

## CORPORATE GOVERNANCE

HONDA MOTOR CO., LTD.

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Honda Motor Co., Ltd.

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The status of corporate governance at Honda Motor Co., Ltd. (hereinafter, “Honda”, the “Company”) is as follows.

### **I. Basic Approach to Corporate Governance, and Capital Composition, Corporate Attributes and Other Basic Information**

#### **1. Basic Approach**

Honda strives to enhance corporate governance as one of the most important tasks for its management, based on the Company’s basic principle, in order to strengthen the trust of our shareholders/investors, customers and society; encourage timely, decisive and risk-considered decision-making; seek sustainable growth and the enhancement of corporate value over the mid- to long-term; and become “a company that society wants to exist”.

In order to clearly segregate the supervisory function and execution function of management and to strengthen the supervisory function and to enable prompt and flexible decisions, the Company has “Nominating Committee”, “Audit Committee”, and “Compensation Committee,” which each are composed of more than one half

of Outside Directors, and has adopted a company with three committees structure which allows broad delegation of the business execution authority from Board of Directors to the Executive Officers.

We are making efforts to appropriately disclose corporate information including the release and disclosure of quarterly financial results and management policies in a timely and accurate manner to bolster trust and appreciation from shareholders/investors and society. Going forward, we will continue to strive to ensure the transparency of our management.

### **Reasons for non-compliance**

-Supplementary Principle 4.1.2 stating that recognizing that a mid-term business plan is a commitment to shareholders, the board should do their best to achieve the plan.

In order to make the optimum business judgment promptly and flexibly in today's constantly changing business environment and at the same time to disclose information in an ideal way for shareholders and investors to help them understand the Company's business strategies and financial performance correctly, the Company announces the business visions and strategies, as well as business outlook for the single fiscal year.

The Company's midterm business plans are not announced currently: however, the Executive Council decides on a midterm business plans, checks the progress of such plans, conducts analysis, and revises them as necessary. The Board of Directors deliberates and passes the resolution on a midterm business plans developed by the Executive Council, receives reports on the progress and analysis, and supervises the conditions.

### **Disclosure based on each Corporate Governance Code principle**

Based on the Board of Directors resolutions, "Honda Corporate Governance Basic Policies" showing the company's basic concept, framework and implementation policy are determined and posted on our website.

URL of "Honda Corporate Governance Basic Policies":

[https://global.honda/content/dam/site/global/investors/cq\\_img/policy/governance/20210623\\_governance\\_policies\\_e.pdf](https://global.honda/content/dam/site/global/investors/cq_img/policy/governance/20210623_governance_policies_e.pdf)

[Principle 1.4] Basic policy about cross-shareholdings, verification of appropriateness

of the holding, and the voting rights as to the cross-shareholdings

Refer to Article 16 (Basic Policies for Cross-Shareholdings and Exercise of Voting Rights as to Cross-Shareholdings) of the “Honda Corporate Governance Basic Policies.”

[Principle 1.7] Related Party Transactions

Refer to Article 10 (Conflicting Interest Transactions) of the “Honda Corporate Governance Basic Policies.”

[Principle 2.6] Effort for company pension fund to function as an asset owner

- Pension fund management for the Company is conducted by the Honda Corporate Pension Fund (hereinafter, the “Fund”).

- The Fund avoids conflicts of interests between the fund beneficiaries and the Company by entrusting the management of its reserve fund to multiple investors in and out of Japan, and, the portfolio managers of the entrusted investors make investment decisions and exercise voting rights at their discretion.

- In order for the Fund to enhance its specialist knowledge in fund management and to exercise its function such as monitoring against investors sufficiently, the Company dispatches its officer(s) and/or staff with expertise in finance and human resources to the Fund. Moreover, the Company checks soundness of the overall operation of the Fund through the activities such as deliberations of asset management committee held quarterly.

[Principle 3.1]

(1) Business principles, business strategies and business plans

Basic principles: Honda Philosophy is posted on our website.

Business strategies: “2030 vision” is planned and announced in 2017 and goals of realizing “carbon neutrality and zero traffic collision fatalities by 2050” are set and announced.

Business plans: Business forecast for each fiscal year is announced.

(2) Basic views and guidelines on corporate governance

Refer to the “Honda Corporate Governance Basic Policies.”

(3) Basic policies and procedures in determining the remuneration of the Directors and Executive Officers

Refer to Article 13 (Remuneration Policies) of the “Honda Corporate Governance Basic Policies.”

(4) Policies and procedures in the nomination and dismissal of Directors and Executive Officers

Refer to Article 3 (Constitution of the Board of Directors), Article 4 (Directors), Article 6 (Nominating Committee), and Article 12 (Executive Officers) of the “Honda Corporate Governance Basic Policies.”

(5) Explanations with respect to the individual nominations of candidates for Directors

Refer to the “convening notices for general shareholder meetings” posted on our website.

[Supplementary Principles 4.1.1] Matters to be decided by the Board of Directors and the scope of the matters delegated to the Executive Officers

Refer to Article 2 (Roles and Responsibilities of the Board of Directors) and Article 12 (Executive Officers) of the “Honda Corporate Governance Basic Policies.”

[Principle 4.9] Independence Standards and Qualification for Independent Outside Directors

Refer to Annex 1 (Criteria for Independence of Outside Directors) of the “Honda Corporate Governance Basic Policies” and II-1 of this report (Matters Relating to Independent Directors).

[Supplementary Principles 4.11.1] View on the appropriate balance between knowledge, experience and skills of the board as a whole, and also on diversity and appropriate board size

Refer to Article 3 (Constitution of the Board of Directors) and Article 4 (Directors) of the “Honda Corporate Governance Basic Policies.”

[Supplementary Principles 4.11.2] Conditions of the Directors also serving as directors

at other companies

Refer to the “convening notices for general shareholder meetings” and relevant documents posted on our website.

[Supplementary Principles 4.11.3] Evaluation of effectiveness of the Board of Directors

For each fiscal year, the Company’s Board of Directors carries out an evaluation of the Board as a whole for the purpose of checking the current state of its operational capabilities, subsequently, to enhance effectiveness.

The method of evaluation of effectiveness of the Board of Directors for the fiscal year 2020 and outline of the results are as follows:

#### I. Method of evaluation

As in the previous fiscal year, a self-evaluation was conducted by the Company for 2020. Based on the results of a questionnaire and interviews conducted with the Directors, the self-evaluation was deliberated and resolved at the Board of Directors. The self-evaluation questionnaire was prepared under the supervision of outside attorneys. The interviews and the compilation of the results were carried out by outside attorneys as well.

#### II. Results of evaluation

As a result of the evaluation of effectiveness of the Board of Directors, the Board of Directors shared the view that effectiveness of the Board has been further improved by the appropriate constitution of the Board of Directors and enhancing discussion regarding mid- to long term and strategic themes. Further, they also shared the understanding of the need for further improvements of the provision of information on challenges and management strategies amidst the dramatically changing business environment and to have more thorough discussions on management policies from a mid- to long term perspective to further enhance the monitoring capabilities of the Board of Directors.

#### III. Future improvements

Based on results of evaluation for fiscal year 2020, in order to provide information regarding challenges and management strategy amidst the dramatically changing

business environment and to further enhance the discussion on management policy from a mid- to long term perspective, the Company will further enhance the monitoring capabilities of the Board of Directors to increase its effectiveness by conducting improvements in the following directions in 2021.

Directions of main improvements:

1. Enhance discussions regarding specialization and diversity in the Board of Directors;
2. Enhance prior explanations to Outside Directors and improve efficiency of explanations to them at the meetings of the Board of Directors in order to improve quality of discussion of the Board of Directors; and
3. Provide information to Outside Directors regarding matters on which management is concerned and enhance communication and discussion with Outside Directors and with the business execution side.

[Supplementary Principles 4.14.2] Training policy for Directors

Refer to Article 9 (Training for Directors, Executive Officers, and Other Executives) of the “Honda Corporate Governance Basic Policies.”

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

Refer to Article 17 (Policies for Dialogue with Shareholders) and Annex 2 (Policies for Promoting Dialogue with Shareholders) of the “Honda Corporate Governance Basic Policies.”

## 2. Capital Composition

**Percentage of shares held by foreign investors: 30% or more**

### Principal Shareholders

<b>Name or Designation</b>	<b>Number of Shares Held (thousands)</b>	<b>Percentage of Total Shares Issued (%)</b>
The Master Trust Bank of Japan, Ltd. (Trust Account)	164,774	9.50

Custody Bank of Japan, Ltd.(Trust Account)	117,856	6.80
Moxley & Co. LLC	70,044	4.10
SSBTC CLIENT OMNIBUS ACCOUNT	57,133	3.30
Meiji Yasuda Life Insurance Company	51,199	3.00
Tokio Marine & Nichido Fire Insurance Co., Ltd.	35,461	2.10
Nippon Life Insurance Company	28,666	1.70
MUFG Bank, Ltd.	25,680	1.50
State Street Bank West Client Treaty 505234	25,255	1.50
Custody Bank of Japan, Ltd. (Trust Account 5)	24,141	1.40

**Existence of controlling shareholders (excluding the parent company):** —

**Existence of a parent company:** None

**Supplementary explanation:** —

### 3. Corporate Attributes

**Stock Exchange Listings and market classification:** Tokyo Stock Exchange, First Section

**Annual closing of accounts:** March

**Industry classification:** Transportation equipment

**Number of employees (on a consolidated basis) on the closing date of previous fiscal year:** 1,000 or more

**Net sales (consolidated) in the previous fiscal year:** ¥1 trillion

(1,000,000,000,000) or more

**Number of consolidated subsidiaries on the closing date of the previous fiscal year: 300 or more**

#### **4. Guidelines for Measures for Protection of Minority Shareholders when Conducting Transactions, Etc., with Controlling Shareholders**

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#### **5. Other Special Situations That Might Have a Major Influence on Corporate Governance**

##### **(1) Concept of and policies for group management**

The Company shares Honda philosophy with all group companies, aiming to enhance medium- to long-term corporate values and sustainable growth of entire Honda group. While taking its business characteristic and external environment into consideration, the Company runs the business of the group through maximizing the synergistic effect within the group, making decisions promptly, integrating operation of business, etc., and verifies and reviews the group management when necessary.

##### **(2) Reasons for having the listed subsidiaries**

The major areas of business of Yachiyo Industry Co., Ltd. which is a listed subsidiary of the Company (Investment stake: 50.41%) are R&D, production, and sales of fuel tanks and sunroofs for automobiles and exhaust system parts for motorcycles. Also, the major areas of business of Yutaka Giken Co., Ltd. which is a listed subsidiary of the Company (Investment stake: 69.66%) are R&D, production, and sales of drive train parts, exhaust system parts, etc. for automobiles. Yutaka also engages in R&D, production, and sales of motor parts for electric vehicles. Their business contributes to the competitive advantage of Honda products and the value the Company offers to customers.

These companies continue to be listed in order to enhance corporate value improvement considering various stakeholders including general shareholders



other than the Company while using their strength as a Group Company of the Company. The Company continuously examines the optimum capital relationships for the Company and its listed subsidiaries.

(3) Methods to ensure effectiveness of governance system of the listed subsidiaries

To enhance corporate values of the entire Honda group, the Company shares with its subsidiaries the Company's Code of Conduct, the basic policy on development of internal control systems, and the risk management policy.

In addition, the Company developed systems for reporting material matters of the management of subsidiaries to the Company, the systems to accept whistle-blowing reports from management and employees of subsidiaries, and others. The Company gives careful consideration of interest of minority shareholders, for example, by supporting the governance system of the listed subsidiary that effectively accepts and utilizes Independent Outside Directors and setting the business terms based on the arm's length principles with listed subsidiary, and respects the independence of listed subsidiary.

## **II. Overview of Management Supervisory Organization Related to Decision Making, Execution and Supervision and Other Corporate Governance Systems**

### **1. Matters Related to Governance Units and Their Operation, Etc.**

Form of governance organization: Company with three committees

#### **Information on Directors**

Number of Directors specified in the Articles of Incorporation: 15

Term of Directors specified in the Articles of Incorporation: 1 year

Chairperson of the Board of Directors: Chairman

Current number of Directors: 11

#### **Matters related to Outside Directors**

Number of Outside Directors: 5

Number of Directors specified as Independent Directors: 5

**Relationship with the Company (1)**

Name	Affiliation	Relationship with the Company											
		a	b	c	d	e	f	g	h	i	j	k	
Kunihiko Sakai	Attorney at law												
Fumiya Kokubu	From another company								○				
Yoichiro Ogawa	Certified public accountant								△				
Kazuhiro Higashi	From another company								○	○			
Ryoko Nagata	From another company												

\* Options for Categories of Relationship with the Company

\* If any of the items above apply to the Outside Directors himself/herself “now or recently”, please mark with a “○” and, if any of the items above applied to the

Outside Directors himself/herself in the “past”, please mark with a “△”.

\* If any of the items above apply to a family member or a close relative “now or recently”, please mark with a “●” and, if any of the items above applied to any of them in the “past”, please mark with a “▲”.

- a. person who executes business of the listed company or its subsidiary;
- b. Directors who are executive personnel or non-executive personnel of a parent company of the listed company;
- c. person who executes business of a fellow subsidiary of the listed company;
- d. party for which the listed company is a major customer or a person who executes its business;
- e. listed company’s major customer or a person who executes its business;
- f. consultant, accounting professional, or legal professional who receives a large amount of money or other financial asset other than remuneration for directorship/auditorship from the listed company;
- g. listed company’s major shareholder (where the said major shareholder is a company, a person who executed its business);
- h. person who executes the business of a customer of the listed company (where any of items d, e and f do not apply to such customer) (this item only applies to the Outside Director himself/herself);
- i. person who executes the business of an entity whose Outside Director/outside corporate auditor is also a person who executes the business of the listed company (this item only applies to the Outside Director himself/herself);
- j. person who executes the business of an entity to whom the listed company makes donations (this item only applies to the Outside Director himself/herself); or
- k. Other.

## **Relationship with the Company (2)**

Name: Kunihiko Sakai

Status as Directors who are Members of the Nominating Committee: Yes

Status as Directors who are Members of the Compensation Committee: No

Status as Directors who are Members of the Audit Committee: Yes

Status as Independent Director: Yes

Supplementary explanation of applicable items: —

Reasons for the selection of this Outside Director (In the case a Director is specified as an Independent Director, include information on the reasons for selection as an Independent Director):

Mr. Kunihiko Sakai has high expertise and abundant experience as a legal affairs specialist having served as Public Prosecutor and a lawyer, including posts of Superintending Prosecutor at High Public Prosecutors' Offices from July 2014 to March 2017. The Company appointed him as a Director because he is an exceptional person with both superior character and insight and in order for him to continue to oversee the entire business management of the Company from an objective, highly sophisticated and broader viewpoint by demonstrating his high degree of expertise and abundant experience. The Company expects Mr. Sakai to contribute to strengthening the supervisory function of the Company's management. He is also expected to fulfill a role in strengthening the transparency and objectivity of the process of selecting candidates for Directors, as well as strengthening the audit function, as a Member of the Nominating Committee and Audit Committee.

Name: Fumiya Kokubu

Status as Directors who are Members of the Nominating Committee: Yes

Status as Directors who are Members of the Compensation Committee: Yes

Status as Directors who are Members of Audit Committee: No

Status as Independent Directors: Yes

Supplementary explanation of applicable items: —

Reasons for the selection of this Outside Director (In the case a Director is specified as an Independent Director, include information on the reasons for selection as an Independent Director):

Mr. Fumiya Kokubu held positions of President and CEO, and Chairman of the Board of Marubeni Corporation from 2013, and has abundant experience and deep insight regarding corporate management. The Company appointed him as a Director because he is an exceptional person with both superior character and insight and in order for him to oversee the entire business management of the Company from an objective, highly sophisticated and broader viewpoint. The Company expects Mr. Kokubu to contribute to strengthening the supervisory function of the Company's management. He is also expected to fulfill a role in strengthening the transparency and objectivity of the process of selecting candidates for Directors and the process of determining the remuneration of Directors and Executive Officers, as the Chairperson of the Nominating Committee and a Member of the Compensation Committee.

Name: Yoichiro Ogawa

Status as Directors who are Members of the Nominating committee: No

Status as Directors who are Members of the Compensation Committee: Yes

Status as Directors who are Members of the Audit Committee: Yes

Status as Independent Directors: Yes

Supplementary explanation of applicable items: —

Reasons for the selection of this outside Director (In the case a Director is specified as an Independent Director, include information on the reasons for selection as an independent Director):

Mr. Yoichiro Ogawa has high expertise and abundant experience as an accounting specialist having served as a Certified Public Accountant for many years, including posts of CEO of Deloitte Tohmatsu Group from July 2015 to May 2018. The Company appointed him as a Director because he is an exceptional person with both

superior character and insight and in order for him to oversee the entire business management of the Company from an objective, highly sophisticated and broader viewpoint. The Company expects Mr. Ogawa to contribute to strengthening the supervisory function of the Company's management. He is also expected to fulfill a role in strengthening the audit function, as well as strengthening the transparency and objectivity of the process of determining the remuneration of Directors and Executive Officers, as the Chairperson of the Audit Committee and a Member of the Compensation Committee.

Name: Kazuhiro Higashi

Status as Directors who are Members of the Nominating Committee: Yes

Status as Directors who are Members of the Compensation Committee: Yes

Status as Directors who are Members of the Audit Committee: No

Status as Independent Directors: Yes

Supplementary explanation of applicable items: —

Reasons for the selection of this Outside Director (In the case a Director is specified as an Independent Director, include information on the reasons for selection as an Independent Director):

Mr. Kazuhiro Higashi held positions of President and Chairman of Resona Holdings, Inc. from April 2013, and has abundant experience and deep insight regarding corporate management. The Company appointed him as a Director because he is an exceptional person with both superior character and insight and in order for him to oversee the entire business management of the Company from an objective, highly sophisticated and broader viewpoint. The Company expects Mr. Higashi to contribute to strengthening the supervisory function of the Company's management. He is also expected to fulfill a role in strengthening the transparency and objectivity of the process of determining the remuneration of Directors and Executive Officers and the process of selecting candidates for Directors, as the Chairperson of the Compensation Committee and a Member of the Nominating Committee.

Name: Ryoko Nagata

Status as Directors who are Members of the Nominating Committee: No

Status as Directors who are Members of the Compensation Committee: No

Status as Directors who are Members of Audit Committee: Yes

Status as Independent Directors: Yes

Supplementary explanation of applicable items: —

Reasons for the selection of this Outside Director (In the case a Director is specified as an Independent Director, include information on the reasons for selection as an Independent Director):

Ms. Ryoko Nagata held positions of Executive Officer and Audit & Supervisory Board Member of Japan Tobacco Inc. from 2008, and has abundant experience and deep insight regarding corporate management and audit. The Company appointed her as a Director because she is an exceptional person with both superior character and insight and in order for her to oversee the entire business management of the Company from an objective, highly sophisticated and broader viewpoint. The Company expects Ms. Nagata to contribute to strengthening the supervisory function of the Company's management. She is also expected to fulfill a role in strengthening the audit function, as a Member of the Audit Committee.

## **Information on Committees**

### **Member constitution and attribute of Chairperson of each Committee**

Existence of the Nominating Committee: Established

Current number of Members of the Nominating Committee: 4

Number of full-time Members of the Nominating Committee: 0

Number of Inside Director: 1

Number of Outside Director: 3

Chairperson of the Nominating Committee: Outside Director

Existence of the Compensation Committee: Established

Current number of Members of the Compensation Committee: 4

Number of full-time Members of the Compensation Committee: 0

Number of Inside Directors: 1

Number of Outside Directors: 3

Chairperson of the Compensation Committee: Inside Director

Existence of the Audit Committee: Established

Current number of Members of the Audit Committee: 5

Number of full-time Members of the Audit Committee: 2

Number of Inside Directors: 2

Number of Outside Directors: 3

Chairperson of the Audit Committee: Inside Director

## **Executive Officers**

Number of Executive Officers: 7



**Concurrently held positions:**

Name	Existence of right to represent	Existence of concurrent post with Directors			Existence of concurrent position as an employee
			Nominating Committee	Compensation Committee	
Toshihiro Mibe	Yes	Yes	Yes	No	No
Seiji Kuraishi	Yes	Yes	No	Yes	No
Kohei Takeuchi	No	Yes	No	No	No
Noriya Kaihara	No	No	No	No	No
Noriaki Abe	No	No	No	No	No
Yasuhide Mizuno	No	No	No	No	No

Keiji Ohtsu	No	No	No	No	No
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## **Audit System**

Directors and employees to assist with the duties of the Audit Committee: Appointed

### **Matters relating to independence of subject Directors and employees from Executive Officers**

The Company has formed the Board of Directors Office as an organization to support the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee, serving full-time. Employees of the Board of Directors Office execute their duties under the supervision of the Board of Directors and three committees. Performance evaluation, personnel changes, etc. of these employees require the consent of the Audit Committee, in order to ensure independence from Executive Officers and the effectiveness of instructions of the Audit Committee.

### **Collaboration among the Audit Committee, Accounting Auditors and the Audit Office**

The Audit Committee holds meetings with Accounting Auditors. In this meeting, Accounting Auditors explain and report the auditing plans, results of their auditing activities, etc., and both parties exchange opinions.

During this fiscal year, the Audit and Supervisory Committee held 8 meetings with Accounting Auditors. In these meetings, the Audit and Supervisory Committee also discussed key audit matters related to the accounting audit by the Accounting Auditors while receiving reports from Accounting Auditors on the implementation status of such audit and requesting explanations as necessary.

The Audit Division which is an internal auditing division of the Company periodically reports the auditing policies, auditing plans and the results of audits to the Audit Committee. Moreover, the Division makes additional reports to the Audit Committee as necessary and when requested by the Committee. The Audit Committee and the Audit Division carry out the audit either independently or

cooperatively.

Based on the Standards for Audit Committee Reports, the control divisions such as accounting and legal divisions shall periodically provide information necessary for auditing to the Audit Committee or to the committee members appointed by the Committee.

### **Matters Relating to Independent Directors**

Number of Independent Directors: 5

### **Other Matters Related to Independent Directors**

#### **Criteria for Independence of Outside Directors**

The Company's Board of Directors will determine that an Outside Director is sufficiently independent from the Company if it determines that the said Outside Director satisfies the independence criteria stipulated by the Tokyo Stock Exchange and the requirements set forth below:

1. He/She is not, and has never been, any of the following during the last year:
  - 1) a person who executes the business (\*1) of a large shareholder (\*2) of the Company;
  - 2) a person who executes the business of (i) a major customer (\*3) of the Company, or (ii) a company of which the Company is a major customer;
  - 3) a person who executes the business of a major lender (\*4) of the Company group;
  - 4) a person who executes the business of an audit corporation which conducts statutory audits for the Company or a person who handles the audit functions of the Company;
  - 5) a consultant, an accounting specialist, or a legal expert (or, if the person in question is a corporation, an association, or any other similar organization, then a person who executes the business of that corporation, etc.) who receives a large amount (\*5) of money, etc. from the Company, other than remuneration paid to Directors of the Company;

2. No family member or close relative (\*6) of the Outside Director currently falls or at any point of time during the last year fell under any of items 1) through 5) in paragraph 1 above.

\*1 A “large shareholder” means a shareholder who directly or indirectly holds shares representing 10% or more of the total number of voting rights of the Company as of the end of a fiscal year.

\*2 A “person who executes the business” means an executive director, an executive officer, or an important employee including operating officer.

\*3 A “major customer” means a customer of the Company where the annual amount of transactions between the customer and the Company exceeds 2% of the consolidated sales revenue of the Company or the said customer.

\*4 A “major lender” means a financial institution from which the Company group borrows, where the aggregate amount of outstanding borrowings exceeds 2% of the amount of consolidated total assets of the Company or the financial institution as at the end of a fiscal year.

\*5 A person receives a “large amount” if he/she receives consideration from the Company in excess of 10 million yen per year.

\*6 A “family member or close relative” means a spouse or first or second degree relative of an Outside Director.

### **Provision of Incentives**

Status of measures to provide incentives to Directors and Executive Officers:  
Introduction of a performance-linked remuneration system.

### **Supplementary Explanation of Matters Related to this Item**

Remuneration for the Directors who concurrently serve as an Executive Officer and Executive Officers shall consist of monthly remuneration, executive bonuses, and stock-based remuneration paid in accordance with remuneration standard approved by the Compensation Committee. In terms of payment percentage, when performance-linked remuneration is paid on the base amount, the remuneration rate is set at 50% of total remuneration for monthly remuneration which is fixed remuneration, and 50% of the total remuneration for executive bonuses and

stock-based remuneration that are performance-linked remuneration.

In addition, regarding performance-linked remuneration indicators, the indicator for executive bonuses includes business performance, dividends to shareholders, employees' bonus levels, and the like for each fiscal year, and the indicator for stock-based remuneration includes growth rates for financial indicators, such as consolidated operating profit margin, and growth rates for non-financial indicators, such as brand value and ESG.

The reasons for using such indicators are that the Company deems that each indicator stated for executive bonuses is important to consider when measuring the contribution to corporate value in the fiscal year and the degree to which the Company has fulfilled corporate responsibilities for its shareholders and employees, and that each indicator stated for stock-based remuneration is important to consider when measuring the contribution to the sustainable enhancement of corporate value over the mid- to long-term.

Regarding the amount of performance-linked remuneration, the amount of executive bonuses is resolved by the Compensation Committee based on the actual correlation between each indicator and the payment amount in the past fiscal years and the business conditions of the fiscal year. The amount of stock-based remuneration is determined within a range of 50% to 150% of the performance-linked coefficient based on the growth rate of each indicator for three fiscal years in accordance with the calculation method resolved by the Compensation Committee.

**Persons Eligible for Stock Options: —**

**Supplementary Explanation of Matters Related to This Item: —**

### **Matters Related to the Remuneration of Directors and Executive Officers**

Status of Disclosure of Remuneration of Individual Directors: Disclosed only for certain individuals.

Status of Disclosure of Remuneration of Individual Executive Officers: Disclosed only for certain individuals.

### **Supplementary Explanation of Matters Related to This Item**

In fiscal year 2020, the total fixed remuneration was ¥428 million for 7 Directors

(excluding Audit and Supervisory Committee members and Outside Directors), ¥33 million for 3 Outside Directors (excluding Audit and Supervisory Committee members), ¥145 million for 2 Directors (excluding Outside Directors) who are also the members of Audit and Supervisory Committee, and ¥50 million to 3 Outside Directors who are also the members of Audit and Supervisory Committee, the total amount of which is ¥658 million. Also, regarding executive bonuses, 4 Executive Directors were paid a total of ¥95 million. Regarding stock-based remuneration, 4 Executive Directors were paid a total of ¥129 million.

Additionally, in fiscal year 2020, Chairman and Director Toshiaki Mikoshiba received fixed remuneration of ¥108 million. Director and President Takahiro Hachigo received fixed remuneration of ¥91 million, executive bonus of ¥27 million, and stock-based remuneration of ¥46 million, a total of ¥166 million. Executive Vice President and Director Seiji Kuraishi received fixed remuneration of ¥59 million, executive remuneration of ¥23 million, and stock-based remuneration of ¥30 million, a total of 113 million.

The amount of stock-based remuneration is the amount recorded as expenses related to the share delivery points granted during the fiscal year 2020 in connection with the directors' remuneration BIP (Board Incentive Plan) trust.

**Existence of Policies Determining the Amount of Remuneration or Method of Calculating Remuneration:** Exists

**Disclosure of Policies Determining the Amount of Remuneration or Method of Calculating Remuneration**

The Company's remuneration structure for the officers shall be designed with the aim of motivating them to contribute not only to short-term, but also to mid- to long-term business results, to enable the sustainable enhancement of the corporate value, and shall consist of a fixed monthly remuneration paid as compensation for the performance of their duties, an executive bonus linked to the business results for the relevant business year, and a stock-based remuneration linked to mid- to long-term business results.

Monthly remuneration shall be paid based on the remuneration standard approved by the Compensation Committee, in an amount that is suitable for attracting diverse and exceptional human resources, while taking into consideration the payment standards of other companies etc.

Executive bonuses shall be determined by a resolution of the Compensation Committee by setting the business results of each business year, dividends to shareholders, the standards of bonuses of employees and other matters as indicators and based on actual correlation of each indicator in the past and amount of payment and business situation at the time, and shall be paid in cash.

Remuneration of the Executive Officers shall consist of monthly remuneration paid based on the remuneration standards approved by the Compensation Committee . In terms of payment percentage, when performance-linked remuneration is paid on the base amount, the remuneration rate is set at 50% of total remuneration for monthly remuneration which is fixed remuneration , and 50% of the total remuneration for executive bonuses and stock-based remuneration that are performance-linked remuneration.

Remuneration paid to the Outside Directors and other Directors who does not concurrently serve as Executive Officer shall consist only of monthly remuneration based on remuneration standards approved by the Compensation Committee.

In order to advance the Company's sustainable growth and enhance its corporate value over the mid- to long-term by sharing common interests with the shareholders through having a shareholding in the Company, even Directors and Executive Officers who are not eligible for stock-based remuneration shall acquire the Company's stock by contributing a certain portion of their fixed remuneration to the Officers Shareholding Association.

Directors and Executive Officers shall continuously hold throughout their term of office and for one year after their retirement any stock of the Company acquired as stock-based remuneration or acquired through the Officers Shareholding Association.

### **Support Systems for Outside Directors**

The Company has formed the Board of Directors Office as an organization to support the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee, serving full-time and the Board of Directors Office provides support for the execution of duties of Outside Directors. Materials on the Board of Directors' agenda and agenda of each committee that they belong to are distributed and explained in advance for the Outside Directors, and the information helpful for them to supervise the Company's business, such as setting opportunities to communicate between Outside Directors and Executive Officers and to visit offices or events, are

continuously provided, including when they assume their respective positions.

## **2. Matters Related to Governance Functions, Including Execution of Management, Auditing and Internal Supervision, Nominations and Decisions on Compensation Etc. (Current Corporate Governance System)**

### **Board of Directors**

The Board of Directors comprises 11 members (comprising of 8 Inside Directors and 5 Outside Directors, or 9 men and 2 women).

In order to respond to the mandate of the shareholders to achieve sustainable growth and enhance the corporate value of the Company over the medium to long term, the duties of the Board of Directors include making decisions concerning key Company matters such as its basic management policies and monitoring of execution of duties by Directors and Executive Officers.

In addition, the Board of Directors discusses and makes decisions concerning matters specified in the regulations of the Board of Directors, as well as matters set forth in the articles of incorporation and applicable laws. All other matters are delegated to the Representative Executive Officers or the Executive Officers.

In order to fulfill these roles, the Director candidates shall be exceptional persons who are familiar with corporate management, the legal profession, public administration, accounting, education, or the Company Group's business, and have superior character and insight, irrespective of gender, nationality, and other such individual attributes. In nominating such candidates, the Nominating Committee shall consider the balance of gender, internationality, and experience and specialization in each field.

In this fiscal year, the Board of Directors met 11 times, and Mr. Toshihiro Mibe attended all meetings (9 times) held after he was appointed to the position, Mr. Fumiya Kokubu attended 8 out of 9 meetings held after he was appointed to the position, and all other Directors attended all of the meetings.

### **Nominating Committee**

The Nominating Committee makes determinations regarding proposals for appointment or removal of Directors to be submitted to the shareholders' meeting and



other duties prescribed by laws and regulations and the articles of incorporation. The Nominating Committee is composed of four Directors which include be at least three Outside Directors. The Chairperson of the Nominating Committee shall be an Independent Directors.

### **Audit Committee**

In order to respond to the entrustment of the shareholders, the Audit Committee shall conduct audits of the execution of duties by the Directors and Executive Officers and perform the other duties of the committee prescribed by laws and regulations and the articles of incorporation with the aim of ensuring the sound and sustainable growth of the Company Group. The Audit Committee is composed of five Directors including three Outside Directors. The Chairperson of the Audit Committee shall be an Independent Director. In order to ensure the effectiveness of the audit, full-time Member(s) of the Audit Committee are elected by the resolution of the Board of Directors.

Mr. Yoichiro Ogawa, a Director, has abundant experience and considerable knowledge as a certified public accountant, and Mr. Masafumi Suzuki, also a Director, has had sufficient operating experience in the finance and accounting departments of the Company and its subsidiaries. Both of them qualify as “persons with considerable knowledge of finance and accounting,” as specified under Article 121-9 of the Ordinance for Enforcement of the Companies Act. In addition, the Company’s Audit Committee has recognized Messrs. Yoichiro Ogawa and Masafumi Suzuki as “specialists in finance in the Audit Committee” as specified in the regulations of the U.S. Securities and Exchange Commission, based on Article 407 of U.S. Public Company Accounting Reform and Investor Protection Act of 2002 (Sarbanes-Oxley Act of 2002). All five Members of the Audit Committee remain independent as specified by the regulations of the U.S. Securities and Exchange Commission.

### **Compensation Committee**

The Compensation Committee makes determinations regarding the details of remuneration for each Director and Executive Officer and other duties of the committee prescribed by laws or regulations or the articles of incorporation. The Compensation Committee is composed of four Directors including three Outside Directors. The Chairperson of the Compensation Committee shall be an Independent Director.

## **Outside Directors**

The Company appoints Outside Directors who have abundant experience and deep insight, and who are capable of overseeing the entire business management of the Company from an objective, highly sophisticated and broader viewpoint based on the standpoint independent from the Company group.

The Outside Directors shall be at least two in number, and one-third or more of the Board of Directors shall be composed of Independent Directors who satisfy the Independence Criteria of the Company. The five Outside Directors currently in office satisfy the Independence Criteria for Outside Directors and their interests are not in conflict with those of the Company nor the shareholders. Based on this, the Company has reported all five Outside Directors to the Tokyo Stock Exchange as Independent Directors as stipulated in the regulation of the Tokyo Stock Exchange. If any Outside Director also serves as an officer at another listed company, such Director shall only serve at four companies other than the Company so that they can secure sufficient time to perform their duties for the Company.

## **Organizational Operating System**

On the basis of our Fundamental Beliefs and from a long-term perspective, to support business expansion six Regional Operations and a Regional Unit have been established; they are responsible for management of the business in their respective regions. The Motorcycle Operations and Automobile Operations have functions of sales, production, research & development, purchasing, etc., and Life Creation Operations have functions of sales, production, purchasing, etc. These Operations develop medium- to long-term plans for their respective products and coordinate efforts with regional functions to optimize and enable smooth global business operations. Furthermore, the MaaS Operations carries out planning and development of next generation services for all products under the categories of motorcycle, automobile, and life creation. In addition, each of the Company's functional operations, etc. including Brand and Communication Operations, Business Management Operations, Human Resources and Corporate Governance Operations, IT Operations, Quality Innovation Operations, and Customer First Operations, is providing support and coordinating efforts to increase the effectiveness and efficiency of the Honda Group as a whole.

R&D activities for new value products/technologies and for the products in Life Creation Business are carried out mainly by Honda R&D Co., Ltd., independent

subsidiary, and its subsidiaries in order to create distinctive and internationally competitive new value through the application of advanced technology.

### **Operating Structure**

In order to strengthen business operations in each region and field, and to make timely and appropriate business decisions, the Company places Operating Executives and other executives who have been delegated the business execution authority from the Representative Executive Officer to being responsible for business operations in their respective area of responsibility, in each area headquarters, business headquarters and functional headquarters, and other main organizations.

### **Executive Council**

The Company has formed an Executive Council which is composed of the Representative Executive Officer and the Executive Officers, in principle. This council conducts prior discussions of items that will be decided by the Board of Directors, and, within the limits of authority delegated to it by the Board of Directors, deliberates important management matters.

Further, to give greater autonomy to the regional level and make rapid management decisions, the Company has formed regional operating boards within each region. Within the limits of authority delegated to them by the Executive Council, these regional operating boards deliberate important management matters within their respective regions.

### **Internal Control**

Audit Division, organized to perform internal audits as an independent division directly under the President, has 49 members and audits departments of the Company. It also provides supervision and guidance to internal audit departments of the major subsidiaries and when necessary, audits subsidiaries directly to enhance the internal audit system of the Honda group.

### **Accounting Audit**

The Company has been audited from an accounting perspective by KPMG AZSA LLC as required under Japan's Company Law, Japan's Financial Instruments and Exchange Law and the Securities and Exchange Law of the United States.

The consecutive audit period by KPMG AZSA LLC is 16 years.

The consecutive audit period is as stated by KPMG AZSA LLC, which is the current Accounting Auditor, for the auditing of the Consolidated Financial Statements and Financial Statements contained in the Annual Securities Report. KPMG, which is the network that KPMG AZSA LLC belongs to, has continuously conducted audits for the purpose of U.S. SEC registration of the Company since 1962. Within KPMG AZSA LLC, a total of 83 staff conducted the audit for the performance of the Company. These accounting firm staff members comprised 3 certified public accountants (Masahiko Chino, Isao Kamizuka, and Takeshi Kamada) who were in overall charge of the accounting audit, and 80 professional staff (including 24 certified public accountants, 2 U.S. certified public accountants, and 54 other staff members).

### **Method of Determining Accounting Auditor Remuneration**

In deciding the amount of remuneration for services provided by the Company's Accounting Auditor, various factors are taken into consideration in discussions with the accounting firm, including the Company's size, special features, the time schedule for the audit and other matters. In addition, to preserve the independence of the Accounting Auditor, remuneration to be paid shall be decided, with the prior approval of the Audit Committee. Prior approval of the Audit and Supervisory Committee has been obtained for this fiscal year.

### **Summary of Content of Liability Limitation Contracts**

The Company has entered into liability limitation contracts with all Outside Directors based on Article 427, Paragraph 1 of the Companies Act and the Company's Articles of Incorporation, to the effect of limiting the liability for damages, in accordance with Article 423, Paragraph 1 of the Companies Act, to the minimum liability amount that is stipulated in Article 425, Paragraph 1 of the Companies Act.

### **Summary of Content of Indemnity Contracts**

The Company has entered into an indemnity contract with each Director, in accordance with Article 430-2, Paragraph 1 of the Companies Act, and the Company will indemnify them for expenses set forth in Item 1 of the same Paragraph to the extent stipulated by laws.

## **Summary of Content of Directors and Officers Liability Insurance Contracts**

Based on Article 430-3, Paragraph 1 of the Companies Act, the Company has entered into a directors and officers liability insurance contract that includes all Directors and Executive Officers as the insured with an insurance company. The insurance contract covers legal damages and litigation expenses to be borne by the insured.

### **3. Reasons for the Selection of the Company's Current Corporate Governance System**

In order to clearly segregate the supervisory function and execution function of management and to strengthen the supervisory function and to enable prompt and flexible decisions, the Company has "Nominating Committee", "Audit Committee", and "Compensation Committee," which each are composed of more than one half of Outside Directors, and has adopted a company with three committees structure which allows broad delegation of the business execution authority from the Board of Directors to the Executive Officers.

### **III. Status of Implementation of Measures Related to Shareholders and Other Interested Parties**

#### **1. Initiatives to Reactivate the General Meeting of Shareholders and Facilitate the Smooth Execution of Voting Rights**

##### **Sending of the notice of convocation of shareholder meeting earlier**

###### Supplementary Explanation

The Company is sending the General Meeting notice and relevant documents prior to the statutory period and posting the notice and relevant documents (both in Japanese and English) on its website prior to sending them.

##### **Scheduling of the General Meeting on days to avoid conflicts with other companies' shareholder meetings**

###### Supplementary Explanation

Holding the Regular General Meeting of Shareholders as early as possible, after considering preparation of schedules, etc.

##### **Electronic exercise of voting rights**

###### Supplementary Explanation

The Company is providing shareholders with a means to execute their voting rights via the Internet using PCs, smartphones, and the like.

##### **Participation in an electronic voting platform and taking initiatives to improve the voting environment for institutional investors**

###### Supplementary Explanation

Participating in voting platform.

##### **Offer an English-language version of the General Meeting notice (summary)**

###### Supplementary Explanation

Offering an English version of the notice of the General Meeting and relevant

documents for foreign investors.

## **Other**

### Supplementary Explanation

At the General Meeting, the Company has been working to improve information provision by explaining about its business report and the matters for resolution in an easy-to-understand manner by utilizing slides, presentations, and the like. From 2021, the Company live broadcasts (limited to internet viewing) from the opening to the closing of the General Meeting, taking into consideration of shareholders who cannot visit and making effort for the highly transparent operation of the General Meeting.

Also, following the directives of Japan's Cabinet Office, concerning disclosing corporate information etc. announcing the results of the voting during the General Meeting.

## **2. Status of Investor Relations (IR) Activities**

### **Hold periodic information meetings for analysts and institutional investors**

#### Supplementary Explanation

Holding information meetings to announce quarterly results (four times a year), and, as necessary, holding press conferences presented by the Director, President and Representative Executive Officer.

Explanation by Company Representatives

Yes

### **Hold periodic information meetings for foreign investors**

#### Supplementary Explanation

Conducted at appropriate times to explain the Honda Group's business strategies etc.

Explanation by Company Representatives

Yes

### **Post IR materials on the Company website**

Supplementary Explanation

Posting various types of Company information for shareholders and investors on the Company website (Japanese: <https://www.honda.co.jp/investors/> English: <https://global.honda/investors/>). Making timely disclosure of materials simultaneously in Japanese and English.

### **Appoint an IR Representative and create an IR department**

Supplementary Explanation

The Company has appointed IR Representative in Japan and North America and is working to expand and enhance IR activities.

### **Other initiatives**

Supplementary Explanation

Issuing a periodic publication for shareholders (*Kabunushi Tsushin*) that contains information on Honda's business, products, financial performance and other topics.

## **3. Initiatives Related to Respecting the Viewpoints of Stakeholders**

**Require respect for the viewpoints of stakeholders through issuance of internal guidelines.**

Supplementary Explanation

To solidify trust in Honda among customers and in society, "*Honda Conduct Guidelines*" has been issued as a code of conduct that summarizes the conduct with integrity to be practiced by all personnel working for the Honda Group.

**Implement environmental preservation and other CSR activities, etc.**

Supplementary Explanation



Honda considers that stakeholder dialogue is a beneficial tool that leads to a proper understanding of stakeholders regarding the Company's initiatives while also giving the Company an understanding of changes and risks in the social environment. Based on this understanding, the various divisions at Honda conduct dialogues globally, through a variety of opportunities, with the stakeholders engaged in Honda's business: those stakeholders either are impacted by Honda's business activities or whose activities that impact Honda's business activities. As a part of this activity, Honda issues the Honda Sustainability Report annually to help our stakeholders understand about non-financial activities of Honda, including the areas of environment, safety, quality, human resource, supply chain, community activities and philanthropic contributions and also updates the report on our website.

**Establish policies, etc., for offering information to stakeholders.**

Supplementary Explanation

To gain substantially increased trust and mutual understanding of all stakeholders, Honda emphasizes transparency to offer information proactively. For disclosure of corporate information through earnings and financial reports, a Disclosure Committee has been formed comprising the Operating Executives in charge and other personnel, which is in charge of deliberating the disclosure content, in order to assist Director, President and Representative Executive Officer and the Director, Senior Managing Executive Officer, and Chief Financial Officer to confirm the accuracy and appropriateness of disclosure content.

#### **IV. Matters concerning Internal Control Systems**

##### **1. Basic Views on Internal Control Systems and Development Status Thereof**

###### **1. The Company's basic policy on development of internal control systems resolved upon by the Board of Directors is as follows.**

- (1) Systems for ensuring that the execution of duties by Executive Officers and employees complies with laws, ordinances, and the Company's Articles of Incorporation

The Company will establish a code of conduct to be observed by its management and employees, such as conformity with applicable laws, ordinances, and internal rules and regulations, and it will endeavor to ensure that all management personnel and employees are made aware of and observe this code.

The Company will further develop its internal whistle-blowing systems to facilitate compliance.

The Company will install an Executive Officer or Operating Officer to coordinate all compliance matters and will further develop its compliance systems.

- (2) Systems related to retention and management of information on execution of duties by the Executive Officers

The Company will establish a management policy for information related to the execution of duties by the Directors and appropriately store and manage such information.

- (3) Rules and other systems related to risk management

The Company will further develop systems for relevant boards and councils to make decisions regarding material matters of management after assessing and considering associated risks.

The Company will install an Executive Officer to coordinate all matters related to risk management, and it will establish rules on risk management and further develop its risk management systems.

- (4) Systems for ensuring that the duties of the Executive Officers are being executed efficiently

The Company will assign Executive Officers or other executives, to whom authority is delegated by the Representative Executive Officer, to the headquarters of each region, business, and function and to main divisions as the persons responsible

for executing business in the fields of which they are in charge and will further develop systems that enable prompt and appropriate business decision making by clearly defining the scope of authority delegated to such responsible persons and the decision-making process.

To conduct management efficiently and effectively, the Company will establish annual and medium-term business plans, endeavor to share these plans, and supervise their progress.

- (5) Systems for ensuring that the corporate group, comprised of the Company and its subsidiaries, conducts business activities appropriately

In addition to sharing the Company's code of conduct for its management and employees as well as its basic policy on development of internal control systems with its subsidiaries, the Company will further develop systems for supervising its subsidiaries and endeavor to enhance the corporate governance of the Group.

The Company will further develop systems for reporting material matters of the management of subsidiaries to the Company.

The Company will share the risk management policy established by the Company with its subsidiaries and will further develop the risk management systems of the Group through such methods as establishing rules regarding reports from subsidiaries on material risks.

The Company will further develop the internal whistle-blowing systems of the Group in order to discover at an early stage and respond to issues such as violations of laws or ordinances within the Group.

The Company will enhance the internal auditing systems of the Group.

*Note: In the above section, "Group" means the corporate group comprised of the Company and its subsidiaries.*

- (6) Provision of the Directors and employees who should support duties of the Audit Committee, independence of such Directors and employees from Executive Officers, and ensuring effectiveness of instructions to such Directors and employees

The Company will establish a staff organization directly under the Board of Directors to provide support to the Audit Committee.

- (7) Systems for Directors, Executive Officers, and employees to report to the Audit Committee and systems for ensuring that no one making such a report will receive any disadvantageous treatment for doing so

The Company will further develop systems for the management and employees of the Company and its subsidiaries to report to the Audit Committee. No one making such a report will receive any disadvantageous treatment for doing so.

- (8) Policy related to processing of expenses incurred in the execution of duties by Members of the Audit Committee and other systems for ensuring the effectiveness of audits by Audit Committee

In accordance with laws and ordinances, the Company will bear the necessary expenses for the members of the Audit Committee to execute their duties.

The Company will further develop other necessary systems for audits by the Audit Committee to be conducted effectively.

## **2. An overview of the development and operating status of Internal Control Systems of the Company based on the above basic policy is as follows.**

- (1) Systems for ensuring that the execution of duties by Executive Officers and employees complies with laws, ordinances, and the Company's Articles of Incorporation

The Company has established the Honda Code of Conduct to clearly define the Company's policy on legal compliance and the conduct with integrity to be taken by its management and employees, and the Company endeavors to ensure that all management personnel and employees are made aware of and follow the Guidelines through opportunities such as management training, training upon joining the Company, and level-specific employee training.

The Company has established the Business Ethics Kaizen Proposal Line as a point of contact for internal whistle-blowing. In addition to internal points of contact, the Company has also established an external point of contact in a law firm. These points of contact are operated under rules that include the protection of anyone making use of the Proposal Line.

The Director, Senior Managing Executive Officer, Chief Financial Officer has been appointed as a Compliance Officer.

The Company has established a Compliance Committee chaired by the Compliance Officer, and the Committee deliberates on material matters related to compliance.

In this fiscal year, the Compliance Committee has been held four times (four regular meetings) and has deliberated on matters such as the establishment and operating status of internal control systems, the operating status of the Business Ethics Kaizen Proposal Line and the measures to improve compliance.

Each department has conducted an inspection of its legal compliance status using a

control self-assessment (CSA) method, and the Audit Division has conducted an internal audit of those results.

(2) Systems related to retention and management of information on execution of duties by the Executive Officers

The Company's policy on information management is prescribed in the Document Management Policy, which also stipulates the management policy for information related to the execution of duties by the Executive Officers.

In accordance with this Policy, minutes are prepared for each Board of Directors meeting and Executive Council meeting and stored for a long period of time by the department in charge.

In accordance with this Policy, minutes are prepared for each Nominating Committee meeting, Audit Committee Meeting, and Compensation Committee Meeting and stored for 10 years by the department in charge.

(3) Rules and other systems related to risk management

The relevant boards and councils such as the Board of Directors, Executive Council, and Regional Operating Boards deliberate upon material matters of management in accordance with each body's rules of procedure and then make decisions regarding such matters after assessing and considering associated risks.

The Managing Executive Officer, Chief Officer of Customer First Operations has been appointed as Risk Management Officer.

The Company has established the Honda Global Risk Management Policy, which prescribes the Company's basic policy on risk management (such as business risks and disaster risks) as well as systems for collecting risk information and responding to risks when they arise.

Each department regularly conducts risk assessments in accordance with the Policy.

The Risk Management Officer monitors and supervises the status of responses to material risks, and as necessary, the Global Emergency Headquarters is established. The response by the Company to the spread of COVID-19 is also being coordinated via the Global Emergency Headquarters and Emergency Headquarters of each region. Also, based upon the experience obtained from this situation, the Company has been reviewing its risk management system. In addition, regarding occurrence of influence of procurement of parts related to semiconductor, the Company has established Global Emergency Headquarter and has been taking measures to minimize the influence.

(4) Systems for ensuring that the duties of the Executive Officers are being executed

efficiently

In order to strengthen business operations in each region and field, and to make timely and appropriate business decisions, the Company places Executive Officers and other executives who have been delegated the business execution authority from the Representative Executive Officer or Executive Officers to being responsible for business operations in their respective area of responsibility, in each area headquarters, business headquarters and functional headquarters, and other main organizations.

In addition to the Board of Directors, the Executive Council and the Regional Operating Boards have been established as bodies to make decisions on material matters of management, and each body's rules of procedure clearly define the scope of authorities delegated to the Executive Officers or other executives and the decision-making process. The Company has adopted a "company with an Audit Committee" system, and strengthen the supervisory function of the Board of Directors and extend the delegation of authority from the Board of Directors to the Executive Council for further increased speed in decision-making.

The Board of Directors determines the business vision, company-wide midterm management plans and the annual business plans, which are then shared throughout the Company through each Chief Officer and executives.

The Board of Directors receives reports on the progress of the business vision and company-wide midterm management plans each fiscal year and on the progress of each business plans each quarter, thereby supervising the execution status thereof.

(5) Systems for ensuring that the corporate group, comprised of the Company and its subsidiaries, conducts business activities appropriately

The Company department in charge of internal control endeavors to ensure, both directly and through each regional headquarters, that the Company's subsidiaries are made aware of the Honda Code of Conduct and the basic policy on development of internal control systems.

Each subsidiary has developed internal control systems appropriate to the laws and ordinances of the country in which it operates and to the business conditions of the subsidiary and regularly reports to the Company regarding the development and operating status of those systems.

Persons responsible for the supervision of each subsidiary have been appointed from among the Executive Officers or other executives with jurisdiction over the area related to the business of the relevant subsidiary. These persons responsible regularly receive reports regarding business plans and management conditions from the subsidiaries for which they are responsible and supervise those subsidiaries in cooperation with business management departments and other related departments.

The Company requires subsidiaries to obtain prior approval from or make reports

to the Company regarding material matters of the management of the subsidiary in accordance with the Company's rules of procedure, and each subsidiary has developed its own approval rules that include the requirements of the Company.

The Company's subsidiaries have developed risk management systems appropriate to their sizes and business conditions based on the Honda Global Risk Management Policy and report to the Company on material risks. The Company's department in charge of risk management also verifies the development and operating status of the risk management systems of the subsidiaries.

The Business Ethics Kaizen Proposal Line of the Company accepts whistle-blowing reports from management and employees of the Company and subsidiaries, in addition to which each regional headquarters and other major subsidiary has established its own internal whistle-blowing point of contact.

The Audit Division, which directly reports to the president, conducts internal auditing of each department of the Company, provides supervision and guidance to internal audit departments in major subsidiaries, and conducts audits of subsidiaries directly when necessary.

- (6) Provision of the Directors and employees who should support duties of the Audit Committee, independence of such Directors and employees from Executive Officers, and ensuring effectiveness of instructions to such Directors and employees

The Company has formed the Board of Directors Office as an organization to support the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee, serving full-time. Employees of the Board of Directors Office execute their duties under the supervision of the Board of Directors and three committees. Performance evaluation, personnel changes, etc. of these employees require the consent of the Audit Committee, in order to ensure independence from Executive Officers and the effectiveness of instructions of the Audit Committee.

- (7) Systems for Directors, Executive Officers, and employees to report to the Audit Committee and systems for ensuring that no one making such a report will receive any disadvantageous treatment for doing so

The Company has established its Standards for the Audit Committee Reports as a set of standards for reports to the Audit Committee, and the relevant departments of the Company regularly report to the Audit Committee regarding the business conditions and the development and operation status of internal control systems, such as those for compliance and risk management, of the Company and its subsidiaries. Additionally, if there are any matters that may significantly affect the Company, those are reported as well.

No one who has made a report to the Audit Committee is treated disadvantageously for having done so.

- (8) Policy related to processing of expenses incurred in the execution of duties by Members of the Audit Committee and other systems for ensuring the effectiveness of audits by the Audit Committee

In order for the Company to bear the necessary expenses for the Audit Committee to execute their duties, the Company secures the necessary budget every business year based on proposals from the Audit Committee.

The Audit Committee work closely with the Audit Division, which serves as the Company's internal audit department, to conduct audits of the Company and its subsidiaries. Additionally, two full-time Members of the Audit Committee are employed to attend meetings of the Executive Council and other important meetings as necessary.

## **2. Basic Approach to and Current Status of Activities to Exclude Anti-Social Elements**

Honda's basic policy is to maintain a resolute attitude at all times toward anti-social elements that threaten social order and safety. An organizational unit has been formed to respond to these elements, and the Company works closely with the police and other outside organizations.



## V. Other Information

### 1. Adoption of anti-takeover measures

Existence of anti-takeover provisions: None

### Supplementary Explanation of Matters Related to this Item

### 2. Other matters related to corporate governance, etc.

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#### Basic policy for timely disclosure

The Company regards the following as material information that should be disclosed and works to make such information available promptly, appropriately and fairly to shareholders, investors and other stakeholders.

#### Material information

- (1) Corporate information that must be disclosed under Japan's Financial Instruments and Exchange Law and the regulations of stock exchanges (as set forth in regulations regarding listed securities) and that will have a material impact on investment judgments.
- (2) Other corporate information that may have a material impact on investment judgments.

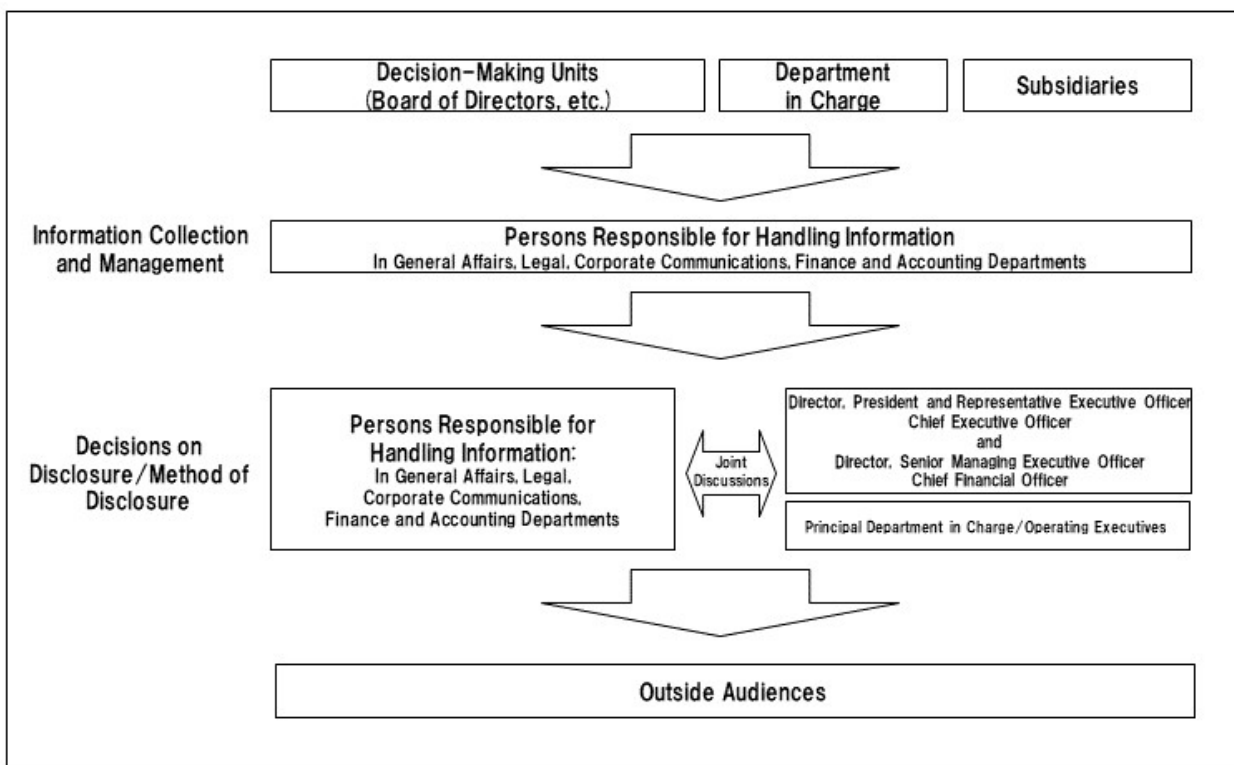
#### Internal systems for timely disclosure of corporate information

The Company has established systems for the management of corporate information under which, under the supervision of the officer in charge of handling information, the General Affairs, Legal, Finance and Accounting divisions collect corporate information which is expected to constitute information that is subject to timely disclosure from the Company's decision-making body, units that have principal responsibility (units with principal responsibility) for businesses relating to the relevant information and subsidiaries and manages such information.

Decisions on whether the information is material and should be disclosed and the manner in which it should be disclosed are made, in accord with the basic policy

previously mentioned, through joint discussions led by the officer in charge of handling information together with the General Affairs, Legal, Finance and Accounting divisions; Director, President and Representative Executive Officer; Chief Financial Officer; units with principal responsibility; and Operating Executives who manage and supervise such units.

**Outline of Internal Systems for Timely Disclosure**



# Corporate Governance System

