

5 Strategy

Material Issues

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



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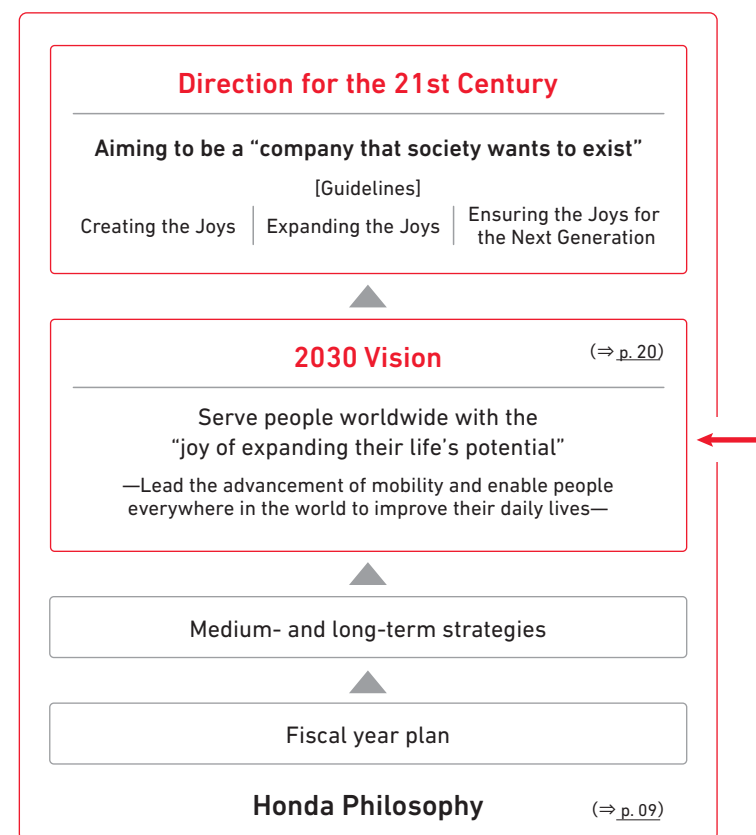
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Honda's Sustainability

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

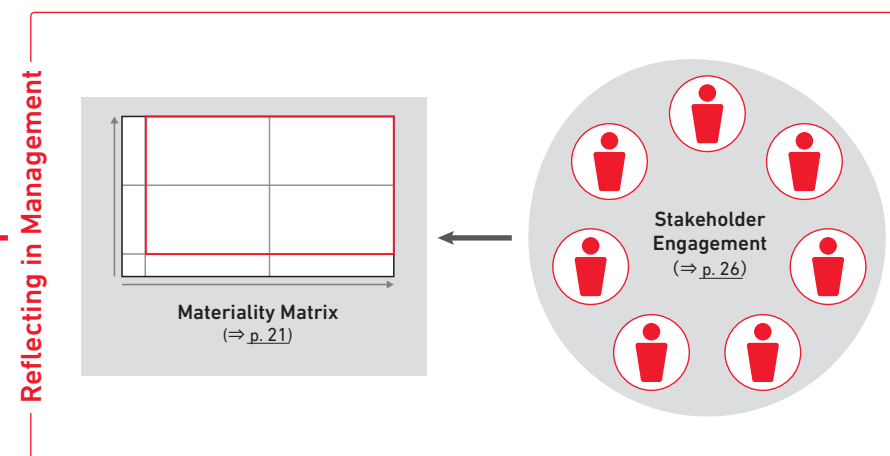
To achieve both the creation of growth opportunities for the Company and a sustainable society, Honda has set striving to be "a company that society wants to exist" as its direction for the 21st century. It is also advancing initiatives known as "Creating the Joys," "Expanding the Joys" and "Ensuring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



The "2030 Vision" is one milestone indicating in concrete terms the direction Honda ought to take toward realizing these objectives.

For Honda to achieve sustainability, it is important to meet stakeholders' expectations and needs by providing value through its products and services. Equally important is to fulfill its corporate social responsibility, for instance by considering its impact on the environment and society and to contribute to the resolution of social issues through its business activities.

To this end, Honda devises medium- and long-term strategies that are based on the perspectives of both stakeholders and Honda itself. In determining these perspectives, Honda uses the materiality matrix as its guide and considers the roles it should play and contributions it should make, geared to the characteristics of each region around the world.



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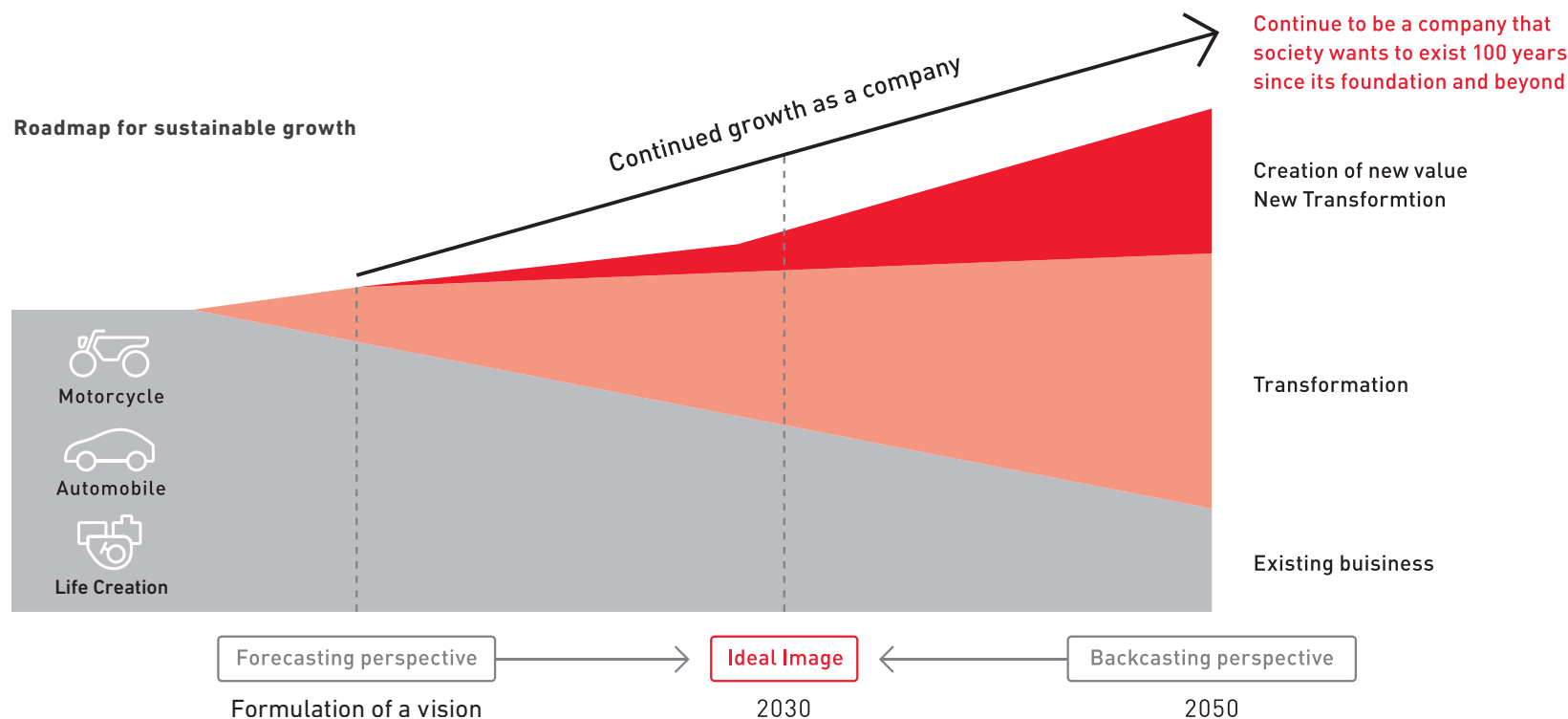
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Roadmap for Sustainable Growth

There are numerous social issues that have been much discussed, including poverty and refugee problems, human rights issues, climate change, energy issues, improvement of occupational health and safety, and the aging of society. Within this context, for Honda, which undertakes a diverse range of businesses globally, understanding its opportunities and responsibilities in the value chain will also be essential for identifying priority issues in management. In addition, to swiftly respond to and accommodate rapid changes in the business environment, it is important to set forth Honda's future direction in the form of a vision.

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

In producing the Vision, Honda examined long-term changes in the operating environment from two perspectives: forecasting, or looking ahead to the future from the present point in time, and backcasting, or looking back from 2050 to the present. As the Company continues operating existing businesses, how is it going to transform and evolve the value of existing businesses in step with the rapidly changing expectations of society and the needs of Honda customers? Moreover, how is Honda going to create unprecedented new value in the motorcycle, automobile and life creation businesses, as well as in new areas beyond the framework of its existing operations? To produce a vision that will enable sustainable growth over the long term, Honda has examined the direction of the transformation of its businesses toward 2030 from the three perspectives of "Current, Transformation and New."



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2030 Vision

The 2030 Vision formulated by Honda is expressed in the statement, "Serve people worldwide with the 'joy of expanding their life's potential'—Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives—." To embody this Vision, the Company set the direction of its specific initiatives from three perspectives as action guidelines for the 21st century: "Creating the Joys," "Expanding the Joys" and "Ensuring the Joys for the Next Generation."

From the first perspective of "Creating the Joys," Honda will work on "creating value for 'mobility' and 'daily lives'." The Company will focus on three areas, namely mobility, robotics and energy, as it seeks to provide people with the "joy and freedom of mobility" and "joy of making their lives better."

From the second perspective of "Expanding the Joys," Honda will strive to "accommodate the different characteristics of people and society." In this area, the Company will seek to further expand joy by offering products and services that are optimized for all people reflecting different cultures and values and diverse societies, irrespective of

whether they are in developed or developing nations.

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

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

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

2030 Vision

Serve people worldwide with the "joy of expanding their life's potential"

—Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives—

Growth through the pursuit of quality

《Creating the Joys》
Creating value for
"mobility" and "daily lives"

- Provide people the joy and freedom of mobility
- Provide people the joy of making their lives better

《Expanding the Joys》
Accommodate the different
characteristics of people and society

- Provide the ideal products and services that fulfill societies' expectations and meet individual needs

《Ensuring the Joys for the Next Generation》
Toward a clean and safe/
secure society

- Lead efforts to realize a carbon-free society
- Lead efforts to realize a collision-free mobile society

Business viewpoint to focus on: Effective utilization of corporate resources

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Materiality Analysis

Evaluation of Issues from the Stakeholders' Perspective

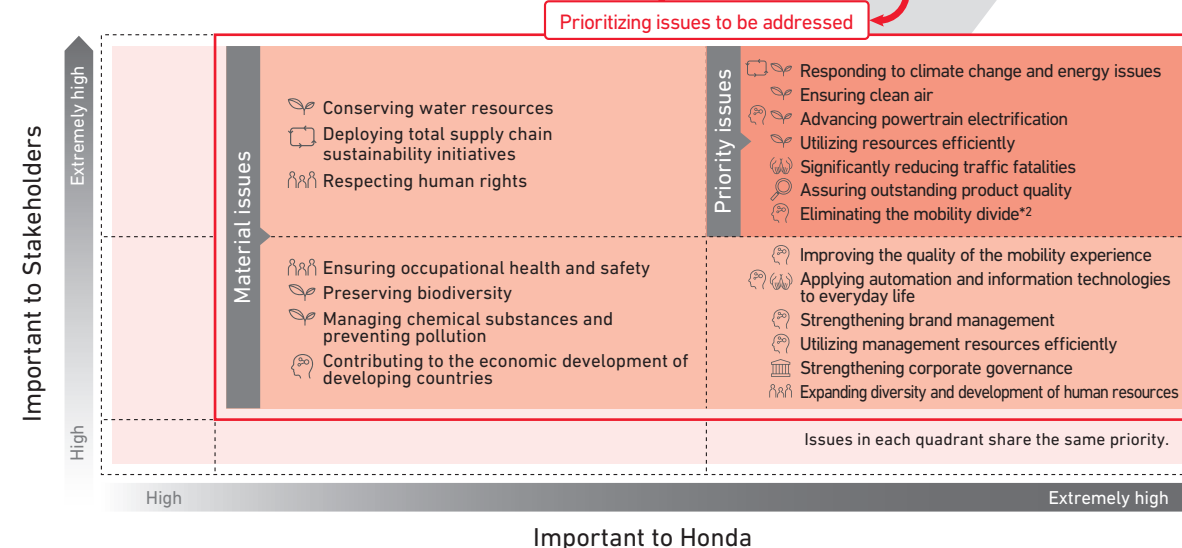
Toward achieving our long-term vision which is based on the Honda Philosophy, key issues to be addressed are identified and prioritized from our perspective and from the viewpoint of our stakeholders. The materiality matrix provides the essential framework for organizing these issues. By creating and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

The materiality matrix was prepared in two stages: identifying issues and then categorizing them according to their materiality. Issues were identified through dialogue among members of respective operating divisions within the Company. The process also took into account various viewpoints including global and value chain perspectives, the status of technological innovation, the Sustainable Development Goals (SDGs)*1 and social issues pursuant to

the Paris Agreement. We evaluated the materiality of these issues in light of the views of stakeholders through dialogue with leading environmental, social and corporate governance (ESG) rating agencies and NGOs in Europe and the United States that focus on sustainability issues. The contents were also evaluated and assessed by management at the Company's Sustainability Strategy Committee meetings and other occasions.

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

Materiality matrix



Company that society wants to exist

Realizing 2030 Vision

Reflecting in corporate strategy

Prioritizing issues to be addressed

*1 The SDGs are international objectives related to such areas as poverty, hunger, energy, climate change and a peaceful society adopted at the United Nations Sustainable Development Summit in 2015.

*2 Disparity in quality of life between those who do and do not have access to mobility

	Strategy (⇒p. 17)
	Governance (⇒p. 32)
	Environment (⇒p. 51)
	Safety (⇒p. 77)
	Quality (⇒p. 93)
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	Supply Chain (⇒p. 133)

Initiatives toward each critical issue are explained in each part.

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Honda's Initiatives and the SDGs
Contributing to the Achievement of the SDGs

In order to share joys with stakeholders, Honda seeks to contribute to the advancement of a mobile society with its original and useful technologies that anticipate the needs of the times.

This approach aligns with the United Nations' SDGs, specifically, Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation," Goal 12 "Ensure sustainable consumption and production patterns" and Goal 17 "Strengthen the means of implementation and revitalize the global partnership for

sustainable development," and aligns with Honda's overall corporate activities.

Honda also believes that creating value for society while pursuing economic value will lead to sustainable corporate management and ultimately contribute to the sustainability of society.

In accordance with the material issues for the realization of the 2030 Vision (⇒ p. 21), Honda will contribute to the achievement of the SDGs through its corporate activities.

SUSTAINABLE DEVELOPMENT GOALS


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Honda's Initiatives and the SDGs

Honda's Initiatives

Common Efforts of Honda's Corporate Activities

By leveraging its proprietary technologies that anticipate the needs of the times, Honda will promote the spread of products that will provide increased value to mobility and people's daily lives. Through these products, relevant industries and technologies that can help resolve social issues will become prevalent in society. Also, Honda intends to play a leading role in resolving environmental, safety and other social issues in cooperation with its stakeholders.

Initiatives by priority issue

Priority issues	Honda's initiatives	SDGs supported by Honda
Responding to climate change and energy issues	Environmental Initiatives: Striving for Zero Environmental Impact (⇒ p. 05) Dealing with Climate Change and Energy Issues (⇒ p. 56) Logistics initiatives (⇒ p. 140) Reducing environmental impact at suppliers' sites (⇒ p. 141)	With a view to leading the way in realizing a carbon-free society, Honda undertakes corporate activities while giving consideration to everything from the purchase of raw materials to end use of its products. Honda believes its measures against climate change, including vehicle electrification and the use of portable batteries and hydrogen energy, will lead to stabilizing food production, ensuring energy supply and facilitating the creation of more comfortable communities.
Advancing powertrain electrification	Electrifying motorcycles and automobiles and promoting fuel cell vehicles (⇒ p. 06) Product electrification (⇒ p. 57)	
Preservation of Clean Air	Preservation of Clean Air (⇒ p. 66)	Honda is pushing ahead with the preservation of clean air and water resources by developing technologies to clean exhaust emissions from product usage and reducing the amount of harmful substances in exhaust air and wastewater from production processes.
Utilizing resources efficiently	Efficient utilization of resources (⇒ p. 59)	Honda is cooperating and collaborating with both internal and external stakeholders to realize zero risk in relation to resources and waste generated during the stages spanning from resource procurement to product disposal. From the standpoint of resource circulation, Honda strives to offer products that fully contribute to the environment and reduce waste.
Significantly reducing traffic fatalities	Aiming for Zero Traffic Collision Fatalities (⇒ p. 07) Toward a collision-free mobile society (⇒ p. 78)	Under its global safety slogan, "Safety for Everyone," Honda aims to realize a collision-free society in terms of hardware and software through the development and spread of safety technologies for automobiles, such as the Honda Sensing advanced safety and driver-assistance system while engaging in worldwide initiatives to provide education on traffic safety including motorcycles.
Eliminating the mobility divide	Business Domains (⇒ p. 11, 12) Value Creation History (⇒ p. 13) Honda's Sustainability (⇒ p. 18)	Honda seeks to provide more options of mobility to reduce the gap in social participation. As such, the Company is supporting the expansion of opportunities and venues for persons with disabilities to be active by providing welfare vehicles. Looking ahead, Honda will provide a sustainable means of mobility through its technologies and services and help resolve social issues through business activities while leveraging its unique strengths in having a broad range of businesses and products, including motorcycles, automobiles and life creation products.

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Honda's Initiatives and the SDGs

Initiatives by material issue

Material issues	Honda's initiatives	SDGs supported by Honda
Conserving water resources	Conserving water resources (⇒ p. 67)	Honda contributes to the conservation of precious freshwater by thoroughly managing the amount of water intake and quality of wastewater at its plants and by installing equipment capable of 100% water recycling and reuse. Honda also manages a water conservation fund in North America, which supports the improvement and preservation of coastal areas for future generations.
Deploying total supply chain sustainability initiatives	Strengthening supply chain sustainability (⇒ p. 134) Reducing environmental impact at suppliers' sites (⇒ p. 141)	Together with suppliers around the world, Honda is making efforts throughout the supply chain to realize a sustainable society while taking into account the environment, safety, human rights, compliance and social responsibilities. In doing so, Honda has formulated the Honda Green Purchasing Guidelines and Honda Supplier Sustainability Guidelines and has been confirming adherence based on these guidelines. Honda has initiated an ESG survey on suppliers having significant influences on the Company and will expand application of the survey in collaboration with overseas purchasing sites.
Respecting human rights	Human rights (⇒ p. 113) Initiatives related to diversity (⇒ p. 116)	Honda upholds the idea of "Respect for the Individual" in the Honda Philosophy and includes "Respect of Human Rights" in the Honda Code of Conduct to show its policy to "maintain its stance as a company committed to practicing fairness and sincerity and respecting human rights." In its company-wide risk management activities, Honda also regards human rights as an important risk and manages it accordingly.
Utilizing management resources efficiently	Roadmap for sustainable growth (⇒ p. 19)	Understanding opportunities and responsibilities in the value chain is essential in identifying, among a number of social issues, Honda's priority issues in management. Honda aims to create new value by considering how to transform and evolve the value of existing businesses in step with the rapidly changing social expectations and customer needs from the two perspectives of forecasting and backcasting.
Strengthening governance	Corporate governance (⇒ p. 33)	Honda seeks sustainable growth and the enhancement of corporate value over the medium to long term and to be "a company that society wants to exist." Honda strives to enhance corporate governance as one of the most important tasks for its management. At the same time, it will continue to work for ensuring the transparency of its management through appropriate disclosure of corporate information to further bolster trust and appreciation from society.
Expanding diversity and the development of human resources	Diversification aimed at leveraging total workforce strength (⇒ p. 114) An approach based on on-the-job training (⇒ p. 114) Initiatives related to diversity (⇒ p. 116)	Honda respects individual differences and encourages the integration of these individualities. While positioning workforce diversification as a company-wide priority task, Honda is working to expand women's participation, promote an understanding and acceptance of LGBT persons, increase opportunities for experienced associates and expand employment of people with disabilities. Also, Honda carries out personnel education based on on-the-job training (OJT) and ensures to assign associates to the most suitable positions by setting up the Global Job Grade System.
Ensuring occupational health and safety	Occupational safety and health (⇒ p. 124)	Honda has been seeking to realize a work environment which brings the joy that all people can work with a true sense of security under this principle. At Honda, the Health and Safety Audit Committee performs health and safety audits throughout the Company by using an Occupational Safety and Health Management System (OSHMS).
Preserving biodiversity	Preserving biodiversity (⇒ p. 68)	Honda believes that minimizing the environmental impact resulting from its products and corporate activities represents its greatest contribution to biodiversity conservation. Accordingly, Honda has specified the priorities in the Honda Biodiversity Guidelines, including the development of environmental technology, initiatives based on corporate activities and initiatives for living in harmony with local communities. The Company has been proactively promoting them.
Managing chemical substances and preventing pollution	Management and reduction of chemical substances (⇒ p. 68)	Honda manages and works to reduce chemical substances contained in automotive components from the product design and development stages. Relevant information is tabulated and managed throughout the supply chain via a system to collect information on materials and chemical substances contained in components. Honda is also making efforts to reduce heavy metals that are considered to have negative impacts on the environment, including water quality.
Contributing to the economic development of developing countries	2030 Vision (⇒ p. 20)	Under its 2030 Vision, Honda aims to enrich people's lives by providing more efficient means of mobility and greater opportunities for business or learning. In expanding business overseas, Honda has evolved its business model from exporting finished products to local production and then to local development, thereby strengthening production and development functions in emerging countries. Honda aims to contribute to each region through employment and OJT-based education.

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Sustainability Management Structure**Structure for Deliberating Sustainability Initiatives**

In FY2021, Honda established the Corporate Integration Strategy Meeting chaired by the Chief Financial Officer (CFO) and consolidated the Sustainability Strategy Committee, which had been organized as a platform to discuss and assess policy and initiatives related to sustainability activities, into the new Committee.

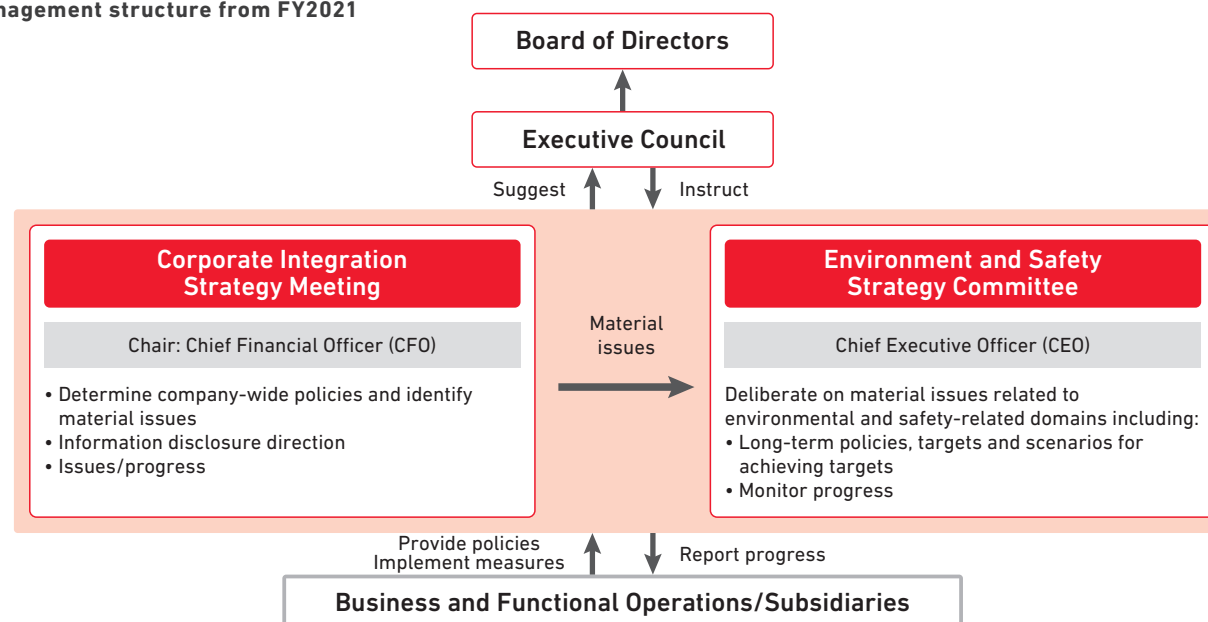
The aim of this new Committee is to build consensus on the company-wide direction based on recognition of the environment both in and outside Honda as well as material issues that the entire Honda should tackle.

While upholding the vision of the Sustainability Strategy Committee to “increase Honda’s value of existence and receive due recognition from society by showing to the public its entire corporate activities rooted in the Honda Philosophy,” the new Committee will plan company-wide strategies that reflect a sustainability perspective.

As a step to promote and reinforce efforts in the environmental and safety-related domains, the Company also reexamined how the Committee works with the Environment and Safety Strategy Committee, which is chaired by the Chief Executive Officer (CEO).

In order to align the company-wide direction with environment and safety strategies, the Environment and Safety Strategy Committee serves as an entity to discuss strategies in the environmental and safety-related domains in keeping with material issues specified in the Corporate Integration Strategy Meeting.

Taking into consideration the material issues examined at these committees, Honda determines corporate strategies through the Executive Council and Board of Directors. The Company then breaks them down into policies and measures for business and functional operations and subsidiaries for actual execution.

Sustainability management structure from FY2021

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Stakeholder Engagement

Basic Approach

To be a “company that society wants to exist,” Honda must put into practice a communication cycle. This means to: 1) appropriately and accurately convey to society the value that it seeks to provide; 2) engage in dialogue with diverse stakeholders to grasp and understand the demands and expectations placed on the Company; 3) translate these into concrete measures and implement them; and 4) listen to stakeholders' evaluations of its activities.

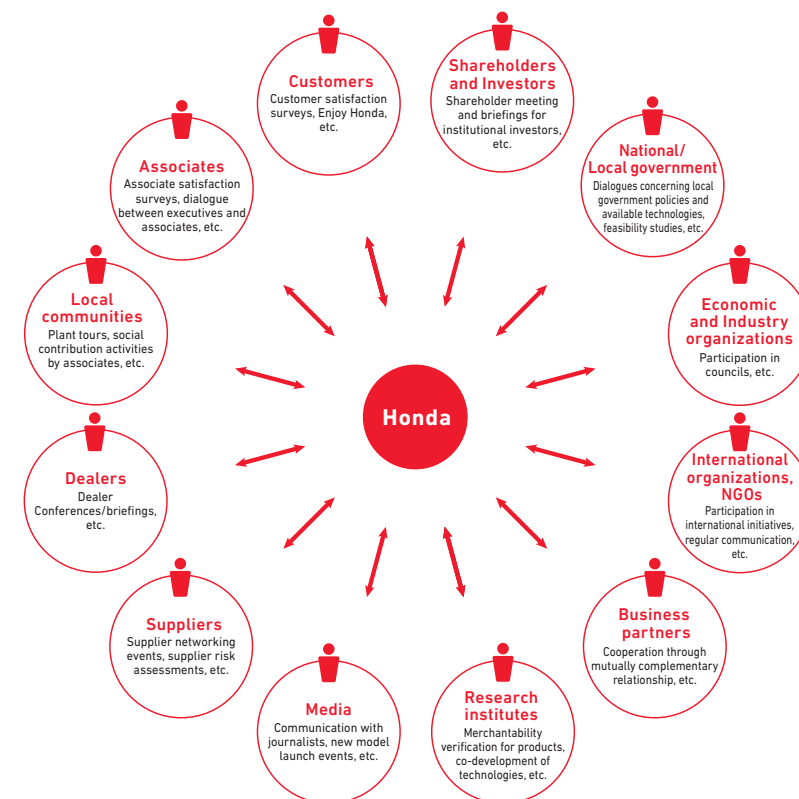
Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads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

Based on this understanding, Honda engages in dialogues globally through various opportunities. These dialogues are conducted between key stakeholders (that are either impacted by Honda's business activities or whose activities impact Honda's business activities) as shown in the diagram indicated at the right and respective divisions within Honda.

As an example, engagement with shareholders and investors consists of dialogue aimed at ensuring that Honda is understood accurately through shareholder relations and investor relations activities.

In addition, opinions gained from dialogues with leading ESG rating agencies and NGOs are reflected in the Materiality Analysis (⇒ p. 21), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder engagement



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Stakeholder Engagement

Examples of Initiatives in FY2021

Stakeholder	Key means of dialogue	Overview	Frequency	Corresponding items in the materiality matrix	Point of contact	Reference
Customers	Customer satisfaction survey	To ensure customer satisfaction worldwide, we conduct a customer satisfaction survey for customers who have received after-sales service at a dealer around the world and engage in improvement activities to provide high-quality service operations.	Annually	Strengthening brand management	Customer-related divisions	⇒ p. 101
Shareholders and investors	Financial results press conference	We hold press conferences and teleconferences to review our financial results and various initiatives. We use the feedback and requests thus obtained in maximizing our corporate value.	4 times/year		Financial divisions	https://global.honda/investors/
	Individual sessions and conferences	We hold sessions and opinion exchange meetings to explain our financial conditions as well as production, R&D and business strategies. We use the feedback and requests thus obtained in maximizing our corporate value.	Year round			
Suppliers	Suppliers Conferences	We hold periodic conferences to share with suppliers the direction of our business and the substance of our initiatives and to communicate Honda's company-wide policies and purchasing policies. We also present Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDE*. At the end of a conference, we conduct a questionnaire survey for participants to identify their level of satisfaction and what can be improved for the next event as an effort to further enhance this activity.	Annually	Assuring outstanding product quality Deploying total supply chain sustainability initiatives	Purchasing divisions	⇒ p. 145
	Business plan networking events and meetings to share business status	We share our medium- to long-term management policies, business plans and information on sustainability-related matters (ESG issues, compliance, corporate governance and risk assessment).	Annually			
	ESG inspection for suppliers	We conduct an ESG inspection for key suppliers to prevent compliance violations and reduce environmental impact in accordance with the Honda Supplier Sustainability Guidelines. (⇒ p. 139).	Annually	Deploying total supply chain sustainability initiatives Strengthening corporate governance		⇒ p. 143
Economic and industry organizations	Participation in activities of industry organizations	We participate in various councils to identify the expectations and demands of society through activities of industrial organizations, create a sustainable business environment and contribute to society.	Year round		Division in charge of government and industry relations, others	
International organizations and NGOs	Participation in international initiatives	We participate in various councils to identify the expectations and demands of society and contribute to society toward the realization of a sustainable society.	Year round		Divisions in charge of sustainability planning, others	
Local communities	Driving safety promotion activities	In 42 countries and regions around the world, we are undertaking such activities as providing driving/riding safety education at motorcycle and automobile dealers and participatory hands-on safety education using driving simulators and actual vehicles on dedicated courses. We are also engaged in the development of driving simulators. In Japan, we collaborate with traffic safety instructors in each prefecture and local community to develop educational programs for both drivers and pedestrians/bicycle users.	Year round	Significantly reducing traffic fatalities	Divisions in charge of promoting driving safety	⇒ p. 81
	Helping persons with disabilities wishing to resume driving	In Japan, we work with driving school instructors and occupational therapists to promote the creation of a local collaboration environment in order to support people wishing to resume driving.	Year round	Eliminating mobility divide		⇒ p. 84
	The Power of Teen	We provided online "sharing dreams" lectures by guests affiliated with Honda, who continue to work hard for their dreams. The lectures were meant to convey the importance of having a dream even during the period of uncertainty caused by the COVID-19 pandemic and help children realize their dreams. With support from other companies and educational experts, we also solicited dream ideas from teenagers, selected winners and held an online "sharing dreams" presentation.		Expanding diversity and the development of human resources	Divisions in charge of promoting social contribution activities	⇒ p. 150
National and local governments	Support activities to prevent the spread of COVID-19	We undertook support activities while examining what Honda can do to prevent the spread of COVID-19 and help resolve issues and problems encountered in various parts of the world in the face of the pandemic.			Divisions in charge of promoting social contribution activities, others	⇒ p. 149
Associates	Associate survey	We conduct an associate survey and measure associate engagement for building a healthier work environment.	Associate survey: once every 3 years Measurement of associate engagement: every year	Expanding diversity and the development of human resources	Human resources divisions	⇒ p. 124

* Quality, cost, delivery, development and environment

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Stakeholder Engagement**Cooperation with External Organizations**

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

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

At Honda, we delegate authority to Regional Operations within a certain scope when executing business in respective regions in order to enhance local autonomy and enable speedy decision-making. Political contributions are made following required internal procedures based on the laws and regulations of respective countries.

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Stakeholder Engagement**External Evaluations****Honda Selected to the Dow Jones Sustainability World Index**

In November 2020, Honda was selected for the fourth consecutive year as a component of the Dow Jones Sustainability World Index after being ranked within the top four in the global Automobiles sector in the annual review of the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing. At the same time, the Company was selected for the sixth consecutive year as a component of the Dow Jones Sustainability Asia/Pacific Index.

The DJSI are investment indices run by U.S.-based S&P Global Inc. The sustainability of the world's leading companies is evaluated from three perspectives in terms of economic, environmental and social criteria and select companies that demonstrate overall excellence for inclusion in the indices.

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

Selected for a Silver Class Rating in Sustainability Assessment by S&P Global Inc.

Honda won a Silver Class rating in the Automobiles sector of the Sustainability Award 2021 issued by S&P Global Inc. S&P Global evaluates the sustainability of approximately 7,000 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.

Sustainability Award

Silver Class 2021

S&P Global**Securing an A- Rating in the CDP Japan 500 Climate Change Report 2020**

In December 2020, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for major companies worldwide.

Honda received an A- rating in the CDP Japan 500 Climate Change Report 2020, one of those categories.

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

Please refer to the Environment section of the Performance Report (⇒ p. 51) for the items required by the FSB Task Force on Climate-related Financial Disclosures (TCFD), one of the CDP evaluation indices.

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Research and Development

Basic Approach

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

The operating environments are very different for each of Honda's motorcycle, automobile, life creation, aircraft and other businesses. Meanwhile, the digital revolution is bringing about major changes in social structure that are not limited to a business domain. Amid this modern trend, it is necessary to strengthen the creation of new value for the future and the timely development of highly competitive products in order to "serve people worldwide with the 'joy of expanding their life's potential'" as stated in Honda's 2030 Vision Statement.

Achieving Both Creation of New Value and Development of Timely and Highly Competitive Products

In April 2019, Honda definitively separated two business functions. One is the function to develop timely and highly competitive products with the mission to consistently generate 120% product quality. The other is the function to perform research into technology to create new value from 99% failure. Since then, Honda has been promoting two-tier corporate management to operate these two functions cohesively.

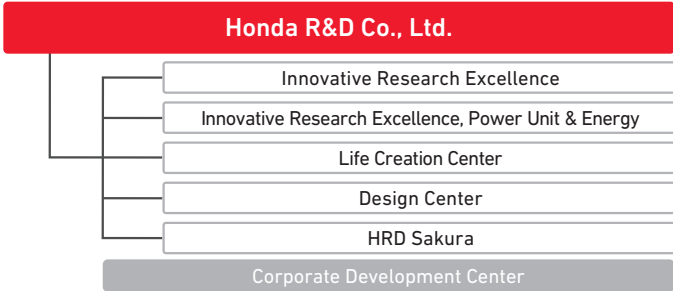
Specifically, the research and development function related to motorcycles was integrated into Honda Motor Co., Ltd. in April 2019. One year later in April 2020, the research and development function related to automobiles was also integrated into the Company. In this way, Honda revamped its structure and integrated the development, sales, manufacturing and purchasing functions to further reinforce its capability to develop products in a timely manner.

Following that, Honda R&D was reorganized into the Innovative Research Excellence center, Innovative Research Excellence – Power

Unit & Energy center, the Life Creation Center and the Design Center. The Innovative Research Excellence center was established in 2019 as a facility dedicated to innovative mobility technologies for the future and the creation of advanced technologies. The Innovative Research Excellence – Power Unit & Energy center brings together the experts of the power unit and environmental energy fields, which represent the strengths of Honda and serve as a source of its competitive edge beyond product boundaries. The Life Creation Center creates new value in people's daily lives, while the Design Center is tasked with delivering brand messages transcending product boundaries in the form of consistent designs, which are the origin of Honda's value creation. Under this structure, Honda R&D will engage not only in basic and applied research on and the development of innovative technologies that differentiate Honda's products but also in research and development of new value products in such fields as mobility and robotics. In this way, the center will serve as a driving force of Honda to lead the creation of new value for the future.

Since its establishment, Honda R&D has operated while continuing to transform based on the unchanging concept of creating technologies that help people. The aforementioned operational changes toward the realization of the 2030 Vision will serve to heighten the ability to create new value and technologies and develop new products. In response to the great waves of change in the times, Honda is collaborating with external technological and business partners. Concurrently, it is engaging in research and development to deliver joyful and fulfilling mobility and daily life as well as a clean and safe/secure society through value-added products and services for people.

Research and Development Structure



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Innovation Management

Honda R&D Co., Ltd., a research and development subsidiary of Honda, established Honda Research Institute (HRI) in 2003. The purpose of the institute is to evolve cutting-edge intelligence research, which explores the fields of brain research and visual/aural recognition in addition to traditional mechanical engineering. With bases in Frankfurt in Germany, Silicon Valley and Columbus in the United States and Wako City in Saitama Prefecture, Japan, HRI has been working on various research projects while establishing a global network of researchers in the areas of advanced sciences.

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

Through Honda Xcelerator, Honda R&D had built strategic win-win relationships with startups around the world and engaged in the research and development of products and services for the future using new technologies and business models. In April 2020, Honda R&D's function related to the program was integrated into Honda's Business Development Division in the Corporate Planning Supervisory Unit in order to accelerate efforts to ready products and services developed under the program for commercialization.

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

The R&D Center X established in April 2017 has also been undertaking research on robotics, cooperative intelligence (CI) and energy management. In April 2019, the center and the Power Products R&D Center, which has abundant experience in product development, were combined and have since then engaged in operations as the Life Creation Center to apply intelligence technologies to existing power products and realize the creation of new value. In April 2020, the Life Creation Center transferred its function related to the development of power units to the newly established Innovative Research Excellence – Power Unit & Energy center. In addition, two new

units were established in the Life Creation Center: the Assembled Products Development Unit for creating a future for people's daily lives and the Marine Development Unit engaging in the development of marine products, which will constitute a new pillar of Honda's business.