

4

Social

Supply Chain

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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.

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

Honda has issued the "Honda Supplier Sustainability Guidelines" to share its approach to sustainability with suppliers worldwide and to promote it in conjunction with them.

Based on this guideline, Honda will actively promote sustainable initiatives at its development and manufacturing facilities in cooperation with its suppliers. By doing so, Honda is seeking to realize a supply chain where Honda co-exists and co-prospers with local communities as a company society wants to exist.

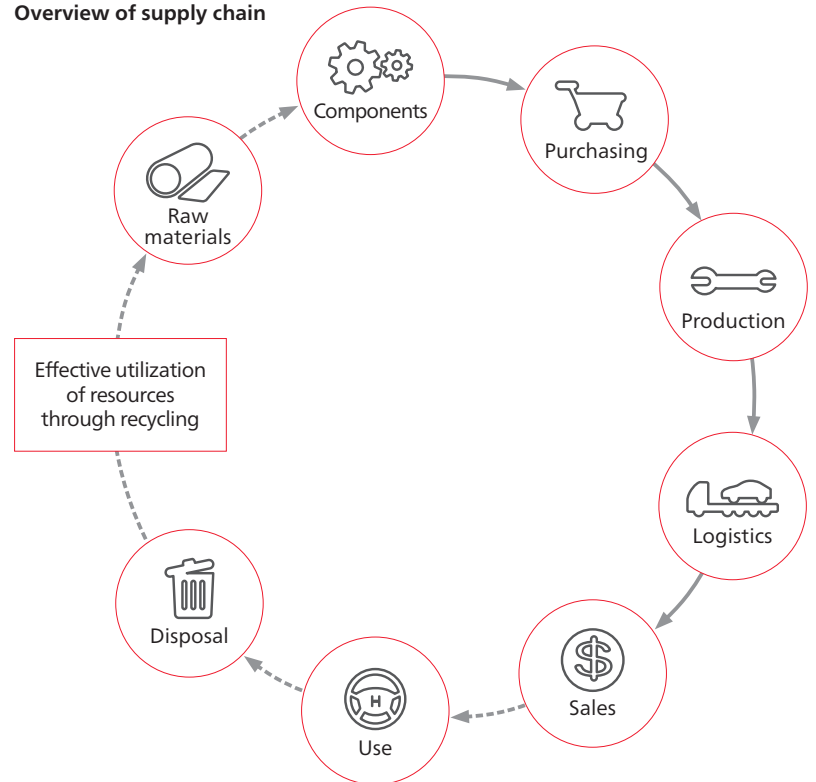
Honda is striving to strengthen supply chain sustainability, mainly in the areas of purchasing and logistics.

Additionally, as part of last year's organizational restructuring, we established the Global Conference as a global meeting structure for the entire supply chain, which unites the procurement and logistics areas and has been holding the conference on an ongoing basis.

This meeting body holds conferences in all regions with the following three main objectives.

- Discuss common themes in the 6 regions at appropriate timing and members allocated to each theme
- Directly discuss and resolve global issues originating from each region among top executives in the supply chain purchasing area
- Share issues that may become challenges in the future and discuss the direction of responses

Overview of supply chain



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Basic Approach to Purchasing

Purchasing Belief, the Three Purchasing Principles, and Guiding the Code of Conduct for Purchasing Associates

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 has also compiled points that should be followed by each and every associate engaging in purchasing activities as the Guiding the Code of Conduct for Purchasing Associates. By following these Rules, the Company ensures trust both internally and externally and builds sound relationships with suppliers.

Purchasing Belief and Three Purchasing Principles

We do fair and equitable business with transparency based on the "Purchasing Belief" and the "Three Purchasing Principles."

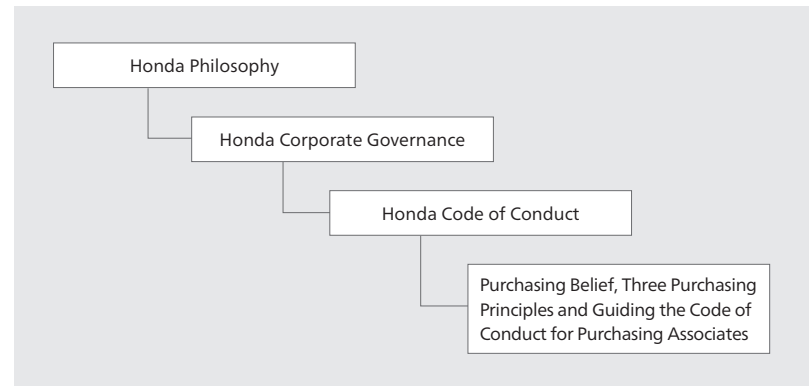
Purchasing Belief

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

Three Purchasing Principles

<p>Fair and open trade</p> <p>We do business with suppliers who can satisfy the requirements of quality, quantity, price and timing and who can share the concept of sustainability with us, based on open competition.</p>	<p>Equal partnership</p> <p>We conduct business on an equal footing regardless of the business size of the supplier or their nationality and other factors.</p>	<p>Respect for suppliers</p> <p>We respect suppliers' management and dignity.</p>
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Positioning of Purchasing Belief, Three Purchasing Principles and Guiding the Code of Conduct for Purchasing Associates



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Basic Approach to Purchasing

Engagement with Suppliers

In its global parts procurement activities, Honda has set forth its Sustainability Vision, which aims to promote sustainability initiatives together with its suppliers around the world and to realize a supply chain that can coexist and co-prosper with local communities. Furthermore, based on the vision, the Company has issued the Honda Supplier Sustainability Guidelines as a policy to share its approach to sustainability with its suppliers around the world and to promote it together. (Please refer to the link on the right.)

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance, including negative impacts and risks related to human rights, and to reduce 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 asking them to analyze the cause and draw up a 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, including suspension of transactions, while taking into account the social impact of the problem.

In addition, the Company is working to instill and promote the Guidelines

throughout the entire supply chain by performing checks on the status of suppliers' related initiatives and utilizing sustainability-related check sheets for 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.

In response to growing social demands for sustainability, the Company has started regular information sharing meetings with Group suppliers, beginning in March 2024.

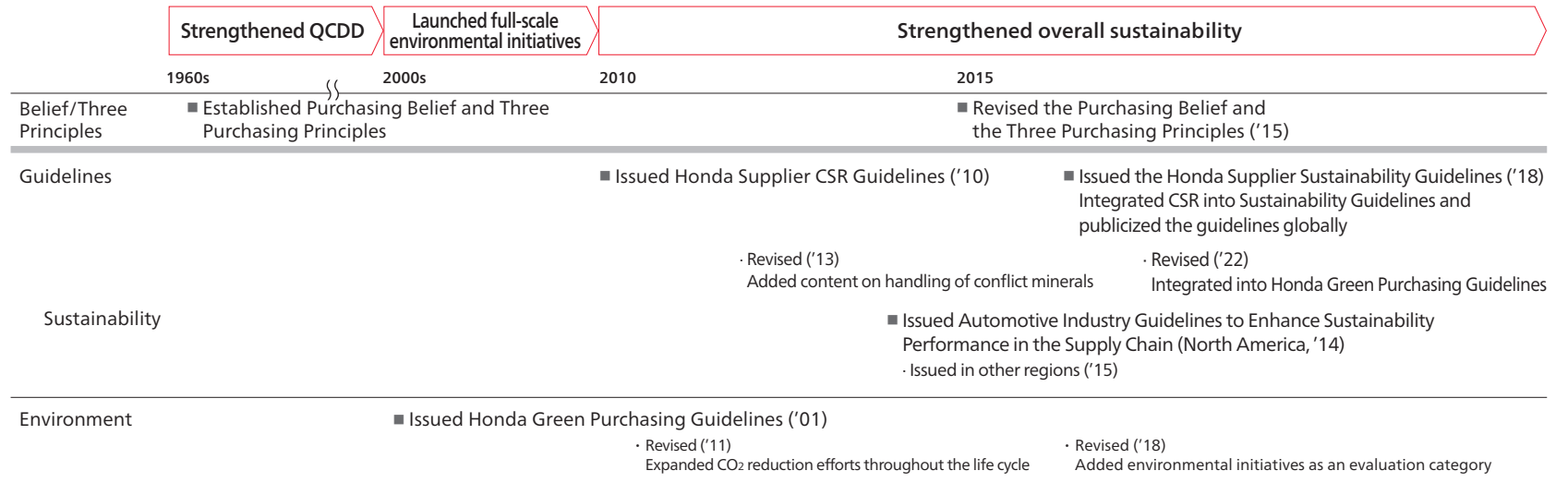
Establishing a Hotline to Receive Suggestions and Consultation Requests from Suppliers

Honda has established the Business Ethics Kaizen Proposal Line (➡ p. 138) to accept suggestions and requests for consultation from all suppliers from a fair and neutral standpoint.

Honda Supplier Sustainability Guidelines

■ https://global.honda/sustainability/cq_img/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf

Changes in purchasing operations



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Global Management of Purchasing

Promotion Structure

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 primary production base, reaches 80% for major global models.

In Japan, Honda has a department that supervises the overall global purchasing function, with the Chief Officer for Supply Chain Purchasing Operations (executive officer) responsible for oversight. The department provides coordination across regions and businesses and formulates sustainability policies and goals. In 2016, the Company established a department dedicated to reinforcing and accelerating sustainability initiatives.

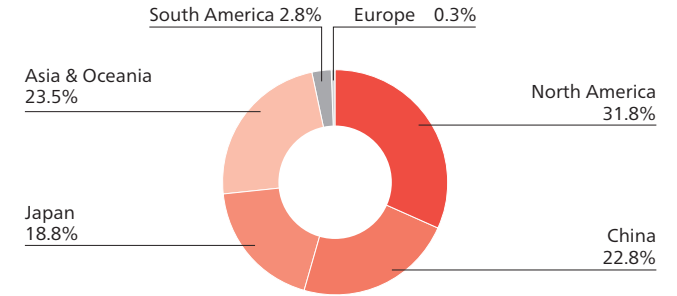
In addition, to discuss and examine the direction Honda should take globally over the medium- to long-term, Honda holds periodic meetings with the management teams of respective companies operating in each region and facilitates collaboration with them.

The Environmental Purchasing Meeting was held from 2011 onwards and sought to strengthen initiatives aiming for a low-carbon society across the entire global supply chain.

In FY2017, Honda added human rights and compliance initiatives and transformed the meeting into the Sustainability Purchasing Meeting, which is held on a regular basis.

The Company is discussing and aligning the direction of global initiatives and strengthening activities while collaborating in each region.

Regional distribution of purchasing volume (FY2024)





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Purchasing Initiatives

Initiatives to Achieve Carbon Neutrality with Suppliers

Honda aims to realize carbon neutrality (net zero CO₂ emissions) for its all products and corporate activities by 2050.

As part of the activities, Honda shares the Honda Supplier Sustainability Guidelines with all suppliers and has obtained the agreement of each supplier.

In Japan, in October 2021, Honda asked its suppliers to consider initiatives to reduce total CO₂ emissions, and in December 2022, shared its perspectives on measures to consider specific measures toward achieving carbon neutrality by 2050.

Furthermore, in March 2024, Honda communicated its interim target for 2030 (-46% compared to FY2020) to its suppliers in order to accelerate its efforts to achieve carbon neutrality by 2050. Through close communication with each supplier, Honda is working together to realize carbon neutrality.

Management of CO₂ Data

To increase the effectiveness of its efforts to reduce the environmental impacts in its supply chain, Honda established a system for the integrated management of data on CO₂ emissions reduction by suppliers in FY2012, which commenced full-scale operation in FY2015.

Honda is using the tool to share goals and progress status towards total reduction and to implement the PDCA cycle with suppliers worldwide.

As of 2023, approximately 2,200 companies, equating to more than 80% of purchasing value on a global level, are using the tool.

Going forward, the Company will comprehensively analyze data to assist in activities to reduce CO₂ emissions at suppliers, including their efforts to achieve total emissions control targets.

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Purchasing Initiatives

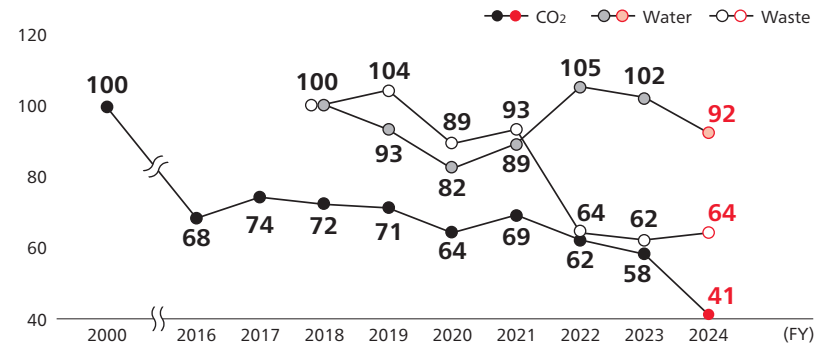
Initiatives to Reduce the Environmental Impact in the Supply Chain

Honda promotes carbon neutral initiatives together with suppliers and ensure the efficient use of resources in each region of the world to reduce the global environmental impact.

In Japan, Honda sets a CO₂ emission reduction target of 46% below FY2020 level by 2030 for its Group suppliers and promotes reduction initiatives in partnership with each of them.

With regard to water and waste, having started undertaking measures for target management in FY2019, Honda set specific targets for FY2023 (maintaining the total volume of FY2019) to collect accurate data. As part of this initiative, Honda has provided tools to these suppliers to analyze their respective progress and past performance and has been checking their activities to reduce the environmental impact as well as evaluate their stance in this area. By communicating and sharing information with Honda Group suppliers via the Internet, Honda actively collaborates with them to promote efforts to achieve the targets.

Performance in reducing the environmental impact
Index of CO₂ emissions/water use/waste generation per millions of yen



* Scope of data: all consolidated tier 1 suppliers in Japan

Category	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
CO ₂ (t/millions of yen)	1.07	0.95	1.03	0.93	0.86	0.62
Water (m ³ /millions of yen)	9.29	8.19	8.91	10.51	10.16	9.17
Waste (t/millions of yen)	0.62	0.53	0.55	0.38	0.37	0.38



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Purchasing Initiatives

Chemical Substance Management

The Company has 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 as well as to reduce their impact on the global environment and ecosystem. Honda asks suppliers around the world to establish a structure for managing chemical substances that meets the standard and to guarantee that the components they supply satisfy the standard. The Company also uses an industry standard management system for specific data on 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 as risks, including disasters, fires, financial issues and labor issues within suppliers. 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 whose procurement is dependent on a single facility as Mission-Critical Parts, and inspections and countermeasures are implemented continually around the world.

As part of this initiative, Honda has established a scheme for suppliers in Japan starting in 2021 to promptly register information on new supply chains (production sites below Tier 2) in its procurement risk management system when such information is generated.

Through the operation of this system, the Company established structures to quickly ascertain the extent of damage to suppliers in the affected areas and whether production has been affected in the event 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. In conducting business, the Company concludes basic agreements on component procurement that specify areas of attention such as safety, disaster prevention, environmental preservation, and the protection of resources. The agreements also contain terms regarding compliance with each country's laws and regulations, including competition laws and laws and regulations related to the prevention of bribery.

Responsible Mineral Sourcing

Honda recognizes the potential link between the increased demand for rare minerals, including cobalt, due to electrification and human rights issues such as child labor, and is engaged in activities aiming to avoid the use of minerals that may contribute to human rights violations and environmental pollution. In Japan, the Company uses templates provided by the Responsible Minerals Initiative (RMI) and works to identify cobalt refiners with the cooperation of its suppliers. Going forward, Honda will also consider global initiatives.

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Purchasing Initiatives

ESG* Surveys for Suppliers

Honda is communicating its sustainability policy to its suppliers and confirming the status of their efforts in line with growing international expectations for fulfilling corporate social responsibility, including the supply chain. Honda requires new suppliers to agree to the Honda Supplier Sustainability Guidelines in addition to screening from the perspective of quality, cost, delivery, development, and environment (QCDDE).

After this screening process, policy briefings and ESG surveys are periodically held for suppliers with high impact, such as those with large business volumes.

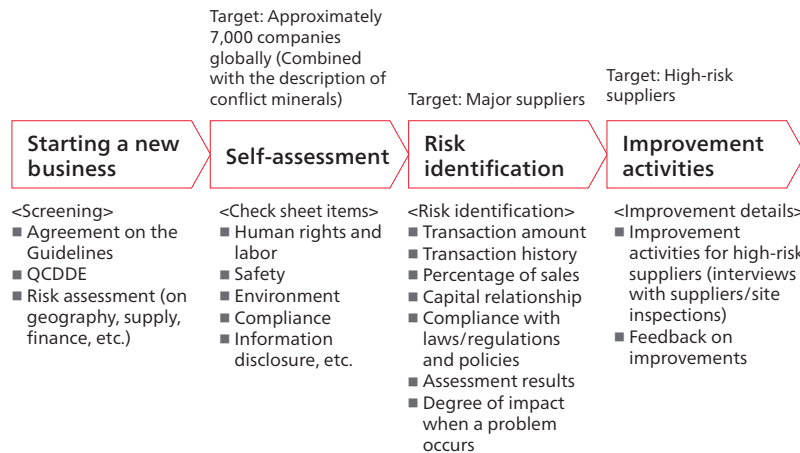
The ESG surveys cover approximately 7,000 companies globally and identify high-risk suppliers based on the likelihood of a problem occurring and the degree of impact on the company if a problem were to occur, in order to take action toward improvement.

In Japan, Honda has conducted ESG surveys for its suppliers who account for more than 80% of the total purchase price.

The ESG surveys include the following items.

- Distribute a check sheet based on international standards
- Confirm the compliance status of the guidelines
- Promote improvement

Sustainability monitoring flow



* ESG: Environment, Social, and Governance

The check sheet encompasses all aspects of human rights and labor matters, including eliminating race, ethnicity, nationality, religion, gender and other discrimination, as well as banning child labor, forced labor and human trafficking and guaranteeing minimum wages. The check sheet verifies supplier activities in a broad range of fields as it also covers such evaluation categories as the environment, compliance, and information disclosure. Based on the results of this survey, risks are identified, and according to the degree of risks, interviews with suppliers, on-site inspections, etc. are conducted.

The following checks and verifications are performed, and for issues identified in the improvement activities, suppliers are requested to make improvements, and if improvements are not implemented, the Company will consider suspending transactions with the supplier.

- Check relevant records, actual production processes and related facilities
- Verify the progress through a report on the improvement plan and result
- Conduct a follow-up investigation (including an on-site check as necessary)

Recent examples of improvement include the management of working hours and the formulation of an internal rule to prohibit suppliers from retaining the ID documents of non-Japanese workers.

In North America, the Company has begun utilizing check sheets, evaluations, and feedback provided by a third-party organization, and is considering expanding this scheme globally in the future.

Some of Honda sites also provide e-learning programs on sustainability to their suppliers to promote understanding of the issue.

Honda will continue to enhance training programs to develop the competence of survey personnel, while collaborating with its overseas purchasing bases to conduct sustainability activity surveys on a global basis.



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Purchasing Initiatives

Instruction and Training for Associates

To ensure that every associate involved in Honda's purchasing operations promotes fair, equitable, and transparent transactions in accordance with its purchasing philosophy, Honda has prepared manuals and training programs and promotes personnel development through on-the-job training (OJT).

In North America, Honda's Building Business Relations provides education on the importance of the Company's code of conduct, legal compliance, and confidentiality in developing positive long-term relationships with suppliers.

In Japan, in addition to these initiatives, Honda has established training and e-learning programs to deepen understanding of QCDDE operations, including programs to increase understanding of ESG initiatives in the supply chain area.

In this way, Honda has developed programs that take into account cultural and social backgrounds and promote capacity building for purchasing associates in each region of the world.

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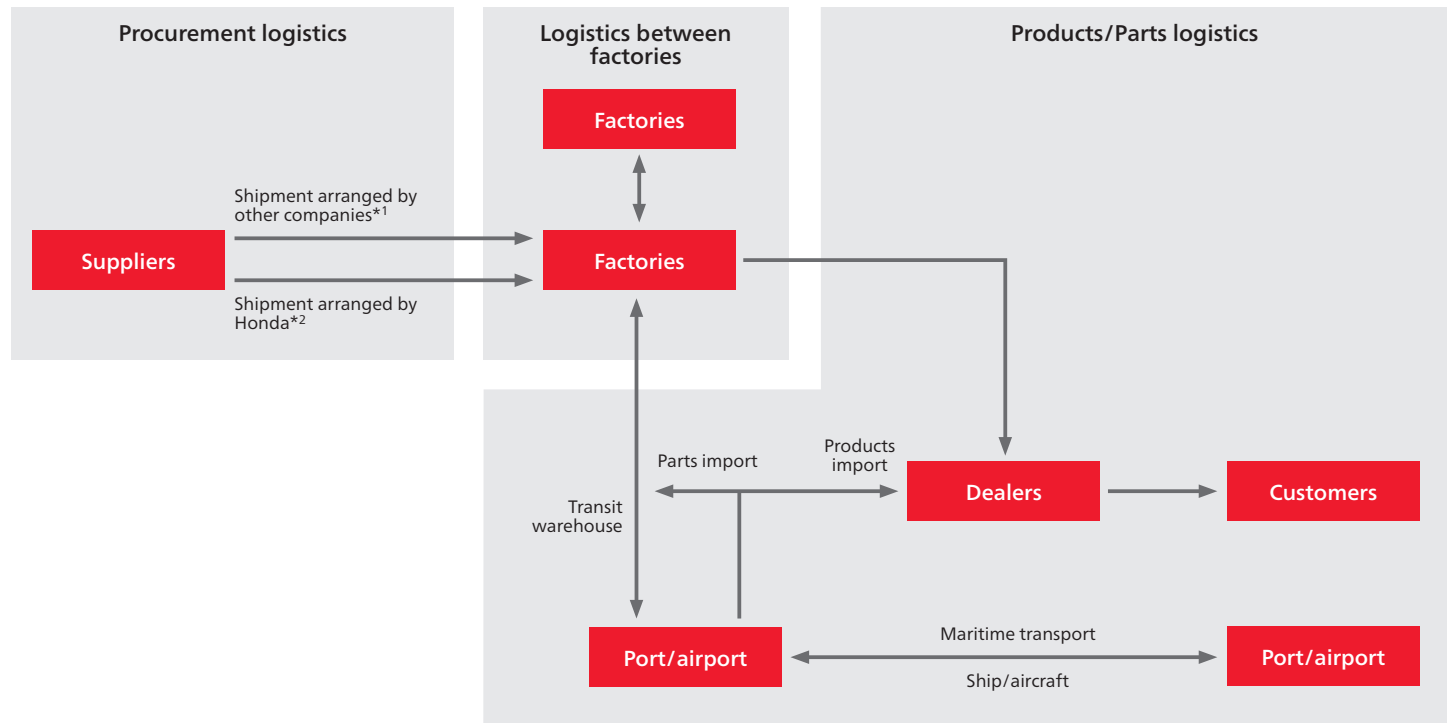
Basic Approach to Logistics

At Honda, many parts that are used in its products are transported from suppliers to its factories. Likewise, the completed models, as well as parts for services and repairs, are sent directly from the factories to dealers. Honda, which transports large volumes of goods from upstream to downstream in the manufacturing process, considers the reduction of environmental burden and compliance risk management

as important issues, as well as improving efficiency in logistics.

Honda is working together with logistics companies to reduce environmental impact and, as a shipper, to reduce the burden on drivers in the context of the 2024 logistics issue as a social responsibility.

Overview of Honda logistics



*1 A transportation operator retained by the supplier delivers sourced parts to the entrance of Honda's plants.

*2 A transportation operator retained by Honda makes the rounds of parts suppliers and picks up the sourced parts.

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Global Management of Logistics

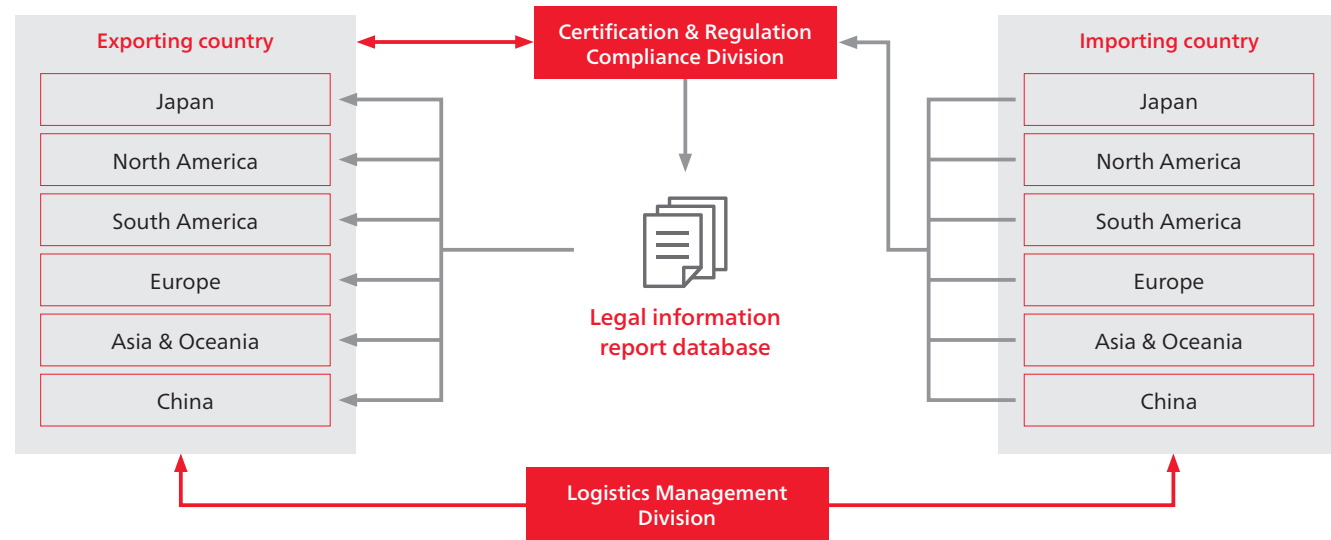
Integrated Management of Legal Information Concerning Logistics

In order to supply products and parts across countries and regions, it is necessary to identify and analyze a variety of factors, including the different transportation infrastructures, laws and natural disaster risks in each country. Laws and regulations, in particular, have the potential to significantly impact safety and speed in transportation.

Honda aims to constantly obtain accurate information and ensure an efficient,

accurate and early response on a global basis. To do so, the Company has established a function for the integrated management of international treaties and legal information concerning logistics operations. In addition to this, Honda is working to strengthen compliance with laws and regulations by ensuring a swift response.

Integrated management framework for legal information



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Logistics Initiatives

In the area of logistics, Honda is taking the following two major initiatives with logistics companies:

- (1) Reduction of environmental impact; efforts to achieve carbon neutrality by 2050
- (2) The 2024 logistics issue: Reducing the burden on drivers as a shipper's responsibility.

(1) Reduction of environmental impact

Honda is taking the following two major initiatives to reduce environmental impact:

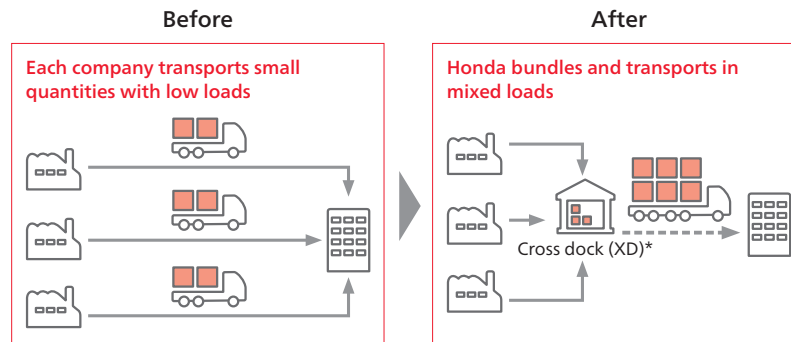
- 1) Highly efficient transportation
- 2) Low carbon transportation.

1) Highly efficient transportation

Improving Transportation Efficiency via Co-Creation with Suppliers

To minimize the logistics losses incurred by our suppliers, we ask them to deliver products to the nearest cross-dock (XD) of their shipping bases. From the XD, Honda then combines the products within a multi-company consolidation to transport them efficiently.

The effects of these measures have contributed to a reduction in the loads handled by distant suppliers and also a reduction in CO2 emissions.

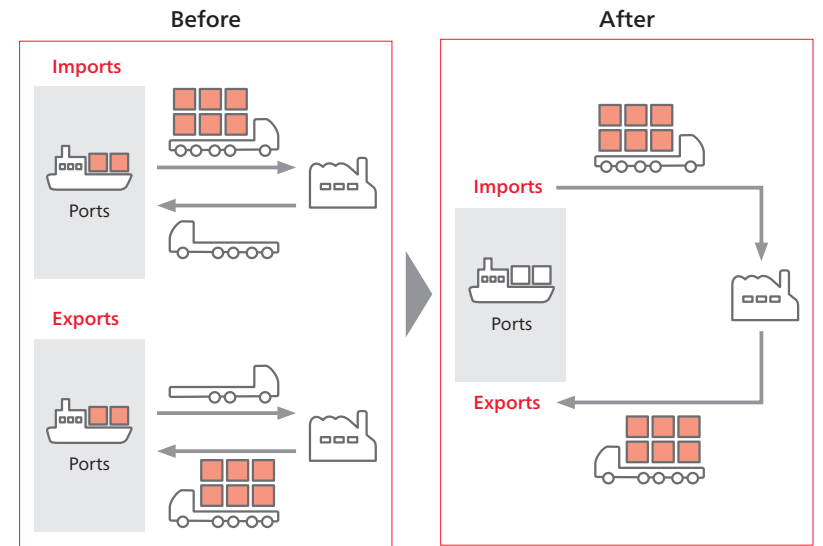


* Cross dock (XD): Warehouse with functions centered on the transshipment of parts

Container Round Use

Since containers are rented from shipping companies, it is a common business practice to return them promptly after cargo transportation.

However, since Honda has both export and import cargo, it negotiated with the respective shipping companies to reduce the transportation of empty containers upon return. As a result, the Company was able to reduce costs by 40% to 60%, as well as CO2 emissions in Japan.



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Logistics Initiatives

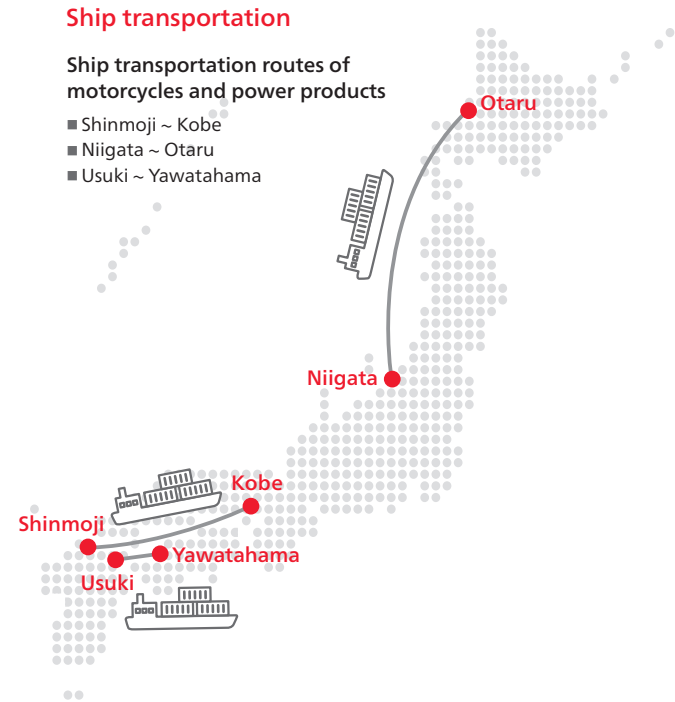
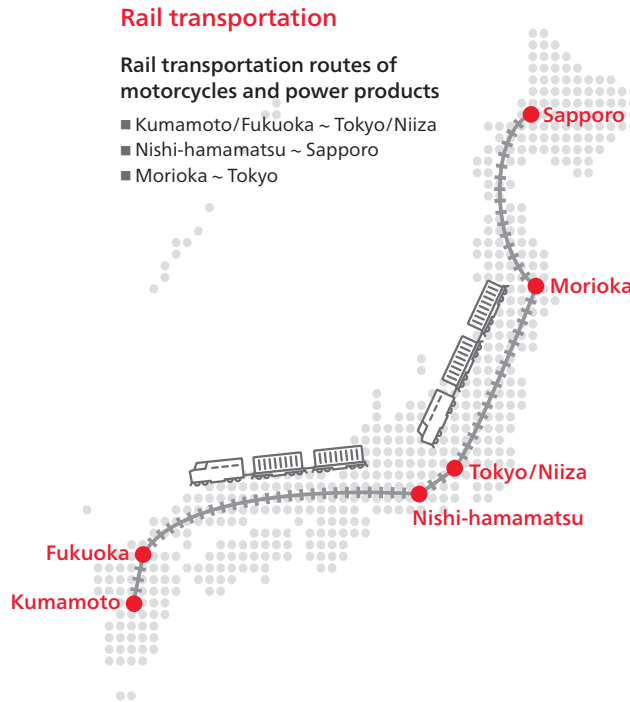
2) Low-carbon transportation

Honda is working to expand the modal shift from trucks to rail and ship, mainly for transportation to distant regions.

As part of its modal shift efforts in Japan, Honda is gradually switching long-distance transportation routes for motorcycles, power products, and automobiles to

rail and ship transportation.

As part of its overseas efforts, in India and Vietnam, the Company is switching from truck to rail and ship for transportation to distant regions. Similarly, in China, the Company is switching from truck transportation to rail transportation.



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Logistics Initiatives

Honda aims to achieve carbon neutrality by 2050 and is working to apply and deploy fuel cell (FC) systems as one of the technologies to achieve this goal.

In China, in collaboration with Dongfeng Motor Group, Honda began driving demonstration tests of commercial trucks equipped with Honda's fuel cell (FC) system in Hubei Province in January 2023.

China



Started driving demonstration tests of a commercial truck equipped with Honda's fuel cell system jointly with Dongfeng Motor Group

In Japan, Honda is also working with Isuzu Motors Limited to verify the suitability of fuel cells for heavy-duty trucks and to establish basic technological platforms such as vehicle control. It is planned to introduce mass-produced vehicles to the market by 2027, making the most of the technologies, experience, and knowledge gained from the joint research. To verify the possibility of utilizing hydrogen fuel and the practicality of fuel cell vehicles, the Company started demonstration runs on public roads in December 2023.

Japan



Started driving demonstration tests on public roads using monitoring vehicles jointly with Isuzu Motors Limited



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Logistics Initiatives

(2) Efforts to address the 2024 logistics issue

The 2024 logistics issue is a generic term for the risk that new rules and obligations are imposed on carriers, shippers, and recipients of goods by the Work Style Reform Laws, making it impossible to transport goods as before.

Honda has made a Voluntary Action Declaration for White Logistics Promotion in 2019 and has been working to improve logistics aiming to realize highly productive logistics and work style reform.

Based on the government guidelines issued in June 2023, Honda has been studying how to respond to the 2024 logistics issue. Additionally, to comply with the Voluntary Action Plan for Optimizing Distribution and Improving Productivity formulated and issued by the Japan Automobile Manufacturers Association (JAMA) in December 2023, the Company is working to ascertain the actual status of its logistics operations and to make improvements.

Honda will continue to work with logistics providers and suppliers to improve the efficiency of logistics throughout the supply chain and to create a comfortable working environment for all drivers.

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Joint Efforts with Industry Groups and Suppliers

Honda is striving to strengthen sustainability across the entire supply chain of parts and logistics through initiatives such as capacity building in collaboration with the automotive industry and its suppliers.

Collaboration with Industry Groups and Suppliers

Honda North America Inc., Honda's U.S. subsidiary, participates in working groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain. They participate in the Responsible Materials working group, the Human Rights and Trade working group, the GHG working group and the Chemical Management working group. AIAG has offered supplier training and encourages participation in 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 since 2012.

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

In North America, e-learning programs using computer-based training (CBT) are also provided for suppliers in order to facilitate their understanding of sustainability. Under the theme of sustainability, these programs deal with the environment, export control, social responsibility, safety and health, diversity, governance, compliance and ethics.

* A newly launched partnership to promote sustainability in the automotive industry

Dialogue with Suppliers

In December 2022, Honda convened a Sustainability Information Sharing Meeting, where it shared current social trends and provided feedback on the results of inspections at suppliers 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 FY2023, meetings were held in 23 locations around the world. At these regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDDE.

In Japan, Honda has held an annual conference since 1974. Senior management from about 452 suppliers attended the conference in March 2024, which was held in person. At the conference, Honda communicated company-wide policies and measures for working with suppliers for the future. Since FY2018, the Company has been presenting the Sustainability Award to suppliers for their outstanding efforts in all areas of ESG. With this award, Honda has broadened its perspective from the old Environmental Award, which focused primarily on greenhouse gas (GHG), to include social and governance aspects.

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



Presentation of Sustainability Department Award to G-TEKT CORPORATION in Japan