

# **HONDA**

The Power of Dreams

**HONDA AUSTRALIA PTY. LTD.  
INCORPORATING  
HONDA AUSTRALIA  
MOTORCYCLE AND POWER  
EQUIPMENT PTY. LTD.**

**MODERN SLAVERY STATEMENT  
2022**

Guided by one of our Fundamental Beliefs of “*Respect for the Individual*”, we value and respect the unique contribution of each individual. Accordingly, Honda in Australia is committed to ensuring that each person involved in the development, manufacture, distribution, sale and service of its products is treated with dignity and respect.

A fundamental part of this philosophy is that we will not engage or tolerate business practices directly, or through our suppliers, which compromise fundamental human rights, such as slavery, child labour and human trafficking.

These principles are enshrined in our global and local policies and Codes of Conduct that govern our staff and suppliers.

This is the first joint modern slavery statement (**Statement**) of Honda Australia Pty. Ltd. ACN 004 759 611 (**Honda AUH**) and Honda Australia Motorcycle and Power Equipment Pty. Ltd. ACN 006 662 862 (**Honda MPE**) (collectively referred to as **Honda**) and is given to the Minister under section 14 of the *Modern Slavery Act 2018* (Cth) (the **Act**). In previous years, Honda AUH and Honda MPE lodged separate Statements in recognition of the different operations and modern slavery risk profiles between the two entities. In November 2021, the Business Services of Honda AUH and Honda MPE were merged, and although the entities operated separately for most of the Reporting Period, the entities have decided to lodge this Statement jointly.

In previous reporting years, both Honda AUH and Honda MPE businesses conducted separate comprehensive reviews of the modern slavery risks in their operations and supply chains. Both entities involved staff and management across all areas of the business operations in these reviews, including Procurement, Aftersales, Warehousing, Distribution & Logistics, Manufacturing, Finance, Legal Risk & Compliance and Product Planning.

This Statement summarises the structure, operations, supply chains, modern slavery risks and controls during the period from 1 April 2021 to 31 March 2022 (the **Reporting Period**) across both Honda AUH and Honda MPE as required under the Act. It also contains an update on the initiatives committed to in previous modern slavery statements.

## **1. STRUCTURE AND OPERATIONS**

### **Honda AUH**

Honda AUH is 100% owned by Honda Motor Co Limited (**HM**), which is based in Japan. Honda AUH is located in Tullamarine, Victoria and during the Reporting Period, employed approximately 120 people. Honda AUH also has offices in Sydney and Brisbane to manage the network operations outside of Victoria. Honda AUH owns 100% of Honda MPE and Honda Australia (Sales) Pty. Ltd. ACN 004 759 915 (**Honda Sales**).

The business activities of Honda AUH include the importation, distribution, and sales and marketing of Honda vehicles in Australia, and parts and accessories for

those vehicles. Honda AUH's operations were managed by 4 internal Divisions during the Reporting Period:

- Customer Experience.
- Ownership Experience.
- Customer Network.
- Business Services.

During the Reporting Period, Honda AUH sold 25,621 vehicles to Australian customers through our network of authorised Honda dealers, including the Civic Hatch and Sedan, Accord, CR-V, HR-V and Odyssey models.

### **Honda MPE**

Honda MPE is a wholly owned subsidiary of Honda AUH. Honda MPE employed approximately 170 people during the Reporting Period and operates out of several locations across Victoria and New South Wales, including Campbellfield, Somerton and Kilsyth in Victoria and St Ives in New South Wales. Until November 2021, there was also a facility located in Slacks Creek, Queensland. The business operations vary depending on the location, and includes:

- importation and distribution of motorcycles, all-terrain vehicles (**ATVs**) and side-by-side vehicles (**SSVs**);
- importation and distribution of power products - including generators, lawnmowers, water pumps, outboard marine engines and stationary engines
- local assembly of lawnmowers & brushcutters utilising local and imported components;
- importation and distribution of replacement spare parts for complete built products;
- importation and distribution of merchandise and accessories; and
- motorcycle rider and automobile driver training services to the public and to corporate entities.

Honda Sales Pty. Ltd is not a trading entity.

## **2. SUPPLY CHAINS**

### **Honda AUH**

Honda AUH has suppliers of goods and services based in Australia and overseas. The Honda vehicles sold in Australia are all purchased by Honda AUH from Honda manufacturing plants overseas, including Thailand and Japan.

Motor vehicles are very complex products and can contain in the order of 2,500 components. Each component may have several tiers of supply, particularly complex components. Because Honda AUH itself does not manufacture Honda vehicles, it is not involved in the sourcing of these components and relies on the systems and controls that apply to all of HM's manufacturing operations globally.

During the Reporting Period, Honda AUH had more than 1,000 active vendors in its accounts payable system. These vendors supplied the business with a range of goods and services and were based both in Australia and overseas.

The bulk of goods that Honda AUH purchased during the Reporting Period (by financial expenditure) were Honda vehicles, parts and accessories. Spare parts and vehicle accessories were also purchased from affiliated companies or third-party suppliers overseas, including in Thailand, Japan, USA and Europe. Some plastic vehicle accessories were sourced from a local Australian supplier.

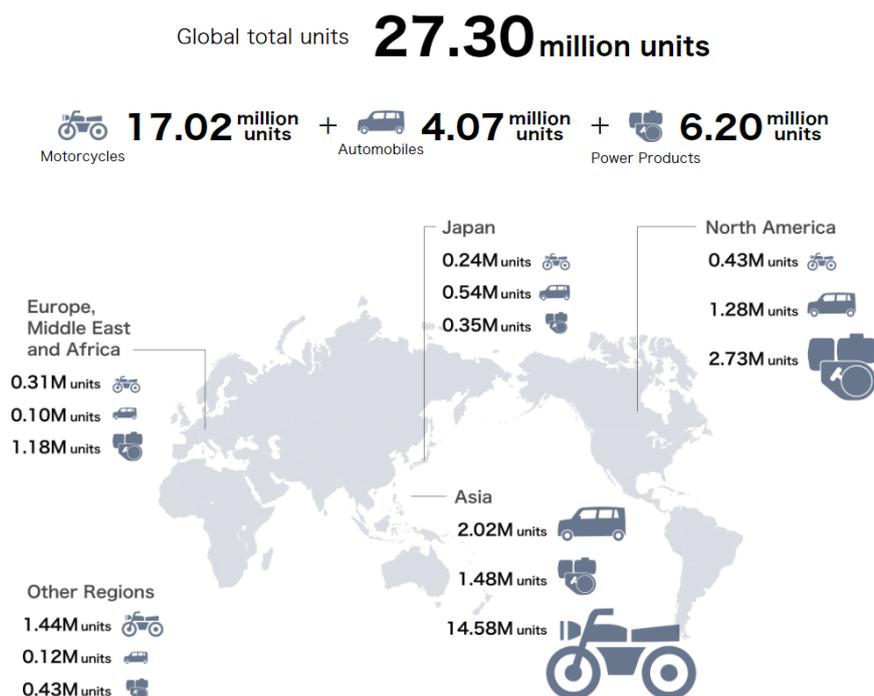
Honda AUH also acquired a range of services to support its local operations during the Reporting Period. Some of the major categories of services include advertising and media buying services, vehicle and parts processing and delivery services, warehousing services, IT services, and professional services such as accounting, corporate advisory and legal services. These services were predominantly sourced from suppliers based in Australia, although some of these suppliers are part of multinational organisations headquartered overseas.

Honda AUH uses third party suppliers engaged under long term contracts to support some of its operations that might otherwise be performed internally, including its parts warehousing and customer call centre functions.

**Honda MPE**

A summary of global Honda Group Operations during the Reporting Period appears below. This shows the breakdown of total products sold by the regions.

Honda MPE’s supply chains source Honda Group products from all continental regions, except Africa & the Middle East. Outside of Honda Group products, Honda MPE sources component parts from the Asia & Oceania region.



## Supply sources

<i>Source</i>	Motorcycles (incl. ATV &SSV)	Power Products	Spare Parts	Parts for Assembly	Merchandise & Accessories
Australia			◆	◆	◆
Brazil	◆		◆		
China	◆	◆	◆	◆	◆
E.U.		◆	◆		◆
India		◆	◆		
Japan	◆	◆	◆	◆	
New Zealand				◆	
Thailand	◆	◆	◆		
USA	◆	◆	◆	◆	
Vietnam	◆				

◆ Grey colour indicates supply chain includes parties external to Honda Group

A summary of Honda MPE's downstream supply channels is set out below

### Downstream channels

<i>Channel</i>	Motorcycles (incl. ATV &SSV)	Power Products	Spare Parts, Merchandise & Accessories	Rider & Driver Training
Dealer networks	◆	◆	◆	
Mass merchants		◆	◆	
Direct to consumer				◆
Export		◆		

## 3. RISKS OF MODERN SLAVERY IN HONDA AUSTRALIA'S OPERATIONS AND SUPPLY CHAINS

### Honda AUH

Because a large part of its supply chain is based overseas, and is managed by Honda affiliates in those countries, Honda AUH is not directly involved in those parts of its supply chain. Accordingly, we have sought to understand the inherent risks of modern slavery in our supply chains, by assessing factors such as the sectors and industries in which our suppliers operated during the Reporting Period, as well as their geographic locations.

#### *Operations*

The risk of modern slavery in Honda AUH's operations is low. There is no particular vulnerability to modern slavery in our business activities (the distribution, sales and marketing of vehicles), and these sectors are highly regulated in Australia. Our key functions where outsourced labour is used, are also subject to close scrutiny by employee organisations and industry governing bodies.

#### *Supply chains*

The risk of modern slavery in Honda AUH's local suppliers in Australia has been assessed as being low for the reasons above, together with the fact that the bulk of its local procurement is to acquire corporate services from large, reputable and well-run Australian businesses.

Honda AUH does outsource some of its activities to Australian-based suppliers, including its parts warehousing, customer call centre and roadside assistance functions, whose workers are not under the day-to-day control of Honda AUH. That being said, Honda AUH has a close working relationship with these suppliers, and has observed their operations, policies and practices and has no concerns about their labour practices.

Some of the overseas countries from which we import Honda vehicles, parts and accessories, such as Thailand, have been assessed by the Global Slavery Index<sup>1</sup> as having a medium to high vulnerability of modern slavery. While this inherent slavery risk is significant, this is mitigated by the fact that Honda AUH sources its vehicles from Honda-owned manufacturers overseas, and they are subject to HM's strong global Codes and policies regarding human rights and relationships with business partners and workers (as described in section 4 below).

## Honda MPE

The following table provides a heatmap of risks of modern slavery practices in the operations and supply chains of Honda MPE:

<i>Activity</i>	Sector & Industry Risk	Product & Services Risk	Geographic Risk	Entity Risk
1. Product procurement				-
2. Spare parts procurement				-
3. Assembly parts procurement				-
4. Merchandise & accessory procurement				-
5. Outbound logistics	-	-	-	-
6. Dealer operations			-	-
7. Technical & warranty operations	-	-	-	-
8. Rider & driver training	-	-	-	-

Honda MPE has identified elevated risks in categories (3) and (4). The first and second categories have been assessed as lower risk, as they are procured within the Honda Group, which has well established and managed systems to address modern slavery.

Details related to the Honda Group are available via the URL: <https://global.honda/about/sustainability/report.html>

## Locally identified elevated risks

Assembly parts procurement

<sup>1</sup> See <https://www.globallslaveryindex.org/2018/data/maps/#prevalence>.

Honda MPE operates a small assembly facility in Melbourne. This assembly facility produces lawnmowers and brushcutters, predominately for the Australian domestic market. The following table describes the sources of components:

<i>Components</i>	Honda Group	Outside of Honda Group	
		Aust & NZ	Asia
Engine	◆		
Chassis casting		◆	
Component parts	◆	◆	◆
Packaging		◆	

Where component parts are sourced outside of the Honda Group and from overseas vendors, there may be an elevated risk of modern slavery.

### **Merchandise & accessories**

Honda MPE procures ranges of merchandise and accessories, which include clothing. For these ranges of merchandise, Honda MPE uses an Australian-based intermediary not connected to the Honda Group. The intermediary sources most items from the Asian region. The nature of the products and geographical source may lead to an elevated risk.

## **4. CONTROLS TO ADDRESS HONDA'S MODERN SLAVERY RISKS**

### **Honda AUH**

#### *Reporting Period*

Honda AUH had the following controls in place to mitigate modern slavery risk during the Reporting Period.

#### *Supplier contracts*

Honda AUH's standard contracts for the procurement of goods and services and the procurement of vehicle parts (and Purchase Order terms) contained specific provisions requiring its suppliers to:

- take all reasonable steps to ensure there is no modern slavery in their businesses or supply chains;
- conduct their business in a manner that is consistent with the principles of the Act;
- implement a system of training to ensure relevant supplier personnel understand and comply with the Act; and
- implement due diligence procedures for their suppliers to ensure there is no modern slavery in its supply chains.

#### *Honda Code of Conduct (Applicable to both **Honda AUH** and **Honda MPE**)*

All Honda associates, contractors and temporary staff (**Associates**) are required to comply with the Honda Code of Conduct (**Code of Conduct**).

The Code of Conduct is a global document issued by HM that applies to Honda Associates around the world, including Honda in Australia. Behaviour that violates the Code of Conduct may be subject to disciplinary action, including termination of employment.

One of the five sections of the Code of Conduct focuses on “Relationships with business partners”. This section contains the following statements:

*“Specifically, when deciding on parts and raw materials suppliers, we must select optimal suppliers upon considering quality, cost, delivery time, design, and development. We must also consider other factors such as human rights, labor, the environment, safety, compliance, risks, and information protection.”*

The “Respect of Human Rights” section of the Code of Conduct states:

*“Moreover, we must practice non-discriminatory and impartial treatment in recruitment and employment in compliance with the laws and regulations of respective countries and Honda’s labor policies.”*

It also contains the following modern-slavery specific example:



Q

We plan to procure imported items from Company A because of price and quality considerations. However, we have learned that Company A’s workers include children, whose employment is prohibited by laws and regulations. Would it be acceptable to enter into a procurement agreement with Company A in such circumstances?



A

If it is true that Company A uses child labor, then it would not be acceptable. For Honda to be recognized as a company of integrity which conforms to laws and regulations, it is necessary that business partners also protect human rights and observe laws and regulations.

Honda’s leadership team demonstrate strong commitment to the Code of Conduct by presenting examples during weekly meetings, and surveying the knowledge, understanding and engagement of all employees annually.

#### *Honda AUH Practice Policy*

Honda AUH’s Practice Policy is signed by the directors of Honda AUH, and provides a set of guidelines and rules to Associates for ethical behaviour. It forms part of Associates’ employment terms, and a breach of the Policy can lead to disciplinary procedures, including dismissal.

Key sections of the Practice Policy include the “dignity principle” and the “citizenship principle”, which require Associates to respect the dignity of all people, adopt practices that enhance human development in the workplace and the community and act as responsible citizens in the community.

The Practice Policy also summarises the functions of Honda AUH’s risk and governance committees:

- **CG Committee:** this committee is accountable for maintaining good governance of Honda AUH through review of reports by the CG subcommittee and directing corporate governance activities to be completed. The members of this committee are Honda AUH's directors and senior leadership team. It is chaired by Honda AUH's Managing Director, and the two other Directors who are appointed as Honda AUH's Compliance Officer and Risk Management Officer.
- **Risk Management Committee:** this committee is responsible for the identification, management and mitigation of key risks to Honda AUH and is composed of two Directors, General Managers and a number of teams focussed on different risk categories.

The Practice Policy requires Associates to report any suspected unethical or improper business behaviour of a breach of law or Honda policies, and provides a clear "reporting route" internally or to Honda's Whistleblower Confidential Alert Line (see details below).

#### *Honda Purchasing Manual*

Honda AUH's Purchasing Manual defines the processes Associates must follow in the procurement of goods and services. The Manual also requires supplier contracts to be thoroughly reviewed to ensure full compliance with all laws, regulations, Honda AUH policies and the Honda Code of Conduct. It lists certain mandatory and non-negotiable clauses for Honda AUH's agreements with suppliers, one of which is a commitment to comply with the Act.

The Purchasing Manual states that prior to supplier selection, evaluation criteria will include the supplier's ethics, and for overseas sourcing, human rights standards will be considered.

#### *Honda Whistle-blower Confidential Alert Line (Applicable to both **Honda AUH** and **Honda MPE**)*

Honda has established a confidential 1800 alert line and online portal, managed by an independent third party for Associates and suppliers of Honda to report any "Reportable Conduct" under the "Honda Australia Whistle-blower Policy and Procedure" with the option of remaining anonymous.

Reportable Conduct includes fraudulent activity, corrupt activity and illegal activity involving Honda, which would include any modern slavery concerns in Honda's operations and supply chains.

#### *Honda Group Sustainability Report (Applicable to both **Honda AUH** and **Honda MPE**)*

Honda Group's sustainability report explains the approach to global procurement incorporating the 'Purchasing Belief', 'Three Purchasing Principles' and 'Purchasing Code of Conduct'. These concepts, extracted from the Honda Sustainability Report 2022 are illustrated in the graphics below:

#### *Modern slavery training (Applicable to both **Honda AUH** and **Honda MPE**)*

During this reporting period, we delivered face to face training to Honda associates and senior management team regarding the Act and Honda's commitment to modern slavery compliance.

*Progress on controls since the end of the Reporting Period*

In its 2021 modern slavery statement, Honda AUH made a commitment to implement various initiatives to strengthen its modern slavery control framework. Honda AUH has implemented all of these initiatives. This included the development of questionnaires to evaluate and monitor modern slavery compliance amongst high-risk suppliers as well as prospective and new suppliers. The questionnaire for high-risk suppliers was distributed to Honda AUH's highest risk suppliers and will be distributed to those suppliers every 2 years. The other questionnaire has been included in Honda AUH's request for proposal and onboarding processes for prospective and new suppliers to complete. Honda AUH will continue to develop and consolidate controls to mitigate against risks of modern slavery amongst its suppliers.

**Honda MPE**

*Assembly parts procurement*

As reported in Honda MPE's previous statement, supplier management is governed by Honda Group global purchasing policies, including the adoption of Facility Quality Standards (F-QS). F-QS require physical internal audits to be conducted annually and reported back to HM. The internal governance for F-QS auditing materials are specified in the Honda Group purchasing policies.

*Merchandise & accessories*

In the Reporting Period, and consistent with last year, Honda MPE required its local intermediary to supply its current policies and procedures relevant to modern slavery. As part of this ongoing review, Honda MPE aims to conduct audits of its garment factory every two years to ensure their internal compliance to the Act.

## 5. INTERNAL MEASURES

### *Future Honda MPE Controls*

Honda MPE plans to implement the controls listed in the 2021 Honda AUH modern slavery statement into its modern slavery risk framework. Specifically, Honda MPE is working towards the completion of the following items by the target dates in the table below:

<b>Control</b>	<b>Next steps</b>	<b>Target Date for Completion</b>
1. Create staff awareness of modern slavery by including a summary sheet as part of the new starter welcome pack and provide annual face to face explanation to all Associates.	Schedule reoccurring face to face modern slavery awareness sessions for all associates	31 December 2022
2. Incorporate the same Modern Slavery clause across all Honda MPE contracts	Unify process to mandate Modern Slavery clause in all contracts	31 December 2022
3. Develop questionnaire to distribute to current Honda MPE high risk suppliers to evaluate and monitor modern slavery compliance. Reassess suppliers every two years	Adapt Honda AUH questionnaire for Honda MPE and distribute to High Risk MPE suppliers.	31 March 2023
4. Implement Questionnaire as part of the Honda MPE on-boarding process for new supplier	Integrate questionnaire into Honda MPE new supplier on-boarding process	31 March 2023
5. Update the Request for Proposal (RFP) and Request for Information (RFI) to include modern slavery questionnaire across Honda MPE processes.	Update Honda MPE RFP and RFI to include questionnaire.	31 March 2023
6. Unify Purchasing Manual across Honda AUH and Honda MPE to reflect the above changes to the on-boarding and tendering process for vendors and include the process for monitoring modern slavery practices of suppliers across the business.	Update Honda AUH Purchasing Manual to include Honda MPE processes.	31 March 2023
7. Monitor the effectiveness of its modern slavery controls under the stewardship of its Corporate Governance Committee and Chief Compliance Officer.	Develop framework for Corporate Governance Committee and Chief Compliance Officer to assess effectiveness of controls.	31 March 2023

## **Honda Globally**

As explained above, a large component of the products imported by Honda AUH and Honda MPE are sourced from Honda entities overseas. The Honda Sustainability Report 2022 sets out a range of global initiatives established to keep associates and suppliers accountable for mitigating against and managing risks to human rights and modern slavery. Some relevant initiatives are discussed below.

### Honda Human Rights Policy

The Honda Human Rights Policy highlights specific risks relating to modern slavery. The Policy encourages respect for each individual's fundamental human rights and prohibits any form of forced labour, child labour and human trafficking within the Honda Group at a global scale.

### *Conflict Minerals*

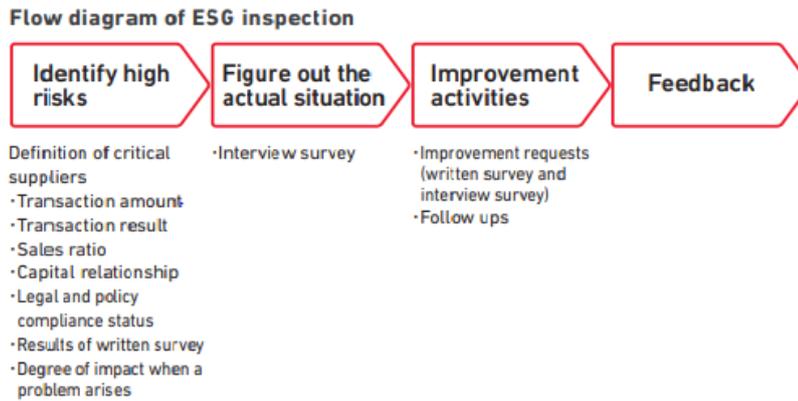
Honda has also implemented a number of global systems to combat problems associated with the purchase and use of conflict minerals, such as cobalt, which could lead to human rights infringements like child labour. Honda surveys its suppliers globally based on the standards prescribed in the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. In FY2022, Honda received survey responses from more than 7,000 suppliers, the results of which are published on its website: <https://global.honda/investors/library.html>. Based on survey results, Honda works together with its suppliers to address any concerns about the sourcing of conflict minerals and is also working to improve the accuracy of its survey.

### *Respecting Individual Human Rights Policy*

Honda Group has established an Associate Relations Policy called Honda Human Rights Policy. Under this policy, Honda Group promotes respect for each individual's basic human rights and does not allow any form of forced labour or child labour.

### *Environmental, Social and Governance (ESG) Investigation*

In 2016, Honda in Japan introduced an ESG inspection for high purchasing value suppliers to fulfil worldwide expectations of social corporate reasonability, including in the supply chain. The ESG inspection is now carried out globally. A diagram of the overall ESG inspection process is below:



Part of the inspection involves a survey, through which Honda carries out the following three activities:

- Distribute a check sheet based on international standards
- Confirm the compliance status of the guidelines
- Promote improvement

The check sheet verifies supplier activity in all aspects of human rights and labour matters, including banning child labour, forced labour and human trafficking. Moving forward, Honda will work with purchasing sites worldwide to promote global implementation of the ESG inspection. The results from the ESG investigation in FY2022 did not highlight any significant risk.

#### *Honda Supplier Sustainability Guidelines 2018*

In 2018, HM published the Honda Supplier Sustainability Guidelines, which state Honda Group's basic approach to human rights and labour matter, including prohibitions to forced labour and child labour. Honda Group has asked its supplier to implement these guidelines in practice.

## **6. HOW HONDA ASSESSES THE EFFECTIVENESS OF ITS MODERN SLAVERY CONTROLS**

### **Honda AUH**

During this Reporting Period, our focus was to solidify our understanding of our modern slavery risks and how they may appear in our operations and supply chains. We developed and implemented processes to assess and mitigate modern slavery risks in our procurement process and ongoing supplier review systems. Training was also delivered to all Honda Associates (both AUH and MPE) to raise awareness and increase knowledge of risks associated with modern slavery. This training allowed our management group to consider the suppliers we use and assess the modern slavery risks, both in Australia and overseas. Honda AUH is satisfied with the progress that has been made during the current Reporting

Period. However, we will continue to evolve our processes to assess and address modern slavery risks in our operations and supply chains.

### **Honda MPE**

Honda MPE has moved to include modern slavery considerations in our collaboration with internal and external stakeholders. Honda MPE will achieve this by raising awareness of the forms of modern slavery among our associates and suppliers, broadening our approach to supplier and supply chain risk management to incorporate modern slavery components and metrics where applicable, reviewing existing processes in accordance with F-QS audit activities and exploring together with key members in the Honda Group to find better ways to identify and take actions in our supply chains.

Honda has developed and presented various awareness campaigns to the entire associate group with an aim to engage, raise awareness and advise of our commitment to reduce the risk of the modern slavery within our supply chains in Australia and overseas. Although a survey was not conducted during this reporting period, a Modern Slavery compliance module has been developed and will be launched to all **Honda AUH** and **Honda MPE** associates by 30th September 2022. Honda will survey associate knowledge and report on the findings within the next reporting period.

Honda MPE will continue to review its supplier policies and contract terms and implement the same initiatives as AUH with a unified approach to assess the Modern Slavery risks thoroughly and regularly across all supply chains. A sample of new contracts has been audited and successfully implemented across the business.

## **7. HONDA'S PROCESS OF CONSULTATION IN THE DEVELOPMENT OF THIS STATEMENT**

Honda AUH and Honda MPE have consulted together to create a single statement that reflects both entities' plans and developments to work in a unified and consistent way to mitigate the modern slavery risks in their operations and supply chains.

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This statement was approved by the Board of Directors for Honda AUH and Honda MPE on September 6<sup>th</sup>, 2022.

DocuSigned by:



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Stephen Collins  
Chief Operating Officer  
Honda Australia Pty. Ltd