

February, 2022

Honda Motor Co., Ltd.

Sustainable Finance Framework

HONDA
The Power of Dreams

Table of Contents

| | |
|--|-----------|
| 1. Introduction..... | 1 |
| 2. Sustainability Initiatives | 2 |
| 3. Alignment with the Green Bond Principles 2021, the Social Bond Principles 2021 and the Sustainability Bond Guidelines 2021 | 5 |
| 3.1. Use of Proceeds | 5 |
| 3.2. Process for Project Evaluation and Selection | 10 |
| 3.3. Management of the Proceeds | 10 |
| 3.4. Reporting..... | 11 |
| 4. External Review | 12 |
| 4.1. Second Party Opinion | 12 |

1. Introduction

Since its founding in 1948, Honda Motor Co., Ltd. (“Honda”) has continuously worked to provide value to help people and create a better society through our technologies, ideas and designs. The starting point of such efforts is our desire to “help people and society” and “expand the potential of people’s lives.”

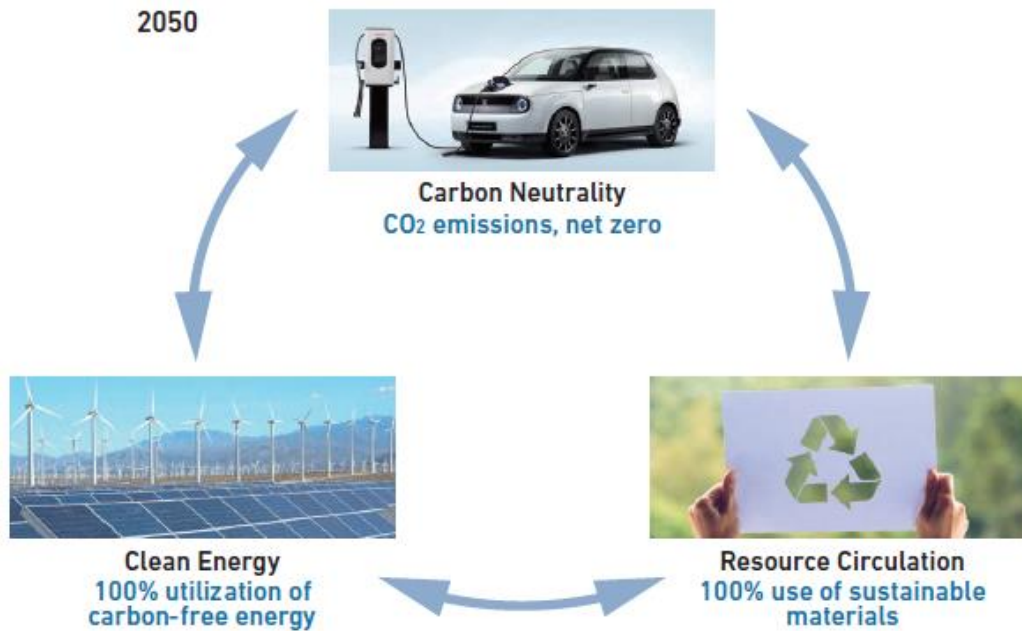
In light of changes happening to our society, we believe that working in pursuit of the “elimination of our environmental impact” and “realization of safety protecting precious human lives” are values Honda should provide in the future. Based on this belief, we will work comprehensively to address these challenges in the areas of the environment and safety.

Honda has developed this Sustainable Finance Framework (the “Framework”) to raise funds for addressing these challenges through issuing bonds. Honda has obtained a second party opinion from Vigeo Eiris — an independent entity — that the Framework is aligned with the Green Bond Principles 2021 (the “GBP”), the Social Bond Principles 2021 (the “SBP”), and the Sustainability Bond Guidelines 2021 (the “SBG”) as administered by the International Capital Market Association (“ICMA”).

2. Sustainability Initiatives

Concerning the environment, Honda will strive to realize carbon neutrality for all products and corporate activities Honda is involved in by 2050, when Honda will have marked more than 100 years since its founding. In the area of safety, we will aim for zero traffic collision fatalities involving Honda motorcycles and automobiles globally by 2050.

Environmental Initiatives¹



Honda will strive for zero environmental impact not only from our products but from the entire product lifecycle, including our corporate activities, focusing on the three-pillars of “carbon neutrality,” “clean energy” and “resource circulation.”

In addition to the electrification of our motorcycles and automobiles, we plan to enhance the range of easier-to-use electrified products we provide with our *Honda Mobile Power Pack*, swappable batteries, and expand the utilization of renewable energy by enabling infrastructure-linked smart power operations for recharging. For the further expansion of the use of renewable energy, we will be proactive in promoting the utilization of hydrogen.

Honda will pursue research on materials recycling, including more effective ways to reuse and recycle batteries, and take on the challenge of developing products made from 100% sustainable materials.

We will also continue to work on the concept of *Honda eMaaS*² through which Honda will contribute to freedom of mobility and expanded use of renewable energy by connecting electrified mobility products and energy services. *Honda eMaaS* will be steadily pursued with a focus on the three core areas of “expansion of the utilization of *Honda Mobile Power Packs*,” “utilization of large-capacity batteries for electrified vehicles” and “application and implementation of fuel cell systems.”

¹ Honda Sustainability Report 2021 – P5
(https://global.honda/content/dam/site/global/about/cq_img/sustainability/report/pdf/2021/Honda-SR-2021-en-all.pdf)

² eMaaS's “e” stands for energy service, and MaaS stands for mobility as a service

In the long run, we will aim to realize a multi-pathway for energy, including carbon-neutral fuels, for aircraft and other products for which electrification is difficult.

<Electrification of Automobiles >

It is difficult to clearly assess future prospects for the popularization of electrified vehicles because of the differing characteristics of different regions, such as the level of customer acceptance, readiness of infrastructure and availability of renewable energy, as such characteristics are changing rapidly. Nevertheless, it is our responsibility as an automaker to achieve our carbon-free goal on a “tank-to-wheel” basis. As such, Honda will work to increase the ratio of electric vehicles (“EVs”) and fuel cell vehicles (“FCVs”) within overall unit sales in all major markets combined to 40% by 2030, to 80% by 2035 and then to 100% globally by 2040.

<Electrification of Motorcycles >

The key to the successful electrification of motorcycles is to consider the battery, which is still expensive, separately from the motorcycle. In developed countries, where there is strong demand for electrification from society, we will pursue electrification utilizing the *Honda Mobile Power Pack*, targeting business and national/local government customers.

<Hydrogen Fuel Cells>

Hydrogen is expected to be widespread as a renewable energy source, and Honda has a long history of researching, developing and commercializing fuel cell (“FC”) technologies.

Honda intends to pursue reduced costs and realize a hydrogen society by expanding our lineup of FCVs and using FC systems for a wide range of applications, including commercial trucks as well as both stationary and mobile power sources.

Safety Initiatives

Striving for a collision-free society for everyone sharing the road, represented by the global safety slogan “Safety for Everyone,” Honda has been pursuing the research and development of safety technologies from the perspective of both hardware and software.

For the pursuit of a collision-free society, Honda will expand the introduction of *Honda SENSING 360*, an omnidirectional safety and driver-assistive system, to all models of automobiles to go on sale in all major markets by 2030. Moreover, Honda will continue working to expand application of a motorcycle detection function and further enhance functions of its ADAS (advanced driver-assistance system).

Furthermore, Honda also will aim to continue to make progress in expanding the application of motorcycle safety technologies and offer safety education technologies (*Honda Safety EdTech*). Through these initiatives, Honda will strive to reduce global traffic collision fatalities involving Honda motorcycles and automobiles by half³ by 2030. Beyond that, Honda will strive to realize its ambitious goal of “zero traffic collision fatalities by 2050” through the establishment of future safety technologies at the earliest possible timing.

Efficient Utilization of Resources

Honda considers the efficient utilization of resources one of the material issues and is actively promoting 3R⁴ (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 a goal of annual reduction of waste generation per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031.

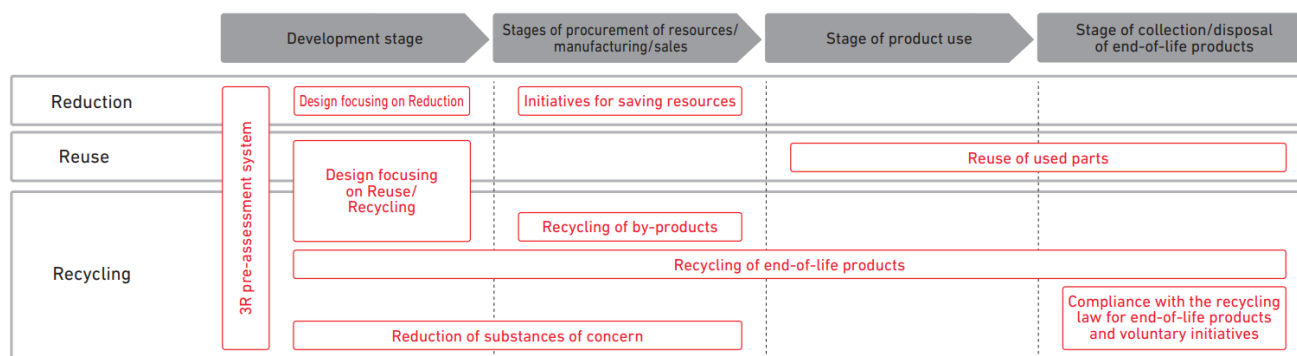
For water resources as well, Honda is giving consideration to water supply and depletion risks. Honda has thus established the target of annual reduction of industrial water intake per unit of production of 1.8% (compared with FY2019 levels) in all corporate activities in FY2031.

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.

³ Reduce traffic collision fatalities involving Honda motorcycles and automobiles per 10,000 units sold by 50% by 2030 compared to 2020

⁴ 3R : Abbreviation of Reduce, Reuse, Recycle

Initiative for zero environmental impact related to resources and disposal



3. Alignment with the Green Bond Principles 2021, the Social Bond Principles 2021 and the Sustainability Bond Guidelines 2021

For the purpose of issuing green bonds, social bonds or sustainability bonds, Honda has established the Sustainable Finance Framework in alignment with the GBP, the SBP and the SBG as administered by ICMA.

3.1. Use of Proceeds

Honda will allocate an amount equal to the net proceeds from the issuance of green bonds, social bonds, sustainability bonds, to new projects that meet at least one of the Eligibility Criteria set forth below (Eligible Projects). Projects must be “Eligible Green Projects” as described herein to be eligible for green bonds, “Eligible Social Projects” as described herein to be eligible for social bonds, or either “Eligible Green Projects” or “Eligible Social Projects” to be eligible for sustainability bonds. Honda will not allocate the net proceeds of the issuance of green bonds, social bonds or sustainability bonds to existing projects, but only to new projects.

Eligibility Criteria

1. Carbon Neutrality of Products (Eligible Green Project Category)

| GBP Eligible Category | Eligibility Criteria | Environmental Objective | SDGs |
|-----------------------|--|---------------------------|---|
| Clean Transportation | <p>Electric Automobiles</p> <ul style="list-style-type: none"> Investments and other related expenditures (including research & development) for the development/manufacturing of vehicles and components, including batteries, for zero-emission vehicles | Climate change mitigation | <ul style="list-style-type: none"> 2. Zero Hunger 3. Good Health and Well-being 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Consumption and Production 13. Climate Action 17. Partnerships for the Goals |

| | | | |
|--|--|---------------------------|---|
| | <p>Electric Motorcycles</p> <ul style="list-style-type: none"> Investments and other related expenditures (including research & development) for the development/manufacturing of vehicles and components including batteries for electric motorcycles | Climate change mitigation | <ul style="list-style-type: none"> 2. Zero Hunger 3. Good Health and Well-being 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Consumption and Production 13. Climate Action 17. Partnerships for the Goals |
| | <p>Recharging Infrastructure</p> <ul style="list-style-type: none"> Investments in recharging facilities for Electric Automobiles and Electric Motorcycles as described above | Climate change mitigation | <ul style="list-style-type: none"> 2. Zero Hunger 3. Good Health and Well-being 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Consumption and Production 13. Climate Action 17. Partnerships for the Goals |

As mentioned above, the vehicles in the scope of the “Clean Transportation” Eligible Category, including investments in new construction or the expansion of existing properties, will be limited to the electric vehicles such as Battery Electric Vehicles, FCVs, or “Electric Motorcycles” that emit zero tailpipe carbon dioxide emissions.

If electric vehicles are developed or produced in the same project as vehicles equipped with internal combustion engines, including Hybrid Electric Vehicles (“HEVs”), the allocation amount will be calculated in proportion to the number of the electric vehicles.

2. Carbon Neutrality of Corporate Activities (Eligible Green Project Category)

| GBP Eligible Category | Eligibility Criteria | Environmental Objective | SDGs |
|-----------------------|--|---------------------------|---|
| Renewable Energy | <p>Increase Use of Carbon-free Energy</p> <ul style="list-style-type: none"> Investments toward renewable energy generation⁵, including solar and wind Expenditures related to the purchase of renewable energy power, etc. (including expenditures for the purchase of renewable energy through power purchase agreements (“PPAs”) / virtual power purchase agreements (“VPPAs”)) | Climate change mitigation | <ul style="list-style-type: none"> 2. Zero Hunger 3. Good Health and Well-being 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Consumption and Production 13. Climate Action 17. Partnerships for the Goals |
| Energy Efficiency | <p>Energy Saving of Manufacturing Facilities⁶</p> <ul style="list-style-type: none"> Investments in energy efficiency at manufacturing facilities etc. | Climate change mitigation | <ul style="list-style-type: none"> 2. Zero Hunger 3. Good Health and Well-being 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Consumption and Production 13. Climate Action 17. Partnerships for the Goals |

⁵ Direct emissions of less than 100g-CO₂ / kWh

⁶ Manufacturing facilities mentioned above in the “Energy Saving of Facilities” Eligibility Criteria will be limited to ones producing only (1) electric vehicles (those with zero tailpipe carbon dioxide emissions) and (2) low-carbon vehicles (those with less than 50g-CO₂ per p-km until 2025 and zero CO₂ emissions after 2025). If vehicles equipped with internal combustion engines, including HEVs, are produced in the same facilities, the allocation amount will be calculated based on the proportion of number of the electric and low-carbon vehicles to the total number of vehicles.

3. Efficient Utilization of Resources (Eligible Green Project Category)

| GBP Eligible Category | Eligibility Criteria | Environmental Objective | SDGs |
|--|--|---|---|
| Environment-friendly Production Technologies and Processes (Reuse and Recycle) | Reuse and Recycle of Used Parts⁷ <ul style="list-style-type: none"> Investments and other related expenditures for the promotion of reuse and recycling of used vehicle parts such as batteries and bumpers | Climate change mitigation | 9. Industry, Innovation and Infrastructure 11. Sustainable Cities and Communities 12. Responsible Consumption and Production 17. Partnerships for the Goals |
| Sustainable Water Management | Reduction of Water Use <ul style="list-style-type: none"> Investments and other related expenditures for the conservation of water resources | Conserving Natural Resources / Sustainable Water Management | 6. Clean Water and Sanitation 7. Affordable and Clean Energy 9. Industry, Innovation and Infrastructure 12. Responsible Consumption and Production 13. Climate Action 17. Partnerships for the Goals |

⁷ Final products in the “Reuse and Recycle of Used Parts” Eligible Criteria will be limited to (1) electric vehicles (those with zero tailpipe carbon dioxide emissions) and (2) low-carbon vehicles (those with less than 50g-CO₂ per p-km until 2025 and zero CO₂ emissions after 2025). If the electric vehicles are developed in the same project as vehicles equipped with internal combustion engines, including HEVs, the allocation amount will be calculated based on the proportion of number of the electric and low-carbon vehicles to the total number of vehicles.

4. Zero Traffic Collision Fatalities and Provision of Various Means of Mobility for Mobility-Disadvantaged Groups (Eligible Social Project Category)

| SBP Eligible Category | Eligibility Criteria | Target Population | SDGs |
|--|---|--|--|
| Advanced Safety and Driver-assistance System • Automated Driving Technologies | <p>Advanced Safety and Driver-assistance System and Automated Driving Technologies</p> <ul style="list-style-type: none"> Investments and other related expenditures (including research & development) for the development/manufacturing of Advanced Safety and Driver-assistance Systems and Automated Driving Technologies, for the realization of Zero Traffic Collision Fatalities and the Provision of various means of mobility for vulnerable groups in terms of mobility | Drivers / passengers / pedestrians (All the people including mobility-disadvantaged groups such as the elderly / children /people with disabilities) | <p>3. Good Health and Well-being</p> <p>9. Industry, Innovation and Infrastructure</p> <p>11. Sustainable Cities and Communities</p> <p>12. Responsible Consumption and Production</p> <p>17. Partnerships for the Goals</p> |
| Assisted Mobility Vehicles | <p>Assisted Mobility Vehicles</p> <ul style="list-style-type: none"> Investments and other related expenditures (including research & development) for assisted mobility vehicles designed to accommodate the elderly and people with disabilities | Drivers / passengers (mobility-disadvantaged groups such as the elderly / people with disabilities) | <p>9. Industry, Innovation and Infrastructure</p> <p>11. Sustainable Cities and Communities</p> <p>12. Responsible Consumption and Production</p> <p>17. Partnerships for the Goals</p> |

3.2. Process for Project Evaluation and Selection

The following departments will cooperate and decide on the following items for the Eligible Projects to which the net proceeds from the bond issuance based on this Framework will be allocated.

Relevant departments

- Finance Division
- Sustainability Planning Division
- Environment Planning Division
- Safety Planning Division
- Accounting Division and other relevant departments

Decision items

- Evaluating the compliance of proposed projects with the eligibility criteria throughout the life of the bonds (with the policy of deeming only projects with positive long-term effects on the environment/society to be Eligible Projects)
- Ensuring that the portfolio of Eligible Projects is aligned with the categories and eligibility criteria specified in the “Use of Proceeds” section
- Replacing projects that no longer meet the eligibility criteria
- Confirming the content of the Framework, and reflecting/updating the relevant changes in Honda’s business strategy, technology and market developments

The Finance Division and the Sustainability Planning Division will jointly track and monitor an amount equal to the net proceeds from the bond issuance at least once a year throughout the life of the bonds. If Honda becomes aware of any ESG-related controversies in connection with any Eligible Project, such amount will be reallocated to other Eligible Projects, and Honda will report on the reallocations.

3.3. Management of the Proceeds

The Finance Division will manage the proceeds from bond issuances under this Framework in its general account, and will check and monitor an amount equal to the net proceeds from the bond issuances based on the Framework to applicable Eligible Projects when necessary. Furthermore, the Finance Division will annually check the allocation of the net proceeds from bond issuances. Any funds pending allocation will be invested temporarily in cash and cash equivalents. In case a project is cancelled or postponed, proceeds will be reallocated to projects that are compliant with the Framework within 12 months after Honda becomes aware of project divestment, postponement or ineligibility. Proceeds will be allocated within 36 months.

3.4. Reporting

Honda will strive to report on its website the allocation of the proceeds of bond issuances and the environmental and social impact of Eligible Projects financed by bonds issued under this Framework.

Allocation Reporting

Honda will annually report, subject to applicable confidentiality obligations, to the extent feasible, on the allocation of proceeds from the issuances of bonds, including the following components, until all of the funds raised for the bonds issued under this Framework are fully allocated to eligible projects.

- The amount of allocation for each Eligible Green/Social Project at the category level;
- A brief description of Eligible Green/Social Projects;
- The balance of any unallocated proceeds and information on how unallocated proceeds, if any, have been held in line with the guidelines set forth in the “Management of the Proceeds”.

Impact Reporting

Honda will annually report on the environmental and social impact of Eligible Projects financed by bonds issued under this Framework including the following components when reasonably feasible.

| Value Honda aims to provide | Eligible Category | Reporting Item |
|--|--|---|
| Eligible Green Project Category | | |
| Zero environmental impact of not only from our products but from the entire product lifecycle, including our corporate activities | Carbon Neutrality of Products | <ul style="list-style-type: none"> • Number of zero-emission vehicles produced and/or sold, and/or the proportion of such vehicles sold to overall car sales • Number of zero-emission motorcycles produced and/or sold, and/or the proportion of zero-emission motorcycles sold to overall motorcycle sales • Number of recharging stations installed • Environmental impact such as reductions in CO2 emissions (CO2-t) |
| | Carbon Neutrality of Corporate Activities : Renewable Energy | <ul style="list-style-type: none"> • Annual amount of renewable energy consumed (TJ) • Environmental impact such as reductions in CO2 emissions (CO2-t) |
| | Carbon Neutrality of Corporate Activities : Energy Efficiency | <ul style="list-style-type: none"> • Reduction amount of power consumption (kWh/year) • Environmental impact such as reductions in CO2 emissions (CO2-t) |
| | Efficient Utilization of Resources : Focus on Reuse and Recycle | <ul style="list-style-type: none"> • Recycling Amount / Recycling Rate • Reduction amount of waste disposal • Environmental impact such as reductions in CO2 emissions (Co2-t) |
| | Efficient Utilization of Resources : | <ul style="list-style-type: none"> • Reduction amount of water use |

| | | |
|--|--|---|
| | Sustainable Water Management | |
| Eligible Social Project Category | | |
| Realization of Collision-free society | Zero Traffic Collision Fatalities • Provision of various means of mobility for vulnerable groups in terms of mobility | <ul style="list-style-type: none"> • Number of vehicles produced and/or sold with Advanced Safety and Driver-assistance Technologies, Automated Driving Technologies and/or proportion of such vehicles sold to overall car sales • Number of assisted mobility vehicles produced and/or sold, and/or proportion of such vehicles sold to overall car sales |

4. External Review

4.1. Second Party Opinion

Honda has obtained a second party opinion from Vigeo Eiris that this Framework is in alignment with the GBP, the SBP and the SBG as administered by ICMA. The second party opinion is made public on the website of Vigeo Eiris.

Disclaimer

The information and opinions contained in the Framework are provided as at the date of the Framework and are subject to change without notice. None of Honda Motor Co., Ltd. (“Honda”) nor any of its consolidated subsidiaries assume any responsibility or obligation to update or revise such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. The Framework represents the current policy and intent of Honda, is subject to change and is not intended to, nor can it be relied on, to create legal relations, rights or obligations. The Framework is intended to provide non-exhaustive, general information. The Framework may contain or incorporate by reference public information not separately reviewed, approved or endorsed by Honda and, accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by Honda as to the fairness, accuracy, reasonableness or completeness of such information. The Framework may contain statements about future events and expectations that are forward-looking. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises, nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of assumptions, fully stated in the Framework. Nothing in this Framework will constitute an offer to sell or the solicitation of an offer to purchase any securities to be issued in accordance with this Framework in the United States or in any other jurisdiction. No representation is made as to the suitability of any bonds issued under the Framework to fulfil the environmental, social or sustainability criteria required by prospective investors. Each potential purchaser of bonds should determine for itself the relevance of the information contained or referred to in the Framework or the relevant bond documentation for Sustainability Bonds (including Green Bonds and Social Bonds) regarding the use of proceeds, and its purchase of Sustainability Bonds (including Green Bonds and Social Bonds) should be based upon such investigation as it deems necessary. Honda has set out its intended policy and actions in the Framework in respect of the use of proceeds, project evaluation and selection, management of proceeds and reporting in connection with any Sustainability Bonds (including Green Bonds and Social Bonds). However, it will not be an event of default or breach of contractual obligations under the terms and conditions of any such Sustainability Bonds (including Green Bonds and Social Bonds) if Honda fails to adhere to the Framework, whether by failing to fund or complete Eligible Projects or by failing (due to a lack of reliable information and/or data or otherwise) to provide investors with reports on uses of proceeds and environmental or social impacts as anticipated by the Framework, or otherwise. In addition, it should be noted that not all of the expected benefits of the Eligible Projects as described in the Framework may be achieved. Factors including (but not limited to) market, political and economic conditions, changes in government policy (whether with a continuity of the government or on a change in the composition of the government), changes in laws, rules or regulations, the lack of available Eligible Projects being initiated, failure to complete or implement projects and other challenges, could limit the ability to achieve some or all of the expected benefits of these initiatives, including the funding and completion of Eligible Projects. Each environmentally or socially focused potential investor should be aware that Eligible Projects may not deliver the environmental, social or sustainability benefits anticipated, and may result in adverse impacts.