

## CSR Management

Honda's CSR is based on the Honda Philosophy. We identify the objectives and key priorities for CSR through communication with all stakeholders. We also maintain the management and promotional framework needed to implement our sustainability strategy on a global level.

### Honda CSR

We establish CSR objectives and identify each key priority based on the Honda Philosophy.

### Stakeholder Engagement

We engage with stakeholders through communication to understand the concerns and expectations of customers, dealers, shareholders and investors, local communities, suppliers and associates.

### Management Approach

We maintain the promotional framework needed to study, implement and publicize Honda's sustainability strategy on a global level.

## Honda CSR

Honda's CSR is based on the Honda Philosophy, the corporate philosophy left to us by founders Soichiro Honda and Takeo Fujisawa. In addition to the Honda Philosophy, we have established environmental, safety, quality and social objectives through communication and other engagement with dealers, suppliers, and customer opinions. The concerns and expectations of stakeholders are always changing, so we periodically review our objectives and key priorities.

### Honda Philosophy and CSR

Honda undertakes CSR activities based on the Honda Philosophy, which consists of fundamental beliefs, company principle and management policies.

### Material issues in Key CSR Themes

We identify key priorities and promote initiatives for each.

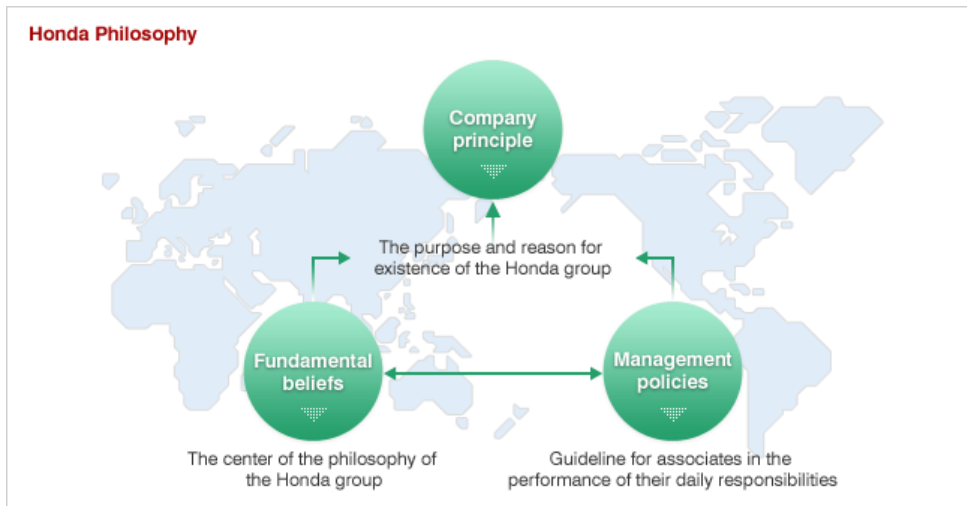
### Key CSR Themes

Environment, safety, quality and society - these are the objectives we establish for CSR.

## Honda Philosophy and CSR

### Honda's Roots, "Honda Philosophy"

Our CSR initiatives are based on the "Honda Philosophy". Crafted by Soichiro Honda and Takeo Fujisawa, the Honda philosophy forms the basis for all of our corporate activities. It comprises a set of values that are shared by all Group companies and their employees, where everyone at Honda works to realize this philosophy and regard it as not only words, but as the foundation of their actions and decisions. Specifically, it consists of fundamental beliefs in terms of respect for the individual and the Three Joys, the company principle, and management policies.



### Fundamental beliefs

#### Respect for the individual

##### Initiative

Initiative means not to be bound by preconceived ideas, but think creatively and act on your own initiative and judgment, while understanding that you must take responsibility for the results of those actions.

##### Equality

Equality means to recognize and respect individual differences in one another and treat each other fairly. Our company is committed to this principle and to creating equal opportunities for each individual. An individual's race, sex, age, religion, national origin, educational background, social or economic status have no bearing on the individual's opportunities.

##### Trust

The relationship among associates at Honda should be based on mutual trust. Trust is created by recognizing each other as individuals, helping out where others are deficient, accepting help where we are deficient, sharing our knowledge, and making a sincere effort to fulfill our responsibilities.

#### The Three Joys

##### The joy of buying

The joy of buying is achieved through providing products and services that exceed the needs and expectations of each customer.

##### The joy of selling

The joy of selling occurs when those who are engaged in selling and servicing Honda products develop relationships with a customer based on mutual trust. Through this relationship, Honda associates, dealers and distributors experience pride and joy in satisfying the customer and in representing Honda to the customer.

##### The joy of creating

The joy of creating occurs when Honda associates and suppliers involved in the design, development, engineering and manufacturing of Honda products recognize a sense of joy in our customers and dealers. The joy of creating occurs when quality products exceed expectations and we experience pride in a job well done.

## Company principle

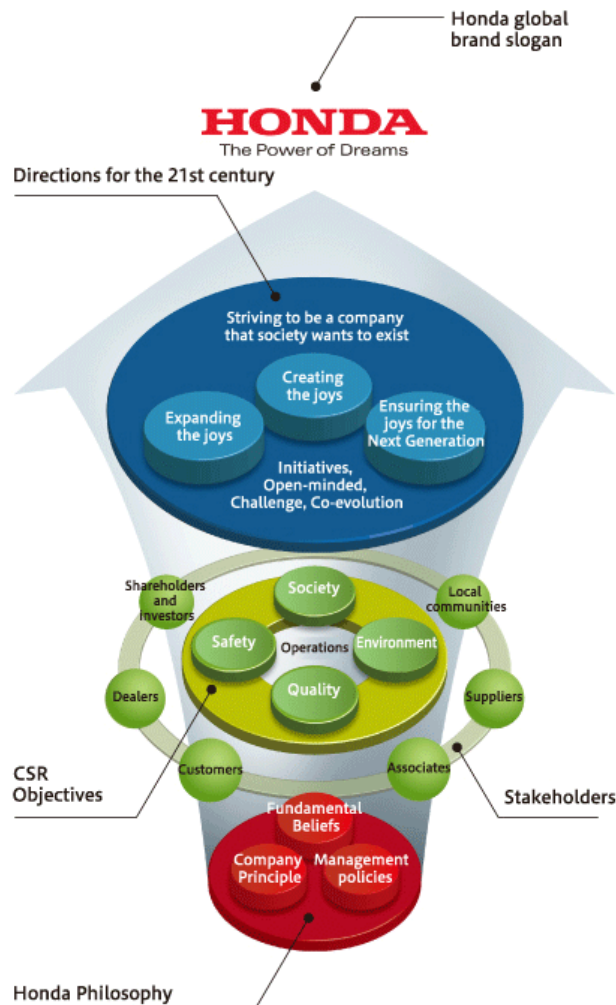
Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality yet at a reasonable price for worldwide customer satisfaction.

## Management policies

- Proceed always with ambition and youthfulness.
- Respect sound theory, develop fresh ideas and make the most effective use of time.
- Enjoy your work, and encourage open communications.
- Strive constantly for a harmonious flow of work.
- Be ever mindful of the value of research and endeavor.

Honda has defined its strategic direction, based on the Honda Philosophy, to strive to be "a company society wants to exist" through sharing joy with the people of the world. To achieve this, we have engaged in corporate activities that are geared towards "Creating the Joys," "Expanding the Joys," and "Ensuring the Joys for the next generation." "Creating the Joys" is to enhance The Three Joys: to depict dreams, creating visionary new value with a freedom of expression. "Expanding the Joys" is to spread The Three Joys: to realize dreams with as many people as possible, and contribute to local communities. "Ensuring the Joys for the next generation" is to connect The Three Joys with the next generation: to realize the highest standards in environmental and safety performance, towards the sustainable development of society.

The cornerstone of our thinking behind our corporate activities is "Open-minded, Challenge, Co-evolution" - Honda's corporate culture of "taking up the challenge without fear of failure, free from the prejudice of preconceived ideas, and with a foundation of teamwork based on trust." Society's expectations of Honda are constantly evolving, and we will continue to strive to be "a company society wants to exist," by rapidly responding to the changing environment in which we operate. To allow us to do this, we must communicate with all stakeholders around us - our customers, dealers, shareholders and investors, local communities, suppliers, and associates - and conduct our business with an understanding of both their interests and expectations of Honda. We believe that by engaging in corporate activities that are based around the Honda Philosophy as outlined above, we will be in a position that allows us to fulfil our social responsibilities and contribute towards the building a sustainable society.



## Key CSR Themes

As part of our drive to be “a company society wants to exist,” Honda has drawn from a wide array of sources-including direct customer feedback, customer satisfaction surveys, reader questionnaires appended to Honda corporate reports, communications with suppliers and dealers, dialogue with outside experts, various business performance indicators, and associate awareness surveys-to identify material issues under the four key CSR themes of Environment, Safety, Quality, and Society.

With respect to Environment and Safety, Honda has articulated its dream of a society in which anyone can move about freely in the Environmental and Safety Vision, “Realizing the joy and freedom of mobility and a sustainable society where people can enjoy life,” as well as the overarching 2020 Vision adopted in 2010, which calls for “maximizing customer joy” by providing “good products to customers with speed, affordability, and low CO2 emissions.” The Honda Environmental and Safety Vision expresses our passionate commitment to provide products and services that enhance personal mobility as part of our ongoing mission of “delivering excitement” to customers while contributing to the development and harmony of society. Honda’s initiatives in the Environment category include a long track record of product research and development aimed at enhancing emission performance and fuel diversity-from the CVCC engine of the 1970s to our current pioneering work on fuel cell electric vehicles-as well as ongoing efforts to minimize our environmental impact at every stage of the value chain, including manufacturing operations at our factories, transport of components and finished goods, and business activities at our offices and dealerships.

In the area of Safety, Honda has continued to develop and incorporate technologies aimed at preventing accidents and minimizing injury in the event of an accident, whilst vigorously pursuing safe-driving initiatives in countries around world. In April 2013, Honda adopted “Safety for Everyone” as its global safety slogan. As we see it, the three pillars of auto safety are Human, Technologies, and Communication, with Honda’s safety initiatives geared not only toward strengthening each of these individually, through safety education, safety technology, and safety information, but also to enhancing the interconnections between them with the ultimate goal of achieving a collision-free mobile society. From the very beginning, Honda has striven to manufacture products that exceed customer expectations so as to achieve optimum quality, with particular emphasis on safety and the environment. As our production system evolves in the direction of localized manufacturing with globalized component procurement, we continue to integrate Honda quality requirements into each stage of development, procurement, and production in order to provide customers all over the world with the kind of top-quality products they expect and deserve.

Moreover, we believe that CSR under the category of Society is vital if Honda is to remain “a company society wants to exist” going forward. CSR programs under this theme are wide ranging, from customer satisfaction initiatives to social philanthropy and internal training and education. Ever since its early history, Honda has embraced its responsibilities as a corporate citizen and has endeavored to give back to society in keeping with the Honda philosophy. We will continue to maintain close and open communication with all our stakeholders to ensure that their concerns and expectations are reflected in Honda’s social initiatives and business activities in the years ahead.



Key CSR Themes

## Material issues in Key CSR Themes

We have identified material issues relating to our Key CSR Themes: "Environment", "Safety", "Quality" and "Society".

### Environment

Honda has been vigorously pursuing environmental initiatives since the 1960s, and in the 1970s, created the CVCC engine which was able to fully comply with the "Muskie" Clean Air Act in the U.S. - a feat thought of as impossible at the time. In 1992, we defined our fundamental approach of "reducing our environmental impact at every stage of our products' lifecycles" in writing, in "the Honda Environmental Declaration." In March 1995, we established the World Environment and Safety Committee, deliberated over and established a plan for environmental conservation on a global scale, and have conducted a program of annual performance reviews ever since thereby establishing an environmental management system that functions on all levels, from a global scale to that of local communities. The environment is an important issue, and has an effect on Honda's corporate operations. In line with this thinking, we have recently assigned the role of chairperson of the World Environment and Safety Committee to the President and CEO, while all Chief Operating Officers for Regional Operations have been designated as chairpersons of their respective regional environmental committees.

Having considered, through the World Environment and Safety Committee, the types of environmental issues that the world faces today, and how these issues relate to and impact our business operations, we reached the conclusion that, in order for Honda to address safety and the environment on a global basis and make our own operations sustainable, we must focus on the three issues of climate change, energy, and resources.

#### Main environmental initiatives

- Countermeasures against climate change
- Countermeasures against energy scarcity
- Countermeasures against resource scarcity

### Safety

In Japan, the number of traffic accident victims who died within 24 hours of their accident declined in 2013 for the 13th consecutive year to 4,737, the number of injuries and the number of accidents also decreased for the ninth straight year. Globally, a rapid increase in demand for personal mobility products in developing countries is predicted by the World Business Council for Sustainable Development (WBCSD) "Mobility 2030" project, in which Honda participated. In order to prevent an increase in traffic deaths in these countries, it will become necessary for auto makers and other stakeholders, such as local governments, to cooperate in making traffic safety provisions.

Honda has always pursued initiatives aimed at not only car and motorcycle users, but all users of the road, including pedestrians and cyclists. In line with the changing environment in which we operate, with emerging technologies and new legislation, we aim for a "zero-collision" mobility society, and as such, adopted the slogan of "Safety for Everyone" in April 2014. To realize these ideas, we have identified three key components: 'Human' - safety education, 'Technologies' - the mechanics of safety, and 'Communication' - safety information. By advancing these concepts and at the same time promoting collaboration between the three areas, we are able to create new value.

#### Main safety initiatives

- Providing knowledge and skills for safe driving under the "Human" pillar
- Developing 'Technology' to ensure safety
- "Communicating" essential information to raise traffic safety awareness

## Quality

Our product quality activities play an important role in earning our customers' trust. Through our approach of "Providing the convenience and amenity of personal mobility to as many people as possible", Honda has been in a position that allows it to rapidly expand overseas. In order to achieve our objective of "120% product quality" everywhere we operate, we follow our global quality guarantee rules.

As we increase localization of manufacturing and global procurement of components, we will create dependable products through the development, procurement, and manufacturing stages, and continue to respond to customers' trust in us by sustainably improving our products through the Honda Quality Cycle.

### Main quality initiatives

- Realization of products of the highest quality

## Society

The theme of Society affects a great many stakeholders. A large number of suppliers provide us with tens of thousands of automobile components. Those components are then assembled into finished products at factories employing thousands of Honda associates. Honda dealerships deliver our products to customers and ensure customer satisfaction through ongoing maintenance and repair services. As a good corporate citizen, Honda also needs to work hand in hand with local communities and governments in order to deepen its commitment to all local communities where it does business.

By maintaining close communications with these stakeholders, Honda strives to ascertain and respond to their expectations as it addresses various issues. Where the customer is concerned, we are constantly striving to boost customer satisfaction by improving our products and services, so as to deliver value that not only meets but surpasses expectations. In terms of philanthropy, with the aim of coexisting with the local communities where it operates Honda has been involved in social initiatives tailored to local needs since the 1960s when the company was still in an early growth phase. When it comes to suppliers, Honda's procurement programs are grounded in equal opportunity and the principle of treating all our suppliers as equals. Where our associates are concerned, we are dedicated to creating a healthy work environment in which each member of our highly diverse workforce can find job satisfaction by making the most of his or her abilities.

To promote a fuller understanding of Honda's business activities, including our broad range of CSR activities, we place a high priority on public information, targeting not only shareholders but as many investors as possible. The focus of our investor relations program is twofold: (1) ensuring timely, accurate, and fair disclosure of business information, and (2) communicating the true state of the company's operations in a straightforward manner.

### Main social initiatives

- Enhancing customer satisfaction
- Philanthropic initiatives designed to strengthen ties with local communities
- Fair relationships with business partners
- Healthy working environment so that associates can make the most of their abilities
- Investor relations

## Review of Key CSR Themes and Material Issues

As society changes, so do the concerns and expectations of Honda's diverse stakeholders. For this reason, Honda periodically reviews the key CSR themes and material issues that we focus on.

## Stakeholder Engagement

If Honda is to be “a company society wants to exist,” it must anticipate social change and respond to desires and needs as they evolve. In each corporate unit that has direct involvement with stakeholders—from sales departments and the Customer Relations Center, which interact with customers, to purchasing departments, which deal directly with suppliers—Honda takes every opportunity to maintain awareness of stakeholder concerns and expectations. Important matters are submitted to the Board of Directors or the Executive Council for deliberation. Of the information gathered through stakeholder engagement, matters of major importance, including those relating to Honda’s medium- or long-term business strategy from the sustainability perspective, are brought before the World Environment and Safety Committee.



Our Stakeholders

	<b>Our Stakeholders</b>	<b>Examples of occasions to understand their expectations</b>	<b>Contact</b>
Customers	Total annual unit sales including motorcycle, automobiles, and power products and others 27,380,000	Customer satisfaction survey Customer feedback Traffic safety initiatives held by dealers Customer events such as Motor Shows	Sales Division Customer Relations Center Dealers Corporate Communication Division
Dealers (Domestic)	Honda Cars Dealerships: 2,000 Honda Dream Stores: 110 * Dealers of power product and others: 2,800	Dealer Conferences Certification system briefings and site visits	Sales Division in each Business Operations
Shareholders and Investors	Shareholders: 215,555	General meetings of shareholders IR meetings	General Affairs Division IR Division
Local Communities	Total: 448 Consolidated subsidiaries (include variable interest entity): 365 Equity method affiliates: 83	Meeting with local residents Factory tours and events for children and students Philanthropic activities with participation of Honda associates Industry organizations activities and international initiatives	General Affairs Division Each division in Functional Operations
Suppliers	Parts and Raw materials of Domestic and international: Approximately 7,000	Suppliers Conferences of the region in the world/Suppliers Meetings	Purchasing Division
Associates	Total: 198,561 (Employed workers of Honda Group)	Employee satisfaction surveys Direct Communication (Dialog with executives) Intranet Off-the-job training programs	Personnel Division

\*At the end of June 2014

## Examples of our stakeholder engagements

Through continuous interaction with all stakeholders groups, we at Honda work hard to stay in touch with society's expectations and incorporate them into our management policies and business activities.

### With local communities: the Hello Woods Symposium

In 2000, as part of our forest rejuvenation initiatives, we opened a nature experience center named Hello Woods in the Twin Ring Motegi grounds (Motegi-town Haga-county, Tochigi prefecture), as a "place of recreation and learning" through the richness of nature. Hello Woods plays an important role in demonstrating how we put the first two of the three pillars of our community activities - "Preservation of the environment, nurturing the next generation, and traffic safety" - into practice. We use the facility to hold forums, where people such as experts and members of NGOs can share their thoughts regarding the subject of the children of the next generation, and the environment that will be left for them. The knowledge and perspectives gained from this process helps us to not only connect with members of the general public, but also plays a useful role in the development of our community initiatives.



Date and Location	Theme	Speakers
19th Oct. 2013 Hotel Twin Ring (Twin Ring Motegi)	The Life and Emotions that Forests Nurture	Mr. Akira Sakata, Jazz musician, Visiting Professor of Tokyo University of Pharmacy and Life Sciences, Dr. Minoru Taketazu, veterinarian, photographer, and essayist Ryuichiro Sakino, Hello Woods Forest Producer Yoshikazu Kigoshi, General Manager of Design Division, Automobile R&D Center, Honda R&D Co., Ltd.
13th March 2013 Hotel Twin Ring (Twin Ring Motegi)	Linking Healthy Forests and Healthy Kids	Professor Emeritus Takeshi Yoro, University of Tokyo Takashi Sugiyama, Research & Development Division Manager, Fumakilla Limited Ryuichiro Sakino, Hello Woods Forest Producer Takanobu Ito, President and CEO, Honda Motor Co., Ltd.
1st and 2nd March 2012 Aoyama Building, Honda Head Office(Aoyama)	Day 1: Healthy Forests Day 2: Healthy Kids	Yoshihisa Suyama, Associate Professor, Graduate School of Agricultural Science and Faculty of Agriculture at Tohoku University Ryuichiro Sakino, Hello Woods Forest Producer Takanobu Ito, President and CEO, Honda Motor Co., Ltd.
30th October 2010 Hotel Twin Ring (Twin Ring Motegi)	Healthy Kids and Healthy Forests: Sustainable Forest Development	Dr. Minoru Taketazu, veterinarian, photographer, and essayist Mayor Tatsuya Koguchi, Town of Motegi, Professor Tatsuhiro Ohkubo, Faculty of Agriculture Department of Forest Science at Utsunomiya University Shingo Noi, Associate Professor, Faculty of Education at Saitama University Ryuichiro Sakino, Hello Woods Forest Producer Takanobu Ito, President and CEO, Honda Motor Co., Ltd.

## **With Dealers: Certification system to meet customers' needs**

To exceed our customer's expectations, we operate a certification system for automobile dealers built around our own standards for environment, safety, and welfare performance.

### **Orange Dealers**

Honda has a program of certifying some Honda Cars dealerships as "Orange Dealers" that take on the role of supporting local communities through the sale of special-needs vehicles. It is very important that customers test these vehicles to enable them to fully understand the equipment, function, size and its operation. Orange Master Dealerships display the complete range of special-need vehicles\*1 which are also available for test drives.

Orange Dealers also provide barrier-free showrooms, and parking places and restrooms suitable for wheelchair users, as well as taking measures such as ensuring that there are no steps between the parking lot and the entrance to the dealership to facilitate access for all customers. Sales personnel provide guidance regarding special-needs vehicles, making sure that customers can select the most appropriate vehicle for them.

Annual unit sales of special-need vehicles are 8,390\*2 as of the end of March 2014.

\*1 Passenger swivel seat vehicle, passenger lift-up seat vehicle, side lift-up seat vehicle and wheelchair-accessible vehicles \*2 including vehicles driving assist systems

#### **Features of Orange Dealers**



Provision of barrier-free showrooms



Display of Honda special-needs vehicles which are available for test drives



Sales personnel can provide guidance regarding special-needs vehicles

## **With industry groups: Providing training for business partners**

Honda strives to conduct business in an ethical manner, working to attain the highest standard in business integrity. Constructive dealings with our business partners are essential. Given the diversity of our partners, whether in terms of size, industry grouping, or geographical distribution, Honda seeks to be a responsible company and community partner, working to ensure that all dealings are being held to such standards. We are collaborating with other companies: for example, Honda\*1 is actively involved with the automobile industry organization AIAG (Automotive Industry Action Group), where we are part of four work groups, focusing on Conflict Minerals\*2, Global Working Conditions Training, Greenhouse Gases and Chemical Management and Reporting. We serve as co-chair of the Global Working Conditions Training group, in which companies participating in the AIAG collaborate to advance training in emerging countries; we have taken part in training sessions in China and Mexico, educating the supply chain on business ethics, environmental standards, working conditions, and human rights. These sessions are open to all tier one suppliers and any interested sub tier suppliers, and through these kinds of activities, we are striving to attain the highest standards in the automobile manufacturing industry. Furthermore, the AIAG is a partner association of the Conflict Free Sourcing Initiative (CFSI); through our participation in the CFSI, we are providing support for third party auditing of conflict mineral smelters and refiners.

\*1 Participation by Honda North America Inc.

\*2 For further information regarding our activities on Conflict Minerals, please visit the following page 78.



## **With Industry Groups: Guest Lecturing on Campus**

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The Japan Automobile Manufacturers Association organized the "Guest Lecturing on Campus: Top Executives Explain the Allure of Automobiles," a program in which the CEOs of Japanese automakers gave university presentations in an effort to convey the excitement of automobiles and manufacturing to a generation of young people for whom cars have lost some of their former appeal. Honda President and CEO Takanobu Ito took part in the program, returning to his alma mater Kyoto University on October 16, 2013 to deliver a presentation titled "Realizing the Joy and Freedom of Mobility and a Sustainable Society Where People Can Enjoy Life."

Ito began by congratulating the Kyoto University team on its first-place overall finish at the 2013 Student Formula Japan competition.\* By relating his own involvement in the development of the NSX sports car and the thrill of solving the problems involved in designing an all-aluminum body, he conveyed the importance of setting challenging goals and highlighted the special appeal of cars and the world of manufacturing.

Ito explained that advancing R&D programs aimed at building the next generation of clean motor vehicles and developing renewable-energy manufacturing systems is one of the most urgent tasks in the fight against global warming. He also discussed Honda's development of the world's first commercial onboard navigation system and the company's ongoing work in developing navigation systems that use interactive communication to prevent accidents and help drivers avoid traffic congestion. He concluded by urging all his listeners to pursue their dreams with total commitment and passion. Honda will continue exploring opportunities to connect with members of the younger generation, on whom we are counting to build the Hondas of tomorrow.

\*Student Formula Japan is an annual national engineering competition launched in 2003 in which students plan, design, and build their own racing cars.

## **With Our Associates: Direct Communication**

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At Honda we place priority on good two-way internal communication, recognizing that it is essential to a healthy organization. In April and May 2013, following our fiscal 2012 corporate reorganization, President and CEO Takanobu Ito toured Honda's major worksites around Japan to engage in direct communication with Honda associates.

During the program, Ito and other executive officers spoke face-to-face with Honda associates about Honda's vision and strategy for the future, covering such core themes as the meaning of true globalization and the evolution of manufacturing, and they listened carefully to the views of participants. In a survey of participating associates carried out after the program, 90 percent of respondents answered that the experience had deepened their understanding.

At our overseas worksites, meanwhile, the chief operating officers of Honda's Regional Operations (all of whom are executive officers of Honda Motor Co., Ltd.) took the lead in implementing direct communication programs adapted to the needs and conditions of their respective locales.



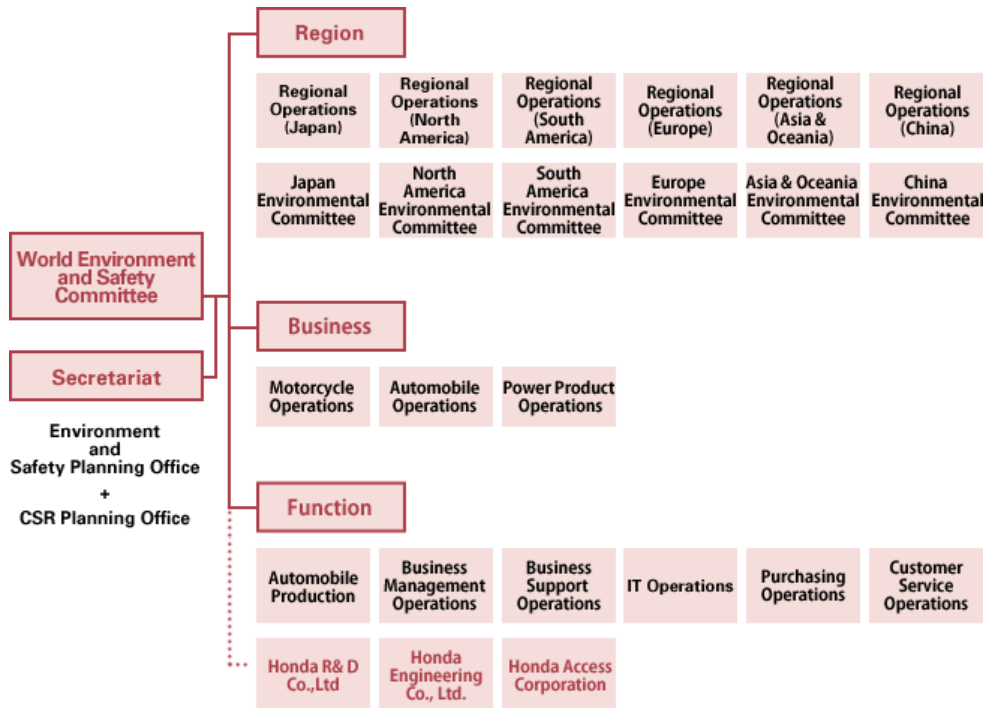
## Management Approach

### CSR Management Framework

In fiscal 2014, cognizant of the growing global emphasis on evaluating business activity from a long-range perspective, Honda expanded the scope of the World Environment and Safety Committee to include matters under the heading Society and Governance, as well as Environment, thereby creating a framework for global deliberation, implementation, and communication of Honda's sustainability strategy.

In addition, in April 2014 Honda transferred jurisdiction over CSR management functions from Business Support Operations to the newly established CSR Planning Office under the Corporate Planning Division, in recognition of the importance of CSR management. The new organization strengthens Honda's central CSR planning capabilities and creates a framework in which the CSR Planning Office reports planning and progress on Honda's sustainability strategy directly to the World Environment and Safety Committee along with the Environment and Safety Planning Office, previously established under the Corporate Planning Division.

#### Honda CSR Management Framework



### Management

In fiscal 2014, Honda began prioritizing material issues on ESG and setting targets for addressing those issues. Concrete plans are drawn up within each regional, business, and functional division, submitted to top management for review, and formally adopted upon approval. Each year after a plan goes into effect, an evaluation is carried out to assess progress toward the plan's targets, and the results are reflected in the targets and planning for the following year. This PDCA\* cycle provides a mechanism for ongoing ESG initiatives within each region, business, and corporate function.

\* plan-do-check-act

### Benchmarking

We view outside feedback and evaluations as essential criteria for monitoring the quality and progress of our initiatives. We will continue enhancing our efforts throughout Japan and the world while also working actively to provide full, meaningful disclosure of all our activities and data.

In the CDP (Carbon Disclosure Project)'s survey of Global 500 companies\*, Honda scored the highest among Japanese companies. Subsequently, we were selected as one of twelve global leaders for climate change disclosure and performance.

\*Global 500: The largest 500 companies by market capitalization included in the FTSE Global Equity Index Series



Honda ranked fourth out of 1,729 manufacturers examined in the 17th Environmental Management Survey by news publishing company Nikkei Inc.

Many models have received the highest score from third party evaluations worldwide in FY2014. Notable examples include being awarded the Top Safety Pick+ by IIHS in the United States for the most number of models, five stars for all models assessed by Euro-NCAP, and a five-star J-NCAP rating in Japan for the CR-V.F

