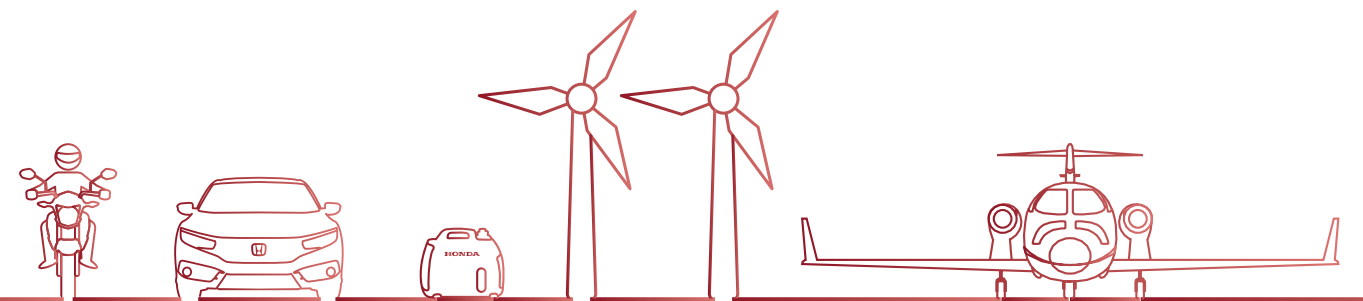


SUSTAINABILITY REPORT 2019

HONDA
The Power of Dreams





LETTER ON COVID-19

As this report is being published, the world is facing an unprecedented situation in recent history. The COVID-19 pandemic is profoundly changing the way we live, relate, and work, with new challenges arising every day.

Honda has been adapting its business management model to continue adding value to all its stakeholders and, in the midst of this scenario, has defined three priority guidelines.

The first and foremost was to ensure the health and safety of people, supported by the universal value of human life.

To this end, the company suspended production in all of its car and motorcycle plants in the region during the most acute phase of virus transmission and adopted home office for eligible activities. The gradual return of production activities followed the guidelines of the health authorities, with strict health protocols, developed based Honda's best global practices.

The second guideline has to do with the need to ensure business continuity, severely impacted by the pandemic.

At first, the focus was on ensuring liquidity and availability of resources to go through the most acute phase of the crisis. Subsequently, a complete revision of the short- and medium-term business plan was conducted in order to rapidly adapt to the new scenario.

Support for business partners to contribute to the continuity of the entire chain, composed of suppliers and dealers, was an essential initiative to guarantee the long-term sustainability of the operation.

The third guideline was to dedicate resources to contribute to the fight against the pandemic in the communities where the company operates. Honda worked in maintenance and repair of ventilators, in the production and donation of face shields, and donated products, food and medication to help, among others, the professionals directly involved in the fight against the disease.

This challenge can only be overcome with the collaboration of all individuals, public, and private entities, and Honda



FOREWORD

“A DREAM IS NEVER TOO BIG.”

Soichiro Honda

Behind the Honda brand there is an extraordinary story of a man and his dream. The son of a blacksmith and a weaver, Soichiro Honda was born in the fall of 1906, in the city of Hamamatsu, Japan. As a child, he spent long hours helping his father in the workshop where he repaired bicycles, a means of transport that became increasingly popular in the country at the beginning of the 20th century.

He was fascinated when he saw a motorcar for the first time and, from that point on, he started dreaming about the idea of building his own car. At the age of 15 he moved to Tokyo and started working in a mechanic shop. That's where, combining industrial and craft techniques, he had the opportunity to build his dream car, the “Curtiss.” The model was tested and approved for racing and, in 1924, won the Japan Motorcar Championship. Soichiro Honda was only 18 years old at that time.

At the age of 21, he returned to his hometown and worked in a mechanic shop until he had enough capital to open his own auto parts plant, where he started producing piston rings.

Soichiro Honda lived through two major wars and a conflict between China and Japan. After World War II, the country was completely devastated and he lost everything he had built because of the bombings and an earthquake that further shook the country.

One of the worst problems at that time was transportation. With the rationing of fuel and crowded trains, Soichiro Honda bought a batch of used motors for generators and adapted them on bicycles. That's how he started selling the first mopeds.

The production of motorcycles gradually improved and increased, cars became part of the production line and, little by little, factories were being installed throughout Japan and then in other countries and continents. The company's reputation grew, and today Honda Motor Company is one of the biggest names in the auto industry, known and respected worldwide.



Soichiro Honda passed away in 1991, but his dream lives on. Inspired by the power of dreams, the company seeks, through its products and services, to provide differentiated experiences to people. Honda's commitment is to provide joy and improve people's lives through mobility.

Thanks to the belief and perseverance of its founder, Honda is a global company with 71 years of history and has been active in South America for 48 years, where it produces, imports and markets motorcycles, automobiles, ATVs, and power products. In 2015, Soichiro's dream grew wings and the company started to market the HondaJet business jet, the most advanced on the market in its category.

Through Honda South America, the holding company responsible for all the group's operations in the region, the company has production units in Brazil, Argentina, and Peru, in addition to an import unit in Chile and more than 2,700 points of sale, which guarantees brand presence in the main cities in South America.

This report contains information and data on operations in South America in 2019. With it, Honda maintains a relationship of transparency with its audiences and provides information on the actions, projects and results achieved by its subsidiaries in the region. This is an important publication regarding the realization of Soichiro Honda's dream and the commitment of the company's operations to the global 2030 vision that Honda's products can further expand the joy of mobility and the potential of people's lives.

Enjoy your reading!



MESSAGE FROM THE ADMINISTRATION



LETTER FROM THE CEO

• GRI 102-14 •

Operating in South America for 48 years, Honda's priority has been to grow sustainably, with a focus on bringing joy to customers, business partners, and other audiences with whom we interact.

Our 2030 vision, formulated in 2017, is to maximize the potential of people's lives worldwide through our technologies and mobility solutions. We continue to move forward consistently to realize this vision.

In 2019, we positively impacted the lives of more than 1.3 million people in the region through our automobiles, motorcycles, power products and business planes. In the period, we were the largest vehicle manufacturer on the continent, in terms of number produced units. This is a major achievement that expresses the deep connection of the Honda brand with the region and the dimension of our social contribution.

Last year was especially challenging, given the constant changes in the business environment. Brazil remained on its path of slow and gradual recovery of its economy, after a long period of crisis, and important countries such as Argentina and Chile, experienced instabilities.

In addition, we faced profound transformations that are advancing globally, with ramifications on the entire automotive industry. Electrification, the introduction of autonomous driving technologies, connectivity, and the trend to consume mobility as a service, impose unprecedented challenges on brands.

The ongoing changes in the scenario require flexibility and agility to promote changes, adopt new priorities, and continually review the most relevant aspects of our strategy and operation.

However, throughout Honda's global trajectory, a core value has sustained our growth year after year and remains relevant in this changing scenario: respect for human beings. This value is the pillar of a corporate culture that places the customer at the center of decisions and that spares no effort in search of the superior quality of its products and services.



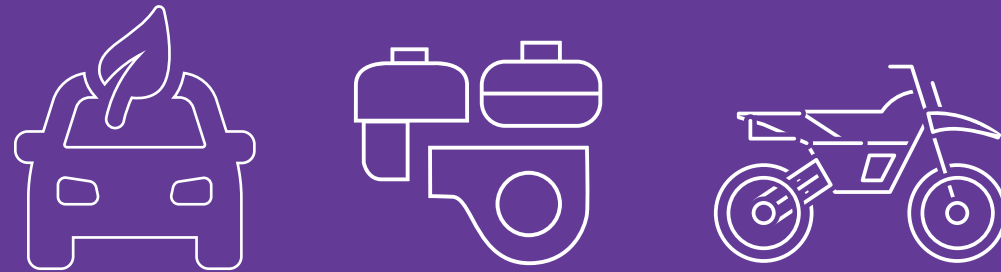
Respect for human beings is also the basis of the brand's commitment to environmental sustainability, reflected in the goals to reduce carbon emissions, along with traffic safety, which are fundamental aspects for the future of mobility.

This report is proof of this commitment and part of the responsibility we assume with the people and communities with which we relate. Here, we demonstrate how our teams work under the same philosophy, the advances in our strategies, and the shared belief in continuing to positively impact society for years to come.

I would like to take this opportunity to give a special thanks to all Honda employees. It is the dedication of each and every one of them that undoubtedly validates our slogan "The Power of Dreams." It is the spirit of unity, challenge and perseverance that make Honda, today, the largest vehicle manufacturer in South America.

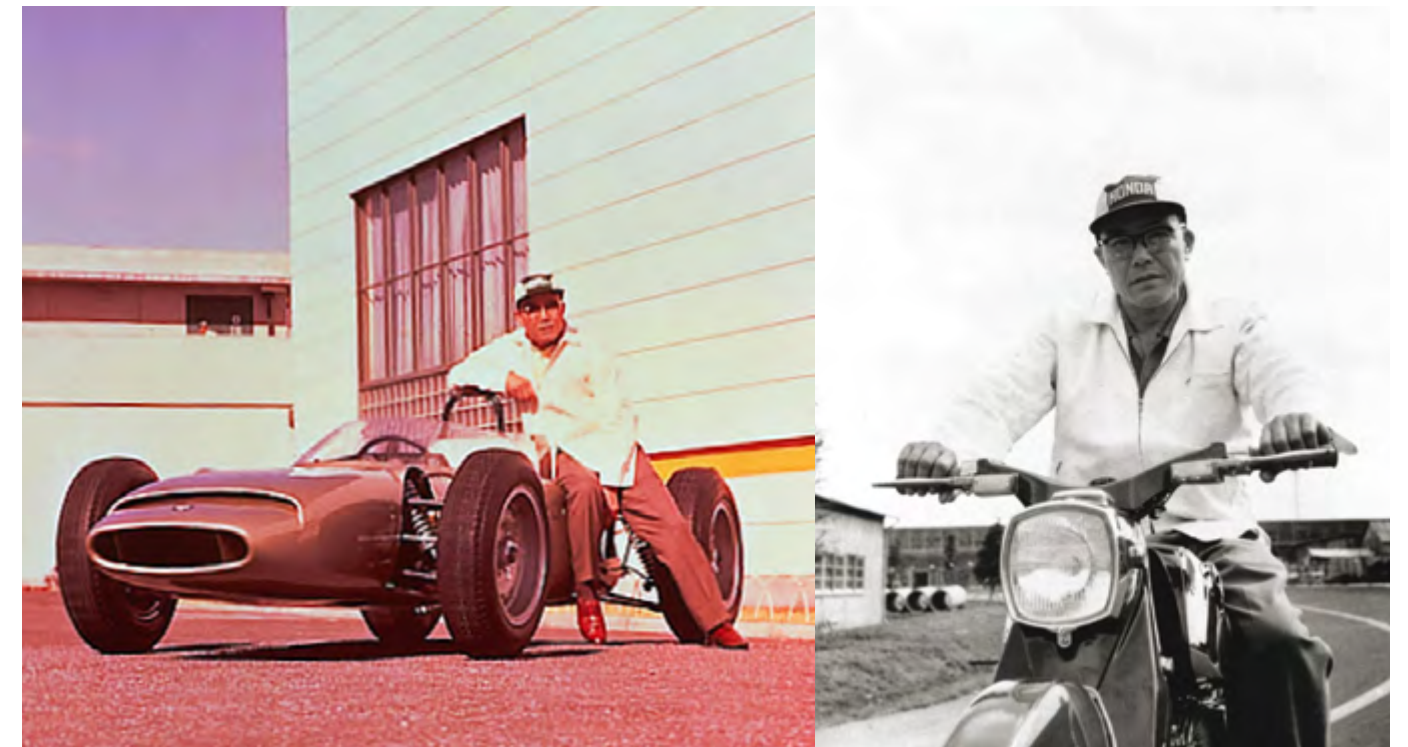
Thank you very much for your attention and enjoy your reading!

Issao Mizoguchi
CEO of Honda South America



SUSTAINABILITY STRATEGY

- Honda Philosophy
- Business Direction and Vision 2030
- Sustainability Strategy



Honda Philosophy

• 102-16 •

For Honda, one of the most inspiring tasks is to be able to disseminate and perpetuate a philosophy that has as premises “The Respect for the Individual” and the sharing of the “Three Joys.”

Experienced among employees and by all those involved in its value chain, this philosophy has made Honda a company that is unique, innovative, and desired by society.

Common goals, values and principles that guide the activities of all those involved in the business. That’s the Honda Philosophy, which is revealed in three aspects:

1. Our Fundamental Beliefs
2. The Honda Principle
3. Honda Management Policy

Fundamental beliefs

Respect for the individual

Principle that encourages and promotes the sharing of joys, through respect for individual characteristics, the relationship of equality and trust, and the maximum application of each person’s initiative.

Three Joys

Honda’s desire is to build relationships of trust and share joy with all those with whom the company interacts through its activities and products. This belief is expressed through what the company calls The Three Joys:



Joy of Creating, experienced by associates who dedicate their talent, skills, and knowledge to create products and services that take joy to customers.



Joy of Selling, felt by Honda associates and dealers to obtain customer trust and offer superior quality products and services that exceed their expectations.



Joy of Buying, experienced by customers when purchasing a Honda product or service. Customer joy is what gives value to Honda’s activities, and it is through it that other joys can be experienced.



The Honda Principle

“In a global spirit, we are dedicated to offering products of the highest quality, at a fair price, for the satisfaction of our customers worldwide.”

Honda Management Policy

It covers five main topics to guide Honda associates in their daily responsibilities:

- Always keep your dream and youthful spirit
- Value theories, ideas, and time
- Be passionate about your work and value communication
- Constantly create a seamless workflow
- Always keep in mind the values of research and perseverance



Business Direction and Vision 2030

“To serve people worldwide with the joy of expanding the potential of their lives”.

Exceeding expectations is commonplace in the way Honda conducts its business. The company’s evolution, year after year, in South America and in the world, represents a need and an opportunity to operate with a focus on the sustainable development of the regions where it operates and, in this way, to become a company desired by society.

Only this way will customers be able to experience joy and have unique experiences through the solutions provided by the company.

To support this business direction, Honda developed Vision 2030 as a path that takes the company to a leading position in advancing mobility in the world. This effort involves creating, expanding, and ensuring joy.

The Create Joys approach can be understood as Honda’s universal passion to offering people the joy of expanding the potential of their lives, creating value for mobility and their daily lives. The goal is to continue offering unique products and services that can improve people’s lives through technology.

By Expanding Joys, Honda is dedicated to developing diversified solutions in terms of mobility that cater to the specificities of different consumer profiles in the countries where it operates.

Finally, with a focus on Ensuring Joy for the next generations, the company promotes initiatives to help create a society free from carbon emissions and free from traffic accidents.

2030 Vision - Honda South America

TO GIVE PEOPLE THE JOY OF EXPANDING THE POSSIBILITIES OF LIFE

To lead the advance of mobility and improve the lives of people around the world



CREATE JOYS

CREATE JOYS

- Provide the joy of freedom of mobility
- Provide the joy of improving the quality of life



EXPAND JOYS

ACCOMMODATE THE DIVERSITY OF INDIVIDUALS

- Offering products and services of excellence that correspond to the specificities of individuals and societies



ENSURE JOY FOR THE NEXT GENERATIONS

ACTING FOR A CLEANER AND SAFER SOCIETY

- Lead efforts toward a carbon-free society
- Lead efforts toward a society free from traffic accidents

Sustainability Strategy

Honda's purpose is to improve people's lives through solutions in terms of mobility. And, above all, do it in a way that creates differentiated values for the various stakeholders, that are sustainable over time, in order to guarantee the company's long-term existence.

Honda grounds its strategic sustainability management on four priority commitments, which permeate its decision-making processes and operations.



For Honda, preservation of the environment and conscious use of natural resources are essential aspects to achieve economic development with excellence and guarantee the continuity of the company's activities.



Investment in technology is critical for maintaining Honda's leading position within the segments in which it operates. The sustainability of operations and the distinguishing features of the products are directly associated with the quality that is offered to and recognized by stakeholders.



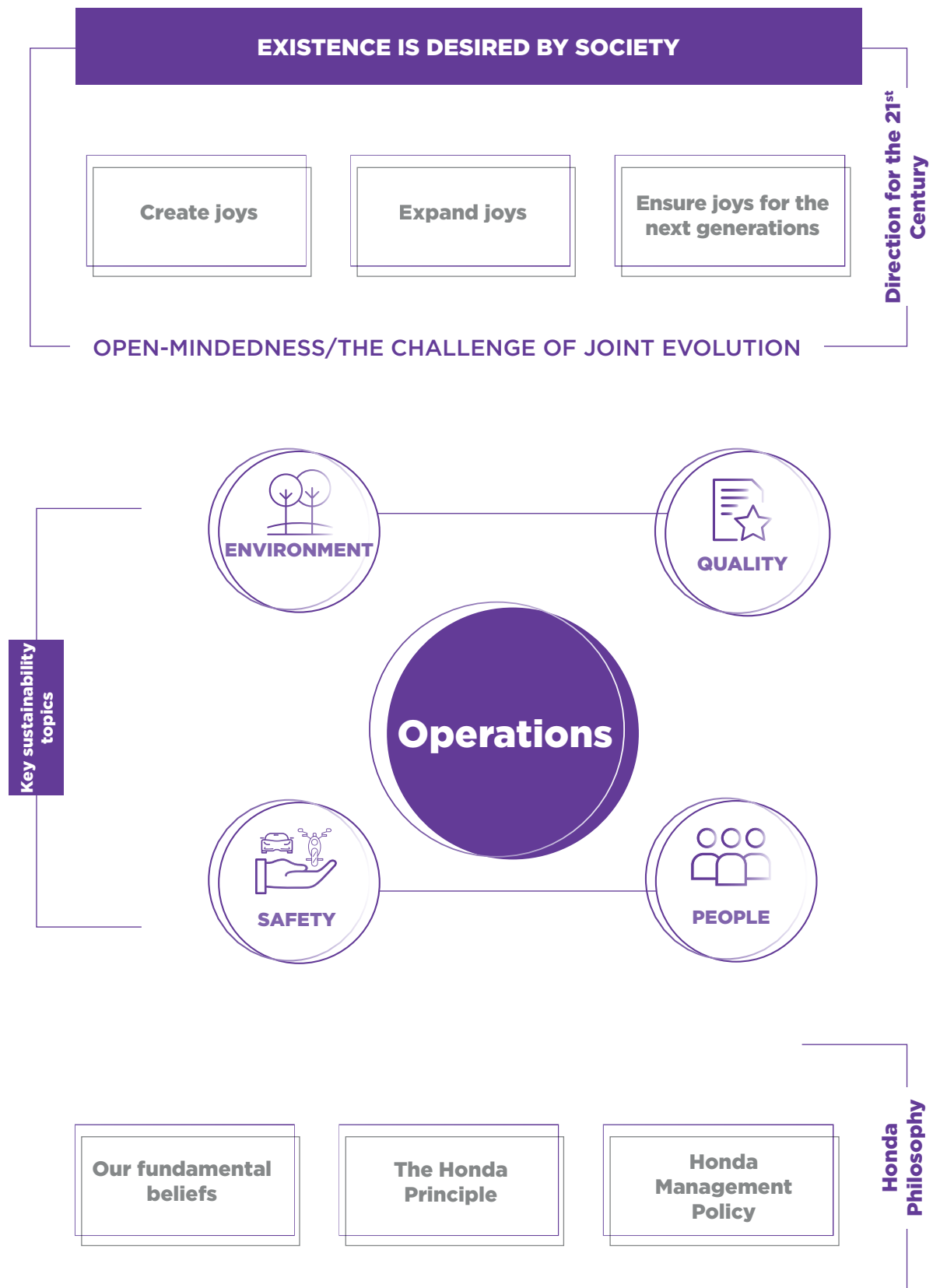
When it comes to mobility, Honda has a duty to address safety by making the necessary investments for its products to perform at their best and meet customer expectations. Additionally, initiatives are taken to raise awareness of all those who, in some way, participate in traffic dynamics.

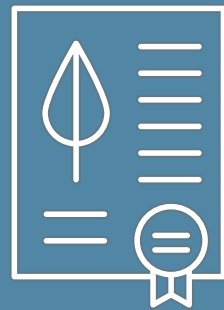


As an important player in the regions where it operates, valuing those who are part of the company's daily life is instrumental for the good performance of its activities. From associates to communities, combining investments in professional development and in the well-being of society is part of the company's strategy.

HONDA
The Power of Dreams

Slogan
global da
marca





ABOUT THE REPORT

• Material topics

For the fifth consecutive year, Honda South America (HSA) is presenting its Sustainability Report, which includes the company's highlights in management of environmental, social, and governance topics of the regional subsidiaries installed in Brazil, Argentina, Peru, and Chile for the period from January 1 to December 31, 2019, except when stated otherwise. This report was prepared in accordance with GRI Standards: Core option, giving the report greater transparency and rigor similar to that of financial documents. • **GRI 102-1, 102-45, 102-50, 102-54** •

Since a robust process to identify and prioritize material topics for Honda South America was conducted in 2018, in 2019 no relevant facts were identified that would justify changes to the topics reported.



THE 2019 REPORT
IS FOCUSED
ON TOPICS
CONSIDERED
MATERIAL FOR
THE COMPANY.

MATERIAL TOPICS

• GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 103-1 •



Socioeconomic Compliance

• 205-2, 419-1 •



Indirect Economic Impacts

• 203-1 •



Occupational Health and Safety

• 403-9 •



Labor relations

• 402-1 •



Training and Education

• 404-1 •



Customers and Consumer Health and Safety

• 416-1 •



Emissions

• 305-1, 305-2, 305-4, 305-5, 305-7 •



Energy

• 302-1, 302-3, 302-4 •



OVERVIEW

- Operating Model
- Operational Performance
 - Motorcycles
 - Automobiles
 - Power Products
 - Honda Financial Services
 - HondaJet

In all markets where Honda operates, the essence of offering products and services to improve people's lives remains alive. The purpose of the brand is to contribute to the advancement of mobility, always placing people at the center of strategies and using technology to help them. In this way, Honda continues to follow a path of innovation, meeting the different characteristics, needs, and dreams of its customers.

This commitment leads Honda to its 71 years of existence, a period in which it consolidated its global presence, with 435 subsidiaries and affiliates worldwide, supported by the work of 219,000 associates.

In South America, one of the administrative blocks that make up the company's global operations, Honda has been present since 1971, importing and producing motorcycles, automobiles, ATVs, and power products, in addition to the most recent marketing of the HondaJet business jet.

Headquartered in upstate São Paulo, in the city of Sumaré, the holding company Honda South America is responsible for all the group's operations in the region, with production units in Brazil, Argentina and Peru, an one importing unit in Chile and more than 2,700 points of sale, which guarantees the presence of the brand in the main cities in South America. • **GRI, 102-2, 102-3, 102-4, 102-6, 102-7** •



**2,700 points of sale
in major cities in
South America**



* 2W: Motorcycles/4W: Cars/PP: Power Products
BHB: Banco Honda S.A./CNH: Consórcio Honda Ltda./SHB: Corretora de Seguros Honda Ltda.
** S (Sales); E (Eng./Production); D (Development/R&D); B (Buying); A (Administration)



Honda South America

Honda's operating model takes into account the generation of results and sharing of gains with all stakeholders, considering the sustainability of the entire operation..

EMPLOYEES



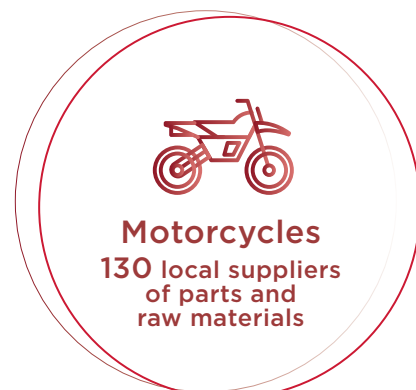
STAKEHOLDERS



SUPPLIERS



POINTS OF SALE



2,744,900
people benefited by
the actions of the Honda
Traffic Education Centers

6,000
children served by
Clubinho Honda



366,000 MWh
(approx.)
generated by Honda
Energy by 2019

Brasil

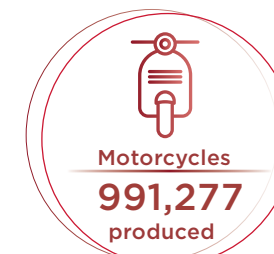
Honda Automóveis
do Brasil Ltda.
Produção e vendas
de automóveis e peças.

Moto Honda
da Amazônia Ltda.
Production and sales
of motorcycles, power
products, and ATVs.

Chile

Honda Motor
de Chile S.A.
Import and sales of
motorcycles,
automobiles, and
power products

RESULTADOS

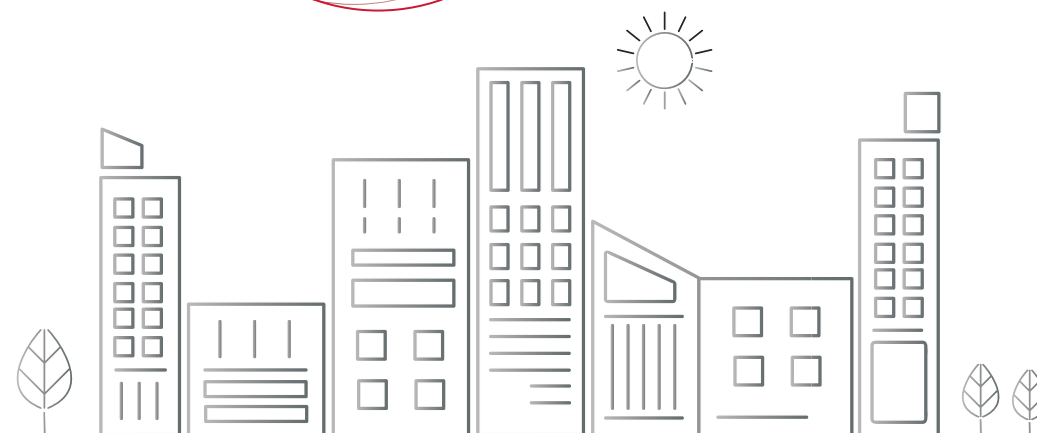


Argentina

Honda Motor
de Argentina S.A.
Production of
motorcycles and
automobiles,
import and sales
of motorcycles and
power products.

Peru

Honda Selva
del Perú S.A.
Honda del Perú S.A.
Production of
motorcycles,
import and sales of
automobiles and
power products.





Operational Performance

With a sales volume that has already reached more than 27 million units among automobiles, motorcycles, and power products, Honda South America is today the largest vehicle manufacturer in Brazil. This result was achieved thanks to a customer-oriented culture, which favors innovation and continuous improvement in pursuit of superior quality in all dimensions of the business.

Motorcycles

Consolidated as the largest motorcycle manufacturer in South America and a sales leader in this segment in the region and in Brazil, Honda has produced more than 25 million units in the continent.

This volume represents the great social contribution of the motorcycle to society. It is a vehicle desired by consumers, either for daily mobility, leisure or as a work tool, contributing to the generation of income in various economic activities.

During the last year, 991,227 units were produced in South America at the factories in Manaus (Brazil), Campagna (Argentina) and Iquitos (Peru). Sales reached the volume of 1,071,574 units, a growth of 2% compared to 2018, mainly due to the increase in vol-

ume in Brazil. In 2019, Honda achieved 40.6% market share with a growth of 3% compared to 2018.

In Argentina and Chile, economic difficulties were responsible for a reduction in sales volume, which reached 74,553 and 8,076 motorcycles respectively. Even so, the company outperformed its competitors by increasing market share. In Peru, impacted by new models of Chinese brands, 53,625 units were sold, with a small reduction compared with 2018, both in terms of sales and market share.

Moto Honda da Amazônia pioneered the development of the motorcycle segment in Brazil and today maintains its leadership position, with nearly 80% market share. Its continuous investments and commitment to the country contributed to the development of the entire sector.

Moto Honda is today an industrial complex that goes far beyond motorcycle assembly. The unit has the most vertically integrated production of Honda motorcycles worldwide, is one of the largest in the Manaus Industrial Complex (PIM - Polo Industrial de Manaus), and one of the most representative production centers in the Americas, producing from metal packaging, molds and tooling, to various components that integrate the final product such as exhaust pipes, wheels, handlebars, chassis, and other parts.

In 2019, the company announced an investment of approximately R\$ 500 million, to be made by 2021, to modernize the factory's operations, to increase the company's global competitiveness and make Moto Honda a benchmark in productivity. • **GRI 102-10** •

This investment plan represents a complete transformation in the production chain to provide more efficiency, significant improvements in logistics and technological advances that, together, will contribute to increasing company competitiveness.

Regarding sales, the company ended 2019 with positive results: 14% growth in the total volume of motorcycles licensed. A total of 853,271 units were licensed between January and December 2019, up 14% over the same period in 2018. Production followed this trend and grew 13%, with more than 880,000 units in the period.

The high-powered motorcycle and scooter segments were the highlights, with an increase of 25% and 48% respectively in units licensed. This number reflects the Honda's strategy to constant update its line-up in these segments, both with domestic and imported models.

The strengthening of the Honda Dream chain, a differentiated standard of dealerships with exclusive service and structure, also contributed to this result.

With this, Honda has further expanded its leadership in these segments. In the high-powered motorcycle segment, the company reached a 29% market share in the last year, peaking at 38.9% in September. A total of 15,708 high-powered motorcycles were sold in 2019, compared with 12,000 in the same period of 2018. Scooter obtained a 60% market share, with more than 55,000 units. PCX continues to be the highlight as the country's best-selling scooter in 2019.

The company's objective is to continue to sustainably lead the sector, prioritizing customers—they are at the center of the company's business decisions. With this in mind, Moto Honda develops products with superior quality, establishes a wide and comprehensive network with differentiated services, and enhances its relationship structure and brand experience.

Value chain

Through its extensive chain, Moto Honda's operation promotes investments and economic and social development, not only in the Amazon region, but throughout the country.

- Nearly 7,000 employees
- Close to 130 suppliers of components and raw materials
- Hundreds of service providers
- More than 1,100 points of sale

The social contribution of the motorcycle business is considerable, not only because of the approximately 120,000 direct jobs in the entire chain, but also, mainly, because of the value and wealth that the final product creates for individuals, families and entrepreneurs, in the fields and in cities across the country.



Honda Fan Club

Located on the premises of the Honda Traffic Educational Center of Indaiatuba (SP), the Honda Fan Club museum opened its doors to the public in January 2019. Until then, the space, aimed at lovers of two wheels, received sporadic visits from students of the piloting training offered by the unit and invited in brand events and actions.

The museum presents the history and curiosities about Honda motorcycles, with 58 models on display, from the classic CG 125 1976 and CBX 750F 1986, to the most recent, such as GL 1800 Goldwing Edition 40 years and CBR 1000RR Fireblade Commemorative Edition Marc Marquez.

Throughout 2019, approximately 11,000 people visited the space.



Top of Mind

Moto Honda received the Folha Top of Mind 2019 award, which recognized the brands most remembered among consumers in 2019. The company was distinguished in the “Top Moto” category for the seventh consecutive year. The contest considers the opinion of more than six thousand people, in 197 Brazilian municipalities, from the five regions of the country.

This result demonstrates Honda’s concern to exceed customer expectations, with products and services of the highest quality. The diversified product line, which caters to different consumer profiles, with motorcycles ranging from the POP 110cc to the GL Goldwing 1,800cc models and the wide capillarity of the dealer network, with around 1,100 points of sale distributed throughout Brazil, fundamental factors of this recognition.

In addition, the company invests in an increasingly digital communication and relationship strategy with customers and followers of the brand, focused on transmitting the right message, at the right time, to the right audience. MyHonda, the brand’s CRM system, offers a wide range of services and exclusive content throughout the customer journey. On proprietary social media platforms, there are approximately 6 million fans who are passionate about the motorcycle and Wings of Liberty.



Honda Store

Honda Store made its debut at the Salão Duas Rodas 2019 (Bike Show) with a dedicate space to sell the brand’s apparel and accessories. The Honda Store offered more than 200 different items, including helmets, t-shirts, caps, backpacks, jackets, raincoats, and others. The products are inspired by the motorcycle line and Honda’s history.

Automobiles

Honda has been selling cars in South America for 28 years. The first vehicle imported by the brand was the Honda Accord in 1992 for sale in the local market. In 1997, the plant in the city of Sumaré-SP was opened, thus beginning the automobile production operation in the region.

In 2019, Honda produced 138,599 vehicles at its manufacturing units in Brazil and Argentina. Sales reached the important mark of 143,527 units, a slight decline compared with the previous year (3.6%). The economic crisis in Argentina and the stable performance in Brazil were responsible for this performance. With this result, the company reached a 4.43% market share. Honda continues to invest in new products, services and technologies in order to expand its presence and strengthen the brand's reputation in the long term, preserving the quality of the business.

In 2019, Honda Motor de Argentina announced that it will discontinue its automobile production (HR-V) in 2020 to focus its operations on the motorcycle segment.

The purpose of this initiative is to strengthen the structure of the automobile business given the abrupt changes in the global automotive industry and to strengthen interregional coordination and collaboration, optimizing the allocation and production capacity of automobiles worldwide.

With products supplied through the use of Honda's global resources, HAR will continue to sell automobiles and provide after-sales services in the country.

Last year, Honda launched the third generation of the Honda Pilot in the Argentine market, in addition to the 2020 versions of the HR-V and CR-V models. In addition, the WR-V celebrated one year of sales in the country, demonstrating the consolidation of the brand in the SUV market in Argentina.

Throughout its 23-year history producing cars in Brazil, Honda Automóveis do Brasil has made continuous investments in order to increase production capacity and the efficiency of its processes.

As a result, today, more than 500 cars are produced daily between the Civic, Fit, City, HR-V, and WR-V models. The product line sold in the country also includes imported models such as the Accord, CR-V and, Civic Si.

Since the beginning of its operations, Honda Automóveis do Brasil has accelerated the process to develop, produce, and market products that are increasingly in line with the expectations of Brazilian consumers.

Honda's performance in recent year shows that the company has maintained a stable sales volume, even during a period of relevant crisis faced by the country between 2012 and 2017. This demonstrates the soundness of a strategy whose primary focus is on the quality of the operation and creation of sustainable value for customers and business partners.

In 2019, Honda sales were stable compared with the previous cycle, selling 129,130 cars. Despite this result, market share was slightly reduced, reaching 4.87%. Considering dealership sales to end customers alone,

that is, excluding Honda's direct sales to legal entities or PwD, the company's market share was 7.63%. This result shows that the brand continues to be recognized by end consumers as offering high-quality products and services.

In 2019, Honda launched the HR-V Touring, a top-of-the-line version of Honda's best-selling SUV, which debuted the 1.5L turbo engine for the model. The engine is a benchmark for performance and fuel consumption in the segment. In August, all versions of the Civic came with new features, expanding the differentiators of the model known for its quality, pleasure in driving, and technology. The LX entry version was introduced to the market, offering a more affordable version of the model, with many factory-installed accessories and quality differentiators.



The Civic
came with new
features in 2019





Opening of the new plant in Itirapina

In order to increase competitiveness of the business, in 2019, Honda opened its new car plant in the country, in the city of Itirapina, upstate São Paulo.

Located approximately 200 km from the capital city and 100 km from the car plant in Sumaré, the plant began operations on February 27, with a Fit model leaving the production line.

Optimized processes, more advanced technologies and gains in sustainability, as in the most modern Honda car plants in the world, are a reality at the Itirapina plant.

As a result of the investment to strengthen the production structure, the new unit demonstrates the Honda's long-term commitment to the country. The assembly line was designed to cater to the production of various models and allow for future technological modifications.

With nominal production capacity of 120,000 units per year, in two work shifts, the unit currently produces the Fit, WR-V, and HR-V models.

With the integrated operations of the Sumaré and Itirapina units, Honda Automóveis has a complete production cycle in Brazil, from tooling to stamping, welding, injection molding and painting of plastic components, body painting, engine production, including foundry and machining, assembly line, and final inspection.

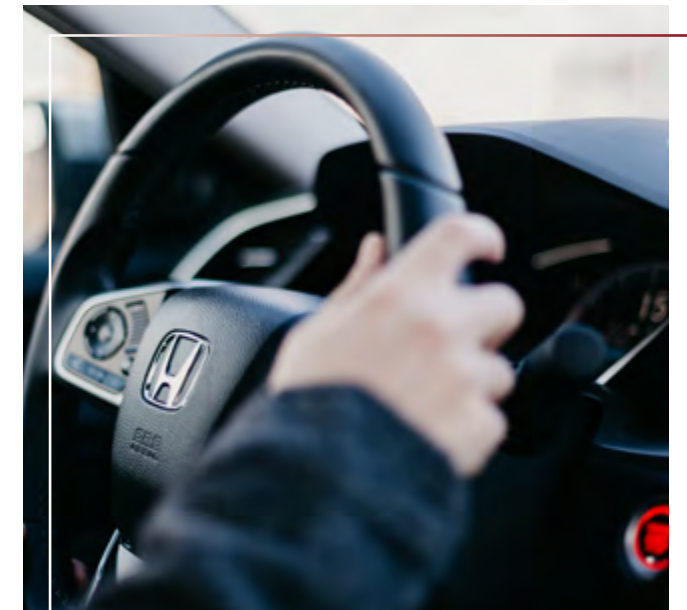
The pursuit of better environmental performance is also reflected in the new production line, which has a modern water-based painting process. Coupled with the use of less paint, the method is less polluting and guarantees the same quality in the finish, in addition to gains in sustainability.

• GRI 102-10 •



Honda Automóveis is recognized as the most admired brand in the sector

In a survey conducted by Troiano Branding, the country's leading brand management consultancy, and published by the newspaper O Estado de São Paulo, Honda ranked first in the ranking of most admired brands in the automotive segment.



Power Products

The power product line consists of stationary engines, brush cutters, generators, motor pumps, and lawn mowers, with applications for agriculture, construction, and gardening.

In 2019, the market for Power Products in South America suffered a major impact from the political and social crises in the region. In addition to various presidential elections, there were protests and strikes, affecting local markets and raising the unemployment rate. In this scenario, Honda's Power Products division sold just over 106,000 units, representing 88% of the sales in the previous year. Despite the 12% impact, market share in South America remained at nearly 7.5%, thanks to the work conducted in 2018 to consolidate the brand in the region and that places Honda power products among the most reliable on the market.

In 2019, sales of Honda power products in Brazil remained stable in relation to the previous year, with 31,810 units sold. The Moto Honda da Amazônia plant in Manaus produces two models of stationary engines and three models of motor pumps.

Honda Serviços Financeiros

Consórcio Honda was created in 1981 to facilitate access to the brand's products. Consórcio Honda is a reference administrator of consortium sales (purchase pool) in the domestic market and is part of the structure of Honda Serviços Financeiros (Honda Financial Services), which also includes Corretora de Seguros Honda (Honda Insurance) and Banco Honda. This synergy and proximity to the manufacturer are an important competitive factor and actively contribute to the sales of Honda products.

Banco Honda

Banco Honda was created with the mission to become the best financing option for Honda products. Through the Direct Consumer Credit (CDC - Crédito Direto ao Consumidor), it guarantees attractive conditions for both individuals and companies to obtain the desired Honda vehicle in a quick, practical and fair manner. In 2019, Banco Honda was the brand's main financial agent for the automotive segment, accounting for 21% of the company's total sales. One relevant financing plan in the year was Evolution Honda, which financed more than 11,000 Honda cars.



125,000

motorcycles
financed
through Banco
Honda in 2019

For motorcycles, following the market's growth trend, Banco Honda's financing operations increased approximately 11% compared with 2018. More than 125,000 units were financed between January and December 2019, accounting for 14% of factory-new Honda motorcycle sales.

In addition, in 2019 the Bank, together with Moto Honda, created the Fundo Moto Honda, an unprecedented operation in the two-wheel segment worldwide, aimed at strengthening the long-term sustainability of the dealer network, making resources available to be used especially in times of crisis and lack of liquidity in the market. Fundo Moto Honda has a modern asset management structure, with all market benefits.

Fundo Moto Honda was created based on a solid financial structure, competitive cost, and efficient tax management, in order to contribute to a better management of the working capital of dealerships, strengthening the sustainability of the business.

In addition, Banco Honda has established strategic alliances with recognized financial institutions in order to provide more security, transparency and governance.

Consórcio Honda

Consórcio Honda (CNH) is a reference administrator of consortium sales (purchase pool) in the Brazilian market, with more than 1.4 million active customers. A driver of sales, this modality is very well received by Brazilian consumers due to plans that adapt to the customer's budget, even in times of financial instability.

In 2019, in the motorcycle segment, Consórcio Honda's results remained stable compared with the previous period, having sold more than 720,000 consortium quotas sold. CNH delivered more than 220,000 new motorcycles to its customers, with a share of approximately 25% in total sales of Honda motorcycles.

Regarding the automobile segment, Consórcio Honda ended 2019 with a portfolio of 20,000 active consortium members. The HR-V model is the most representative, with 34% of this volume.

Corretora de Seguros Honda

Seguros Honda initiated its operations in Brazil in 1987 to offer, in partnership with reputable insurance companies in the market, a customized portfolio to cater to the coverage needs of Honda products, at a competitive cost.

In 2019, Corretora de Seguros Honda recorded the highest growth among all HSF businesses for the motorcycle market, with a 23% increase over the same period in 2018. Between January and December, 161,053 motorcycle insurance policies were sold.

In addition to the recovery of the motorcycle segment, the result reflects the work done together with the insurance companies, in search of competitive prices and facilitated payment terms. The goal is for the product to adjust to the various profiles of motorcyclists and cover a wide range of models and engine sizes.

For the automobile segment, the results show stability compared with 2018.

HondaJet

The world's most advanced business jet and with exceptional advantages in performance, comfort, quality, and efficiency, HondaJet contains many technological innovations in design, including the exclusive OTWEM (Over-The-Wing Engine Mount) configuration, which significantly improves performance by reducing aerodynamic drag.

The OTWEM design also reduces noise in the cabin, minimizes noise from contact with the ground, provides the largest internal space among the business jets on the market, in addition to the largest luggage compartment and a full lavatory on board.

HondaJet is manufactured by Honda Aircraft Company, in the United States, and marketed since 2015 by Líder Aviação in Brazil (local sales representative for the business jet in Brazil). In 2019, for the third consecutive year, the jet was awarded the title of the most delivered business jet in its category in the world, with 36 aircraft sold.





CORPORATE GOVERNANCE

- Governance
- Corporate Risks
- Compliance

Adoption of ethical and transparent principles for business management, mapping of risks inherent to activities and establishment of preventive and mitigating measures are the guidelines of Honda's corporate governance model.

The company considers that ethics and respect for sector regulations and laws are essential for business continuity. Therefore, these precepts are applied across all departments, guiding business decisions and making activities safer and more sustainable.

In corporate governance, risk and compliance management, Honda monitors and adopt best market practices.

Responsibility for managing Corporate Governance within Honda lies with the ESG (Environmental, Social Responsibility, and Corporate Governance) Department. This area is responsible for coordinating all prevention and awareness processes in compliance with and respect for the laws and regulations in the locations where Honda South America operates.

Honda South America's Corporate Governance Pillars



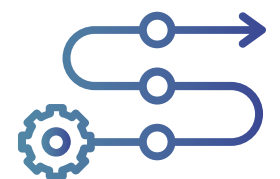
Governance

Code of business conduct.



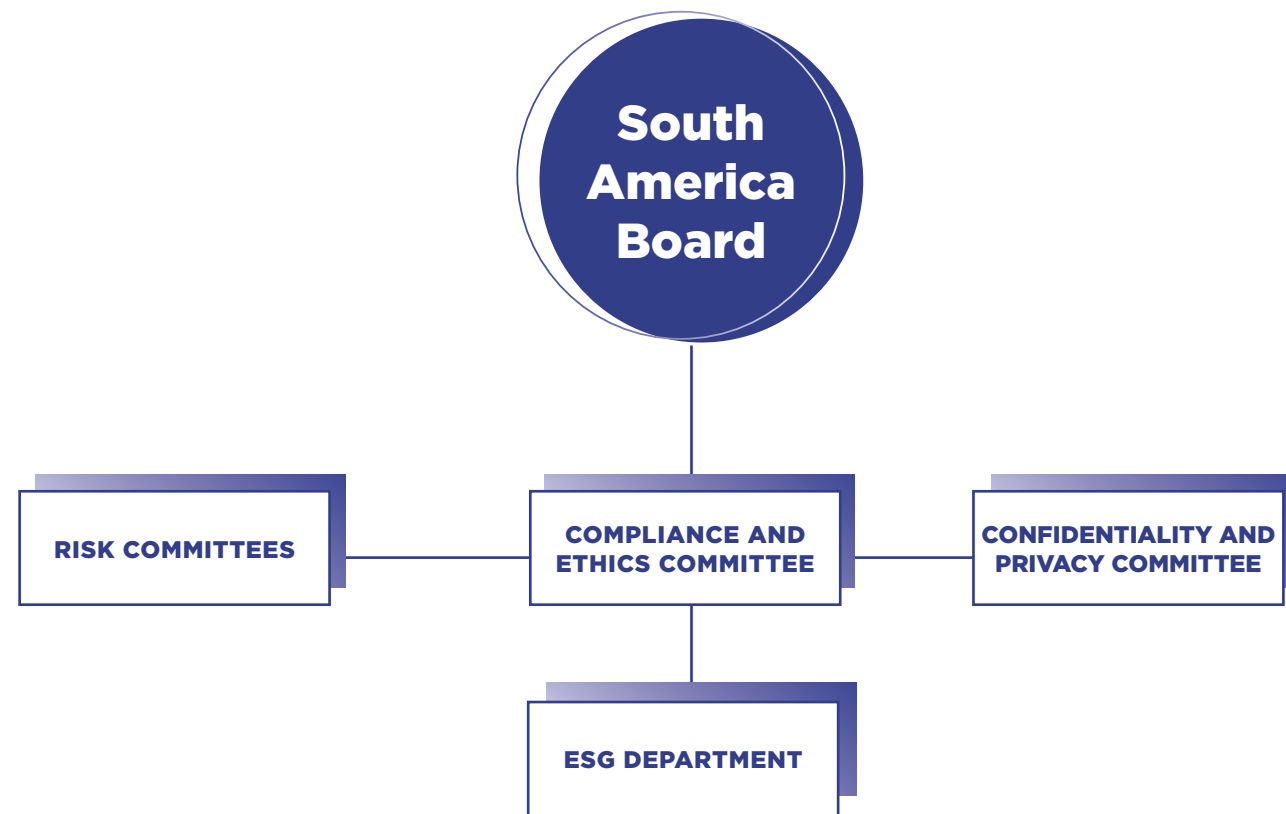
Corporate Risks

Identification and assessment of potential risks to the business, definition of mitigation measures, elimination or transfer of risks.



Compliance

Compliance with legal requirements, regulations, and internal policies, rules, and procedures.



Governança

• GRI 102-18 •

Honda seeks to establish ethical relationships with its various stakeholders, basing its decisions in standards that must be observed and applied by all those acting on its behalf.

To ensure that the company has a respectful and credible position, the governance model takes into account administrative transparency, non-acceptance of corrupt practices, clear definition of responsibilities and standards of conduct in dealing with specific situations, and compliance with legal requirements.

Preserving its integrity and providing clarity in its positions and decisions, Honda guarantees consistent generation and sharing of wealth with its stakeholders over a long-term horizon.

To this end, Committees are formed to deal with the main Governance topics (Risks, Compliance, and Confidentiality), which are directly linked to the South America Board of Directors to support them in decision-making.

Corporate Risks

• GRI 102-11 •

Honda's business continuity depends on mapping and constant monitoring of the risks inherent to the business, in its various dimensions.

Thus, for each of the potential risks identified, the ESG department coordinates and establishes, together with the business areas, preventive and mitigating measures, in order to guarantee a safe and reliable operation for employees and business partners, transparent, free of economic losses, in addition to avoiding damaging the reputation of the brand.

The goal is to manage sustainable growth based on market standards and the risks that could potentially impact operations in the region and on a global scale. The assessment takes into account environmental, social, financial, occupational health and safety, and operational reliability requirements, as well as issues concerning business partners.



A Honda seeks to establish ethical relationships as diverse public of interest

Honda's Global Risk Management Policy, which covers the activities of Honda South America, is intended to boost the company's sustainable growth, based on Honda's philosophy and on all risks that could potentially impact operations on a global scale. .

Honda has nine policies and normative documents related to risk management.





Compliance

• GRI 103-2, 103-3/419, 419-1 •

Compliance of processes involving Honda's Corporate Governance is guaranteed through systems that adopt international evaluation standards. The systems currently in place at Honda are:

- **Corporate process management system:** self-assessment by managers (100% managers and above) on the systems and operations of internal controls.
- **Process-specific management system:** SOX internal controls of relevant business methods and information technologies (more than 90 processes documented and reviewed annually), which are submitted to SOX Certification by independent auditors.
- **System of standards and conduct:** corporate policies and procedures, available on the intranet or owned directories for access by the internal audience.
- **Code of conduct and structure of confidentiality of information:** all disseminated through training and management.

As a result of the measures in place at Honda, no events were recorded in relation to non-compliance with social and economic laws and regulations associated with operations in Brazil.

**At Honda,
compliance
standards follow
international
best practices**

Ethics Channel

• GRI 102-17 •

To support the measures taken to ensure compliance of all Honda activities, the company has an Ethics Channel that provides direct communication between employees and the company's management. The objective is to receive opinions, criticisms, complaints, grievances and personal consultations related to the topics covered in the Code of Conduct.

The reports submitted through the Ethics Channel are forwarded for evaluation and appropriate measures by the Ethics Committee, whose mission is to ensure the continuous improvement of the ethical behavior standards.

Code of conduct

In order to guarantee and guide compliance of Honda's operations, the company's Code of Conduct is based on ethical values and has clear guidelines for the required processes and the conducted expected of employees. In line with Honda's values, the code defines different corporate policies responsible for combating illegal conduct such as slave-like labor, money laundering and fraud, corruption, and anti-competitive practices.

In 2019, a total of 5,711 employees in all business units in South America received training on the Code of Conduct. For employees who do not have access to a computer, the topics covered by the Code were addressed in daily meetings and quick messages at the beginning of their shift, allowing them to ask questions about the standard expected by Honda.

Currently, the Code of Conduct is the most relevant guiding instrument to prevent and combat risks.

In 2019,
293 managers
received training
in anti-corruption
policies

Corporate Policy for Preventing Corruption

The Corporate Policy for Preventing Corruption sets out the company's stance on business ethics, and knowledge of the content of this policy is evaluated annually through the SOX processes and self-assessment questionnaire applied to managers. **GRI 103-2, 103-3/205 •**

In 2019, a total of 293 managers received training in aspects related to Brazilian laws. In the other South American countries, training was provided to 490 employees and the policy was made available for all on the intranet. • **GRI 205-2 •**

Combating Anti-competitive Practices

Regarding the fight against Anti-competitive Practices, Honda follows the Policy on Anti-Competitive Behavior, adopting measures to prevent violations of the economic order involving operations, commercial practices, and interactions with business partners and/or competitors, directly or through trade associations.

The company also seeks to strengthen a culture of combating anti-competitive activities by disseminating the Policy across all business units in South America. This is done through training and other activities, starting with the critical areas.



PERFORMANCE REPORT

- **Environment**
- **Safety**
- **Quality**
- **People**

Environment

Minimize the environmental impacts of its operations, creating products that are increasingly friendly to the environment and reviewing corporate activities. This is Honda's premise, based on which the company has guided its operation. In its vision for 2030, creating a carbon-free society is one of the central guidelines of the strategy for the company's long-term sustainability. With global expertise on this topic, all Honda subsidiaries worldwide are committed to this guideline.

In addition, in order to reduce the impact of its operations, the company developed the Green Factory concept, applied across all its manufacturing units to manage waste, energy efficiency, rational use of water, and reduction of air emissions. Likewise, the concept is applied to logistics operations, through Green Logistics, intended to reduce the volume of packaging and maximize transport using 'swimming warehouses'. That is not all. Honda also created the Green Office, whose objective is to engage employees in the practice of waste sorting and rational use of resources. The concept is also applied to dealers and suppliers who, likewise, are guided and evaluated for their environmental performance, extending Honda's commitment to the entire production chain.

Emissions

• GRI 103-2, 103-3/205 •

Honda has defined its global target to reduce by 50% the intensity of CO₂ emissions in its operations by 2050, compared with the levels in 2000. This commitment guides the definition of goals in production and corporate activities, and in the level of emission of its products and services.

Improving the environmental performance of Honda's products is one of the most important initiatives to achieve the vision of a society free of carbon emissions. Worldwide, Honda has been investing to improve the environmental performance of internal combustion engines and to develop and market new models with electric motor technologies such as battery electric vehicles (BEV), hybrids (HEV) and fuel hydrogen cell (FCV).

Honda's policy is to adopt the right technology, in the right place, at the right time. In this way, the company has decided to implement the type of motor that is most appropriate to each region considering the differences in public policies and regulations, in the energy mix, in the available infrastructure, and in the characteristics of the consumer market.

In Brazil, Honda continues to improve the environmental performance of its product line, both motorcycles and automobiles. A highlight in 2019 was the launch of the HR-V Touring that debuted the 1.5L turbo engine in Honda's best-selling car model in the country. With this, the HR-V joins the Accord, CR-V, Civic, and Civic Si among the models with the modern technology of turbocharged engines capable of offering great performance and low level of emissions.

In the area of electrification, Honda reaffirmed its strategy of introducing three hybrid models in Brazil by 2023 and announced the Accord as the first to arrive in the country. Honda's hybrid technology - e:HEV - has a unique system that connects two electric motors (one generator and one for propulsion) and one combustion engine to provide three possible driving modes: electric only, hybrid, or combustion. The system automatically chooses the option that offers the best performance/consumption ratio, depending on driving conditions.

Honda e:TECHNOLOGY

Honda believes that technology must focus on improving people's lives. With this in mind, the company develops mechanism and mobility solutions designed for the benefit of all.

In this same vein, the company globally introduced the nomenclature e:TECHNOLOGY, which encompasses Honda's high-efficiency electrification solutions. Honda e-TECHNOLOGY products aim to minimize energy consumption and make daily life more enjoyable.



10 YEARS OF FLEX TECHNOLOGY IN MOTORCYCLES

In 2019, Honda celebrated 10 years of using flex technology in motorcycles, an unprecedented initiative in the sector, worldwide. The purpose of project, developed in Japan with the participation of Brazilian engineers, was to create an engine with the least possible impact on the environment.

The flex motor for motorcycles was developed especially for the domestic market. This technology is used in eight models (Biz 125, CG 160 Titan, CG 160 Fan, CG 160 Cargo, NXR160 Bros, XRE 190, CB 250F Twister e XRE 300), which account for 59% of the volume of motorcycles produced annually.

Honda pioneered the introduction of this important technological innovation to the market, which had excellent acceptance by Brazilians. Flex motorcycles collaborate with Honda's efforts to have a society free of CO₂ emissions.

Since 2009, when this technology was implemented, more than 6 million FlexOne units have left the production line at the Manaus (AM) plant.

The use of ethanol helps reduce emission of carbon dioxide (CO₂) by up to 90%, and the flex engine developed by Honda releases 10% less carbon monoxide.



Another key initiative for Honda in South America to attain its emission reduction targets is the diversification of its energy sources.

The Honda Energy wind farm is the prime example of this commitment. In addition to the efforts of Honda Argentina and Moto Honda da Amazônia to acquire part of their electricity from renewable sources, approximately 30% of Honda South America's electricity today comes from clean sources.

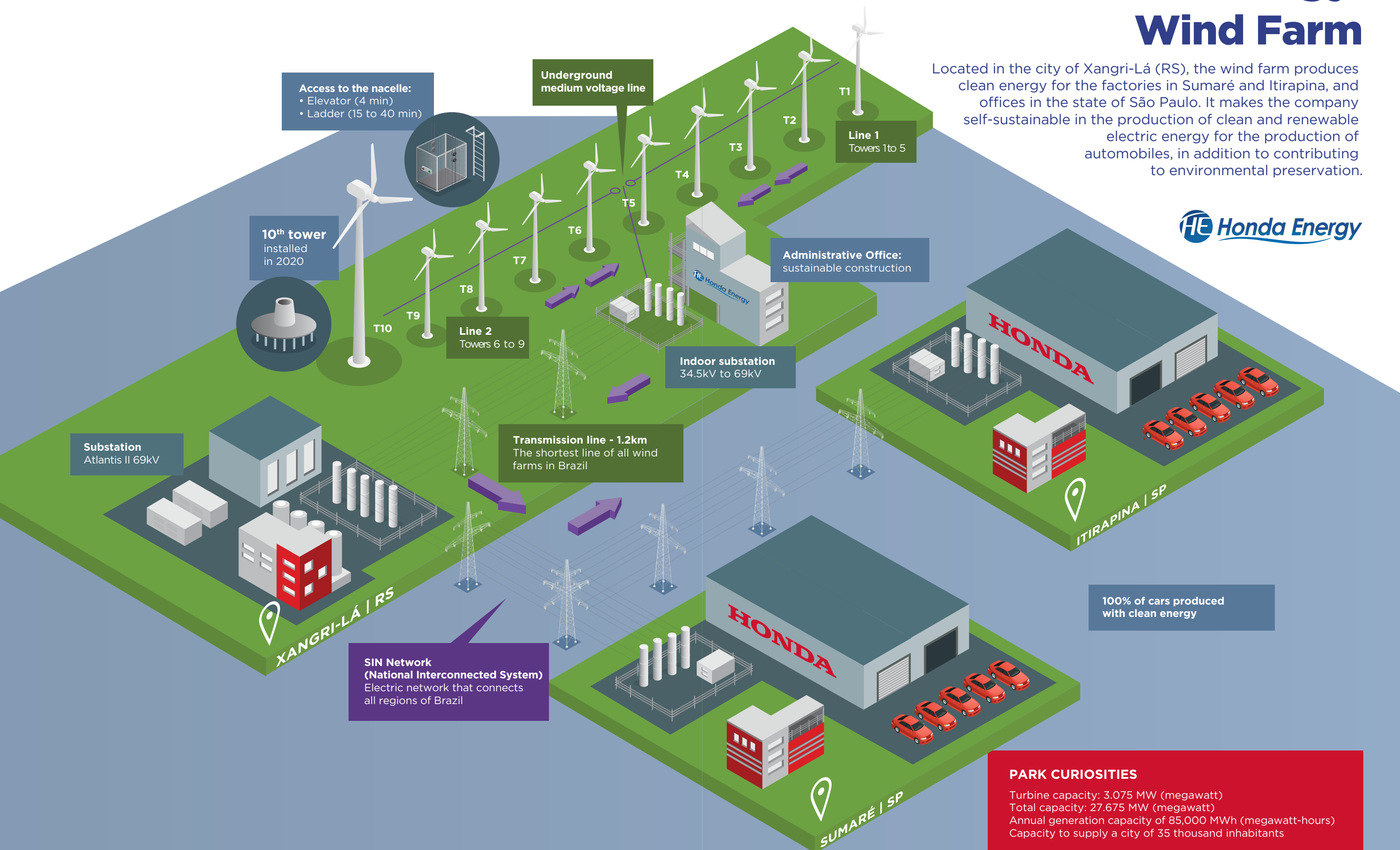
In 2019, Honda South America achieved a reduction of 724.65 tCO₂e, considering the consumption of electrical energy and fuels (diesel, gasoline, LPG, kerosene, natural gas and ethanol) of specific projects. However, with the start of operations of the new Itirapina (SP) plant, there was an increase in total energy consumption by adding all the Honda units in operation, which is already being considered for reduction initiatives in the next years.

• GRI 305-5 •



Honda Energy Wind Farm

Located in the city of Xangri-Lá (RS), the wind farm produces clean energy for the factories in Sumaré and Itirapina, and offices in the state of São Paulo. It makes the company self-sustainable in the production of clean and renewable electric energy for the production of automobiles, in addition to contributing to environmental preservation.



Composting machines at Honda Automóveis do Brasil.



Safety

Traffic safety is an essential commitment for Honda, an indispensable condition for mobility. Honda operates based on two main dimensions. First, the company develops advanced and innovative technologies, improving the characteristics of its products to make them increasingly safer for customers. The second focuses on educational and awareness-raising actions, aimed at strengthening the safe behavior of the main agents in traffic.

Product safety

In the motorcycle segment, an important milestone was the implementation of the braking technology CBS (Combined Braking System) and ABS (Anti-Lock Braking System) in 100% of the motorcycles produced in the country. CBS, an innovative technology developed by Honda, consists of a hydraulic system that acts on the motorcycle's brakes to evenly distribute the braking force applied to the rear and front wheels, ensuring greater braking stability for riders. ABS is an electronic system that prevents the wheel from locking during braking

and on slippery surfaces. Honda has been increasing the adoption of this technology in its product line.

In addition to the brake system, Honda invests in the development of advanced technologies such as traction and stability controls, electronic suspension, slip-assist clutch, Throttle-by-Wire, anti-wheelie and slip control system, and even airbags, which are implemented according to the strategy of each product. Finally, the company works continuously on its projects to improve the motorcycle's control parameters, and on the chassis/suspension set, which allow for safer riding.

In the automobile segment, the Honda Accord, launched in Brazil in 2018, introduced in the country the safety and driver assistance technology package, Honda SENSING, as standard equipment. The system includes ACC (Adaptive Cruise Control) with LSF (Low Speed Follow) - adaptive cruise control with speed adjustment -, CMBS (Collision Mitigation Braking System) - LKAS (Lane Keeping Assist System) - and the RDM (Road Departure Mitigation System).

- **ACC (Adaptive Cruise Control) with LSF (Low Speed Follow):** adaptive cruise control with speed adjustment
- **CMBS (Collision Mitigation Braking System):** braking system for collision mitigation
- **LKAS (Lane Keeping Assist System):** lane assistance system
- **RDM (Road Departure Mitigation System):** system for mitigating runaway evasion.

This technology uses a camera positioned on top of the windshield and a radar system, located on the front grid. Through this combination, with radar object detection and camera recognition, Honda Sensing assists drivers, contributing to safer driving. Honda's strategy is to gradually introduce Honda Sensing to its product line in Brazil.

In addition, Honda is committed to evolving the specification of its products, continuously incorporating new safety technologies. In 2019, the launch of HR-V Touring added safety differentiators compared to other versions of the model, such as the exclusive LaneWatch technology, which eliminates the blind spot through a camera positioned in the rear view; the more efficient Full Led lighting system; and the Agile Handling Assist (AHA) system, which increases safety in curves. Also, the Civic 2020, introduced in mid-2019, had as its main safety feature the TPMS, which monitors tire pressure and warns the driver in the case of irregularities.

It should be noted that both models already had embedded modern specifications and safety equipment such as: 6 airbags (front, side, and curtain); ABS (Anti-Lock Braking System) and EBD (Electronic Brake-force Distribution); VSA (Vehicle Stability Assist); HSA (Hill Start Assist); ESS (Emergency Stop Signal); ACE progressive deformation structure; and Isofix child seat fitting system. • **GRI 103-2, 416** •



Recall

Respect for individuals is one of the principles that govern Honda’s operations around the world. Based on this, Honda conducts its recall campaigns, nationwide, free of charge and with the support of its solid dealership network. The company issues a recall for repairs with transparency and agility.

Mega recall of Takata airbags

Takata’s airbag recall is the largest in the history of the automotive industry in Brazil. Since July 2010, Honda has been calling on its customers to repair the defective Takata airbag inflator and, until closing of this report, had conducted 18 campaigns for this recall. • GRI 103-3/416, 416-1 •

AUTOMOBILES (MODEL / REASON/ NUMBER OF VEHICLES / % REPAIRED)			
MODEL	REASON	NUMBER	% REPAIRED
Fit 2004-08 Civic 2001-06 Accord 2003 CR-V 2002-2006	Failure in the passenger-side airbag inflator	27,555	16.8%
Accord 2003-07	Failure in the driver- side airbag inflator	1.920	42.3%

All recalls can be viewed at: <https://www.honda.com.br/recall>

To date, 906,851 vehicles have been recalled, for a total of 1,609,624 Takata airbag inflators to be replaced. Of these, 1,020,762 Takata airbag inflators have already been repaired, reaching a service rate of 63,4%.



Honda has adopted a series of pioneering measures to expand communication with consumers

Honda’s initiatives to alert consumers

Honda has adopted a series of pioneering measures to expand communication with all owners whose vehicles have any pending recalls and let them know of the urgency of the repair.

It should be pointed out that, in Brazil, consumers usually switch vehicles on average every three years. Therefore, it is common for cars to switch owners over time. However, the new owners don’t always return to dealerships for routine maintenance and/or repairs, making it difficult to update information in Honda’s records.

Aware of the seriousness of Takata’s airbag inflator recall, Honda is leading a series of pioneering initiatives to increase the service rate of the campaign, going beyond the requirements of current legislation. Some examples:

- Nationwide campaign on open TV, showing an exclusive video to alert customers;
- Joint initiative with the specialized TV show AutoEsporte, on TV Globo, in a report that alerts about the importance of the recall;
- Call center ativo;
- Agreement with the Department of Motor Vehicles (DETRANS) in the states of São Paulo and Paraná, in addition to partnerships with insurance companies and automatic toll collection companies, among others, to locate the owners of the affected vehicles;

- Association with DENATRAN to send letters to customers, reminding them of the need to make the withdrawal;
- Digital media campaigns;
- Active call center;
- Hand out of primers at toll plazas and parking lots at shopping malls;
- Dissemination of communication pieces on box trucks.

In August 2019, Honda released a video testimonial from customer Tiago Ferreira, who was the victim of the abnormal inflation of the Takata airbag inflator of his Honda Civic 2007 in an accident suffered in September 2018. The Honda Civic that Tiago Ferreira was driving was included in the global mega recall and had been called for replacement of the inflator on two occasions in 2015, but the vehicle was not taken to be repaired. Tiago talks about how serious the accident due to injuries caused by metal fragments launched at him when the airbag was deployed.

It was a nationwide campaign, mainly through digital platform, including activation on social media and WhatsApp, in order to maximize the reach of the message.

In addition, as part of awareness actions, the company released a video with the testimony of US customer Stephanie Erdman, who also experienced an abnormal outbreak of the Takata airbag inflator. The material has been translated and is available on the Honda website at www.honda.com.br/recall.



Quality

Customer satisfaction first

Offering the highest quality products at the right price to exceed customer expectations is a fundamental principle that governs Honda's operations worldwide. This commitment can be perceived in the words of founder, Soichiro Honda, who stressed that "100% quality is not acceptable. Our efforts are applied to reach 120%."

The total quality concept adopted by Honda incorporates the value of quality in all dimensions of the business. Honda believes that the final product will only offer a differentiated value to the customer if the entire operation is guided by the same principle, from design, development, supply chain management, and production, to sales, after sales and administration. In this way, the total quality concept is also extended to the entire chain, including suppliers of parts and raw materials, dealers, and other partners.

The focus on customer satisfaction through the differentiated quality of products and services, built by a corporate culture that prioritizes quality in all dimensions of the business, is one of the main competitive differentiators that sustain the value of the Honda brand in the long term.

Product quality recognized by customers

Customer satisfaction with products sold in Brazil is a fundamental indicator for assessing the quality and performance of the company. Honda continuously invests in research to identify the level of customer satisfaction with the brand's products and services, directing initiatives to continuous improvement and development of new solutions. Likewise, Honda is attentive to surveys, evaluations, and awards conducted by third parties that allow the company to obtain recognition of its strengths and points for improvement.



OS ELEITOS" SURVEY

The survey called "Os Eleitos" gathers the opinion of thousands of consumers of the best-selling cars in the Brazilian market, which rate several features of the model and brand, based on their expectations and actual experience with the product. The result is a satisfaction index in which the score of 100 indicates that the customer expectations were fully met. In the case of Honda, the Civic sedan was chosen, in the words of the publication "the car owners love most in Brazil," with a score of 100.2, that is, exceeding the expectations of its customers. Other Honda models in the study also ranked among the best in the segment. It is important to point out that, over the 19 years of this survey, the Civic is the model that most often ranked first, with five awards, followed by the Honda Fit, which received four, making the Honda the most awarded brand in the study.



HIGHEST RESALE VALUE SEAL

The "Best Resale Value" seal promoted by the Autoinforme portal, is a certification of the cars and motorcycles that lose the least value at the time of resale. It is a study that attests to the quality of Honda products and demonstrates the perceived value of models to consumers.

In the 2019 evaluation, the Honda City was classified as the compact sedan with the smallest depreciation in its category, with a depreciation rate of only 8.6%, while the other Honda models were also among those with the lowest depreciation rates in their respective categories.

Among motorcycles, the Honda Bros 160 received the maximum rating of the study for the fourth consecutive time, ranking the motorcycle with the best resale value in Brazil, with a depreciation of only 5.6% in one year. It should be noted that Honda Motos was the most awarded brand, leading in eight categories, in addition to the main seal. The study has been conducted since 2000 and certification has been granted since 2014.

Quality management system

Honda has a global quality management system, the G-HQS, established in April 2005, consisting of a set of fundamental standards that support quality assurance and improvement activities in all Honda group operations.

The purpose of the system is to guarantee quality not only in production activities, but also in other areas of the company. Through G-HQS, Honda clearly defines the roles and responsibilities, standards and indicators for the areas of development, manufacturing; services, procurement, and engineering to continuously improve quality of products and processes.

G-HQS systematizes the knowledge independently acquired by Honda in manufacturing quality products and preventing potential problems. In addition to its proprietary system, Honda complies with ISO certification standards. At the end of 2019, four Honda facilities in South America had obtained ISO9001 certification.



Honda Quality Cycle

I - Design and Development

Quality assurance is implemented from the initial stage of product design, using Honda's experience in design and manufacturing to create projects that facilitate its production.

III - Production

In addition to creating designs that facilitate product manufacturing and implementing manufacturing controls that limit the variability of processes, quality assurance conducts rigorous inspections of parts and vehicles and ensures that products are not damaged during transportation.

V - Collection of Information on Quality

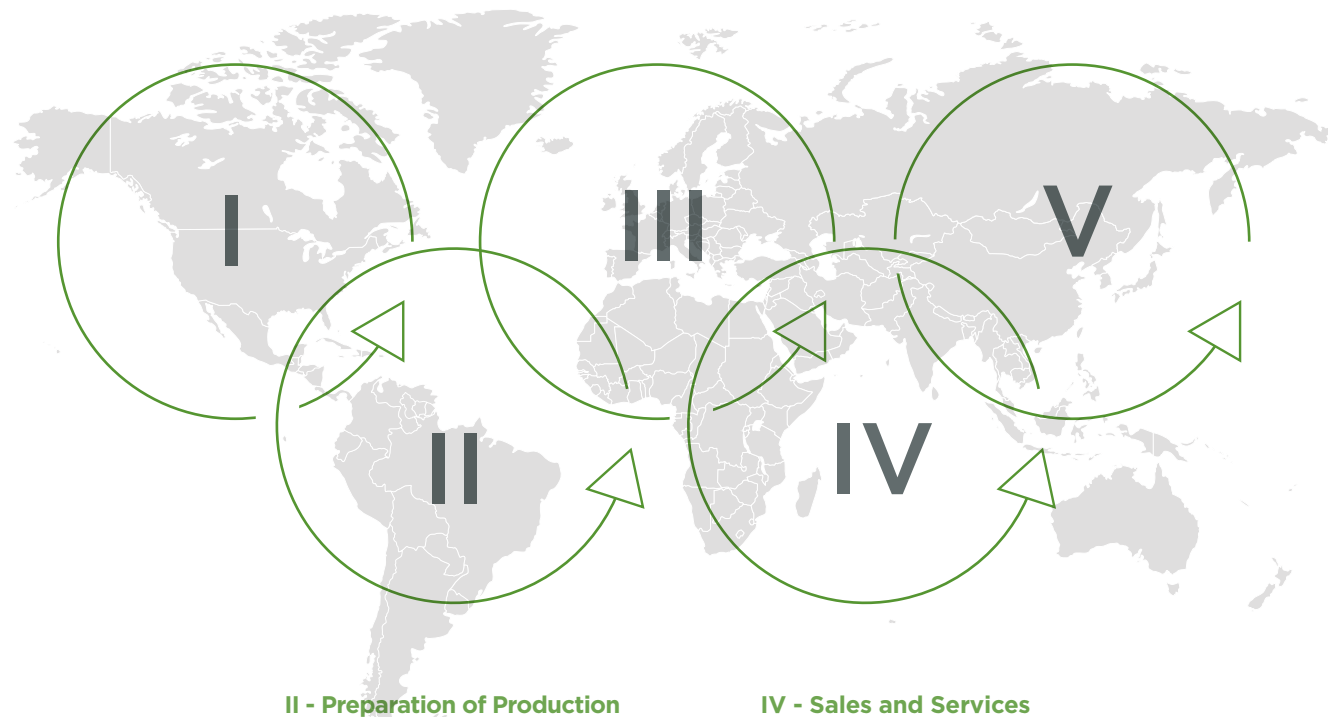
Based on the information collected from customers and markets worldwide, an analysis for quality improvement is conducted (market quality improvement system).

II - Preparation of Production

Quality assurance extends to production processes, developing manufacturing controls that limit process variability.

IV - Sales and Services

Any quality problems in the market are detected through after-sales and dealt with by the dealerships, based on surveys and information obtained from customers.



Research & Development

For Honda, investing in research and development is paramount to the innovation process. Therefore, the Research & Development Center, located at the automobile plant in Sumaré (SP), has strong initiatives in place to increase the local production index of components, in technologies that are less harmful to the environment and adapted to the specific demands of the countries in the region. With state-of-the-art laboratories and technical equipment, the center is today one of Honda's main development centers outside Japan and the U.S..

In line with this strategy, the Development and Technology Center (CDT) located at the Manaus (AM) plant, acts as a multidisciplinary technological center and its mission is to strengthen research and create solutions for the needs of the South American market. The unit has an infrastructure to evaluate products, a test track that simulates a variety of motorcycle riding conditions, and laboratories to test engines, gas emissions, and durability.

In both segments, the resources and technical skills for research and development available in the operation in Brazil, coupled with the company's global resources dedicated to innovation in mobility solutions and technologies, energy management, robotics and artificial intelligence, give Honda a leading role in the advancement of mobility with global and regional products and technologies, which, once implemented in the country, fully meet the needs of local consumers.

The research and development area is also essential to guarantee the quality of products, creating designs and projects that limit the variability in the manufacturing process. Honda's engineers have access to a wide base of accumulated knowledge on procedures and techniques that contribute to avoiding quality problems, when used in designing, in joint development with suppliers, and in production.

Supplier management

• GRI 102-9 •

Honda South America works with suppliers recognized not only for their service capacity and quality of products and services, but also for their ethical performance in the social and environmental areas. Therefore, in order to join the company's supplier team, all companies undergo a selection process conducted in accordance with the global guidelines defined by the headquarters in Japan.

Honda's standard to select and manage partners is defined by the QCDMEFS (Quality, Cost, Delivery, Management, Environment, Finance, and Safety) methodology. With a focus on these dimensions, indicators and processes are established for the development and monitoring of suppliers, such as quality specifications, efficiency, service, environmental management, human resources management, among others.

NUMBER OF SUPPLIERS OF PARTS AND RAW MATERIALS



* Peruvian production unit data not available.

Ensuring the quality of components and materials acquired from suppliers is a key element in offering customers differentiated products. Honda frequently visits its suppliers' facilities to conduct quality audits based on the "Three Realities Principle," which emphasizes "going to the real place," "knowing the real situation," and "being realistic." These audit activities are conducted both at the production preparation stage and during mass production. Based on these audits, Honda works continuously, together with suppliers, to identify and implement improvement projects.

Quality in the production process

Honda's production departments establish control items and manufacturing criteria for each part, process and operation. Engineers use these standards to check and minimize manufacturing variability. In addition, Honda develops technologies and systems that strengthen the quality of operations. This continuous improvement process involves employees, through suggestion plans and internal quality programs, such as NHC.

Honda Way

The Honda Way program is one of the initiatives to strengthen production principles, developing techniques that limit variability in the production process and add more quality and safety to products. Developed by the Production Quality Control department at Honda Automóveis, the purpose of the program is to guarantee absolute quality in production.

This department has an extensive program in place with its suppliers, who are invited to learn more about Honda's production process and, specifically, how the part or component supplied is used in the production line.



With this, each supplier understands the importance of strict compliance with the specifications set out by Honda. The program also enhances the relational aspect, providing a seamless communication flow between the parties.



Market Quality Center

Honda created an area called Market Quality Center (MQC) to manage information about the quality of the product offered to the market. The MQC is intended to improve prevention of problems and quickly detect and solve issues. The area collects quality-related information from dealers throughout Brazil and through the services department and customer relationship centers. This information is shared with the areas of Research & Development, Production, and Supplier Management for technical evaluations that allow for the identification of causes and implementation of corrective measures.

In this mission, one of Honda's major pillars in Brazil is its extensive dealership network, comprising 215 points of sale and services for automobiles and more than 1,100 for motorcycles. The dealership network is a fundamental partner that shares the same customer-oriented culture, offering personalized service from the very first contact, product experimentation, sales negotiation, providing services and implementing communication and relationship strategies.

Dealership management is closely monitored by Honda's consulting teams, through technical visits and satisfaction surveys on the service, products and services offered. In 2019, more than 288,634 customers were heard and expressed their opinions contributing to the company's continuous improvement processes.

Customer relations

Honda works to provide customers with positive experiences over time, at all touchpoints with the brand. In this way, a relationship history is created that allows customers to recognize brand value, its qualities and differentiators.

Training the employees of the dealership network is another essential factor in ensuring positive customer experiences. In 2019, Honda provided more than 469,976 hours of distance and in-person technical and behavioral training to sales and service employees in the network.



BEST QUALITY PROGRAM

Best Quality is an initiative by Honda South America to recognize technicians, consultants and managers of services and parts from its network of motorcycle and car dealers.

Through different evaluation methods, the best professionals advance in the program phases in each category - technician, service consultant, parts consultant and manager - up to the last phase, which consists of an evaluation with practical tests in vehicle diagnostic, service simulations, as well as a written knowledge test.

The professionals who most closely adhere to Honda's methodology and service culture are recognized. Since its launch in 2007, more than 97,000 employees of the dealership network throughout South America have participated in the program, demonstrating Honda's commitment to ensuring the high quality of its After-Sales.

In 2019, the two best after-sales professionals in South America had the opportunity to compete in the World Skill Contest, promoted by Honda Motor, in the city of Yokohama, Japan.

Digital Relationship

Thanks to a strong digital communication strategy and its own CRM platform, called “myHonda,” the company and its entire dealership network maintain a relationship with customers, over time and across the country, on a variety of demands.

Online communication is guaranteed, not only for current customers, who already have a history of relationship with Honda, but also for those who wish to purchase a Honda product or service for the first time. By being part of myHonda, customers and fans of the brand have access to content of interest, special opportunities and conditions, and information on products and services.

In this way, Honda also ensures excellence in customer service in the digital environment.



After-Sales Portal

In order to provide brand excellence in the digital environment, providing more information to users in an easy and transparent way, in 2019, new tools and features were made available to Honda customers on the after-sales website, such as consulting and scheduling routine maintenances and the frequency recommended for replacing parts and components. (www.honda.com.br/ pos-venda/automoveis and www.honda.com.br/pos-venda/motos).

Social Media

In order to maintain yet another important communication channel with the public, Honda is also present on social media, providing customer service and a variety of content about its products and services. The pages also contain topics that comprise Honda's pillars, such as road safety, the environment, motor sports, among others. In all its official channels, Honda has more than 11 million followers in Brazil..

Follow Honda on social media:



www.facebook.com/HondaBR
www.facebook.com/hondaautomoveis
www.facebook.com/HondaMotosBr
www.facebook.com/hondaracingbrasil
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www.facebook.com/bancohondaoficial



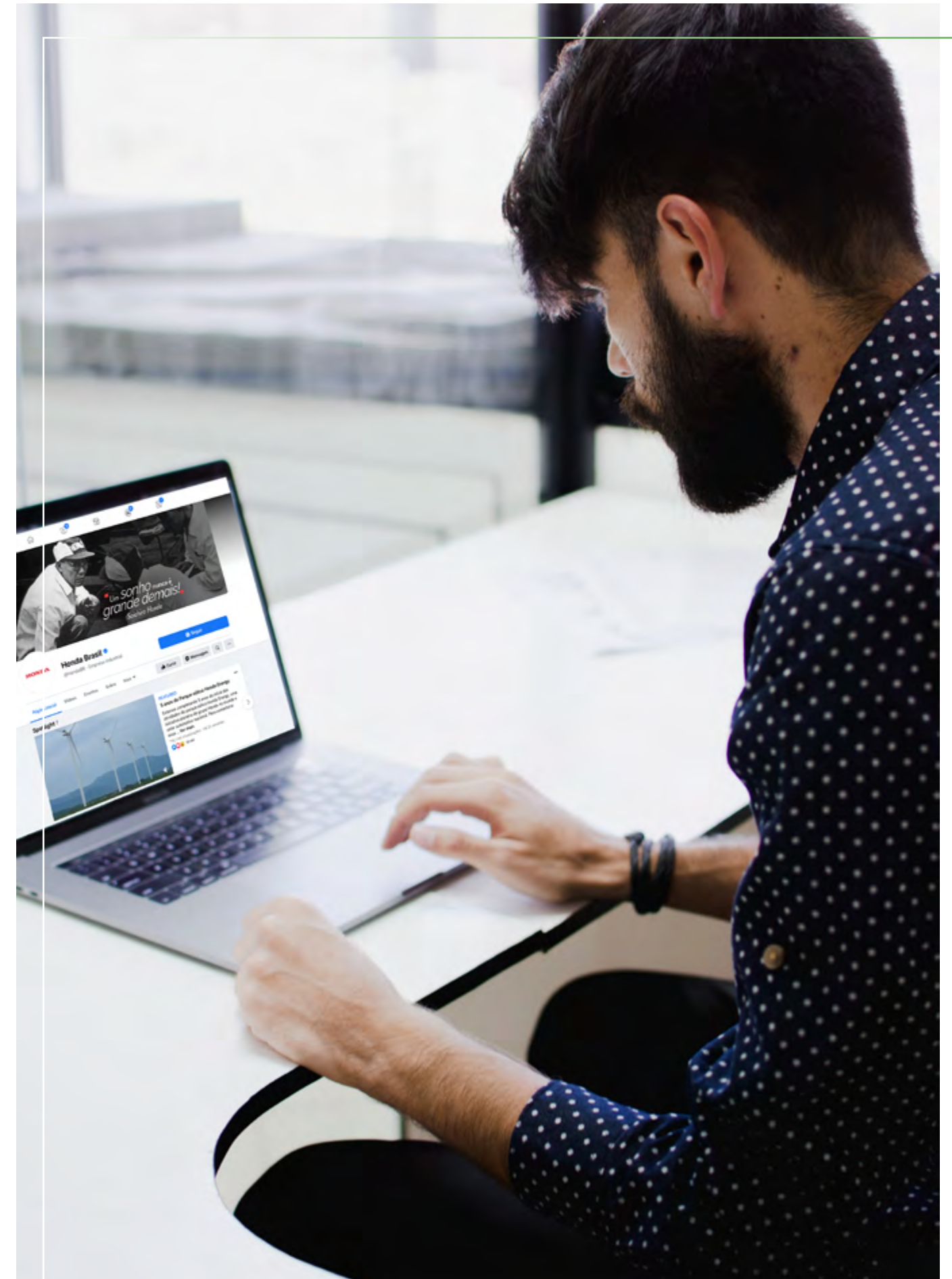
www.instagram.com/hondaautosbr
www.instagram.com/hondamotosbr
www.instagram.com/consorciohonda



www.linkedin.com/company/honda-brasil



www.youtube.com/HondaMotosBrasil
www.youtube.com/hondabr
www.youtube.com/HondaInstitucional



GAP

Through the Global Assignment Program (GAP), employees participate in international development programs to acquire technical and management skills and expand their network of professional contacts and knowledge of best practices. With this, the company develops its teams to operate in a globalized environment and lead changes in the business. Last year, 5 employees participated in the GAP and, over the past eight years, 127 have employees participated in the program



NHC

The Honda Philosophy is celebrated annually through the NHC (New Honda Circle) development program. In this program, employees from all areas and units are invited to form working groups in order to identify opportunities, develop and implement innovation projects and improvements in processes and work environment as a whole.

The projects must be developed according to the program's methodology and represent an opportunity for employees to learn about quality tools, share knowledge, and gain visibility and recognition, since the groups that stand out participate in national and international conventions, sharing their experiences and creations.

In this way, Honda values human capital, encouraging ideas and recognizing individual dedication to joint learning. In 2019, a total of 8,128 employees participated in the NHC program in South America, forming 1,691 teams

Leadership School

With a focus on internally developing company leaders, Honda managers are prepared to inspire, coordinate, and enhance the talents of their teams. Based on the company's philosophy, a training program guarantees thorough training for employees in management positions, through activities and tools, such as strategic projects in Cross-Functional Teams, Professional Coaching, Individual Development Plan (PDI) and 360° Evaluation.

Internship Program

Since the beginning of its operations, Honda has provided university students with access to its Internship Program. This is the main gateway for young professionals who seek an inspiring work environment that values aspects such as initiative, equality, trust, and communication.

With a total duration of 24 months, divided into three stages, the program includes a methodology focused on learning and hands-on experience in the target area of activity.

In addition to participating in projects and activities in the specific area, in the third phase, interns developed a proposal for relevant improvement. Throughout the development, they are monitored by the area managers and the Human Resources department.

In 2019, the major part of the interns who ended the contract were hired by the company.

Trainee Program

Joining a solid company, with a philosophy that values learning and continuous development, can be a great opportunity in a young person's career. With this in mind, Honda has an annual Trainee Program in place, geared toward recently graduated professionals interested in starting their professional journey.

In 2019, a total of 15 trainee positions were offered for the company's units in São Paulo (SP), Sumaré (SP) and Indaiatuba (SP), to work in the commercial, administrative, and financial areas.

The program is aimed at recent graduates (up to 2 years) with mastery of the English language, from courses such as Business Administration, Economic Sciences, Psychology, Social Sciences, Accounting, Mathematics, Statistics, Physics, Advertising, International Relations, Foreign Trade, Marketing, Engineering (Control and Automation, Mechanics, Mechatronics, Electrical, Electronics, Production, Aerospace, Computer, and Automotive), Computer Science and Information Systems, among others.

Trainees spend the first three months on job rotation through the main areas of the company and the following nine months on activities in their own areas of expertise. Development of improvement projects in their fields is also planned, in addition to specific training and mentoring program with managers.



New ways

In order to contribute to the financial planning of its employees, Honda opened in 2019 the “Financial Education for All” program. Without any age or position restriction, the initiative consists of lectures and workshops aimed at financial balance, with investment tips for both beginners in the subject, as well as for those who already have knowledge in the area and want to expand it. The program consists of four modules and has the partnership of XP Investimento and Universidade Bradesco.

Careers Page

A platform dedicated to the recruitment and selection of talent, which, in addition to showcasing the jobs available, has content that reinforces the precepts of the company’s Philosophy, the basis of the actions and decisions of all employees of the group. The platform also provides information on the different segments in which Honda operates in the country and the main activities performed in the five main areas of activity (Commercial, Production, Research & Development, Procurement, and Administrative).

Occupational Health and Safety

• GRI 103-2, 103-3/403, 403-2 •

“No production without safety.” Founder Soichiro Honda’s phrase is still alive today and can be seen on posters throughout the units and heard in the company’s corridors.

When it comes to preserving the health and safety of employees and third parties, Honda not only respects the current legislation and regulations of the sectors in which it operates, but also makes constant investments in actions to maximize safety and promote worker health.

Health and Safety management supports the company’s strategic plan. All Honda professionals are also committed to accident prevention, with senior management playing an important role in this process, supporting initiatives and providing resources to create and implement preventive programs.

Incident- and Injury-Free Environment

In order to anticipate existing risks and potential impacts arising from its operations, the company uses methodologies and tools to map all existing activities. For each situation mapped, there are preventive procedures and solutions, which include raising awareness of professionals about the importance of thinking and acting always having in mind the safety of everyone first.

Honda’s objective is to achieve a “zero accident” rate in all production units.

In recent years, Moto Honda da Amazônia has significantly reduced the accident severity rate and several safety initiatives have been implemented, among which we can highlight the Campaign “*No Trabalho, no Tráfego e no Lar Segurança em Primeiro Lugar*” (“While Working, Commuting or at Home, Safety Comes First”), which involved 7,500 employees and 1,300 service providers, via live transmission at 13 points in the plant.



Honda’s goal
is to achieve
“zero accident”

HEALTH AND SAFETY
MANAGEMENT
SUPPORTS THE
COMPANY’S
STRATEGIC PLAN.



A healthy team

Safety and well-being go hand in hand. In this sense, Honda has several measures in place to preserve the health of its employees, such as the ergonomic study of work, specialized medical care in the case of emergencies, and prevention campaigns by raising awareness, such as Pink October, focused on fighting breast cancer, Blue November, with an alert concerning prostate cancer, among others.

And by health, emotional well-being is also understood. In Manaus, the specialty clinic offers medical and psychological assistance with the aim of taking care not only of the body, but also of the employees' minds, promoting well-being.

Local Communities

• GRI 103-2, 103-3/203, 203-1 •

The company's vision of sharing joy with people would not be complete without Honda's engagement with local communities.

Based on this concept, the program Together for Tomorrow was born, adopted worldwide by the company and which demonstrates the importance of Honda's relationships with society as a whole. The program

was developed based on four pillars - Environment, Education, Community, and Road Safety - which help guide actions in favor of social, economic and environmental development, with a focus on building a better and more just world for future generations.

Currently, several social activities are in place in the six regions of global operations, in order to share joy with people from all over the world and become a company desired by society. Honda also strives to support initiatives that reflect local circumstances in its corporate activities abroad. In addition, these activities are in line with the content and objectives of international discussions, such as the SDGs.

In 2017, in order to improve the direction and focus of social projects and actions in the region, Honda South America developed a Social Action and Sponsorship Policy adapting the Global Policy guidelines to the regional reality.

In 2019, a total of 43 social actions and projects were conducted, with an investment of around US\$ 1.7 million, benefiting 70,077 people. Of this total, 14% (about US\$ 236,000) was invested via Incentive Laws - Rouanet Law, PROAC, PIE.



Together for Tomorrow



Incentive to education • GRI 203-1 •

Recognizing the importance of education in individual qualification, Honda has been offering the Professional Training Course to residents of the Recife (PE) region since 2007. The initiative takes place in the facilities of its Training Center in the city.

In over 870 hours of training, students receive theoretical and technical classes in mechanics of automobiles and motorcycles, with topics involving metrology, electrical systems, routine maintenance, periodic inspection, and others. The course also offers guidance modules on sales, negotiation techniques, health, family relations, information technology, environment, road safety, and the importance of voluntary work.

The process to select young adults who participate in the annual course begins with the analysis of basic criteria such as age, education, and social vulnerability. Applicants must be between 18 and 20 years old and be attending or have completed high school. The subsequent phases involve written tests, group dynamics, and visits to their families.

Since 2007 Honda has offered the Professional Training Course to residents of the Recife (PE) region.

Since the first edition, 272 young adults have benefited from the project and nearly 80% are employed and work in different positions, some of whom starting their professional careers at the Honda dealership network.



For Materiality Disclosures Service, GRI Services assessed whether the GRI Content Index is clearly presented and whether the references for Disclosures 102-40 to 102-49 are aligned with the appropriate sections throughout the report. The service was performed in the Portuguese version.

Standard GRI	Disclosure	Page or URL	Omission
GRI 101: Foundation 2016			
General Disclosures			
	102-1 - Name of the organization	13	
	102-2 - Activities, brands, products, and services	15	
	102-3 - Location of headquarters	15	
	102-4 - Location of operations	15	
	102-5 - Ownership and legal form	Limited liability company	
	102-6 - Markets served	15	
	102-7 - Scale of the organization	15	
	102-8 - Information on employees and other workers	64	
	102-9 - Supply chain	59	
	102-10 - Significant changes to the organization and its supply chain	21, 26	
	102-11 - Precautionary Principle or approach	32	
	102-12 - External initiatives	Honda South America is not a signatory to voluntary commitments.	
	102-13 - Membership of associations	ABEEólica - Brazilian Wind Energy Association ABRACICLO - Presidency: (Brazilian Association of Manufacturers of Motorcycles, Mopeds, Scooters, Bicycles, and the like) SIMEFRE - Vice Presidency: (Materials and Railway, Highway, and Two-Wheeler Industry Union) ANFAVEA/SINFAVEA - Vice Presidency: (National Association of Automotive Vehicle Manufacturers / National Union of the Tractor, Truck, Automobile, and Similar Vehicle Industry) AEA - Board: (Brazilian Automotive Engineering Association) FIEAM - Board: (Federation of Industries for the State of Amazonas) CIEAM - Board: (Industry Center for the State of Amazonas) AFICAM - Board: (Association of Component Manufacturers for the Amazon Region) Japanese-Brazilian Chamber of Commerce for the States of Amazonas and São Paulo - Board ABIAPE - Brazilian Association of Investors in Energy Self-Production	
	102-14 - Statement from senior decision-maker	5	
	102-16 - Values, principles, standards, and norms of behavior	7	

Standard GRI	Disclosure	Page or URL	Omission
Anti-corruption			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	13	
	103-2 - The management approach and its components	35	
	103-3 - Evaluation of the management approach	35	
GRI 205: Anti-corruption 2016	205-2 - Communication and training about anti-corruption policies and procedures	35	
Energy			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	13	
	103-2 - The management approach and its components	45	
	103-3 - Evaluation of the management approach	45	
GRI 302: Energy 2016	302-1 - Energy consumption within the organization	45	
	302-3 - Energy intensity	46	
	302-4 - Reduction of energy consumption	46	
Water			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	13	
	103-2 - The management approach and its components	47	
	103-3 - Evaluation of the management approach	47	
GRI 303: Water 2016	303-1 - Water consumption	47	
Emissions			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	13	
	103-2 - The management approach and its components	37	
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GRI 305: Emissions 2016	305-1 - Direct (Scope 1) GHG emissions	40	
	305-2 - Energy indirect (Scope 2) GHG emissions	40	
	305-4 - GHG emissions intensity	40	
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	305-7 - Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	41	
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	13	
	103-2 - The management approach and its components	48	
	103-3 - Evaluation of the management approach	48	
GRI 306: Effluents and Waste 2016	306-2 - Waste by type and disposal method	48	

