



**HONDA**  
The Power of Dreams

Together for  
Tomorrow



# Honda South America 2015 Sustainability Report

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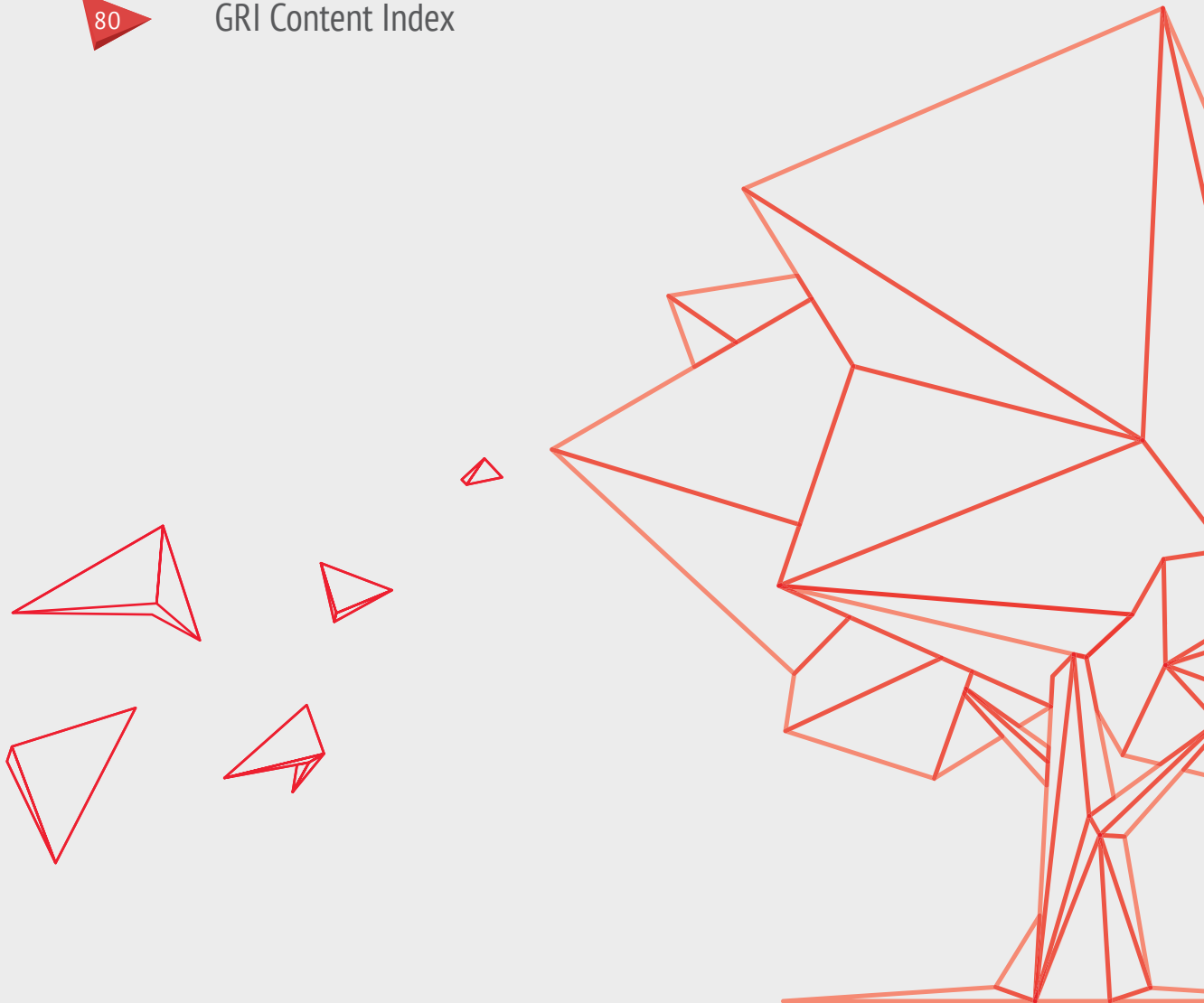
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## GRI Content Index





“

*Delivering projects that are increasingly more advanced and environmentally friendly is in the DNA of our company.”*

**Issao Mizoguchi,**  
President of Honda South America (HSA)

## Message from the Administration

(G4-1, G4-2, G4-3)

### Dynamics and innovation are in Honda's DNA

To be a company that is independent and desired by society. This is the vision that inspires all Honda operations worldwide. Operating in South America for 44 years, we are committed to offering products that exceed customer expectations and that contribute to the development of society through education and respect for individuals and the environment.

This way, we took on the challenge of reducing by 30% our CO<sub>2</sub> emissions in all our activities by 2020. Our plant in the city of Sumaré will exceed this goal as early as 2015 through investments in the Xangri-Lá wind farm. The other units are preparing to achieve this goal by 2020.

Speaking of which, at the end of last year we had the honor of inaugurating the first wind farm of the Brazilian automotive market, and of the Honda Group worldwide. The beginning of the operations of such an innovative project, which allows us to be self-sufficient in the generation of clean and renewable energy for our operations, the automotive plant in Sumaré (SP), became a symbol of our commitment to sustainability.

In addition to environmental actions, other pillars support the operations of Honda South America. These are initiatives that contribute with the communities surrounding our operations and promote traffic education and safety. In 2014, more than 100,000 people took part in the safe riding motorcycle activities offered by the Honda Traffic Educational Center units (CETH - in the Brazilian acronym), of Honda South America (HSA). In the last 17 years, more than 660,000 people have participated in the free activities we offer toward safer traffic.

Given the importance of the South American market for the global economy, we are investing in the growth of our business in the region. Throughout 2014, we proceeded with the construction of our second automobile plant in Itirapina, in the countryside of São Paulo, which will allow us to double our current production capacity from 120,000 to 240,000 cars/year. Additionally, we inaugurated a new automobile Research and Development Center so that the models marketed here can offer more differentiators based on local needs.

We are working to establish an independent business, with increasingly stronger and local management. To this end, I assumed, in April 2014, the presidency of Honda South America (HSA) and one of my most important missions is to prepare new local leaders in all company operations. Leadership has the important role of following the company's global guidelines, while respecting the economic and social idiosyncrasies of South America.

We have a long road ahead. And, in order to achieve our goals, it is critical to have the engagement of all stakeholders of the business, especially our associates, suppliers, dealerships, and customers. To this end, we seek to recognize and value teamwork, respecting differences and improving training and development programs pursuant to the company strategy.

Thus, we deliver increasingly more advanced and environmentally friendly products, valuing the great dream of mobility with freedom, which is in our company's DNA. The challenges for the coming years are many, but we are confident and with well-defined strategies to overcome obstacles and promote balance between Honda, society, and the environment.



## Reporting process

(G4-18; G4-22; G4-29; G4-30)

After seven years publishing annual environmental and social reports, Honda South America presents, for the first time, a sustainability report based on the guidelines of the Global Reporting Initiative (GRI). The reporting period goes from January 1 to December 31, 2014 and covers all countries that comprise the Honda South America group: Brazil, Argentina, Peru, and Chile.

In order to define the scope and the boundaries of the present report, an analysis was made of prior editions, correlating their content to the GRI indicators. Additionally, aspects defined as relevant for the automotive sector were defined based on a survey conducted by GRI and SASB

(Sustainability Accounting Standard Board). The tool RepRisk was also used to evaluate the reporting of these aspects in the sector.

In order to comply with GRI assumptions in its G4 version, the company started, in 2015, the process to define materiality, which should provide those aspects considered more relevant to the stakeholders of our business. Although the company still cannot present the entire content according to the methodology, it is preparing for this to occur in the coming year.

The last reports of the Social and Environmental Contribution are available through the link:

[www.honda.com.br/relatoriosocial/relatorio/](http://www.honda.com.br/relatoriosocial/relatorio/)

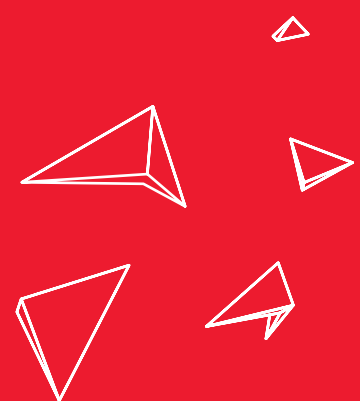




Honda headquarters in the city of Sumaré, in the countryside of São Paulo (SP)



# Company PROFILE





## Who We Are

(G4-3; G4-5; G4-7; G4-13)

Honda has been operating in South America since 1971, when it began to import motorcycles for the Brazilian territory. With operations in Brazil, Argentina, Chile, and Peru, Honda South America holding, created in 2000, centralizes production, imports and marketing of motorcycles, cars, ATVs, and power products.

Today, Honda has

# 474

subsidiaries and  
affiliated companies  
worldwide

From a small Japanese engine plant to a global conglomerate, Honda Motor Co. has been operating for over 65 years, while maintaining a young, challenging and constantly evolving spirit. Everything began when Soichiro Honda, founder of the company, believed in his dream to revolutionize and develop new concepts of mobility. Since then, the belief in the power of dreams continues to influence everyone wherever Honda products are found.

The company maintains its guideline to produce where there is demand, promoting development to regions where our units operate. Honda's global operations are divided into seven administrative blocks, responsible for the regional activities: Japan; North and Central America; South America; Europe, Middle East and Africa; Asia and Oceania; and China. In all, there are 474 subsidiaries and affiliated companies worldwide.

In South America, the company has been present since 1971, when it started importing motorcycles to Brazil. Five years later, the company inaugurated its first plant in the continent, in the city of Manaus (AM), which today is the largest producer of Honda motorcycles in the world. Still in the 1970s, the company initiated operations in other countries: Peru, in 1975, and Argentina in 1978.

In the 1990s, in addition to expanding its frontiers and arriving in Chile in 1998, Honda started importing cars into Brazil and Argentina. In 1997, the company initiated operations of its

automobile plant in the city of Sumaré (SP), and in 2011, of the Campana unit, in the city of Buenos Aires, Argentina, where it already had a motorcycle production plant. In the other South American countries, a network of official and independent distributors represents the brand throughout the entire continent.

In 2000, Honda South America Ltda (HSA) holding was created. With headquarters in Brazil, HSA also has shareholding interest in component companies and is responsible for the development of group operations throughout the entire South American block.

At the end of 2014, a process was initiated to transfer the South American headquarters from the city of São Paulo to Sumaré, in the upstate region, in the same location as Honda Automóveis do Brasil. The idea behind the change was to promote greater proximity between the commercial, administrative, product development, and production areas, streamlining communication between all sectors and decision-making processes. With this, Honda prepares for the expansion of its local businesses, prioritizing the speed and dynamics of all processes. All this reflected in the quality of the products delivered to consumers.

Located adjacent to the new headquarters is the company's automotive Research and Development Center. The project, inaugurated in February 2014, was created to become one of the main development centers for the company outside the Japan-United States hubs. More





Production line at Honda Automóveis in Sumaré, in the countryside of São Paulo (SP)

Production line at Moto Honda, in Manaus (AM)

than 300 engineers work at the unit to allow for the company to continue offering products that are differentiated for their innovative attributes and surprising to local consumers.

The Manaus plant also has a Development and Technology Center. Inaugurated in September 2013, the unit is a multidisciplinary development complex fully integrated with departments for developing new techniques, processes, and products manufactured by Honda.

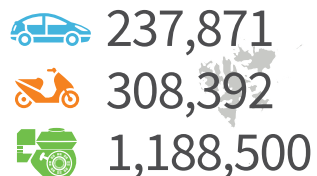
The inauguration of the Xangri-Lá wind farm, in the state of Rio Grande do Sul, is also an important part of the company's sustainability strategy. With an installed capacity of more than 80,000 MW per year - Honda's first wind park in the world - the project produces energy expected to supply the demand of the Sumaré automotive plant, with a reduction in the emissions of CO<sub>2</sub> of over 7,000 tons per year (30% of the total generated by the plant).

# Operations

(G4-4 ; G4-6; G4-8, G4-9)

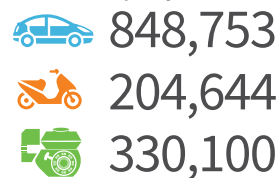
## EUROPE, AFRICA, AND THE MIDDLE EAST

Units sold per year



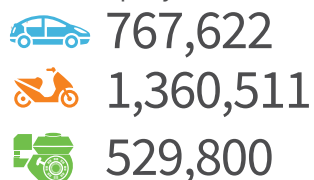
## JAPAN

Units sold per year



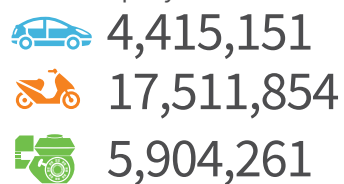
## CHINA

Units sold per year



## GLOBAL

Units sold per year



**NORTH AMERICA**

Units sold per year

 1,789,467 277,558 2,651,900**SOUTH AMERICA**

Units sold per year

 151,826 1,328,675 103,061**ASIA/OCEANIA**

Units sold per year

 619,612 14,032,074 1,100,900

Argentina

Honda Motor de Argentina S.A

- Honda Motor de Argentina S.A: production of motorcycles and automobiles, importing and sales of motorcycles and power products.



Brazil

Honda South America Ltda  
(headquarters)

- Honda Automóveis do Brasil Ltda: production and sales of automobiles and parts.
- Moto Honda da Amazônia Ltda: production and sales of motorcycles, power products, and ATVs.
- Honda Componentes da Amazônia: production of motorcycle components.
- HTA Indústria e Comércio Ltda: production of tools for the production of motorcycles.
- Honda Serviços Financeiros Ltda., Banco Honda S.A, Consórcio Nacional Honda Ltda., Honda Leasing S.A, Corretora Seguros Honda Ltda.: financial services.
- Honda Energy do Brasil: self production of wind power.



Chile

Honda Motor de Chile S.A.

- Importing and sales of motorcycles, automobiles, and power products.



Peru

Honda Selva del Peru S.A.

Honda del Peru

- Production of motorcycles.
- Importing and sales of automobiles and power products.



Automobiles



Motorcycles



Power Products





## Vision, Mission and Values

(GRI G4-56)

### Honda Philosophy

Driven by its slogan “The Power of Dreams,” Honda believes in the creative power of human beings for the transformation and production of innovative ideas. Consequently, the essence of its philosophy is in providing joy and wellness to those directly and indirectly involved in the company’s business. This feeling permeates all initiatives conducted by the company and provides inspiration to constantly exceed the expectations of customers, associates, partners, and the communities surrounding our

operations.

Honda considers that strengthening these relationships is very important, by valuing and promoting the potential of each individual and following the path with responsibility and trust in order to continue to be one of the most desired and admired companies in the world. With this spirit, the company is committed to offering high quality products, with fair prices and customer satisfaction locally and globally.

## Respect for Individuals

In order to promote sharing of joy, respecting individual characteristics and potentialities, Honda adopts the following concepts across all its areas of operation:

### INITIATIVE

This means thinking creatively, acting upon one's will and convictions, and assuming responsibility for attitudes and actions practiced, without being bound by preconceived ideas.

### EQUALITY

Recognize and respect individual differences, treating people fairly. This means creating equal opportunities for those with willpower. Nationality, gender, age, creed, race, educational level, and social or economic strata do not influence the opportunities offered to individuals.

### TRUST

Trust is obtained when we recognize others as individuals, assisting in areas where people have difficulties, accepting help in those areas where we fail, sharing our knowledge, and assuming our responsibilities. At Honda, this mutual trust relationship between associates is expected.

## The Three Joys

Based on the concept of respect for individuals, Honda develops a relationship of trust and shares joy with every person who works at the company and with all those directly or indirectly involved in its activities and products. This conviction can be expressed by what the Honda staff calls "The Three Joys", which materialized the forms of gaining the confidence of society and fulfilling the company's social responsibility.

### THE JOY OF BUYING

Provide each client, through products and services, with something that goes beyond satisfaction: providing a motion. The joy of customers is what adds value to Honda's activities. It is through their joy that one can appreciate the true joy of creating and selling. To this end, the Honda team strives to create products with new values and offer services that exceed customer's expectations.

### THE JOY OF SELLING

This represents gaining the trust of customers, by providing joy through products and services that go beyond their expectations. Only then, Honda's associates, dealerships and distributors can feel the pride and joy for what they do.

### THE JOY OF CREATING

This joy arises when one creates products and services that exceed the expectations of customers and dealerships, providing them with joy. This is only possible when you use all of your team's creative potential.



“

*Since it is our wish to provide our clients with 100% of quality in services and adopt the maximum score for approval, I asked that all dealerships provide services with 120% of quality, thereby ensuring a 100% rate.”*

Soichiro Honda (1953)

## Respect for Quality

Honda seeks to offer high quality and technology products at a fair price. The company relies on a network of after-sales services with efficient structure to distribute replacement parts and consequently, provides the best possible

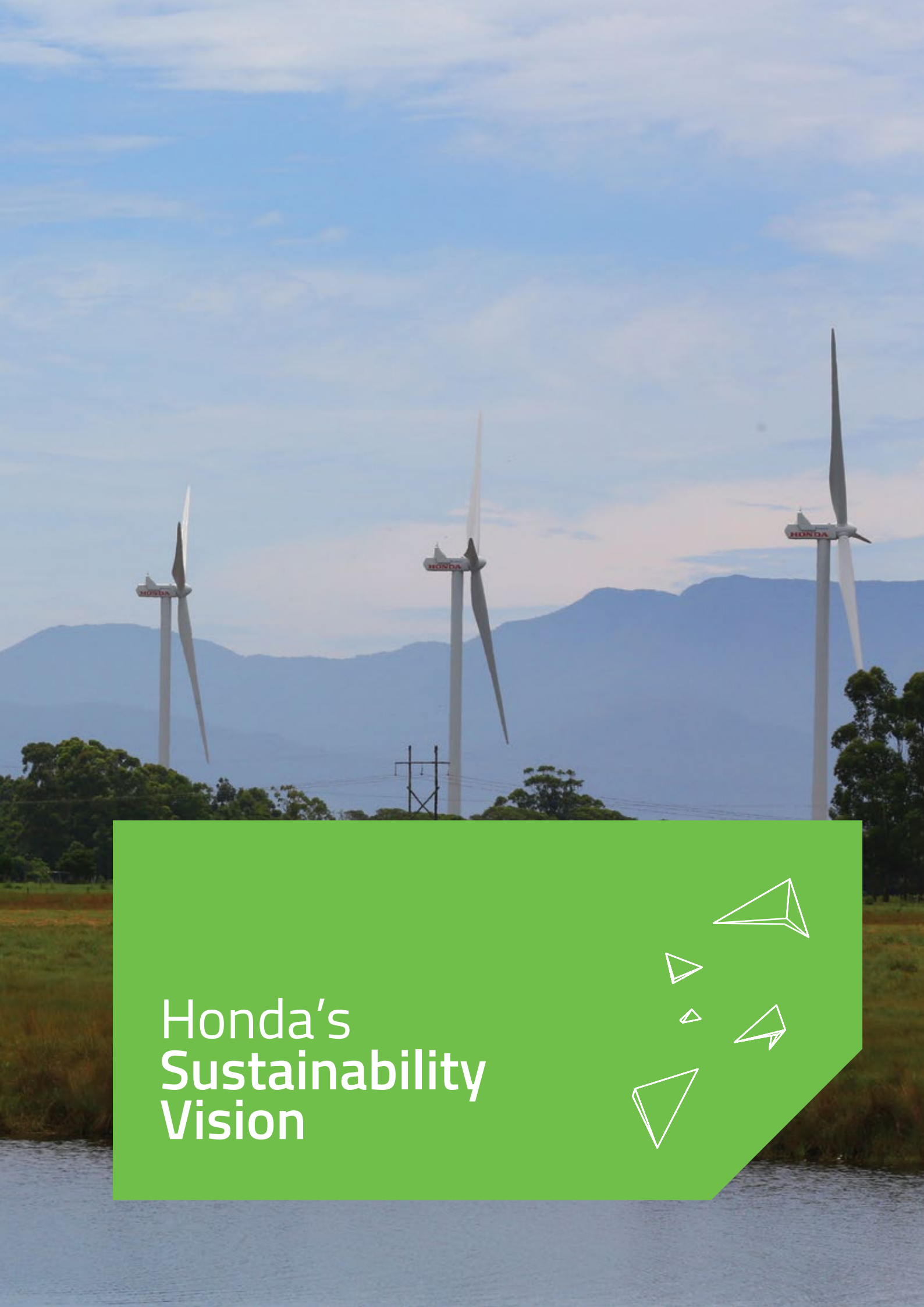
experience to its customers. The company believes that the effort of associates must amount to 120% of the quality of all parts and products of the company, thereby ensuring the delivery with 100% quality in all its units.



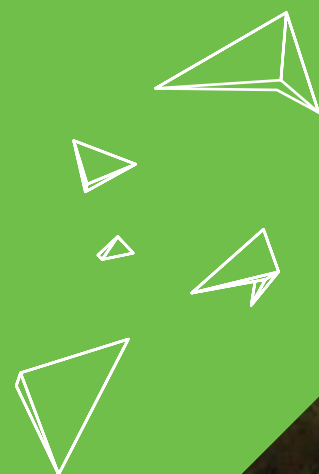


Honda's wind farm in Xangri-Lá (RS)



The background of the entire image is a photograph of a wind farm. Three large white wind turbines with 'HONDA' written on their nacelles are visible against a blue sky with light clouds. In the foreground, there is a body of water and some green grass. A large green rectangle is overlaid on the bottom right of the image, containing the title and some geometric shapes.

# Honda's Sustainability Vision



# The Value of Sustainability

Honda philosophy permeates all company activities, promoting among all stakeholders its values that are intrinsic to its organizational culture. Consequently, the Environment, Safety, Quality, and Society are four aspects of strategic importance and are present across all decision-making processes.

By minimizing negative impacts and maximizing the positive ones, with focus on medium and long-term initiatives, Honda guarantees its effective contribution to a sustainable society.

Since the beginning of its history, the company directs efforts toward its socially and environmentally correct operation, through technology development programs geared toward solutions that minimize social and environmental impact and that range from production to after-sales services.

In order to integrate all initiatives conducted by the company in South America and become a benchmark in terms of sustainability in the continent, the company is working to create and

consolidate clear criteria for sustainable practices in its activities. Among the main challenges - and benefits - of this work is the alignment of group guidelines with the characteristics of each location, always keeping in mind the things that are important for the stakeholders of its business. Furthermore, Honda has a clear view and approach to intensify the development of activities intended to help create a society where everyone is entitled to pursuing their dreams in the areas of education, environment, and traffic safety.

Thus, improving communications and strengthening the concept of sustainability within our businesses is instrumental. To this end, the company began mapping and engaging its stakeholders, seeking to align its operations in sustainability with the expectations of its stakeholders. It was with this frame of mind that the company began developing its annual report based on the Global Reporting Initiative - GRI guidelines, in its G4 version, which takes into account the most relevant aspects for the organization's stakeholders.



## Together for Tomorrow

Pursuant to global principles under the motto Together for Tomorrow, Honda clearly demonstrates the importance of the relationship it maintains with society. Based on four pillars (Environment, Education, Community, and Traffic Safety), the company believes that

partnering with the surrounding community, in addition to providing social, economic and environmental development, is the right path to help build a better a more egalitarian world for future generations.



### VISION

Honda values sharing joy with people throughout the world through its socially responsible activities.



### BASIC PRINCIPLES

Com uma visão global, a empresa contribui With a global vision, the company contributes to the well-being of local communities worldwide through products and technologies that benefit society. Thus, Honda further strengthens its commitment to all communities where it conducts businesses, promoting a society where persevering and dedicated individuals actively participate in socially responsible activities.



### GLOBAL GUIDELINES

Working to create a future society where everyone can pursue their dreams, Honda:

- Supports education of young adults for the future.
- Works to preserve the global environment.
- Promotes traffic safety through education and training.

# Stakeholder Engagement

(G4-24; G4-25)

Honda prioritizes open debate with all its stakeholders, cherishing the relationship with business partners, internal audience, customers and communities based on dissemination of information. This belief is based on one of the pillars implemented by Soichiro Honda, founder of the company, which speaks of the importance of sharing knowledge.

Honda also considers essential to understand what its stakeholders expect from the company and, to this end, it is developing its first Materiality Matrix. The study, which should be completed in 2015, will map all company stakeholders and the relevant aspects to communicate about its activities, resulting in planned structured engagement actions.

## Business Partners

(G4-12)

The company seeks to be close to its suppliers and dealers in order to share experiences and work to ensure customer satisfaction from the conception of the product to the after-sales services.

Honda also engages its partners to assume the same commitment to the brand, with the sustainability of their activities. To this end, the company recognizes and certifies dealers and suppliers that work to reduce environmental impacts and contribute to the well-being of society through the programs Green Dealer, Green Purchasing, and Green Logistics (more information on page 42).

Honda understands that its suppliers represent an important part of its business and is aware of its large responsibility in the production chain of this sector. For this, as part of the relationship work, the company maintains daily contact and frequent visits to partners, in addition to promoting conventions to introduce new products and guidelines.

Regular assessments are carried out with all direct suppliers, demanding a minimum qualification of 80 points of 100 possible, in order to continue working with the company.

Everyone must comply with Honda's quality standard (Quality, Cost, Delivery, Environment, Management, and Safety - QCDEMS).

Nevertheless, the company understands that assessment alone is not enough. It is also necessary to provide support and opportunities for development of those forming the production chain of the business.

Therefore, the company annually promotes the "New Honda Circle - Suppliers", an event designed to integrate suppliers with the company culture, seeking improvements in quality, costs, delivery, management and enhancement of services. To participate, one simply needs to register and form a workgroup with focus on improving and developing associates.

Aware of its responsibility, the company also requires its suppliers to comply with labor legislation, environmental regulations and quality standards, and is reviewing its contracts and agreements in order to include clauses associated with human rights and social and environmental responsibility.

## Suppliers

 Moto Honda da Amazônia

120 suppliers of parts

20 suppliers of materials, paints and other items

 Honda Automóveis do Brasil

117 suppliers of parts

26 suppliers of materials, paints and other items

 Moto Honda  
 Honda Automóveis

1,500 suppliers of general items

 324 suppliers for Honda Motor de Argentina

 400 suppliers for Honda Motor del Chile

HSA works with local suppliers and with partners in other countries, such as Japan and China.





Motorcycle Dealership

Car Dealership



## Points of sales



### Motorcycles



134



1,300



43



126



### Cars



21



219



31



10



### Power Products



151



579



46



194

## Dealerships

The joy of selling a product is the base of Honda's relationship with its Dealer Network. Based on this ideal, partners also seek to convey to their customers the dreams of the company, including those concerning environmental preservation.

Honda has a specific sales team to develop a closer relationship with dealerships and evaluate the points of sales to ensure quality services to customers. There are certain certifications and assessments of the standards of excellence of the dealerships based on items such as physical facilities, sales and after-sales services.

Additionally, the company created the Services Training Centers (CTs) in the cities of Sumaré (SP) and Recife (PE), that promote constant training and improvement of associates of its 2,098 Honda do Brasil resellers (1,304 for motorcycles, 219 for cars, and 579 for power products).

Both units rely on a modern structure and high technology equipment, in addition to cars, motorcycles and power products used in training and technical and administrative qualification of associates of the dealerships. The CTs also have Mobile Training Units that take the courses to other regions in the country.



## Internal Audience

The company believes that its associates have an important role in the business and, consequently, carries out several initiatives to engage its internal audience. Honda encourages each person to have their own dreams and maintain the spirit of youth to realize these dreams, fostering the sharing of joy, through respect to the characteristics of each individual and a relationship of equality and trust. The maximum engagement of each individual is obtained through valuing initiative and teamwork.

To ensure a positive organizational climate, the company annually conducts an internal climate survey. Through this survey, associates can register their perceptions about the organizational environment which serve as guidelines in preparing corporate action plans as well as specific action plans for each department. Human resources guide the other areas of the company in the development of actions to disseminate the results to the teams and conduct focal groups. In this way, the process is strengthened with an effective guidance of these initiatives, promoting greater opening and bonding with associates.

The company also conducts programs to promote proactiveness of its associates, encouraging initiatives to implement improvements in day-to-day activities.

The largest of these programs is the NHC - New Honda Circle, a global program that has the participation of all Honda units. Lasting for nine months, NHC is a circle of quality through which professionals put together teams and present projects and ideas for innovation or improvement in processes. The project is not a part of any department goal and is based on actions that even generate improvements in the quality of life in the work environment.

Participation in the program is voluntary and reaches, on average, from 80 to 90% of the associates. In 2014, there were 477 groups with more than 2,500 associates of Honda Automóveis, and 1,350 groups with more than 6,600 associates from Moto Honda. In Argentina, there were 152 teams, in Peru 20, and Chile had five teams. At Honda Serviços Financeiros, there were 45 participating groups, including the winning group of NHC 2014.

The best works are presented at a South American regional convention and some of these works are chosen to represent the block in the global convention which occurs every two years. Additionally, after the completion of each stage, associates receive participation awards that become more attractive at each phase.

Some of the results of the 2014 Climate Survey

91%

of the associates are proud to work at Honda

94%

of the associates value the Honda Philosophy



**GREAT  
PLACE  
TO  
WORK®**

### Among the best

For another year, Honda participated in the GPTW (Great Place to Work) survey that assesses 1,500 Brazilian companies concerning human resources practices and programs, and the perception of associates about their work environment. In 2014, Moto Honda da Amazônia ranked among the 70 best companies to work for in Brazil.



Honda Automóveis was chosen for the 10th time as the best after-sales services by the survey “Os eleitos” (“The elected”), one of the most important in the Brazilian auto industry.



Honda Automóveis is one of the Brazilian leaders in sales of vehicles for people with disabilities and has received several satisfaction awards in this category.

## Customers

(G4-PR5)

With the global spirit and constant care for the specificities of each region, Honda is dedicated to offering high-quality products at a fair price to all its audience profiles, from riverside dwellers who need stationary engines for boats to executives who acquire luxury vehicles with high level of comfort and performance.

By offering services based on transparency, clarity and commitment, the company reaffirms, day after day, its commitment to excellence in the relationship with its customers. The main objective is to maintain sales guidelines and strategies, offering mobility through quality products with personalized services throughout its entire dealer network in Brazil. Furthermore, the company has an internal customer relationship team comprised of highly qualified professionals for technical services suitable for the demands of consumers of motorcycles, cars, and power products.

In launching new vehicles, the company believes in the relevance of market surveys to guide its development process. These surveys help analyze actual needs and consumer characteristics of the target audience.

Honda has strict quality control process throughout its production line and constantly monitors units already sold to ensure that its products meet the most rigorous quality and safety standards. If it is determined that any vehicle, after having been made available in the market, has shown a defect that impacts the safety of users, the owner is notified to correct the possible nonconformity of the product. In these recall campaigns, communication is always based on the principles of transparency. The company carries out ample communication to the national media and posts links on the homepage of its website to ensure fast access to information. Faulty parts are replaced by new items and the dealerships are reimbursed according to the repairs carried out.

### LIST OF RECALLS IN 2014

- Preventive replacement of the airbag inflator for the models Civic 2003 and 2004, CR-V 2003, Accord 2003 to 2007 and Fit 2004.
- Preventive replacement of the airbag inflator for the models Civic 2012 to 2015, and CR-V 2012.
- Preventive replacement of the airbag inflator for the models Civic 2001 to 2003, and CR-V 2002 to 2003.
- Replacement of the attachment bolts of the rocker arm shafts for the models CB 500F and CBR 500R 2014.





Social project: 2014 graduation class of the Professional Initiation Course on Vehicle Mechanics, in Recife (PE)

## Communities

Honda believes that education is the way to build a better world. For this reason, the company invests in education and social development projects in the communities located in the vicinity of its units, including preparation to work in the market and social and environmental awareness of children and young adults.

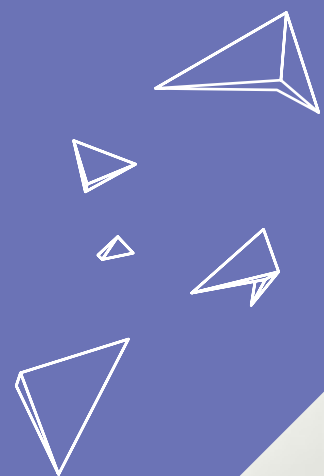
Furthermore, the company works to develop

initiatives that offer better living conditions for the population, as described in the item Community Development (more information in the Social Commitment section). This commitment is reflected across all Honda units in South America that carry out from social and environmental events for communities, to motorcycle rider training and qualification of young adults in basic mechanics courses.





# Corporate Governance





## ■ Responsible Management

In line with the group's global guidelines, Honda South America follows strict management standards to maintain the independence of its governance, safety of its internal processes, and cater to the expectations of stakeholders.

## Governance Framework

(GRI G4-34)

Honda has a solid, streamlined and flexible operation in South America, which provides efficiency in the implementation of global strategies on a local scale. Today, one of the company's main challenges is to advance in other South American countries, and to this end, it is instrumental to have a framework that allows for sharing of best practices and resources that maximize regional synergies, having fast actions in specific markets to

fully address the expectations of each customer. In this way, the company seeks greater autonomy and independence for each business, allowing for fast response to changes and local market trends, which are increasingly more demanding. To this end, the structure has an organizational framework based on Business Units that operate focused on their own market to better understand and serve their customers.

| Business Unit | Corporate Name                   | Scope                    | Jurisdiction |
|---------------|----------------------------------|--------------------------|--------------|
| HDA           | Moto Honda da Amazônia Ltda.     | 2W / PP                  | Brazil       |
| HAB           | Honda Automóveis do Brasil Ltda. | 4W                       | Brazil       |
| HSF           | Honda Serviços Ltda.             | BHB / CNH / SHB          | Brazil       |
| HAR           | Honda Motor de Argentina S.A.    | 2W / 4W / PP             | Argentina    |
| HDP           | Honda del Peru S.A.              | 2W / PP                  | Peru         |
| HSP           | Honda Selva del Peru S.A.        |                          |              |
| HMDC          | Honda Motor de Chile S.A.        | 2W / 4W / PP<br>*imports | Chile        |

2W: Motorcycles / 4W: Cars / PP: Power Products

BHB: Banco Honda S.A. / CNH: Consórcio Nacional Honda Ltda. / SHB: Corretora de Seguros Honda Ltda.

Additionally, the company promotes integration of the areas of SEDBA (Sales, Engineering, Development, Buying, and Administration) in each business, providing efficient communication to allow for fast and efficient decision-making. Thus, whenever necessary, it is possible to alter projects, mobilize and develop suppliers, production resources, sales and services strategies with the agility required by the market. As a corporate structure, HSA operates with the following guidelines:

1. Consolidate regional operational information received from each unit to provide support to decisions of the Regional Operating Board (ROB), centralizing communication with Honda Motor Co.
2. Define policies, strategic guidelines and standards for each operating area in an integrated manner with the global and regional businesses.
3. Ensure that local strategic plans are always in line with the regional and global plans.

#### **SALES**

HSA's commercial structure does not simply market products made in Brazil internationally, but it is also responsible for aligning regional and global sales strategies, sharing best global practices and developing new markets in South America.

#### **PRODUCTION**

The area of Production ensures alignment between local operations and business objectives, helping to conduct planning and strategic control of production in South America and providing technical support to the plants in the region.

#### **ENGINEERING**

Each Honda segment has its own engineering area that provides support to the specific needs of each country in the region. The corporate role played by Production and Engineering is to ensure alignment between each local operation and the business objectives, in addition to providing technical support to other plants. Today, Moto Honda da Amazônia (HDA) has a corporate function for motorcycles and power products, while Honda Automóveis do Brasil (HAB) focuses on the company's automobile line.

#### **DEVELOPMENT**

Honda Research Brazil's (HRB) units for automobiles, motorcycles and power products centralize the research and development function for products and components in South America.

#### **PURCHASING**

The area of purchasing is responsible for aligning strategies with suppliers of the units and maximizing the negotiation power and economies of scale. Additionally, the department provides a standardized flow structure ensuring regular supply of parts, materials, and a stable production within the cost and quality standards.

#### **CUSTOMER SERVICES**

The customer services division is comprised of After-Sales and Parts. With an efficient structure focused on best market practices, this area works to improve results of sales of parts, strengthening its presence throughout the continent and ensuring the satisfaction of Honda's customers.

#### **ADMINISTRATION**

The administration area is structured to work in key processes in Human Resources, Information Technology, Comptrollership, Sustainability, and Legal Department. This area is responsible for unifying policies and processes that allow for gains in scale arising from centralization, guaranteeing uniformity and strengthening Honda's corporate culture.

#### **BUSINESS PLANNING OFFICE**

The Business Planning Office consolidates strategic planning and centralizes control over objectives and goals of each Business Unit. This area concentrates information and is responsible for the organization of an integrated strategic plan for all Honda's businesses in the region.

Honda operates in South America in a solid, agile and flexible manner.

**INTERNAL AUDIT**

This area defines and puts into practice the audit plan in all Honda South America countries.

**SUSTAINABILITY**

In place since the beginning of Honda's activities, sustainability is thought as a strategy of the company's businesses. The ongoing concern for preservation of the environment, constant collaboration with communities surrounding its units, and strict compliance with laws and regulations for risk management, have significantly matured in recent years, culminating with the creation of the ESG Department (Environment, Social and

Governance), which aims to understand and address stakeholder expectations, integrating them into the definition of the organizational strategy.

**INSTITUTIONAL RELATIONS, PRODUCT REGULATIONS, AND MEDIA RELATIONS**

These three areas operate throughout South America through communication and development of good relations with the various stakeholders in order to strengthen the brand and the Honda presence throughout the continent. This relationship is also maintained with the main entities that are relevant to the business.

## Committees

In line with the concept of Business Units, the structure of the Steering Committees in South America aim to

strengthen the decision-making process and communication between the SEDBA areas.

### HSA STEERING COMMITTEES - BUSINESS UNITS

| Members                             | Role                            |
|-------------------------------------|---------------------------------|
| President of the block              | Chairman                        |
| VP / Executive Director / Director  | Member                          |
| General Manager / Manager           | Member (Steering Committee)     |
| Secretary - chosen by the President | Coordination of meetings        |
| <b>Agenda of meetings</b>           | <b>Monthly (once per month)</b> |

In order to streamline decision-making, Honda Motor Co. created a Regional Operating Board (ROB) for each of the six regions where it operates, defining the members and the purviews and decision-making power of this body.

ROB is the highest instance for strategic decisions, with impact throughout the South American region, and defines the local Steering Committee for each Business Unit.

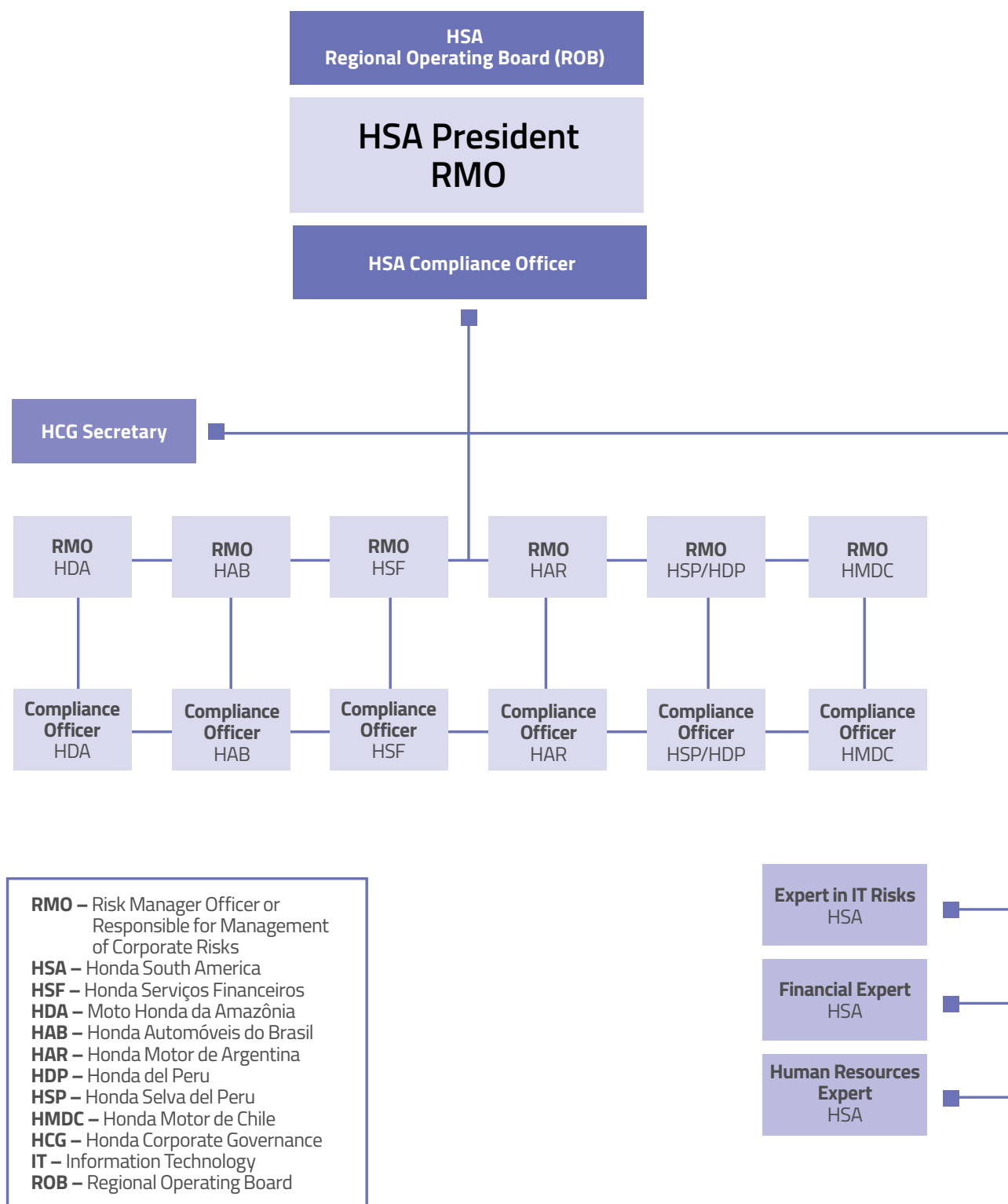
### REGIONAL OPERATING BOARD

| Members                                | Role                                  |
|----------------------------------------|---------------------------------------|
| COO                                    | Chairman                              |
| VP / Executive Director – chosen by HM | Member                                |
| Secretary - chosen by the President    | Coordination of meetings              |
| <b>Agenda of meetings</b>              | <b>Monthly (12 meetings per year)</b> |



# Corporate Governance Framework at HSA

(G4-34; G4-38)



The compliance officer for each country defines the members of specific committees: Reporting and Communication Channel (HCG Counter), Information

Management, HCG Self-Assessment, Corporate Risk and Crisis Prevention Management.

#### Main responsibilities

- Management of Code of Conduct
- HCG Counter
- HCG Self-Assessment
- Compliance System
- Corporate Policies and Norms
- Safety of Confidential Information
- SOx Assessment

- Define Committee / Framework
- Advisory and supervision of these matters
- Define Annual Action Plan for Corporate Governance

*HCG: Honda Corporate Governance | SOx - Sarbanes-Oxley Act - North American law that seeks to ensure fulfillment of the guidelines for the Compliance area.*

In order to achieve the expected results in the next 50 years, it is essential for each area of corporate structure to fully understand the concepts, roles, and responsibilities that impact the daily activities at work. It is this change in

behavior, seeking to provide greater agility, communication and regional integration, that will make the difference so that each division can fulfill its role.

## Honda's Code of Conduct

The work of company associates is guided by Honda South America's Code of Conduct, which sets forth the guidelines concerning laws, regulations and norms, traffic safety, environmental protection, information management, human rights, among other relevant aspects for the company.

In order to address the requirements contained in the Code, in 2004 the Integrity Program - previously called Pro-Ethics Program - was implemented. As part of the policies for prevention of corruption at the company, the program helps adjust to the Anticorruption Law

processes, recently created in Brazil. Throughout the year, all areas of the company were mapped in order to identify which areas needed to undergo training on this topic.

In order to allow for the reporting of possible violations of the Code of Conduct, associates have a direct communication channel with the board, the HCG Counter (Honda Corporate Governance), through which associates can report with total confidentiality. Reports can be sent via e-mail, letter or through suggestion boxes located in strategic places throughout the company.

## Corporate Risk Management

(G4-14)

Honda instated a global Risk Management Policy that defines the guidelines to be adopted by regional operations and the standards of conduct to be followed by all associates worldwide. In order to strengthen management practices in the various regions, in 2013, a new risk management model started to be used. Through this new methodology, it is possible to identify, assess, and address potential risks and, by creating preventive measures, reduce financial impacts and damage to the reputation, or even turn them into growth

opportunities for the company. It is expected that these practices will be fully in place by 2016.

Potential corporate risks include strategic risks, economic downturn, recession, changes in preference of consumers, increasing fuel prices, financial crises, or other factors that lead to a reduction in demand for automobiles, motorcycles and power products, adversely affecting the results of Honda's operations.

At the same time, in certain markets, prices of products can experience sharp changes over short periods of time. This volatility can be caused by various factors, including large competition in the sector, short-term fluctuations in demand caused by economic instability, change in rates, import regulations and other duties, currency fluctuation, shortage of certain materials and parts, or sharp increase in the price of raw materials. Regulations concerning the level of emissions of vehicles, fuel savings, noise and hazardous substances and safety, as well as the level of

contaminants from production facilities are also extensive in the sector and have become more restrictive, especially in recent years, given the growing concern with possible global climate change.

By monitoring these topics through its management system, the company ensures that all potential risks will be constantly evaluated so that operations and the company's economic performance remain stable.



## Compliance System

Honda South America works to remain in compliance with laws and regulations in the sector, as well as to define policies, standards and internal procedures that guide the business activities in a clear and ethical manner.

In order to ensure that the guidelines associated with the area of compliance are followed, the company has in place internal assessment of its procedures, according to the North American Sarbanes-Oxley Act (SOx), which seeks to ensure the implementation of reliable audit and safety mechanisms, including rules for the creation of committees in charge of overseeing its activities and operations.

The Corporate Governance area annually assesses the implementation and efficiency of the management systems and operation through the application of a questionnaire to managers of all areas, with analysis and approval by an immediate supervisor.

The idea is to provide a general outlook of the company's compliance in terms of standards and internal and external regulations, to evaluate risk management, management of confidential information, and audit.

The results of this self-assessment are presented to the Board and reported to the headquarters in Japan.





Speech of the President to associates about the company's guidelines and perspectives

# Participation in associations

(G4-16)

## BRAZIL

| Entity                                                                                                                                                       | Directors/Executive Board |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| Abraciclo (Brazilian Association of Motorcycle, Mopeds, Scooter, Bicycles, Manufacturers, and Similar)                                                       | President                 |
| Simefre (Materials and Railway, Highway, and Two-Wheeler Industry Union)                                                                                     | Vice President            |
| ANFAVEA/SINFAVEA (National Association of Automotive Vehicle Manufacturers / National Union of the Tractor, Truck, Automobile, and Similar Vehicle Industry) | Vice President            |
| AEA (Brazilian Automotive Engineering Association)                                                                                                           | Board Member              |
| FIEAM (Federation of Industries for the State of Amazonas)                                                                                                   | Board Member              |
| CIEAM (Industry Center for the State of Amazonas)                                                                                                            | Board Member              |
| Japanese-Brazilian Chamber of Commerce for the States of Amazonas and São Paulo                                                                              | Board Member              |
| AFICAM (Association of Component Manufacturers for the Amazon Region)                                                                                        | Board Member              |

The Company also participates in debates at ABIMAQ, AMCHAM, CIESP, ABEÓLICA, SINDIEÓLICA, ABNT, and SINDIPEÇAS.

## ARGENTINA

| Entity                                             |
|----------------------------------------------------|
| ADEFA (Automotive Manufacturers Association)       |
| CAFAM (Chamber of manufacturers of Motor Vehicles) |

## CHILE

| Entity                                                  |
|---------------------------------------------------------|
| ANIM (National Association of Importers of Motorcycles) |

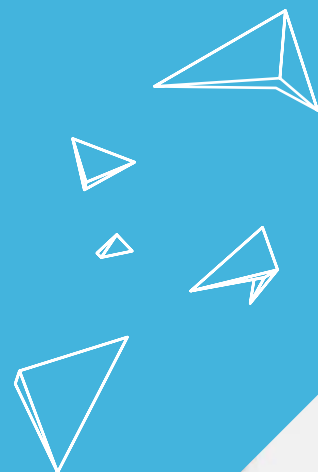




# HONDA

The Power of Dreams

Economic  
Performance





## A Challenging Year

(G4-EC1; G4-EC7; G4-EC8)

With the main markets in South America - among them Brazil, Argentina and Chile - affected by the drop in the prices of commodities, the year 2014 proved to be very challenging for the economy of the region and presented a retraction compared with the previous year.

### Automobile Sales

 **137,909**  
units

 **8,488**  
units

 **3,335**  
units

 **2,094**  
units

## Automobile Market

In the automobile industry - according to the National Association of Automotive Vehicle Manufacturers (ANFAVEA), licensing of new vehicles in 2014 dropped by 7.1%, with 3.5 million units sold in the year, compared with 3.77 million in 2013.

In 2014, HSA sold 151,826 cars, of which approximately 90% were sold by Honda Automóveis Brasil, 6% by Honda Argentina, and another 4% by the units in Chile and Peru. Honda Automóveis do Brasil, as well as all other vehicle manufacturers, experienced the difficulties of the market. However, as a result of this strategy to launch new products and marketing actions, the company closed the

year 2014 with stability and the perspective is to maintain the same pace at the closing of 2015. The company's capacity to remain stable through difficult times is a result, among other aspects, of the renovation of the Fit, City, and Civic models.

The Honda Fit model is in its third generation in Brazil and exceeded sales of the Civic, until then the leader of the brand in licensing. Launched in the country in 2003, the Fit model recorded its best performance in 2014: the aggregate for the year registered 53,699 units sold, representing a growth of 32% compared with 2013, when 40,634 units were sold.

### Vehicles sold by Honda Automóveis do Brasil (HAB)

| Model |  |  |  |  |  |
|-------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|       | Civic                                                                               | Fit                                                                                 | City                                                                                | CR-V                                                                                 | Accord                                                                                |
| 2013  | 60,977                                                                              | 40,634                                                                              | 29,243                                                                              | 8,272                                                                                | 142                                                                                   |
| 2014  | 52,269                                                                              | 53,699                                                                              | 24,730                                                                              | 6,935                                                                                | 275                                                                                   |

## ARGENTINA

Argentina has historically been the main market for exports by Honda Automóveis do Brasil in South America. Nevertheless, given that country's difficulties in trade balance in 2014, exports dropped from 8,861 to 3,800 units. In 2015, recovery of exports will depend on the results of the agreements being negotiated between the two countries.

Honda's automobile plant in Argentina continues operating with the production of the City model, which is gradually being replaced by the HR-V. In the previous generation of the

City model, part of the production was exported to Brazil to complement the Brazilian operation. The new version of the model marketed in Brazil (launched in September 2014) is being 100% produced at the plant in Sumaré (SP).

At the plant in Campana, approximately 7,000 units of the HR-V model will be produced in 2015 for the Brazilian market. Exports to Brazil will complement the Brazilian production, since the plant in Sumaré is already operating at maximum capacity.

## CHILE

With the downturn of the economy as a result of the drop in the prices of copper, the Chilean automotive market was affected in all categories, most notably in the sedan and

hatchback models. The strategy for the country is to reinforce its SUV line and expand share among middle-class and young adult consumers.

## PERU

Given the unstable political scenario, the country has undergone a period of pessimism, which led to a downturn of the economy, but is already giving signs of recovery in 2014. Despite

the negative impact on sales given the economic scenario (a drop of 11%), the automotive market still has large growth potential, especially for the SUV line (HR-V).



New Honda Fit



Motorcycle production line in Manaus (AM)



## Motorcycle Sales



1,164,712  
units



104,564  
units



8,678  
units



50,721  
units

## Motorcycle Market

In recent years, the motorcycle market in South America has shown successive drops in sales given the negative economic situation, affected by the reduction in the prices of commodities (oil, mining, and agricultural products). In 2014, the outlook was not different: sales by Honda South America dropped by approximately 13% compared with 2013.

In Brazil, the largest market in the region, restrictions to credit, exchange variation and inflation, which adversely affect consumption, were also factors that directly impacted sales. Honda, leader in the Brazilian segment with more than 80% market share, saw its results drop by approximately 9% compared with 2013, with approximately 1.164 million units sold. In Argentina, the second-largest market for HSA, the drop was even more significant - approximately 36% - as a result of limitations to sending funds abroad.

For the Brazilian market as a whole, there were also decreases in exports. According to data from ABRACICLO - Brazilian Association of Motorcycle, Mopeds, Scooter, Bicycles, Manufacturers, and Similar - the number of motorcycles sold to other countries dropped by 16.3% compared with the previous year. A total of 98,002 motorcycles were exported in 2013 compared with 82,003 in 2014.

Nevertheless, contrary to low- and mid-engine capacity motorcycles, the segment recorded a 31% growth in 2014, with approximately 40,000 units sold compared with 29,314 in the previous year. This category should continue growing, especially in the south and southeastern regions; however, it is expected that the other regions will still discover the differentiators of this type of bike, such as versatility, convenience, fuel savings, technology, and style. For 2015, Honda expects a drop of



approximately 5% in the segment as a whole; however, the most recent results indicate that the numbers should be smaller with a possible 12% reduction, with different behaviors when analyzing vehicles by category, such as the case

for scooters and high-engine capacity motorcycles which, despite not posting growth in sales in 2015, should remain more stable than the low- and mid-engine capacity models.



Honda is the leader in the Brazilian motorcycle market, with over 80% market share. The company also produces the bestselling vehicle in Brazil, the Honda CG.

Honda PCX, the best-sold scooter in Brazil, contributes to the leadership of the brand in this category



Honda Scooter PCX, 2014 model





Honda stationary engine used by a dweller of a riverside community



Power Products  
Sales



35,395  
units



20,628  
units



5,582  
units



41,456  
units

## Power Products

In Brazil, sales numbers in 2004 were 83% of those realized in 2013 (42,832 units). The most representative regions for the business are North and Midwest, given the use of generators and stationary engines in riverside areas. Positive highlight for South America was Chile, which posted a 16% growth compared with 2013.



Honda stationary engine



**Honda Fit:**  
Totally renovated in  
its third generation,  
the model was the  
best sold by HSA in  
2014



**Honda Wave 110:**  
The model that attracted  
most bikers in Argentina  
and Peru in 2014

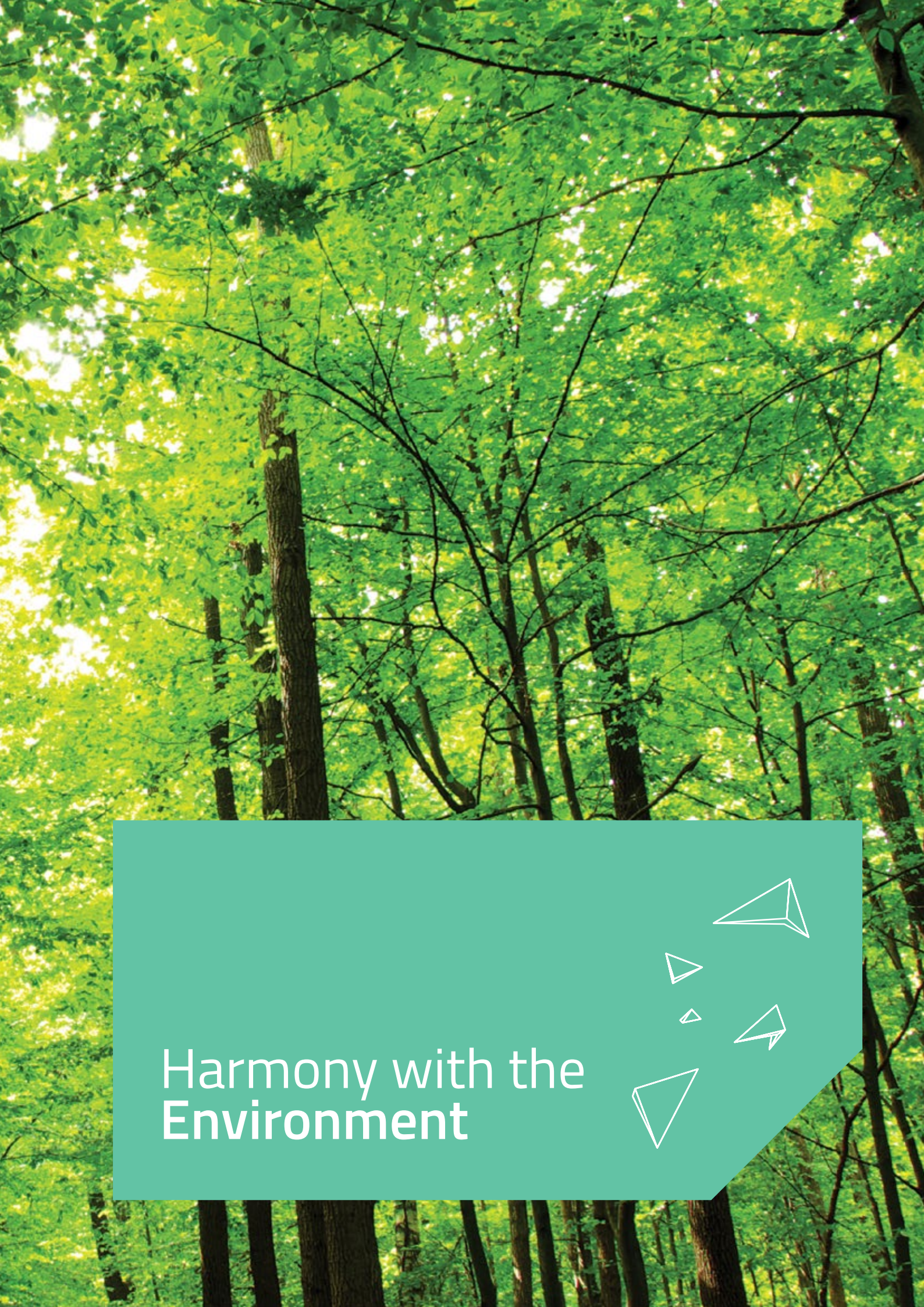


**Honda NXR 160 Bros:**  
Currently the best sold  
motorcycle by Honda  
arrived with a new 160  
cm<sup>3</sup> engine in November  
2014

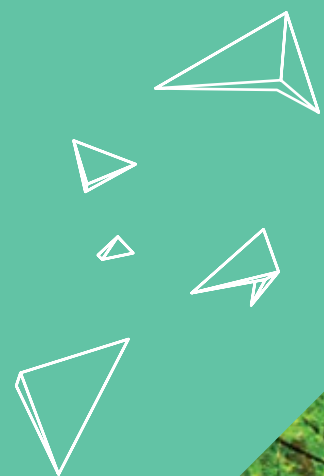








# Harmony with the Environment





# An Eye on the Future

(G4-EN7)

With a commitment to developing and perfecting environmentally friendly technologies, Honda South America trails the path of innovation and responsibility in order to become a company increasingly desired and admired by customers in South America and worldwide.



BLUE SKIES FOR  
OUR CHILDREN

Provide the joy and freedom of mobility and a sustainable society where people can enjoy life. That's the essence of Honda's Environmental and Safety Vision. This guideline can also be represented by the slogan "Blue Skies for Our Children," through which the company expresses, above all, the ongoing challenge of finding the balance in all production processes, constantly concerned in maintaining considerable levels of contribution with the environment where it is located.

## Environmental Management

BS Seeking to advance in all fields of operations and activities in South America and worldwide, Honda is attentive to efficient environmental manage in order to reduce emissions of contaminants and the environmental impacts of its activities. Since it began its activities in Japan, the company has strived to preserve the environment. In the 1970s, the company introduced the Compound Vortex Controlled Combustion (CVCC) engine and became the first automaker in the world to comply with the North American U.S. Clean Air Act, of 1970 - a challenge considered by many at the time as insurmountable.

With the creation of Japan's Environmental Committee in 1991, the company began to develop strategies focused on solving environmental issues within the group. In the following year, the company launched Honda's Environmental Statement, disclosing to the market the company's position about the importance of reducing environmental impacts in each phase of the life cycle of its products. Today, this document is the foundation of all environmental initiatives for Honda worldwide.

Considering climate change, energy issues, and the use of efficient resources, the company establishes goals and perspectives to reduce

consumption of fossil fuels and reduce environmental impacts through the reduction of greenhouse gas emissions from its products to zero. This way, the company works with eight concepts that ensure environmental responsibility initiatives throughout the entire life cycle of the products:

- **Green Factory:** this concept establishes sustainability goals and guidelines to reduce environmental impacts in the production process, which includes waste management, energy efficiency, rational use of water, and reduction of air emissions.
- **Green Dealer:** this concept encourages Honda's dealerships to correctly dispose of 100% of the waste generated in serving customers.
- **Green Purchasing:** the objective of this concept is to optimize consumption of energy and resources, in addition to reducing CO<sub>2</sub> emissions from the production processes of parts and components that supply the plant.
- **Green Logistics:** this concept ensures the constant reduction of impacts caused in the transport process of the company's products and parts.
- **Green Office:** aligns offices with the company guidelines, through actions for recycling, sorting of waste, and rational use of electricity, water and paper.

- **Green IT:** this concept joins cutting-edge technology and environmental preservation through measures such as optimization and transformation of servers, creation of printing centers, among others.
- **Green Laboratories:** this concept involves the development and implementation of environmental and energy efficient technologies to improve the performance of Honda engines, reduce air emissions, and develop products using alternative energies.
- **Recycling:** this concept considers the recycling of parts, tires, components and other materials generated during after-sales services.



## HONDA ENVIRONMENT STATEMENT

As a responsible member of society whose task lies in the preservation of the global environment, the company will make every effort to contribute to human health and the preservation of the global environment in each phase of

its corporate activity. Only in this way will we be able to count on a successful future not only for our company, but for the entire world. We should pursue our daily business interests under the following principles:

1

We will make efforts to recycle materials and conserve resources and energy at every stage of our products' life cycle from research, design, production and sales, to services and disposal.

2

We will make every effort to minimize and find appropriate methods to dispose of waste and contaminants that are produced through the use of our products, and in every stage of the life cycle of these products.

3

As both a member of the company and of society, each associate will focus on the importance of making efforts to preserve human health and the global environment, and will do his or her part to ensure that the company as a whole acts responsibly.

4

We will consider the influence that our corporate activities have on the local environment and society, and endeavor to improve the social standing of the company.

(Written and announced in June 1992)



Wind farm in Xangri-Lá



Installed capacity:  
**80,000**  
MW per year

Reduction in CO<sub>2</sub>  
emissions:  
**7,000**  
tons per year

Pay-back: return on  
investment in  
**7.6** years

## Sustainable Businesses

### Xangri-Lá Wind Farm

(G4-EN7)

Aware of its role concerning climate change, Honda's global assumption is to seek alternatives to reduce the environmental impacts of its operations and products. One example of this is the company's wind farm inaugurated in 2014, in the city of Xangri-Lá, state of Rio Grande do Sul.

For two years, the company conducted research and simulations including several sources of energy that did not release CO<sub>2</sub> during production (wind, biomass, solar, and small hydroelectric plants). Wind proved to be the best option, giving rise to the project for the construction of a wind farm in Xangri-Lá. The project produces sufficient energy to meet the demand of the Sumaré automotive plant, with a

reduction in the emissions of CO<sub>2</sub> by over 7,000 tons per year (30% of the total generated by the plant). The main objective of this initiative is to reduce CO<sub>2</sub> emissions by the unit and it is expected that, in seven years, the R\$100 million invested in the project will be recovered with the reduction of up to 45% in expenses for energy at the unit.

The wind farm has nine turbines with 3,075 MW capacity, supplied by Vestas, a company with large experience in alternative energy markets. Production planned for the year is 80,000 MW. The energy, transmitted by SIN (National Interconnected System), will be sufficient to supply the plant, with a production capacity of 120,000 cars per year. Among the plans for the



future are the construction of other wind farms to supply the plants in Manaus and Itirapina.

The equipment came from various parts of the world and, in order to initiate operations, all necessary licenses and permits were obtained

from regulatory agencies, as well as from the transmission agency (Eletrosul), distribution agency (CEEE), airport sector (COMAR), environmental agency (FEPAM), Historical Heritage Institute (IPHAN), Highway Department (DER), Xangri-Lá port and city officials (RS).

## New Plant

(G4-EC7)

The construction of its second automobile plant in Brazil, in the municipality of Itirapina, in the countryside of São Paulo, has also considered environmental aspects since the beginning of the project. In order to ensure efficiency and reduce the emission of contaminants, the new project will have the most advanced technology in production processes, in line with the model of the Yorii plant, considered to be the most modern Honda unit in Japan.

One of the innovations of the plant will be the implementation of a water-based painting system, which allows for the use of less paint and, consequently, reduce the emission of VOCs (Volatile Organic Compounds), with the guarantee of the same product quality. Other actions that are part of the Green Factory concept - such as the rational use of water, wastewater treatment, waste management, and recycling of materials - will also

be implemented in Itirapina.

Even before entering into operation, Honda initiated a reforestation project for the new unit. Approximately 70,000 seedlings of native species will be planted in order to form an environmental corridor near a permanent preservation area. The traditional Jequitiba-Branco (Cariniana estrellensis), considered one of the largest trees in the Brazilian flora (reaching up to 50 m in height), will be one of the highlights of the Honda woods.

Located approximately 200 km from the city of São Paulo and 100 km from the automotive plant in Sumaré, the project received investments of R\$1 billion for the acquisition of the 5.8 million sqm area, purchase of equipment and construction of the facilities. The idea is to double the production capacity in the country, from the current 120,000 to 240,000 cars produced per year.



One of the innovations of the new plant will be the implementation of a water-based painting system, which allows for the use of less paint and, consequently, reduce emission.



Work for the implementation of the new plant in Itirapina



Honda automobile production line



### IDLING STOP

Launched in Brazil in 2013 the scooter PCX introduced the Idling Stop system to the Brazilian market. This technology automatically shuts down the engine when the rider stops for more than 3 seconds and restarts by touching the accelerator. This way, the system helps reduce fuel consumption and, consequently, the release of greenhouse gases into the atmosphere.



### GREEN CAR OF THE YEAR

That's how the new Honda Fit was considered in December 2014, according to a jury formed by specialized journalists of the magazine Autoesporte. The model obtained an A concept (most efficient) in fuel efficiency in its category in the vehicle labeling program CONPET (Brazilian Energy Efficiency Seal from Inmetro). In the new line, the Fit was equipped with a CVT transmission, 1.5 i-VECT FlexOne engine, which allowed for significant fuel efficiency and reduced emissions.

## Product Development

(G4-EN7)

The manufacturing of Honda products involves a series of steps and methodologies that focus on excellence in production and preservation of the environment. The company is attentive and constantly seeks to develop new technologies that can meet the growing global demand for automobiles and motorcycles that are friendlier to the environment and that allow for the use of cleaner and renewable energies. To this end, Honda operates based on three pillars:

1. High efficiency products: reduction in emissions with the improvement in efficiency of internal combustion engines.
2. Innovative products: reduction in emissions based on environmentally innovative technologies and diversified sources of energy.
3. Revolutionary product: elimination of emissions through the use of renewable sources of energy.

In 2009, Honda was the first to launch the flex fuel motorcycle in the world. The company has exceeded the mark of 4 million bi-fuel motorcycles produced in Brazil. Currently, there are eight flex fuel models available in the Brazilian product line, which account for more than 60% of Honda's sales in the country.

In 2014, Honda worked hard to make the Honda Fit model more economical than previous generation

models. The improvement in efficiency is noticeable when analyzing fuel consumption in relation to older models: 17% for models with automatic transmission, and 8% in the manual transmission versions. Also in 2014, the Honda Fit and City models obtained maximum score in the Inmetro ranking (National Institute for Metrology, Quality and Technology), which classifies automobiles by fuel efficiency in the Vehicle Labeling Program.

The models Civic, CR-V and Accord come equipped with an ECON button that activates and deactivates the economical driving assistance function. In this function, several of the vehicle's systems operate to promote low fuel consumption, air conditioning and cruise control.

Additionally, in Japan, the company has been working on the development of products that do not release CO<sub>2</sub>. Through the use of these alternative technologies, this category of products uses renewable energy sources and have total energy management. The major highlight is the FCX Clarity, a car powered by fuel cell that converts hydrogen into electricity, resulting in the emission of water vapor. It is the first vehicle powered by hydrogen to be produced and sold in series. The model is already available in certain markets and will have a new generation in 2016.

## Purchasing

In order to prioritize energy efficiency and make good use of natural resources within its supply chain, the company considers fundamental working in partnership with its suppliers.

An important part of the company's production cycle, purchasing of materials by the Purchasing Department is done according to environmental regulations and quality requirements of the company, involving all suppliers. Among the regulations is the reduction of CO<sub>2</sub> emissions in all production processes, including the manufacturing of parts and components that supply the car and motorcycle plants. To this end, in 2009, Honda launched the project Green Purchasing and, since then, has been managing information of its partners concerning their air emissions.

In this survey, companies are assessed in terms of their knowledge about the greenhouse gas management program (GHG Protocol), about their environmental policies and about their actions and goals in this regard. Today, approximately 70% of the company's suppliers have had their emissions data recorded by Honda.

Considering the use of chemicals, Honda uses the IMDS (International Material Data System) system to record all materials used in its vehicles, representing a tool that contributes to meeting the legal and environmental requirements of each country through an electronic system. The project was developed in partnership with the Quality Department, which evaluates if all requirements are being correctly met before the purchasing process is completed.

## Logistics

Honda's logistics system combines innovation and sustainability, both in the transport of cars, motorcycles and parts to dealers, and in the transport of components from suppliers to the plants, promoting the reduction in packaging and reducing CO<sub>2</sub> emissions.

With this intent, Green Logistics was conceived to improve efficiency in operations, with a focus on the transport mode and integration with partner companies. In this sense, Moto Honda da Amazônia relies on a complex logistics operation to transport nationwide the 1.2 million motorcycles produced per year, in Manaus, in addition to 429,000 tons of parts that are transported from our suppliers to the plants.

Since 2007, the company has also used a river transport system for the transport of motorcycles. The system is called Swimming Warehouse, which reduces CO<sub>2</sub> emissions by 11.5 kg per motorcycle transported. Additionally, a system was implemented to use adapted trucks that do not require racks. With this change, a reduction of 6.5 kg of CO<sub>2</sub> was achieved with the

transport of each motorcycle.

Honda Automóveis implemented, in 2013, a new logistics process that uses B-train type trailers. This innovation contributed with a reduction in the number of daily hauls, thereby eliminating 5.8 kg of CO<sub>2</sub> emissions per car produced.

Also, to contribute to the improvement in the transport process of parts from suppliers to the plant, Honda Automóveis replaced six trucks by vehicles running on S-10 biodiesel. This initiative provided positive results concerning the emission of sulfur to the atmosphere. In addition to the fuel, routes were reassessed, allowing for a reduction in 0.6 kg of CO<sub>2</sub> emissions per car produced.

Another modification was the implementation of the Shuttle system, which improves the use of racks, filling with parts all available spaces, thereby, reducing the number of hauls. This initiative reduced from 114 to 86 the number of daily trips, minimizing CO<sub>2</sub> emissions by 1.1 kg per car produced.





In 2014, Honda expanded the use of coastal shipping, with 27% of its motorcycles being transported through this mode, which consists of near coast navigation in Brazil, with stops in the ports in the country. This expansion is responsible for avoiding 3.98 tons of CO<sub>2</sub> being released into the atmosphere per year - a reduction of 12.5 kg of CO<sub>2</sub> per motorcycle transported.

## Services

In 2003, when Honda perceived the continuous growth of its dealer network and the increase in waste generated in providing services, the company began to develop an initiative to reduce the environmental impacts resulting from after-sales services.

Through the program Green Dealer, Honda began issuing certificates for motorcycle and car dealers that correctly and efficiently disposed of 100% of the waste generated in technical services, such as oil and batteries, which became a competitive differentiator in the automotive market.

The certification is valid for one year and is accompanied by a reference guide for facilities, procedures, training of the team, and partnership with specialized suppliers in waste management. The initiative was well received and currently 706 dealerships have been certified as Green Dealers.

Honda also promotes the recycling of parts, tires, components and other materials generated during after-sales services. To this end, Honda is working to perfect and facilitate assembly and disassembly of its components, prioritizing reuse and recycling. Check the results:

### Properly discarded waste



Tires (Kg)



Batteries (Units)



Solid Waste (Kg)



Oil, lubricants and fuels (L)

#### Cars

|      |         |        |           |           |
|------|---------|--------|-----------|-----------|
| 2012 | 40,184  | 67,857 | 1,135,222 | 2,769,198 |
| 2013 | 195,196 | 39,014 | 1,442,008 | 2,709,410 |
| 2014 | 280,471 | 35,914 | 1,966,955 | 3,133,930 |

#### Motorcycles

|      |         |         |           |           |
|------|---------|---------|-----------|-----------|
| 2012 | 89,960  | 138,072 | 2,097,953 | 5,166,412 |
| 2013 | 285,029 | 173,315 | 1,494,500 | 5,011,355 |
| 2014 | 240,355 | 177,456 | 1,654,752 | 4,878,075 |



Wind farm in Xangri-Lá

# Eco-efficiency

Conscientious and rational consumption of electricity at Honda has been studied and improved throughout the years. In the corporate activities in South America and worldwide, the use of natural resources is

constantly monitored and the practices geared toward environmental preservation have been perfected. Below are some examples of projects implemented in HSA units in 2014.

## Honda Automóveis do Brasil

In order to promote best sustainability practices, the plant in Sumaré annually holds the Environmental Honda Award. The initiative awards projects spontaneously designed and

implemented by associates, and has no relation with annual goals. In 2014, of the 17 works developed, the following initiatives were awarded:



### Automated cooling in the painting booths

The Chassis Painting department identified an opportunity to reduce energy consumption by reprogramming the cooling system of the car bodies at the exit of the ovens. The associates changed the programming in the system, based on the number of cars in stock

and taking into account the ambient temperature. When there is no need to cool the body, the system is automatically shut down. This modification allowed for an annual reduction of 249,360 kWh, or 6,134 kg of CO<sub>2</sub> emissions per year.



### Reduction in electricity

The machining pumps were constantly at full load generating a return of surplus oil and resulting in increased temperature. Through an improvement made in the system, these pumps operate only when necessary, eliminating the

return oil and, consequently, the need for refrigeration given the increase in temperature. The initiative provided energy savings of 714,695 kWh per year, equivalent to 25 tons of CO<sub>2</sub> emissions into the atmosphere.



### Replacement of fluorescent bulbs by LED bulbs.

The fluorescent bulbs in the office of the Parts Division were replaced by LED bulbs, with greater energy efficiency and less maintenance, without changing the current lighting fixtures,

ceiling and electrical installations. This change resulted in an annual reduction of 82,948 kWh, and consequently, 20.4 tons of CO<sub>2</sub> were kept from being released into the atmosphere.



## Sumaré Research and Development Center

The construction project for the building where the R&D center is located was developed according to the most modern eco-efficiency concept, focusing on the conscious and responsible use of electricity. With a natural lighting system, lights are turned off during the day, resulting in energy savings.

Furthermore, presence sensors in the restrooms and solar powered light bulbs in the external corridors between the building blocks help reduce consumption.

Another point observed during construction was soil permeability: the blocks in the parking area have a 75% permeability rate for rainwater. The air conditioning system, practically noise free, uses inverter technology that saves energy and, when the cold water returns to the adjustment point, the chiller automatically shuts off.

It should be mentioned that all blocks used in the construction were produced by a group of inmates from an institution near the unit. The work is part of a recovery project that receives help from Honda Automóveis do Brasil.



In all its units in South America and worldwide, Honda monitors and develops initiatives toward environmental preservation.

## Moto Honda da Amazônia

**Reduction in energy consumption:** at the plant in Manaus, the cold-water refrigeration system for the production process and air conditioning was modified in order to optimize consumption. This allowed for a reduction in the emission of 1,315 tons of CO<sub>2</sub> per year.

**Improvement in the painting motors:** the plant in Manaus replaced 10 motors with low performance by models with higher energy efficiency used in the painting process. This new equipment achieved 95.4% efficiency, reducing CO<sub>2</sub> emissions by 24 tons per year.

**Natural Gas:** in order to optimize the energy matrix, natural gas (LNG) started to replace Liquefied Petroleum Gas (LPG) in the processes involving steam, drying of parts in the paint shop, and smelting of aluminum in the production of motorcycles. Natural gas is a fuel that releases approximately 50% less CO<sub>2</sub> than coal, and 20% less than other petroleum-based fuels, in addition to having a uniform and safe burning process. In a first phase, the use of LNG resulted in a reduction of approximately 1,510 tons of CO<sub>2</sub> per year.

## Honda Motor del Chile

In the new offices at Honda Motor Chile S.A., low voltage LED lights with motion sensors were installed. This drastically reduced energy

consumption in 2014, dropping from 305 MWh to 77 MWh (75% reduction).

## Honda Motor de Argentina

**Temperature control of the central heater:** The plant in Campana began controlling the temperature of the central heater. When reaching 14°C, the equipment automatically shuts off (previously it was shut off when reaching 20°C), which generated energy savings of 6,682 kWh

per month, equivalent to the release of 3,608 kg of CO<sub>2</sub> into the atmosphere. The use of natural gas during winter also had a significant monthly reduction of 15,840 m<sup>3</sup>. At the end of the three months of the season, 95,980 kg of CO<sub>2</sub> were kept from being released into the atmosphere.

## Honda Selva del Peru

**Replacement of light bulbs by LED models:** the parts storage warehouse in Callao adopted LED light bulbs that provide greater energy efficiency compared with common light bulbs. This initiative allowed for the reduction of 3.26 tons of CO<sub>2</sub> emissions per year.

**Water cooling:** at Honda Selva del Peru, an

insulated system was installed in the chassis washing process. This initiative allowed for better maintenance of water temperature, reducing consumption of 4,860 kg of gas and the release of 14 tons of CO<sub>2</sub> per year. In 2014, this project went through improvements, further reducing consumption of gas and release of CO<sub>2</sub>, 5,000 kg and 17.5 tons per year, respectively.



## Emissions

Honda believes in reducing the impact generated throughout the life cycle of its products, including during development, production and use. To make this possible, the company identifies the impact generated by

each activity and takes the necessary measures to minimize them. According to this work philosophy, the company believes in the importance of calculating and reporting greenhouse gas emissions and continuously

strives to reduce its emissions and minimize other environmental impacts resulting from its activities. These efforts are systematized and described in a midterm environmental action plan that is revised every two years.

The company works continuously in the development of technologies that make its vehicles more efficient, reducing fuel consumption and, consequently, reducing emissions of contaminants, while respecting the idiosyncrasies of each market and addressing

the needs of local consumers. Its goal is to reduce CO<sub>2</sub> emissions by 30% by 2020, considering its activities in the production of cars, motorcycles and power products worldwide, having the year 2000 as a baseline.

As a part of this effort, the HSA units implemented initiatives to reduce emissions in 2014, which have potential to reduce more than 7,000 tons of CO<sub>2</sub> e/year. Some of these initiatives are listed on page 63 of this report.

## Initiatives

Honda Automóveis do Brasil and Moto Honda da Amazônia are members of the Brazilian GHG Protocol program. In 2014, both plants were awarded the Gold Seal from the program, which adopts a methodology created by the World Resources Institute (WRI) in 1998 in the United States, which aims to understand, quantify and manage GHG emissions. This was the first Gold Seal award for Moto Honda da Amazônia in the program, and the fourth consecutive award for Honda Automóveis do Brasil. This recognition was awarded for the reporting and verification of the CO<sub>2</sub> (carbon dioxide) emissions inventory in the three scopes evaluated: direct, indirect through the purchase of energy, and other indirect emissions.

The company participates in training workshops to expand its knowledge in the preparation of the emissions inventory and perceives this as an opportunity to contribute to the construction of new methods and calculation tools, discussed in the theme workgroups. Additionally, the Public Record of Emissions of GHG provided by the program gives transparency to the process and to the reporting of the inventory of emissions in the Brazilian units.

The Global Report on Climate Change CDP 500 of 2014, ratified our achievements for the last four years: another maximum score for Honda Motor Co., which obtained 100 points in the analysis of measures against global warming.

The CDP (Carbon Disclosure Projects) is an international nonprofit organization that

measures and reports initiatives to mitigate climate change. The Green Purchasing program also promotes actions to reduce emissions of greenhouse gases among its suppliers. To date, 108 partners have joined this program, including suppliers of automobiles and motorcycles.

Furthermore, the units invest in improvement of facilities and production processes aiming to minimize impacts in this area. In 2014, for example, Honda Selva del Peru installed in its plant in the city of Iquitos a translucent roofing that generated savings in energy consumption, equivalent to a reduction of 1,088 tons of CO<sub>2</sub>. The Callao Distribution Center also adopted natural lighting, reducing emissions equivalent to 7.2 tons of CO<sub>2</sub> per year.

At Honda Argentina, the heating system at the motorcycle plant in Florêncio Varela was replaced, adopting an electric model to replace the former model that burned fuel oil and diesel. This implementation resulted in a reduction of 31.8 kg of CO<sub>2</sub> per month during the winter, when the equipment consumes most. Additionally, Honda is attentive to the elimination and responsible handling of potentially hazardous chemical substances, promoting initiatives such as the reduction in the use of paint and solvents in the paint shop. At Honda Automóveis do Brasil, a change in the process in the painting booth resulted in a reduction in the use of this input by 16,759 L of secondary material and 34.4 g/sqm of painted area of Volatile Organic Compounds per year.

Honda has the global goal of reducing by:

30%

the intensity of emissions of CO<sub>2</sub> of its products by 2020, compared with 2000.





### 2014 REI AWARD

Honda Automóveis do Brasil received the 2014 REI Award, from the magazine Automotive Business, in the Sustainability category, for its project to reduce CO<sub>2</sub> emissions and achieve energy self-sufficiency in the company's wind farm.



### ÉPOCA GREEN COMPANY AWARD

Honda Automóveis do Brasil received recognition, once again, through the 2014 Época Green Company Award. This award is a result of the survey prepared by the Época magazine in partnership with PricewaterhouseCoopers, and highlights companies with the best environmental practices in Brazil.

Additionally, the plant used to operate two ovens at 175°C, each with four burners using natural gas. After a detailed study, it was established that it would be possible to reduce this temperature to 165°C without interfering in the final result of the process. With this modification, savings of 62,976 m<sup>3</sup> of natural gas per year were achieved, representing a reduction of 129.73 tons of CO<sub>2</sub> emissions.

The Purchasing Department for Honda Automóveis do Brasil and Moto Honda also gave their contribution to reducing greenhouse gas emissions, by using a digital system for data storage developed at the headquarters, in

Japan. The Slim Office tool offers greater safety in the process of acquisition of materials and can be accessed from anywhere in the world with full automation. By collecting data and managing emissions, the system makes it possible to monitor the evolution of environmental goals determined by the company.

The automobile plant in Sumaré is the first in the sector in Brazil to be self-sufficient in renewable energy. The inauguration of the wind farm in Xangri-Lá (RS) will make it possible to reduce CO<sub>2</sub> emissions by 7,000 tons per year.



Honda Automóveis do Brasil's painting booth

# Waste

(G4-EN23)

By implementing measures for reuse of materials, the company seeks to complete the life cycle of all materials involved in the production process and totally recycle them. To this end, the company develops technologies that allow for a reduction, reuse and recycling of waste. Since 1970,

when the company created the Environmental Promotion Committee, the company has been perfecting its waste management system and encouraging its proper disposal, according to the legislation in force, investing in measures that promote the reduction of waste generation.

## Honda Automóveis do Brasil

At Honda Automóveis do Brasil, packaging reuse in the transport of products is being replaced by options made from returnable materials. One such example is the use of biodegradable plastics to protect car seats produced in Brazil. The material decomposes in the environment in the short period of six months, since it is made

of a biodegradable polymer. Following this same idea, for cars geared toward exports, the brake discs are protected by a material made from PET bottles. This material is 100% recyclable, does not generate waste, and does not retain dirt, since it does not use glue.

### Improvement in the efficiency of containers for the imports of tires

Imported tires used to be packaged in cardboard inside the container. After an analysis conducted, it was determined that tires could be shipped in bulk. With this, since October 2014, tires have been shipped in returnable packaging to the partner responsible for assembling the wheels. This action avoided the waste of 48,600 tons of cardboard per year, resulting in an equivalent reduction of 9.21 tons of CO<sub>2</sub> per year.

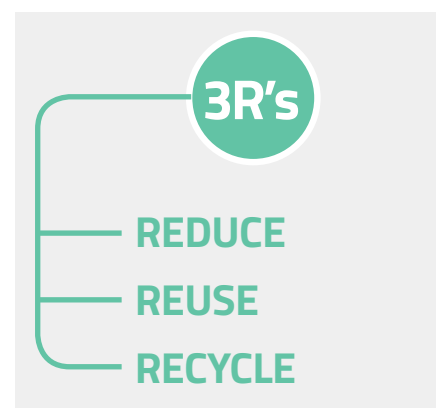
### Drying of paint sludge from Plastic Painting

Sludge from Plastic Painting paint contains approximately 35% water in its composition.

With this in mind, the Painting Department adapted the equipment to allow the water to drain, reducing its volume and, consequently, the number of drums required for transport. This initiative led to a reduction of 16.8 tons of waste per year.

### Reuse of oil in the Assembly Line

The ATF/MTF oil supply machine had a lock in the valve that retained the residual oil of the process between the nozzle and the solenoid, and was subsequently drained into the reservoir and discarded. This volume began to be reused, reducing material consumption by 2,809 liters annually.



Ecological protection from the recycling of PET bottles

## Moto Honda da Amazônia

Since 1997, Moto Honda da Amazônia has been reducing the use of wood packaging, protective oil, metal and cardboard boxes in its processes. To this end, the company implemented the

### Automation and electrostatic painting in the painting process of plastic parts

Significant changes were implemented in the Paint Shop with the purpose of minimizing the environmental impact generated by emission of VOCs (Volatile Organic Compounds) and reducing consumption of materials by 22%. The paint application system, which was previously conventional (high-pressure manual application), was replaced by the automated application system, which uses the electrostatic method. This innovation began to be used in 2014 and already shows very positive results, such as a 28% reduction in the generation of paint sludge, 32% in consumption of paints and solvents, and 28% in the emission of VOCs into the atmosphere.

returnable metal rack system, which ensured the reduction of 3.1 kg of CO<sub>2</sub> per motorcycle transported from the plant to the dealers.

### Reprogramming of electrostatic painting

The Aluminum Paint Department developed new programs that optimize paint consumption. This redefinition was implemented in 2014 in the electrostatic painting system, providing 3% reduction in sludge generation, 8% in paint usage, and 46% in emission of particles into the atmosphere.

### Reduction in disposal of paint sludge

The High Temperature Painting sector of Honda Componentes da Amazônia began to reuse discarded packaging to store paint sludge, thereby improving drying of the waste and reducing by 11% the volume of sludge generated in the area.



Returnable metallic rack for the transport of motorcycles

## Honda del Peru

### New packing model

In the Iquitos tricycle plant, the Logistics team developed a new system for storing boxes. The previous model had a wooden structure, which

was wrapped in plastic to protect the boxes stored. Today, only cardboard boxes are used, contributing with an annual reduction of 3.7 tons of waste.



# Water

(G4-EN8)

Honda adopts and intensifies various measures for better management and consumption of water. To this end, Honda invests in research and development of technologies that help reduce water consumption in its production process and conducts awareness campaigns among associates.

In the Manaus plant, water is abstracted from a well and pumped to the Water Treatment Plant (WTP), where chemicals are added for disinfection. After filtration, the water is supplied

to faucets and drinking fountains in the entire plant.

At Honda Automóveis do Brasil, in Sumaré (SP), although water for industrial use is supplied from a river whose source is in Minas Gerais, where there were no problems of drought in 2014, the company has redoubled attention and began to alert associates about waste. To ensure the efficient use of water resources, the plants have a wastewater treatment plant to reuse the water from the production process.



## Less consumption

The Honda units in Sumaré and Manaus have been constantly developing programs to reduce water consumption. In 2013, for example, new electronic meters were installed in the automobile plant, which facilitated the individual verifications and management of consumption by department. In 2014, the following projects can be highlighted:

- Installation of aerators in the faucets of the cafeterias and restrooms of the motorcycle plant in Manaus. The reduction rate of water consumption in faucets must reach 80%, which corresponds to more than 31 million liters of water saved per year. By the end of 2015, additional 784 aerators will be installed.
- Development of a system for utilization of condensed water from air conditioning of the machining department of the motorcycle plant to

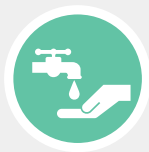
supply toilet bowls and clean the floor, saving 1,582 m<sup>3</sup> per year.

- At Honda Componentes da Amazônia, there was a reduction of 600 m<sup>3</sup> in water consumption per year in the electroplating process, which consists of depositing a metal over the other through electrolytic reduction. This occurred after the implementation of a system for reuse of water for washing parts, which avoided the use of water well to replenish the tanks.
- Some changes in the cleaning process of the Painting Department of Honda Automóveis do Brasil helped reduce water consumption, which fell to 228.48 m<sup>3</sup> per year. In addition, the initiative reduced energy consumption by 1,323.84 kWh, reducing to 32.6 kg of CO<sub>2</sub> released into the atmosphere per year.



## FIESP AWARD FOR CONSERVATION AND REUSE OF WATER

Honda Automóveis do Brasil was awarded an honorable mention at the 20th Edition of the FIESP Environmental Merit Award, being the only automaker in the country to be recognized with this award in the ceremony.



Honda invests in research and development of technologies that help reduce water consumption in its production process.

## World Environment Day

To celebrate the World Environment Day, Honda promoted in its plants in South America, a series of actions and activities to engage associates in the company's awareness campaign.

The theme was the rational consumption of water, taking into account the shortage of this resource in numerous cities.

At the time, 6,048 comic books of Turma do Folhinha were distributed to children of associates of all units in South America.

The comic book showed the gang putting into practice rational water consumption and the benefits that simple actions provide to the planet.



## Honda Selva del Peru

Taking advantage of the climate conditions in the region, the Iquitos plant harvests rainwater, which is abundant throughout the year, through drains on the roof. A water system takes the harvested water to toilette bowls and sinks in the restrooms.

In addition, a system to reuse rainwater is being developed to be utilized in the cleaning of the Paint Shop. Awareness campaigns on rational water consumption are also carried out at the Callao plant, informing associates about the importance of preserving this resource.



Wastewater treatment plant at Moto Honda da Amazônia

## Effluents

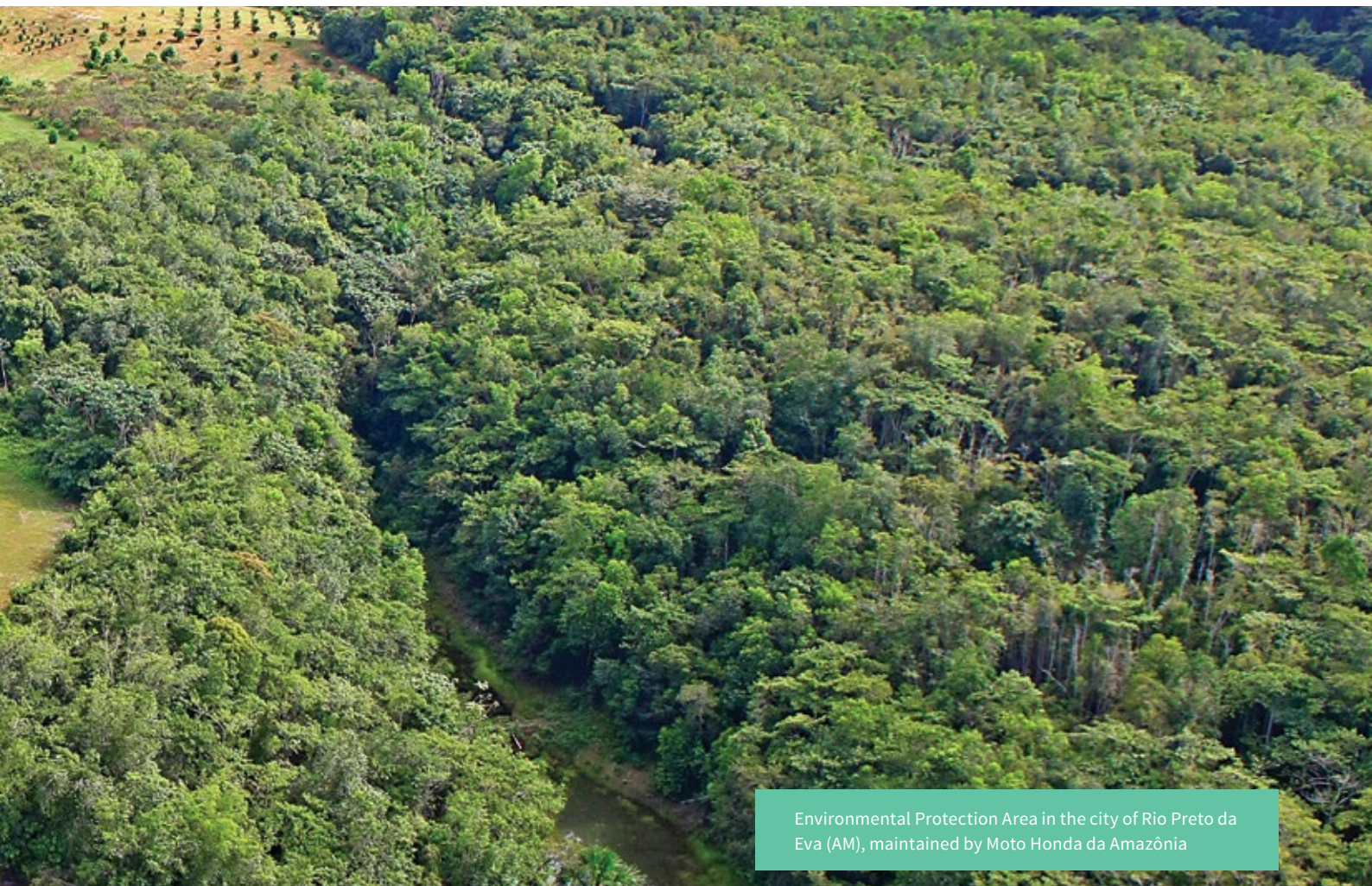
(G4-EN22)

Since 1966, long before the creation of the term sustainability and the massive world care for nature, Honda has managed natural resources to minimize the impact of its activities on the planet. That year, Honda's plants in Japan began to reuse all water. Honda's first wastewater treatment plant was created in Hamamatsu, in 1971.

After its use in production processes, cafeterias and restrooms, and before being released to the environment, the water that supplies the plants of Honda Automóveis in Sumaré (SP) and Moto Honda in Manaus (AM) undergoes a strict biochemical purification process in the Wastewater Treatment Plants located on the

company premises. After the physical, chemical and biological treatment, the effluent goes through disinfection and is sent to the stabilization pond, where a portion of this volume is used in the irrigation system of the gardens and the other portion returned to nature. In addition to treatment, the units are concerned with rational consumption and work on the engagement of its associates in initiatives to preserve this resource. An example was the introduction, in 2013, of a water reuse system developed by the Manaus team, in which part of the treated effluent is reused in the preparation of solutions for the same treatment plant, which also needs water to work properly.





Environmental Protection Area in the city of Rio Preto da Eva (AM), maintained by Moto Honda da Amazônia

## Biodiversity

(G4-EN11)

Honda helps with the preservation of the environment and biodiversity, according to the characteristics of the flora and fauna of each region where it operates.

Thus, the company aligns the development of its activities, always prioritizing the reduction of environmental impacts.

### Honda Biodiversity Guidelines

As a manufacturer of personal mobility products, Honda believes that its activities can impact the environment in various ways, including biodiversity.

The company believes that the reduction of the environmental impacts arising from its commercial activities and its products represents

the greatest contribution that the organization can offer to protect the various life forms on the planet. To this end, the company created Honda's Biodiversity Guidelines to establish priorities, focusing its energies on the development of environmental technologies and on reducing the impacts of its activities, along with the initiatives to work in harmony with local communities.

1

**Develop technologies to reduce environmental impacts**

Honda will develop technologies to reduce the environmental impacts of personal mobility, since this represents the greatest contribution we can make. Technologies include next-generation vehicles and technologies that harness alternative energies.

2

**Make business activities species-friendly**

Honda's goal is make its business activities more sustainable in themselves, by releasing less environmental pollutants, including GHGs, waste, and potentially hazardous substances.

3

**Work to protect nearby ecosystems**

Honda has already gained a wealth of knowledge about how to maintain and restore ecosystems through its Community Forest\* and Hello Woods\*\* initiatives. The company will use this knowledge and experience to implement programs, such as HondaWoods activities, launched in 2014, to help protect local species and make its business activities friendlier to them, for its benefit and the benefit of local communities.

4

**Communicate openly with the public**

Honda will endeavor to openly communicate with the public about the details and outcomes of activities it implements from the new perspectives offered by these Biodiversity Guidelines.

*\*Native tree planting program, in place of concrete walls, to separate Honda's premises from the surrounding communities.*

*\*\*Project to integrate people, nature and mobility through the recovery of an ecosystem in Japan and educational activities for the community.*



## Initiatives that make a difference (G4-EN11; G4-EN13)

**Initiatives that make a difference (G4-EN11; G4-EN13)**

Since the beginning of the construction process of a new plant in Itirapina (SP), the company has taken into account biodiversity aspects, including the choice of the land, composed almost entirely of a sugarcane field and other small portion composed of cerrado.

With minimum interventions on the location, the idea is to plant 70,000 tree seedlings around the 400,000 meters of the Environmental Protection Area, forming an ecological corridor in the region.

Moto Honda has a lot located on Highway BR-174 in the municipality of Rio Preto da Eva, approximately 50 Km from Manaus. Formerly totally degraded, today the area with 1,002 hectares has, in addition to nine hectares that are used as a test track for motorcycles, 84 hectares of native forest, and 309 hectares of planted areas (235 hectares with threatened and valued native species and 74 hectares with fruit trees), as well as a hydroponics garden of lettuce that occupies an area of 520 m<sup>2</sup> and produces 1 ton monthly to serve the unit. Part of the fruit picked is used in the company and the other is donated to institutions that assist children and the elderly.

## 2014 Environmental Performance

### Energy

(G4-EN3)

| Energy Consumption at HSA (GJ) |           |        |         |            |       |       |       |           |
|--------------------------------|-----------|--------|---------|------------|-------|-------|-------|-----------|
|                                | Argentina |        | Brazil  |            | Chile | Peru  |       | HSA       |
|                                | HAR 2W    | HAR 4W | HAB     | Moto Honda |       | HDP   | HSP   |           |
| Renewable sources              | -         | -      | 9,067   | 68         | -     | -     | -     | 9,135     |
| Non-renewable sources          | 43,475    | 56,766 | 159,202 | 834,254    | 3,124 | 1,935 | 4,483 | 1,103,239 |
| Electricity consumption        | 18,742    | 24,070 | 238,939 | 559,048    | 324   | 803   | 1,947 | 843,872   |

### Emissions

(G4-EN4; G4-EN15; G4-EN16; G4-EN17)

| Total emissions (in metric tons of CO <sub>2</sub> equivalent) |              |              |               |                |            |            |            |                |
|----------------------------------------------------------------|--------------|--------------|---------------|----------------|------------|------------|------------|----------------|
|                                                                | Argentina    |              | Brazil        |                | Chile      | Peru       |            | HSA            |
|                                                                | HAR 2W       | HAR 4W       | HAB*          | Moto Honda*    |            | HDP        | HSP        |                |
| Scope 1                                                        | 1,335        | 1,475        | 15,536        | 21,023         | 199        | 80         | 182        | 39,850         |
| Scope 2                                                        | 2,728        | 3,503        | 9,989         | 124,526        | 34         | 53         | 348        | 140,181        |
| Scope 3                                                        | -            | -            | 3,341         | -              | -          | -          | -          | 3,179          |
| <b>Total</b>                                                   | <b>4,063</b> | <b>4,978</b> | <b>27,867</b> | <b>145,550</b> | <b>233</b> | <b>133</b> | <b>530</b> | <b>183,210</b> |

\* HAB and Moto Honda emissions were calculated following the methodology of the GHG Protocol.

\* The other units follow the methodology established by Honda Motor and represent emissions in metric tons of CO<sub>2</sub>.

HAB was the only unit that included scope 3 in its inventory of greenhouse gases.

**SCOPE 1** – Direct emissions of greenhouse gases in the activities of the company.

**SCOPE 2** – Indirect emissions of greenhouse gases by energy consumption.

**SCOPE 3** – Indirect emissions of greenhouse gases with optional reporting, which covered transportation and distribution (upstream), waste generated in the operations, and business trips.



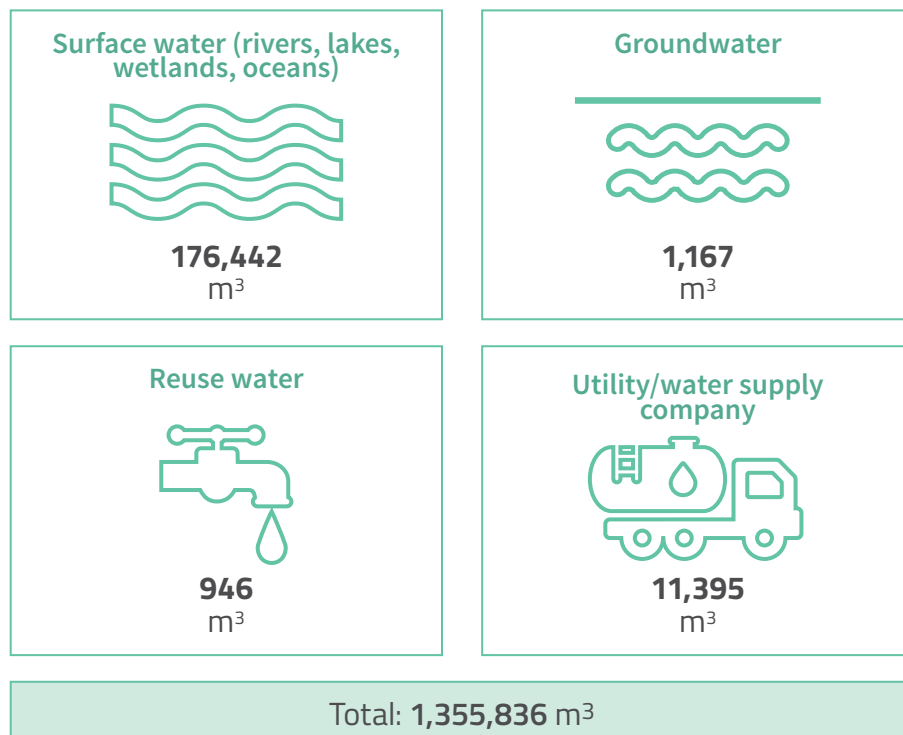
## Examples of initiatives implemented in 2014 in HSA that contributed to the reduction of CO<sub>2</sub>e

| Unit                       | Initiative                                                                                 | Reduction CO <sub>2</sub> e (kg)/year |
|----------------------------|--------------------------------------------------------------------------------------------|---------------------------------------|
| Honda Automóveis do Brasil | Reduction in consumption of electricity in the air house for paint work                    | 6,996.8                               |
|                            | Decrease in the frequency of cleaning of the grates of the paint booths                    | 32.6                                  |
|                            | Reduction in standby time of the equipment in the machine shop                             | 208.8                                 |
|                            | Deactivation of the light fixtures in the light tunnel for inspection in the Assembly Line | 27.6                                  |
|                            | Reduction in energy consumption with the implementation of the machine shop HVAC system    | 5,308.0                               |
|                            | Reduction in consumption of natural gas and electricity of the ovens for plastic paint     | 76,600.0                              |
|                            | Replacement of bulbs in the General Maintenance Department                                 | 1,600.9                               |
|                            | Reduction in the temperature of the ovens of the paint primer                              | 129,730.0                             |
|                            | Reduction of motor frequency in the paint booth                                            | 4,420.0                               |
|                            | Reduction in consumption of electricity in the Research & Development Center building      | 7,675.2                               |
|                            | Automation of cooling in the paint ovens                                                   | 6,134.3                               |
|                            | Reduction in electricity- Machine Shop                                                     | 25,000.0                              |
|                            | Replacement of fluorescent bulbs by LED bulbs - Parts Division                             | 20,400.0                              |
|                            | Improvement in the efficiency of containers for importing tires                            | 9,210.0                               |
|                            | New Milk Run trucks in the Plastic Paint                                                   | 820.0                                 |
| Moto Honda da Amazônia     | Optimization in transportation of parts                                                    | 16,400.0                              |
|                            | Reduction in consumption of electricity                                                    | 1,315,000.0                           |
|                            | Optimization of painting motors                                                            | 58,000.0                              |
|                            | Replacement of the liquefied petroleum gas by Natural Gas                                  | 1,510,000.0                           |
|                            | Transport by train                                                                         | 95,000.0                              |
| Honda Motor de Argentina   | Transport through coastal shipping                                                         | 3,312,500.0                           |
|                            | Reduction in the use of the air box                                                        | 46,416.0                              |
|                            | Temperature control of the central heater                                                  | 106,812.0                             |
|                            | Automatic shutdown of the cooling tower                                                    | 11,164.8                              |
|                            | Temperature control of the cooling server                                                  | 49,572.0                              |
|                            | Replacement of the heating system                                                          | 95.4                                  |
| Honda del Perú             | Installation of translucent shingles in the Iquitos plant                                  | 1,088.0                               |
|                            | Installation of translucent shingles in the Callao plant                                   | 7,200.0                               |
|                            | Replacing of light bulbs by LED bulbs                                                      | 3,260.0                               |
|                            | New delivery system                                                                        | 243,000.0                             |
| Honda Selva del Perú       | Thermal insulation of the water                                                            | 17,500.0                              |
| <b>TOTAL</b>               |                                                                                            | <b>7,087,172.4</b>                    |

## Water

(G4-EN8)

### Total water abstracted by source by HSA (in m<sup>3</sup>)



## Effluents

(G4-EN22)

### Total volume of effluents discharged by HSA

|                                          | Argentina                               | Brazil                                  |                                         | Peru                      | HSA            |
|------------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------|----------------|
|                                          | HAR                                     | HAB                                     | Moto Honda                              | HSP                       |                |
| Volume of effluents / year (m3)          | 100,254                                 | 134,194                                 | 550,943                                 | 5,801                     | <b>791,191</b> |
| Type of treatment                        | Biological Wastewater Treatment Station | Biological Wastewater Treatment Station | Biological Wastewater Treatment Station | Municipal sewerage system | -              |
| Destination                              | river                                   | river                                   | river                                   |                           | -              |
| Average BOD discharge in the year (mg/l) | 9                                       | 4                                       | 3                                       | 26                        | -              |
| Average COD discharge in the year (mg/l) | 51                                      | 57                                      | 20                                      | 70                        | -              |

BOD - Biochemical Oxygen Demand / COD - Chemical Oxygen Demand

## Waste

(G4-EN23; G4-EN25)

### Total waste generated and treated by HSA

|                                      |                    |
|--------------------------------------|--------------------|
| Composting                           | 489 tons           |
| Reuse                                | 1,012 tons         |
| Recycling                            | 43,749 tons        |
| Recovery (including energy recovery) | 3,452 tons         |
| Incineration                         | 1,416 tons         |
| Sanitary Landfill                    | 531 tons           |
| <b>TOTAL</b>                         | <b>50,648 tons</b> |

### Total hazardous waste transported by HSA



**6,284  
tons**

**Argentina - 223t**

**Brazil - 6,054t**

**Peru - 7t**

*\*Chile has only commercial operations; therefore, there is no transport of hazardous waste.*



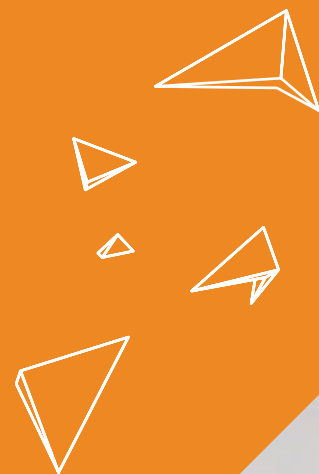


Associates in the Development and Technology Center in Manaus (AM)





Social  
commitment



## ■ Transparent Relationship

When valuing associates and communities, Honda confirms its commitment to continuing with direct and transparent actions in all locations where it operates, involving and facilitating communication among all sectors and its stakeholders.

## Traffic safety

(G4-SO1)

In South America, Honda has five CETH units located in Brazil, Argentina, and Peru.

Safety of those using Honda products has always been a concern of the company. Aware of its responsibility toward society, Honda South America works constantly to further strengthen its awareness campaigns for a safer and harmonious traffic. To this end, the company has created several training activities to disseminate concepts and safe riding practices.

Combining theory and practice, the safety riding classes in the units of Honda's Traffic Educational Center (CETH) in South America are free and open for fleet owners and government agencies. Institutions such as the Fire Department, the Police Force, and the Army frequently take part in the training sessions.

In Brazil, in 2014, nearly 25,000 people were trained by the CETH teams in the cities of Indaiatuba (SP), Recife (PE), and Manaus (AM). In all, the activities offered by the dealer network of the brand, nearly 90,000 were

trained. With this result, the company has more than 630,000 participants in the activities carried out since 1998, when the first CETH was inaugurated, in São Paulo.

Also in 2014, the CETH and the São Paulo Department of Motor Vehicles (DETRAN) began a partnership to extend training to instructors of motorcycle training schools of the state. The project aims to enhance the knowledge and technical skills of multipliers, responsible for training beginner motorcycle riders. To put the idea into practice and train hundreds of instructors, a Honda itinerant framework has traveled the macro-regions of the state, such as São José do Rio Preto, Taubaté, Bauru, and Araraquara.

In addition, in order to take the safety riding concepts and techniques to end customers, Honda has the support of 42 Traffic Educational Centers of the Dealers (CETCs), whose instructors are certified by the CETHs.





Rider training in Honda's Traffic Educational Center (CETH) in Indaiatuba

## Education Initiatives

### LECTURES ON HARMONY IN TRAFFIC

The lectures are intended to encourage the reflection of participants on behavior in traffic in order to reduce the number of accidents. Addressing various topics, such as preventive inspection of the vehicle, safety equipment, traffic strategies, alcohol, cell phone use, adverse situations in traffic and riding techniques, in 2014, the project had participation of 13,643 people in lectures in Brazil.

### CLUBINHO HONDA

Aware of the importance of traffic education, Honda created in 1992, the "Clubinho Honda - Trânsito Amigo". The purpose of the project is to teach the importance of a peaceful coexistence in traffic among pedestrians, bikers, drivers, and motorcyclists, in a light-spirited and fun manner for children, parents, and teachers. In addition to itinerant educational activities, the Clubinho Honda group is on the Internet ([www.honda.com.br/clubinhohonda](http://www.honda.com.br/clubinhohonda)) with educational materials for parents and teachers, and educational games.

### MOBILE RIDING UNIT

The purpose of this unit is to support and expand Honda's riding activities, in addition to motivating

and guiding the riding actions of the Dealer Network spread throughout Brazil. In all, 7,509 people were served by the Mobile Riding Unit in 2014.

### NEW TRAINING TRACK

In order to improve training of new riders, Honda's training track in Indaiatuba (SP) was remodeled to allow for a better evaluation of the skills of motorcyclists. Developed in partnership with the city of Indaiatuba, the CFCs, the local CIRETRAN and DETRAN/SP, the track went from 300 meters to 850 meters and now has vertical and horizontal road signs, possibility of shifting gears with the use of up to 3rd gear and reduction, crossings, traffic light, grade separation for pedestrians, left-turning, speed bumps, crossing with full stop, and right of way.

### SPECIAL TRAINING IN PERU

In the city of Lima, Peru, CETH's team conducted two safe riding training sessions for different audience profiles: one for motorcyclists who ride high-engine capacity models and another for more adventurous riders who enjoy off-road tracks. In both cases, there are techniques and specific care for the vehicle to be ridden safely. In all, 170 motorcyclists took part in the activities.



### WEBSITE "HARMONY IN TRAFFIC"

To disseminate the educational content developed by the CETH, the portal provides information on traffic safety in an educational and dynamic way. In 2014, there were 91,666 visits and more than 100 countries visited the website, which has a collection of more than 100 videos and 3D animations.

To learn more visit:

[www.honda.com.br/harmonianotransito](http://www.honda.com.br/harmonianotransito)

## Product Safety

In order to create increasingly safer vehicles for customers, the company constantly invests in

cutting-edge technologies worldwide. Some examples:

### AIRBAGS FOR MOTORCYCLES

The first airbag system for motorcycles in the world was launched by Honda Motor Co. in 2006. The mechanism is installed in the model GL 1800 Gold Wing, also marketed in Brazil.

### CRASH TEST

Located in Japan, the Impact Test Center (Crash test) is one of the most advanced in the world. Its 41,000-sqm covered area enables the tests to be carried out in any weather conditions and the accurate reproduction of the impacts of collisions involving vehicles of various sizes, at different speeds and directions.

### ADVANCED COMPATIBILITY ENGINEERING

The body of all vehicles marketed by Honda Automóveis do Brasil is composed of different steel alloys that help absorb frontal, side, and rear impacts. These alloys distributed throughout the body have different levels of resistance, which improves distribution of energy in the event of a collision. In this way,

the passenger compartment of the vehicle can be preserved, avoiding injury to the occupants. Honda models also rely on lap-and-shoulder belt and headrest for all users, in addition to a child-seat mounting system.

### BRAKE SYSTEMS

In 2014, the CG 150 Titan, one of the best-selling models in Brazil, adopted the CBS brake technology, known as Combi-Brake, which automatically distributes the brake force between the two wheels, causing the rider to reduce the speed more safely and effectively. This is one more result of Honda's experience in brake technology. In the 1950s, the company patented an ABS system for motorcycles. In the 1960s, it was the first brand in the world to adopt the disc brake on the front wheel of motorcycles produced in large scale. In 2008, the first C-ABS brake system was launched for superbikes, and in recent years, the technology has been extended to medium-capacity engine motorcycles, such as the CB 300R and the XRE 300.



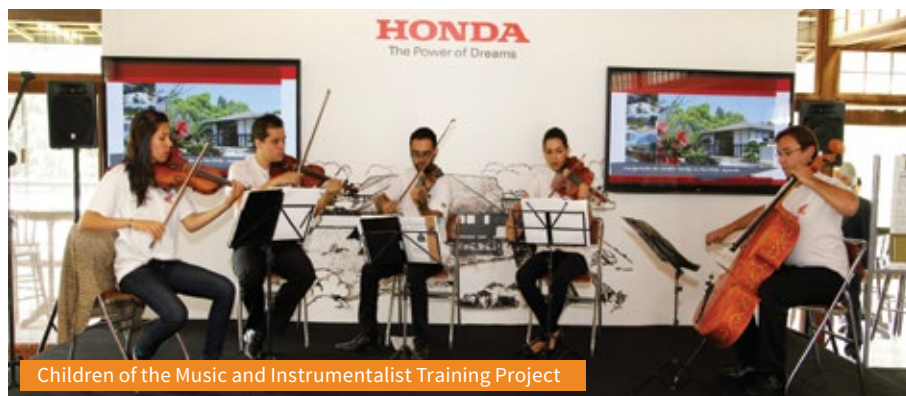
CG 150 Titan 2014

# Community Development

(G4-EC7; G4-SO1)

Seeking a close relationship with the communities where it operates, Honda has in place several projects for assistance and incentive of cultural

practices, as well as the implementation of social and educational development projects. Below are some examples of these initiatives.



Children of the Music and Instrumentalist Training Project

## MUSIC, CITIZENSHIP AND SOLIDARITY

Through the Rouanet Law, Honda sponsors presentations of the Bach Philharmonic, conducted by maestro João Carlos Martins. For the last four years, the partnership has also served nearly 90 young adults in the underprivileged community of Paraisópolis, in the southern region of São Paulo, with the Music and Instrumentalist Training Project, which offers classes in classical music. The idea is to transform the lives of these young adults through education and culture, providing professionalization.

## COMMUNITY KITCHEN - FÁCIL AND CIDADÃO

A result of Honda partnership with the city of Manaus, (Prato Fácil - Easy Dish) and the Government of the State of Amazonas (Prato Cidadão - Citizen Dish), the initiative offers 500 meals at community kitchens. Per month, 20,000 people benefit and the total service exceeds 1.5 million people.

## UNITED FOR SUSTAINABILITY

In communities around the units in Argentina, Honda has in place an annual program called "Pioneiros em Movimento". Unidos pela Sustentabilidade" ("Pioneers in Motion. United for Sustainability"). Based on the four pillars of the brand - the Environment, Education, Traffic Safety, and the Community -, the initiative is geared toward students and teachers of elementary and middle school of the municipal school network and provides recreational and educational workshops on topics related to social and environmental responsibility of each individual. In 2014, a total of

3,594 students and 168 teachers benefited by the initiative, whose objective is to contribute to forming more responsible citizens who can multiply concepts of citizenship to this generation and generations to come.

## PROJECT PELOTÃO MIRIM AMBIENTAL - CONSCIÊNCIA LIMPA

The project - which serves adolescents aged 12 to 17 exposed to social risks in communities located along Igarapé do Quarenta (AM) promotes educational activities about environmental, health and citizenship topics, in addition to psychological care. In all, 40 children are served by the initiative.

## SOWING EDUCATION IN ITIRAPINA

In 2014, the company conducted in the city the Oficina Semear (Sowing Workshop), with educational and recreational activities on the environment, traffic safety, and culture for children aged four to six and their families. Honda Automóveis do Brasil is building its second plant in the country in the city of Itirapina, state of São Paulo.

## IMPROVING SERVICE TO THE POPULATION OF MANAUS

In 2014, Moto Honda da Amazônia donated to the city of Manaus 12 Honda XRE 300 motorcycles equipped with two first-aid kits (defibrillator, cervical collar, space blanket, medical ventilator, burn kits, saline solution, splint, bandages, and gauze). The idea is to enhance the service provided by the Mobile Emergency Care Service (SAMU).



## PROFESSIONAL TRAINING A PRESENT FOR THE FUTURE

Created by Honda in 2007, the Professional Initiation Course in Automotive Mechanics is an 800-hour course and is a bridge to a better future for young adults between the ages of 17 and 19, who find an opportunity to enter the labor market. In 2014, a total of 12 young adults were trained in the greater Recife area (PE). Since the implementation of the project, 149 young adults benefited from the project. The employment rate is significant: 85% of the participants are already working at local dealerships.



## RECYCLING PROGRAM AT THE GARRAHAN HOSPITAL

The Garrahan Children's Hospital is supported by all Honda units in Argentina. The main activities of the partnership are the campaigns to collect materials among the associates of the units. In 2014, the numbers were impressive: 2,929 kg of paper were recycled (equivalent to 50 trees) and 1,196 kg of plastic bottle caps were collected, preventing 2,153 kg of CO<sub>2</sub> from being released into the atmosphere. In addition to acting directly on environmental preservation, the project gathers the proceeds from the sale of materials to assist in the treatment of children served by the hospital.



## Associates



Associate at the production line

Honda's social commitment in South America begins by offering a suitable and safe work environment to its broad and varied staff. Despite its 65 years of existence and 44 years of operations in Brazil, the brand continues to be a reference for having a young and challenging spirit and is constantly evolving. And this is also reflected in its associates.

The company encourages each person to have their own dreams and to always maintain a young spirit to make these dreams come true. To this end, the company promotes respect for individual characteristics and an egalitarian and trusting relationship, always valuing initiatives and teamwork.

Honda's management policy establishes five topics to guide its associates in their daily responsibilities, all aligned with the Honda Philosophy:

**Always maintain the dreams  
and young spirit.**

**Value theories,  
ideas and time.**

**Be passionate about your work  
and value communication.**

**Constantly create a  
harmonious workflow.**

**Always keep in mind the values  
of research and perseverance.**

Today, HSA has nearly 13,000 direct associates and 1,710 contractors, distributed among the plants and offices of the group in the South American continent.



Honda's new headquarters in the city of Sumaré, São Paulo

## Change of Headquarters

After moving company headquarters from the city of São Paulo to Sumaré, in the countryside of São Paulo, it was necessary to reallocate and transfer associates. The change was communicated more than one year in advance so that the associates had time to organize themselves. Since 2013, Honda has appointed HR consultants to listen and address, whenever possible, the expectations of each associate. In addition, the company offered tours in cities in the region and a hotsite with all the most important information about

the Metropolitan Region of Campinas: real estate agencies, hospitals, schools, tips on leisure, etc.

Most associates of the administrative area moved to the cities near the new facilities. Many of those who could not go to the new location were allocated in departments that remained in São Paulo. Those who opted for termination received all the rights provided for by law and the company gave support for their outplacement in the market.

## People Development

(G4-LA9)

The company has a corporate culture geared toward the continuous development of people, offering its associates opportunities to demonstrate their potential and acquire new skills. Thus, career development at Honda goes beyond training programs, to include internal opportunities in other areas through internal recruitment and job rotation which, in 2014, involved 8.55% of managers of Honda Automóveis and 21% of managers of Moto Honda da Amazônia.

As part of this strategy for personal development and dissemination of the Honda Philosophy to all associates and managers, the company has an internal Development and Training framework which includes technical, management and leadership training, as well as programs for strengthening the organizational culture.

Based on the assumption for development of associates in 2014, HSA offered almost 166,000 training hours to all its associates. This represents an average of approximately 161 hours per associate.



Honda has professional development programs in place to train the future company leaders

Associates of the security department received approximately 130 hours of training. This total represents approximately 90 minutes per associate.

To attract young professionals who are in search

of opportunities in the labor market, Honda has in place the Young Talent Program. The initiative offers new interns and trainees a special program for activities and training that contribute to the professional development and construction of a solid career within the company.

## Global Assignment Program (GAP)



This initiative develops talent to become the future generation of company associates

International strategic development program, the Global Assignment Program focuses on empowering the next generation to act in a globalized environment and lead Honda's strategies and changes. The development objectives are associated with:

- Technical and management training (leadership);
- Acquisition of know-how;

- Benchmarking of Honda's global operations;
- International experience and networking;
- Learning new processes that can be implemented in Brazil.

In 2014, a total of 18 associates from Honda Automóveis and seven from Moto Honda participated in the GAP in development periods that varied from one to six months in Japan, the United States, and other destinations.

## Executive Development Program

(G4-LA10)

To strengthen the role of local leadership and prepare the development of the next generation of Honda leaders for South America, the EDP (Executive Development Program) was created in 2014. Developed in partnership with the ISE Business School, the program offers a diversified range of activities that ensures complete training to participants. Executives from different business areas interact with each other to obtain a view of the macro-environment of the automotive industry and make an in-depth financial analysis of the organization. The agenda is organized around three pillars: Honda Philosophy and Culture, Leadership and People Management, and Business Strategy. Among the development tools used are the 360° Evaluation, Personality Assessment (MBTI), Individual Development

Plan (IDP), and Professional Coaching with sessions that support the implementation of IDPs. The exchange of experiences and ideas among participants take shape through the preparation of a CFT (Cross Functional Team) multidisciplinary group. The purpose of this activity is to create a multidisciplinary project of high strategic relevance, with topics defined by the company's Board, which, supported by Human Resources, works as an Advisor to team members. In addition to providing tangible results for the business, the development and implementation of this project allows for transposing theoretical learning to the practical context of the organization, expanding connectivity between the participants and consolidating a single management vision to all areas of the company.



# Compensation and Benefits



Honda's remuneration policy is based on two premises: internal equity, ensuring that people with similar responsibilities have equivalent remuneration; and external competitiveness, ensuring fair remuneration in relation to the market.

In 2014, the project Restructuring of Positions and Salaries was implemented in order to ensure an increasingly meritocratic remuneration program and, above all, capable of laying the foundations to support continued growth of the business in a highly competitive scenario.

The work was done together with a specialized consulting firm and followed the Global Grading System methodology, bringing the most modern practices in the area of remuneration to Honda South America. To this end, a broad assessment of positions was conducted by examining the level of technical expertise, the scope of activities, responsibilities, and the impact of each of these positions for the organization.

Thus, it was possible to have a clear vision of the structure for the development of specific strategies for each of the positions and consistent with the business priorities. Wage scales and payment of variable salaries are based on the performance of the associate depending on assessments of goals and competency.

The company also has various forms of benefits, including profit sharing and bonus programs that vary according to the results of the business and individual performance assessments.

In addition, the company offers merit- and performance-based promotions. To be eligible for merit, it is necessary to have worked one year at the company, be at least a year without a salary increase, and have good performance review in the last 12 months.

In 2014, with the change of the administrative headquarters from São Paulo to Sumaré, Honda offered associates an additional transfer bonus.



Honda's remuneration policy is based on two assumptions: internal equity and external competitiveness.

Honda emphasizes the principle of equality through practices that facilitate communication between all hierarchical levels of the company.

## Diversity and Equality

Honda values an open work environment, offering autonomy and equity among all. Therefore, no associate, not even the directors and members of the Presidency, have separate rooms. In the units, the cafeteria and the dressing rooms are shared by all, regardless of area of operation or hierarchical level. In addition to highlighting the principle of equality, this practice facilitating communication between all levels and the integration between areas and colleagues, fostering teamwork.

To reinforce the image of parity between associates of HSA, all those associates in manufacturing plants use a white uniform, including the administrative area and senior management, reinforcing the concept of organization, cleanliness, and quality. The associates also have the possibility of using, at no cost, the industrial laundry to wash their uniforms.

In the area of Human Rights, the company remains strict in not promoting or condoning any type of violation or exploitation.

## Labor and Union Relations

(G4-11)

Honda values compliance with the laws, labor regulations and collective agreements negotiated with unions in the locations where it operates, stimulating a relationship of mutual trust between associates and the company, considering aspects such as free association and constant dialogue.

To ensure that the interests of the main class of associates of the company are always taken into account, all professionals of the administrative headquarters became part, in 2014, of the Steelworkers Union of Campinas. The Union conducts meetings with all associates for approval of proposals negotiated between company and Union. Honda communicates these events and the decisions made via the tool RH Informa (HR Reports) (e-mail and bulletin boards).

With regard to company terminations and layoffs, the company also maintains a responsible operation, in compliance with laws and offers tools to guarantee the rights of its workers. Despite the difficulties faced by the automotive sector in recent years, Honda Automóveis do Brasil ended 2014 with stable sales. Therefore, there were no Voluntary Termination Plans (PDV - Programa de Demissão Voluntária) or lay-off (legal tool that allows for the temporary suspension of the employment contract). However, in the motorcycle plant, in Manaus, due to adjustments in production at the unit, eventual voluntary terminations have not been replaced.

Another very important aspect in labor relations concerns health and safety. These aspects are given special attention, with constant investments in safety, ergonomics, and occupational health, always complying with industry laws and regulations.

# Safety and Quality of Life

(G4-LA8)

Aware of the importance of the quality of life and safety of its associates, Honda invests in initiatives that include incentive events to sports, health services, training and awareness campaigns, such as a week of lectures to consolidate the importance of safety and other topics related to health among associates.

In addition, the various areas of the company have representatives in the Health and Safety Committee, which centralizes sector data and addresses relevant aspects for associates involved in the various activities carried out by

Honda. The results are presented to the Board on a monthly basis and the activities have greater focus on the production area, although there are representatives in the administrative area.

Each representative is responsible for receiving the information from the Occupational Safety department, disseminate it to the teams, centralize sector data, prepare reports and return them to the safety area to consolidate the information and prepare the presentation to the Board. In the Manaus plant, for example, the committee is divided into three fronts:

## 1

### Ergonomics

Five specialist members in ergonomics and 43 members that represent all the autonomous manufacturing units (HDA, HCA, and HTA) are responsible for achieving the goal set by the

Department of Ergonomics, meeting the deadlines defined in the schedule (mapping, improvement of the workplace, monitoring of projects, etc.).

## 2

### Health

Team of three occupational physicians and other specialists and assistant doctors, responsible for carrying out periodic examination, specialized

consultation and clinical consultation, recommending examinations and appropriate treatment for each case.

## 3

### Safety

Three occupational engineers, 15 safety technicians, and seven representatives from independent units hold weekly meetings to

discuss goals, disseminate best practices and side reviews relating to safety at work.





## DUPONT AWARD

For three consecutive years, Honda Automóveis participated in the award that recognizes companies with best practices in prevention, in benefit of Safety and Health of Workers. The company was awarded in all these occasions: 2012 and 2013, first place in the categories Cut and Abrasion and Chemical Protection, and in 2014 the company ranked 2nd in the Thermal Protection category.

The main occupational diseases liable to occur in Honda's activities relate to ergonomics.

Therefore, the company reinforces prevention and treatment measures in this area, relying on an Internal Ergonomics Committee. The team operates based on the Ergonomic Analysis of Work (AET in the Brazilian acronym), using ergonomic tools, reach and strength standards, interviews with associates and consultation with occupational physicians to eliminate and reduce risks in the workplace. All company's production processes are mapped in order to identify opportunities for improvement. The actions are managed by the ergonomics team in the Occupational Safety sector, with the mutual assistance of the Internal Ergonomics Committee and direct involvement of the representatives of the areas.

To meet the regulatory standards, all safety training required by law is conducted, such as: training and recycling of the Emergency Brigade; Safety in the operation of Presses and the Like, and Injectors; Work in Confined Spaces; Work at Heights; Operation of Forklifts; Overhead Crane; Safety course in electrical installations and services; Operation of Lift Platforms; among others.

Additionally, the company does not measure efforts to ensure that the risks of accidents at work are carefully monitored. To this end, HSA

has a risk management system that classifies, treats or controls the risks that have been identified at the plant and that have a classification (degree) trivial, tolerable and, at maximum, moderate. Its application aims to control risks in work environments, eliminating them or keeping them under control.

Moto Honda and Honda Automóveis have an outsourced team responsible for physiotherapy and the Musculoskeletal Prevention Program, conducted by two occupational safety technicians specialized in ergonomics, an occupational physician and a physical therapist who are responsible for monitoring the associates who hand in musculoskeletal reports in the medical clinic. All evaluations made by the program are discussed weekly on an individual basis between the members of the multidisciplinary team, in order to define measures for improvement and prevention of new complaints or risks. Physical therapy is carried out at company premises.

In the Manaus unit, associates also rely on a specialty clinic formed by professionals in many fields, such as orthopedists, cardiologists, ophthalmologists, otolaryngologists, gynecologists, etc., who work with imaging equipment (ultrasound and x-ray), in addition to gynecological and eye examinations, electrocardiogram, among others.

# Social Performance Indicators

(G4-9; G4-10)

## Total number of associates by functional category, by gender

|                                       | Male          | Female       | Total         |
|---------------------------------------|---------------|--------------|---------------|
| Directors                             | 15            | 0            | 15            |
| Managers (Management and Supervision) | 560           | 45           | 605           |
| Analyst and Heads                     | 1,990         | 546          | 2,536         |
| Operational                           | 9,768         | 1,003        | 10,771        |
| <b>Total</b>                          | <b>12,333</b> | <b>1,594</b> | <b>13,927</b> |

Data for the period April 1, 2014 to March 31, 2015 (Japanese fiscal year)

|                                         |                                       | Male          | Female       | Total         |
|-----------------------------------------|---------------------------------------|---------------|--------------|---------------|
| up to 30 years of age                   | Directors                             | 0             | 0            | 0             |
|                                         | Managers (Management and Supervision) | 3             | 1            | 4             |
|                                         | Analyst and Heads                     | 513           | 165          | 678           |
|                                         | Operational                           | 3881          | 468          | 4,349         |
| <b>Total up to 30 years of age</b>      |                                       | <b>4397</b>   | <b>634</b>   | <b>5,031</b>  |
| Over 30 years of age                    | Directors                             | 1             | 0            | 1             |
|                                         | Managers (Management and Supervision) | 463           | 37           | 500           |
|                                         | Analyst and Heads                     | 1,365         | 360          | 1,725         |
|                                         | Operational                           | 5,549         | 516          | 6,065         |
| <b>Total from 31 to 50 years of age</b> |                                       | <b>7,378</b>  | <b>913</b>   | <b>8,291</b>  |
| Over 50 years of age                    | Directors                             | 14            | 0            | 14            |
|                                         | Managers (Management and Supervision) | 94            | 7            | 101           |
|                                         | Analyst and Heads                     | 112           | 21           | 133           |
|                                         | Operational                           | 338           | 19           | 357           |
| <b>Total over 50 years of age</b>       |                                       | <b>558</b>    | <b>47</b>    | <b>605</b>    |
| <b>Total</b>                            |                                       | <b>12,333</b> | <b>1,594</b> | <b>13,927</b> |

Data for the period April 1, 2014 to March 31, 2015 (Japanese fiscal year)

(G4-LA9)

## Training hours

|                                       | Total number of hours | Headcount     | Man-hours    |
|---------------------------------------|-----------------------|---------------|--------------|
| Directors                             | 968                   | 15            | 64.5         |
| Managers (Management and Supervision) | 22,200                | 605           | 68.9         |
| Analyst and Heads                     | 50,151                | 2,536         | 19.8         |
| Operational                           | 82,426                | 10,771        | 7.7          |
| <b>Total</b>                          | <b>155,745.7</b>      | <b>13,927</b> | <b>160.9</b> |

Data for the period April 1, 2014 to March 31, 2015 (Japanese fiscal year)

# GRI Content Index

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| Organizational Profile                     |        |                                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-3                                       | 08     | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-4                                       | 11     | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-5                                       | 08     | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-6                                       | 11     | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-7                                       | 08     | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-8                                       | 11     | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-9                                       | 11, 79 | Company Profile,                | Data on employee profile is currently controlled by HSA pursuant to the determination period of the Japanese fiscal year (4/1/14 to 3/31/15).                                                                                                                                                                                                                 |
| G4-10                                      | 79     | Social Commitment               |                                                                                                                                                                                                                                                                                                                                                               |
| G4-11                                      | 76     | Social Commitment               | In Brazil, all employees working in Sumaré are members of the Steelworkers Union of the city of Campinas. In Argentina, the employees are members of SMATA (Sindicato de Mecánicos y Afines del Transporte Automotor) and in Chile there are no affiliates to trade unions and all rules imposed by the governing body (Dirección del Trabajo) are fulfilled. |
| G4-12                                      | 17     | Social Commitment               |                                                                                                                                                                                                                                                                                                                                                               |
| G4-13                                      | 11     | Honda's Sustainability Vision   |                                                                                                                                                                                                                                                                                                                                                               |
| G4-14                                      | 28, 29 | Company Profile                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-15                                      | 53     | Corporate Governance            |                                                                                                                                                                                                                                                                                                                                                               |
| G4-16                                      | 31     | Harmony with the Environment    |                                                                                                                                                                                                                                                                                                                                                               |
| Identified Material Aspects and Boundaries |        |                                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-18                                      | 05     | Reporting process               |                                                                                                                                                                                                                                                                                                                                                               |
| G4-19                                      | 80     | GRI Content Index               | The materiality process is occurring for the first time in 2015, along with the preparation of this report.                                                                                                                                                                                                                                                   |
| G4-22                                      | 05     | Reporting process               |                                                                                                                                                                                                                                                                                                                                                               |
| Stakeholder Engagement                     |        |                                 |                                                                                                                                                                                                                                                                                                                                                               |
| G4-24                                      | 17     | Honda's Sustainability Vision   |                                                                                                                                                                                                                                                                                                                                                               |
| G4-25                                      | 17     | Honda's Sustainability Vision   |                                                                                                                                                                                                                                                                                                                                                               |
| G4-26                                      |        | GRI Content Index               | The materiality process is occurring for the first time in 2015, along with the preparation of this report.                                                                                                                                                                                                                                                   |
| G4-27                                      |        | GRI Content Index               | The materiality process is occurring for the first time in 2015, along with the preparation of this report.                                                                                                                                                                                                                                                   |



| Report Profile            |                    |                                                    |                                                                                      |
|---------------------------|--------------------|----------------------------------------------------|--------------------------------------------------------------------------------------|
| G4-28                     | 05                 | Reporting process                                  |                                                                                      |
| G4-29                     | 05                 | Reporting process                                  |                                                                                      |
| G4-30                     | 05                 | Reporting process                                  |                                                                                      |
| G4-31                     | 83                 |                                                    |                                                                                      |
| G4-32                     | 81                 | GRI Content Index                                  | Core                                                                                 |
| G4-33                     | 81                 | GRI Content Index                                  | There was no external assurance.                                                     |
| Governance                |                    |                                                    |                                                                                      |
| G4-34                     | 24, 27             | Corporate Governance                               |                                                                                      |
| G4-38                     | 27                 | Corporate Governance                               |                                                                                      |
| G4-39                     | 81                 | GRI Content Index                                  | The Chairman of the Board of Directors does not hold an executive director position. |
| Ethics and Integrity      |                    |                                                    |                                                                                      |
| G4-56                     | 12, 13             | Company Profile                                    |                                                                                      |
| Economic Aspect           |                    |                                                    |                                                                                      |
| Economic Performance      |                    |                                                    |                                                                                      |
| G4-EC1                    | 39                 | Economic Performance                               |                                                                                      |
| Indirect Economic Impacts |                    |                                                    |                                                                                      |
| G4-EC7                    | 39, 34, 45, 71     | Economic Performance, Harmony with the Environment |                                                                                      |
| G4- EC8                   | 34, 35, 36, 37, 38 | Economic Performance                               |                                                                                      |
| Environmental Aspect      |                    |                                                    |                                                                                      |
| Energy                    |                    |                                                    |                                                                                      |
| G4-EN3                    | 62                 | Harmony with the Environment                       |                                                                                      |
| G4-EN4                    | 62                 | Harmony with the Environment                       |                                                                                      |
| Water                     |                    |                                                    |                                                                                      |
| G4-EN8                    | 64                 | Harmony with the Environment                       |                                                                                      |
| Biodiversity              |                    |                                                    |                                                                                      |
| G4-EN11                   | 61                 | Harmony with the Environment                       |                                                                                      |
| G4-EN13                   | 61                 | Harmony with the Environment                       |                                                                                      |
| Emissions                 |                    |                                                    |                                                                                      |
| G4-EN15                   | 62                 | Harmony with the Environment                       |                                                                                      |
| G4-EN16                   | 62                 | Harmony with the Environment                       |                                                                                      |
| G4-EN17                   | 62                 | Harmony with the Environment                       |                                                                                      |
| G4-EN19                   | 63                 | Harmony with the Environment                       |                                                                                      |
| Effluents and Waste       |                    |                                                    |                                                                                      |
| G4-EN22                   | 64                 | Harmony with the Environment                       |                                                                                      |
| G4-EN23                   | 65                 | Harmony with the Environment                       |                                                                                      |
| G4-EN25                   | 65                 | Harmony with the Environment                       |                                                                                      |
| Compliance                |                    |                                                    |                                                                                      |
| G4-EN29                   | 82                 | GRI Content Index                                  | In the reporting period there were no significant fines or monetary penalties.       |

|                                    |        |                               |                                                                                                                                                |
|------------------------------------|--------|-------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Supplier Environmental Assessment  |        |                               |                                                                                                                                                |
| G4-EN32                            | 47     | Harmony with the Environment  |                                                                                                                                                |
| Environmental Grievance Mechanisms |        |                               |                                                                                                                                                |
| G4-EN34                            | 82     |                               | In the reporting period there were no significant fines or monetary penalties.                                                                 |
| Social Aspect                      |        |                               |                                                                                                                                                |
| Occupational Health and Safety     |        |                               |                                                                                                                                                |
| G4-LA8                             | 77     | Social Commitment             |                                                                                                                                                |
| Training and Education             |        |                               |                                                                                                                                                |
| G4-LA9                             | 79     | Social Commitment             | Data on training hours is currently controlled by HSA in pursuant to the determination period of the Japanese fiscal year (4/1/14 to 3/31/15). |
| Local Communities                  |        |                               |                                                                                                                                                |
| G4-SO1                             | 68, 71 | Social Commitment             |                                                                                                                                                |
| Product Responsibility             |        |                               |                                                                                                                                                |
| Product and Service Labeling       |        |                               |                                                                                                                                                |
| G4-PR5                             | 20     | Honda's Sustainability Vision |                                                                                                                                                |

# HONDA

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## Corporate Information

### **Honda South America Ltda.**

Estr. Municipal Valêncio Calegari, 777 (Av. Interna 6)

Bairro: Nova Veneza - Sumaré - SP - CEP: 13181-903

## Credits

General Direction

**Public Relations Department for Honda South America**

**Sustainability Department for Honda South America**

Editorial Coordination

**Evelyn Lima / Maria Fernanda Cunha**

Coordination for the Collection of GRI Indicators and Copy

**Keyassociados**

Graphic Design, Layout, and Infographics

**Kite Estratégias Online**

Translation

**Gotcha Idiomas**

Consultations, comments or suggestions, send to:

**[comunicacao@honda.com.br](mailto:comunicacao@honda.com.br)**



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