

2018 SUSTAINABILITY REPORT



HONDA
The Power of Dreams

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Message from the Administration

| GRI 102-14 |

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Dear reader,

While the promise of a stronger economic recovery did not materialize, our performance was consistent with the reality of the region. In addition to the strategy to strengthen the business, it was important to consider the different political and economic scenarios in the countries where we operate, generally impacted by depreciation of local currencies and government transitions.

As a result, we brought together country-specific market knowledge and moved forward with a continuous focus on quality, technology and excellence in service, and improved our operational efficiency.

In this environment, we need to add qualified knowledge and new ideas, making Honda's performance even more competitive and perennial.

And our presence in the region became stronger. In 2018, Honda South America's subsidiaries recorded sales of 152,446 cars, 780,059 motorcycles and 128,272 units of power products.

In order to consolidate our presence and to address specificities of customers, we continue with our investments to renovate and update our product line.

The past year also highlighted important milestones in our Brazilian operation, the most representative in the region.

We have set a new standard for quality, technology and sophistication in the car segment, with major launches, such as the new CR-V, Civic Si and the new Accord, all consolidated models in their segments. We have also reached a higher level in the high-powered motorcycle segment, with the launch of the GL 1800 Gold Wing, CBR 1000 RR Fireblade and X-ADV models. And we also enhanced the visibility of the power product line with targeted activations at points of sale, held in strategic regions of the country.

Environmental challenges persist and we plan to address them with a keen eye on the constant need for effective use of corporate resources by intensifying collaboration with other regional operations of the group.

Regarding production activities, looking to consolidate a sustainable business for the future, we announced a restructuring of the automobile production system in Brazil. From 2021, the Itirapina unit will house the production of all models produced in Brazil.

In this new arrangement, the Sumaré plant is still active, producing components, and as a strategic center for the automobile business.

In terms of motorcycles, we have retained the title of the most vertically integrated plant in the Honda Group worldwide and pursued the goal of being a compact factory with modern and highly efficient technology.

And, talking about production efficiency means making a commitment to environmental sustainability, since all production planning begins with the best use of natural resources.

In this sense, I want to highlight the role of the Honda Energy Wind Farm, which provides clean and renewable energy for the automobile plant and offices in the cities of São Paulo and Sumaré. Until last year, the total electric power generated approached 300,000 MWh and avoided the emission of more than 24,000 tons of carbon dioxide in the environment.

We are also moving forward with the introduction of turbo-charged engines in the local line of cars, providing excellent environmental performance with low emissions. And recently we made a commitment to bring three hybrid models to Brazil by 2023, putting Honda South America on the electrification map.

In addition to actions that contribute to a world with lower emissions, we gear our research and development efforts toward a safer society. For us, safety is a prerequisite for mobility and we believe that education and technology combined will ensure a more harmonious coexistence.

"In addition to actions that contribute to a world with lower emissions, we gear our research and development efforts toward a safer society. For us, safety is a prerequisite for mobility and we believe that education and technology combined will ensure a more harmonious coexistence."

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We actively work to introduce safety items into our products and raising awareness on this topic. A great example is the Honda Traffic Education Center (CETH), which offers training, talks and test-ride activities to strengthen this principle.

Last year alone, the actions carried out by the Honda Traffic Education Centers, located in the cities of Indaiatuba (SP), Recife (PE) and Manaus (AM), allowed sharing education concepts in terms of traffic and safe driving with 38,927 people.

The secret to such a significant operation in South America lies in our workforce.

We take care and encourage our employees to be better every day, nurturing their dreams and seeking personal and professional growth. We want them to keep a youthful spirit, avoiding the tendency to cling to preconceived models and bar new learning.

This is the way to grow. This is the way to keep our operation sustainable. This is the way for us to continue bringing joy to people through mobility.

Thank you and enjoy your reading.

Issao Mizoguchi
CEO Honda South America

Honda Philosophy and Sustainability Strategy

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of Dreams

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Soichiro Honda

HONDA

The Power of Dreams

Adopted globally in 2001, the slogan “*The Power of Dreams*” communicates Honda’s corporate principles and path for future.

Founder Soichiro Honda’s own story comes true through the power of a dream. To improve the reality of postwar Japan, he created motorized bicycles. Over time, they evolved into motorcycles, and today the company has a wide range of technologies for land, water and air mobility.



At Honda, we believe in dreams. Dreams that bring joy to people. Driven by the spirit of challenge, each of us at Honda strives to create new value that brings dreams to life. The smile on people’s faces gives us the passion and courage to face new challenges. Through The Power of Dreams, we will continue to share the joy with our customers and society.



Honda Philosophy

| GRI 102-16 |

Founders Soichiro Honda and Takeo Fujisawa knew that in order to grow and succeed, employees would need a common goal, as well as strong values and principles that would guide the actions of all those involved in the business. It was then that the Honda Philosophy was born. It is divided into three main axes:

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

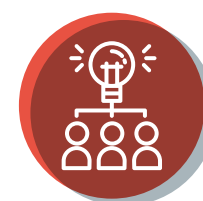
Fundamental Beliefs

Respect for the Individual

This principle encourages and promotes the sharing of joy through respect for individual characteristics, the relationship of equality and trust, and the maximum application of each person’s potential.

The Three Joys

Honda wants to build relationships of trust and share joy with everyone with whom it comes into contact through its activities and products. This conviction is expressed through The Three Joys.



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



Joy of Selling, felt by Honda employees and dealers for gaining customer trust and delivering superior products and services that exceed their expectations.



Joy of Buying, experienced by customers when purchasing a Honda product or service. The customer’s joy is what gives value to Honda’s activities and allows for the other joys to be experienced.



Fundadores Soichiro Honda e Takeo Fujisawa

The Honda Principle

“Maintaining a global viewpoint, we are dedicated to supplying products of the highest quality, yet at a reasonable price for worldwide customer satisfaction.”

It’s the collective dedication of employees is behind the quality of Honda products. The company constantly invests in the development and updating of products and production processes to offer new technologies, with the highest quality, safety and at a good cost-benefit for customers of various profiles. This requires the commitment of each employee to ensure the highest level of excellence in their activity to exceed customer expectations.

Honda Management Policy

The Management Policy covers five main topics to guide Honda employees in their daily responsibilities:

- Proceed always with ambition and youthfulness
- Respect sound theory, develop fresh ideas, and make the most effective use of time
- Enjoy your work and encourage open communications
- Strive constantly for a harmonious flow of work
- Be ever mindful of the value of research and endeavor

Business Direction and 2030 Vision

Honda’s business direction for the 21st Century is to be a company whose existence is desired by society, engaged in creating, expanding and ensuring joy to people around the world through its products and services.

Considering the accelerated process of change in society and envisioning a future in which new values become paramount, Honda has determined the 2030 Vision as the path to follow to stay true to the proposed and relevant direction over a medium and long term horizon.

This view is expressed by the statement: “Serve people worldwide with the joy of expanding their life’s potential”

In this sense, the **Create Joy** approach takes on the perspective of Honda’s universal passion for offering people around the world the joy of expanding their life’s potential.

“**Honda wants to be a company whose existence is desired by society**”

The focus is on continuing to deliver optimized products and services based on Honda’s desire to use technology to improve people’s lives.

Within the scope of **Expanding Joy**, Honda is attentive to cater to the diversity of individuals by developing mobility solutions that meet the specificities of different consumer profiles in the countries where it operates.

Finally, to **Ensure Joy** for future generations, the company promotes initiatives for a carbon-free society and seeks to lead awareness programs that foster an environment with fewer traffic accidents.

2030 VISION – Honda South America

SERVE PEOPLE WORLDWIDE WITH THE JOY OF EXPANDING THEIR LIFE’S POTENTIAL Lead the advancement of mobility and enable people everywhere in the world to improve their daily lives		
Create Joy	Create value for mobility and people’s daily lives	
	Provide the joy of free mobility	Provide the joy of improving quality of life
Expand Joy	Cater to the diversity of individuals and societies	
	Offer products and services of excellence that cater to the specificities of individuals and societies	
Secure Joy for the next generations	For a cleaner, more placid and safer society	
	Lead efforts for a carbon-free society	Lead efforts for a society free of traffic accidents

Honda Sustainability Pillars

In order to be a company desired by society, today and tomorrow, all strategic decisions that drive Honda’s business objectives go through the prism of sustainability.

Strategic sustainability management is based on four priority commitments, which permeate all the company’s decision-making processes and operations.

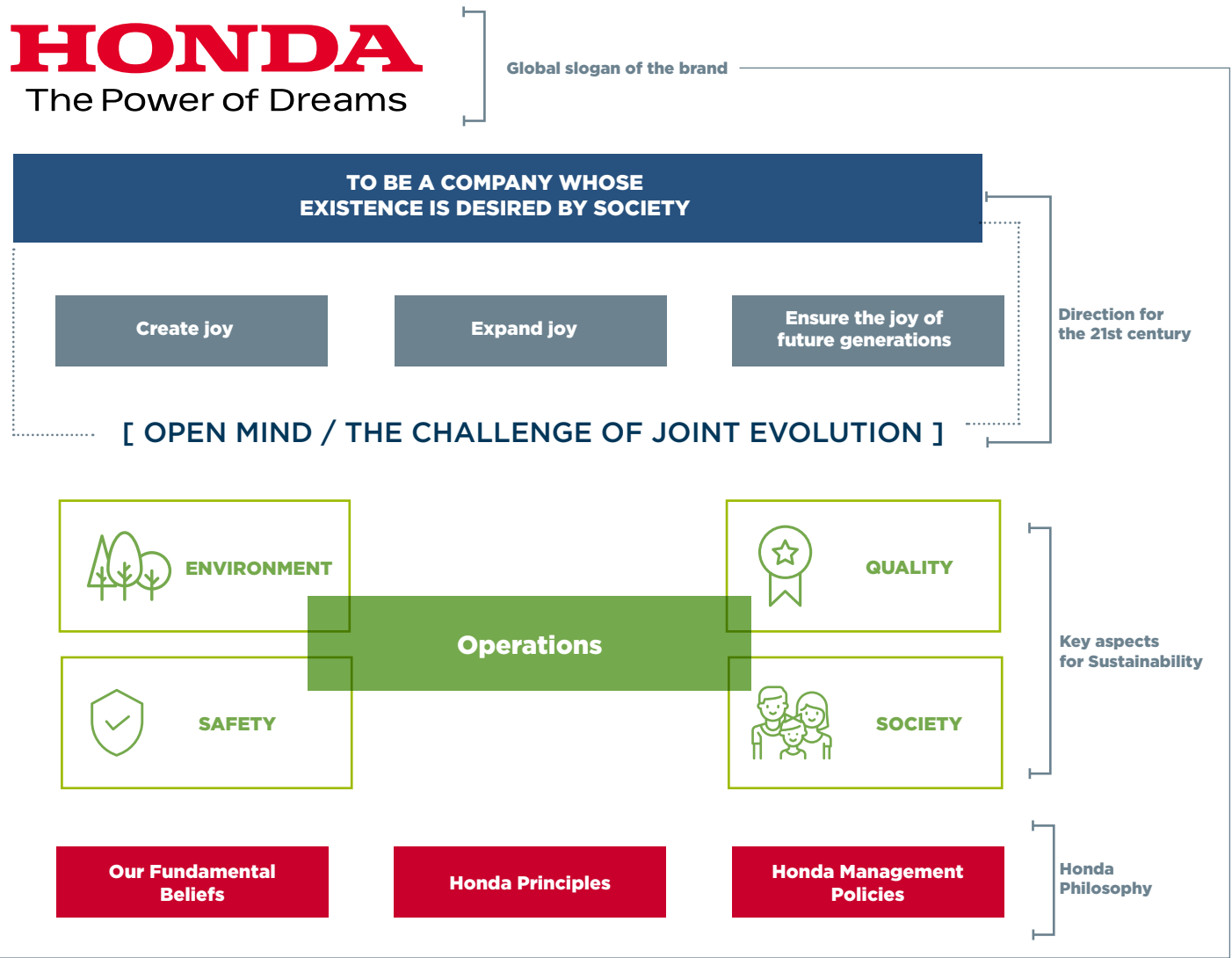
Environment: Reconciling economic development with the preservation of the planet and the rational use of natural resources is an important premise for Honda, which aims to mitigate the environmental impacts of its products and operations by contributing to the balance of the planet.

Safety: Honda believes that safety is an indispensable condition of mobility and, therefore, the company invests resources to make its products perform as

well as possible. In addition, the company works to develop educational and awareness actions with different groups of society in order to enable a more harmonious coexistence in traffic.

Quality: Honda makes constant investments in improving the quality and technological updating of its products, aiming to maximize the mobility experience. Coupled with safety and energy efficiency, this commitment determines the company’s lines of research and development and contributes to the recognition of the brand by society.

People: Honda looks to impact economically and socially the regions where it operates, creating real value for society and inducing ethical and sustainable practices in its employees and in all audiences with which it relates.





3 | About the Report

1 - Material Topics

Honda South America’s 2018 Sustainability Report, as in previous editions, concentrates relevant information to stakeholders about the brand’s contribution to sustainable development. | [GRI 102-1](#) |

This document comprises the management of the regional subsidiaries of the holding Honda South America (HSA) installed in Brazil, Argentina, Peru and Chile, except when indicated. It comprises the advances and results for the period from January 1 to December 31, 2018. This report was prepared in accordance with the GRI Standards: Core Option, giving the report greater transparency and rigor similar to those of financial documents. | [GRI 102-45](#); [102-50](#); [102-54](#) |

The relevant topics addressed in this report were identified based on a materiality process, which, in the perception stakeholders and senior management, points out the topics that should be prioritized in the sustainability management and in communicating company performance. | [GRI 102-46](#) |

These topics were defined according to the following steps:

- 1. Initial consultation of the Sustainability Accounting Standards Board (SASB)¹, RepRisk², RobecoSAM³ and GRI Methodologies for identification and classification of criticality of topics related to the automotive sector from a market standpoint;
- 2. Analysis of material topics disclosed by industry peer companies to map potentially priority topics;
- 3. Interview with senior management and consultations

¹ North American Institution that sets sustainability reporting standards for publicly traded companies.
² Reputational risk assessment tool for social, environmental and governance matters of companies applying for the Dow Jones Sustainability Index (DJSI).
³ Institution that evaluates companies for participation in the DJSI.

with stakeholders to prioritize topics. The public consultation was answered by 659 people from different stakeholder groups (customers, trade associations, employees, dealers, suppliers, government, and the press). | [GRI 102-40](#); [102-42](#); [102-43](#); [102-44](#) |

In the process of formatting the materiality matrix, the local business environment and global trends that impact Honda’s operating segment were also evaluated, revealing the performance and challenges in this context.

Material Topics

Topics prioritized during the consultations were validated by the Honda South America Board as listed below. | [GRI 102-47](#) |

	Material	GRI
1	Social and Economic Compliance	205-2, 419-1
2	Indirect Economic Impacts	203-1
3	Occupational Health and Safety	403-2
4	Labor Relations	402-1
5	Training and Education	404-1
6	Customers and Health Consumer Safety	416-1
7	Emissions	305-1, 305-2, 305-4, 305-7
8	Energy	302-1, 302-3, 302-4

Honda South America Overview

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1 - Operating Model

2 - Operational Performance

- Motorcycles
- Automobiles
- Power Products
- Honda Financial Services
- HondaJet



Facilitating human mobility and expanding the potential of people's lives. To this end, Honda continually innovates to deliver new products with excellence in quality, safety and technology to customers around the world and thus be a company whose existence is desired by society.

It is this commitment that has driven the company in its over 70 years of existence, during which time it consolidated its global presence, with 440 subsidiaries and affiliates worldwide, backed by the work of 215,000 employees. | [GRI 102-7](#) |

In South America, one of six administrative blocks that comprise the company's global operations, Honda has been present for 47 years, producing and importing motorcycles, automobiles, ATVs and power products, and marketing the HondaJet. | [GRI 102-2](#) |

Headquartered in the city of Sumaré, in the interior of São Paulo, the holding company Honda South America is responsible for all the group's operations in the region, with production units in Brazil, Argentina and Peru, as well as an importing unit in Chile and over 2,500 points of sale, which guarantees the presence of the brand in the main South American cities. | [GRI 102-3](#), [102-4](#), [102-6](#) |

Honda South America



BUSINESS UNIT	CORPORATE NAME	SCOPE*	JURISDICTION
HDA	Moto Honda da Amazônia Ltda.	2R / PF	Brazil
HAB	Honda Automóveis do Brasil Ltda.	4R	Brazil
HSF	Honda Serviços Financeiro Ltda.	BHB / CNH / SHB	Brazil
HAR	Honda Motor de Argentina S.A.	2R/ 4R/ PF	Argentina
HDP	Honda del Peru S.A.	2R / PF	Peru
HSP	Honda Selva del Peru S.A.	2R / PF	Peru
HMDC	Honda Motor de Chile S.A.	2R/ 4R/ PF (import)	Chile

* 2R: Motorcycles / 4R: Automobiles / PF: Power Products /

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

Honda South America Operating Model

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

Employees



12,489
permanent and
temporary
employees

Stakeholders



Customers



Employees



Media



Suppliers



Communities



Government



Dealers

Providers



Honda Automóveis
165 suppliers
of parts and
raw material



Moto Honda
112 national
suppliers
of parts and
raw materials

Points of Sales



**Over
2,500**
points of
sale across
South America



Value Generated



38,927
people benefited from actions
by Honda Traffic Education
Center

3,899
children served by
Clubinho Honda

300,000 MWh
(approx.)
generated by
Honda Energy until 2018

Brazil

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.

Results

Automobiles: 131,601

Motorcycles: 745,024

Power Products: 31,127

Argentina

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

Results

Automobiles: 10,100

Motorcycles: 114,557

Power Products: 22,005

Chile

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

Results

Automobiles: 4,083

Motorcycles: 8,595

Power Products: 5,406

Peru

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

Results

Automobiles: 3,004

Motorcycles: 35,962

Power Products: 34,271





Operational Performance

With a focus on improving people's lives and facilitating human mobility, Honda's operation in South America has produced more than 26 million products including automobiles, motorcycles and power products. A result achieved through the strategy of continuous process improvement, resource optimization and partnerships for innovation. The company also markets the HondaJet in Brazil, Argentina, Uruguay and Paraguay.

Motorcycles

Moto Honda da Amazônia is the largest motorcycle manufacturer in South America and the absolute leader in Brazil in this segment.

The company totals more than 24 million units produced in its factory located in Manaus (AM), the

most vertically integrated Honda motorcycle production unit in the world, where they manufacture from metal packaging, molds and tools to exhaust pipes, wheels, handlebars, chassis parts and other parts.



Moto Honda da Amazônia (AM)

Aiming to be a world class factory in production efficiency, in recent years, the unit has undergone major adjustments in its production structure to adapt to the new reality of the two-wheel segment in the country, which has gone through six consecutive years of declining sales.

Reversing this trend, the company ended 2018 with positive results: 745,024 motorcycles were licensed, up 11.9% over the previous period.

The positive performance is based on a three-part assertive product strategy, focusing on excellence

in customer service and modernization of production processes to gain competitiveness.

It is noteworthy that initiatives aimed at optimizing production processes did not impact the continuity of investments aimed at renewing and launching new models and versions.

The company is always on the lookout for transformations that bring more efficiency, logistics improvements and technological advances.

At the Moto Honda plant in Manaus, situated in a 740,000-sqm lot, with a built-up area of 285,000 sqm, a complex production process takes place, in which, in addition to the main components of a motorcycle, tools and devices necessary for production are developed. The production processes include:

production of aluminum parts (foundry); sintering, spin cast, machining, engine assembly, pipe plant, stamping, welding, painting, chassis production, assembly line and final inspection. The company constantly seeks alternatives to increase competitiveness and strengthen vertical integration.



Aerial view of the Moto Honda da Amazônia plant

Automobiles

Since the beginning of its activities, Honda Automóveis do Brasil has sought to accelerate the process of development, production and marketing of products increasingly aligned with the expectations of Brazilian consumers.

In 27 years of the automobile operation in the country, 21 of which involving domestic production, the brand has maintained continuous focus on quality, technology and excellence in service, thus winning the admiration of customers.

Looking at brand performance from a broader perspective, it can be noted that the company is one of the only ones in the industry to keep sales volumes stable in recent years, even in times of economic downturn. This demonstrates the soundness of a strategy whose primary focus is on creating sustainable value for customers and business partners.

Last year, Honda Automóveis showed stability in sales compared to the previous cycle, selling 131,601 automobiles.

With regard to products, Honda has advanced by offering models in line with the current technological stage. Entering the product list are the new versions of



Honda Automóveis do Brasil (SP)

Civic Si and CR-V. With unique design, new 1.5 turbo engine, differentiated technologies and, above all, capable of providing a pleasant driving experience, both models were well accepted by the public.

Last year Honda introduced the HR-V 2019 with a more sophisticated design, improved equipment and ride comfort, and the new generation of the Accord, a model that features Honda's full differentiating technology, being the first vehicle to embed Honda SENSING, a driver assistance technology package, in Brazil.



Fábrica da Honda Automóveis do Brasil na cidade de Itirapina (SP)

In April 2018, Honda Automóveis announced the plan to restructure its automobile production system in the country, with the goal of strengthening and maximizing the competitiveness of its business. Under this new structure, car production will be completely transferred from the Sumaré (SP) plant to the new plant.

The plant in Sumaré continues with the activities that recently received investments: production of the powertrain, including Foundry and Machining; Plastic injection; Tooling; Quality Engineering; Industrial Planning, and Logistics. The unit also maintains Honda South America's administrative headquarters, Automobile Research and Development Center, Parts Division and Dealer Technical Training Center.

With the integrated operations of the Sumaré and Itirapina units, Honda Automóveis maintains in Brazil a complete production cycle, including tooling, stamping, welding, injection and painting of plastic components, body painting, engine production, including Foundry and Machining, assembly line and final inspection.

With a nominal production capacity of 120,000 units per year, in two shifts, the Itirapina plant begins its activities with the production of the Fit model and relies on the experience of employees from the Sumaré plant, transferred to the new unit.



Power Products

The power product line consists of stationary engines, brush cutters, generators, motor pumps and lawn mowers, with applications for agriculture, construction, home and leisure. At the Moto Honda da Amazônia plant in Manaus, two models of stationary engines are produced.

The division ended 2018 with a 5.2% increase in sales, selling 31,130 units. The result reflects the company's efforts in commercial actions such as product demonstration, expansion of sales channels and strengthening of the lineup with high-quality, fuel-efficient products and differentiating technology.

To continue its upward trend, Honda will move forward with commercial strategies, strengthen sales channels, expand its motorcycle network, and intensify dissemination through various media channels.

This new performance of the Power Products division is the result of the unification with the department of motorcycles. The goal is to strengthen operation throughout the process chain, from planning to customer service.

31,127 units sold,
up 5.2% over the
previous year.

Honda Financial Services

Through Consórcio Honda and Banco Honda, Honda Financial Services (HSF - Honda Serviços Financeiros) offers solutions to facilitate purchase of the brand's products, while the insurance company Seguros Honda allows these goods to be protected. This synergy and proximity to the manufacturer represent important competitive factors for the brand and actively contribute to sales of Honda products.

Banco Honda

Banco Honda was created with the mission of becoming the best financing option for Honda products. Through the Direct Consumer Credit (CDC - *Crédito Direto ao Consumidor*), it guarantees attractive conditions for both individuals and companies to obtain the desired Honda vehicle in a quick, practical and fair manner. In 2018, Banco Honda accounted for about 14% of the brand's sales of new motorcycle, with over 115,000 units financed. For the automobile segment, sales reached 23%, with nearly 30,000 cars financed.



The investment fund called Fundo de Investimentos de Direitos Creditórios (FIDC AutoHonda) is the result of a partnership between Honda Automóveis do Brasil, Banco Honda and the Automobile Dealers Network. The initiative makes it possible to set up a fund capable of supporting the purchase and sale of automobiles, guaranteeing benefits such as a credit line with special interest rates and lower inventory costs for dealers. As a result, the Fund provides security and financial soundness for business continuity.

Advertising campaigns for the motorcycle segment

An important initiative that began last year was the resumption of the advertising campaigns for Consórcio Honda, an initiative to reinforce the company's soundness and strength in the market. With the slogan "*Consórcio Honda. É fácil e funciona*" (in loose translation: "Consórcio Honda. It's easy and it works") the campaign emphasizes the consortium's accessibility to various audiences, conveying the ease of purchasing the dream vehicle through the Consórcio Honda.

Consórcio Honda

Consórcio Honda is a reference administrator of consortium sales (purchase pool), in the Brazilian market. A driver off sales, this modality is widely accepted by consumers due to the various options of plans that adapt to the customer's budget, even in times of financial instability.

Over the past year, a series of actions have been taken to strengthen support to the network in order to drive sales. These actions included strengthening business structures, new work tools and intensifying training activities.

In 2018, Consórcio Honda achieved good results and grew 9.4%, with 724,111 quotas sold in the motorcycle segment. This modality accounted for 28.1% of Moto Honda sales in 2018. The good results generate growth expectation for the next years.

Since the start of operations, 38 years ago, the business model has delivered more than 6 million new Honda vehicles and awards nearly 34,000 customers every month.

Seguros Honda

Seguros Honda began its operations in Brazil in 1987 with the objective of offering, in partnership with credible insurers in the market, a customized portfolio to meet the coverage needs of Honda products, at competitive rates.

Last year, Seguros Honda reached more than 145,000 policies sold, including new and renewals, just over 130,000 of them related to motorcycles and 15,000 in the automobile segment.

A pioneer in the two-wheel market, the company is working this year to expand the motorcycle insurance culture and further differentiate the Honda brand from the competition. In automobiles, the focus has been on expanding its presence in the Honda dealership network and thereby strengthen its influence with insurers to achieve even more competitive rates.

To achieve these goals, the company structure has undergone a change, with the creation of new management framework and review of work processes, in order to gain greater efficiency and agility in its operations.

HondaJet Elite

The HondaJet Elite is the world's most advanced business jet, with exceptional performance, comfort, quality and efficiency advantages. The jet is the fastest, highest flying, quietest and the most fuel efficient in its class.

The model features aeronautical advancements developed by Honda Aircraft, including Over-The-Wing Engine Mount (OTWEM) configuration, Natural Laminar Flow (FLN) applied to the aircraft nose, wings and fuselage construction in composite material.

The HondaJet is manufactured by the Honda Aircraft Company, in the United States, and marketed since 2015 by Líder Aviação in Brazil (local sales representative of the business jet). In 2018, for the second consecutive year, it was chosen the best-selling business jet in its category, with 37 aircraft sold.

For the second consecutive year, the best-selling business jet in its category.





Honda South America’s Corporate Governance model encompasses three lines of management that interrelate in driving sustainable business growth: governance, risk and compliance.

Honda South America’s Corporate Governance Pillars

GOVERNANCE	Standard of conduct and business ethics.
CORPORATE RISKS	Identification and assessment of potential business risks, definition of mitigation measures, elimination or transfer of risks.
COMPLIANCE	Compliance with legal requirements, regulations and internal policies, rules and procedures.

The responsibility for managing Corporate Governance within Honda rests with the ESG Department, initials that stand for Environment, Social Responsibility and Corporate Governance, which coordinates all prevention and awareness processes in compliance with and respect for the laws and regulations for Honda South America’s operations.



Honda’s Corporate Governance structure is based on the following pillars that guide the company’s operations: | GRI 102-18 |

Seeking to build ethical relationships with the various stakeholders, Honda has in place sound rules that ensure transparency and safety so that the company is clear about its positions and decisions.

Governance

A determining factor for the success of any professional is to be in line with the culture of an organization. With this in mind, Honda provides its employees with explanatory content about the fundamental beliefs that should guide their actions.

Honda’s Philosophy is not only shared by everyone who is part of its global operations, but also forms the basis for the company’s activities and sets

the standard for conduct and decision making in conducting all Honda Group business. Driven by its dreams and reflecting its values, Honda will continue to take on challenges to share joys and enthusiasm with customers and communities around the world to become a company desired by society.

Code of Conduct

| GRI 102-17; 103-1; 103-2; 103-3; 205-2 |

For Honda to be continually driven by ethical values, everyone acting on its behalf is governed by a Code of Conduct with clear guidelines for required processes and expected employee behavior, in line with Honda’s values.

This Code also sets out a series of corporate policies responsible for combating illegal conduct such as slave or slave-like labor, money laundering and fraud, corruption and anti-competitive practices.



250 managers trained
in aspects related to
Brazilian legislation.



The Corporate Corruption Prevention Policy sets out the company's position on business ethics. Honda regularly conducts training on this topic. In addition, knowledge of the content of this policy is assessed annually through SOx processes and self-assessment questionnaire applied to managers. In 2018, a total of 250 managers received training in aspects related to Brazilian legislation. In the other South American countries, training was provided for 150 employees, and the Policy was made available to all employees on the intranet.

Regarding the fight against anticompetitive practices, Honda follows the Competition Policy, adopting measures to prevent violations against the competition law involving its operations, its business practices and interactions with business partners and/or competitors, directly or through trade associations.

In addition, the company seeks to strengthen the

culture of combating anticompetitive activities by disclosing the Policy to all business units in South America. It is disseminated through training and other activities, starting with the critical areas⁴.

In 2018, training on the Code of Conduct included 4,245 employees in Brazil. For employees who do not have access to computers, the topics of the Code were addressed in daily meetings and quick messages at the beginning of the shift, allowing them to ask questions on the standard expected by Honda. In 2018, nearly 50 messages were addressed at Code of Conduct meetings.

Risks

Currently, the Code of Conduct is the most important guiding instrument for risk prevention and combat, and, in addition, Honda has policies and normative documents related to this topic.

To ensure a safe working environment free from financial loss and to avoid damage to the brand reputation, Honda manages all prevention processes. By identifying critical areas and SOx testing, the ESG Department has in place processes to verify internal controls. | **GRI 102-11** |

Compliance

Honda's Corporate Governance compliance assessment is continuously carried out through systems that adopt international standards, consisting of:

- **Corporate management system of processes:** Self-assessment by managers (100% managers and above) of process systems and operations.
- **Specific management system of processes:** SOx internal controls on relevant business processes and technologies (more than 90 processes documented and reviewed annually), which are subjected to SOx Certification by means of independent audit.

⁴ Critical areas are those that have direct contact with a governmental supervisory or legislative body (Institutional Relations, Sales, Procurement, Legal, Tax).

- **System of standards and conduct:** Corporate policies and procedures, available on the intranet or proprietary directories for access by the internal audience.

- **Framework for the code of ethics, confidentiality of information, and standard formal conduct:** all disseminated through training and management.

As a result of the measures adopted by Honda, over the last year there have been no occurrences related to non-compliance with laws and social and economic regulations associated with operations in Brazil. | **GRI 419-1** |

Ethics Channel

To support the measures taken to ensure compliance of all Honda activities, the company has in place an Ethics Channel that enables direct communication between employees and company management. The purpose is to receive opinions, criticism, grievances, complaints and personal consultations regarding the topics addressed in the Code of Conduct.

Claims reported through the Ethics Channel are submitted for evaluation and action by the Ethics Committee, whose mission is to ensure the continuous improvement of ethical behavior standards.

**In 2018, training on the
Code of Conduct included
4,245 employees in Brazil.**

Performance Report

6

1 - Environment

2 - Safety

3 - Quality

4 - People



Honda's commitment to sustainable development is critical to maintain its business. Therefore, all the company's activities are designed efficiently in order to generate positive impacts for society.

Environment

Honda's vision for the future is that of a society with minimal environmental impact.

Therefore, the company incorporates into its corporate strategy concern and effective responses to climate change, energy issues and the efficient use of natural resources.

Constant investment in actions that reduce environmental impacts is a premise throughout the operation, so much so that the company announced in 2011 the global goal of halving its corporate CO₂ emissions by 2050 compared with the levels of the year 2000.

This commitment permeates the definition of goals in production activities, emission levels of products and services.



Global Goal

All Honda units worldwide aim to reduce their CO₂ emissions by 50% by 2050.



Honda Energy Wind Farm in the city of Xangri-Lá (RS)

100%

CLEAN ENERGY
used to produce
over 500,000 cars.

In its four years of operations, completed in 2018, Honda Energy has already generated approximately 300,000 MWh of electricity. With this, the company avoided the emission of more than 24,000 tons of CO₂ in the atmosphere and reached the important mark of more than 500,000 cars produced using 100% clean and renewable energy.

Honda's wind farm is equipped with nine wind turbines that have a power of 27.7 MW and, in full, use generates 85,000 MWh/year. The equipment is among the largest in Brazil. The towers are 94 meters high and the highest point reaches 150 meters.

With good results, the Honda Energy wind farm shows that investing in sustainable innovation is the best way to respect the environment, providing consumers with an opportunity to contribute, through their choices, to a better future for future generations.



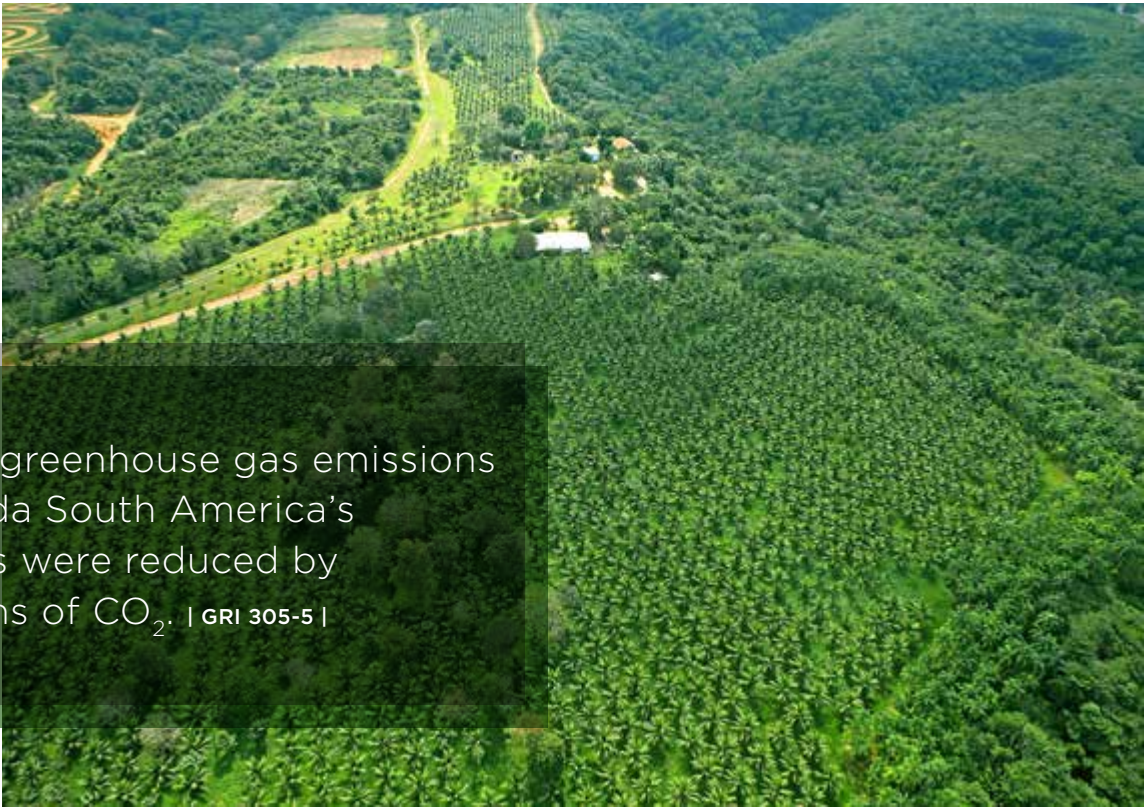
Honda Energy Wind Farm

In line with the company's global strategy, a major highlight in Brazil is the Honda Energy wind farm, the first in the domestic automotive sector and in the Honda group in the world. Inaugurated in November 2014, the wind farm is located in the city of Xangri-Lá (RS) and produces enough to meet all the electricity demand of the Honda Automóveis plant in Sumaré, upstate São Paulo, the Research & Development Center, and the company offices in the cities of Sumaré and São Paulo. Honda remains the only brand in the industry to have a major initiative in this field.

Respect for biodiversity

In the State of Amazonas, where the motorcycle plant is located, Honda maintains about 820 hectares of standing forest and 245 hectares of trees from reforestation, mainly some endangered species, and 47 hectares of planted native and exotic fruit species.

Agricultural Project
Km 48 (AM)



Last year, greenhouse gas emissions from Honda South America’s operations were reduced by 553.48 tons of CO₂. | GRI 305-5 |

The Private Natural Heritage Reserve (RPPN) is located in the city of Manaus (AM), at banks of the Igarapé do Mindu. Another focused initiative for the preservation of biodiversity is the In the municipality of Rio Preto da Eva, near to Manaus (AM). The project aims to plant trees fruit and endangered species.

Emissions | GRI 103-1; 103-2; 103-3 |

Honda Automóveis do Brasil has published its Greenhouse Gas Emissions Inventory since 2010 and has received the Gold Seal for eight years in the three scopes of emissions. Moto Honda da Amazônia (HDA) has been part of the Brazilian GHG Protocol Program since 2013, having already received the Gold Seal in its inventory for four consecutive years. The factories in Argentina and Peru also follow the GHG Protocol methodology to calculate carbon emissions, but do not prepare the Public Emissions Inventory.

To reduce greenhouse gas emissions, in 2015, the motorcycle plant in Manaus (AM) replaced the use of LPG (Liquefied Petroleum Gas) with natural gas in its internal processes. With this change, the company ceased to release more than 2,000 tons of CO₂ per year, in addition to other air pollutants from the burning of fossil gases.

The new Itirapina production unit is the result of a more modern and, consequently, more efficient project from a productivity standpoint. The factory also has gains in sustainability. An example is the water-based painting process. Combined with Honda’s eco-friendly paint, this process eliminates one middle coating process and one kiln-drying phase. As a result, it is possible to reduce carbon dioxide emissions by 10% and volatile organic compound by 60%.



Painting Booth

Direct and indirect greenhouse gas (GHG) emissions in tCO₂e | GRI 305-1; 305-2 |

EMISSIONS	2018
Scope 1 (tCO ₂ e)	26,900.0
Scope 2 (tCO ₂ e)	32,136.3
Total (tCO ₂ e)	59,036.3

Greenhouse gas (GHG) emissions intensity | GRI 305-4 |

Greenhouse gas emissions intensity is calculated by adding Scope 1 and Scope 2 CO₂ emissions divided by the sum of cars, motorcycles and ATVs produced by Honda South America.

Emissions vs. Production	2018
KgCO ₂ / unit produced	51.50

NO_x, SO_x and other significant air emissions

Last year, 579.65 tons of total VOCs (volatile organic compounds) were released. To estimate this amount released by Honda South America units, 65% of the total number of solvent-based products purchased over the said period (paint, varnish, primer, catalyst, thinners, etc.) are being considered. | GRI 305-7 |

160 cc engines and Flex One technology: Fuel efficiency and emissions reduction

Honda’s motorcycle factory has reached an important milestone in its history: the production of 1 million of its 160 cc engine. Since it began production in 2014, the 160 cc capacity has delivered more power and torque to the overall performance of Honda models, geared toward riders looking for a reliable, modern, practical and economical vehicle.

The implementation followed new concepts based on improved combustion efficiency and savings, as well as low emission of pollutants into the atmosphere.

In addition, the ethanol-fuel technology that Honda pioneered for motorcycle use in Brazil was expanded with the arrival of the 160 cc engines, allowing customers more flexibility by fueling with ethanol, gasoline or a mixture of both.

Turbo Technology

With regard to the South American market, Honda Automóveis remains committed to improving the energy efficiency of its products. One of the outstanding initiatives is the introduction of turbo engine in the local portfolio of automobiles, providing excellent environmental performance with low air emissions. In addition, during the 2018 edition of the São Paulo Motor Show, the company made a commitment to market three vehicles in the region by 2023, placing Brazil on the brand’s electrification map.



Eco-efficiency of Operations

| GRI 103-1; 103-2; 103-3 |

Decreasing energy consumption is one of Honda’s actions to fulfill its commitment to reducing the environmental impact of its activities. To this end, the company conducts frequent assessments of its facilities, always giving priority to the incidence of natural light and environmentally-friendly resources. In 2018, Honda consumed 1,275,377.29 GJ of energy in its factories and offices.

Power consumption within Honda (in GJ): | GRI 302-1 |

Reduction in power consumption

Last year Honda South America reduced energy consumption by 10,574.04GJ. This reduction is a result of improvement projects planned and implemented at the company’s production units. | GRI 302-4 |

Total consumption of non-renewable fuels	426,412.07
Total consumption of renewable fuels	12,040.99
Electricity Consumption	836,924.23
Total Power Consumption	1,275,377.29

Energy Intensity Rate

The energy intensity rate recorded last year by Honda South America was 1.11 GJ/unit. This calculation considers the consumption of electricity and fuels (diesel, gasoline, LPG, kerosene, natural gas, and ethanol). Honda South America has a goal to reduce 1% of its energy consumption per unit produced compared with the previous period. | GRI 302-3 |

Rational Use of Water

| GRI 103-1; 103-2; 103-3; 303-1 |

Honda works to establish a balanced relationship with the environment and with the use of natural resources. To this end, it adopts industry best practices and follows all regulations applicable to its activities. With regard to water use, Brazilian, Argentine and Peruvian units seek to optimize the use of this resource and implement the best solutions for wastewater treatment.

Water consumption (in m³):

Surface water	133,097
Groundwater	779,521
Rainwater	-
Effluents from another organization	-
Water supply from public or private utilities	18,780

Waste management and recycling

|GRI 103-1; 103-2; 103-3; 306-2|

Managing waste from its activities is a concern for Honda, which focuses on improving its production processes through the development of new technologies to reduce, reuse and recycle waste (3Rs). In this way, the company contributes to reducing the volume of materials sent to final destination.

Volume of waste by type and disposal method (in tons):

HAZARDOUS WASTE	WEIGHT (TON)
Recycling	321,86
Recovery (Re-refining)	26,52
Incineration	1,266,52
Landfill	2,00
Other (specify) - Co-processing	304,32
Other - Incorporation	31,49
Total	1,952,71

NON HAZARDOUS WASTE	WEIGHT (TON)
Reuse	392.47
Recycling	45,118.43
Composting	513.22
Incineration	1,298.38
Landfill	654.89
Other (specify) - Co-processing	1,956.92
Other (specify) - ultra filtration	640.59
Total	50,574.90

INTERNAL COMPOSTING CENTER

Honda Automóveis do Brasil inaugurated an Internal Composting Center at the Sumaré unit.

With the new area, all food waste from the plant’s cafeterias is sent to two industrial composters, which recreate optimal temperature and humidity conditions for accelerated decomposition of leftover food. This initiative is yet another project to improve the waste management system. The fertilizers will provide nutrients to enrich the green areas of the Sumaré and Itirapina plants.

With the internal process, it was possible to reduce the carbon dioxide emission from the logistics chain involved in waste collection and disposal and reduce the composting process time from 75 days to 24 hours.

Safety

A commitment also embedded in Honda’s DNA concerns safety. Proactively complying with the laws and regulations of each country and setting ambitious goals in the development of advanced technologies, Honda continuously works to improve the performance of its products.

In addition to its commitment to raising the level of safety of its vehicles, Honda works to provide safer conditions to all players in traffic.

In the motorcycle segment, an important milestone was the implementation of CBS (Combined Brake System) and ABS (Anti Lock Brake System) brake technologies on motorcycles produced in the country.

The CBS system evenly distributes braking force between the rear and front wheels, ensuring greater stability for the rider.

ABS brake technology consists of a set of electronic components that act on the motorcycle’s brake system, preventing wheel locking, ensuring stability in emergency braking and on slippery surfaces.

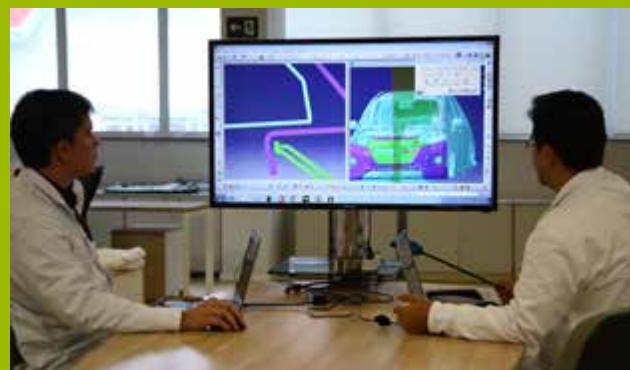
Regarding the car segment, the new Honda Accord, launched in Brazil in 2018, pioneered in Brazil the Honda SENSING system, a package of safety technologies and driver assistance as standard equipment. The system includes Adaptive Cruise Control (ACC) with Low Speed Follow (LSF) - adaptive cruise control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

The technology consists of a camera positioned on the top of the windshield and a radar system located on the front grid. Through this combination, with radar object detection and camera recognition, the Honda Sensing aims to assist drivers in accident prevention.



Research & Development

Honda's innovative spirit keeps the company constantly searching for new solutions for the continuous improvement of existing vehicles and for the creation of new solutions that provide even more joy to customers.



Within this concept, the Research & Development Center located at the Sumaré (SP) plant is today one of Honda's main innovation centers outside the Japan-United States axis. With state-of-the-art laboratories and technical equipment, the center is strongly active in initiatives to increase the nationalization rate of components, in technologies that are less harmful to the environment and adapted to the specific demands of the countries in the region.

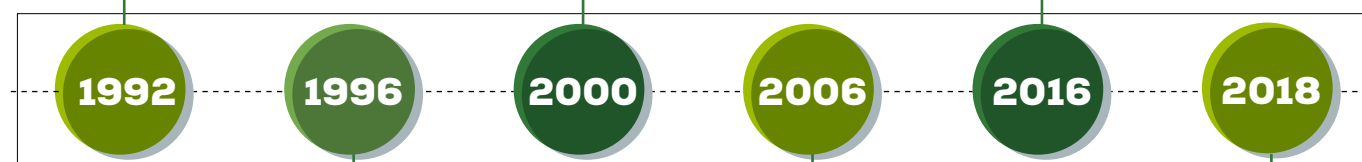
The Center for Development and Technology (CDT) located in the Manaus (AM) plant, operates as a multidisciplinary technology center and its mission is to strengthen research and the creation of solutions designed for the needs of the South American market. The unit has a product evaluation infrastructure and a test track that simulates a variety of conditions of use of vehicles, engine testing laboratories, gas emissions and durability.

Honda car safety technologies

Arrival in the Brazilian market, with technologies such as front airbags and ABS brakes.

Introduction of programmed deformation technology for pedestrian protection.

Introduction of the LaneWatch technology - blind spot reduction assistant - in the Accord and in the Civic Generation 10.



Pioneer in the application of side protection bars in the Civic.

Launch of the ACE structure in local production models, in addition to traction and stability control in the New Civic.

Arrival of the Honda SENSING, a package of driver assistance technologies, in Brazil in the New Accord.

Safe traffic

Honda Traffic Education Center (CETH)

Honda promotes traffic safety activities on all continents where it operates, taking actions according to the characteristics and traffic situations in each country. Through the three units of the Honda Traffic Educational Center (CETH), located in the cities of Indaiatuba (SP), Recife (PE) and Manaus (AM), practical and theoretical classes are conducted to disseminate concepts of traffic safety and safe riding of motorcycles.

In 2018, a total of 38,927 people benefited from the road safety actions taken by Honda South America.

Honda helmets
Always focused on innovation and attentive to market demands, Honda began to market through the brand's dealerships, its new line of helmets. This is another company initiative for safe driving.



20 years multiplying the passion for two-wheelers

The Honda Traffic Educational Center (CETH) unit located in Indaiatuba (SP) celebrated its 20th anniversary in 2018. Since its creation, more than 130,000 people have participated in its theoretical and practical courses, talks and events. Considering the other units, the number rises to 260,000 people who participated in safety actions.

The 20th anniversary of CETH Indaiatuba also marked the announcement of the opening of the Honda Museum Fan Club for the public. The museum is located on the premises of the unit and has a collection of 58 Honda motorcycles. An ideal ride option for lovers of two-wheelers.





Clubinho Honda | GRI 203-1 |

Honda believes that teaching children about respecting the law and people is key to the development of adults committed to safer traffic. Therefore, these precepts must be promoted from an early age. Thus, the company created in 1992, the project “Clubinho Honda – Trânsito Amigo” to promote playful activities that invite children aged 4 to 7 to learn about traffic safety, in a light and fun manner.

The Honda Traffic Education Centers (CETH) in Indaiatuba (SP), Recife (PE) and Manaus (AM) have the Clubinho Honda’s Mini City in its facilities. The space, open to children from public and private schools, reproduces a city with the intention of conveying concepts of traffic education. On the site, a mini city is reproduced, with elements such as crosswalks, traffic lights, road signage and mini electric vehicles so that children can learn the main traffic rules.

In the digital version of the project - www.honda.com.br/clubinhohonda - parents, teachers and children have textbooks, comics, movies and games available. In all materials, superhero Zig and the Clubinho Honda gang simulate real-life traffic situations and teach important safety lessons.

Over the last year, Clubinho Honda has carried out several educational activities for children, totaling 3,899 children served in Brazil.



3,899
CHILDREN
served at
Clubinho Honda
in 2018

Driving the future

In the safer traffic awareness month, Yellow May, Honda launched the campaign called *Conduzindo o amanhã* (Driving the Future), looking to raise awareness among company employees to replicate best practices for better traffic for all.

Employees of the Sumaré (SP) and São Paulo (SP) units were selected to participate in a motorcycle riding course at the Honda Traffic Educational Center in Indaiatuba (SP), and Moto Honda da Amazônia employees attended courses at the CETH in Manaus (AM).

Honda also entered into a partnership with Brazil’s Department of Motor Vehicle (DETRAN) of the State of Amazonas to train 700 instructors from the Driver Training Centers (CFC) to improve the riding skills of those responsible for training new motorcyclists and thus contribute to safer roads.

The professionals participated in an eight-hour free course, divided into theoretical and practical activities at the Honda Traffic Educational Center (CETH) in Manaus.

To learn more go to:
www.honda.com.br/clubinhohonda

Respect for customers

| GRI 103-1; 103-2; 103-3; 416-1 |

In addition to the focus on excellence during the development and production of Honda vehicles, there is also constant monitoring of Honda products already on the market, as a way of guaranteeing the quality level and anticipating actions to ensure the comfort and safety of our clients.

For this reason, the company is always attentive to the demands of its customers in the various communication platforms. All comments are reviewed by a working group and, when necessary, countermeasures and contingency actions are quickly taken.

Recall Takata

Honda’s operations in South America were also impacted by the largest recall in the history of the automotive industry in the world involving Takata’s airbag inflators. An unprecedented challenge for

Honda, which, in the case of South America, was compounded by the difficulty of reaching owners who are not the first owners of a Honda car, as this campaign spans vehicles with more than ten years of use. In Brazil, 1.544 million repairs are needed.

Aware of the severity of Takata’s airbag inflator recall, Honda has taken a series of measures to broaden communication with all owners whose vehicles have some pending recall and to make them aware of the urgency of making the repair.

In addition to what is required by current legislation, exclusive nationwide video broadcasting on broadcast TV was carried out to alert customers, agreements with the DETRANs of the States of São Paulo and Paraná, digital media campaigns, active call center, hand out of primers at toll plazas, partnership with insurance companies and automatic toll collection companies, face-to-face actions in large cities, dissemination of communication pieces in box trucks, among others.

Recalls Honda (in 2018)*

AUTOMOBILES (MODEL/ REASON / NUMBER OF VEHICLES / % REPAIRED)			
Model	Reason	Number	% Repaired
HR-V 2016-18	Failure in the rear brake caliper piston	19,916	57.7%
Fit e City 2014	Failure in the airbag inflator	66,915	35.2%
Fit e City 2013	Failure in the airbag inflator	86,516	57.0%

MOTORCYCLES (MODEL / REASON / NUMBER OF VEHICLES / % REPAIRED)			
Model	Reason	Number	% Repaired
X-ADV 2017	Heating of the PCM (Powertrain Control Module)	191	75.4%
CRF 1000L Africa Twin 2017-18	Failure in retaining circlip of the main stand	1,161	43.2%
CG 160 Start/Fan/ Titan 2018	Failure in the Front Fork Guide	159,757	58.7%
GL1800 Gold Wing 2013-15	Failure in the airbag inflator	190	79.5%

* updated in April 2019

Quality

Offering the highest quality products is a guiding principle for Honda's worldwide operations.

Based on surveys of current and potential consumers, as well as a planned trend analysis process, Honda is always looking at opportunities to renew its products to meet customer expectations.

Advances generated through constant investment in new technologies not only ensure business continuity, but also drive customer trust and preference.

The entire production chain (parts and raw material suppliers, dealers and other business partners) shares this same premise and focuses on continuous quality improvement in all phases of business, from design and production, up to sales and after sales services.

Over the past year, Honda South America has geared its investments toward nationalization of parts and increased efficiency in production processes, initiatives that reinforce the company's commitment to creating products aligned with its vision on the future and sustainability of the business.



Commitment to Quality

"100% quality is not acceptable. We work to reach 120%." The words of founder Soichiro Honda express the commitment that underlies the development of all Honda products.

In this sense, the company has been working in programs that aim to strengthen the production principles, developing techniques that limit the variability in the production process and provide greater quality and safety to the product.

The Honda Way program, developed by the Production Quality Control department of Honda Automóveis, is an example of these initiatives. In order to guarantee absolute quality in production, the department runs an extensive program with its suppliers. They are invited to learn more about Honda's production process and specifically how the part or component supplied is used on the production line.

Thus, each supplier understands the importance of adhering to Honda's specifications. The program further enriches the relational aspect by providing a more harmonious communication flow between the parties.

Supplier Management | GRI 102-9 |

Honda's aspiration to be a company desired by society also involves its commitment to society to ensure the integrity of its production chain. For this reason, Honda South America seeks to work with suppliers recognized not only for their capacity to serve and the quality of their products and services, but also for their ethical performance in social and environmental aspects.

Thus, to be part of the company's supplier team, all companies go through a screening process carried out in accordance with the global guidelines set by headquarters in Japan.

Honda's standard for selection of partners is defined by the initials QCDMEFS (Quality, Cost, Delivery, Management, Environment, Finance and Safety) and includes rules such as quality specifications for raw material and criteria related to environmental management in the supplier's production process.



Supplier assessment

Partners are defined through a feasibility study that verifies production capacity, quality and competitive cost. However, other points are also verified, such as the financial and managerial analysis, performed by the Procurement and the risk analysis, which measures the supplier's potential to interfere with Honda's production should a natural or market event occur.

In addition, the company demands ISO 14.001 environmental certifications and arrangements concerning management of wastewater, air emissions, solid waste and proper use of energy resources. The agreement between Honda and its suppliers (General Purchase Agreement) contains a specific environmental and social clause.



Monthly
assessment
of risk data

Data collected in risk management and audit actions are evaluated monthly using the PDCA tool⁵, where the results are critically analyzed, drawing up action plans with improvements or corrections in the case of deviations. Cost indicators are measured in meeting the goals set by the company.

⁵ PDCA: Plan, Do, Check and Act.



Honda Automóveis do Brasil

Honda Automóveis do Brasil (HAB), the first car manufacturer established in the Campinas metropolitan region, has been working to strengthen the production chain and the process to structure local suppliers. The company currently has 165 suppliers of parts and raw materials. In addition, many of these suppliers are located in the region; as a result, surrounding cities have had social and economic gains, and their industrial activities and service sector have also been scaled up.

Moto Honda da Amazônia

As a company engaged in the nationalization of components, the Moto Honda da Amazônia (HDA) supply chain is formed by 112 companies responsible for sourcing parts, components, raw materials and secondary material. These suppliers are classified in areas according to the characteristics of their products: stamping, plastic, electrical, raw material and others.

Synergy

Optimizing supply chain management is a recurring topic for Honda, and its improvement ranges from receiving raw materials and components to delivering the final product.

Concerned and engaged in Strengthening the Production Structure of suppliers, Moto Honda da Amazônia is using the knowledge of the teams that developed improvement works in the Manaus plant to improve the suppliers processes.

Honda Automóveis also conducts activities aimed at developing and strengthening its suppliers, such as using the New Honda Circle Supplier (NHC-S) tool to align strategic guidelines. This gives suppliers a better understanding of Honda's processes and, as a result, strengthens and engages teams.

Procurement, together with R&D, continues to seek rational solutions to develop cost-effective local parts, in addition to higher percentage of local raw material and component.

Over the past year, joint purchase work has been developed between Moto Honda da Amazônia and Honda Automóveis do Brasil, such as the centralized purchase of carbon steel, stainless steel and paints. Initiatives such as nationalization of parts to minimize the impact of exchange rate variation and reduce the consequences of high inventory and import time are always on the company's radar.

Strengthening Partnerships
Every year, Moto Honda da Amazônia and Honda Automóveis do Brasil hold meetings with their main suppliers to recognize and reward those who stand out in their fields - an incentive to increasingly improve the good results.

Relationship with customers and dealers

The most important link in Honda's business is the customer, and Honda's essence is to satisfy them by exceeding their needs and expectations.

Therefore, the company adopts best relationship practices, aiming to provide a positive experience from the first contact, facilitating their purchase decisions and loyalty to the brand.

In order to enjoy a high level of credibility and trust, the company develops the highest quality products and constantly refines its processes by training the dealer network and through qualified technical assistance, resulting in superior service.

Honda's strategy is focused on identifying and differentiating each customer according to their relationship history and then moving towards a personalized interaction, according to their preferences and needs.

RedRider program



Honda Conduz

Since 1997, Honda has had in place a program called *Honda Conduz*, intended to offer assistance to people with disabilities in acquiring a new car with tax exemptions guaranteed by law.

Committed to customer satisfaction, the purpose of the program is to deliver quality products and dedicated customer service to PwD. These principles ensure that people with disabilities seek a Honda dealership sure that they can expand their mobility possibilities through a Honda.

Another way to show respect for the public is Honda Special Insurance, whose differentiating characteristics is the payment of 100% of the prices provided for in the FIPE table, with payment of taxes, stand-by car with automatic transmission or CVT and power steering, in addition to priority 24-hour assistance, without the policy holder having to inform he or she is a PwD.

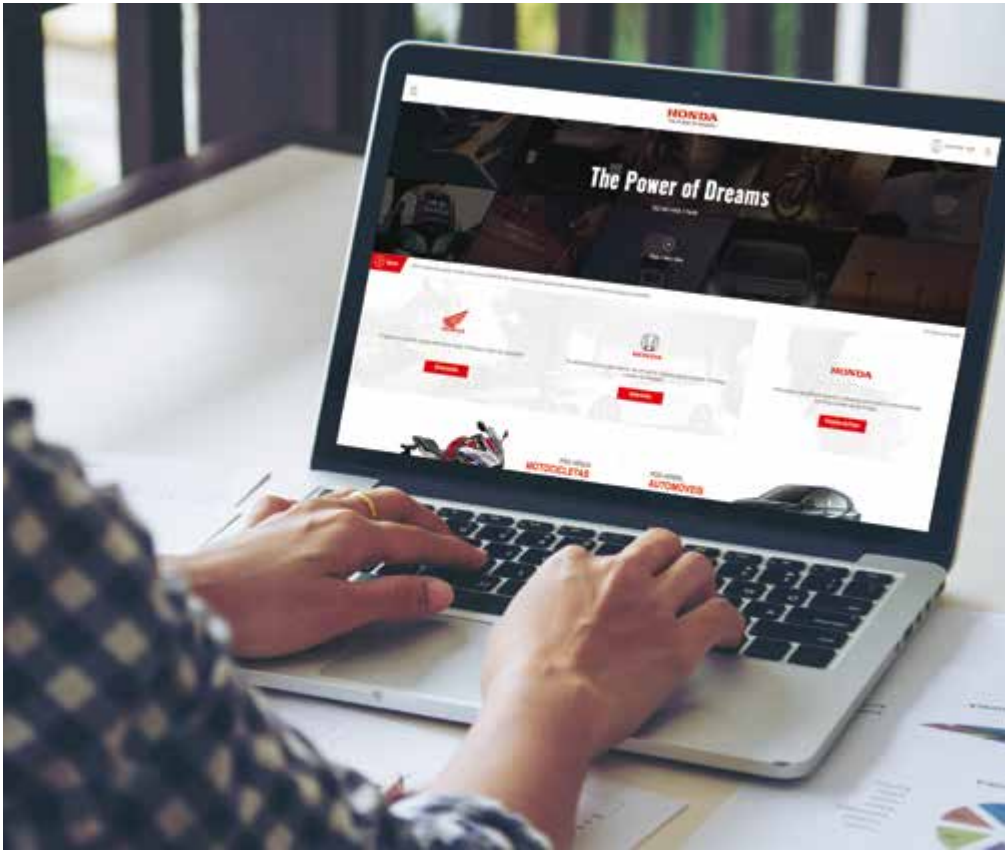
Seguros Honda and Banco Honda also have an exclusive partnership, which makes it possible to hire insurance for up to three years, at a much more competitive price, when the vehicle is financed by the Bank.

RedRider

In order to strengthen the relationship with motorcyclists, Honda began in 2018 the RedRider program, which provides exclusive experiences for current and future customers of the brand through events, trips, tours, courses and actions that bring satisfaction and pleasure to riders.

RedRider is based on three main lines of action:

- **Rider Expedition** – promotes travel itineraries across the country and abroad.
- **Rider Training** – offers advanced riding training and training through courses approved by the Honda Traffic Education Center (CETH).
- **Events** – are supported by the dealer network and include exclusive areas in the Honda Racing Brasil championships and relationship events.



myHonda: strengthening customer relationships

Honda works to offer its customers a unique and exclusive experience, since Honda believes that establishing long-term relationships based on customer satisfaction is a key factor in the sustainability of its business. To this end, the myHonda strategy was created, combining CRM (Customer Relationship Management) with the Honda philosophy, enabling the company to establish two-way communication and thus understand the needs and aspirations of each of its customers.

Based on this strategy it is possible to establish a personalized relationship and build trust with a more assertive and individualized service. As part of this strategy, the myHonda portal was created, available at www.honda.com.br, with exclusive content and services for customers and admirers of the brand, offering a personalized experience.

Best Quality Program

Honda annually recognizes the best After Sales professionals in its dealer network across South America at the awarding ceremony of the Best Quality Program.

The evaluation process involves technicians, consultants and managers of services and parts of the automobile and motorcycle network, and aims to improve the technical level, the quality of services and customer service provided focusing on total customer satisfaction.

The final assessment consists of practical vehicle diagnostic tests, simulations of service, and written knowledge test. Several criteria are evaluated such as adherence to Honda's methodology and culture of service and care, correct use of tools and manuals, case resolution, time taken to complete the test, among others. Since the launch of the program in 2007, more than 88,300 employees in the South American dealer network have already participated, demonstrating Honda's commitment to ensuring the high quality of its After Sales.

People

Honda is formed by individuals with unique dreams, reasoning and creative ability. Appreciating this uniqueness creates an enabling environment for **initiative, equality and trust**.

- **Initiative** to see opportunities.
- **Equality** for people are treated fairly, with equal opportunities for all those with willpower.
- And finally **trust** to collaborate, ask for help, and share knowledge.

Employees, the most important asset and the main responsible for generating results and successful relationships with customers, suppliers, partners, communities and other stakeholders, underpin Honda's sustainable development.

Communication and respect for people
Completed in 2016, the new Itirapina facility - which is only 100 kilometers from headquarters - relies on the experience of employees transferred from the Sumaré plant. As a result of clear and transparent communication, this change did not cause any negative impact. Nearly 92% of employees accepted the transfer to a new city. Until the change is complete in 2021, production in Sumaré will be maintained without prejudice to the quality of the cars and the safety of all professionals.

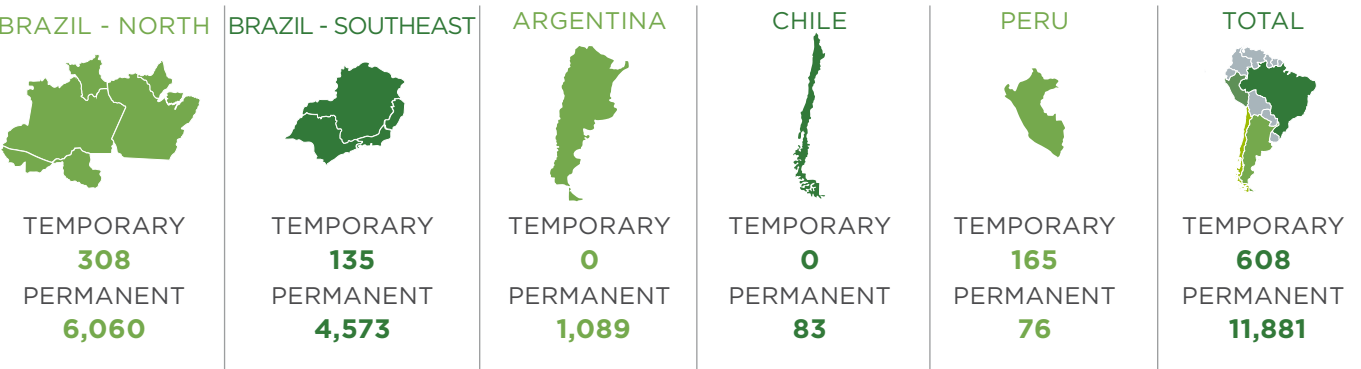
People Management

Each employee is expected to freely express his or her characteristics and to find an environment conducive to the maximum expression of their abilities, regardless of hierarchical levels.

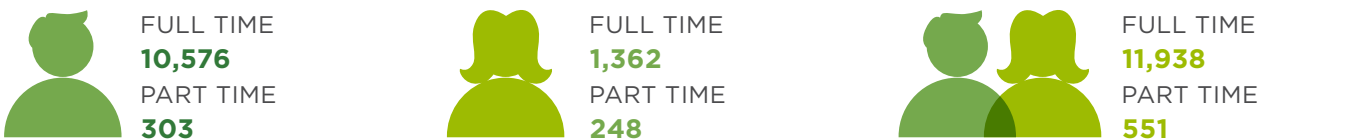
Total number of employees by employment contract (permanent or temporary) by gender | GRI 102-8 |



Total number of employees per employment contract (permanent or temporary), by region



Total number of employees by employment type (full time or part time), by gender



Programs focused on employee development

Training and Development | GRI 103-1, 103-2, 103-3, 404-1 |

To encourage employee development, Honda offers learning experiences that take place not only through training, but especially on a day-to-day basis, with a professional environment that provides close proximity to different areas and professionals in various positions.

Average number of training hours per employee by employee category and gender⁸:

	MEN	WOMEN
Gender	10.2	12.2
Employment Category		
Directors	9.0	-
Managers and General Managers	24.7	49.4
Employees - Administrative	10.2	12.5
Employees - Factory	9.9	11.1

⁸ Average number of training hours for employees in Brazil. In Chile, the total number of training hours was 1,905. In Argentina the total was 13,703 hours.

GAP

Through the Global Assignment Program (GAP), employees participate in international development programs aimed at acquiring management and technical skills, as well as broadening their professional network and knowledge of best practices. With this, the company raises the level of its teams to act in a globalized environment and to lead the changes in the business.



NHC World Convention, held in Brazil

NHC

Every year Honda conducts the program known as New Honda Circle, or through its abbreviation NHC. Employees from all areas and units are invited to voluntarily form working groups dedicated to identifying opportunities for innovation and improvements for the company. Projects should be developed following the program methodology and are an opportunity for employees to learn about our processes, share knowledge with employees from other areas and gain visibility and recognition, as groups participate in national and international conventions sharing their



CAREERS PAGE

Honda has launched a platform dedicated to talent recruitment and selection, which, in addition to presenting open positions, brings content that reinforces the precepts of the company's philosophy, the basis of actions and decisions of all group employees. Information is also available on the different segments in which Honda operates in the country and the main activities developed in the five major areas (Commercial, Production, Research and Development, Procurement and Administration).

experiences and creations. Thus, Honda demonstrates its respect for each person, for each idea, for individual dedication to joint learning.



Collective Association

| GRI 103-1; 103-2; 103-3; 102-41 |

The company respects and ensures the employees' freedom of association with trade unions.

Based on the commitment to maintain a transparent relationship with all employees and their representative entities, in specific cases, such as the transition of production and transfer of employees from the Sumaré/SP plant to the new Itirapina/SP plant, 6 month-period in advance was established to communicate the employees involved, seeking the least possible impact. These deadlines are not covered in the Collective Bargaining Agreements. | GRI 402-1 |

Occupational Health and Safety

| GRI 103-1; 103-2; 103-3; 403-2 |

Preserving the health and safety of employees and others is an extremely important value for Honda. In addition to complying with current legislation and regulation of the sectors in which it operates, the company makes constant investments in actions aimed at maximizing safety and promoting worker health.

Health and Safety management supports the company's strategic plan. In addition, all Honda professionals are committed to accident prevention, with senior management playing an important role in this process, supporting initiatives and providing resources for the conception and implementation of preventive programs.

Accident- and incident-free environment

To ensure that all processes are free of accidents and incidents, the company uses methodologies and tools to map all activities, which ensures the anticipation of risks and impacts that may be generated. For each of the situations mapped there are procedures and preventive solutions, which include the awareness of professionals about the importance of thinking and acting always considering the safety of everyone in the first place. The company's goal is to achieve "zero accident" in all production units.

In 2018, Moto Honda da Amazônia achieved the lowest accident

rate in its history and improved its safety standards, following the international safety standard, Occupational Health and Safety Management Systems (OHSMS), aiming to maximize management of occupational health and safety. Its structure consists of specific committees involving senior management and highly qualified employees. The initiative favors the strengthening of employees' safety awareness and the reduction of accidents.



The safest

Last year, Honda's automobile plant in Sumaré (SP) achieved the lowest accident rate, a clear demonstration of the efficiency of the control system and that workplace hazards were minimized.

At Moto Honda, a number of initiatives have been implemented, such as the creation of safety committees, policies and processes for continuous assessment and improvement. The unit's Health and Safety committee is currently working on the motto: *A vida de cada um é insubstituível* (All lives are irreplaceable).

A healthy team

Safety and well-being go hand in hand. In this sense, Honda performs several measures to preserve the health of its employees, such as the ergonomic study of tasks, specialized medical care in case of emergency, and prevention campaigns through awareness, such as Pink October, focused on the fight against breast cancer, Blue November, with alert for prostate dysfunction, among others.

**“WITHOUT SAFETY,
THERE'S NO PRODUCTION”**
Safety Motto by Honda
Automóveis do Brasil

**“ALL LIVES ARE
IRREPLACEABLE”**
Safety Motto by Moto
Honda da Amazônia

Local Communities

| GRI 103-1; 103-2; 103-3 |

Honda's engagement with local communities follows the company's global vision of sharing joy with people around the world through socially responsible activities.

Thus, over the last year, Honda has implemented several actions that have contributed to maintaining the society's desire for the existence of the company. Below are the main initiatives that are directly associated with the company's operations, resulting in indirect economic impacts on local communities.

Driving the development of field work

In 2018, Honda joined the Brazilian government's family farming program, the *Pronaf Mais Alimentos*, with three motorcycle models (NXR 160 Bros, XRE 190 and CRF230F), alongside the Honda's ATVs and stationary engines of the Power Products line.

Resulting from an agreement between ABRACICLO (Brazilian Association of Manufacturers of Motorcycles, Mopeds, Scooters, Bicycles, and the like) and the Special Department of Family Farming and Agrarian Development (SEAD), this action benefits agriculture in Brazil, providing modernization in the development of work in the field.

Between 2007 and 2018, a total of 246 people benefited from professional training.

Incentive for professional training

| GRI 203-1 |

To facilitate access to education, since 2007, Honda has made available the facilities of its Training Center located in Recife (PE) to hold the Professional Training Course for residents of the Recife region. Throughout 870 hours of training, students receive theoretical and technical classes on car and motorcycle mechanics, with topics involving metrology, electrical, check ups, periodic inspection and others. Also included in the course hours are modules with notions on sales, negotiation techniques, health, family relations, information technology, environment, road safety and the importance of volunteer work.

The selection process for young people participating in the annual course begins with the analysis of the basic criteria such as age, education, and social vulnerability. Applicants must be between 18 and 20 years old and must be attending or completing high school. The following steps involve written testing, group dynamics and family visits.

Between 2007 and 2018, a total of 246 people benefited.



Professional
Training Course

GRI Content Index | 102-55 |



Standard GRI	Disclosure	Page or URL	Omission
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	102-1 - Name of the organization	8	
	102-2 - Activities, brands, products, and services	10	
	102-3 - Location of headquarters	10	
	102-4 - Location of operations	10	
	102-5 - Ownership and legal form	Limited liability company	
	102-6 - Markets served	10	
	102-7 - Scale of the organization	10	
	102-8 - Information on employees and other workers	39	
	102-9 - Supply chain	35	
	102-10 - Significant changes to the organization and its supply chain	In 2018 there was no change in the organization or in its supply chain.	
	102-11 - Precautionary Principle or approach	23	
	102-12 - External initiatives	Honda South America is not a signatory to voluntary commitments.	
	102-13 - Membership of associations	ABEEólica - Brazilian Wind Energy Association ABRACICLO - Presidency: (Brazilian Association of Manufacturers of Motorcycles, Mopeds, Scooters, Bicycles, and the like) SIMEFRE - Vice Presidency: (Materials and Railway, Highway, and Two-Wheeler Industry Union) ANFAVEA/SINFAVEA - Vice Presidency: (National Association of Automotive Vehicle Manufacturers / National Union of the Tractor, Truck, Automobile, and Similar Vehicle Industry) AEA - Board: (Brazilian Automotive Engineering Association) FIEAM - Board: (Federation of Industries for the State of Amazonas) CIEAM - Board: (Industry Center for the State of Amazonas) AFICAM - Board: (Association of Component Manufacturers for the Amazon Region) Japanese-Brazilian Chamber of Commerce for the States of Amazonas and São Paulo - Board ABIAPE - Brazilian Association of Investors in Energy Self-Production	
	102-14 - Statement from senior decision-maker	2	

* For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Portuguese version of the report.

Standard GRI	Disclosure	Page or URL	Omission
GRI 102: General Disclosures 2016	102-16 - Values, principles, standards, and norms of behavior	5	
	102-17 - Mechanisms for advice and concerns about ethics	21	
	102-18 - Governance structure	21	
	102-40 - List of stakeholder groups	9	
	102-41 - Collective bargaining agreements	41	
	102-42 - Identifying and selecting stakeholders	9	
	102-43 - Approach to stakeholder engagement	9	
	102-44 - Key topics and concerns raised	9	
	102-45 - Entities included in the consolidated financial statements	8	
	102-46 - Defining report content and topic Boundaries	8	
	102-47 - List of material topics	9	
	102-48 - Restatements of information	There was no restatement of information disclosed in previous reports.	
	102-49 - Changes in reporting	There were no significant changes in the topics considered material or their boundaries.	
	102-50 - Reporting period	8	
	102-51 - Date of most recent report	2017	
	102-52 - Reporting cycle	Annual	
	102-53 - Contact point for questions regarding the report	For suggestions regarding the contents of the Report, please contact us by phone: Automobiles: 0800 017 12 13 Motorcycles: 0800 055 22 21 Power Products: 0800 055 22 21 Banco Honda: 0800 722 2339 Consórcio Honda: 0800 722 2340	
	102-54 - Claims of reporting in accordance with the GRI Standards	8	
	102-55 - GRI content index	44	
	102-56 - External assurance	The Sustainability Report is not externally assured.	
Material Topics			
Indirect Economic Impacts			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	43	
	103-2 - The management approach and its components	43	
	103-3 - Evaluation of the management approach	43	
GRI 203: Indirect Economic Impacts 2016	203-1 - Infrastructure investments and services supported	32, 43	

Standard GRI	Disclosure	Page or URL	Omission
Anti-corruption			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	21	
	103-2 - The management approach and its components	21	
	103-3 - Evaluation of the management approach	21	
GRI 205: Anti-corruption 2016	205-2 - Communication and training about anti-corruption policies and procedures	21	
Energy			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	28	
	103-2 - The management approach and its components	28	
	103-3 - Evaluation of the management approach	28	
GRI 302: Energy 2016	302-1 - Energy consumption within the organization	28	
	302-3 - Energy intensity	28	
	302-4 - Reduction of energy consumption	28	
Water			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	28	
	103-2 - The management approach and its components	28	
	103-3 - Evaluation of the management approach	28	
GRI 303: Water 2016	303-1 - Water consumption	28	
Emissions			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	26	
	103-2 - The management approach and its components	26	
	103-3 - Evaluation of the management approach	26	
GRI 305: Emissions 2016	305-1 - Direct (Scope 1) GHG emissions	27	
	305-2 - Energy indirect (Scope 2) GHG emissions	27	
	305-4 - GHG emissions intensity	27	
	305-7 - Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	27	
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	28	
	103-2 - The management approach and its components	28	
	103-3 - Evaluation of the management approach	28	

Standard GRI	Disclosure	Page or URL	Omission
GRI 306: Effluents and Waste 2016	306-2 - Waste by type and disposal method	28	
Labor/Management Relations			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	41	
	103-2 - The management approach and its components	41	
	103-3 - Evaluation of the management approach	41	
GRI 402: Labor/Management Relations 2016	402-1 - Minimum notice periods regarding operational changes	41	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	41	
	103-2 - The management approach and its components	41	
	103-3 - Evaluation of the management approach	41	
GRI 403: Occupational Health and Safety 2016	403-2 - Types and rates of injuries, occupational diseases, days lost, absenteeism and number of work-related deaths	41	
Training and Education			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	40	
	103-2 - The management approach and its components	40	
	103-3 - Evaluation of the management approach	40	
GRI 404: Training and Education 2016	404-1 - Average hours of training per year per employee	40	
Customer Health and Safety			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	33	
	103-2 - The management approach and its components	33	
	103-3 - Evaluation of the management approach	33	
GRI 416: Customer Health and Safety 2016	416-1 - Assessment of the health and safety impacts of product and service categories	33	
Socioeconomic Compliance			
GRI 103: Management Approach 2016	103-1 - Explanation of the material topic and its Boundary	21	
	103-2 - The management approach and its components	21	
	103-3 - Evaluation of the management approach	21	
GRI 419: Socioeconomic Compliance 2016	419-1 - Non-compliance with laws and regulations in the social and economic area	23	

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