

4

Social

Supply Chain

Material issues

- Responding to climate change and energy issues
- Deploying total supply chain sustainability initiatives

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Basic Approach

Strengthening Supply Chain Sustainability

In order to provide customers with a timely, stable supply of better products and services, it is necessary to put significant effort into developing and optimizing supply chains with suppliers around the world while also taking into account environmental and human rights issues.

Companies within the automobile industry, which is a broad-based industry supported by many suppliers, must pursue the reduction of not only their own environmental impacts but also those of suppliers throughout their entire supply chain.

Additionally, as awareness of compliance and human rights issues grows worldwide, companies are expected to verify working conditions and legal compliance not only for themselves but also for their suppliers, as well as make efforts to take corrective action if required.

Honda has issued the "Honda Supplier Sustainability Guidelines" to share its approach to sustainability with suppliers worldwide and to promote it in conjunction with them.

Based on this guideline, Honda will actively promote sustainable initiatives at its development and manufacturing facilities in cooperation with its suppliers. By doing so, Honda is seeking to realize a supply chain where Honda co-exists and co-prospers with local communities as a company society wants to exist.

Honda is striving to strengthen supply chain sustainability, mainly in the areas of purchasing and logistics.

Additionally, as part of this fiscal year's organizational restructuring, we integrated the procurement and logistics areas and newly established the 'Global Conference' as a global meeting structure for the entire supply chain, which had been focused on logistics as the 'Global SCM Committee' until last fiscal year.

This meeting body holds conferences in all regions with the following three main objectives.

- Discuss common themes in the 6 regions at appropriate timing and members allocated to each theme
- Directly discuss and resolve global issues originating from each region among top executives in the supply chain purchasing area
- Share issues that may become challenges in the future and discuss the direction of responses

Overview of supply chain



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Basic Approach to Purchasing

Purchasing Belief, the Three Purchasing Principles, and Guiding the Code of Conduct for Purchasing Associates

Honda's goal is to achieve a sustainable society across the supply chain. The Company implements initiatives with consideration for the environment, safety, human rights, compliance and social responsibility, among others, in partnership with its suppliers worldwide. Based on the Honda Philosophy, the Company established the Purchasing Belief and Three Purchasing Principles and engages in business that is fair and equitable with transparency.

Honda has also compiled points that should be followed by each and every associate engaging in purchasing activities as the Guiding the Code of Conduct for Purchasing Associates. By following these Rules, the Company ensures trust both internally and externally and builds sound relationships with suppliers.

Purchasing Belief and Three Purchasing Principles

We do fair and equitable business with transparency based on the "Purchasing Belief" and the "Three Purchasing Principles."

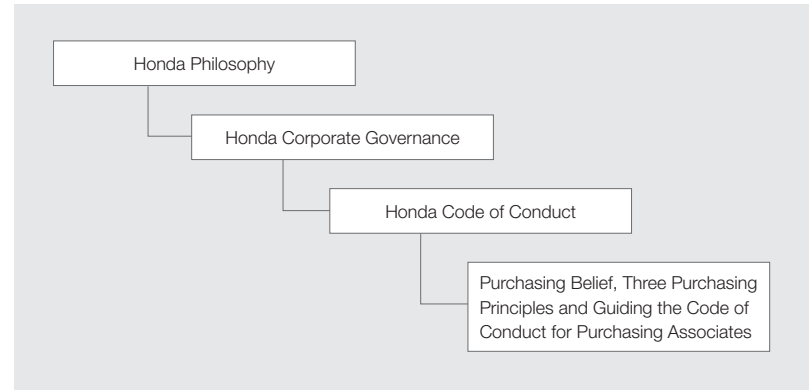
Purchasing Belief

We sustain the procurement of good products at reasonable prices and in a timely manner.

Three Purchasing Principles

<p>Fair and open trade</p> <p>We do business with suppliers who can satisfy the requirements of quality, quantity, price and timing and who can share the concept of sustainability with us, based on open competition.</p>	<p>Equal partnership</p> <p>We conduct business on an equal footing regardless of the business size of the supplier or their nationality and other factors.</p>	<p>Respect for suppliers</p> <p>We respect suppliers' management and dignity.</p>
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Positioning of Purchasing Belief, Three Purchasing Principles and Guiding the Code of Conduct for Purchasing Associates





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Basic Approach to Purchasing

Engagement with Suppliers

In its global parts procurement activities, Honda has set forth its Sustainability Vision, which aims to promote sustainability initiatives together with its suppliers around the world and to realize a supply chain that can coexist and co-prosper with local communities. Furthermore, based on the vision, the Company has issued the Honda Supplier Sustainability Guidelines as a policy to share its approach to sustainability with its suppliers around the world and to promote it together. (Please refer to the links on the right.)

Through the Guidelines, Honda seeks to prevent compliance violations and other issues in advance, along with reducing its environmental impact.

If a supplier fails to follow the Guidelines, Honda immediately receives a report from the supplier and works to prevent a recurrence by asking them to analyze the cause and draw up a corrective action plan.

If the corrective action plan received from the supplier is determined to be inappropriate, Honda considers its future business relations with them, taking into account the social impact of the problem.

In addition, the Company is working to instill and promote the Guidelines

throughout the entire supply chain by performing checks on the status of suppliers' related initiatives and utilizing sustainability-related check sheets for sub-tier suppliers.

When selecting suppliers for components and raw materials based on these sustainability policies, Honda confirms their initiatives on Quality, Cost, Delivery, Development and Environment (QCDD), human rights, labor, safety, compliance, risk, protection of information and other aspects to determine the best and most sustainable supplier.

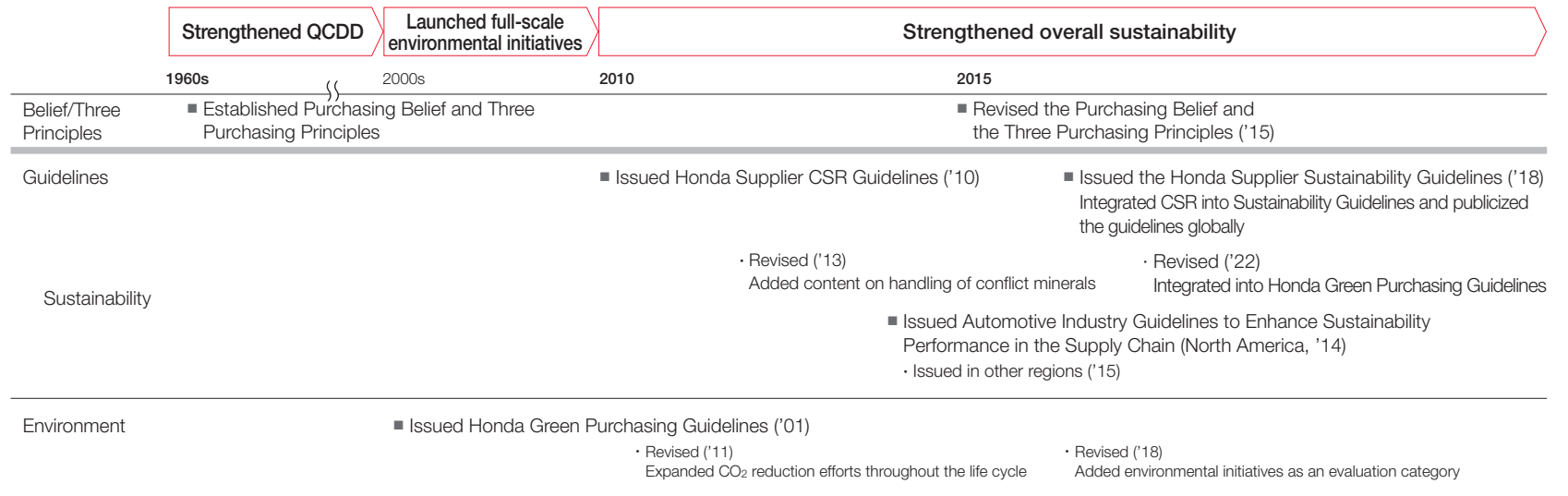
Establishing a Hotline to Receive Suggestions and Consultation Requests from Suppliers

Honda has established the Business Ethics Kaizen Proposal Line (➡ p. 125) to accept suggestions and requests for consultation from all suppliers from a fair and neutral standpoint.

Honda Supplier Sustainability Guidelines

■ https://global.honda/sustainability/cq_img/report/pdf/supply-chain/supplier-sustainability-guidelines.pdf

Changes in purchasing operations



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Global Management of Purchasing

Promotion Structure

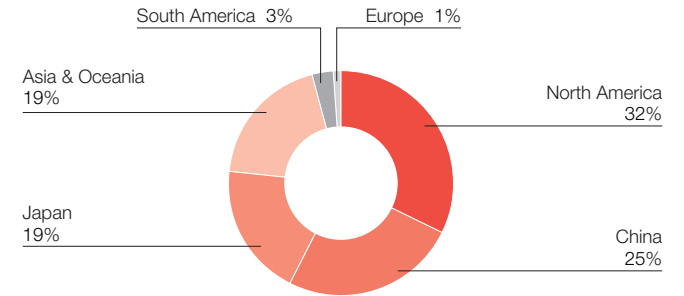
Honda conducts business in six regions worldwide and has respectively established purchasing functions. In line with Honda's corporate philosophy of "building products close to the customer," each region is encouraged to source locally. The rate of local procurement in the United States, Honda's primary production base, reaches 80% for major global models.

A department in Japan supervises the overall, global purchasing function, provides coordination across regions and businesses, and formulates sustainability policies and goals. In 2016, the Company established a department dedicated to reinforcing and accelerating sustainability initiatives.

In addition, to discuss and examine the direction Honda should take globally over the medium to long term, Honda holds periodic meetings with the management teams of respective companies operating in each region and facilitates collaboration with them.

The Environmental Purchasing Meeting was held from 2011 onwards and sought to strengthen initiatives aiming for a low-carbon society across the entire global supply chain. This meeting was composed of working-level staff from each region. It discussed and coordinated policies and methods of reducing CO₂ together with suppliers in each region worldwide. In FY2017, Honda added human rights and compliance initiatives and transformed the meeting into the Sustainability Purchasing Meeting.

Regional distribution of purchasing volume (FY2023)





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Purchasing Initiatives

Reducing the Environmental Impact Together with Suppliers

Honda shares the Honda Supplier Sustainability Guidelines with its suppliers and promotes activities to reduce environmental impact.

When launching new transactions, Honda shares the guidelines and the grand design with all suppliers in each region, and with their consent, jointly works to realize a low-carbon supply chain.

Initiatives to Achieve Carbon Neutrality

Honda strives to realize carbon neutrality (net zero CO₂ emissions) for all products and corporate activities Honda is involved in by 2050.

In Japan, in October 2021, Honda asked its suppliers to consider initiatives to reduce total CO₂ emissions, and in December 2022, shared its perspectives on measures to consider specific measures toward achieving carbon neutrality by 2050. Through close communication with each supplier, Honda aims to work together to realize carbon-neutral status.

Management of CO₂ Data

To increase the effectiveness of its efforts to reduce the environmental impacts in its supply chain, Honda established a system for the integrated management of data on CO₂ emissions reduction by suppliers in FY2012, which commenced full-scale operation in FY2015. Since FY2018, Honda has been taking part in CDP's supply chain program (an international initiative by institutional investors asking companies for their disclosure of information on climate change policies).

Honda is using these tools to share goals and progress status towards total reduction and to implement the PDCA cycle with suppliers worldwide.

As of 2022, approximately 1,700 companies, equating to more than 80% of purchasing value on a global level, are using these tools.

Going forward, the Company will comprehensively analyze data to assist in activities to reduce CO₂ emissions at suppliers, including their efforts to achieve total emissions control targets.

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Purchasing Initiatives

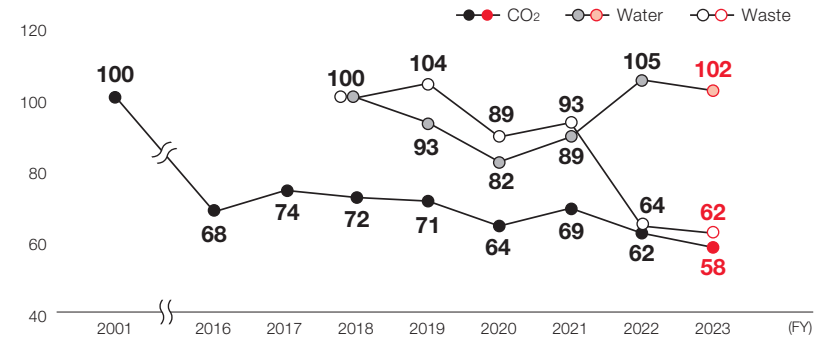
Initiatives to Reduce the Environmental Impact in the Supply Chain

Honda promotes initiatives together with suppliers to reduce the environmental impact, that is, reduce CO₂ emissions and ensure the efficient use of resources in each region.

In Japan, Honda sets specific numerical CO₂, water and waste targets for its Honda Group suppliers and promotes reduction initiatives in partnership with each of them.

With regard to water and waste, having started undertaking measures for target management in FY2019, Honda set specific targets for FY2023 (below FY2020 results per unit of production) to collect accurate data. As part of this initiative, Honda has provided tools to these suppliers to analyze their respective progress and past performance and has been checking their activities to reduce the environmental impact as well as evaluate their stance in this area. By communicating and sharing information with Honda Group suppliers via the Internet, Honda actively collaborates with them to promote efforts to achieve the targets.

Performance in reducing the environmental impact
Index of CO₂ emissions/water use/waste generation per millions of yen



* Scope of data: all consolidated tier 1 suppliers in Japan

Category	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
CO ₂ (t/millions of yen)	1.08	1.07	0.95	1.03	0.93	0.86
Water (m ³ /millions of yen)	9.99	9.29	8.19	8.91	10.51	10.16
Waste (t/millions of yen)	0.59	0.62	0.53	0.55	0.38	0.37



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Purchasing Initiatives

Chemical Substance Management

The Company has issued the Honda Chemical Substance Management Standard, which aims to ensure that all the components that make up Honda products comply with laws and regulations as well as to reduce their impact on the global environment and ecosystem. Honda asks suppliers around the world to establish a structure for managing chemical substances that meets the standard and to guarantee that the components they supply satisfy the standard. The Company also uses an industry-standard management system for specific data on chemicals contained in components, which are evaluated prior to commencing mass production.

Measures to Counter Procurement Risk

Honda views all phenomena that can impact production as risks, including disasters, fires, financial issues and labor issues within suppliers. Accordingly, the Company works to reduce these risks and prevent the spread of any impact if they materialize throughout the supply chain, beginning with the procurement of components and materials. For example, Honda defines all components and materials whose procurement is dependent on a single facility as Mission-Critical Parts, and inspections and countermeasures are implemented continually around the world.

Honda began operating a procurement risk management system with suppliers in Japan in December 2014. Through the operation of this system, the Company established structures to assess damage and identify the impact on production at suppliers in a short period of time after the occurrence of a major disaster.

Honda also performs once-yearly evaluations based on supplier surveys in order to minimize financial risk. In addition, the Company checks risk every month by referring to information from third-party organizations.

Requiring Legal Compliance from Suppliers

Honda seeks to strengthen sustainability, including compliance, throughout the supply chain. In conducting business, the Company concludes basic agreements on component procurement that specify areas of attention such as safety, disaster prevention, environmental preservation and the protection of resources. The agreements also contain terms regarding compliance with each country's laws and regulations, including competition laws and laws and regulations related to the prevention of bribery.

Responsible Mineral Sourcing

Honda recognizes the potential link between the increased demand for rare minerals, including cobalt, due to electrification and human rights issues such as child labor, and is engaged in activities aiming to avoid the use of minerals that may contribute to human rights violations and environmental pollution. In Japan, the Company uses templates provided by the Responsible Minerals Initiative (RMI) and works to identify cobalt refiners with the cooperation of its suppliers. Going forward, Honda will also consider global initiatives.

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Purchasing Initiatives

Sustainability Initiatives Inspection for Suppliers

Honda has distributed a checklist to suppliers requesting independent inspection in order to confirm the status of initiatives relative to the guidelines.

Honda introduced a sustainability initiatives inspection in Japan in 2016 for suppliers with large business volumes and significant influence on the Company, in line with rising expectations worldwide to fulfill corporate social responsibility that also includes the supply chain. The inspection is now carried out globally. Following the flow diagram indicated on the right, in Japan, Honda performs this inspection periodically on suppliers who account for more than 80% of purchasing value. Based on the inspection results, the Company identifies high-risk suppliers that are prone to problems and may have a significant impact on Honda if a problem does occur. In a written survey, Honda carries out the following three activities accordingly.

- Distribute a check sheet based on international standards
- Confirm the compliance status of the guidelines
- Promote improvement

The check sheet encompasses all aspects of human rights and labor matters, including eliminating race, ethnicity, nationality, religion, gender and other discrimination, as well as banning child labor, forced labor and human trafficking and guaranteeing minimum wages. The check sheet verifies supplier activities in a broad range of fields as it also covers such evaluation categories as the environment, compliance and information disclosure.

Next, Honda conducts and verifies the following items in an interview survey with high-risk suppliers.

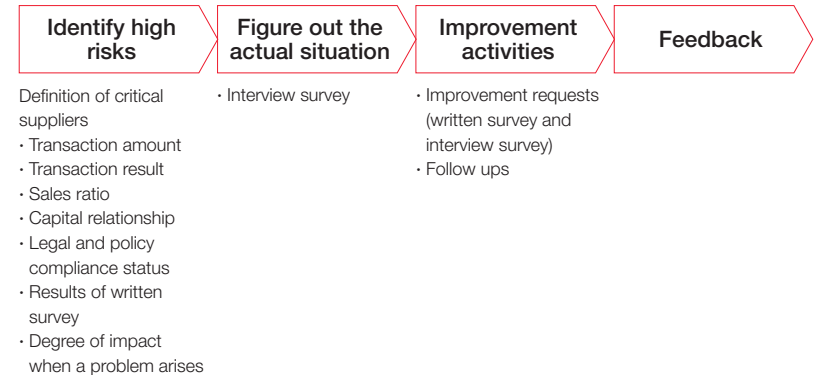
- Check relevant records, actual production processes and related facilities
- Verify the progress through a report on the improvement plan and result
- Conduct a follow-up investigation (including an on-site check as necessary)

Recent examples of improvement include the management of working hours and the formulation of an internal rule to prohibit suppliers from retaining the ID documents of non-Japanese workers.

Going forward, Honda will work with overseas purchasing sites to promote the sustainability initiatives inspection globally while enhancing education for the associates responsible for the investigation to cultivate the required skills.

There were no instances of issues bearing significant risk in FY2023.

Flow of sustainability initiatives inspection





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Purchasing Initiatives

Instruction and Training for Associates

To ensure that every associate involved in Honda's purchasing operations promotes honest and fair initiatives, Honda has prepared manuals and personnel development programs in each region.

For example, in North America, Honda provides extensive training through seminars, e-learning and on-the-job training (OJT). In its Basic Training Course, the Company shares its approach in such areas as the selection of suppliers and initiatives to strengthen QCDDE. Honda's Building Business Relations training emphasizes the importance of the Company's code of conduct, legal compliance and confidentiality in developing positive long-term relationships with suppliers.

In this way, Honda has developed programs worldwide that incorporate the cultural and social background of each region in addition to basic knowledge about purchasing operations to provide instruction for all purchasing associates.

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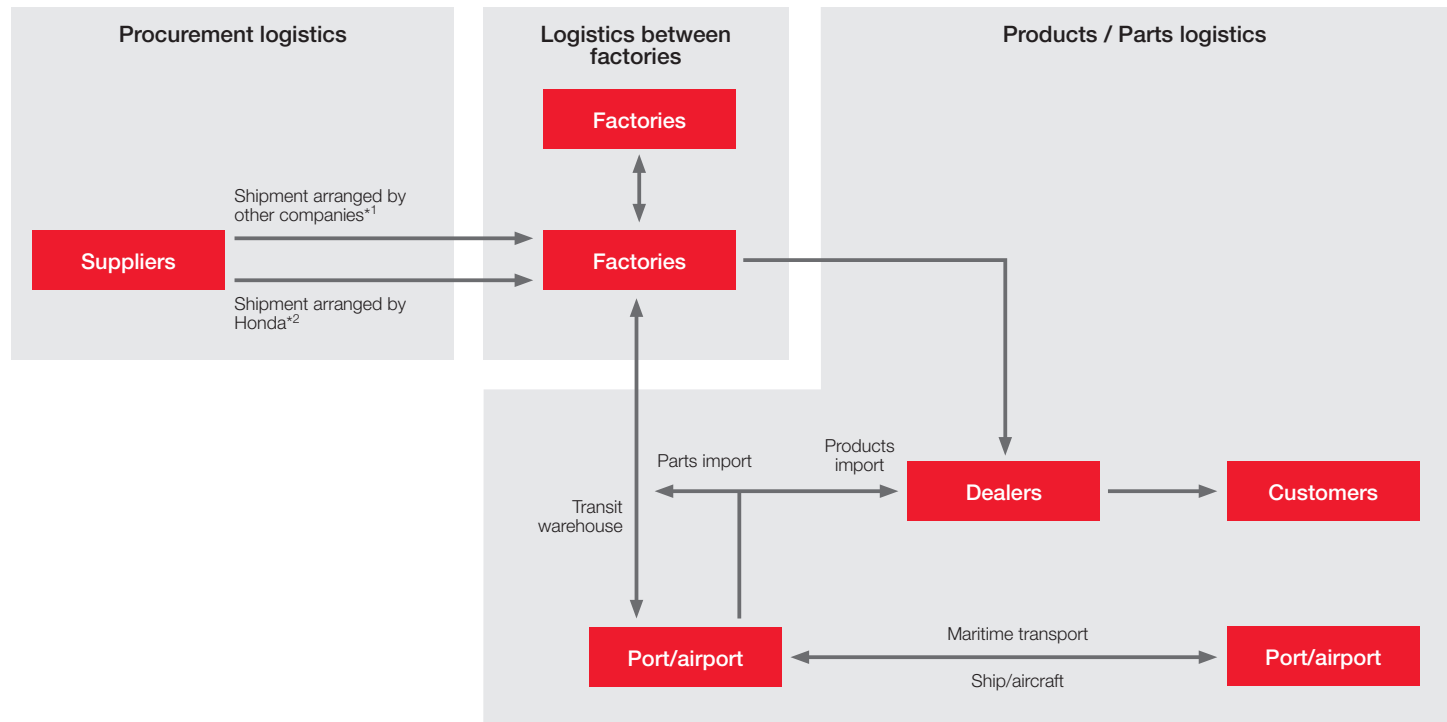
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Basic Approach to Logistics

At Honda, many parts that are used in its products are transported from suppliers to its factories. Likewise, the completed models, as well as parts for services and repairs, are sent directly from the factories to dealers. Honda, which transports large volumes of goods from upstream to downstream in the manufacturing process,

considers the reduction of environmental burden and compliance risk management as important issues, as well as improving efficiency in logistics. For instance, as an initiative to reduce the environmental burden, Honda is promoting more efficient container transport.

Overview of Honda logistics



*1 A transportation operator retained by the supplier delivers sourced parts to the entrance of Honda's plants.

*2 A transportation operator retained by Honda makes the rounds of parts suppliers and picks up the sourced parts.

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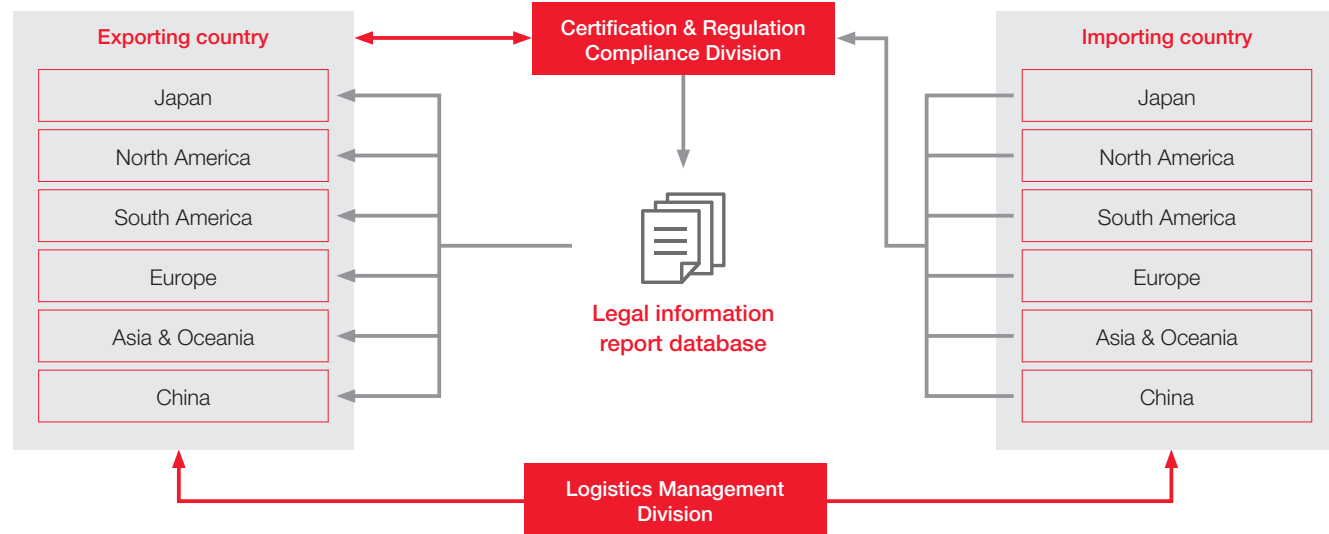
Global Management of Logistics

Integrated Management of Legal Information Concerning Logistics

In order to supply products and parts across countries and regions, it is necessary to identify and analyze a variety of factors, including the different transportation infrastructures, laws and natural disaster risks in each country. Laws and regulations, in particular, have the potential to significantly impact safety and speed in transportation.

Honda aims to constantly obtain accurate information and ensure an efficient, accurate and early response on a global basis. To do so, the Company has established a function for the integrated management of international treaties and legal information concerning logistics operations. In addition to this, Honda is working to strengthen compliance with laws and regulations by ensuring a swift response.

Integrated management framework for legal information



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Logistics Initiatives

In the area of logistics, Honda is taking the following three major initiatives to achieve carbon neutrality by 2050:

- 1) Highly efficient transportation (smart logistics)
- 2) Low carbon transportation (clean logistics)
- 3) Technological advancement of packaging materials

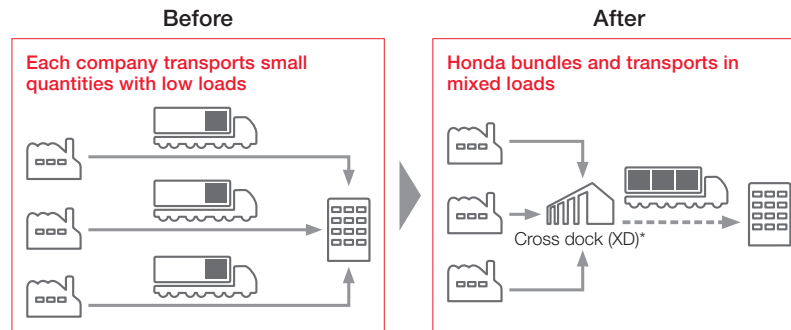
1) Highly efficient transportation (smart logistics)

Honda is promoting highly efficient transportation to improve QCD related to logistics.

Improving Transportation Efficiency via Co-Creation with Suppliers

To minimize the logistics losses incurred by our suppliers, we ask them to deliver products to the nearest cross-dock (XD) of their shipping bases. From the XD, Honda then combines the products within a multi-company consolidation to transport them efficiently.

The effects of these measures have contributed to a reduction in the loads handled by distant suppliers and also a reduction in CO2 emissions.

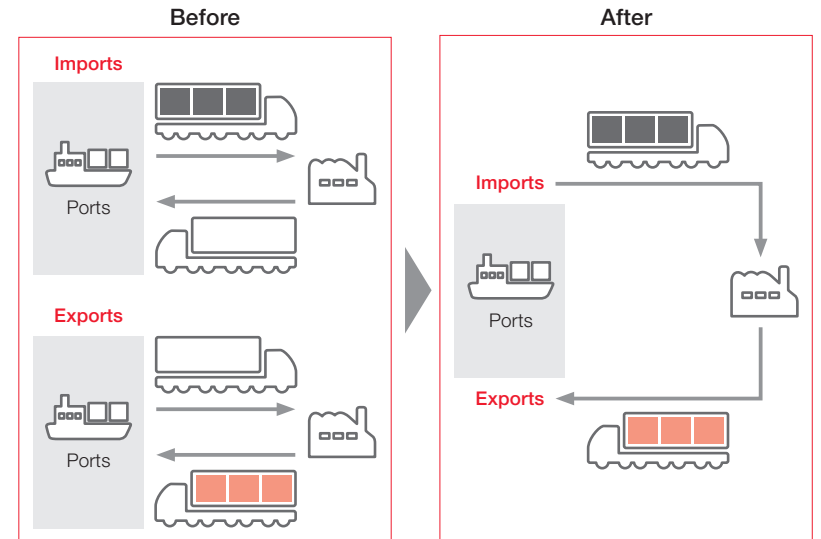


* Cross dock (XD): Warehouse with functions centered on the transshipment of parts

Container Round Use

Since containers are rented from shipping companies, it is a common business practice to return them promptly after cargo transportation.

However, since Honda has both export and import cargo, it negotiated with the respective shipping companies to reduce the transportation of empty containers upon return. As a result, the Company was able to reduce costs by 40% to 60%, as well as CO2 emissions in Japan.



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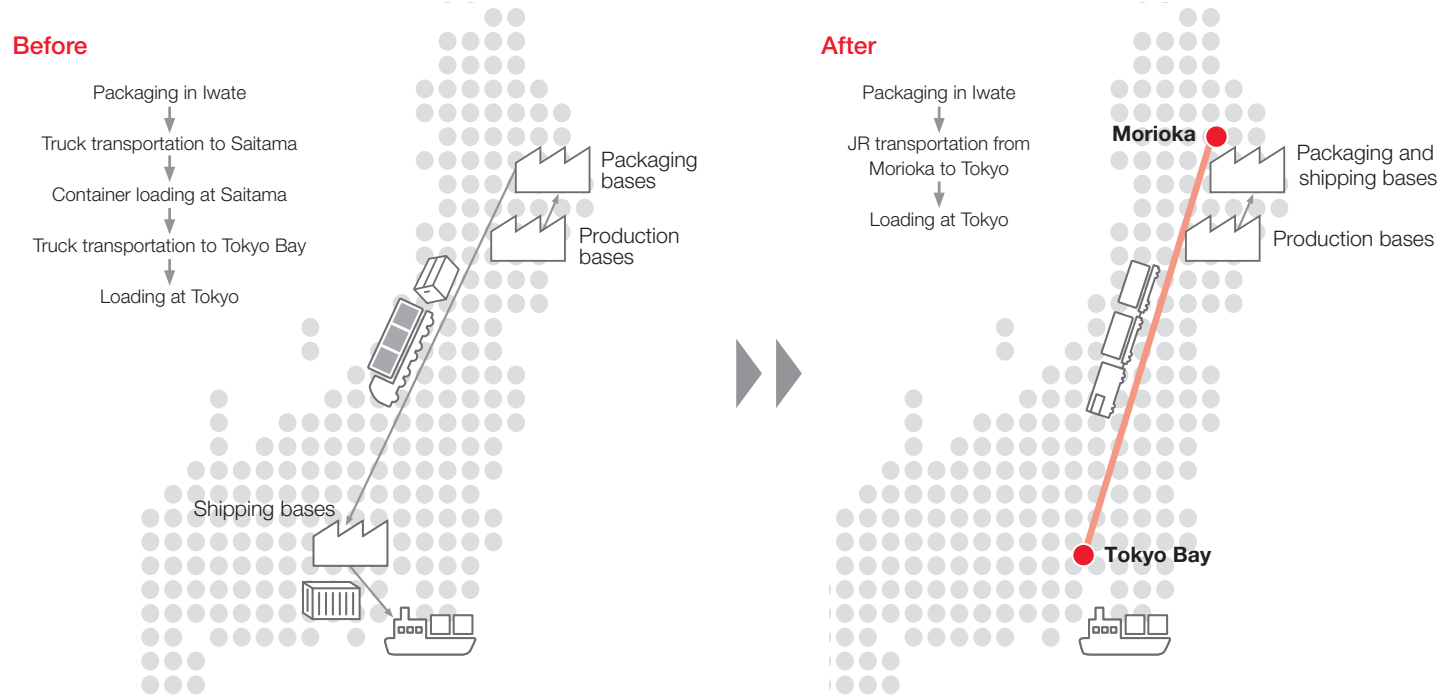
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Logistics Initiatives

2) Low-carbon transportation (clean logistics)

By focusing on long-haul transport, Honda is working to expand the modal shift so that rail and ships can be favored over trucks as modes of transportation. In India and Vietnam, for carrying products to distant regions, we are switching from trucks to ship and rail transport. Similarly, in China, we are switching from trucks to railway transportation.

In Japan, we are also working to switch to railway transportation. In June 2022, we initiated the railway transportation of general-purpose products from Morioka to Tokyo. As a result, our CO2 emissions were reduced by 26.84 t-CO2 from June 2022 to March 2023.



Honda Sustainability Report 2018 p. 100 https://global.honda/sustainability/cq_img/report/pdf/2018/Honda-SR-2018-en-all-02.pdf#page=101

Honda Sustainability Report 2019 p. 123 https://global.honda/sustainability/cq_img/report/pdf/2019/Honda-SR-2019-en-all.pdf#page=124

China [Protecting the global environment] → p. 109

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Logistics Initiatives

3) Technological advancement of packaging materials

Honda exports (supplies) parts between factories across different countries and regions, before conducting the assembly of vehicles and equipment in the importing countries.

Such parts exports involve the usage of packaging materials, which are classified as outer case and inner container.

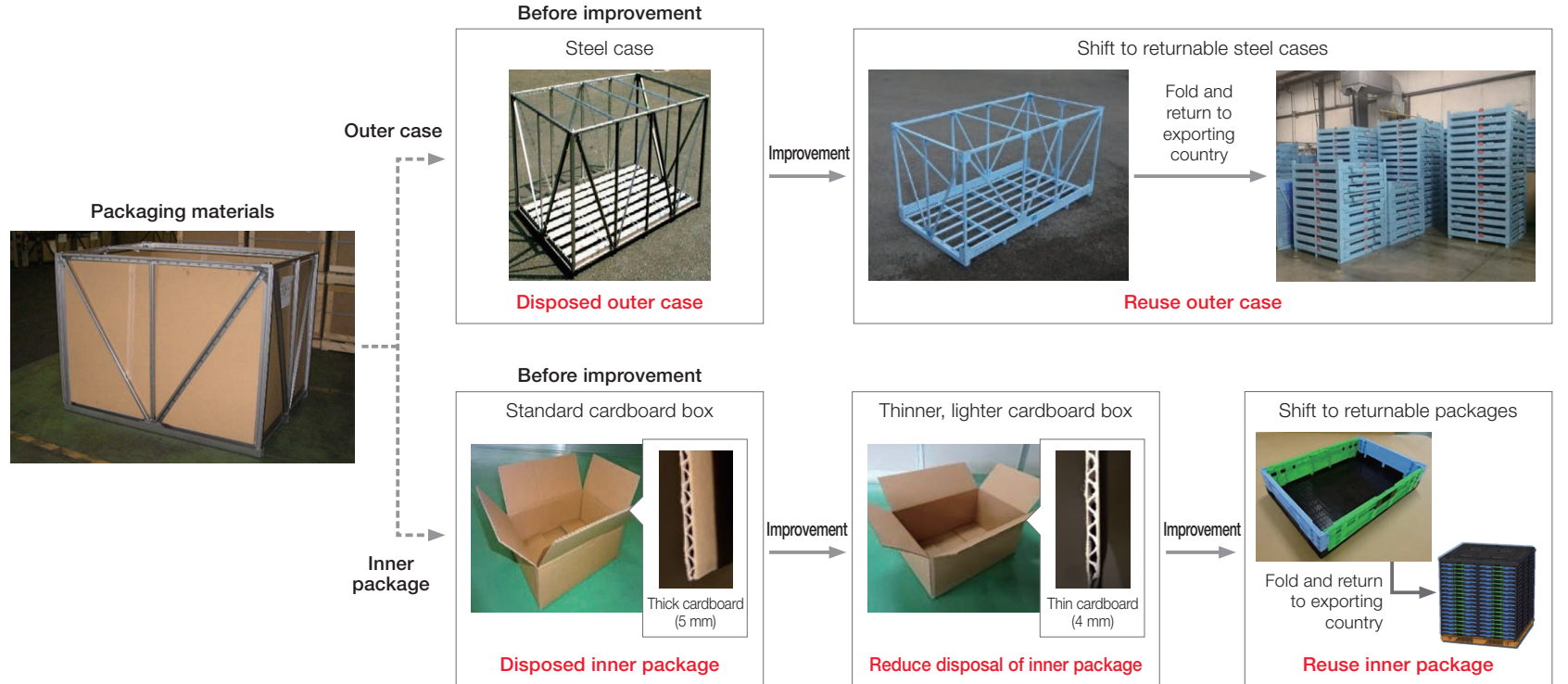
In the past, these packaging materials were disposed of in the importing country. Instead, we are now working to reduce waste and CO₂ emissions by reusing containers and reducing the weight of packaging materials.

We are also cooperating with other companies in the same industry to consider how the joint use of recycled materials can work.

Classification and improvement of packaging materials

Packaging materials	Use	Advancement of packaging techniques
Outer case	Case to be loaded onto containers	Returnable steel cases
Inner package	Package of parts to be placed in the outer case	Use of thin, light cardboard boxes; shift to returnable packages

Improvement of packaging



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Joint Efforts with Industry Groups and Suppliers

Honda is striving to strengthen sustainability across the entire supply chain of parts and logistics through initiatives such as capacity building in collaboration with the automotive industry and its suppliers.

Collaboration with Industry Groups and Suppliers

Honda North America Inc., Honda's U.S. subsidiary, participates in working groups established by the Automotive Industry Action Group (AIAG) to strengthen sustainability in the supply chain. They participate in the Responsible Materials working group, the Human Rights and Trade working group, the GHG working group and the Chemical Management working group. AIAG has offered supplier training and encourages participation in training sessions on corporate ethics, environmental regulations, the working environment, human rights and other topics for tier 1 and sub-tier suppliers in North America since 2012.

In addition, Honda participates in AIAG's Corporate Responsibility Steering Committee and Drive Sustainability* to proactively identify issues, needs and trends in and outside the automobile industry.

In North America, e-learning programs using computer-based training (CBT) are also provided for suppliers in order to facilitate their understanding of sustainability. Under the theme of sustainability, these programs deal with the environment, export control, social responsibility, safety and health, diversity, governance, compliance and ethics.

* Newly launched partnership to promote sustainability in the automobile industry

Dialogue with Suppliers

In December 2022, Honda convened a Sustainability Information Sharing Meeting, where it shared current social trends and provided feedback on the results of inspections at suppliers in accordance with the Honda Supplier Sustainability Guidelines.

Honda also regularly holds conferences around the world to share with suppliers the direction of its business and the substance of its initiatives. In FY2023, meetings were held in 23 locations around the world. At these regional conferences, Honda presented Supplier Awards to recognize those suppliers who have achieved outstanding results in each aspect of QCDDDE.

In Japan, Honda has held an annual conference since 1974. Senior management from about 470 suppliers attended the conference in February 2023, which was held in a hybrid format of on-line and in-person meetings. At the conference, Honda explained both company-wide policies and policies of the motorcycle, automobile and power products businesses. Furthermore, in FY2018, the Company began presenting the Sustainability Award to suppliers who have made outstanding efforts in all areas of ESG. With this award, Honda has broadened its perspective from the old Environmental Award, which focused primarily on greenhouse gas (GHG), to include social and governance aspects.

In North America, Honda presents the Sustainability Award to suppliers who have made the greatest contributions in social areas such as compliance, safety and health, community contribution activities, the environment, diversity and human rights.



Presentation of Sustainability Department Award to Niterra Co., Ltd. in Japan