<tr>
<td>Management positions</td>
<td>37</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>Level</th>
<th>Monthly salary (yen)</th>
<th>Compared to minimum wage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High school</td>
<td>177,800</td>
<td>108</td>
</tr>
<tr>
<td>Technical college and junior college</td>
<td>198,900</td>
<td>121</td>
</tr>
<tr>
<td>Undergraduate</td>
<td>222,300</td>
<td>135</td>
</tr>
<tr>
<td>Graduate school (Master’s degree)</td>
<td>248,800</td>
<td>151</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 (1,013 yen/hour). This is a graded salary system and there is no difference in salary for males and females with the same qualification level.

Associate engagement in Japan (Total of 24 questions in six categories; average on a scale of 1 to 5)

<table>
<thead>
<tr>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>All associates</td>
<td>3.46</td>
</tr>
<tr>
<td>Male</td>
<td>3.47</td>
</tr>
<tr>
<td>Female</td>
<td>3.44</td>
</tr>
</tbody>
</table>

Percentage of respondents for all associates

<table>
<thead>
<tr>
<th>Percentage of respondents for all associates</th>
<th>FY2019</th>
<th>FY2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>96.2%</td>
<td>97.7%</td>
<td></td>
</tr>
</tbody>
</table>

Number of participants in training related to health and safety standards

- Health-related training: 767
- Education for Company-wide Safety and Health Audit Committee members: 7
- Education for associates newly promoted to management positions: 304
- Training for newly appointed officers (in charge of occupational health and safety, traffic or fire and disaster prevention): 71

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 7 production bases in Japan and 62 overseas production bases
- 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

Number of industry accident fatalities (in Japan and overseas)

- Overseas
- In Japan
Honda’s Declaration on Health Promotion

Each person staying healthy is the starting point for creating a truly strong Team Honda.

A00 (Basic requirement) for ensuring “Lifelong health”
We will be a company where “each associate can maintain their physical and mental health as they work with their full strength in safe conditions.” To achieve this, a pleasant workplace environment will be ensured for everyone, who will take the initiative in maintaining their own physical and mental health with their future clearly in view.

The steps for ensuring your “Lifelong Health”
To keep working in high spirits = To stay healthy: This is not only important for each person him/herself but is also one of the most significant factors for ensuring sustained growth for the workplace and the company. As a way of ensuring “lifelong health” for everyone, we have set the following 3 Pillars and the 5 Matters for Better Health Management, as we embark on the activities toward more health-oriented corporate management.

The 3 Pillars of Honda’s health-oriented corporate management activities
1. Promote more educational activities on how each individual can work toward becoming healthier and staying healthy; Provide more feedback on results of the periodic health checkups and physical fitness tests
   - “Promote further education of the associates through educational videos and periodic publications”
   - “Examine the initiatives for carrying out physical fitness tests during working hours”
2. Conduct activities involving the whole workplace for promoting more health awareness
   • “Make more visible (transparency) the current conditions of physical and mental health of everyone in the organization”
   To further reinforce the duty of care of managers and supervisors, we will utilize revealed data, and will implement activities for further promoting health awareness of all members of the organization and encouraging more related communication. In fiscal 2019, we implemented such activities in advance in the production areas (shopfloors), and we will gradually expand the activities to cover all areas.
3. Promote activities for continuously improving the workplace environment
   • Set aside one day each month as “Healthy Food Day” at the company cafeterias, and expand and improve the healthy dishes on the menus.
   • Toward the goal of achieving a “Ban on all smoking on the premises by 2030,” reduce to zero any unwanted passive smoking for the associates
   • In collaboration with the Honda Health Insurance Association and other organizations, implement various other health promotion measures

The 5 Matters for Better Health Management
1. Enough good quality sleep
2. Nutritionally well-balanced meals
3. The habit of regular physical exercise
4. No smoking
5. Only moderate drinking

April 1, 2020
Takahiro Hachigo
President and Representative Director
Honda Motor Co., Ltd.
Material Issues

- Responding to climate change and energy issues
- Deploying total supply chain sustainability initiatives
Basic Approach

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, Honda will actively promote sustainable initiatives at its development and manufacturing facilities in cooperation with all its suppliers around the world. By doing so, Honda is seeking to realize a supply chain where Honda co-exists and co-prospers with local communities as “a company that society wants to exist.”

Honda is striving to strengthen supply chain sustainability mainly in the areas of purchasing and logistics.
At Honda, many parts that are used in its products are transported from suppliers to its plants. Likewise, the completed models as well as parts for services and repairs are sent directly from the plants to dealers.

Due to the extremely large volume of transportation that takes place throughout the manufacturing process at Honda, increasing efficiency, along with reducing environmental burden, compliance and risk management in logistics, are becoming critical issues. For instance, to reduce environmental burden Honda is seeking more efficient container transport.

### Overview of Honda logistics

![Diagram showing supply chain logistics at Honda](https://example.com/supply-chain-diagram.png)

*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.
Integrated Management Framework Transcending Divisions and Regions

Honda is promoting the reduction of environmental burden derived from logistics as well as compliance and risk management through a global organization. This body has teamed up with logistics-related divisions and the six regional headquarters worldwide to formulate policies and carry out strategies for tackling the various logistics-related pending issues and challenges. The aim is to manage the challenges, including environmental response for CO₂ reduction, management of transportation companies, response to laws and regulations, insurance policy and risk management, in an integrated fashion.

Logistics global management framework
When exporting automotive parts from the United States, Honda had sought to improve transport efficiency and reduce environmental burden by having suppliers send them to the Honda Distribution Center to maximize the container loading rate. Now, Honda is exploring ways for improvement to further reduce environmental burden. One such initiative is to transport automotive parts directly to the port if the container loading rate is already high at the time of shipment at suppliers and if these suppliers are located closer to the port in order to shorten the transport distance.
Technological Advancement of Packaging Materials

Honda exports (supplies) parts between factories across different countries and regions, and conducts assembly of vehicles and equipment in the importing countries. Such export of parts involves usage of packaging materials, which are classified into outer case and inner container.

In the past, these packaging materials were disposed of in the importing country. To counter this, Honda has innovated packaging technology to reuse containers and reduce the weight of packaging materials, thereby reducing both waste and CO₂ output.

Image of updating of packaging specifications

<table>
<thead>
<tr>
<th>Outer case</th>
<th>Use</th>
<th>Evolution of packaging techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case to be loaded onto containers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inner container</th>
<th>Use</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Container to pack parts, which is then enclosed in an outer case</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Use of thin, light cardboard boxes; shift to returnable containers
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.
Global Management of Purchasing

Establishment of Guidelines

The Company published the Honda Supplier Sustainability 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 on the right.)

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance along with reducing its 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 Kaizen Proposal Line (⇒ p. 46), 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 (QCDD), human rights, labor, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

Changes in purchasing practices

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

- 1950s
- 1960s
- 1990s
- 2000s
- 2010
- 2015

- Established Purchasing Belief and Three Purchasing Principles
- 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)
- Revised the Purchasing Belief, the Three Purchasing Principles and the Purchasing Code of Conduct (2015)
- Issued the Honda Supplier Sustainability Guidelines (2018) Reviewed the content of the Honda Supplier CSR Guidelines and renamed as Sustainability Guidelines
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 2016, 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. Through these meetings, collaboration between Purchasing Operations and each of the regional and business operation is promoted, enabling implementation of the PDCA cycle on a global scale.

Honda's global purchasing network

Global meeting structure

Regional distribution of purchasing volume (FY2020)

China 29%
Japan 17%
North America 31%
Asia & Oceania 19%
Europe 2%
South America 2%
Global Management of Purchasing

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 FY2020, 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.
Purchasing Initiatives

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.

Management of CO₂ Data

In order to increase the effectiveness of reductions in environmental impacts in the supply chain, Honda established a system for the integrated management of data on reduction in CO₂ emissions at suppliers in FY2012 and commenced full-scale operation in FY2015. Since FY2018, Honda has been taking part in CDP’s supply chain program (an international initiative by institutional investors requesting companies for disclosure of information on climate change policies) to share similar data.

Honda is using these tools 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 2019, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using these tools.

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 together with suppliers to reduce environmental impact, that is, reduction of CO₂ emissions and efficient use of resources in each region.

In Japan, Honda sets a specific numerical CO₂ target of its group suppliers and promotes reduction initiatives in partnership with them.

In FY2019, Honda began an initiative concerning the management of water and waste targets (maintain or improve FY2018 results). As part of this initiative, Honda progressively started the “Supplier Visit on Environment Effort.” For this initiative, Honda visits each group supplier’s site to confirm the results of efforts to reduce environmental impact and their environmental activities at production sites. This is also a good opportunity for Honda and its group suppliers to share information with each other. Honda actively works with group suppliers to promote efforts to achieve its goals.
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 are meeting 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, including natural disasters, fires, financial issues and labor issues within the supply chain, as risks. Accordingly, the Company works to reduce these risks and prevent the spread of any impact if they materialize throughout the supply chain, beginning with the procurement of components and materials. For example, Honda defines all components and materials that are dependent on production at one facility as Mission-Critical Parts, and inspections and countermeasures are implemented continually 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.
Honda distributed a checklist to suppliers requesting independent inspection in order to confirm the status of initiatives relative to guidelines.

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 survey and an on-site check.

For the written survey, 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.
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 working groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain. They are the Responsible Sourcing working group, the Sustainability working group, the GHG working group and the Chemical Management working group. The sub working group to Responsible Sourcing is the Working Conditions working group, which Honda co-chairs, promotes training for suppliers. Since 2012, 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 North America.

In addition, Honda participates in AIAG’s Corporate Responsibility Steering Committee to proactively identify issues, needs and trends in and outside the automobile industry.

Dialogue with Suppliers

In April 2019, Honda convened a Sustainability Information Sharing Meeting, where it shared current social trends and provided feedback on the results of inspections at business partners in accordance with the Honda Supplier Sustainability 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 FY2020, meetings were held in 26 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 333 suppliers attended the conference held in January 2020. At the conference, Honda explained both company-wide policies and purchasing policies for the motorcycle, automobile and life creation 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 North America, Honda presents the Sustainability Award to suppliers who made the greatest contributions in social areas such as compliance, safety and health, community contribution activities, the environment, diversity and human rights.

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Purchasing Initiatives

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.
7 Social Contribution Activities
Honda Social Contribution Activities

Since the Company was founded, Honda has sought to contribute to society and customers by creating quality products and technologies while coexisting harmoniously with the communities that host its operations. In the 1960s, while the Company was still in a period of early growth, Honda began to launch philanthropic initiatives designed to strengthen ties with local communities.

Currently, Honda undertakes various social contribution activities in the seven regions of the Company’s worldwide operations, aiming to share joy with people all around the world and to become a company society wants to exist. Honda also strives to support initiatives that reflect local circumstances in its corporate activities overseas. In order to be able to share joy, Honda will continue to pursue various social contribution activities while communicating with customers and local residents.

Basic Approach

In 2006, Honda formulated basic principles and directions of Honda philanthropy for its social contribution activities. Under this policy, in every part of the world, the Company has carried out initiatives adapted to the circumstances of various regions, with the aim of creating future societies “That are Full of Dreams.”

After reviewing in 2018 the activities in response to a changing environment, Honda formulated its Global Policy for Social Contribution Activities. Accordingly, it engages in activities that have greater unity; at the same time, it is strengthening its global networks with the aim of realizing its 2030 Vision to “serve people worldwide with the joy of expanding their life’s potential.”

Based on its fundamental principles of “Respect for the Individual” and “the Three Joys,” Honda seeks to improve the quality of people’s daily lives around the world. In order to share this joy, the Company hopes that its associates will strive to accelerate their initiatives worldwide.
Honda’s Global System for Social Contribution Activities

Honda’s social contribution activities are centered on four core policies: supporting our youth for the future; protecting the global environment; promoting traffic safety; and addressing local community needs. Based on these policies, the entire Honda Group engages in activities that recognize the value of its bonds with local communities.

Honda pursues a variety of activities in seven regions, taking maximum advantage of its resources in line with its Global Policy for Social Contribution Activities.

To strengthen Honda’s global networks, the Social Contribution Activities & Operations Office in the Human Resources and Corporate Governance Operations Corporate Affairs Division gathers activity data from across the seven regions, shares activity policies and works together with the Brand and Communication Operations for coordinated communication of information.

Going forward, the Honda Group intends to fulfill its responsibilities as a corporate citizen; to this end, the Group will continue its efforts to create future societies “That are Full of Dreams” and, hand in hand with local residents under globally coordinated initiatives, it will continue to promote a wide range of activities.
Social Contribution Activities Initiatives

Japan

[Protecting the Global Environment]

Beach Cleanup Projects Implemented by the Honda Group across Japan

Based on a desire to use company technologies to benefit the world, Honda developed the Beach Cleaner in 2006 that cleans up the beaches without harming their ecosystem. Currently, members of the Honda Group across Japan plan and operate cleanup activities. So far, since getting underway the activities have been carried out at more than 100 locations nationwide, with approximately 7,000 local residents taking part each year. The amount of beach trash collected by the project was 45 tons in FY2020, with the cumulative total since its launch reaching 500 tons. The project seeks both to create beaches that can be walked on barefoot with peace of mind, and to nurture mindsets whereby people pick up rubbish when they see it. Going forward, Honda will continue to provide opportunities to think about the environment in an enjoyable manner.

North America

[Supporting Our Youth for the Future]

Providing Educational Opportunities: Eagle Rock School and Professional Development Center

In 1993, American Honda Motor Co., Inc. opened Eagle Rock School and Professional Development Center. Eagle Rock School is a nationally recognized high school that supports the expansion of educational opportunities for students who have not found success in traditional school settings, as well as research into new educational methods. The school emphasizes experiential education, an integrated curriculum and project-based learning. The companion Professional Development Center (PDC) collaborates with high school educators and administrators around the country who wish to study how to re-engage, retain and graduate students.

Eagle Rock School offering experiential, interactive and individualized classes to each student's unique needs and passions

Class of 2019 at Eagle Rock School celebrating their success and accomplishments

Beach cleanups carried out at about 30 locations nationwide in FY2020
(Photo taken in Nagasaki Prefecture in June 2019)
South America  
[Addressing Local Community Needs]

Participating in “Virada Sustentável” Campaign – Facilitating Learning about Sustainability and Taking an Inspiring Approach

Moto Honda da Amazonia Ltda. participates in the “Virada Sustentável” Campaign (meaning “to become a sustainable society”), which takes place annually in different parts of Manaus City in the Brazilian state of Amazonas. The event provides information and education about sustainability to people of different backgrounds, using an upbeat and inspiring approach to the theme. In the 2019 event, 109 Honda associates took part as supporting volunteers. They took the initiative in cleaning the sandy beaches of the Amazon River and actively supported education activities on the environment and traffic safety for both children and adolescents. Approximately 550 persons participated in the event.

Europe  
[Addressing Local Community Needs]

“Local Hero for Sustainability” Award

In FY2020, Honda Motor Europe Logistics NV (HMEL), based in Aalst, Belgium, was appointed by the city of Aalst as one of just four companies to receive a “Local Hero for Sustainability” award. It was as the result of its 17 years of support for the 17 Sustainable Development Goals (SDGs) of the United Nations. The city recognized HMEL’s environmental activities to date, which included thorough implementation of a recycling project and establishment of efficient transportation routes, and noted how HMEL has reached its sustainability goals while still maintaining economic progress. HMEL also received the “Charter for Sustainability” award in FY2017.
Asia and Oceania

[Promoting Traffic Safety]

Striving for its Best for a Traffic Safety Society: Honda’s Helmet Donation Project

In order to raise awareness about wearing helmets while riding electric bicycles and motorcycles among citizens, especially children leading the future of Vietnam, Honda Vietnam Co., Ltd. (HVN) in cooperation with the National Traffic Safety Committee (NTSC) and the Ministry of Education and Training (MOET) has been carrying out the Helmet Donation Project for first-grade students under the theme “Keep Full Dreams Together” since 2018. Over the course of two years, HVN has donated nearly 4 million helmets directly to all first-grade students nationwide with the wish that these will make them gradually aware of traffic safety and remind their families and communities of complying with helmet-wearing regulations in particular and traffic safety in general. In 2018 alone, the helmet-wearing ratio of 6- to 18-year-old children increased from 35–40% to 52%. In the future, HVN hopes to increase this ratio to 66%.

China

[Protecting the Global Environment]

Afforestation in Inner Mongolia, Where Desertification Is a Major Problem

Honda Motor (China) Co., Ltd. initiated afforestation activities in Inner Mongolia as part of a long-term environmental conservation project. Since 2008, the entire Honda Group in China has been involved in the activities. The project has succeeded in afforesting 967 hectares of land by 2017. In its five-year plan starting from 2018, it aims to afforest an additional 467 hectares.

In 2019, a total of 207 participants, including associates of 16 joint ventures and students who had received support from the Honda Dream Fund, a project that supports the dreams of children growing up in poverty, carried out afforestation activities. These activities provided the participants with an opportunity to experience the Honda Philosophy firsthand.
Social Contribution Activities Initiatives

Africa & Middle East
[Addressing Local Community Needs]

Holding a Motorcycle Safety Seminar in Nigeria

Honda provides a seminar for riders to learn appropriate motorcycle riding and maintenance in Nigeria. The seminar teaches the importance of performing pre-ride checks; appropriate riding posture (when applying a brake or clutch); the benefits of motorcycles that use Honda’s genuine parts and engine oil; and regular maintenance.

Dealers in Nigeria hold this seminar every month, with a total of 4,202 and 6,300 riders participating in 2018 and 2019, respectively. Honda is the only motorcycle manufacturer conducting such an activity in Nigeria. The Company intends to continue the activity to help increase traffic safety in the country if by only slightly.

Honda conducts a variety of other social contribution activities as well. Further details can be found at the following link.

WEB
Honda Social Contribution Activities
https://global.honda/about/sustainability/community.html

Honda’s motorcycle safety seminar in FY2020 receiving 1.5 times more participants than the previous year.
**Performance Report**

**Social Contribution Activities Data**

**Expenditure related to social contribution activities (FY2020)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Expenditure (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disaster relief</td>
<td>760</td>
</tr>
<tr>
<td>Education</td>
<td>1,848</td>
</tr>
<tr>
<td>Environment</td>
<td>874</td>
</tr>
<tr>
<td>Traffic safety</td>
<td>2,847</td>
</tr>
<tr>
<td>Community</td>
<td>3,249</td>
</tr>
<tr>
<td>(Total)</td>
<td>9,578</td>
</tr>
</tbody>
</table>

**How the contribution breaks down (FY2020)**

<table>
<thead>
<tr>
<th>Type</th>
<th>Expenditure (million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>6,857</td>
</tr>
<tr>
<td>Time</td>
<td>251</td>
</tr>
<tr>
<td>In-kind</td>
<td>1,460</td>
</tr>
<tr>
<td>Management costs</td>
<td>1,010</td>
</tr>
<tr>
<td>(Total)</td>
<td>9,578</td>
</tr>
</tbody>
</table>

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**Social Contribution Activities Data**

- Environment: 53
- Safety: 80
- Quality: 94
- Human Resources: 110
- Supply Chain: 134

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**Social Contribution Activities**

**Basic Approach**
- Global Management
- Social Contribution Activities Initiatives

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**Performance Report**

- Environment: 53
- Safety: 80
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**Social Contribution Activities**

- Basic Approach
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