

SECOND PARTY OPINION

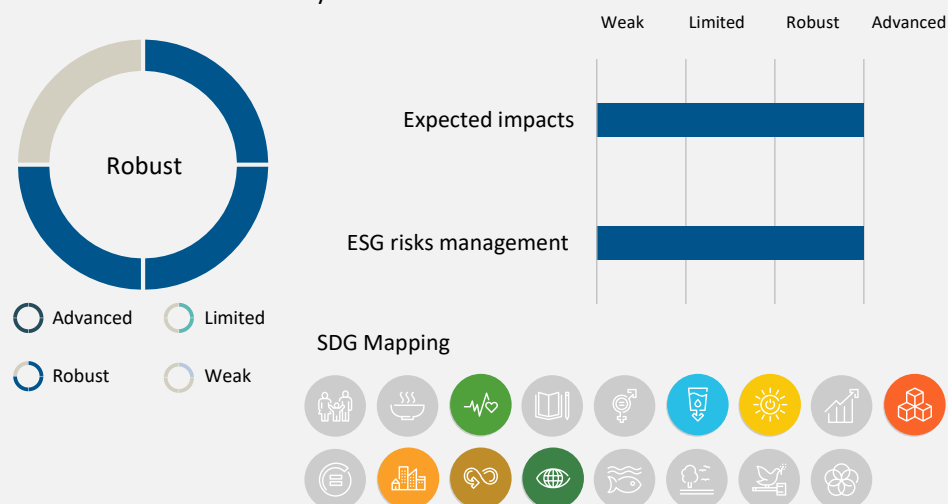
on the sustainability of Honda Motor Corporation's Sustainable Finance Framework

V.E considers that Honda Motor Corporation's Bond Framework is aligned with the four core components of the ICMA's Green Bond Principles 2021 ("GBP") and Social Bond Principles 2021 ("SBP")



Framework

Contribution to Sustainability:



Characteristics of the Framework

Project Categories	⇒ 5 green project categories ⇒ 2 social project categories
Project locations	Worldwide
Target Population	Defined
Existence of framework	Yes
Share of refinancing	No refinancing
Lookback period	N/A

Issuer

ESG Controversies

Number of controversies	12
Frequency	frequent
Severity	critical
Responsiveness	reactive

Controversial Activities

The Issuer appears to be involved in 1 of the 17 controversial activities screened under our methodology:

- | | | | |
|---|--|---|---|
| <input checked="" type="checkbox"/> Alcohol | <input type="checkbox"/> Fossil fuels industry | <input type="checkbox"/> High interest rate lending | <input type="checkbox"/> Pornography |
| <input type="checkbox"/> Animal welfare | <input type="checkbox"/> Coal | <input type="checkbox"/> Human embryonic stem cells | <input type="checkbox"/> Reproductive medicine |
| <input type="checkbox"/> Cannabis | <input type="checkbox"/> Gambling | <input type="checkbox"/> Military | <input type="checkbox"/> Tobacco |
| <input type="checkbox"/> Chemicals of concern | <input type="checkbox"/> Genetic engineering | <input type="checkbox"/> Nuclear power | <input type="checkbox"/> Unconventional oil and gas |
| <input type="checkbox"/> Civilian firearms | | | |

Coherence

Coherent
Partially coherent
Not coherent

V.E considers that Honda Motor Corporation's Finance Framework is coherent with Honda Motor Company's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Key findings

V.E considers that Honda Motor Company's Bond Framework is aligned with the four core components of the GBP and SBP.

Use of Proceeds - aligned with GBP and SBP

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects for all categories, as well as the target population for Social Categories.
- The Environmental and Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards, for all the Eligible Projects Categories.
- The Expected Environmental and Social Benefits are clear, relevant, measurable, and will be quantified for majority of the Eligible Categories in the reporting.
- The Issuer has committed not to have refinancing.

Evaluation and Selection –aligned with GBP and SBP

- The process for Project Evaluation and Selection has been clearly defined and by the Issuer. The process is structured. The roles and responsibilities are clear and include relevant internal expertise. The Process is publicly disclosed in the Framework.
- Eligibility criteria for project selection have been defined by the Issuer for all the Eligible Projects Categories.
- The process applied to identify and manage potentially material environmental and social (E&S) risks associated with the projects is publicly disclosed in this Second Party Opinion. The process is considered robust: it combines monitoring and identification for all Eligible Projects Categories (see detailed analysis on pages 25 - 29).

Management of Proceeds - aligned with GBP and SBP

- The Process for the Management and Allocation of Proceeds is clearly defined, and is publicly available in the Framework.
- The allocation period will be 36 months or less.
- The net proceeds of the Bond will be placed in the General Treasury and tracked and monitored by the Issuer in an appropriate manner.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed within the Framework.
- For as long as the Bond is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Projects.
- The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Bond Framework within 12 months.

Reporting - aligned with GBP and SBP

- The Issuer has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments. The report will be publicly available on the Issuer's website.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the Eligible Categories
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will not be publicly disclosed.
- The tracking and allocation of funds to Eligible Categories will be verified only internally by the Issuer. The reporting on environmental and social benefits of the Eligible Categories will be verified internally by the Issuer.

SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Sustainable Bonds¹ (the “Bonds”) to be issued by Honda Motor Corporation (the “Issuer”) in compliance with the Sustainable Finance Framework (the “Framework”) created to govern their issuance(s).

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Green Bond Principles (“GBP”) - edited in June 2021 - and Social Bond Principles (“SBP”) - edited in June 2021 (referred together as the “GBP & SBP”).

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental and social commitments, the Bonds’ potential contribution to sustainability and its alignment with the four core components of the GBP & SBP.
- Issuer: we assessed the Issuer’s management of potential stakeholder-related ESG controversies and its involvement in controversial activities².

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from November 22nd 2021 to February 18th, 2022. We consider that we were provided access to all documents and interviewees we solicited. For this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Type of External Reviews supporting this Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input type="checkbox"/>	Independent verification of impact reporting
<input type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Sustainable Bonds” are to be considered as the bonds to be potentially issued, subject to the discretion of the Issuer. The name “Sustainable Bonds” has been decided by the Issuer: it does not imply any opinion from V.E.

² The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the contemplated Framework is coherent with Honda Motor Corporation's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Climate change has been deemed the most critical environmental challenge for the sector as road transport is one of the main contributors to greenhouse gas emissions. According to the International Energy Agency (IEA), transportation is responsible for 24% of direct CO₂ emissions from fuel combustion, of which road vehicles account for nearly three-quarters of the transport CO₂ emissions.³ Countries across the world are adopting ambitious targets to reduce these emissions. For example, in the European Union, all new cars sold from 2035 will be zero emissions⁴ and the United States targets 50% of U.S vehicle sales to be electric vehicles, hydrogen fuel-cell and plug-in hybrid vehicles by 2030⁵. Japan is also following suit with ambitious targets to shift 100% of new cars sold to be electric vehicles (EV/PHV/FCV/HV) by 2035 and achieve carbon-neutrality for automobile lifecycle by 2050⁶.

In order to promote electric vehicles, the Japanese government provides subsidies via different institutions, including the Ministry of Environment (MOE), Ministry of Economy, Trade, and Industry (METI), Next Generation Vehicle Promotion Center (NEVI) as well as some local authorities.

Reducing waste and increasing the reuse and recycling of automotive parts also continues to be a challenge for the automobile sector. EU has introduced a Directive on end-of-life vehicles⁷ and promotes the recycling of batteries for electric vehicles. In Japan, the recycling of vehicles is required by End-of-Life Vehicles Recycling Law and the Government is enhancing its focus on the reuse and recycling of batteries for EVs in its Green Growth Strategy⁸. In the United States, there is no federal law on automobile recycling but recycling requirements are set by state and local government.

Automobile safety is another issue faced by the automobile sector. According to the Japanese National Police Agency, car accident occupies the highest percentage of traffic fatalities together with pedestrians, followed by motorcycles⁹. To tackle the issue, governments and the industry are accelerating their efforts towards innovations. For instance, the World Forum for Harmonization of Vehicle Regulations (WP.29) offers a unique framework to allow the market introduction of innovative vehicle technologies, whilst continuously improving global vehicle safety¹⁰. EU revised its General Safety Regulation (GSR)¹¹. In Japan, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) is considering setting the guidelines on Autonomous Driving (AD)¹². One solution is the advanced driver-assistance system (ADAS), which is reported to have the potential to reduce accidents by up to 25%¹³. METI has also begun accepting requests for Subsidies for Safety Support Cars in March 2020 and aims to support elderly drivers aged 65 or above in purchasing safety support cars with a collision damage mitigation braking and acceleration suppression system caused by pedal error¹⁴.

Honda's sustainability strategy is based on two core values which include "eliminating negative impact on the environment" as well as "achieving safety to protect precious lives". As part of this strategy, Honda Motor Corporation aims for achieving carbon-neutral by 2050 and eliminating traffic collision fatalities with Honda's motorcycles as well as automobiles by 2050.

³ <https://www.iea.org/reports/tracking-transport-2020>

⁴ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en

⁵ <https://www.instituteforenergyresearch.org/regulation/biden-sets-target-of-50-percent-electric-cars-by-2030/>

⁶ http://www.jari.or.jp/Portals/0/Images/research/2020symposium/4_20211008_JARIsympo_kityou2.pdf

⁷ https://ec.europa.eu/environment/topics/waste-and-recycling/end-life-vehicles_en

⁸ https://www.meti.go.jp/english/press/2020/1225_001.html

⁹ <https://www.npa.go.jp/bureau/traffic/bunseki/kamihanki/030728R03kamihanki.pdf>

¹⁰ <https://unece.org/transport/vehicle-regulations/wp29-world-forum-harmonization-vehicle-regulations-wp29>

¹¹ <https://circabc.europa.eu/sd/a/05d9cd8c-3dc7-4fb0-a6e0-e598c8ca5079/CPR2723-ELKS-InterimReport%20v3-0%20final.pdf>

¹² <https://www.mlit.go.jp/jidosha/content/001318104.pdf>

¹³ <https://www.reuters.com/article/us-auto-selfdriving-insurance-focus-idUSKCN1UL165>

¹⁴ https://www.meti.go.jp/english/press/2020/0303_003.html

In order to achieve the environmental objective of carbon neutrality, Honda will focus on three main pillars:

- Carbon neutral: aiming for net-zero by reducing the CO₂ emissions in the product life cycle.
- Resource circulation: 100% use of sustainable materials, including reuse and recycling of batteries.
- Clean Energy: 100% utilization of carbon-free energy including both during product use and in corporate activities.

Intermediate targets are set to facilitate the above:

- Increasing the ratio of EVs and FCVs in all developed markets to 40% by 2030, 80% by 2035, and 100% globally by 2040.
- Reducing the waste generation per unit of production by 1.8% (Japanese fiscal year (FY) 2018 as baseline) in all corporate activities by FY2030.
- Reducing the industrial water intake per unit of production by 1.8% (FY2018 as baseline) in all corporate activities by FY2030.

Honda has laid out an ambitious plan to, halve by 2030 and zero by 2050, traffic collision fatalities from motorcycles and automobiles. Specific initiatives to achieve this plan include:

- Utilizing the first artificial intelligence (AI)-powered “Intelligent Driver-Assistive Technology”
- Utilizing the “Safe and Sound Network Technology” which connects all road users, both people and mobility products, through telecommunications
- Increase the production of vehicles with Level 3 (conditional) automated driving approved by MLIT(Japan’s Ministry of Land, Infrastructure, Transport and Tourism), named “Honda SENSING Elite”
- Incorporate its omnidirectional safety and driver-assistive system “HONDA SENSING 360” to all models to be sold in the developed markets by 2030¹⁵.

To meet these targets, the Issuer continues expanding the application of motorcycle safety technologies and enhancing safety education (Honda Safety EdTech¹⁶)¹⁷.

By creating a Sustainable Finance Framework to finance Eligible Projects falling under the five green and two social Eligible Categories, Honda Motor Corporation coherently aligns with its sustainability strategy and commitments of the Group and addresses the main issues of the sector in terms of sustainable development.

¹⁵ <https://global.honda/newsroom/news/2021/4211013eng.html>

¹⁶ Honda Safety EdTech is the online education platform on road safety created by Honda Motor Company, accessible from the smartphones.

¹⁷ <https://global.honda/newsroom/news/2021/c211125eng.html>

FRAMEWORK

The Honda Motor Corporation has described the main characteristics of the Bonds within a formalized Sustainable Finance Framework that covers the four core components of the GBP 2021 and SBP 2021 (the last updated version was provided to V.E on February 11, 2022). The Issuer has committed to make this document publicly accessible on Honda Motor Company's website, in line with good market practices.

Alignment with the Green and Social Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under 5 Green Project Categories and 2 Social Project Categories ("Eligible Categories"), as indicated in Table 1.

- The Eligible Categories are clearly defined and detailed. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects for all categories, as well as the target population for Social Categories.
- The Environmental and Social Objectives are clearly defined, relevant and set in coherence with sustainability objectives defined in international standards, for all the Eligible Projects Categories.
- The Expected Environmental and Social Benefits are clear, relevant, measurable, and will be quantified for majority of the Eligible Categories in the reporting.
- The Issuer has committed not to have refinancing.

BEST PRACTICES

- ⇒ The definition and eligibility criteria (selection and exclusion) are clear and in line with international standards for all categories.
- ⇒ The Issuer has committed not to have refinancing.

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework

- Nature of expenditures: CAPEX, OPEX and R&D, manufacturing costs.
- Location of Eligible Projects/Assets: In all countries and regions where Honda offers its products, including North America, Asia, and Europe. The assisted mobility vehicles will be offered in Japan.

Eligible Green Project Categories

ELIGIBLE PROJECTS CATEGORIES	ELIGIBLE SUB-CATEGORIES	DESCRIPTION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Clean Transportation	Electric Automobiles	Investments and other related expenditures (including research & development) for the development/manufacturing of vehicles and components, including batteries, for zero-emission vehicles	<u>Climate Change Mitigation</u> Avoidance of CO ₂ emissions Avoidance of air Emissions from vehicles	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and location of Eligible Projects.</p> <p>Issuer confirmed in internal documentation that :</p> <ul style="list-style-type: none"> - For BEV, FCV and Motorcycles production, as well as Electric recharging facilities, the proceeds will be allocated exclusively to production of vehicles and motorcycles with CO₂ emissions of less than 50gCO₂ per p-km until 2025 and 0gCO₂ per p-km beyond 2025. - Recharging infrastructure will include Honda Mobile Power Pack¹⁸ powered by renewable energy and designed to serve only vehicles and motorcycles with less than 50gCO₂ per p-km

¹⁸ <https://global.honda/newsroom/news/2021/c211029aeng.html>

	Electric Motorcycles	Investments and other related expenditures (including research & development) for the development/manufacturing of vehicles and components including batteries for electric motorcycles		<p>until 2025 and 0gCO₂ per p-km beyond 2025. (Issuer disclosed the energy source to V.E.).</p> <ul style="list-style-type: none"> - R&D includes all solid state batteries as well as innovative batteries¹⁹. - Buildings constructed under this category will be exclusively used for the production of vehicles and motorcycles with CO₂ emissions of less than 50gCO₂ per p-km until 2025 and 0gCO₂ per p-km beyond 2025. <p>The Environmental Objective is clearly defined and relevant for all of the Eligible Projects; it is set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
	Recharging Infrastructure	Investments in recharging facilities for Electric Automobiles and Electric Motorcycles as described above		
Renewable Energy	<p>Increase Use of Carbon-free Energy</p> <ul style="list-style-type: none"> - Investments toward renewable energy generation²⁰, including solar and wind. - Expenditures related to the purchase of renewable energy power, etc. (including expenditures for the purchase of renewable energy through 		<p><u>Climate Change Mitigation</u></p> <p>Avoidance of CO₂ emissions</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects.</p> <p>Issuer confirmed in internal documentation that:</p> <ul style="list-style-type: none"> - Eligible Projects include on-site production of solar and wind - Renewable energy contracts include PPA/VPPA (Eligible Sources disclosed to V.E comply with the Technical Screening Criteria outlined in the First Delegated Act on Sustainable Activities for

¹⁹ https://www.honda.co.jp/battery/?_ga=2.137046322.344770207.1639379770-1256860999.1637578674

²⁰ Direct emissions of less than 100g-CO₂ / kWh

	power purchase agreements ("PPAs") / virtual power purchase agreements ("VPPAs"))		<p>Climate Change Adaptation and Mitigation Objectives report on the EU Taxonomy published in June 2021 ²¹)</p> <ul style="list-style-type: none"> - Majority of the proceeds will be allocated to PPA and minority for VPPA renewable energy contracts. - PPA contract term is expected to be long term <p>An area for improvement is to prioritize the financing of on-site renewable energy production vs renewable energy contracts.</p> <p>Of note, V.E lacks visibility on the fact that the construction and/or operations of the renewable energy purchased is financed through other green instruments. Therefore, V.E cannot ensure the avoidance of a potential double-counting of environmental benefits with another green financial instrument (following the Green Bond Principles).</p> <p>The Environmental Objective is clearly defined and relevant for all of the Eligible Projects; it is set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
Energy Efficiency	<p>Energy Saving of Manufacturing Facilities</p> <ul style="list-style-type: none"> - Investments in energy efficiency at manufacturing facilities etc. 	<p><u>Climate Change Mitigation</u></p> <p>Avoidance of CO₂ emissions</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria, and the location of Eligible Projects.</p> <p>The Issuer has confirmed in the internal documentation that:</p> <ul style="list-style-type: none"> - The project will be limited to vehicles and automobiles that meet the threshold of 50gCO₂ per p-km until 2025 and 0gCO₂ per p-km beyond 2025. - Issuer confirmed their alignment to a internationally recognized efficiency standard and committed to similar standard for future issuances as well. V.E considers the standards disclosed for the first issuance meet the energy efficiency threshold but lacks clarity on potential standard that will be applied for future issuances. - Specific technologies include LED and heat pumps. <p>An area of improvement is to specify the type of heat pump.</p>

²¹ [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C\(2021\)2800](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=PI_COM:C(2021)2800)

			<p>The Environmental Objective is clearly defined and relevant for all of the Eligible Projects; it is set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
Reuse and Recycle	<p>Reuse and Recycle of Used Parts</p> <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 	<p><u>Circular Economy</u></p> <p>Reduction in use of virgin materials</p> <p>Increase in reuse and recycling</p> <p><u>Climate Change Mitigation</u></p> <p>Avoidance of CO₂ emissions during the recycling and reuse</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria, and the location of Eligible Projects.</p> <p>The Issuer has confirmed in the internal documentation that:</p> <ul style="list-style-type: none"> - Recycled materials will include batteries²², bumpers, aluminium, harness. - For reuse, the reused parts will be used only for final products with CO₂ emissions lower than 50gCO₂ per p-km until 2025 and 0gCO₂ per p-km beyond 2025 - For recycling, the parts from vehicles with more than 50gCO₂ per p-km will be recycled as well. - Based on Honda's LCA policy, the Issuer will have no net GHG emissions for the recycling process by using renewable energy. (The Issuer disclosed the energy source to V.E.) <p>Of note, this project will contribute to the Issuer's target to achieve 100% circular/resource-recycling by 2050 and built upon the achievement which includes 90% and 95% of recyclable rate achieved for automobiles and motorcycles respectively for all new and redesigned vehicles sold in FY2021.^{23,24} 3R pre-assessment system is applied for each new model to improve the 3R elements.²⁵</p> <p>The Environmental Objectives are clearly defined and relevant for all of the Eligible Projects; these are set in coherence with sustainability objectives defined in international standards.</p>

²² The Honda Group, however, has established advanced recycling technology for these batteries through joint research, and plans to safely treat used lithium-ion batteries, reuse parts, and recycle the metals contained in them in the future. Efforts are being made to recover them by outsourcing recycling to the Japan Auto Recycling Partnership.

²³ Index based on "Definition of Recyclable Rate for New Vehicles and Guidelines on Calculation Method" issued by Japan Automobile Manufacturers Association, Inc. (JAMA)

²⁴ https://www.jama.or.jp/eco/eco_car/info/info_1t3.html

²⁵ https://global.honda/content/dam/site/global/about/cq_img/sustainability/report/pdf/2021/Honda-SR-2021-en-all.pdf

			The Expected Environmental Benefits are clear, considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.
Sustainable Water and Wastewater Management	<p>Reduction of Water Use</p> <ul style="list-style-type: none"> - Investments and other related expenditures for the conservation of water resources 	<p><u>Sustainable water management</u></p> <p>Increase treated wastewater</p> <p>Increase water efficiency</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditure and the eligibility criteria, and the location of Eligible Projects.</p> <p>The Issuer has confirmed in the internal documentation that:</p> <ul style="list-style-type: none"> - The targeted water efficiency rate is 22% by 2030 (2018 as baseline). - The Issuer has disclosed water recycling target rate to V.E. which is considered to make substantial contribution to avoiding water waste. - The industrial water intake will be recycled. - The Projects are expected to have no net zero GHG emissions. <p>The Environmental Objective is clearly defined and relevant for all of the Eligible Projects; these are set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefits are clear, considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>

Eligible Social Project Categories

ELIGIBLE PROJECTS CATEGORIES	DESCRIPTION	TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Assisted Mobility Vehicles	Investments and other related expenditures (including research & development) for assisted mobility vehicles designed to accommodate the elderly and people with disabilities	Drivers and passengers, especially vulnerable groups in terms of mobility such as the elderly and people with disabilities	<u>Improvement of mobility</u> Providing means of transportation for the vulnerable population	The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, eligibility criteria, the target population and the location of Eligible Projects. The target population is clearly defined and relevant for all the Eligible Projects. The Social Objective is clearly defined and are relevant for all the Eligible Projects. The Expected Social Benefit is clear, which are relevant, measurable, and will be quantified for all the Eligible Projects.
Advanced Safety and Driver Assistance System / Automated Driving Technologies	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 people including vulnerable groups in terms of mobility such as elderly / children/people with disabilities)	<u>Improvement in road safety</u> Avoidance of traffic accidents <u>Improvement of mobility</u> Providing means of transportation for the vulnerable population	The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria, and the location of Eligible Projects. The target population is broadly defined for all the Eligible Projects. The Issuer has confirmed in the internal documentation that: <ul style="list-style-type: none"> - The Issuer confirmed that the price of Honda SENSING will not represent significant impact on the price of the car. - In 2021, majority of new car models have Honda SENSING (safety technology) installed. - As a result of the FARS verification, Honda SENSING is effective in reducing the number of accidents for a majority of the time.(V.E. had access to the exact parentage) - AI technology will increase the accident coverage rate. (% increase is disclosed to V.E) - Honda SENSING has majority of the accident scene coverage. (% is disclosed to V.E) - Honda has committed to continuously achieve cost reduction of the Honda SENSING by reducing the cost of expensive components. (Specific component and % reduction target was disclosed to V.E.) - The cars with Honda SENSING installed are sold in the majority of countries in which Honda has a presence. However, the number of them

ELIGIBLE PROJECTS CATEGORIES	DESCRIPTION	TARGET POPULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
				<p>sold in the most vulnerable countries²⁶, most notably Sub-Saharan African countries, remains low.</p> <ul style="list-style-type: none"> - Honda has disclosed to V.E their strategy on increasing Honda SENSING in the vulnerable countries in which they operate.²⁷ (Target countries, number of cars are disclosed to V.E) <p>The Social Objectives are clearly defined and are relevant for all the Eligible Projects. The Excepted Social Benefits are relevant, however, they are partially measurable and will be partially quantifiable.</p> <p>Of note, the Expected Social Impact which is a reduced number of traffic accidents is difficult to quantify due to multiple reasons that contribute to its outcome.²⁸ Due to this reason, only the indicator related to the outcome of the Eligible Projects (i.e., Number of vehicles sold with advanced safety technologies and automated driving technologies) will be reported.</p>








²⁶ <https://www.who.int/publications/i/item/9789241565684>

²⁷ <https://www.who.int/publications/i/item/9789241565684>

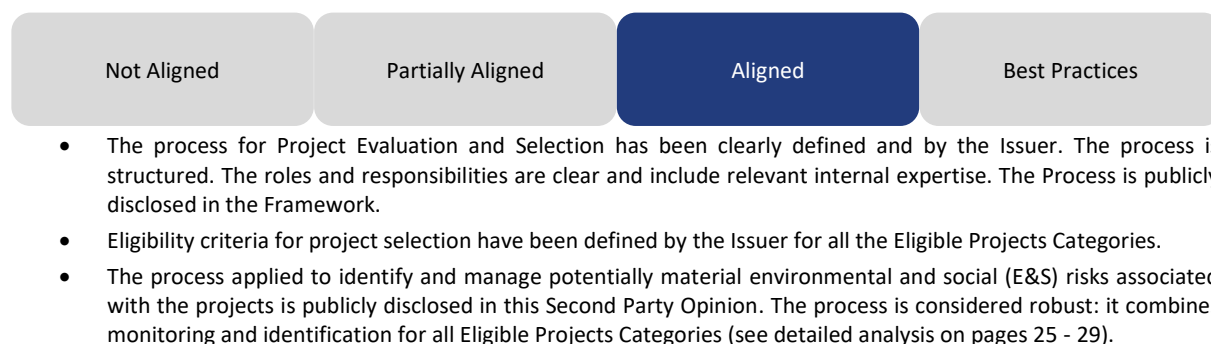
²⁸ <https://www.who.int/roadsafety/en/>

SDG Contribution

The Eligible Categories are likely to contribute to seven of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Advanced Safety and Driver assistance system, automated driving technologies	 3 Good Health and Well-Being	3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents.
Assisted mobility vehicles		
Sustainable water and wastewater management	 6 Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.
Renewable energy	 7 Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix. 7.3 Double the global rate of improvement in energy efficiency.
Energy efficiency		
Sustainable water and wastewater management	 9 Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Energy efficiency		
Assisted mobility vehicles	 11 Industry, Innovation and Infrastructure	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.
Sustainable water and wastewater management	 12 Responsible Production and Consumption	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Reuse and recycle		
Clean transportation	 13 Climate Action	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Renewable energy		

Evaluation and Selection of Eligible Projects



Process for Project Evaluation and Selection

- For the purpose of the Bonds, the following departments will cooperate and decide on the following items for the projects which the proceeds from the issuance of the sustainable Bonds will be allocated:
 - Finance Division
 - Sustainability Planning Division
 - Environment Planning Division
 - Safety Planning Division
 - Accounting Division and other relevant departments
- These departments are responsible for:
 - Evaluating the compliance of proposed projects with eligibility criteria throughout the life of the Bonds based on the policy of considering projects to be eligible only if it has positive long-term effects on the environment/society.
 - Monitoring the Eligible Projects with the eligibility criteria during the lifetime of the Bond. These departments will be responsible for replacing Eligible Projects if it no longer meet the eligibility criteria.
 - Checking the content of the Sustainable Finance Framework and upgrading if any changes occur with regards to Honda's business strategy, technology, and market developments.
 - Monitoring ESG controversies

- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
 - For Monitoring of Eligible Projects, Finance Division and Sustainability Planning Division will check the eligibility of the projects yearly throughout the lifetime of the Bond. In case the project is no longer eligible, the Issuer will allocate to other Eligible Projects as soon as possible.
 - For Monitoring of E&S controversies, the Issuer reports that it will monitor potential E&S controversies associated with the financed projects throughout the life of the Bonds without providing details on frequency and content. The Issuer reports in case of divestment, and the proceeds will be allocated as soon as possible to other Eligible Projects.
 - The decision-making process will be traceable through internal approval documents.

An area for improvement is to specify how (frequency and content) the Issuer will monitor potential ESG controversies.

Eligibility Criteria

The process relies on explicit eligibility criteria (selection & exclusion), relevant to the environmental and social objectives defined for the Eligible Categories.

- The selection criteria is based on the definitions in the Eligible Categories defined Table 1 in the Use of Proceeds section.
- For “Clean Transportation”, “Energy Efficiency”, and “Reuse and Recycle” projects, the Issuer commits to limit the production of products with CO2 emissions lower than 50gCO2 per p-km until 2025 and 0gCO2 per p-km beyond 2025.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined, and is publicly available in the Framework.
- The allocation period will be 36 months or less.
- The net proceeds of the Bond will be placed in the General Treasury and tracked and monitored by the Issuer in an appropriate manner.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed within the Framework.
- For as long as the Bond is outstanding, the Issuer has committed to periodically adjust the balance of tracked net proceeds to match allocations to Eligible Projects.
- The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and has committed to reallocate divested proceeds to projects that comply with the Bond Framework within 12 months.

Management Process

- The Finance Division will manage the proceeds in general account, and will track and monitor the net proceeds from the Bond.
- In case the Eligible Projects portfolio is smaller than the Bonds' net proceeds outstanding, Honda Motor Company has committed to adjust the gap yearly.
- The unallocated funds would be held within Honda Motor Company's treasury account as cash or cash equivalents.
- In case of projects postponement, cancelation, divestment or ineligibility, the Issuer has committed to replace the no longer Eligible Project by a new Eligible Project within 12 months.

BEST PRACTICES

- ⇒ The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the framework within 12 months.

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds on an annual basis, until full allocation and on a timely basis in case of material developments. The report will be publicly available on the Issuer's website.
- The Issuer has committed to include in the reports relevant information related to the allocation of Bond proceeds and the expected sustainable benefits of the Eligible Categories.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Categories will not be publicly disclosed.
- The tracking and allocation of funds to Eligible Categories will be verified only internally by the Issuer. The reporting on environmental and social benefits of the Eligible Categories will be verified internally by the Issuer.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are clear and relevant.

REPORTING INDICATORS

The Issuer will report on below on the condition that some information remain sealed for reason of confidentiality and to the extent feasible:

- ⇒ The list of Eligible Projects (re)financed, including a brief description of Eligible Projects
- ⇒ The amount of allocation for each Eligible Project at category level
- ⇒ The proportion of financing vs refinancing (%)
- ⇒ The balance of the unallocated proceeds
- ⇒ Management of temporary unallocated proceeds

- Environmental and social benefits: The indicators selected by the Issuer to report on the environmental/social benefits are clear and relevant.

VALUE HONDA AIMS TO PROVIDE	ELIGIBLE CATEGORIES	ENVIRONMENTAL AND SOCIAL BENEFITS INDICATORS	
		OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Zero environmental impact of not only our products but the entire lifecycle including our corporate activities	Clean Transportation	<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 	<ul style="list-style-type: none"> - Reduction in CO₂ emissions (CO₂- t)
	Renewable Energy	<ul style="list-style-type: none"> - Annual amount of renewable energy consumed (TJ) 	<ul style="list-style-type: none"> - Reduction in CO₂ emissions (CO₂- t)
	Energy Efficiency		<ul style="list-style-type: none"> - Reduction amount of power consumption (kWh/year) - Reduction in CO₂ emissions (CO₂- t)
	Reuse and Recycle	<ul style="list-style-type: none"> - Recycling amount - Recycling rate 	<ul style="list-style-type: none"> - Reduction amount of waste disposal (%) - Reduction in CO₂ emissions (CO₂- t)
	Sustainable Water and Wastewater Management		<ul style="list-style-type: none"> - Reduction in amount of water use (%)
Realization of Collision-free Society	Assisted Mobility Vehicles Advanced Safety and Driver Assistance System / Automated Driving Technologies	<ul style="list-style-type: none"> - Number of assisted mobility vehicles produced and/or sold, and/or proportion of such vehicles sold to overall car sales - 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 	N/A

Area for improvements include:

- Commit to external verification of the tracking and allocation of funds to Eligible Projects, as well as of the indicators used to report on environmental and social benefits of the Eligible Categories

- Commit to disclose the methodology and assumptions used to report on environmental/social benefits of the Eligible categories/projects/assets at least to investors-bondholders

BEST PRACTICES

- ⇒ The issuer report will be publicly available.
- ⇒ The issuer will report on allocation of proceeds and on environmental and social benefits at project level.

Contribution to sustainability

Expected Impacts

The potential positive Impact of the Eligible Projects on environmental and social objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Clean Transportation	ADVANCED	<p>The transportation sector is said to be responsible for 24% of direct CO₂ emissions from fuel combustion, of which road vehicles account for nearly three-quarters of the transport CO₂ emissions.</p> <p>The Eligible Projects within this category include the manufacturing of BEV, FCV, Electric motorcycles, and Charging infrastructures. The Eligible Projects are expected to have a positive environmental impact by reducing the CO₂ emitted from the vehicles, benefiting the entire society, and will contribute to climate change mitigation. The eligibility criteria defined for eligible technologies falling under this category are in line with the most stringent international standards available in the sector to contribute to the claimed objective of climate mitigation.</p> <p>Of note, the Use of Proceeds within this Eligible Category include the construction of buildings for the manufacturing of zero-emission vehicles parts and Issuer intends to obtain ISO 14001 certification. The issuer confirmed that the building will be exclusively used for the production of vehicles and motorcycles with CO₂ emissions of less than 50gCO₂ per p-km until 2025 and 0gCO₂ per p-km beyond 2025.</p> <p>Therefore V.E considers the overall impact of the Eligible Category to be advanced.</p>
Renewable Energy	ROBUST	<p>The CO₂ emission during the production phase is another issue faced by the sector. According to European Parliament, the CO₂ emission in the production phase is said to be higher for electric vehicles than internal combustion engine vehicles²⁹.</p> <p>The Eligible Projects within this category aims to reduce the CO₂ emission in the production phase by shifting towards renewable energy source both onsite and through purchase agreement such as PPA/VPPA. The Eligible Projects is expected to have positive environmental impact by reducing the CO₂ emitted in the production phase, benefiting the entire society, and will contribute to the climate change mitigation.</p>
Energy Efficiency	ROBUST	<p>The CO₂ emission during the production phase is another issue faced by the sector. According to European Parliament, the CO₂ emission in the production phase is said to be higher for electric vehicles than internal combustion engine vehicles³⁰. Furthermore, according to the Multidisciplinary Digital Publishing Institute (MDPI) ²², energy consumption to produce a vehicle was calculated as 62 GJ (41.8 MJ/kg of vehicle).</p> <p>The Eligible Projects within this category will enable the shift towards energy-efficient equipment that includes but not limited to lighting and heating system at the plants and offices with an energy efficiency level that is aligned to international standards. The Eligible Projects are expected to have positive environmental impact by reducing the CO₂ emissions in the production phase, benefiting the entire society, and will contribute to climate change mitigation. The Issuer confirmed that the production at facilities will be limited to final products which emit less than 50gCO₂ per p-km by 2025 and 0gCO₂ per p-km beyond 2025, reducing the potential negative impact caused by the high-emitting vehicles produced.</p>

²⁹ <https://www.europarl.europa.eu/news/en/headlines/society/20190313STO31218/co2-emissions-from-cars-facts-and-figures-infographics>

³⁰ <https://www.europarl.europa.eu/news/en/headlines/society/20190313STO31218/co2-emissions-from-cars-facts-and-figures-infographics>

²² <https://www.mdpi.com/>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Reuse and Recycling	ROBUST	<p>The Eligible Projects will have positive environmental impact as it contributes to the reduction in waste from the disposal of end-of-life vehicles, which is the material environmental issue faced by the sector. The governments implement laws and regulations related to the disposal of end-of-life vehicles and promote recycling and reuse.</p> <p>The Eligible Projects within this category include the recycling of main parts of the vehicles, such as batteries, bumpers, aluminium, and harness. In order to reduce the amount of waste and to reach a 100% circular/resource-recycling economy by 2050, the Issuer will conduct R&D and capital expenditure to enhance the recycling of vehicles and reuse of its parts.</p> <p>Furthermore, the Issuer targets to reduce the CO₂ emission involved in the recycling process by using renewable energy sources.</p> <p>The recycling of end-of-life materials is said to account for c.3-5% of lifecycle emissions³² and thus the reduction in CO₂ emission in the disposal phase will have positive environmental impact.</p> <p>The Issuer also confirmed that the recycled parts will be used for final products with CO₂ emissions lower than 50gCO₂ per p-km until 2025 and 0gCO₂ per p-km beyond 2025.</p>
Sustainable Water and Wastewater Management	ROBUST	<p>The Eligible Projects will have positive environmental impact as it contributes to the protection of water resources, which is the material environmental issue faced by the sector. The automobile industry is one of the most water-consuming industries, coming mainly from the production process as well as pre-treatment which is among the most water-intensive processes within the plant. On average, producing just one average-sized car requires over 39,000 gallons of water.³³</p> <p>Honda utilizes about 4.8 million cubic meters of water each year, of which 20% is in manufacturing processes.³⁴</p> <p>In order to reduce the amount of usage and waste, the Issuer will conduct R&D as well as capital expenditure to increase reuse of water as well as the reduction in water abstraction. However, the Eligible Projects might include an increase of CO₂ emissions in the Issuers operations.</p>
Assisted Mobility Vehicles	ADVANCED	<p>The Eligible Projects will have positive social impact by providing mobility to the elderly as well as people with disabilities. Mobility has always been a challenge for the elderly and people with disabilities. A WHO study concluded that "If good quality door-to-door public transport is not available for the elderly, then the use of private cars remains their safest option for "getting around".³⁵ Furthermore, a lack of mobility is associated with debilitating health, confidence and depression.³⁶</p> <p>The Eligible Projects under this category project can facilitate the use both as a passenger (with wheelchair) and a driver, enabling safe mobility for those with limited physical capabilities and responding to different needs³⁷. The system of subsidies and tax exemption is in place by the Japanese Government and Municipalities to facilitate access to such vehicles. While it is important to acknowledge the potential negative impact from GHG emissions from these vehicles, this category demonstrates positive social impact by empowering the elderly and handicapped population to achieve independence and mobility.</p>
Safety Technology	ROBUST	<p>The Eligible Projects will bring overall positive impacts to the countries in which HONDA operates by R&D and manufacturing of "Honda SENSING"³⁸ as well as world's first advanced future safety technologies including "Intelligent Driver-Assistive Technology" and "Safe and Sound Network Technology"⁴⁰. According to test result by the FARS verification,</p>

³² <https://www.mckinsey.com/business-functions/sustainability/our-insights/the-zero-carbon-car-abating-material-emissions-is-next-on-the-agenda>

³³ <https://www.automotiveworld.com/articles/water-water-everywhere-vehicle-manufacturing/>

³⁴ https://global.honda/content/dam/site/global/about/cq_img/sustainability/report/pdf/2021/Honda-SR-2021-en-all.pdf

³⁵ <https://www.who.int/publications/i/item/world-report-on-road-traffic-injury-prevention>

³⁶ <https://www.health.harvard.edu/blog/two-questions-can-reveal-mobility-problems-in-seniors-201309186682>

³⁷ <https://www.honda.co.jp/welfare/>

³⁸ <https://automobiles.honda.com/sensing#sensinglineup>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		<p>these are effective in reducing the number of accidents for a majority of the time.</p> <p>Road traffic incidents are the leading cause of death for children and young adults between 5 and 29 years old, and 90 per cent of victims live in low- and middle-income countries. Unless countermeasures are implemented, traffic fatalities are predicted to become the seventh leading cause of accidental death by 2030.³⁹</p> <p>WHO emphasizes the important role that automakers must play as well as their collaboration with the governments in order to reduce road traffic accidents.</p> <p>Although cars with Honda SENSING are sold in all countries in which Honda has a market share, the number of these cars sold in the countries with the highest traffic death rate remains currently relatively low compared to the rest of the Honda markets.⁴⁰</p> <p>In order for a social project to be deemed beneficial, it is important for the Issuer to demonstrate that the most vulnerable population is given priority to the services offered by the project. According to the findings by WHO, nearly 80% of the top 30 countries with the highest traffic death rate are in Sub-Saharan Africa and therefore V.E considers these to be the most vulnerable countries.⁴⁰</p> <p>Honda has disclosed the strategy for increasing access of Honda SENSING in countries with the highest traffic death rate. This strategy includes specific country level strategies that tackles the local challenges. More specifically, Honda plans to achieve these targets by reducing the cost of costly components. Lastly, Honda also plans to conduct R&D in order to optimize its advanced safety technologies according to the needs of the Sub-Saharan region as well as other vulnerable countries where there are currently limitations to broader use (e.g. due to challenging road conditions).</p> <p>Given the Issuer's strategy for vulnerable countries which aims to increase the availability of vehicles with safety technology as well as to improve its affordability, we consider the overall impact of the eligible category to be robust. While such a strategy appears promising, it is important to acknowledge that the challenges will remain in providing access to enough people in order to make a significant impact in reducing the traffic death rate.</p>
OVERALL ASSESSMENT		ROBUST

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust⁴¹.

³⁹ <https://www.who.int/publications/i/item/9789241565684>

⁴⁰ "Estimated road traffic death rate per 100 000 population" (<https://www.who.int/publications/i/item/9789241565684>)

⁴¹ The "X" indicates the E&S risks that have been activated for each Eligible Category.

	ELIGIBLE PROJECTS CATEGORIES						
	CLEAN TRANSPORTATION	RENEWABLE ENERGY	ENERGY EFFICIENCY	REUSE AND RECYCLE	SUSTAINABLE WATER AND WASTEWATER MANAGEMENT	ASSISTED MOBILITY VEHICLE	ADVANCED SAFETY AND DRIVER ASSISTANCE SYSTEM/AUTOMAT ED DRIVING
Environmental Management and Impact Assessment	X	X	X	X	X	X	X
Energy Use and GHG Emission Reduction	X	X	X	X	X	X	X
Pollution Prevention and Control	X	X	X	X	X	X	X
Eco-design and Waste Management	X	N/A	N/A	X	X	X	X
Fundamental Human and Labour Rights	X	X	X	X	X	X	X
Health, Safety of Workers and Working Environment	X	X	X	X	X	X	X
Responsible Relationship with Suppliers	X	X	N/A	N/A	N/A	X	X
Responsible Relationship with Customers	X	N/A	N/A	N/A	N/A	X	X
Business Ethics	X	X	X	X	X	X	X
OVERALL ASSESSMENT	Robust	Robust	Robust	Robust	Robust	Robust	Robust

Environmental Management and Impact Assessment

Honda's existing global vehicle assembly and product assembly plants have acquired ISO14001, and intends to obtain for new factories under construction as well as those planned in the future. Established in 1995, the World Environmental Committee

is assumed responsible for discussing and formulating plans for environmental protection activities worldwide. The decision made by the Committee is shared to World's Six Region Environment Committee, and then each six divisions formulate action plans and implements them.

With regards to environmental impact assessment, the Issuer established Honda Life-Cycle Assessment (LCA) Data System to quantify the CO₂ emission from all business activities. Based on the assessment, each division including production, purchasing, sales and service, administration and transportation sets emission reduction targets. Additionally, the Issuer also reports to assess the life cycle emission of each product to reduce its environmental impact.

In terms of water management, Honda is making an ongoing effort including consideration of installing full recycling systems that allow reuse of almost 100% of all water at some factories. Such efforts will continue in order to achieve 100% of circular water by 2050.

Energy Use and GHG Emission Reduction

The Issuer has established Triple Action to ZERO, a corporate initiative to achieve a recycling-based society with zero environmental impact. The initiative is based on three elements that are:

1. Carbon Neutrality: achieving net-zero by 2050
2. Clean Energy: 100% utilization of carbon-free energy
3. Resource Circulation: 100% use of sustainable materials

Furthermore, Honda carried out the following three initiatives since 2020 which laid the foundation for ultimately reaching net-zero in 2050.

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

The Issuer does not communicate on the monitoring system in place with regards to CO₂ emissions of its business activities.

Pollution prevention and control

The Issuer reports to comply with environmental assessment laws and regulations for plants and also follows applicable laws and regulations for the treatment of wastewater. Furthermore, the Issuer conducts quality control of wastewater and discloses its result.

In order to eliminate harmful substances in exhaust emissions from the tailpipe in the usage phase, Honda's engines of all commercial motorcycles have been switched to four strokes, with fuel injection (PGM-FI) being applied to at least 80% of models sold worldwide. Reduction of VOC emissions such as through the introduction of a highly efficient paint process using robots; overhaul and increased recovery rate of thinners are used for cleaning; and installation of equipment to incinerate and purify VOC. In addition to these efforts, Honda also introduced Honda Smart Ecological Paint that eliminates a middle coating process from a commonly used 4-coat/3-bake auto body painting process to realize a 3-coat/2-bake water-based painting process.

However, the Issuer has not communicated the corrective measures taken in case of incidents related to pollution occur.

Eco-design and waste management

In terms of eco-design of its products, the Issuer mainly focuses on developing the technologies to limit air pollution as well as hazardous substances. For automobiles, the Issuer expands models that are compliant with California emissions standards, namely Low Emission Vehicle ("LEV") 3 and Super Ultra Low Emissions Vehicle ("SULEV") 3 emissions. For motorcycles and power products, the Issuer improved the combustion efficiency and developed Honda Mobile Power Pack.

In terms of waste management, the Issuer implemented measures to reduce the use of resources effectively during the development phase, including:

- 3R Pre-Assessment System, that assesses whether the waste from the final products can be Reduced, Reused, and Recycled;
- Design Focusing on Reduction, that is downsizing and reducing the weight of components for reducing the waste
- Design Focusing on Reuse/Recycling, that is developing the design and using the recyclable and recycled materials

During the usage and end-of-life stage, the Issuer focuses on proper waste management as well as recycling. The Issuer collects end-of-life components generated from repair and replacement, such as bumpers and hybrid vehicles drive batteries. With regards to the disposal, the Issuer follows The Act on Recycling, etc., of End-of-Life Vehicles (automobile recycling law) for automobiles and also collects the motorcycles voluntary.

Fundamental Human and Labour Rights

At the corporate level, the Issuer has included the basic policy on human rights in the Honda Code of Conduct. The approach towards human rights as well as labour rights in the workplace is formulated in the Associate Relations Policies, and based on 5 core policies that are :

1. Respecting individual human rights including the prohibition of forced labour and child labour
2. No discrimination
3. Complying with laws and ordinances
4. Creating an environment of free, open-minded dialogue
5. Maintaining a working environment where each associate can work with a sense of security.

The Issuer conducts an assessment on the compliance with Associate Relations Policies yearly for all local subsidiaries, including joint ventures. Additionally, all employees are made aware of such policies by receiving training and the Policies are shared online with all employees. In case of violations, the employee can report to the internal reporting system named "Business Ethics Kaizen Proposal Line", supervised by the Compliance Committee.

Health, safety of workers and working environment

The Issuer has established Occupational Safety and Health Management System (OSHMS) based on Occupational Health and Safety Assessment Series (OHSAS) and ISO45001. Following the System, the Issuer has set up Health and Safety Audit Committee to conduct the safety and health audit. The Committee is responsible to check on the following elements:

- Whether the OSHMS is operated in the workplace;
- Whether safety and accident recurrence prevention measures are incorporated into routine safety and health activities;
- A system and its operation to ensure continuous horizontal deployment of OSHMS measures among workplace;
- The implementation and management status of various requirements following revision to relevant laws

The health and safety of the workplace is also included in the Honda Code of Conduct and the Issuer also conducts yearly assessments on employee engagement to promote a working environment where each employee fulfils their reason to work. The career training is in place for the career development of each employee.

Responsible Relationship with Suppliers

The Issuer has set Honda Supplier Sustainability Guidelines based on CSR Guidelines by Japanese Automobile Manufacturers Association and Sustainability Guiding Principles by AIAG CSR Europe to prevent compliance issues and reduce environmental impact across the supply chain. The Guidelines is based on 5 core elements:

1. Ensure product safety and quality;
2. Respecting human rights, including no discrimination and assuring safe working environment;
3. Environment, i.e., reducing the environmental impact throughout the lifecycle of all products;
4. Compliance with laws and social norms;
5. Disclosure to assure the transparency

With regards to the environment, the Issuer has also separately established Honda Green Purchasing Guidelines. The Guidelines apply to all suppliers for parts, materials, indirect materials, accessories, service parts and logistics. Furthermore, the Issuer also encourages suppliers to establish an environmental management system by ISO14001, or other equivalent certification system approved by a third party as well as environmental management system structure for business areas and products. Other elements requested to the suppliers include:

- GHG Emissions Reduction;
- Environmental Preservation of Air, Water, and Soil;
- Effective Utilization of Resources and Waste Reduction;

- Chemical Substances Management;
- Environmentally Friendly Products Development;
- Biodiversity Conservation

In case of failure to comply with the Guidelines, the supplier will be required to report to the Issuer and to take a corrective action plan.

Responsible Relationship with Customers

With regards to the product safety and its quality, the Issuer implements quality assurance measures and conducts safety tests during each production phase, including planning and development, production preparation, production, sales and service, and quality information collection/analysis, and quality improvement.

The Eligible Category, Advanced Safety and Driver Assistance System/Automated Driving Technologies is also one of the initiatives taken by the Issuer to enhance the product safety, as the Issuer targets to reach zero traffic collision fatalities by 2050. The Issuer also conducts education and awareness-building activities.

In case of product quality failure, the Quality Innovation Center in Tochigi prefecture in Japan will be responsible to analyse, investigate, and provide feedback on the issue.

With regards to the customer relationship, the Issuer established the Customer First Operations division, which aims to maximize customer satisfaction. The Division is responsible to ensure the quality of basic services provided to the customer including the expansion of the after-sales service business, as well as managing legal compliance, safety, and local disposal to eliminate the risks related to the conservation of natural resources and disposal of waste. Additionally, the Issuer conducts a customer satisfaction survey and handles all inquiries from the customers at the Customer Relations Center.

Business ethics

At the corporate level, the Issuer includes business ethics within the Honda Code of Conduct, including the prohibition of bribery and corruption, and has separately established the Prevention of Bribery and Corruption Policy, which specifies compliance items and prohibited items. In case of violations, the employee can report to the internal reporting system named "Business Ethics Kaizen Proposal Line", supervised by the Compliance Committee.

The Compliance Committee is composed of the Compliance Officer, Executive Officers and other executives appointed by the executive council. The Committee is responsible for decision making on internal control system measures and managing the internal reporting system. In case of material issues related to compliance, the incidents are reported by the Committee to the Executive Council or the Board of Directors and discussed.

ISSUER

Honda Motor Co., Ltd. engages in the manufacture and sale of automobiles, motorcycles, and power products.

Management of ESG Controversies

As of December 2021, Honda Motor Corporation faces 12 stakeholder related ESG controversy, linked to five of the six domains we analyse:

- Business behaviour, in the criteria of “responsible customer relations”, “product safety”, “information to customers”, “anti-competitive practices”, “responsible lobbying”, “supplier relations”
- Corporate governance, in the criteria of “audit & internal controls”
- Environment, in the criteria of “atmospheric emissions”
- Human rights, in the criteria of “fundamental human rights”
- Human resources, in the criteria of “reorganisation”

Frequency: On average the controversies are considered to be “frequent”²³; above the sector average.

Severity: The severity of their impact both on the company and its stakeholders is considered “critical”²⁴; above the sector average

Responsiveness: Honda Motor Company is considered overall “reactive”²⁵ to the controversies; in line with the sector average.

Involvement in Controversial Activities

The Issuer appears to be involved in 1 of the 17 controversial activities screened under our methodology, namely: Alcohol. The Issuer is involved in production or distribution of alcoholic beverages.

The involvement in alcoholic beverage is derived from the sales of alcoholic beverages of Honda Motor’s group company, “Honda Kaihatsu”, which owns and manages hotels, restaurants and cafes.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

²³ VE scale of assessment: Isolated / Occasional / Frequent / Persistent.

²⁴ VE scale of assessment: Minor / Significant / High / Critical.

²⁵ VE scale of assessment: Non-communicative / Reactive / Remediative / Proactive.

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and the Social Bond Principles - June 2021 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process is assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental objectives

The expected positive impact of activities on environmental objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity;²⁶
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders);
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) the extent to which the activity is adopting the best available option.

ESG risk management for eligible activities

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of Stakeholder Related ESG Controversies

V.E defines a controversy as public information or contradictory opinions from reliable sources that incriminate or make allegations against an issuer regarding how it handles ESG issues as defined in V.E ESG framework. Each controversy may relate to several facts or events, to their conflicting interpretations, legal procedures or non-proven claims.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- Frequency: reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- Severity: the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- Responsiveness: ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in Controversial Activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.

²⁶ The importance of a specific social need at country level is assessed on the basis of the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press.

- The specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance or strategy and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and/or Social Bond and Loan Principles	
Advanced	Advanced commitment; strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved; fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted a majority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible; no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and/or Social Bond Principles and/or of the Loan Market Association's Green Loan Principles.

STATEMENT ON V.E' S INDEPENDENCE AND CONFLICT-OF-INTEREST POLICY

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for Honda Motor Corporation. No established relation (financial or commercial) exists between V.E and Honda Motor Corporation. Independence, transparency, quality and integrity requirements are all formalised within our Moody's Code of Conduct.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bonds, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer. The Issuer is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer shall determine in a worldwide perimeter. The Issuer has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall only be used in the frame of the contemplated concerned bond (s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.

DISCLAIMER

© 2022 Vigeo SAS and/or its licensors and subsidiaries (collectively, "V.E"). All rights reserved.

V.E provides its customers with data, information, research, analyses, reports, quantitative model-based scores, assessments and/or other opinions (collectively, "Research") with respect to the environmental, social and/or governance ("ESG") attributes and/or performance of individual issuers or with respect to sectors, activities, regions, stakeholders, states or specific themes.

V.E'S RESEARCH DOES NOT ADDRESS NON-ESG FACTORS AND/OR RISKS, INCLUDING BUT NOT LIMITED TO: CREDIT RISK, LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. V.E'S ASSESSMENTS AND OTHER OPINIONS INCLUDED IN V.E'S RESEARCH ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. V.E'S RESEARCH: (i) DOES NOT CONSTITUTE OR PROVIDE CREDIT RATINGS OR INVESTMENT OR FINANCIAL ADVICE; (ii) IS NOT AND DOES NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES; AND (iii) DOES NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. V.E ISSUES ITS RESEARCH WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

V.E'S RESEARCH IS NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE V.E'S RESEARCH WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. V.E'S RESEARCH IS NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT V.E'S PRIOR WRITTEN CONSENT.

ALL INFORMATION CONTAINED HEREIN IS OBTAINED BY V.E FROM SOURCES BELIEVED BY IT TO BE ACCURATE AND RELIABLE. BECAUSE OF THE POSSIBILITY OF HUMAN OR MECHANICAL ERROR AS WELL AS OTHER FACTORS, HOWEVER, ALL INFORMATION CONTAINED HEREIN IS PROVIDED "AS IS" WITHOUT WARRANTY, EXPRESS OR IMPLIED, OF ANY KIND, INCLUDING AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE. V.E IS NOT AN AUDITOR AND CANNOT IN EVERY INSTANCE INDEPENDENTLY VERIFY OR VALIDATE INFORMATION IT RECEIVES.

To the extent permitted by law, V.E and its directors, officers, employees, agents, representatives, licensors and suppliers (together, "V.E Parties") disclaim liability to any person or entity for any (a) indirect, special, consequential, or incidental losses or damages, and (b) direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded); on the part of, or any contingency within or beyond the control of any V.E Party, arising from or in connection with the information contained herein or the use of or inability to use any such information.

Additional terms For PRC only: Any Second Party Opinion, Climate Bond Initiative (CBI) Verification Report or other opinion issued by V.E: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

Additional terms for Hong Kong only: Any Second Party Opinion or other opinion that falls within the definition of "advising on securities" under the Hong Kong Securities and Futures Ordinance ("SFO") is issued by Vigeo Eiris Hong Kong Limited, a company licensed by the Hong Kong Securities and Futures Commission to carry out the regulated activity of advising on securities in Hong Kong. This Second Party Opinion or other opinion that falls within the definition of "advising on securities" under the SFO is intended for distribution only to "professional investors" as defined in the SFO and the Hong Kong Securities and Futures (Professional Investors) Rules. This Second Party Opinion or other opinion must not be distributed to or used by persons who are not professional investors.