

1. Background

All the businesses of Honda are guided by the two fundamental beliefs derived from the Honda Philosophy, namely:

- *Respect for the Individual, and*
- *The Three Joys*

Thus, Honda Philosophy emphasizes the obligations we have towards our customers, suppliers /dealers and communities, to society and to each other.

HMSI is committed to **conducting business fairly and honestly**.

Our aim is to have our customers and society, as well as our shareholders and investors, place even greater trust in us and to ensure that Honda is striving to be **“A company that society wants to exist by sharing joys with people throughout the world.”**

Therefore, **Honda Corporate Governance (HCG)** has been established. It ensures, commitment to values and ethical conduct of business, transparency in business transactions, statutory and legal compliances, adequate disclosures, effective decision-making to achieve corporate objectives.

1.1. **Outline of HCG:**

During the implementation of HCG, following actions were taken to ensure that a company is governed in the best interest of all stakeholders:

- 1.1.1. Establishment of Code of Conduct (i.e. Honda Conduct Guideline)
- 1.1.2. Establishment of Internal Audit System
- 1.1.3. Formation of HCG Management Organization
- 1.1.4. HCG Self Verification System
- 1.1.5. Establishment of “Business Ethics Proposal Line”, a Vigil Mechanism.

2. Business Ethics Proposal Line – Vigil Mechanism Policy

HMSI is committed to the highest possible standards of ethical, moral and legal business conduct. In line with HMSI’s commitment to open communication and transparency, the Business Ethics Proposal Line (BEPL) has been established with the aim to provide an avenue for directors and associates to raise concerns.

The Companies Act, 2013, vide section 177, has also made it mandatory for certain class of companies to establish a “Vigil Mechanism” in order to provide an avenue to the Directors and employees to report genuine concerns. Accordingly, HMSI has aligned its existing BEPL in accordance with the requirement of the Companies Act 2013 and re-named it as **“Business Ethics Proposal Line – Vigil Mechanism Policy”**

The Policy aims at giving reassurance that complainant (Whistle Blower) will be protected from reprisals or victimization. Anyone can report workplace malpractice without any fear of reprisal or action.

2.1. Scope

The Business Ethics Proposal Line - Vigil Mechanism Policy is intended to cover serious concerns that may have large impact on HMSI like:

- 2.1.1.** Violation of Laws;
- 2.1.2.** Incorrect data/MIS related to critical/significant Divisional activities/responsibilities;
- 2.1.3.** Gross waste or misappropriation of funds
- 2.1.4.** Actions not in line with company Policy, including the Code of Conduct or Ethics.
- 2.1.5.** Substantial and specific danger to associate safety and health.
- 2.1.6.** Otherwise amount to serious improper conduct.

Sometimes concerns reported may not be constituted as an improper conduct. The preliminary investigation assesses whether or not these appear to be an improper activity. However, just because an investigation is not launched doesn't mean that the complaint won't be looked into. It might be referred to Human Resource or other appropriate Department/Division/Operation for review rather than investigation.

2.2. Methods of Reporting Concerns

Investigation may not be possible unless sufficient and specific factual information is provided. Complainant (Whistle Blower) must show sufficient factual grounds for concern. However, someone should not obtain evidences beyond his/her right of access and shouldn't do their own investigation. Complainant (Whistle Blower) is not expected to prove the truth of an allegation.

Although there is no timeline defined for reporting the concerns but it should be reported as soon as there is enough evidence to make a good faith report. The tools of reporting concerns are:

- E-mail at "bepl@honda2wheelersindia.com",
- Drop concerns/issues in BEPL boxes located at several locations in the Plants & HO,
- Letter can be written directly to President at:
Mr. Minoru Kato
President & CEO
Honda Motorcycle & Scooter India Pvt. Ltd.
Corporate Office, Commercial Complex II, Sector 49-50
Golf Course Extension Road, Gurgaon -122018 (Haryana)

2.3. Safeguards

- 2.3.1.** Harassment or victimization - Harassment or victimization of complainant (Whistle Blower) will not be allowed.
- 2.3.2.** Confidentiality - Protection of complainant's (Whistle Blower) identity to be ensured.
- 2.3.3.** Anonymous allegations - The policy encourages complainant (Whistle Blower) to disclose their names. Investigation may not be possible unless source of information is identified.
- 2.3.4.** Concerns expressed anonymously will also be investigated, but consideration will be given to:
 - The seriousness of the matter raised.
 - The creditability of the concern.
 - The likelihood of confirming the allegations.
- 2.3.5.** Malicious allegations - Malicious allegation may result in disciplinary action.

2.4. Resolution of Concerns

On monthly basis, BEPL boxes and E-mail ID will be checked and concerns will be collected and all the concerns received shall be presented to the Business Ethics Committee (BEC).

The Business ethics proposal line - Vigil Mechanism will be implemented through the establishment of a BEC Management which includes Chairman and Members.

BEC will decide based on the nature & information of the complaint whether it needs investigation or not. If investigation required, then a preliminary investigation will determine if a full investigation should be undertaken and by whom. Complainant (Whistle Blower) may be contacted for an interview if identity is disclosed.

A formal report will be submitted to the Chairman of BEC.

The BEC will decide the action based on outcome of the investigation and recommend to Board. Approved action to be submitted to HR through BEC.

The proceedings of the meetings shall be recorded in the minutes and shall be kept by the Internal Audit.

Further, if any concerns falling within the ambit of the scope as defined under clause 2.1 of this policy and received directly by any Department/Division/Operation, shall be referred to BEC and the matter shall be dealt as per this policy.

2.5. When Allegation will not be Investigated

2.5.1. Things that are not improper activities, but are personnel, labor relations or management issues; or

2.5.2. If after a Preliminary investigation, it appears that there is no improper conduct.

However, the complaint shall be referred to HR or other appropriate Department/Division/Operation for review rather than investigation.

3. Confidentiality

Confidentiality will be maintained to the extent possible within the limitations of HMSI Rules and Regulations and the legitimate needs of the investigation. Complainant's (Whistle Blower) identity will, of course, be known to personnel with a legitimate need to know in order to carry out an investigation.

BEC shall determine whether or not to treat an issue as a secret, according to the request of the complainant and the contents thereof. Even otherwise, the intention in each case should be to treat it as confidential.

BEC Members, Internal Audit, the complainant (Whistle blower), persons against whom complaint is being investigated, and other persons engaged in BEPL activities /process shall maintain secrecy in accordance with the previous provision as under:

3.1. Not discuss the matter in any informal/social gatherings/meetings;

3.2. Discuss only to the extent or with the persons required for the purpose of completing the process and investigations;

3.3. Not keep the papers unattended anywhere at any time;

3.4. Keep the electronic mails/files under password.

If anyone is found not complying with the above, he/she shall be held liable for such disciplinary action as is considered fit by the BEC.

4. Communication

Directors and associates shall be informed of the Policy through e-mails, putting up of Posters on the notice boards, regular awareness sessions, E-portal and the website of the Company.

5. Retention of Documents

All Protected disclosures in writing or documented along with the results of investigation relating thereto, shall be retained by the Company for a period of 8 (eight) years or such other period as specified by any other law in force, whichever is more.

6. Amendment

The Company reserves the right to amend or modify the Policy, at any time without assigning any reason. However, no such amendment would be binding unless same is notified to the Directors and Associates.