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Environment

Material Issues

- Responding to climate change and energy issues
- Ensuring clean air
- Advancing powertrain electrification
- Utilizing resources efficiently
- Conserving water resources
- Preserving biodiversity
- Managing chemical substances and preventing pollution





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Environmental Management Promotion Structure and Management Cycle

Honda recognizes that environmental issues such as climate change and energy/resource issues, which require global responses, are material issues that impact Honda’s business operations. Based on this recognition, the Environmental Committee was established in 1991, chaired by the Chief Executive Officer (CEO) and comprised of members of company management. In 1995, the Committee became the World Environmental Committee and assumed responsibility for discussing and formulating plans for environmental protection activities worldwide. Since then, it had continued to meet every year as the World Environment and Safety Strategy Committee.

Chaired by the Chief Executive Officer (CEO), this re-established Committee deliberates on the PDCA cycle of each region as well as risks and opportunities concerning climate change, energy and resources. It also explores Honda’s short-, medium- and long-term environmental strategies based on these risks and opportunities.

Medium- and long-term environmental policies and plans at the global level are formulated at the meeting of the World Environment and Safety Strategy Committee on the basis of company-wide direction and medium- and long-term business plans. All committee members are involved in the meeting’s decision-making.

Following the decisions made at the above meeting, the World’s Six Region Environmental Committee, made up of the environmental divisions of each regional headquarters, also meets every year. Once the information sharing process at these meetings concludes, these divisions formulate concrete action plans and then implement necessary measures.

In terms of the progress of Honda’s environmental initiatives and the themes applicable worldwide, the Corporate Planning Supervisory Unit collects information from Regional Operations and reports it at the meeting of the World Environment and Safety Strategy Committee. The Company is striving to continuously enhance environmental management through the reflection of the above information in the medium-term business plan and policy for the following term and the implementation of the PDCA cycle by each Regional Operation and environmental division.

Environmental Management System

Honda’s existing global vehicle assembly and product assembly plants have acquired ISO14001, an international certification for environmental management systems (as of March 2021). Honda is in the process of obtaining certification for newly built plants. Therefore, coverage of environmental management systems is virtually 100%.

Current Status of Compliance with Environmental Regulations

In accordance with Honda’s Environment Statement, the Company has introduced environmental management systems at all business sites and in each division. Along with promoting continuous efforts to improve environmental performance, it strives to comply with its own voluntary environmental standards, which are more stringent from an environmental perspective than any national or local regulations.

In the last five years, Honda has not committed any serious noncompliance with environmental laws and regulations, paid substantial fines/sanctions in breach thereof or recorded any major chemical releases.

In addition, no environment-related complaints were received through the official complaint resolution program.



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Environmental Accounting

Environmental Accounting in Japan

To facilitate efficient environmental management, Honda tabulates the cost reduction and profit attributable to its environmental protection activities, thus working to keep abreast of their economic impact.

Going forward, Honda is committed to continuing improvement of the accuracy of this data, which it sees as an indicator of corporate value and as a tool for making environment-related management decisions.

DATA

Cost of environmental conservation activities and investments

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Economic benefits (Effect on revenue and expenses)

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Material Issues in the Environmental Dimension

Honda's Material Issues

Through Honda's proprietary technologies and business activities, the Company will work to deal with climate change issues, energy issues, effective utilization of resources and preservation of clean air, which are outlined as challenges in the materiality matrix, with an aim to realize a zero-environmental impact society in the future. In particular, Honda believes that dealing with climate change and energy issues and the effective utilization of resources are priority challenges in the environmental field.

Triple Action to ZERO



Triple Action to ZERO

In order for people to live on the earth in a sustainable manner, Honda seeks to realize a recycling-based society with zero environmental impact. Accordingly, the Company has set even higher targets than our previous Triple ZERO initiative.

Efforts will be centered around the Triple Action to ZERO, which integrates three elements, namely carbon neutrality, clean energy and resource circulation, into one concept.

Through this initiative, Honda aims to curb the consumption of natural resources to the extent possible and realize a society having zero impact on the environment.

CO₂ emissions, net zero by 2050

To address climate change issues, Honda will shift from its previous 2°C target to a 1.5°C target* by reducing CO₂ emissions throughout the product life cycle that encompasses not just products but also corporate activities.

100% utilization of carbon-free energy by 2050

To address energy issues, Honda will go a step beyond its conventional initiative of reducing energy risk and aim to use clean energy both during product use and in corporate activities.

100% use of sustainable materials by 2050

To address the effective utilization of resources, Honda will conduct research into the recycling of materials, including reuse and recycling of batteries. Going beyond its previous initiative aimed at reducing risks related to resources and waste disposal, Honda will take on an additional challenge of developing products that use sustainable resources having zero environmental impact.

* In 2014, Honda announced its aim to reduce its total corporate CO₂ emissions in half by 2050 (compared with 2000 levels) in order to limit the global temperature rise to 2°C above pre-industrial levels. In April 2021, Honda again announced its vision to achieve carbon neutrality for all products and corporate activities Honda is involved in by 2050 (⇒ p. 04, 05). The target set in 2014 to halve CO₂ emissions corresponds to a 2°C scenario, while the new carbon neutrality (net zero CO₂ emissions) target is compatible with a 1.5°C scenario.



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Dealing with Climate Change and Energy Issues

The mobility environment is currently undergoing dramatic changes. Amid such changes, Honda is moving forward with its response to climate change through initiatives that link Honda's business strategy with its environmental strategy. The Company is proactively striving to reduce environmental impact while foreseeing changes in the marketplace and among customers as well as placing its priority on contributing to the lives of customers.

As a step toward this goal, Honda has been working to achieve its 2020 Product CO₂ Emissions Reduction Targets to lower CO₂ emissions intensity from the use of motorcycles, automobiles and power products worldwide by 30% from the 2000 base year level.

The progress made up to FY2021 is shown on (⇒ [p. 75](#)).

In October 2020, Honda announced its intent to realize carbon neutrality by 2050. Going a step further, in April 2021 the Company announced its vision to "realize carbon neutrality for all products and corporate activities Honda is involved in by 2050" in order to achieve a recycling-oriented society with zero environmental impact.

The concept behind this vision is to reduce CO₂ emissions based on the targets laid out in the Paris Agreement to keep the temperature rise below 1.5°C.

There is more than one approach to the protection of the global environment, and efforts to maximize the use of renewable energy are also crucial. Recognizing there are diverse approaches to solutions toward the use of renewable energy and CO₂ reduction, Honda has formulated a "multi-pathway" concept to proactively offer environmentally friendly products matched to each region.

A symbolic technology in this area is "Honda e: Technology," a set of Honda's electrification technologies. As for maximizing the use of renewable energy, Honda is moving ahead with the development of technologies necessary to build a future society, which links energy management service with mobility service. In 2019, the Company announced the "Honda eMaaS" concept along with a plan to formulate proposals for commercialization and conduct market feasibility tests. The concept combines Energy as a Service (EaaS), a next-generation service to optimize power supply and energy use, and Mobility as a Service (MaaS), a next-generation mobility service. Honda will align its groups of products in different fields and offer diverse value to

society and customers. (⇒ [p. 05](#))

In its corporate activities as well, Honda is working to increase the use of renewable energy by introducing a type of renewable energy suited for each region.



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Advancing Powertrain Electrification

Honda views changes in social needs and the social structure induced by climate change and energy diversification as key challenges and actively promotes product electrification.

Increasing the lineup and use of electrified products will lead to lower CO₂ emissions from product use and allow Honda to become carbon-neutral, reducing risks associated with climate change. This will also create various opportunities for improving convenience and encouraging product use during emergencies and disasters. Based on this belief, Honda has set a target to electrify two-thirds of its global automobile sales by 2030. To achieve this goal, the Company is seizing all new business opportunities by enhancing and upgrading its product lineup.

Please refer to the Message from the President and CEO (⇒ [p. 06](#)) regarding Honda's electrification initiatives.



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Climate Change: Risk and Opportunity Analysis Based on
Multiple Scenarios

Honda performs scenario analysis, noted as an important tool in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and creates strategies based on multiple scenarios for today and for the future.

Each scenario contains uncertainty caused by varying factors, which

makes it important to conduct analysis and verification assuming different situations. Honda believes that identifying risks and opportunities in respective scenarios will enable more sustainable corporate management.

Accordingly, Honda has developed strategies based on multiple scenarios. The Company utilizes these strategies in undertaking business and promoting products and seeks to reduce risks and create opportunities, thereby ensuring that it offers services and products with greater resilience.

The table below provides a list of Honda's efforts in each risk and opportunity category. Honda is making a range of efforts to increase the resilience of its strategies against the identified risks and opportunities.

	Risks for Honda		Opportunities for Honda	
	Climate-related risks (From TCFD recommendations)	Specific response / corresponding section	Climate-related opportunities (From TCFD recommendations)	Specific opportunity / corresponding section
Transition risk ⇒ 2°C/1.5°C Major impact • Changes in the market to eliminate forms of mobility with greater CO ₂ emissions • Diversification of energy needed for product use and services	Policy and legal risks • More stringent regulations for GHG emissions • Greater obligation to report emissions	• Promotion of better fuel efficiency and electrification (⇒ p. 06, 61) • Disclosure of emissions from the entire product life cycle (⇒ p. 71)	Products and services • Development of new products and services • Expansion of low-carbon products and services • Diversification of business activities	• Reduction of TCO* through eMaaS (⇒ p. 05) • Sales expansion of electrified products and services (⇒ p. 05, 06, 61) • Expansion of product sales under the multi-pathway strategy (⇒ p. 05)
	Technology risk • Replacement with low-carbon products	• Promotion of electrified products (⇒ p. 06, 61)	Markets • Access to new markets	• Market expansion through high value-added products and services (⇒ p. 05)
	Market risk • Changes in consumer behavior • Uncertainty in market signals • Higher raw materials costs	• Product development under the multi-pathway strategy (⇒ p. 05) • Product designs based on 3Rs (reduce, reuse and recycle) (⇒ p. 59, 64)	Energy source • Use of energy with lower emissions • Shifting to distributed energy sources	• Reduction of production costs through the use of renewable energy and energy saving (⇒ p. 63) • Expansion of battery sharing through Honda Mobile Power Pack (⇒ p. 60, 61)
	Reputation risk • Changes in consumer perceptions • Accusations against the industry • Growing concerns among stakeholders	• Promotion of low-emissions products and services (⇒ p. 05) • Transition to carbon neutral status (⇒ p. 56) • Communicating resilient strategies (⇒ p. 58)	Resource efficiency • Utilization of more efficient transportation means • Promotion of recycling	• Active promotion of 3Rs (⇒ p. 59, 64)
Physical risk ⇒ 4°C Major impact • Disruption of infrastructure caused by extreme weather events • Increased necessity for products and services that respond to extreme weather events	Acute risk • Increased severity of floods and other extreme weather events • Increase in floods and other extreme weather events • Disruption of supply chain	• Formulation of a global BCP (⇒ p. 45) • Establishment of a global value chain (⇒ p. 140) • Measures against procurement risk (⇒ p. 142)	Resilience • Improvement of reliability and operational capability of supply chain • Expanding products and services related to ensuring resilience	• Stable production structure based on a global value chain (⇒ p. 142) • Contribution to early recovery by providing products and services responding to disasters (⇒ p. 06) • Stable energy supply through eMaaS (⇒ p. 05)
	Chronic risk • Shifts in rain and other climate patterns • Higher average temperatures	• Efforts to reduce water intake and energy use (⇒ p. 59, 63) • More efficient energy consumption (for air conditioning) (⇒ p. 63)		



* Total cost of ownership

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Efficient Utilization of Resources

The difficulty of obtaining or depletion of rare earth metals and other resources used in the Company's products affects the procurement of components and raw materials necessary for manufacturing products and thus poses a significant risk to our business continuity.

Therefore, Honda considers the efficient utilization of resources one of the material issues and is actively promoting 3R (Reduction/Reuse/Recycling) activities as well as ensuring proper processing when disposing of end-of-life products.

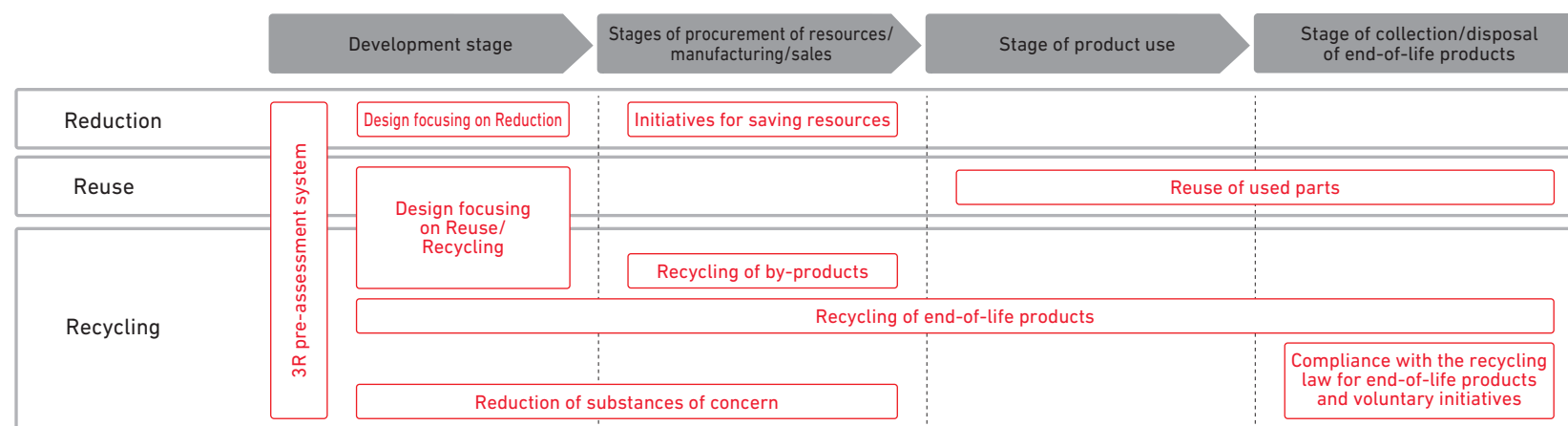
Taking into consideration the risks involved in resource depletion and waste disposal, Honda aims to reduce the overall amount of waste generation. Accordingly, the Company has set the goal of annual

reduction of waste generation per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031.

For water resources as well, Honda is giving consideration to water supply and depletion risks. Honda has thus established the target of annual reduction of industrial water intake per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031. In both areas of waste generation and water intake, the Company will remain committed to minimizing environmental impacts.

Aiming for zero environmental impact related to resources and disposal that occur in various stages ranging from resource procurement to disposal, Honda is tackling this issue through cooperation/partnership with internal/external stakeholders.

Initiative for zero environmental impact related to resources and disposal



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Preservation of Clean Air

Honda recognizes that air pollution has been a critical issue since the 1960s and believes that worsening air pollution in cities has a negative effect on people’s health, inhibiting the joy and freedom of mobility and a sustainable society where people can enjoy life. The Company, therefore, has sought to resolve this issue through the development of technologies that clean the gas emitted from its products.

This began with the announcement in 1972 of the CVCC engine, which cleared exhaust gas regulations under the U.S. Clean Air Act of 1970, sometimes called the “Muskie Act” that was deemed to be the toughest in the world at the time. Since then, Honda has developed many technologies, including high-efficiency combustion technology and exhaust emissions purification technology using a catalyst. This has resulted in a reduction in the level of exhaust emissions from automobiles to one-thousandth of that registered prior to the enactment of the Muskie Act over the 40-year period.

Honda has also enhanced the combustion efficiency of engines and cleaned exhaust emissions by promoting conversion from two-stroke to four-stroke engines in motorcycles and power products as well as shifting from a carburetor to the Honda Programmed Fuel Injection (PGM-FI) system.

Through advanced development of exhaust emission cleaning technologies such as these, Honda avoids risks associated with business continuation caused by increasing costs to deal with tighter environmental regulations.

In addition, this enables products with exceptional environmental performance to be supplied at a reasonable price, and as a result, Honda leads the industry in cleaning exhaust emissions and addressing air pollution issues, which also leads to major business opportunities.



TOPICS

Releasing the Gyro e: Business-Use Electric Motorized Three-Wheeled Scooter

In March 2021, Honda initiated sales of the Gyro e: business-use electric motorized scooter for corporate customers. It is a three-wheeled, Category-1 motorized scooter that uses two removable “Honda Mobile Power Pack” units.

The Gyro e: offers excellent environmental performance unique to electric means of mobility, that is, not emitting CO₂ while in operation. It uses two mobile power packs, the same ones used for the Benly e: series, as its power source. Users can ride the scooter without having to wait for recharging as they can replace used units with charged units.

Honda will help provide a quieter and cleaner living environment by working to promote the widespread use of the Honda e: series of business-use motorcycles that are friendly to both the environment and users.

A white and black three-wheeled electric scooter with a black seat and handlebars.

Two black rectangular power packs with blue accents and the Honda logo.

Gyro e:

Mobile power pack

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Responses to Climate Change and Energy Issues


Goal to Reduce CO2 Emissions Intensity in Products by 2020



Motorcycles
per g/km vs. 2000 levels



Automobiles
per g/km vs. 2000 levels



Power Products
per kg/hour vs. 2000 levels

Reduce by 30%

Global average CO2 emissions from Honda products

Honda has formulated and promoted initiatives under a goal to reduce CO2 emissions intensity of motorcycles, automobiles and power products by 30% from 2000 levels by 2020.

In 2020, Honda succeeded in achieving the goal for motorcycles with a 32.6% reduction while falling short for automobiles at 29.8%. The CO2 emissions intensity for power products was 27.5%, as sales of electric products underperformed the initial plan due to the global COVID-19 pandemic.

Although the goals for 2020 were not met, Honda will promote initiatives to keep the temperature rise under 1.5°C, which outperforms the target of 2°C, toward realizing carbon neutrality by 2050.

The scope of the above compilation to achieve 2020 targets includes Japan, North America, South America, Europe, Asia & Oceania and China, and it covers approximately 90% of units sold by Honda worldwide for each of motorcycles, automobiles and power products.

DATA

Current status of achievement vs. 2020 product CO2 emissions intensity reduction targets
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TOPICS

Honda e Becoming the First Japanese Vehicle to Win “German Car of the Year”

The Honda e electric vehicle released in Europe was named “German Car of the Year 2021,” becoming the first Japanese vehicle ever to receive the award.

The German Car of the Year awards are decided by a jury of leading German car journalists. The panel tests and reviews the latest cars, ranking them according to such factors as usability, driving characteristics and level of innovation. An overall winner is selected among the winners of five categories — Compact, Premium, Luxury, New Energy and Performance. The Honda e was chosen as the top in the New Energy category and was awarded “German Car of the Year” in the final screening.

Since its launch in spring 2020, the Honda e has received a number of prestigious awards, including the top rating in the Red Dot Design Awards of Germany.

Honda is committed to electrifying 100% of mainstream automobiles sold in Europe by 2022. The Honda e offers both contemporary car design and advanced e-mobility, featuring a seamless, sleek and modern appearance with cutting-edge technology and advanced intelligent connectivity.



Honda e

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Responses to Climate Change and Energy Issues

Three Initiatives to Achieve Environmental Performance Targets

Emissions from “use of products” account for approximately 80% of CO₂ emissions from Honda’s entire product life cycle. In light of this, Honda works to reduce CO₂ emissions during usage in all of its products, and manufactures and sells items that can be supplied with confidence as environmentally friendly products.

To date, Honda has carried out the following three initiatives to realize its 2020 Product CO₂ Emissions Reduction Targets while expanding production and sales globally.

- ① Reducing CO₂ emissions through efficiency improvements of internal combustion engines
- ② Reducing CO₂ emissions by introducing environmentally innovative technologies and diversifying energy sources
- ③ Eliminating CO₂ emissions through the use of renewable energy and total energy management

By implementing these in phases, Honda is steadily reducing CO₂ emissions with the aim of ultimately eliminating them.

By setting unique product guidelines at an advanced level for these three initiatives and making Honda products compliant with them, Honda is aiming to achieve this goal. The guidelines are articulated in the Honda Environmental Performance Standard (HEPS) formulated in 2011.

As a result of certification of products that were launched in FY2021, 20 motorcycle models, 3 automobile models and 1 power product models — a total of 24 models — were HEPS-certified. Cumulatively, this brings the number of HEPS-compliant products to 202 motorcycle models, 95 automobile models and 52 power product models, or 349 models in total.

In addition, there were no violations in product and service information or labeling in general.



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Global number of HEPS-compliant models
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Number of HEPS-compliant models by region

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With the aim of ultimately achieving zero CO₂ emissions and zero energy risk, Honda is focusing on the reduction of energy consumption and CO₂ emissions while expanding production/sales globally. In the future, Honda will aim at sustaining reduction until the rate of reduction of energy consumption exceeds the rate of increase of energy use for the manufacturing of products.

Toward the realization of the above-mentioned target, when building or renovating its plants Honda aggressively introduces the latest energy-saving technologies and know-how at plants, including the Saitama Factory's Yorii assembly plant that achieved a 30% reduction in per unit energy use compared with other Honda plants*. To support the energy-saving initiatives of various business sites operating around the world, the Company has built a mechanism for promoting information sharing among business sites and regions, and at the same time, it is enhancing technical support from Japan.

In addition, Honda is actively introducing renewable energy around the world. In FY2021, Honda utilized a total of 358 GWh of electricity generated through renewable energy such as solar and wind power.

Going forward, Honda will continue to use renewable energy befitting local conditions.



* Comparison with Saitama Factory's
Sayama assembly plant



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Efficient Utilization of Resources

Initiatives in the Development Stage

3R Pre-Assessment System

Honda introduced the 3R pre-assessment system, which assesses the 3R elements of each model to be newly developed in the stage of product development, for motorcycles in 1992 and for automobiles in 2001. The Company is striving to improve the level of 3R elements.

Design Focusing on Reduction

Honda is making efforts in downsizing and weight reduction by considering alternative structures and materials for all components in each product, such as the body framework, engine and bolts. For example, the Company used thinner structural bumpers in the N-WGN as part of a reduction-oriented design geared toward creating a lighter product. The availability of materials with higher rigidity and fluidity along with advances in manufacturing technologies allowed Honda to reduce the weight of the previous design by approximately 20%, which had an average thickness of 3.0 mm, by using less resin in bumper production.

In Japan, Honda is progressively expanding the use of these enhanced structural bumpers in new models launched after the N-WGN. Overseas, it has begun rolling it out globally with the Civic. The Company expects to further reduce material use by applying the new design worldwide.

Design Focusing on Reuse/Recycling

Honda is engaging in structural design that takes into account easier recycling and maintenance, use of easily recyclable materials and recycled resins, and display of contents of materials for resin/rubber components, etc. For automobiles, the Company uses easily recyclable materials for a wide array of exterior/interior components, such as inner weather-stripping and the outer surface of instrument panels, and at the same time has enabled the use of recycled materials for air conditioner

ducts. In addition, Honda labels resin and rubber parts with their constituent materials wherever possible to facilitate recycling.

As a result of the activities mentioned above, with regard to the recyclable rate*1 for all new and redesigned vehicles sold in FY2021, Honda is maintaining more than 90% for automobiles and more than 95% for motorcycles. Meanwhile, the recoverability rate for components/materials*2 used in power products was more than 95%.

Initiatives at the Product Use Stage

Recycling of End-of-Life Components

Honda collects and recycles end-of-life components generated from repair, replacement, etc., from dealers nationwide. In FY2021, the Company collected and recycled approximately 136,000 end-of-life bumpers. Collected bumpers are recycled and used for undercovers and other components of the Freed model.

Honda will continue the recycling of end-of-life components, including the collection/recycling of end-of-life hybrid vehicle drive batteries.

*1 Index based on "Definition of Recyclable Rate for New Vehicles and Guidelines on Calculation Method" issued by Japan Automobile Manufacturers Association, Inc. (JAMA)

*2 Recyclable rate that includes the thermal energy recovered; in accordance with calculation methods of recyclable rate for cars in ISO22628, etc.



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Initiatives in the Disposal Stage

Initiative for Automobiles

The Act on Recycling, etc., of End-of-Life Vehicles (automobile recycling law) requires automakers to collect and properly treat three items: fluorocarbons, airbags and shredder dust (Automobile Shredder Residue (ASR)).

In FY2021, the number of Honda automobiles collected was approximately 440,000 for fluorocarbons (−6.3% from the previous fiscal year), approximately 450,000 for airbags (−5.6%) and approximately 490,000 for ASR (−7.6%). Recycling rates for gas generators and ASR were 95.0% and 95.7%, respectively, which satisfy the recycling rates specified by ordinance of the relevant ministry (at least 85% for gas generators and at least 70% for ASR).

Initiative for Motorcycles

Honda joined hands with other motorcycle manufacturers in Japan and participating motorcycle importers and started to implement the voluntary recycling of motorcycles in October 2004. With the cooperation of related dealers, various companies in the motorcycle industry started this scheme for providing a safety net for the treatment of end-of-life motorcycles, the world's first of its kind. End-of-life motorcycles are collected at the dealers and the designated points of collection free of charge and are properly recycled at recycling facilities.

Regarding end-of-life motorcycles collected at designated points of collection, there were 1,400 Honda products in FY2021, which accounted for 52.2% of all units collected. The recycling rate of Honda products came to 98.1% on a weight basis, enabling us to achieve the target recycling rate of 95% since FY2014.

Corporate Activities Initiatives

Honda is making efforts to reduce the volume of waste generated through business activities.

The Company is stepping up 3R efforts that include resource reduction initiatives, such as the reduction of by-products through an increase in throughput yields. Honda does not import or export waste deemed hazardous under the terms of Annexes I, II, III, or VII of the Basel Convention. In addition, the Company is striving to eliminate all use of ozone-depleting substances (ODS) at business sites in accordance with the Montreal Protocol and local laws and regulations in the countries in which it operates, and there are no major emissions from any of its operations.



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Preservation of Clean Air

With the aim of preserving clean air, Honda is working to eliminate harmful substances in exhaust emissions from the tailpipe in the usage phase.

The engines of all commercial motorcycles have been switched to four stroke, with fuel injection (PGM-FI) being applied to at least 80% of models sold worldwide.

With regard to automobiles, Honda has gradually expanded models that are LEV*1 3- SULEV*2 30 emissions compliant, beginning with the Accord Hybrid released in 2013, thus meeting the California exhaust emissions standard, deemed to be the toughest in the world. The Accord Plug-in Hybrid was the first in the world to achieve SULEV20 status. Amid application and strengthening of exhaust emissions regulations in emerging countries, Honda is promoting response early on in various countries in Asia and the Middle East.

As for power products, Honda has cleared compliance of United States Environmental Protection Agency Phase 3 regulations, the most stringent in the world, through engine enhancement technology.

In addition, Honda is pushing ahead with initiatives in production, the process with the largest impact on the air, in an effort to preserve clean air.

In the production of automobiles, solvents found in paint and thinner used mainly in paint processes can generate Volatile Organic Compounds (VOC), the cause of photochemical oxidants. Honda’s production activities in the past have sought to reduce VOC emissions such as through the introduction of a highly efficient paint process using robots; overhaul and increased recovery rate of thinners used for cleaning; and installation of equipment to incinerate and purify VOC. In addition to these initiatives, the Company introduced Honda Smart Ecological Paint that eliminates a middle coating process from a commonly used 4-coat/3-bake auto body painting process to realize a 3-coat/2-bake water-based painting process, thus reducing the generation of VOC. The technology was rolled out at the Yorii assembly plant, which sets the benchmark for environmental initiatives. Honda is working to bring in the state-of-the-art technology to all automobile plants worldwide.

In Japan, Honda set FY2011 VOC emissions intensity as the control value pursuant to the goal established by the Japan Automobile Manufacturers Association and introduced voluntary efforts aimed at

reduction from there. The Company has cleared this value every year since 2010. Honda will continue with these voluntary efforts going forward.

*1 Low Emission Vehicle
*2 Super Ultra Low Emission Vehicle



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Conserving Water Resources

Cognizant of the potential for business activities to impact upstream and downstream water resources, Honda is also focusing on the conservation of water resources.

Since Honda seeks out communities where harmonious coexistence with nearby water sources is viable as potential plant locations, and builds plants in compliance with host countries' environmental assessment laws and regulations, no water sources are significantly impacted by the Company's water use. In addition, no water sources are affected by wastewater from Honda facilities since it treats wastewater and discharges treated water in accordance with applicable laws and regulations. Under these circumstances, Honda appropriately manages the amount of water used and works to manage and provide information on wastewater, which includes thorough quality control and disclosure of water quality test findings.

In addition, to minimize water use, various business sites are implementing initiatives based on regional circumstances, such as the utilization of recycled water and water conservation. The Company is also working to recycle and reuse water in manufacturing processes, which utilize about 4.8 million cubic meters of water each year, or about 20% of all water use by Honda. This ongoing effort includes consideration of installing full recycling systems that allow reuse of almost 100% of all water at Honda Engineering Co., Ltd. (Japan), the No. 2 Plant at Honda Automobile (Thailand) Co., Ltd. (Thailand) and the No. 2 Plant at Guangqi Honda Automobile Co., Ltd. (China).

Honda strives to reduce environmental impact during product usage. The Company's lineup of engines for outboard motors consists solely of 4-stroke engines with the aim of reducing water contamination in the outboard motors being used around the world.

Besides promoting the conservation of water resources on its own accord, Honda manages a water conservation fund in North America under the Honda Marine Science Foundation, which supports the improvement and preservation of coastal areas for future generations through initiatives for marine ecosystem restoration and promoting resilience to climate change. Around US\$200,000 is provided as support every year, which contributes to the preservation of the local

environment. (Please refer to the link below.)

Honda has undertaken conservation activities for forest watersheds continuously since 1999 as part of its social contribution program. Production sites protect and manage the forest watersheds that they benefit from and strive to keep them optimized for each region. Aware of the fact that water is an indispensable resource supporting its business, Honda will continue implementing this activity. (Please refer to the link below.)

WEB

"Honda Marine Science Foundation"

> <https://www.honda.com/environment/marine-science-foundation>

WEB

"Forest watersheds" (Japanese only)

> <https://www.honda.co.jp/philanthropy/forest/about/>



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Other Important Issues

Biodiversity Conservation

Recognizing that its business activities can have an impact on biodiversity, Honda has long been putting a great deal of effort into activities that have led to the conservation of biodiversity. The Company carried out tree-planting and water-recycling initiatives at its plants in the 1960s and launched the Community Forest program in 1976.

In 2011, the Company established the Honda Biodiversity Guidelines. As the basic statement, it stipulates as follows: “We recognize, under Honda’s Environment Statement, that biodiversity conservation initiatives are an essential part of our commitment to the preservation of the global environment. We will continue to work toward harmony between this commitment and our activities.”

Honda believes that minimizing the environmental impact resulting from its products and business activities represents the greatest contribution the Company can make to biodiversity conservation. The guidelines specify the priorities, including the development of environmental technology, initiatives based on corporate activities and initiatives for living in harmony with local communities, and Honda is actively promoting them.

Honda recognizes the emissions of GHGs and various other pollutants as two of the greatest impacts of business activities that threaten biodiversity. Consequently, the Company has set priorities under the Guidelines and is working systematically to minimize both impacts. Each of Honda’s key business sites in Japan also conducts a survey on the actual conditions of biodiversity and is promoting various activities that are appropriate for the applicable species, such as thinning, pruning and eradication of non-native species. Moreover, Honda continues to carry out fixed-point observation and reporting on ecosystems in collaboration with “Monitoring Sites 1000” (a project for promoting the monitoring of survey sites of important ecosystems) implemented by the Japanese government as a member of the International Union for Conservation of Nature and Natural Resources (IUCN), which creates an annual Red List.

PDF

[Honda Biodiversity Guidelines](https://www.honda.co.jp/environment/report/pdf/report/report-biodiversity-en.pdf)

> <https://www.honda.co.jp/environment/report/pdf/report/report-biodiversity-en.pdf>

Management and Reduction of Chemical Substances

Honda works to ensure the appropriate management and reduction of chemical substances contained in automotive components from the product design and development stages in order to reduce those materials that impact the environment.

Laws and regulations have been introduced in each country to ensure the appropriate management of chemical substances and the reduction of harmful substances contained in automotive components. These legislations are based on a goal set by the United Nations in 2002 of minimizing the impact of chemical substances on people and the environment by 2020.

The International Material Data System (IMDS), a mechanism for collecting information throughout the supply chain on materials and chemical substances contained in components making up the vehicle, was developed in response to this trend largely by the German Association of the Automotive Industry. Honda is also tabulating and managing chemical substances via our independently developed global management system called the Management System of Chemical Substances (MoCS), which collects information based on IMDS.

Honda is moving ahead with the reduction of four types of heavy metals (lead, mercury, hexavalent chromium and cadmium) that are considered to have negative impacts on the environment while promoting the management of chemical substances via MoCS. As an example, for all new and redesigned vehicles sold in Japan in FY2021, components that do not use mercury were chosen for combination meters. The Company is striving to eliminate the use of mercury on a voluntary basis.



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Environmental Data**Scope of Consolidation**

Environmental data are provided on pages 71 to 74 for the year ended March 31, 2021 from Honda Motor Co., Ltd. and 422 consolidated subsidiaries and affiliated companies in Japan and outside Japan (as of December 31, 2020).

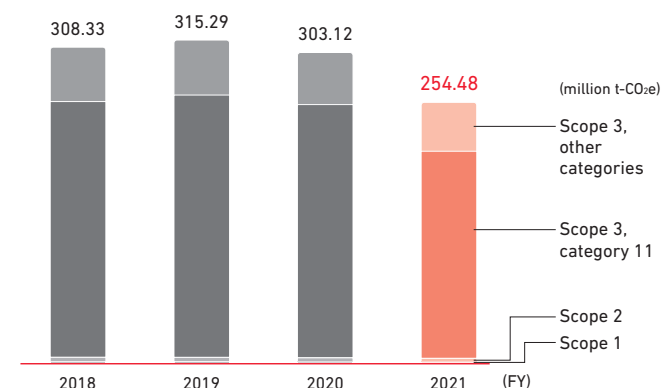
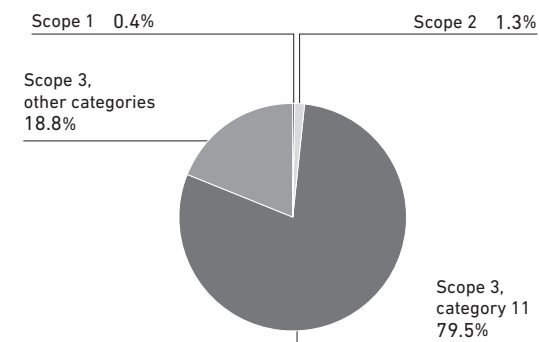
Honda GHG Emissions in FY2021

As a responsible company operating in the mobility industry, Honda believes in the importance of calculating and disclosing GHG emissions in order to drive progress in initiatives to reduce global emissions.

As the first milestone in this endeavor, in August 2012 Honda disclosed estimates of all FY2012 GHG emissions from its entire value chain in conformity with the GHG Protocol*, currently the world's most widely used GHG emissions accounting standard. The Company became the world's first mobility company to release estimates of emissions not only from its own business activities (Scopes 1 and 2) but also from all upstream and downstream activities (Scope 3), extending from the procurement of raw materials to the transportation and customer use of Honda products and ending with the treatment of end-of-life products.

Honda continues to calculate and report its GHG emissions from its entire value chain and is making improvements to get a more accurate reading of emissions. The Company is doing this in Scope 3 (other indirect emissions), for example, by widening the boundaries of data collection for categories that account for the largest proportion of estimated emissions, and by improving the accuracy of calculation methods.

The calculations for FY2021 show that GHG emissions from Honda business activities were 4.50 million t-CO₂e, and total emissions from the value chain, including other indirect emissions, were 254.48 million t-CO₂e. Honda will continue to monitor and manage data and utilize this information in the actual implementation of emissions reduction measures.

Total GHG emissions**Breakdown of total FY2021 GHG emissions**

* The Greenhouse Gas Protocol: Development of the GHG Protocol was led by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

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Reducing GHG Emissions from Use of Sold Products

Scope 3, category 11 emissions (emissions from use of products sold to Honda customers) account for approximately 80% of GHG emissions from Honda’s entire value chain. This means finding ways to reduce emissions related to customer use of Honda products is of primary importance in reducing emissions from Honda’s value chain. To this end, the Company has been working to improve the fuel efficiency of our products. Honda will continuously strive to further reduce GHG emissions in FY2022 and beyond.

Promoting Life-Cycle Assessment (LCA)

Honda has been developing its own methods to reduce the environmental impacts of its business activities and across product life cycles, from production through disposal.

In March 2002, the Company built the Honda Life-Cycle Assessment (LCA) Data System for quantitatively measuring CO₂ emissions from all business activities. Since then Honda has been making focused efforts to meet reduction targets set for each business area including production, purchasing, sales and service, administration and transportation.

Honda is also calculating and assessing CO₂ emissions across product life cycles, from raw material procurement to product disposal for the entire vehicle, and making use of this information in its efforts to reduce CO₂ emissions for each model. This approach is also important when considering applications for the next-generation technologies that will become more diverse further in the future. Accordingly, the Company will utilize the above information further to develop low-carbon solutions at the development stage, for instance.



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Honda's total GHG emissions

			FY2018	FY2019	FY2020	FY2021
			(million t-CO ₂ e)			
GHG emissions from the entire Honda value chain (Scopes 1, 2 and 3)			308.33	315.29	303.12	254.48
Breakdown	Direct emissions from business activities (Scope 1)		1.35	1.38	1.24	1.12 <input checked="" type="checkbox"/>
	Indirect emissions from energy use (Scope 2)		4.17	4.09	3.79	3.38 <input checked="" type="checkbox"/>
	Emissions from Honda business activities (Total of Scopes 1 and 2)		5.52	5.47	5.03	4.50
	Emissions from customer use of sold products (Scope 3, category 11)		249.71	256.10	247.25	202.21 <input checked="" type="checkbox"/>
	Other emissions (Scope 3, other categories)		53.10	53.72	50.84	47.77
Other indirect emissions (Total of Scope 3)			302.81	309.82	298.09	249.98

● Scope 1: Direct GHG emissions from business activities, as defined by the GHG Protocol (e.g., Combustion of fuel oil at a manufacturing plant, emissions from work vehicles and company cars). The Scope 1 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). In Japan, Honda uses the emission factor based on the Act on Promotion of Climate Change Countermeasures and in each region except Japan, emission factors from the 2006 IPCC Guidelines for National GHG Inventories. Figures for climate change potential coefficient are derived from the IPCC's Fourth Assessment Report (2007).

● Scope 2: Indirect GHG emissions from a company's use of energy, as defined by the GHG Protocol (e.g., electrical energy used by a manufacturing plant or office). The Scope 2 figures presented in this report include all GHGs emitted directly by Honda Motor Co., Ltd. and its consolidated subsidiaries and affiliated companies worldwide (excluding relatively small-scale companies). Honda adopts to the GHG Protocol's standard market-based method. In Japan, Honda uses electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures. In each region except Japan, Honda uses electricity utilities emission factors and latest regional emission factors, and if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.

● Scope 3: Other indirect GHG emissions not included in Scope 1 and Scope 2, as defined by the GHG Protocol. Scope 3 is systematically broken down into 15 categories (e.g., category 11 includes emissions arising from the use of sold products; category 12 includes emissions arising from the end-of-life treatment of sold products).

● The "Scope 3, category 11" figures presented in this report represent the cumulative amount of GHGs that will have been emitted by products sold by Honda in the applicable fiscal year (automobiles, motorcycles, power products and aircraft) as a result of their use by customers from the time they received those products until they dispose of them in the future. Calculations cover the emission of approximately 90% of all motorcycles, automobiles, power products and aircraft sold worldwide under the Honda brand name. These emissions are calculated using the following formula for each model and adding the results: CO₂ emissions intensity x Annual distance traveled or Annual usage in hours x Product lifetime in years x Annual unit sales.

● CO₂ emissions intensity: Average annual mileage of each model set at same value per region or Annual consumption of each model and Average annual used time distinguish general business from business use

● Annual mileage / Lifetime years of use: Referring to IEA estimation model, "SMP Model," etc.

● CO₂ emission factor: Referring to the GHG calculation guidelines that public authorities in each region issued. If there are no appropriate guidelines, reference from the ones of Japanese.

● The "Scope 3, other categories" figures presented in this report are the sum of emissions from categories 1, 2, 3, 4, 5, 6, 7, 9, 10, 12 and 15. As per the GHG Protocol, Honda excludes categories 8, 13 and 14 from its calculations, as these categories are either not part of Honda business activities or emissions from these categories are accounted for in other categories.

Data indicated with ☒ received the independent practitioner's assurance.





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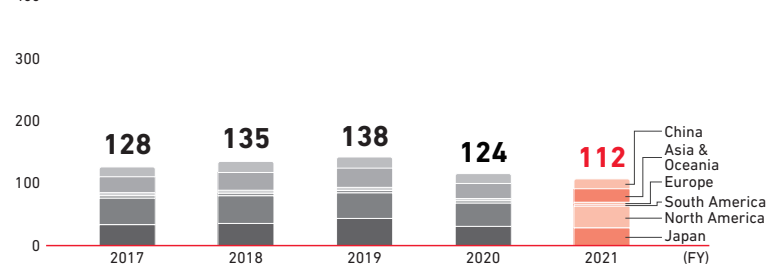
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GHG emissions

Direct emissions (Scope 1) ☒(10,000 t-CO₂e)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount = Σ [Volume of fuel usage x CO₂ emission factor] + CO₂ emissions from non-energy sources + Σ [Volume of non-CO₂ GHG emissions x Global warming factors]

Emission factors

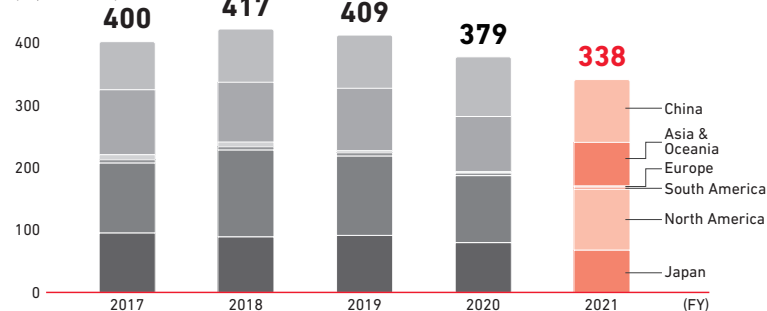
Japan: Emission factors based on the Act on Promotion of Global Warming Countermeasures

Regions outside of Japan: Emission factors from 2006 IPCC Guidelines for National GHG Inventories Figures for global warming potential coefficient: The IPCC's Fourth Assessment Report (2007)

* Figures of GHG emissions from non-energy source include some estimated values.

* Calculations are mainly based on emissions from stationary combustion sources.

* Expressed in three significant digits

Indirect emissions (Scope 2) ☒(10,000 t-CO₂e)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group

Calculation method: Emissions amount = Σ (Purchased electricity consumption, etc.*1 x emission factor)

Honda adopts to the GHG Protocol's standard market-based method.

Emission factor:

Japan: Electricity utilities emission factors based on the Act on Promotion of Global Warming Countermeasures

Regions outside of Japan: Electricity utilities emission factors and latest regional emission factors, if unavailable, national emission factors from the IEA's Emissions from Fuel Combustion.

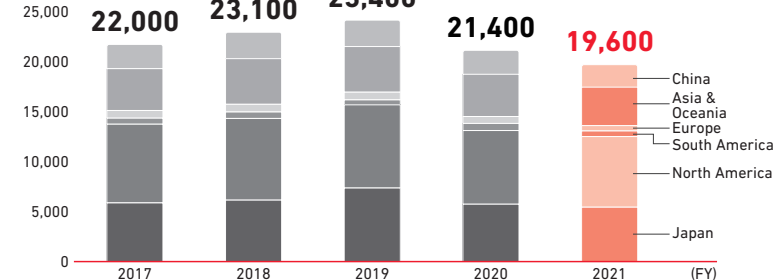
*1 Other includes steam and hot water, the emission factors are based on the Act on Promotion of Global Warming Countermeasures.

* Expressed in three significant digits

Energy consumption

Direct energy consumption ☒

(TJ)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Consumption amount = Σ (Fuel consumption x unit calorific value)

Unit calorific value:

Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures

Regions outside of Japan: Derived from 2006 IPCC Guidelines for National GHG Inventories

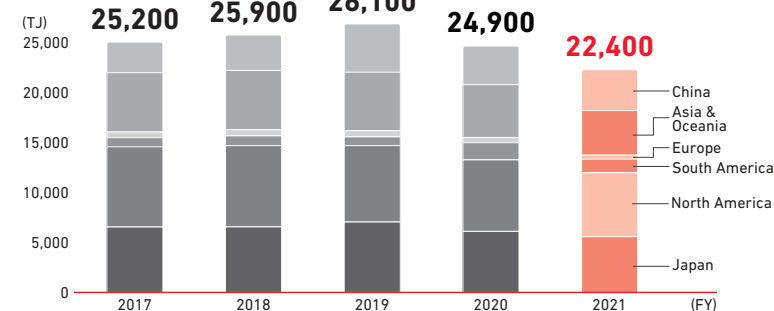
* Calculations are mainly based on energy consumed by stationary exhaust sources.

* A terajoule (TJ) is a unit of energy, "tera" meaning 10¹².

* Expressed in three significant digits

Indirect energy consumption ☒

(TJ)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Consumption amount = Σ (Purchased electricity consumption etc.*1 x unit calorific value)

Purchased electricity has been converted to joules using the international standard 3.6 GJ/MWh.

*1 Other

Unit calorific value:

Japan: Unit calorific value from Reporting and Disclosure System based on the Act on Promotion of Global Warming Countermeasures

Regions outside of Japan: 2006 IPCC Guidelines for National GHG Inventories

* Expressed in three significant digits





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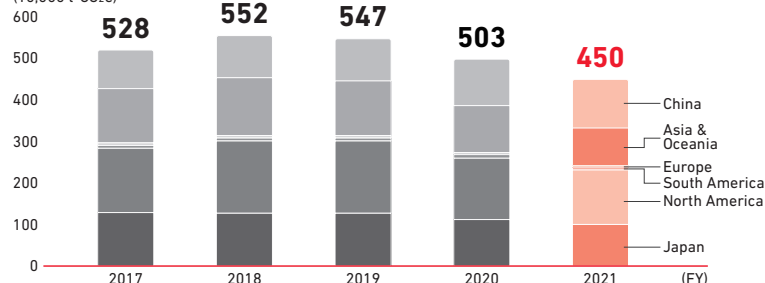
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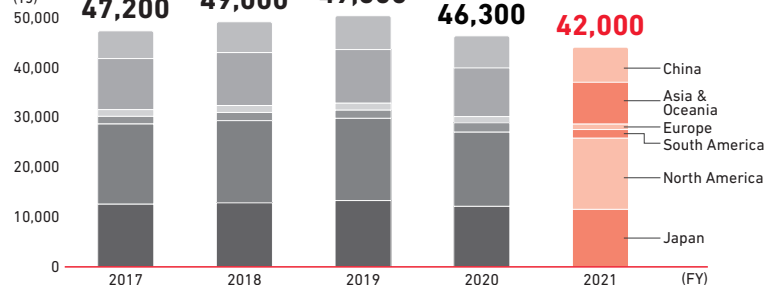
Total GHG emissions (Scope 1 and 2) ✓

(10,000 t-CO₂e)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Total GHG emissions (Scope 1 and 2) = Direct GHG emissions + Indirect GHG emissions
 • Expressed in three significant digits

Total energy consumption ✓

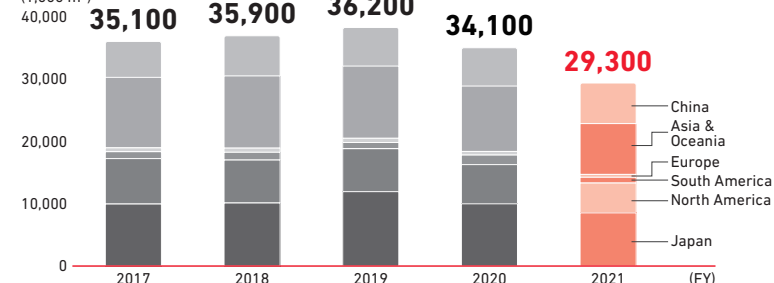
(TJ)



Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Total energy consumption = Direct energy consumption + Indirect energy consumption
 • Expressed in three significant digits

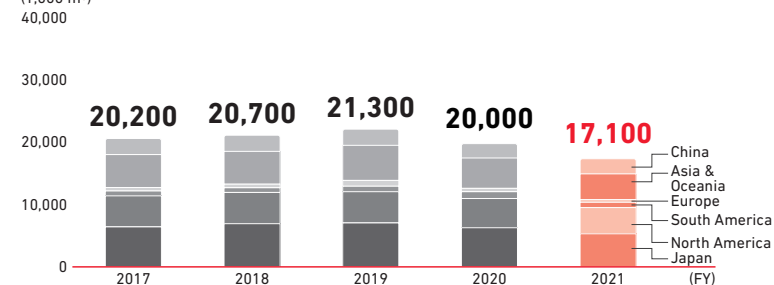
Water intake/Wastewater volume

Amount of water intake ✓

(1,000 m³)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Amount of water intake = Σ (Purchased from the water facilities + Groundwater intake + Rainwater utilization amount + Surface such as rivers water intake)
 • Expressed in three significant digits

Wastewater volume ✓

(1,000 m³)

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)
 Calculation method: Volume amount = Σ (Wastewater processed by other companies + Discharge directly into public waters)
 • Figures include some estimated values.
 • Expressed in three significant digits





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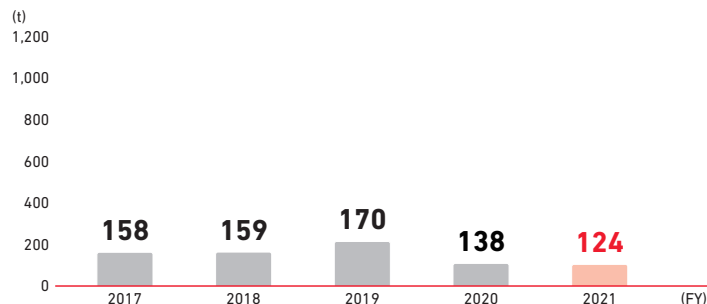
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Atmospheric pollutants

SOx emissions ☒

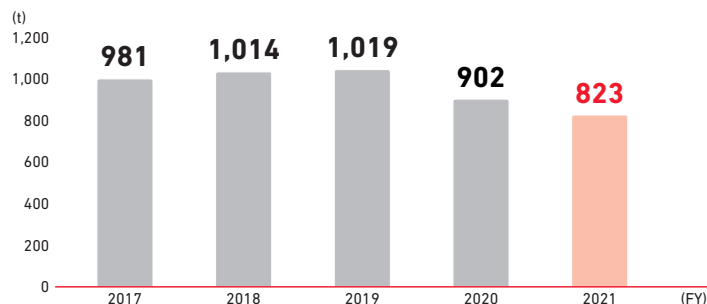
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount = Σ (Fuel consumption x Density x Sulfur content x 64/32)

• Calculations are based on fuel consumption.

Density: Derived from the translation coefficient list in Statistics Information by Petroleum Association of Japan

Sulfur content: Derived from Act on the Quality Control of Gasoline and Other Fuels or the standard of LP gas (JIS K 2240)

NOx emissions ☒

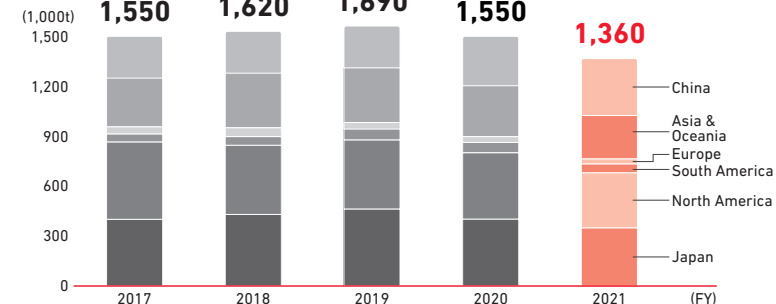
Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount = Σ (Fuel consumption x Emission factor for each fuel)

• Calculations are based on fuel consumption.

Emission factor for each fuel: Derived from NOx emissions calculation table (combustion facilities that do not measure the amount of exhaust gas, etc.) on Environmental Activity Evaluation Program (Ministry of the Environment).

Waste generated

Waste generated ☒

Companies covered: All consolidated subsidiaries and affiliated companies of the Honda Group (excluding relatively small-scale companies)

Calculation method: Emissions amount = Σ (Industrial waste + general administrative waste + valuable resources emission)

• However, regions outside of Japan are beyond the scope of data for industrial waste (excluding harmful waste defined in accordance with regulations in respective countries) and general administrative waste.

• Expressed in three significant digits





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Cost of environmental conservation activities and investments in FY2021

Category	Major activities and investments	FY2021	
		Investments (millions of yen)	Expenditures (millions of yen)
Business area costs	Pollution prevention costs ● Air, water, and soil pollution prevention	446	190
	Global environmental conservation costs ● Global warming mitigation, ozone depletion prevention and other conservation activities	273	233
	Recycling costs ● Waste processing, treatment, reduction, elimination and recycling	17	625
Upstream/downstream costs	● Collection, recycling, resale and proper disposal of products manufactured and sold ● Industry organization and other membership fees	161	572
Management costs	● Installation, operation and acquisition of certification for environmental management systems ● Environmental impact monitoring and measurement ● Management and training of associates and organizations responsible for environmental conservation (expenses for environment-related communications activities)	8	1,825
Research and development costs	● Research, development, planning and design for impact reductions across product life cycles (R&D costs for advanced eco-cars, including EVs and PHVs)	9,093	202,940
Local conservation costs	● Environmental improvement measures, including ecosystem protection, cleanups, green space development and natural landscape conservation ● Local conservation and communication activities (beach cleanups and watershed conservation activities)	0	126
Environmental damage costs	● Remediation of polluted soil	0	2
Total		10,000	206,513

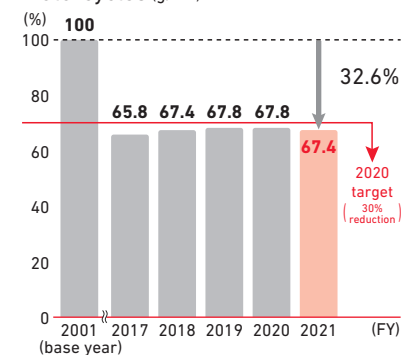
- Companies covered: Honda Motor Co., Ltd., Honda R&D Co., Ltd., Honda Engineering Co., Ltd. and Honda Access Corporation
- Accounting period: April 1, 2020 to March 31, 2021
- Some figures are estimated values.
- Guidelines, guidebooks and other environmental accounting publications by Japan's Ministry of the Environment were used as references.
- Figures were calculated on a cash-flow basis with depreciation and amortization expenses excluded.

Economic benefits (Effect on revenue and expenses)

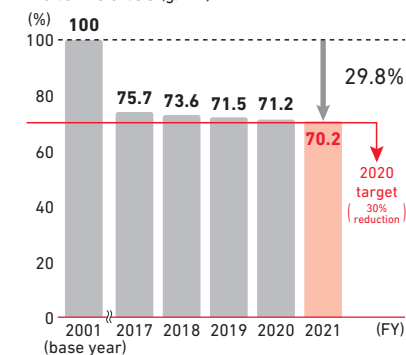
FY2021 (millions of yen)		
Income from sale of valuable waste materials		4,345
Cost reductions from saved energy	Installed technologies	36
	Behavioral changes, etc.	55
Total		4,436

Current status of achievement vs. 2020 product CO₂ emissions intensity reduction targets

Motorcycles (g/km)

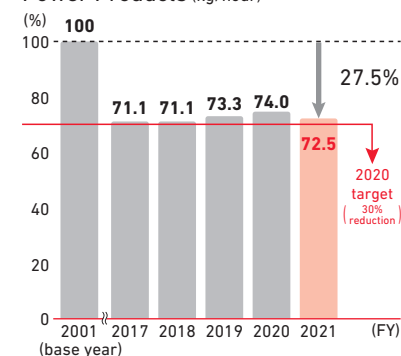


Automobiles (g/km)



• Corrected due to incorrect calculation conditions

Power Products (kg/hour)





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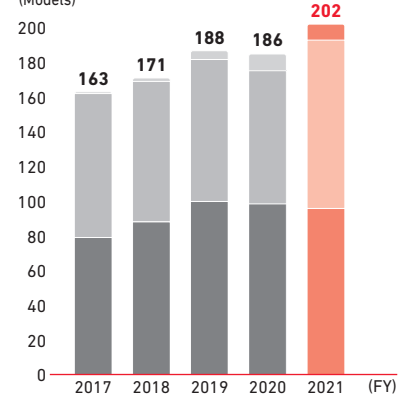
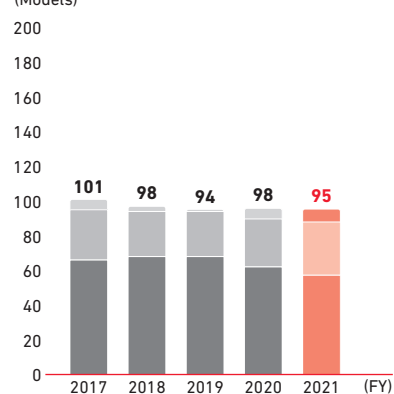
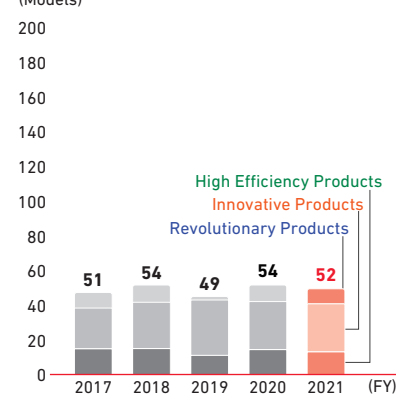
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Global number of HEPS-compliant models

Motorcycles
(Models)Automobiles
(Models)Power Products
(Models)

Number of HEPS-compliant models by region (FY2021)

(Models)

