

6 Governance



Material Issues

— Strengthening corporate governance

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Basic Approach

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

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

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

Please refer to "Honda Corporate Governance Basic Policies" and Corporate Governance Report for Honda's basic policy related to corporate governance. (Please refer to the link below.)

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"Honda Corporate Governance Basic Policies"
"Corporate Governance Report"

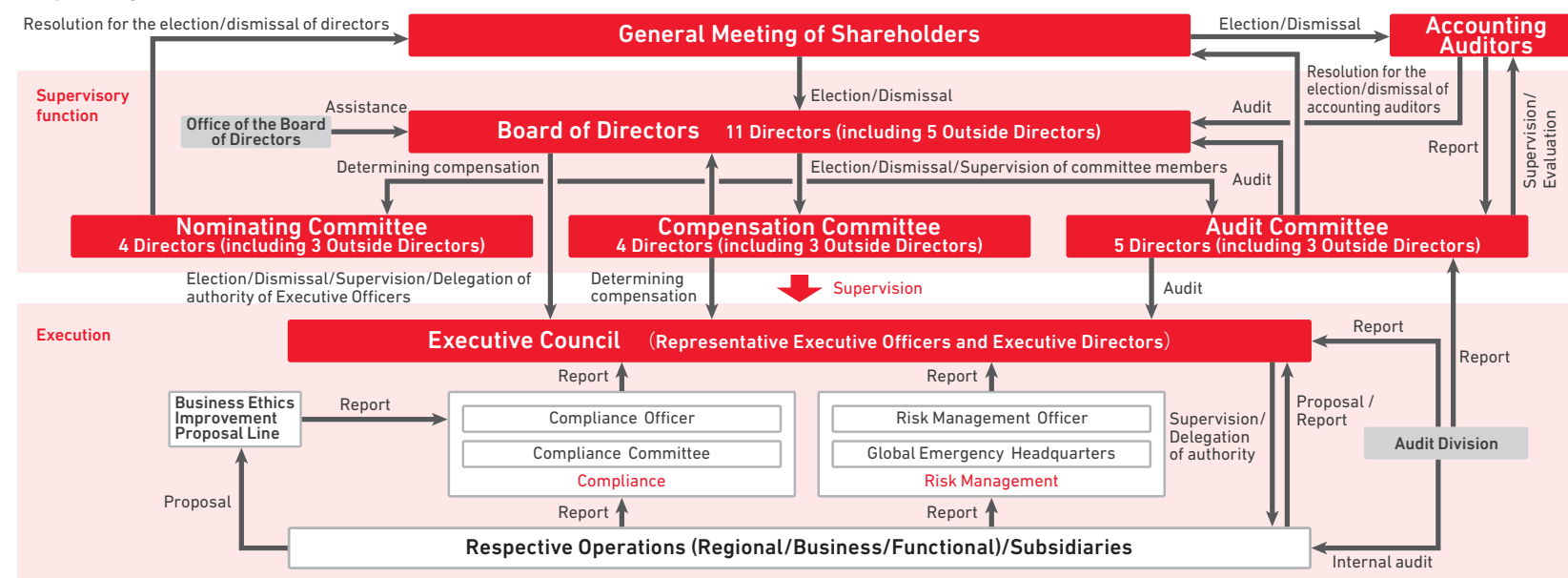
> <https://global.honda/investors/policy/governance.html>

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Overview of corporate governance

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Corporate governance structure (as of June 23, 2021)



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Corporate Governance

Executive Decision-Making Process

Honda has adopted a company with three committees system in order to delegate the decision-making authority of executing important business matters from the Board of Directors to the Executive Officers in accordance with the provisions of the Company’s Articles of Incorporation and resolutions approved by the Board. The system enables quick decision-making and prompt business execution while clearly separating management supervision and business execution so that the Board’s function is concentrated to the overseeing of business execution.

The Board of Directors has established criteria for deliberation and delegated some of its authority to the Executive Council, which in turn delegates some of its authority to the Regional Operating Boards.

The Executive Council conducts preliminary deliberation on items such as that will be decided by the Board of Directors, and, within the limits of authority delegated to it by the Board of Directors, deliberates on important management matters. Regional Operating Boards deliberate on important management matters within their respective regions, within the limits of authority delegated to them by the Executive Council.

Board of Directors

The Board of Directors is comprised of six Inside Directors and five Outside Directors.

In order to respond to the mandate of the shareholders to achieve sustainable growth and enhance the corporate value of the Company over the medium to long term, the duties of the Board of Directors include making decisions concerning key Company matters such as its basic management policies and monitoring of operations by Directors and Executive Officers. In addition, the Board of Directors discusses and makes decisions concerning matters specified in the regulations of the Board of Directors, as well as matters set forth in the Articles of Incorporation and applicable laws. All other matters are delegated to the Representative Executive Officers or the Executive Officers.

In order to fulfill the above roles, the candidates for Directors shall be

persons of superior character and insight who have high expertise in company management, law, politics, accounting, education, or the Company’s business. The Nominating Committee shall consider the balance of gender, nationality, knowledge and experience in each field for nomination.

Nominating Committee, Audit Committee, and Compensation Committee

Aiming to reinforce the supervisory function, the Company sets up “Nominating Committee”, “Audit Committee”, and “Compensation Committee” which majority of the members are Outside Directors.

①Nominating Committee

The Nominating Committee makes determinations regarding proposals for appointment or removal of Directors to be submitted to the shareholders’ meeting and other duties prescribed by laws and regulations and the articles of incorporation. The Nominating Committee is composed of four Directors which include be at least three Outside Directors. The Chairperson of the Nominating Committee shall be an Independent Director.

Nominating Committee Members (as of June 23, 2021)

Fumiya Kokubu (Chairperson) (Outside Director)

Toshihiro Mibe

Kunihiko Sakai (Outside Director)

Kazuhiro Higashi (Outside Director)

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②Audit Committee

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

Audit Committee Members (as of June 23, 2021)

Yoichiro Ogawa (Chairperson) (Outside Director)

Asako Suzuki (Full-time Audit Committee Member)

Masafumi Suzuki (Full-time Audit Committee Member)

Kunihiko Sakai (Outside Director)

Ryoko Nagata (Outside Director)

Each member of Audit Committee audits the execution of duties by Directors and Executive Officers in accordance with the auditing criteria for the Audit Committee, auditing policies and division of duties, etc., as determined by the Audit Committee. The audit is carried out through attendance at important meetings, examination of status of management/ company assets and other activities.

To provide timely and accurate reports to the Audit Committee, standards for Audit Committee reports are being established. Based on these standards, reports are made periodically to the Audit Committee on the status of the business operations of the Company and its subsidiaries, the status of implementation and operation of internal control systems, and other matters. Also, reporting is required whenever there is an item that has a major impact on the Company.

In addition to the above, the Audit Division, which was organized to directly report to the President and CEO, conducts internal audits of each department of the Company. It also provides supervision and guidance to internal audit departments in major subsidiaries, as well as directly auditing subsidiaries when necessary.

The Company has formed the Board of Directors Office as an organization to support the Board of Directors, Nominating Committee, Audit Committee, and Compensation Committee, serving full-time.

Employees of the Board of Directors Office execute their duties under the supervision of the Board of Directors and three committees. Performance evaluation, personnel changes, etc. of these employees require the consent of the Audit Committee, in order to ensure independence from Executive Officers and effectiveness of instructions of the Audit Committee.

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

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Status of the meetings of the Audit and Supervisory Committee

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③Compensation Committee

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

Compensation Committee Members (as of June 23, 2021)

Kazuhiro Higashi (Chairperson) (Outside Director)

Seiji Kuraishi

Fumiya Kokubu (Outside Director)

Yoichiro Ogawa (Outside Director)

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Evaluation of Effectiveness of the Board of Directors

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

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

The Board of Directors shared the view that effectiveness of the Board is further ensured by appropriate constitution of the Board of Directors and enhancing the discussions about mid- to long-term strategic themes. Further, they also shared the understanding of the needs to provide useful information about issues and management strategies in considerably changing business environment and to have more thorough discussions over the management policies from mid- to long-term perspective to further enhance monitoring capabilities of the Board of Directors.

The Company will further enhance effectiveness as monitoring-type Board of Directors by provision of sufficient information about issues in considerably changing business environment and adaptive business strategy, and having thorough discussion over the management policies from mid- to long-term perspective.

<Directions of major efforts>

1. Sufficient discussion over expertise and diversity of the members of the Board of Directors
2. Provision of sufficient information in advance and effective explanation on the day of the meeting for Outside Directors, to enhance quality of deliberation in the Board meeting
3. Provision of information about the matters of interest in business for Outside Directors, and to facilitate conversation and discussion among Outside directors and between them and the executives.

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Status of the meetings of the
Board of Directors

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Outside Directors

Honda appoints Outside Directors who have abundant experience and deep insight, and who are capable of overseeing the entire business management of the Company from an objective, highly sophisticated and broader viewpoint based on the standpoint independent from the Company. The Company shall have at least two Outside Directors, and at least one third of the members of the Board of Directors shall be Independent Directors who fulfill the Company's Criteria for Independence of Outside Directors. All five Outside Directors currently in office satisfy the Criteria for Independence of Outside Directors and their interests are not in conflict with those of the Company nor the shareholders. The five Outside Directors are specified as Independent Directors as prescribed in a provision of the Tokyo Stock Exchange (TSE); the names of those persons have been submitted to the TSE.

Please refer to "Honda Corporate Governance Basic Policies" for Honda's Independence Criteria for Outside Directors. (Please refer to the link below.)

If any Outside Director also serves as an officer at another listed company, such Director shall only serve at four companies other than the Company so that they can secure sufficient time to perform their duties for the Company.

WEB

"Honda Corporate Governance
Basic Policies"

> <https://global.honda/investors/policy/governance.html>

Support Systems for Outside Directors

Honda provides necessary support to Outside Directors through the Board of Directors Office in a timely manner.

Materials on the Board of Directors' agenda are distributed and explained in advance for the Outside Directors, and the information helpful for them to supervise the Company's business is continuously provided, including when they assume their respective positions.

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Business Execution Management (Organizational Management)

In order to facilitate quick and appropriate management decisions at the regional and working levels, Honda appoints Executive Officers and Other Executives who have been delegated the business execution authority from the Representative Executive Officers as the responsible persons in their respective fields of Regional, Business and Functional Operations and other major organizational units.

Director and Operating Officer Training

Honda provides training in the Companies Act, corporate governance, etc., to operating officers who are considered as prospective director candidates, and after they assume their respective position as directors, the Company also provides training to continually update their knowledge as necessary. Honda provides training in industry trends, the Company’s history, business, finances, organizations, internal control system and other matters to outside director candidates to be newly appointed, and after they assume their respective position as directors, the Company also provides them with opportunities including visits to subsidiaries located in regions in order to deepen their understanding of the Company Group’s business.

Tax Policy

The Honda Tax Policy prescribes the basic stance and thinking regarding taxes for Honda Motor Co., Ltd. and its consolidated subsidiaries. The policy aims to contribute to society as well as maintain and increase corporate value by complying with the tax laws and regulations of each country and region where Honda undertakes business activities and by making proper tax payments.

Tax systems of each country and region and international taxation rules are frequently changed. In this environment, to ensure the proper execution of its business in a stable manner Honda carries out accurate and high-quality tax affairs and responds to tax risks associated with its businesses in accordance with the Tax Policy.

For details, please refer to the Honda Tax Policy. (Please refer to the link below.)

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Honda Tax Policy

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Remuneration of Directors

Honda's system of remuneration for Directors is designed to enhance their motivation for contributing to an improvement of business performance both over the short term and medium to long term in order to realize the continued enhancement of corporate value. Remuneration for Directors consists of a monthly salary, which is a fixed amount paid in compensation for the execution of duties; bonuses linked to Honda's performance for the corresponding fiscal year; and stock-based remuneration linked to its medium- to long-term performance.

To attract diverse and talented human resources, an appropriate monthly salary is paid to Directors, which is determined by the resolution of the Compensation Committee while taking into consideration the remuneration levels of other companies.

Bonuses of Directors are determined and paid upon a resolution of the Compensation Committee based on the Company's performance during each fiscal year, dividends paid to shareholders, associates' bonuses and other considerations.

As for stock-based remuneration, Honda stock and monetary compensations linked to the medium- to long-term business performance in accordance with the criteria and procedures approved by the Compensation Committee are provided. The aim is to make stock-based remuneration serve as a sound incentive toward sustainable growth.

Remuneration of Executive Officers also consists of a monthly salary, bonuses and stock-based remuneration.

Remuneration of Outside Directors and other Directors who do not hold a concurrent position as an Executive Officer solely consists of a monthly salary.

Please refer to Article 13 of the "Honda Corporate Governance Basic Policies" concerning the policy for determining remuneration for Directors. (Please refer to the link below.)

WEB

"Honda Corporate Governance Basic Policies"

> <https://global.honda/investors/policy/governance.html>

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Total amount of remuneration for Directors

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Annual total remuneration and bonuses of highest-paid individual (President and Representative Executive Officer, Chief Executive Officer) (Japan)

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Rate of increase in annual total remuneration and bonuses of highest-paid individuals (President and Representative Executive Officer, Chief Executive Officer) (Japan)

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Remuneration of Accounting Auditors

The Company has had its financial statements audited in accordance with the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, the Securities Exchange Act of 1934 (United States) and the Exchange Act of 1933 (United States) by KPMG AZSA LLC. Within KPMG AZSA LLC, a total of 83 staff members conducted external audits of the Company's financial statements. These accounting firm staff members are composed of 3 certified public accountants (Masahiko Chino, Isao Kamizuka and Takeshi Kamada), who are in overall charge of the Outside Audits, and 80 professional staff members (including 24 certified public accountants, 2 accountants with U.S. public accountant certification and 54 other staff members).

In deciding the amount of remuneration for services rendered by the Accounting Auditor, various factors are taken into consideration in discussions with the accounting firm, including the Company's size/characteristics, the time schedule for the audit and other matters. In addition, to preserve the independence of the Accounting Auditor, remuneration to be paid is required to obtain the prior approval of the Audit and Supervisory Committee.

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Directors and Executive Officers (as of June 23, 2021)



Chairman and Director
Toshiaki Mikoshiba

[Reasons for Appointment]

Mr. Toshiaki Mikoshiba has broad experience primarily in the area of sales and marketing, as well as abundant international experience, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2021, he has properly fulfilled his duties as Chairman and Director and Director in charge of Government and Industry Relations by enhancing the functions of the Company's external relations, as well as overseeing business execution from a global perspective through managing the Board of Directors as its Chairman.



Director
Executive Vice President and Representative Executive Officer
Seiji Kuraishi

[Reasons for Appointment]

Mr. Seiji Kuraishi has broad experience primarily in the areas of supply chain management and sales and marketing, as well as abundant international experience, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2021, he has properly fulfilled his duties as Executive Vice President and Representative Director, Chief Operating Officer, and Director in charge of Strategy, Business Operations and Regional Operations by demonstrating strong leadership and being responsible for business execution of the entire Company Group, as well as overseeing business execution.



Director
Asako Suzuki

[Reasons for Appointment]

Ms. Asako Suzuki has broad experience primarily in the area of sales and marketing, accounting and finance, human resources and corporate governance, as well as abundant international experience, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2021, she demonstrated high degree of expertise and strong leadership, and achieved satisfactory results as Chief Officer for Human Resources and Corporate Governance Operations.



Director
Kunihiko Sakai

[Reasons for Appointment]

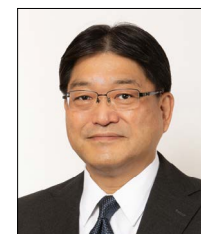
Mr. Kunihiko Sakai has high expertise and abundant experience as a legal affairs specialist having served as Public Prosecutor and a lawyer, including posts of Superintending Prosecutor at High Public Prosecutors' Offices from July 2014 to March 2017. He has properly fulfilled his duties as Outside Director who is an Audit and Supervisory Committee Member since June 2019 by auditing and overseeing the execution of duties by Directors from an independent standpoint.



Director
President and Representative Executive Officer
Toshihiro Mibe

[Reasons for Appointment]

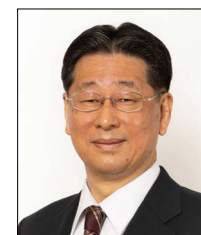
Mr. Toshihiro Mibe has broad experience primarily in the areas of R&D and production, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2021, he was in charge of Mono-zukuri, and served as President and Representative Director of Honda R&D Co., Ltd. Since April 2021, he has properly fulfilled his duties as President and Representative Executive Officer and Chief Executive Officer of the Company by demonstrating strong leadership and being responsible for the management of the entire Company Group, as well as overseeing business execution.



Director
Senior Managing Executive Officer
Kohei Takeuchi

[Reasons for Appointment]

Mr. Kohei Takeuchi has broad experience primarily in the area of accounting and finance, as well as abundant international experience, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2021, he has properly fulfilled his duties as Chief Financial Officer and Director in charge of Finance and Administration by demonstrating high degree of expertise and strong leadership, and being responsible for business execution of the entire Company Group, as well as overseeing business execution.



Director
Masafumi Suzuki

[Reasons for Appointment]

Mr. Masafumi Suzuki held the position of General Manager of Accounting Division for Business Management Operations of the Company. He has high expertise and abundant experience in the areas of accounting and finance, and is familiar with the Company Group's business including overseas operations. In the fiscal year ended March 31, 2021, he has properly fulfilled his duties as Director who is an Audit and Supervisory Committee Member by auditing and overseeing the execution of duties by Directors.



Director
Fumiya Kokubu

[Reasons for Appointment]

Mr. Fumiya Kokubu held positions of President and CEO, and Chairman of the Board of Marubeni Corporation from 2013, and has abundant experience and deep insight regarding corporate management. He has properly fulfilled his duties as Outside Director since June 2020 by overseeing the entire business management of the Company from an independent standpoint.



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Directors and Executive Officers (as of June 23, 2021)



Director
Yoichiro Ogawa

[Reasons for Appointment]

Mr. Yoichiro Ogawa has high expertise and abundant experience as an accounting specialist having served as a Certified Public Accountant for many years, including posts of CEO of Deloitte Tohmatsu Group from July 2015 to May 2018.



Director
Kazuhiro Higashi

[Reasons for Appointment]

Mr. Kazuhiro Higashi held positions of President and Chairman of Resona Holdings, Inc. from April 2013, and has abundant experience and deep insight regarding corporate management.



Director
Ryoko Nagata

[Reasons for Appointment]

Ms. Ryoko Nagata held positions of Executive Officer and Audit & Supervisory Board Member of Japan Tobacco Inc. from 2008, and has abundant experience and deep insight regarding corporate management and audit.



Managing Executive Officer
Noriya Kaihara

- Chief Officer, Customer First Operations
- Risk Management Officer



Managing Executive Officer
Noriaki Abe

- Chief Officer, Regional Operations (Japan)
- Chief Officer, Driving Safety Promotion Center



Managing Executive Officer
Yasuhide Mizuno

- Chief Officer, Automobile Operations



Managing Executive Officer
Keiji Ohtsu

- President and Representative Director, Honda R&D Co., Ltd.



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Managing Officers (as of April 1, 2021)



Michimasa Fujino

● President and Director, Honda Aircraft Company, LLC



Mitsugu Matsukawa

● President and Director, Honda Development & Manufacturing of America, LLC



Hisao Takahashi

● General Manager, Mono-zukuri Center, Automobile Operations
● Director, Honda R&D Co., Ltd.



Shinji Aoyama

● Chief Officer, Regional Operations (North America)
● President, Chief Executive Officer and Director, American Honda Motor Co., Inc.
● Officer in charge of electrification (as of July 2021)



Katsushi Inoue

● Chief Officer, Regional Operations (China)
● President, Honda Motor (China) Investment Co., Ltd.
● President, Honda Motor (China) Technology Co., Ltd.



Yoshishige Nomura

● Chief Officer, Motorcycle Operations



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Compliance

Honda Code of Conduct

In order to earn the trust of customers and society and grow sustainably, companies must not only comply with laws and regulations but go beyond those legal structures by practicing sincere and ethical conduct.

Recognizing this, Honda formulated the Honda Code of Conduct, which summarizes the sincere behavior to be practiced by people working at Honda around the world. This is shared throughout the entire Honda Group, including subsidiaries in Japan and overseas.

The Company works to instill the Honda Code of Conduct in each and every associate through actions such as the distribution of leaflets, the publication of in-house newsletters and the posting of explanations of actual case examples on its intranet and through training. Each of Honda's departments and subsidiaries regularly checks the status of such activities to ensure awareness of the Code and reports to the Compliance Committee.

WEB

"Honda Code of Conduct"

> <https://global.honda/about/codeofconduct.html>



Honda Code of Conduct



In-house newsletters

Compliance Committee

To improve compliance within the Honda Group, Honda has established a Compliance Committee, headed by a Compliance Officer designated by the Board of Directors. This Committee is composed of the Compliance Officer as well as Executive Officers and Other Executives who are appointed by the Executive Council. The Committee makes decisions regarding important internal control system measures, which include formulating and amending of compliance policies. In addition, the responsibilities of the Committee encompass from confirming the status of establishment and operation of internal control systems to performing oversight to ensure the appropriate management of the Business Ethics Kaizen Proposal Line and deciding measures to prevent recurrences when serious compliance-related matters occur. For matters of compliance that are of particularly high importance, deliberation or reporting at a meeting of the Executive Council or the Board of Directors is carried out depending on the details of the matter.

The Compliance Committee met four times in FY2021 to report on the establishment and operating status of internal control systems as well as the operating status of the Business Ethics Kaizen Proposal Line, among other things. There were no major violations of laws or regulations in FY2021.

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Compliance

Business Ethics Kaizen Proposal Line

Honda established the Business Ethics Kaizen Proposal Line as a structure for improving corporate ethics issues. This hotline addresses issues involving corporate ethics in cases of actions that violate laws or internal rules. This allows the Company to accept proposals and provide consultation, from a fair and neutral standpoint, for associates who face barriers in improving or resolving issues in the workplace for reasons such as difficulties in consulting with superiors.

Furthermore, in addition to cases of a clear violation of laws or internal rules, this hotline provides consultation and responds to inquiries about the details of internal rules when questionable actions have occurred, and also engages in fact checking related to such cases. Proposals are accepted by email, letter, telephone or fax from all subsidiaries and suppliers in Japan and overseas, as well as from the parent company. We ensure protection of the Kaizen proposers and anonymous proposals are also accepted.

Moreover, the Company established a point of contact within an external law office to facilitate associates to submit proposals. As for overseas, local points of contact have been established in all Regional Operations, while some subsidiaries set up their own points of contact.

In FY2021, 350 proposals and consultations were handled by the Business Ethics Kaizen Proposal Line (including points of contact outside the Company). Among these, 167 concerned the parent company, 172 concerned subsidiaries and 11 concerned other matters.

Following investigations of the proposals and consultations submitted, disciplinary action was taken in two cases in the parent company and nine cases in subsidiaries. One case involving a subsidiary resulted in punitive dismissal. None of the cases involved violations of the Honda Policy on the Prevention of Bribery.

In order to raise internal awareness of the points of contact, Honda provides notice on its intranet, distributes information cards to all associates, including fixed-term employees and temporary workers, and displays information posters in each workplace. These tools clearly state that the Kaizen proposers are protected. In addition, Honda observes how well these points of contact are recognized through associate surveys conducted once every three years for all associates. For departments found in these surveys to have low recognition of the points of contact, the Company makes additional efforts to increase their awareness.

Initiatives to Prevent Bribery and Corruption

Honda prohibits bribery and corruption.

The Honda Code of Conduct requires that the Company complies with laws and regulations, and states that “as an independent corporate entity, Honda maintains appropriate relationships with political entities (political organizations and politicians) and administrative entities (governmental agencies and government officials)” and “will interact with political and administrative entities in an appropriate manner in compliance with laws, regulations and company policies and will not offer politicians or government officials entertainment or gifts (both monetary and non-monetary) that are prohibited by laws, regulations and company policies.” Moreover, the Code stipulates that the associates “will not receive from or provide to business partners benefits in the form of goods (both monetary and non-monetary) or entertainment beyond what is generally considered appropriate by society.”

In addition to the above, the Company also established the Honda Policy on the Prevention of Bribery and Corruption, which stipulates basic policy about bribery and corruption, and the Honda Guideline for the Prevention of Bribery and Corruption, which stipulates specific compliance items and prohibited items.

While raising awareness by integrating bribery and corruption prevention-related knowledge, including the said policy and guidelines, into Honda's pre-assignment training for personnel stationed overseas and level-specific training programs, Honda is also incorporating e-learning-based training for its associates in management positions in departments that face a higher risk of bribery. With regard to its subsidiaries, Honda has launched training programs, matched to conditions in each company, aimed at raising awareness.

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Compliance

Initiatives for the
Prevention of Anti-Competitive Behavior

As a company engaged in business globally, Honda takes great care in its daily business activities to comply with competition laws in the countries where it operates.

The Honda Code of Conduct states that “Honda will engage in free and open competition with competitors to maintain its stance as a company trusted by customers and society” and that each associate “will comply with competition laws (antitrust laws)” to ensure compliance with competition laws.

As a part of its measures to strengthen compliance, Honda implements individual training for related departments on anti-competitive behavior. It also incorporates programs on the topic of anti-competitive behavior in level-specific training at the time of personnel promotions and in pre-assignment training for persons stationed overseas. Additionally, Honda publishes awareness-raising content concerning anti-competitive behavior on the Company’s intranet for its associates.

Rules on Conflict Minerals

The final rule for disclosure on conflict minerals adopted by the U.S. Securities and Exchange Commission (SEC) mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires corporations to confirm that the purchase and use of conflict minerals from the Democratic Republic of the Congo and adjoining countries are contributing neither to the funding of armed groups nor to the abuse of human rights in that region.

Honda’s policy is to aim to be free from conflict minerals which contribute to the funding of armed groups or human rights infringement. Accordingly, Honda conducts surveys based on the standards prescribed in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. To achieve this goal and help resolve the global problem of conflict minerals, the Company is actively engaged with domestic and international industry organizations and its suppliers.

For conducting the surveys, Japan Automobile Manufacturers Association, Inc. has created for suppliers a manual for filling out survey forms as well as tools for tabulating survey results. Also, in collaboration with such entities as the Japan Auto Parts Industries Association and the Japan Electronics and Information Technology Industries Association, Honda is examining survey methods while implementing various working activities on a regular basis.

In North America, Honda is working with the Responsible Minerals Initiative (RMI), an international initiative promoting responsible mineral procurement, to encourage smelters and refiners to participate in the Responsible Minerals Assurance Process (RMAP).

With its suppliers, Honda shares the Honda Supplier Sustainability Guidelines that summarize what is expected of them with regard to CSR activities, including how to deal with conflict minerals, and is encouraging procurement in line with the guidelines. Honda is encouraging tier 1 suppliers to implement the same initiatives at sub-tier suppliers.

Since 2013, Honda has surveyed its suppliers worldwide concerning the use of conflict minerals. In FY2021, Honda received responses from more than 7,000 suppliers. In addition to reporting survey results to the SEC, the Company also makes them publicly available on its website. (Please refer to the link below.)

In the event that the survey reveals any minerals of concern, regardless of source country, Honda works together with its suppliers to take appropriate measures. The Company is also working to improve the accuracy of its survey, requesting further investigation when survey responses are insufficient.

PDF

“Honda Supplier Sustainability Guidelines”

> https://global.honda/about/dam_img/sustainability/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf

WEB

Under the IR Library website “Form SD/
Conflict Minerals Report”

> <https://global.honda/investors/library.html>

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Risk Management

Establishing an Effective Risk Management Structure

Honda formulated the Honda Global Risk Management Policy, with Group subsidiaries included in its scope of application.

The Honda Global Risk Management Policy aims at driving the Company's sustainable growth and stabilizing management based on the Honda Philosophy and targets all risks with the potential to impact operations on a global scale.

In implementing its risk management activities, Honda is creating a relevant framework and is taking follow-up measures to support implementation, with efforts centered around a company-wide Risk Management Officer elected by the Board of Directors.

Additionally, each organization is building its own independent risk management structure after setting up a Risk Management Secretariat. These organizations are responsible for promoting their own independent risk management activities in accordance with the basic policies of these regulations.

As main initiatives, Honda is implementing risk assessment activities throughout the Company for identifying, evaluating and responding to risks based on standard methods.

In addition, when a crisis occurs, the Company establishes a Global Emergency Headquarters for crisis response proportionate to the anticipated magnitude of impact.

Risk Assessment Activities

Honda carries out risk assessment activities for each of its Regional Operations, Business Operations and Functional Operations.

The purpose of these activities is to foresee potential risks surrounding Honda's businesses and respond beforehand to minimize these risks.

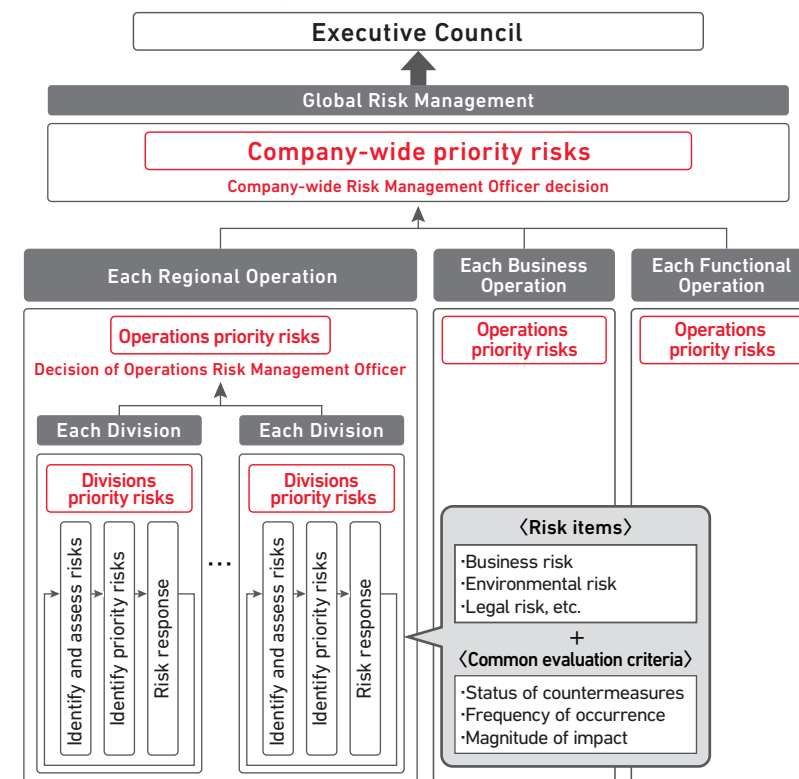
Each department performs annual risk evaluation using the Group's common risk items and evaluation criteria to identify the division priority risks.

Each of the Operations carries out repeated discussions based on the results of the risk assessment of each department. They then identify and respond to the Operations priority risks based on the judgement of the Operations Risk Management Officer.

Moreover, Honda identifies company-wide priority risks based on

the judgement of the company-wide Risk Management Officer, giving consideration to the risk status of each of the Operations. The Company then shares and discusses company-wide priority risks at the Executive Council.

Risk Assessment Activity Structure





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Risk Management

In FY2021 as well, Honda identified company-wide priority risks, which will be addressed mainly by the departments in charge. In the meantime, the status of progress is confirmed and discussed at the Strategy Committee.

Company-wide priority risks

Company-wide priority risk items	Risk perspective
Infectious disease risk	Impact on business and employees' health/livelihoods due to the occurrence of an infectious disease pandemic
Regional risk	Impact on business due to changes in each country's local laws, regulations, systems and business practices (e.g., personal information protection regulations and economic security policies)
Purchasing and procurement risk	Stagnation or delay in production activities caused by suppliers being unable to supply parts
Information security risk	Suspension of important operations/services and leakage of information assets due to cyber attacks and other incidents
Environmental Regulation Risk	Impact such as an increase in costs in responding to revised fuel efficiency or emissions regulations of each country
Intellectual property risk	Impact on business caused by an infringement of Honda's intellectual property rights or by the substantial payment of a compensation or license fee
Natural disasters risk	Impact on production, research, sales and other operations due to suspension of business resulting from natural disasters (e.g., earthquakes, flooding)
Financial and economic risk	Impact on business caused by market contraction due to an economic slowdown and by exchange rate fluctuations

Going forward, Honda will firmly establish these activities and continue to strive to reduce risk across the Group while ensuring these activities raise the risk awareness of each and every associate.

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Risk Management

Crisis Response

Honda carries out risk sensing activities to monitor and report on signs of crisis and ensures that this leads to quick responses.

When a crisis occurs, the Company sets up a Global Emergency Headquarters for crisis response proportionate to the anticipated magnitude of impact. In this way, Honda lays out a structure to prevent the situation from spreading and to quickly bring the situation under control.

Through its activities, Honda's Global Emergency Headquarters is working to strengthen functions based on its initiatives related to crisis and other events in the past.

As the first step, to share information and discuss activities on a daily basis, group leader meetings are held to convene the group leaders essential for crisis responses. By holding these meetings, Honda is striving to raise the level of its crisis response capabilities as well as create a culture that enables effective cooperation when a crisis occurs.

Next, Honda regularly holds Emergency Headquarters drills as a verification of its crisis response capabilities. Honda has held drills assuming the occurrences of an earthquake directly under the Tokyo metropolitan area and the Nankai Trough earthquake. The Company has also reaffirmed (confirmed cooperation among each group) how to respond to a crisis occurring at multiple bases as well as basic actions in its crisis response.

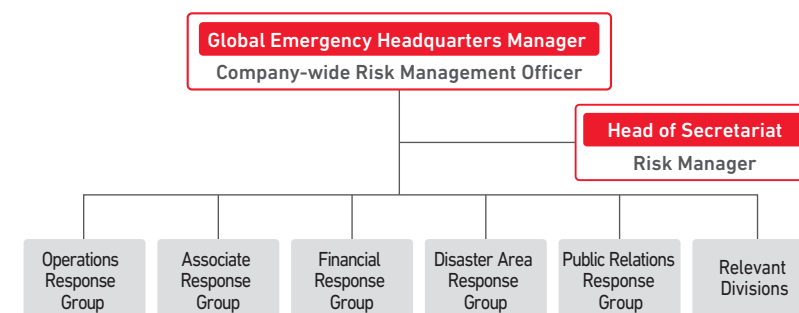
Also with regard to disaster drills, besides ensuring the safety of human life and procedures to account for its associates, Honda continuously holds training from a business continuity planning (BCP) viewpoint on procedures to share information for the purpose of identifying the impact on business at an earlier stage.

As a response to COVID-19, Honda launched a Global Emergency Headquarters in January 2020 and has promoted company-wide cross-sectional responses. The Company does not regard this as a temporary response. As such, in striving for functional enhancement it is verifying a series of initiatives while each internal group is working to reflect the points for improvements in the manual.

Since the fall of 2020, a global shortage in the supply of semiconductor components has become evident. As it has a significant impact, Honda has also set up a Global Emergency Headquarters to promote company-

wide, cross-sectional responses with the aim of minimizing the impact.

Global Emergency Headquarters Structure



After the World Health Organization (WHO) declared a pandemic in March 2020, COVID-19 has continued to spread around the world. The highly infectious disease has forced many countries to resort to measures that restrict their citizens' outings and movements, bringing economic and corporate activities to a standstill.

Even though vaccinations have been proceeding in each country, the situation remains unclear as to when the pandemic will end.

The impact of the spread of COVID-19 has also been felt at Honda, with production having been either suspended or curtailed at some of its production bases following the restrictions on activities imposed by various countries. Honda is continuing its business activities while working to prevent the spread of infection and ensuring the safety of customers and associates first and foremost.

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Risk Management

Information Management

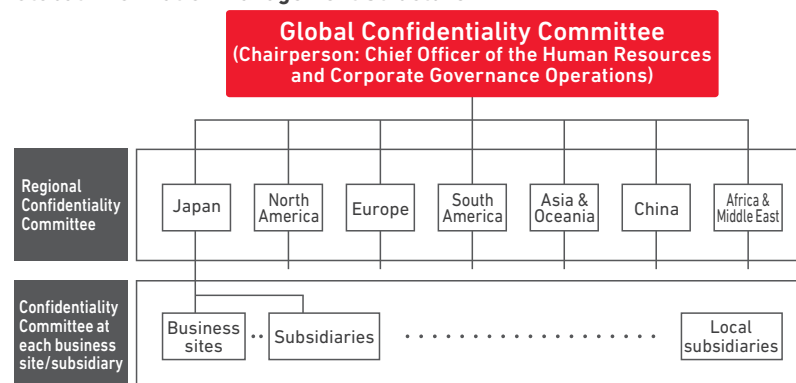
To protect information assets, including confidential information and personal information, Honda has formulated the Global Confidentiality Policy (GCP) and the Global IT Security Policy (GITSP), with its scope of application extending to group subsidiaries. These policies stipulate a systematic response structure, compliance items when handling confidential information and personal information, security standards for information systems and networks. They also specify the line of reporting in the event of any information leakage.

While effectively applying these policies, Honda set up the Global Confidentiality Committee, chaired by the Chief Officer of the Human Resources and Corporate Governance Operations, to ensure timely responses to changes.

The Global Confidentiality Committee determines globally common medium-term policies and an annual activity plan. Based on this plan, each Regional Confidentiality Committee takes the lead in promoting activities to safely handle information obtained through Honda's business activities, including personal information and confidential information.

Besides continuously strengthening activities to ensure information security against cyberattacks that are becoming increasingly sophisticated and complex, we perform monitoring on a daily basis while establishing systems capable of immediately responding to events that must be addressed.

Global Information Management Structure



Protection of Personal Information

Honda recognizes the importance of protecting personal information. Accordingly, the Company has appointed information supervisors and information managers in departments handling personal information while implementing training on the protection of personal information.

In addition, to systematically manage personal information, departments handling personal information report methods for managing personal information they hold and the information management status at outsourcing contractors to the Confidentiality Committee of each company. To keep the details of the reports updated, the Company conducts a review at least once each year at all departments.

Honda recognizes that placing top priority on protecting customer information is its social responsibility. Accordingly, Honda sets stricter security standards for information systems that include this information while regularly confirming the state of implementation of security measures.

In addition, Honda has built a structure for collaboration with each Regional Confidentiality Committee to respond to personal information protection regulations in each country that are being established at an accelerating pace. The Company is thoroughly and steadily making responses while closely monitoring trends.

In the event of leakage or request for disclosure of personal information, Honda is putting into place structures that respond quickly in accordance with the laws and regulations of each country. In FY2021, there were no occurrences of any major loss or leakage of personal information.

Product Cybersecurity

Honda participates in the Automotive Information Sharing & Analysis Center (Auto-ISAC), which has begun operations in Japan and the United States, for sharing and analyzing information related to automotive cybersecurity. The Auto-ISAC collects information on incidences detected within the industry.

Moreover, Honda obtains information on its own, including information on relevant laws and specifications as well as industry standards.

By utilizing these initiatives in its own responses, Honda is proactively promoting activities to ensure the safety and security of its products.

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Governance Data

Overview of corporate governance (as of June 23, 2021)

Form of organization Company with Three Committees

• Number of Directors	11
Number of Outside Directors	5
Number of Specified Independent Directors	5
Number of Female Directors	2
• Term of Directors	1
• Number of Nominating Committee Members	4
Number of Outside Directors	3
Number of Specified Independent Directors	3
• Number of Audit Committee Members	5
Number of Outside Directors	3
Number of Specified Independent Directors	3
• Number of Compensation Committee Members	4
Number of Outside Directors	3
Number of Specified Independent Directors	3

Status of the meetings of the Board of Directors (FY2021)

• Number of meetings held (no. of times)	11
• Attendance rate of Directors (%)	99
Attendance rate of Outside Directors (%)	98

Status of the meetings of the Audit and Supervisory Committee (FY2021)

• Number of meetings held (no. of times)	10
• Attendance rate of Directors who are Audit and Supervisory Committee Members (%)	100
Attendance rate of Outside Directors (%)	100

Total amount of remuneration for Directors

Category of Directors	Total amount of remuneration and bonuses (millions of yen)	Total amount by type of remunerations (millions of yen)			Number of eligible Directors (Number of persons)
		Fixed remuneration	Performance-linked remuneration		
			Bonus	Stock compensation	
Directors (excluding Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	652	428	95	129	7
Outside Directors (excluding Directors who are Audit and Supervisory Committee Members)	33	33	-	-	3
Directors (Directors who are Audit and Supervisory Committee Members) (excluding Outside Directors)	145	145	-	-	2
Outside Directors (Directors who are Audit and Supervisory Committee Members)	50	50	-	-	3
Total	883	658	95	129	15

- Remuneration is limited to 1,160 JPY million per year for Directors (excluding Audit and Supervisory Committee Members) and 270 JPY million per year for Directors (Audit and Supervisory Committee Members).
- These amounts indicate remuneration paid to Directors for the fiscal year ended March 31, 2021 and include remuneration paid to two Directors who ended their tenure as of the closing of the Ordinary General Meeting of Shareholders held on June 19, 2020, comprising one Director who is not an Audit and Supervisory Committee Member and one Outside Director who is not an Audit and Supervisory Committee Member.
- Bonuses to Directors (excluding Audit and Supervisory Committee Members) are included in the previously mentioned maximum amount for remuneration to Directors (excluding Audit and Supervisory Committee Members), and the amount shown was decided by the meeting of the Board of Directors held on May 14, 2021.
- The total amount of stock-based remuneration is the amount recorded as expenses related to the share delivery points granted during the fiscal year ended March 31, 2020 in connection with the Directors' remuneration BIP (Board Incentive Plan) trust and falls under non-monetary remuneration.

Annual total remuneration and bonuses of highest-paid individual (President and Representative Executive Officer, Chief Executive Officer) (Japan)

Annual total remuneration and bonuses of highest-paid individual President and Representative Executive Officer, Chief Executive Officer (millions of yen)	166
Ratio to median annual total remuneration for all associates (%)	2,057

Rate of increase in annual total remuneration and bonuses of highest-paid individual (President and Representative Executive Officer, Chief Executive Officer) (Japan)

Rate of increase in annual total remuneration and bonuses of highest-paid individual President and Representative Executive Officer, Chief Executive Officer (%)	94
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Governance Data

Honda Tax Policy

1. Purpose of Policy

The Honda Tax Policy prescribes the basic stance and thinking regarding taxes for Honda Motor Co., Ltd. (hereafter HM) and its consolidated subsidiaries (HM and its consolidated subsidiaries collectively referred to as Honda). The Policy aims to contribute to society as well as maintain and increase corporate value by complying with the tax laws and regulations of each country and region where Honda undertakes business activities and by making proper tax payments.

Tax systems of each country and region and international taxation rules are frequently changed. In this environment, to ensure the proper undertaking of its business in a stable manner Honda carries out accurate and high-quality tax affairs and responds to tax risks associated with its businesses in accordance with the Tax Policy described below.

2. Tax Policy

- (1) Compliance
- Honda complies with laws, regulations and rules in countries and regions where it undertakes business, tax convention, international standards such as OECD guidelines, internal regulations that include tax-related regulations encompassing this Tax Policy adopted by Honda as well as Honda Corporate Governance (HCG), and makes proper tax payments in line with the actual state of business.
- (2) Prohibition of tax avoidance
- Honda shall not engage in any transactions such as the use of tax havens aimed at tax avoidance but make proper tax payments in line with the actual state of business in keeping with the concept of “returning profits to the communities where profits are earned,” which has been Honda’s basic stance.

- (3) Transfer pricing
- Honda shall establish proper pricing (Arm’s Length Price (ALP)) by giving sufficient consideration to transfer pricing taxation systems for transactions carried out within Honda to ensure the proper payment of taxes corresponding to the value created by business activities.
- (4) Ensuring transparency
- Honda recognizes the importance of fulfilling accountability to tax authorities and other tax-related stakeholders through the timely and proper disclosure of tax-related information and properly responds by disclosing tax-related information based on laws and regulations.
- (5) Relationships with governments and tax authorities
- Honda shall make efforts to ensure transparency and continuously build relationships of trust through sincere responses to governments and tax authorities in the countries and regions where it does business by ensuring timely and proper provision of tax-related information based on laws and regulations and requests from governments and tax authorities.
- (6) Corporate governance
- Honda strives to enhance corporate governance as one of the most important tasks for its management, based on the Company’s basic principle, in order to strengthen the trust of our shareholders/investors, customers and society; encourage timely, decisive and risk-considered decision-making; seek sustainable growth and the enhancement of corporate value over the mid- to long-term; and become “a company that society wants to exist.” In the same manner, Honda shall establish governance on taxation based on this concept, framework and management policy.