

5

Strategy

Material Issues

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



Strategy
Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

Stakeholder Engagement 24

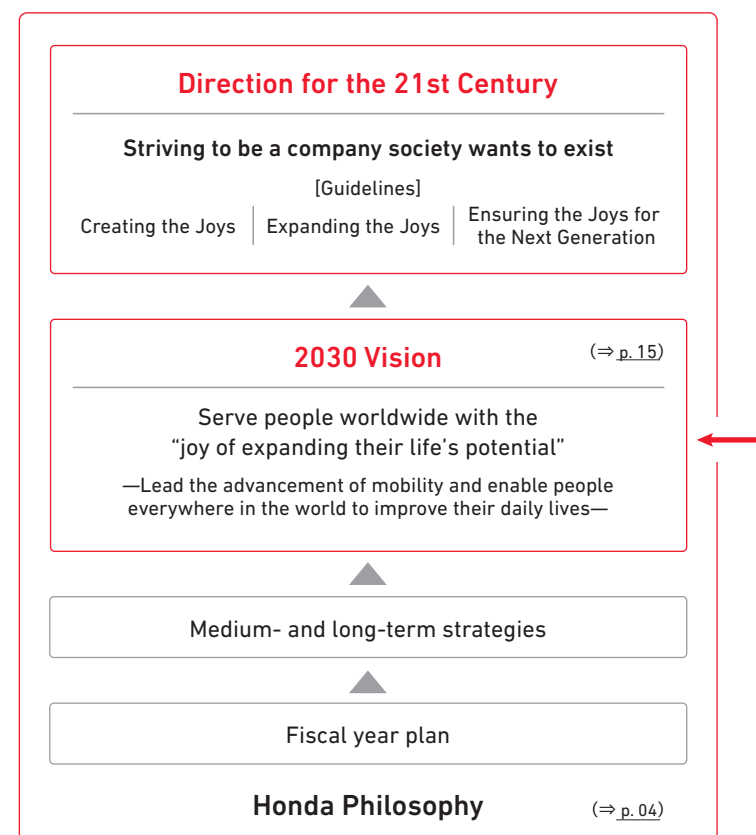
Research and Development ... 28

Innovation Management 29

Honda's Sustainability

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

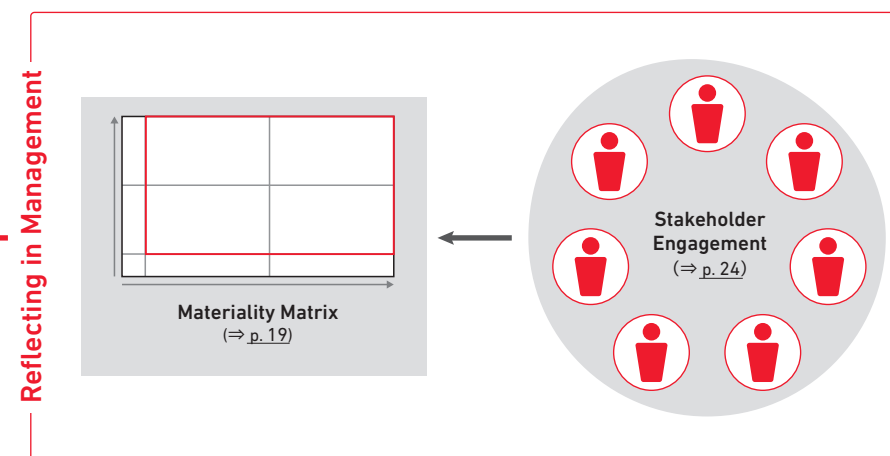
To achieve both the creation of growth opportunities for the Company and a sustainable society, Honda has set Striving to be a company society wants to exist as its direction for the 21st century. It is also advancing initiatives known as "Creating the Joys," "Expanding the Joys" and "Ensuring the Joys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



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

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

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



5 Strategy

— Roadmap for Sustainable Growth

Honda's Sustainability

2030 Vision

Initiatives for Zero Environmental Impact

Materiality Analysis

Honda's Initiatives and the SDGs

Sustainability Management Structure

Stakeholder Engagement

Research and Development

Innovation Management

13

14

15

16

19

20

23

24

28

29

Roadmap for Sustainable Growth

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

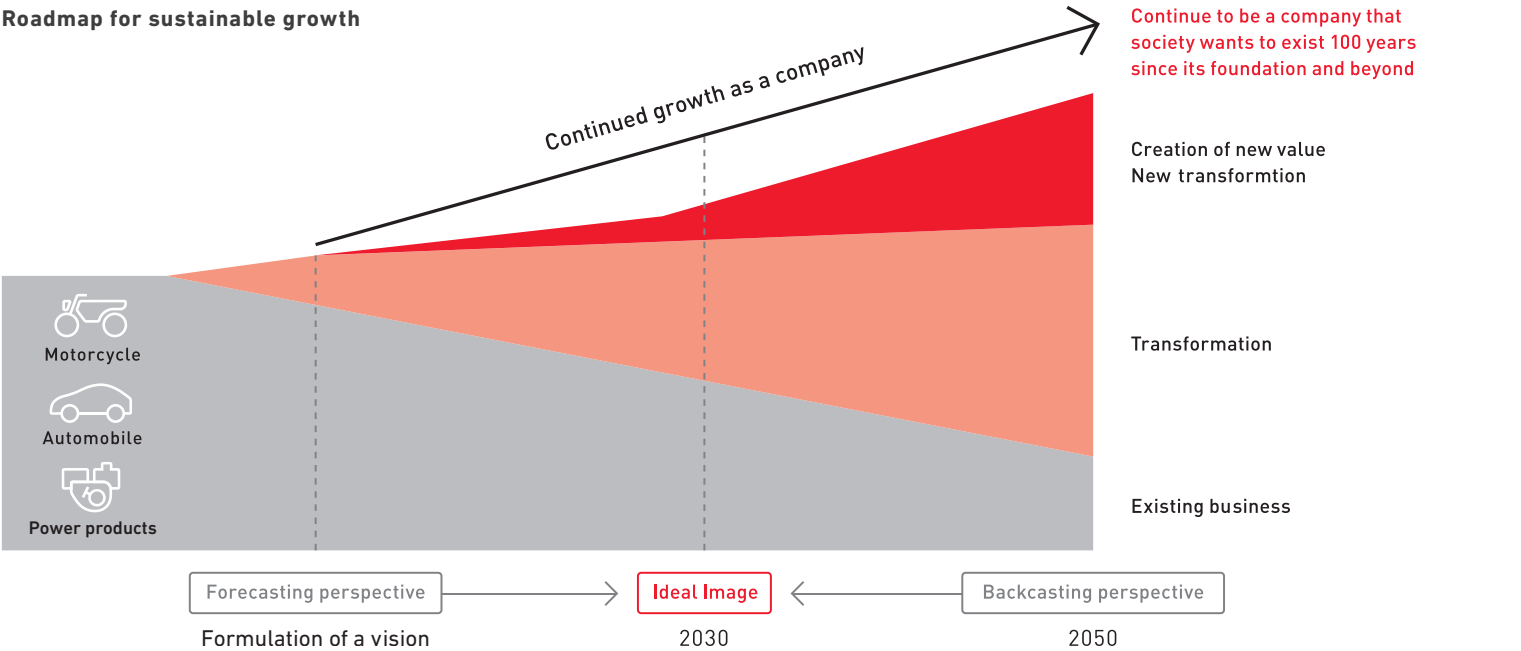
The "2030 Vision" embodies an ideal image of what Honda wants to be in the year 2030 in order to continue being a company society wants to exist in 2050, when the Company will have marked more than 100 years since its founding.

In producing the Vision, Honda examined long-term changes in the operating environment from two perspectives: forecasting, or looking ahead to the future from the present point in time, and backcasting, or looking back from 2050 to the present. As the Company continues

operating existing businesses, how is it going to transform and evolve the value of existing businesses in step with the rapidly changing expectations of society and the needs of Honda customers? Moreover, how is Honda going to create unprecedented new value in the motorcycle, automobile and power products businesses, as well as in new areas beyond the framework of its existing operations? To produce a vision that will enable sustainable growth over the long term, Honda has examined the direction of the transformation of its businesses toward 2030 from the three perspectives of "Current, Transformation and New."

Honda has been completely dedicated to addressing two challenges, namely "elimination of our environmental impact" and the "realization of safety protecting precious human lives." Aiming to realize a sustainable society, the Company will work tirelessly to achieve carbon neutrality through the electrification of automobiles and to reduce traffic collision fatalities by incorporating safety technologies into automobiles.

Honda will strive to achieve sustained growth by expanding its business into new domains that combine hardware with software to create all-embracing social value.



5 Strategy

Honda's Sustainability

Roadmap for Sustainable Growth

— 2030 Vision 15

Initiatives for Zero Environmental Impact

Materiality Analysis

Honda's Initiatives and the SDGs

Sustainability Management Structure

Stakeholder Engagement

Research and Development ...

Innovation Management

2030 Vision

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

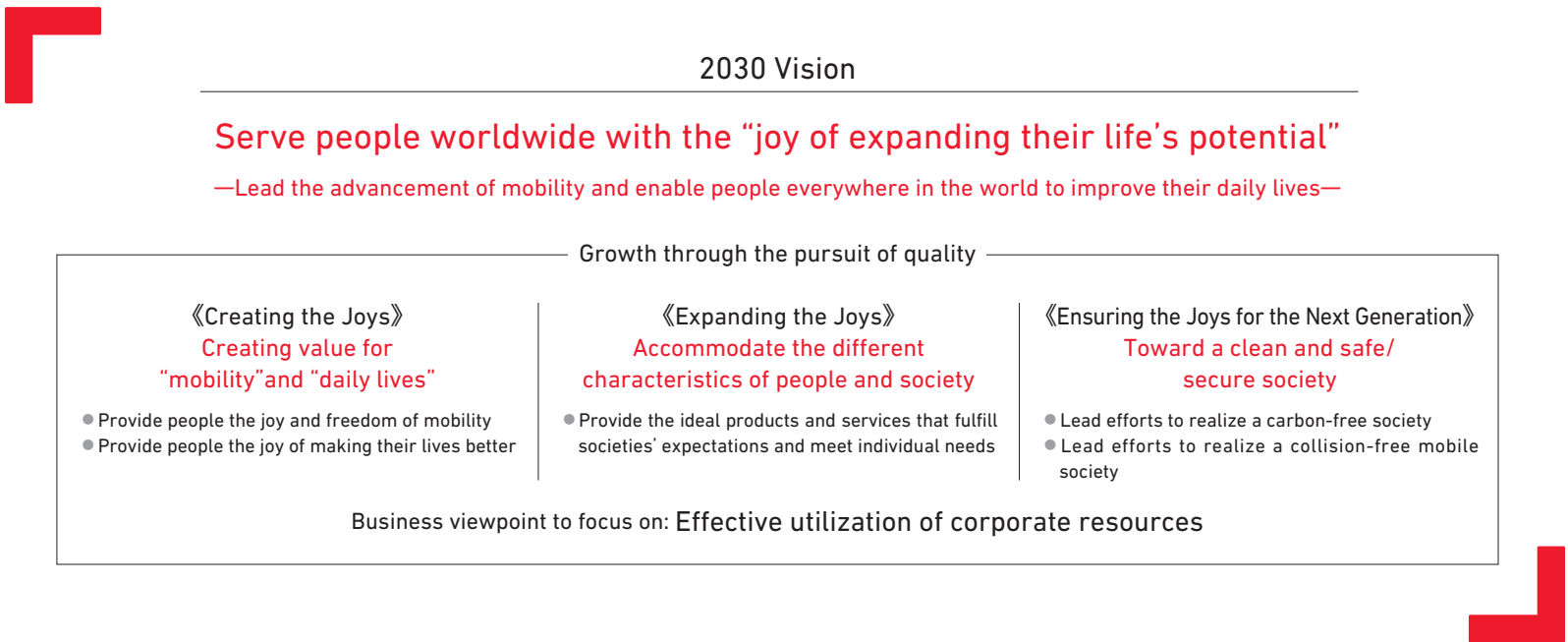
From the first perspective of “Creating the Joys,” Honda will work on “creating value for ‘mobility’ and ‘daily lives’.” The Company will focus on three areas, namely mobility, robotics and energy, as it seeks to provide people with the “joy and freedom of mobility” and “joy of making their lives better.”

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

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

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

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



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

— Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

Stakeholder Engagement 24

Research and Development ... 28

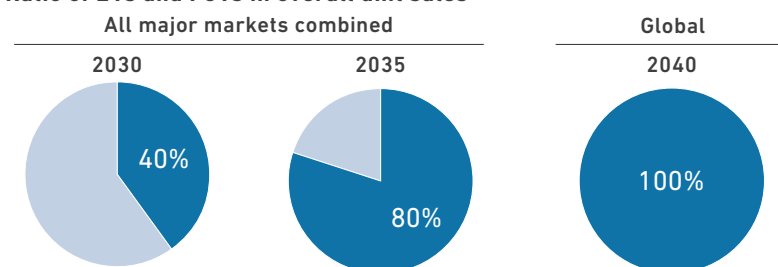
Innovation Management 29

Initiatives for Zero Environmental Impact

Strategy for Automobile Electrification

Setting “elimination of our environmental impact” as an overarching theme, Honda has been striving for the environmental target of achieving carbon neutrality by 2050. Accordingly, the Company has been working to increase the ratio of electric vehicles (EVs) and fuel cell vehicles (FCVs) in overall unit sales in all major markets combined to 40% by 2030, 80% by 2035 and then 100% globally by 2040. The following highlights Honda's initiatives concerning automobile electrification, which is one important means of achieving the environmental target.

Ratio of EVs and FCVs in overall unit sales



Battery Procurement Strategy

The key challenge in the EV era is the global procurement of batteries. Honda's basic approach to this challenge is to procure batteries from external partners at the moment and to accelerate independent research and development in the future.

Procurement of Liquid Lithium-Ion Batteries

For the procurement of liquid lithium-ion batteries needed now and for the time being, Honda has set respective procurement policies for each of the major markets, based on its commitment to “build EV batteries close to the vehicle production site” in order to maintain its competitiveness from the

perspective of the product life cycle as well. Honda aims to secure a stable procurement volume by strengthening external partnerships.

Initiatives for All-Solid-State Batteries

Honda will accelerate its independent research and development of all-solid-state batteries, aiming for their realization in the second half of the 2020s.

Currently, Honda is conducting technology and production verification at its lab to determine the batteries' target performance. Additionally, to ensure performance at the mass production level and verify superiority in terms of cost and safety, the Company has decided to build a demonstration line in Sakura City, Tochigi Prefecture, which will enable product design encompassing production processes. The plan is to invest approximately ¥43 billion and make it operational in spring 2024.

Honda is accelerating research and development with a goal to adopt these batteries to models to be introduced to the market in the second half of the 2020s. Nonetheless, mass production of these batteries is a challenge even for Honda. The Company will make proactive efforts to strengthen the required structure in the future, including securing more human resources with specialized knowledge.

Liquid lithium-ion battery procurement policy by region

Region	Procurement policy
North America	<ul style="list-style-type: none"> Plan to procure Ultium batteries from General Motors Company (GM) Explore the possibility of creating a joint venture company for battery production
China	<ul style="list-style-type: none"> Further strengthen collaboration with Contemporary Amperex Technology Co., Ltd. (CATL)
Japan	<ul style="list-style-type: none"> Agreed to procure batteries for mini-EVs from Envision AESC Japan Ltd.



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable
Growth 14

2030 Vision 15

— Initiatives for Zero
Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the
SDGs 20Sustainability Management
Structure 23

Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Initiatives for Zero Environmental Impact

Roadmap for EV Product Releases

During the early stage of proliferating EVs (at present to the latter half of the 2020s), Honda will release products matched to the respective characteristics of major markets such as North America, China and Japan.

In realizing the more widespread use of EVs (from the latter half of the 2020s onwards), the Company will evolve its strategy from introducing the “best EVs matched to each region” to releasing the “best EVs from a global perspective.”

EV release roadmap by region

Region	EVs to be released
North America	<ul style="list-style-type: none"> • Introduce mid- to large-size EV models currently being developed with GM • Introduce a large-size EV SUV model for the Acura along with all-new Honda brand Prologue EV in 2024
China	<ul style="list-style-type: none"> • Leverage the characteristics of the country's advanced EV market and make a swift response via independent, local development • Introduce a total of 10 new Honda-brand EV models by 2027
Japan	<ul style="list-style-type: none"> • Introduce a commercial-use mini-EV model at the 1 million yen price range in early 2024 • Make the timely introduction of personal-use mini-EVs and EV SUVs

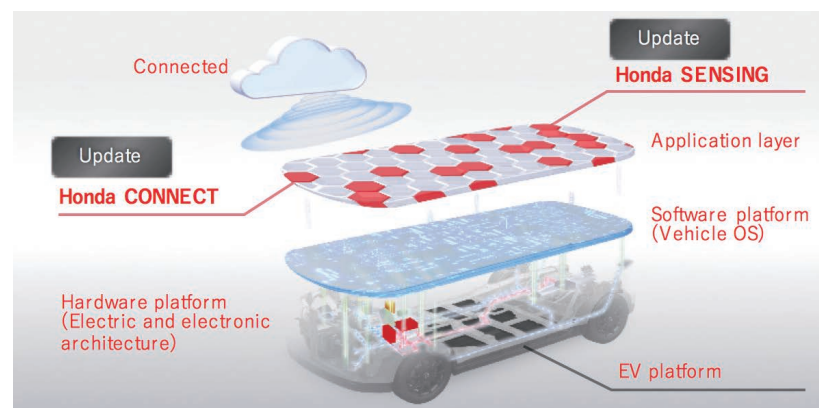
“Honda e: Architecture” Platform for EVs

In 2026, Honda will begin adopting the Honda e: Architecture, a new EV platform that combines hardware and software platforms of EVs. More specifically, it combines an EV's hardware platform, including batteries, with a next-generation electronic platform serving as a foundation for over-the-air (OTA) technology necessary for updating vehicles' functions later. By blending hardware and software, Honda will be able to stay connected with its customers after product sales and provide various services and values. The Company intends to offer added value only Honda can provide to its customers by applying the platform beyond automobiles to other types of mobility products in the future.

Alliance with GM

Through an alliance with GM, Honda is planning to introduce affordable EVs in 2027, with a cost and driving range that will be as competitive as gasoline-powered vehicles. Under the joint development, Honda will continue to work to expand the foundation for the widespread use of EVs globally, including extending its efforts to joint procurement.

Honda e: Architecture



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

— Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Initiatives for Zero Environmental Impact

Production Structure

By 2030, Honda is planning to launch 30 EV models globally, with a full lineup from commercial-use mini-EVs to flagship-class models, and achieve annual production volume of more than 2 million units. As a production structure to sustain the volume, Honda is planning to build a dedicated EV production plant in Wuhan and Guangzhou, China, and a dedicated EV production line in North America.

Honda is committed to “sourcing and manufacturing products close to the market” from the perspective of the product life cycle. As this strategy will in turn generate competitiveness, the Company will examine the required production capacity for each of the major markets in a timely manner.



EV production plant in Wuhan, China (image)

Building a Cross-Domain Connected Platform

In promoting electrification, Honda aims to offer greater value not only with each of its products, but also by linking various products to realize connectivity beyond product domains. To do so, it will be necessary to connect energy and information stored in electrified and other products with the users and society. Honda will work on the establishment of a cross-domain connected platform, which will be the key to achieving its goal. Going ahead, in the areas of electrification technologies, including batteries, as well as software and connected technologies, Honda will make efforts to enhance its development capabilities, which will include strengthening recruitment from outside Honda. Also, in these areas, Honda will proactively pursue partnerships that generate synergy between Honda and the other parties, such as inter-industry collaboration and alliances as well as investments in venture companies.

Connected platform



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

— Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Materiality Analysis

Evaluation of Issues from the Stakeholders' Perspective

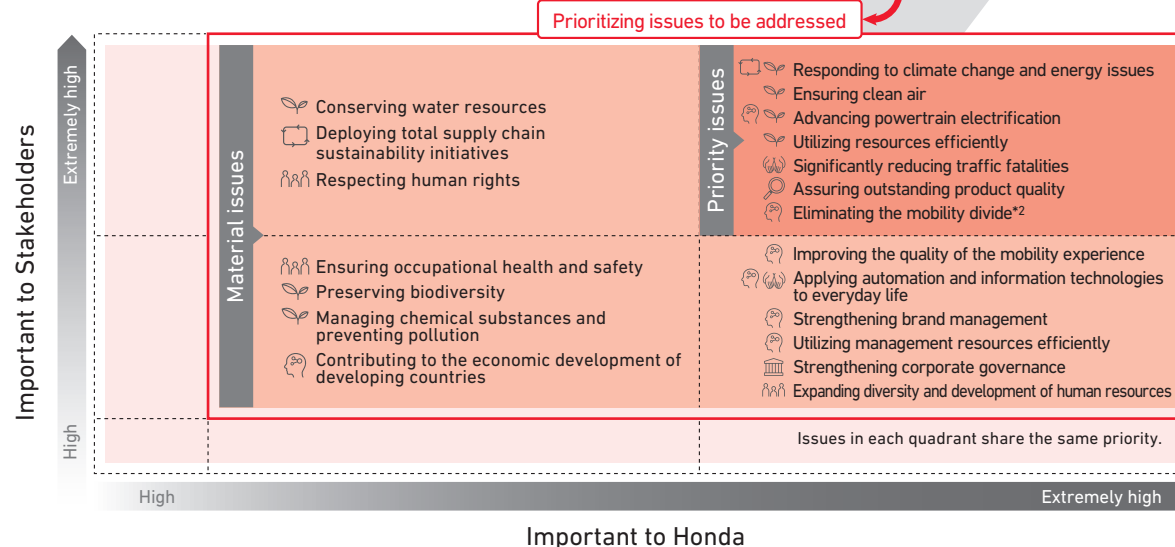
Toward achieving our long-term vision which is based on the Honda Philosophy, key issues to be addressed are identified and prioritized from our perspective and from the viewpoint of our stakeholders. The materiality matrix provides the essential framework for organizing these issues. By creating and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

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

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

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

Materiality matrix



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

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

	Strategy (⇒p. 12)
	Governance (⇒p. 30)
	Environment (⇒p. 55)
	Safety (⇒p. 79)
	Quality (⇒p. 96)
	Human Resources (⇒p. 112)
	Supply Chain (⇒p. 139)

Initiatives toward each critical issue are explained in each part.

5 Strategy

Honda's Sustainability

Roadmap for Sustainable Growth

2030 Vision

Initiatives for Zero Environmental Impact

Materiality Analysis

Honda's Initiatives and the SDGs

Sustainability Management Structure

Stakeholder Engagement

Research and Development ...

Innovation Management

Honda's Initiatives and the SDGs

Contributing to the Achievement of the SDGs

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

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

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

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

In accordance with the material issues for the realization of the 2030 Vision (⇒ p. 19), Honda will contribute to the achievement of the SDGs through its corporate activities.

SUSTAINABLE DEVELOPMENT GOALS



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

— Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29


















Honda's Initiatives and the SDGs

Honda's Initiatives

Common Efforts of Honda's Corporate Activities

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

Initiatives by priority issue

Priority issues	Honda's initiatives	SDGs supported by Honda
Responding to climate change and energy issues	<p>Initiatives for zero environmental impact (⇒ p.16)</p> <p>Responses to climate change and energy issues (⇒ p.60)</p> <p>Logistics initiatives (⇒ p.143)</p> <p>Reducing environmental impact together with suppliers (⇒ p.149)</p>	<p>With a view to leading the way in realizing a carbon-free society, Honda undertakes corporate activities while giving consideration to everything from the purchase of raw materials to end use of its products. Honda believes its measures against climate change, including vehicle electrification and the use of portable batteries and hydrogen energy, will lead to stabilizing food production, ensuring energy supply and facilitating the creation of more comfortable communities.</p>      
Advancing powertrain electrification	<p>Strategy for automobile electrification (⇒ p.16)</p> <p>Advancing powertrain electrification (⇒ p.63)</p>	 
Preservation of Clean Air	<p>Preservation of clean air (⇒ p.68)</p>	<p>Honda is pushing ahead with the preservation of clean air and water resources by developing technologies to clean exhaust emissions from product usage and reducing the amount of harmful substances in exhaust air and wastewater from production processes.</p>   
Utilizing resources efficiently	<p>Efficient utilization of resources (⇒ p.65)</p>	<p>Honda is cooperating and collaborating with both internal and external stakeholders to realize zero risk in relation to resources and waste generated during the stages spanning from resource procurement to product disposal. From the standpoint of resource circulation, Honda strives to offer products that fully contribute to the environment and reduce waste.</p>  
Significantly reducing traffic fatalities	<p>Toward a collision-free mobile society (⇒ p.80)</p>	<p>Under its global safety slogan, "Safety for Everyone," Honda aims to realize a collision-free society in terms of hardware and software through the development and spread of safety technologies for automobiles, such as the Honda SENSING advanced safety and driver-assistance system, while engaging in worldwide initiatives to provide education on traffic safety including motorcycles.</p>  
Eliminating the mobility divide	<p>Business domains (⇒ p.06, 07)</p> <p>Value creation history (⇒ p.08)</p> <p>Honda's sustainability (⇒ p.13)</p>	<p>Honda seeks to provide more options of mobility to reduce the gap in social participation. As such, the Company is supporting the expansion of opportunities and venues for persons with disabilities to be active by providing welfare vehicles. Looking ahead, Honda will provide a sustainable means of mobility through its technologies and services and help resolve social issues through business activities while leveraging its unique strengths in having a broad range of businesses and products, including motorcycles, automobiles and power products.</p>  

5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

— Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23






















Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Honda's Initiatives and the SDGs

Initiatives by material issue

Material issues	Honda's initiatives		SDGs supported by Honda
Conserving water resources	Conserving water resources (⇒ p. 69)	Honda contributes to the conservation of precious freshwater by thoroughly managing the amount of water intake and quality of wastewater at its plants and by installing equipment capable of 100% water recycling and reuse. Honda also manages a water conservation fund in North America, which supports the improvement and preservation of coastal areas for future generations.	
Deploying total supply chain sustainability initiatives	Strengthening supply chain sustainability (⇒ p. 140) Reducing environmental impact together with suppliers (⇒ p. 149)	Together with suppliers around the world, Honda is making efforts throughout the supply chain to realize a sustainable society while taking into account the environment, safety, human rights, compliance and social responsibilities. In doing so, Honda has formulated the Honda Green Purchasing Guidelines and Honda Supplier Sustainability Guidelines and has been confirming adherence based on these guidelines. Honda has initiated an ESG survey on suppliers having significant influences on the Company and will expand application of the survey in collaboration with overseas purchasing sites.	  
Respecting human rights	Human rights (⇒ p. 116) Honda human rights policy (⇒ p. 137) Initiatives related to diversity (⇒ p. 120)	Honda upholds the idea of "Respect for the Individual" in the Honda Philosophy and includes "Respect of Human Rights" in the Honda Code of Conduct to show its policy to "maintain its stance as a company committed to practicing fairness and sincerity and respecting human rights." In its company-wide risk management activities, Honda also regards human rights as an important risk and manages it accordingly.	  
Utilizing management resources efficiently	Roadmap for sustainable growth (⇒ p. 14)	Understanding opportunities and responsibilities in the value chain is essential in identifying, among a number of social issues, Honda's priority issues in management. Honda aims to create new value by considering how to transform and evolve the value of existing businesses in step with the rapidly changing social expectations and customer needs from the two perspectives of forecasting and backcasting.	
Strengthening governance	Corporate governance (⇒ p. 31)	Honda seeks sustainable growth and the enhancement of corporate value over the medium to long term and strives to be a company society wants to exist. Honda strives to enhance corporate governance as one of the most important tasks for its management. At the same time, it will continue to work for ensuring the transparency of its management through appropriate disclosure of corporate information to further bolster trust and appreciation from society.	 
Expanding diversity and the development of human resources	Diversification aimed at leveraging total workforce strength (⇒ p. 118) An approach based on on-the-job training (⇒ p. 118) Initiatives related to diversity (⇒ p. 120)	Honda respects individual differences and encourages the integration of these individualities. While positioning workforce diversification as a company-wide priority task, Honda is working to expand women's participation, promote an understanding and acceptance of LGBT persons, increase opportunities for experienced associates and expand employment of people with disabilities. Also, Honda carries out personnel education based on on-the-job training (OJT) and ensures to assign associates to the most suitable positions by setting up the Global Job Grade System.	   
Ensuring occupational health and safety	Occupational safety and health (⇒ p. 128)	Honda has been seeking to realize a work environment which brings the joy that all people can work with a true sense of security under this principle. At Honda, the Health and Safety Audit Committee performs health and safety audits throughout the Company by using an Occupational Safety and Health Management System (OSHMS).	
Biodiversity conservation	Biodiversity conservation (⇒ p. 70)	Honda believes that minimizing the environmental impact resulting from its products and corporate activities represents its greatest contribution to biodiversity conservation. Accordingly, Honda has specified the priorities in the Honda Biodiversity Guidelines, including the development of environmental technology, initiatives based on corporate activities and initiatives for living in harmony with local communities. The Company has been proactively promoting them.	 
Managing chemical substances and preventing pollution	Management and reduction of chemical substances (⇒ p. 70)	Honda manages and works to reduce chemical substances contained in automotive components from the product design and development stages. Relevant information is tabulated and managed throughout the supply chain via a system to collect information on materials and chemical substances contained in components. Honda is also making efforts to reduce heavy metals that are considered to have negative impacts on the environment, including water quality.	 
Contributing to the economic development of developing countries	2030 Vision (⇒ p. 15)	Under its 2030 Vision, Honda aims to enrich people's lives by providing more efficient means of mobility and greater opportunities for business or learning. In expanding business overseas, Honda has evolved its business model from exporting finished products to local production and then to local development, thereby strengthening production and development functions in emerging countries. Honda aims to contribute to each region through employment and OJT-based education.	 

5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

— Sustainability Management Structure 23

Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Sustainability Management Structure

Structure for Deliberating Sustainability Initiatives

Honda established the Corporate Integration Strategy Meeting chaired by the Chief Executive Officer (CEO) with the aim of building consensus on the company-wide direction based on recognition of the environment both internally and externally, as well as material issues that Honda as a whole should tackle. Policies and initiatives for sustainability issues are discussed and examined in the meeting.

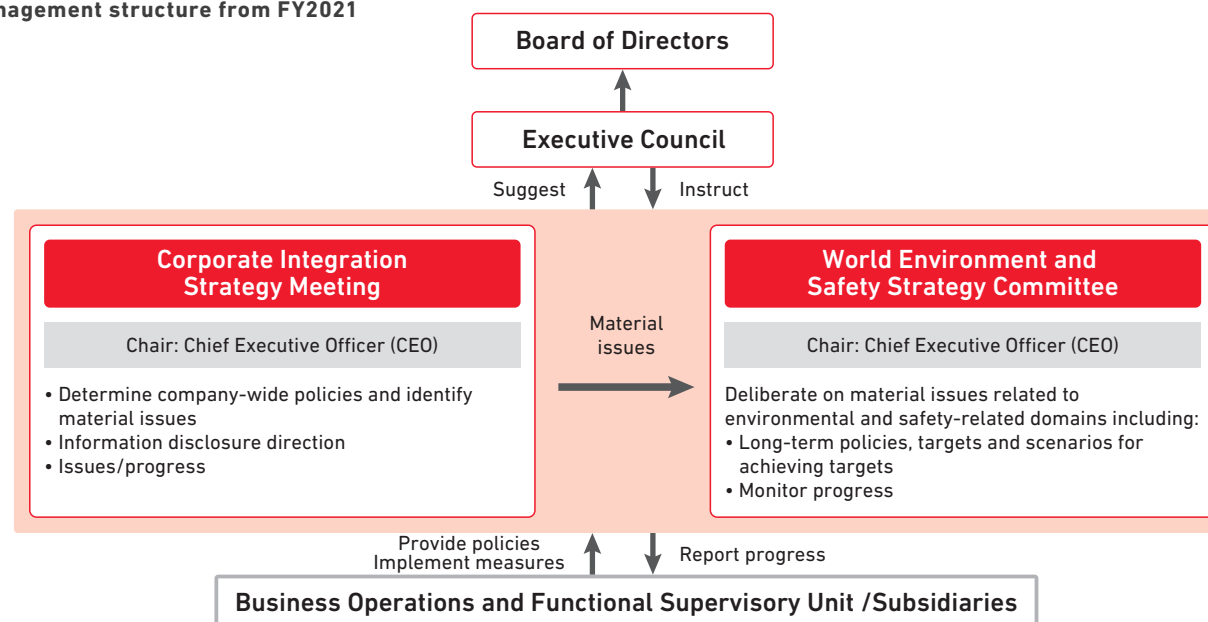
While continuing activities to “increase Honda’s value of existence and receive due recognition from society by showing to the public its entire corporate activities rooted in the Honda Philosophy,” the Corporate Integration Strategy Meeting will plan company-wide strategies that reflect a sustainability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

To promote and reinforce efforts in the environmental and safety-related domains, which represent the most important material issue as a mobility company, Honda has established the World Environment and Safety Strategy Committee chaired by the Chief Executive Officer (CEO).

Since strategies in the environmental domain also include Honda’s response to climate change, the CO₂ emissions reduction targets set by the Committee are examined and decided by the Board of Directors.

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

Sustainability management structure from FY2021



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

— Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Stakeholder Engagement

Basic Approach

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

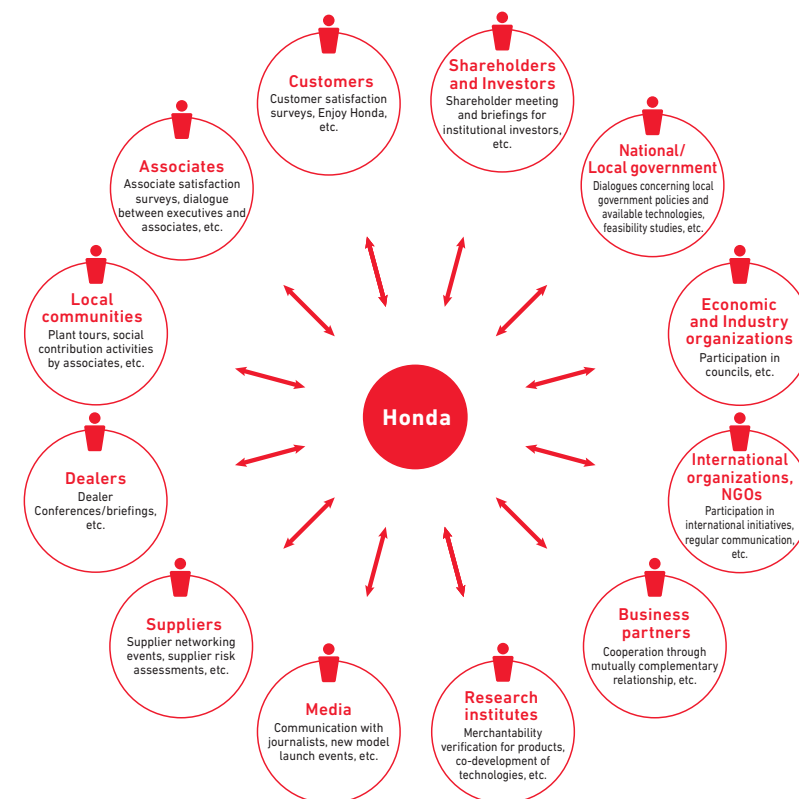
Especially in recent years, the growing scale and globalization of companies, along with the rapid proliferation of IT, have heightened the impact of companies on society, and vice-versa. As this process continues to accelerate, Honda considers that stakeholder dialogue is a beneficial tool that leads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

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

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

In addition, opinions gained from dialogues with leading ESG rating agencies and NGOs are reflected in the Materiality Analysis (⇒ p. 19), which is utilized in identifying issues Honda ought to be addressing.

Stakeholder engagement



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

— Stakeholder Engagement 24

Research and Development ... 28

Innovation Management 29

Stakeholder Engagement

Examples of Initiatives in FY2022

Stakeholder	Key means of dialogue	Overview	Frequency	Corresponding items in the materiality matrix	Point of contact	Reference
Customers	Customer satisfaction survey	To ensure customer satisfaction worldwide, we conduct a customer satisfaction survey for customers who have received after-sales service at a dealer around the world and engage in improvement activities to provide high-quality service operations.	Annually	Strengthening brand management	Customer-related divisions	⇒ p. 104
Shareholders and investors	Financial results press conference	We hold press conferences and teleconferences to review our financial results and various initiatives. We use the feedback and requests thus obtained in maximizing our corporate value.	4 times/year		Financial divisions	https://global.honda/investors/
	Individual sessions and conferences	We hold sessions and opinion exchange meetings to explain our financial conditions as well as production, R&D and business strategies. We use the feedback and requests thus obtained in maximizing our corporate value.	Year round			
Suppliers	Suppliers Conferences	We hold periodic conferences to share with suppliers the direction of our business and the substance of our initiatives and to communicate Honda's company-wide policies and purchasing policies. We also present Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDD*. At the end of a conference, we conduct a questionnaire survey for participants to identify their level of satisfaction and what can be improved for the next event as an effort to further enhance this activity.	Annually	Assuring outstanding product quality Deploying total supply chain sustainability initiatives	Purchasing divisions	⇒ p. 154
	Business plan networking events and meetings to share business status	We share our medium- to long-term management policies, business plans and information on sustainability-related matters (ESG issues, compliance, corporate governance and risk assessment).	Annually			
	ESG inspection for suppliers	We conduct an ESG inspection for key suppliers to prevent compliance violations and reduce environmental impact in accordance with the Honda Supplier Sustainability Guidelines. (⇒ p. 147).	Annually	Deploying total supply chain sustainability initiatives; Strengthening corporate governance		⇒ p. 152
Economic and industry organizations	Participation in activities of industry organizations	We participate in various councils to identify the expectations and demands of society through activities of industrial organizations, create a sustainable business environment and contribute to society.	Year round		Division in charge of government and industry relations, others	
International organizations and NGOs	Participation in international initiatives	We participate in various councils to identify the expectations and demands of society and contribute to society toward the realization of a sustainable society.	Year round		Divisions in charge of sustainability planning, others	
Local communities	Driving safety promotion activities	For preventing collisions, we are proactively engaging in traffic safety awareness activities based on the ideas "To pass on safety education from person to person" and "To provide a participatory hands-on education program." Targeting not just drivers and riders but also all people involved in the traffic society, from children to senior citizens, the activities are currently carried out in 43 countries and regions around the world.	Year round	Significantly reducing traffic fatalities	Divisions in charge of promoting driving safety	⇒ p. 83
	Helping persons with disabilities wishing to resume driving	In addition to providing driving assist devices, we support occupational therapists and other professionals to promote the creation of a local support environment with the aim of helping people wishing to resume driving.	Year round	Eliminating mobility divide		⇒ p. 87
	Beach cleanup project	We undertake joint activities among members of the Honda Group and local residents to clean up the beaches using our originally developed equipment. Since the launch of the project in 2006, we have conducted the activities about 400 times at more than 200 locations across Japan, and the cumulative total of beach trash collected by the project amounts to 490 tons.		Expanding diversity and the development of human resources	Divisions in charge of promoting social contribution activities	⇒ p. 158
	Activities to conserve satoyama landscapes	We have concluded an agreement with Hachioji City, Tokyo, in which Honda's associates and their families carry out satoyama landscape conservation activities within the Kamikawa no Sato special green conservation area.	About 11 times per year			
National and local governments	Support activities to prevent the spread of COVID-19	We undertook support activities while examining what Honda can do to prevent the spread of COVID-19 and help resolve issues and problems encountered in various parts of the world in the face of the pandemic.			Divisions in charge of promoting social contribution activities, others	https://global.honda/sustainability/community/activities/COVID19.html
Associates	Associate survey	We conduct an associate survey and measure associate engagement for building a healthier work environment.	Associate survey: once every 3 years Measurement of associate engagement: every year	Expanding diversity and the development of human resources	Human resources divisions	⇒ p. 128

* Quality, cost, delivery, development and environment

5 **Strategy**

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

— **Stakeholder Engagement** 24

Research and Development ... 28

Innovation Management 29

Stakeholder Engagement**Cooperation with External Organizations**

To carry out our responsibility as a global mobility company, Honda engages in dialogues with government, economic and industry organizations and also cooperates with external bodies. In Japan, Honda executives serve as vice chairman and committee head within the Japan Automobile Manufacturers Association(JAMA); committee head in the Japan Business Federation (Keidanren); and vice chairman and committee head in the Tokyo Chamber of Commerce and Industry.

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

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

* Political contributions were made to the People's Political Association in the amounts of ¥25 million in FY2019, ¥25 million in FY2020 and ¥25 million in FY2021. Honda has confirmed that these expenditures do not infringe on "the Honda Guideline for the Prevention of Bribery and Corruption."

5 **Strategy**

Honda's Sustainability	13
Roadmap for Sustainable Growth	14
2030 Vision	15
Initiatives for Zero Environmental Impact	16
Materiality Analysis	19
Honda's Initiatives and the SDGs	20
Sustainability Management Structure	23
Stakeholder Engagement	24
Research and Development ...	28
Innovation Management	29

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

In December 2021, Honda was selected for the fifth consecutive year as a component of the Dow Jones Sustainability World Index after being ranked within the top five in the global Automobiles sector in the annual review of the Dow Jones Sustainability Indices (DJSI), one of the key benchmarks for socially responsible investing. At the same time, the Company was selected for the seventh consecutive year as a component of the Dow Jones Sustainability Asia/Pacific Index.

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

Member of

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

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

Honda won a Silver Class rating in the Automobiles sector of the Sustainability Award 2022 issued by S&P Global Inc. S&P Global evaluates the sustainability of approximately 7,500 companies worldwide in terms of economic, environmental and social criteria. Companies deemed to be particularly outstanding in each sector are rated in categories of Gold Class, Silver Class and Bronze Class each year.

Sustainability Award
Silver Class 2022**S&P Global****Securing a B Rating in the CDP Japan 500 Climate Change Report 2021**

In December 2021, CDP released the results of a survey on climate change initiatives and reduction of GHG emissions for major companies worldwide.

Honda received a B rating in the CDP Japan 500 Climate Change Report 2021, one of those categories.

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

Please refer to the Environment section of the Performance Report (⇒ p. 55) for the items required by the FSB Task Force on Climate-related Financial Disclosures (TCFD), one of the CDP evaluation indices.

5 Strategy

Honda's Sustainability

Roadmap for Sustainable Growth

2030 Vision

Initiatives for Zero Environmental Impact

Materiality Analysis

Honda's Initiatives and the SDGs

Sustainability Management Structure

Stakeholder Engagement

Research and Development ... 28

Innovation Management

Research and Development

Basic Approach

In 1960, with a view to creating new value through the cultivation of uncharted domains, Honda spun off the research and development division from Honda Motor Co., Ltd. and established Honda R&D Co., Ltd. as an independent research and development subsidiary.

Since then, Honda R&D has demonstrated a spirit embodied in Honda's Fundamental Beliefs, which encourages diverse individuals to demonstrate their respective capabilities to the fullest. At the same time, the company has thoroughly pursued core values and accordingly undertaken research with a particular focus on people's values. By doing so, Honda R&D has taken on challenges of creating new value. This stance will remain the same even when facing significant changes in society, such as the rapid global movement toward a carbon neutral society and digitalization. Honda believes that maintaining a global perspective and pursuing the joy for each customer through its technologies, products and services represent the true essence of Honda's corporate activities and research and development operations.

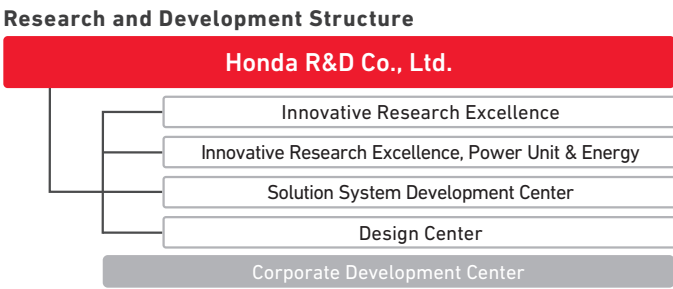
Aiming to Transform into a Mobility Company Focused on Services and Solutions

Honda consolidated functions related to research and development of motorcycles as well as automobiles into Honda Motor Co., Ltd. in April 2019 and April 2020, respectively. This reorganization enables a unified structure that integrates development, sales, production and purchasing operations to provide competitive products in a timely manner.

In April 2022, Honda Motor Co., Ltd. established the Business Development Operations as a new organization tasked with combining hardware with software and services. The goal is to transform Honda into a mobility company that can achieve new growth and new value creation. Honda is further accelerating its development efforts in the fields of software and each of the core electrification components in order to facilitate the development and early launch of the electrification business, new businesses and combined solutions business.

In addition, Honda R&D has been reorganized into the Innovative Research Excellence center, Innovative Research Excellence – Power Unit & Energy center, the Solution System Development Center and the Design Center. The Innovative Research Excellence center is a facility dedicated to innovative mobility technologies for the future and the creation of advanced technologies. The Innovative Research Excellence – Power Unit & Energy center brings together the experts of the power unit and environmental energy fields, which represent the strengths of Honda and serve as a source of its competitive edge beyond product boundaries. The Solution System Development Center creates new value in people's daily lives, while the Design Center is tasked with delivering brand messages transcending product boundaries in the form of consistent designs, which are the origin of Honda's value creation.

Toward the creation of new value, Honda will pursue research and development not only internally but also in collaboration with other companies and business partners with a vision to "serve people worldwide with the 'joy of expanding their life's potential'."



5 Strategy

Honda's Sustainability 13

Roadmap for Sustainable Growth 14

2030 Vision 15

Initiatives for Zero Environmental Impact 16

Materiality Analysis 19

Honda's Initiatives and the SDGs 20

Sustainability Management Structure 23

Stakeholder Engagement 24

Research and Development ... 28

— Innovation Management 29
Innovation Management

Efforts to Expand into New Domains through Open Innovation

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

Honda R&D Innovations, Inc., a Honda subsidiary in Silicon Valley, has been engaging in co-creation and open innovation with transformative startups. The company has been promoting the Honda Xcelerator program since 2015 primarily in Silicon Valley but also in Israel, Europe, China, Japan and other areas.

Honda Xcelerator helps startups with innovative ideas through funding, access to a collaborative workspace, test vehicles and support from Honda mentors. Besides conducting the research and development of basic technologies, including personal mobility, automated vehicles, artificial intelligence, smart materials, robotics, energy, human machine interface and production technology, the program focuses on developing businesses, collaborating and forming alliances toward the realization of a carbon neutral society and establishing a sustainable business environment encompassing resource circulation and recycling.

IGNITION New Business Creation Program to Give Shape to Associates' Ideas and Dreams

Honda IGNITION is a new business creation program that solicits business proposals from Honda associates. It was originally launched in 2017 by Honda R&D Co., Ltd., a research and development subsidiary of Honda, and was later transitioned into a company-wide initiative in April 2021, thereby giving all Honda associates in Japan a chance to create a new business.

The program is being conducted in cooperation with venture capital firms, and during the evaluation process, proposers undergo a stringent review and receive advice from the investor's perspective. An internal task force also provides support for making proposals more viable. After going through the process, Ashirase, Inc. and Striemo Inc. were established in June and August 2021, respectively as the first and second business ventures originated from IGNITION. The main purpose of this program is to nurture innovative ideas, create new value and swiftly link such innovation to resolving societal issues. Honda will proactively work to create value not only through efforts undertaken internally, but also by creating venture companies and engaging in open innovation initiatives with external companies. By expanding the fruits born from such efforts to society, Honda is committed to offering further value to a wider range of customers.

Since its founding, Honda has taken on the challenge of creating new value while respecting the ideas and dreams of individual associates. Honda will create things and services that do not yet exist by encouraging associates in all areas, not just engineers but also those in production, sales, administration and various other departments, to take the lead in realizing their ideas and dreams with support from their respective organizations and experts. At the same time, Honda will consciously foster an organizational culture that spurs innovation.