

# **HONDA**

The Power of Dreams

## **HONDA AUSTRALIA MODERN SLAVERY STATEMENT 2020**

Guided by one of its Fundamental Beliefs of “*Respect for the Individual*”, we value and respect the unique contribution of each individual. Accordingly, Australia Pty Ltd (**Honda 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, that 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 Honda Australia’s first modern slavery statement (**Statement**), and is given to the Minister under section 13 of the *Modern Slavery Act 2018* (Cth) (the **Act**).

Following the introduction of the Act, Honda Australia undertook a comprehensive review of the modern slavery risks in its operations and supply chains. This review involved staff and management across Honda Australia’s operations, including Procurement, Aftersales, Distribution & Logistics, Finance, Legal Risk & Compliance and Product Planning. We engaged an independent third party adviser to critically evaluate our modern slavery risks, and sought their recommendations on how to enhance our modern slavery control framework.

As a result of this review, Honda Australia has decided to implement a number of new activities and processes to carry us into the future, and we have begun the process of embedding these internally, and in our relationships with suppliers.

This Statement summarises Honda Australia’s structure, operations, supply chains, modern slavery risks and controls during the period 1 April 2019 to 31 March 2020 (the **Reporting Period**) as required under the Act. It also contains a list of the new initiatives that Honda Australia is implementing in relation to modern slavery.

## **1. Structure and operations**

Honda Australia is 100% owned by Honda Motor Co Limited (**HM**), which is based in Japan.

Honda Australia has its head office in Tullamarine, Victoria, and during the Reporting Period, we employed approximately 150 people. We also have offices in Sydney, Brisbane and Perth to manage our dealer operations outside of Victoria.

Our business activities include the importation, distribution, and sales and marketing of Honda vehicles in Australia, and parts and accessories for those vehicles. Our operations were managed by 4 internal Divisions:

- Product, Customer & Communications;
- Aftersales;

- Dealer Business; and
- Business Services.

During the Reporting Period, we sold 41,728 vehicles to Australian customers through our network of authorised Honda dealers, including the City, Jazz, Civic Hatch and Sedan, Accord CR-V, HR-V and Odyssey models.

## **2. Supply chains**

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

Motor vehicles are very complex products and can contain in the order of 2,500 components. Each component may have a number of tiers of supply, particularly complex components. Because Honda Australia 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 Honda's manufacturing operations globally.

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

The bulk of goods that Honda Australia purchased during the Reporting Period (by financial expenditure) were Honda vehicles, parts and accessories. All of the vehicles were sourced from Honda manufacturing plants overseas. Spare parts and vehicle accessories were also purchased from Honda-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 Australia also acquired a range of services to support its local operations during the Reporting Period. Some of the major categories of services including 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 Australia 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.

## **3. Risks of modern slavery in Honda Australia's operations and supply chains**

Because a large part of its supply chain is based overseas, and is managed by Honda affiliates in those countries, Honda Australia is not directly involved in those parts of its supply chain. Accordingly, guided by our independent adviser, 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 Australia'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 industrial instruments.

### *Supply chains*

The risk of modern slavery in Honda Australia'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 Australia 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 Australia. That being said, Honda Australia 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 Australia primarily 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).

## **4. Controls to address Honda Australia's modern slavery risks**

During the Reporting Period, Honda Australia had some specific modern slavery controls in place and some other more general controls that mitigated against the risk of modern slavery in its operations and supply chains. As a result of undertaking an independent assessment of its modern slavery compliance framework, Honda Australia has implemented some new modern slavery controls (as detailed below).

### *Reporting Period*

The key modern slavery compliance activity Honda Australia undertook during the Reporting Period was to commence its modern slavery audit, assessment and gap analysis led by an independent adviser. In addition, Honda Australia had

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

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

#### Supplier contracts

Honda Australia's standard contracts for the procurement of goods and services and the procurement of vehicle parts 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 Australia has recently also updated its Purchase Order terms and conditions (which are used to procure all its good and services) with these supplier modern slavery obligations.

#### Honda Code of Conduct

All Honda Australia employees, 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 at Honda 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 focusses 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 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:



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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?



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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 Australia Practice Policy

Honda Australia's Practice Policy is signed by the directors of Honda Australia, 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.

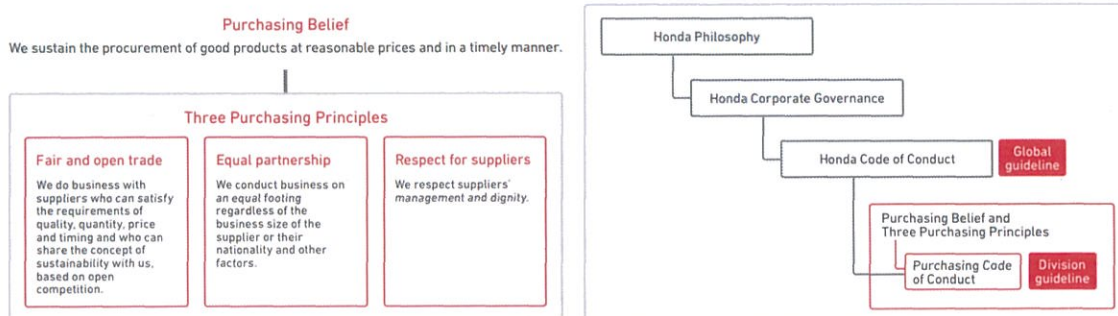
The Practice Policy also summarises the functions of Honda Australia's risk and governance committees:

- **CG Committee:** this committee is accountable for maintaining good governance of Honda Australia through review of reports by the CG subcommittee and directing corporate governance activities to be completed. The members of this committee are Honda's directors and senior leadership team. It is chaired by Honda Australia's Managing Director, and the two other Directors who are appointed as Honda Australia'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 Australia 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 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 2020 are illustrated in the graphics below:



Honda Australia's Purchasing Manual defines the processes Associates must follow in the procurement of goods and services.

It states that risk mitigation (including compliance with laws and Honda Policies) and strong probity, including adherence to the Honda Australia Practice Policy, must be applied to all purchasing activity.

The Manual also requires supplier contracts to be thoroughly reviewed to comply with all laws, regulations, Honda policies and the Honda Code of Conduct. It lists certain mandatory and non-negotiable clauses for Honda Australia's agreements with suppliers, one of which is a commitment to comply with the Act.

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

## Honda Whistleblower Confidential Alert Line

Honda Australia has established a confidential 1 800 alert line and online portal, managed by an independent third party for Associates and suppliers to Honda Australia to report "Reportable Conduct" under the "Honda Australia Whistleblower Policy and Procedure" on an anonymous basis.

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

### *Improvements to Honda Australia's modern slavery control framework*

Having undertaken an independent assessment of our modern slavery control framework, we have also sought recommendations for improvements. As a result of these recommendations, Honda Australia's directors have approved the development and implementation of the following new initiatives to strengthen our control framework and our commitment to mitigate modern slavery risks in our operations and supply chains.

### Supplier modern slavery questionnaire

Before 30 June 2021, we intend to send a questionnaire to our current suppliers seeking to understand how they manage the risk of modern slavery in their operations and supply chains. We will also include this questionnaire as part of our new vendor on-boarding process.

If we receive a response that suggests that a supplier has a high risk of modern slavery, we will require the supplier to take action to investigate and remediate any confirmed risk, and seek updates on their completion of those actions. If we are not satisfied with remedial actions taken, we will consider no longer using the supplier.

We intend to send out the supplier questionnaire every 2 years.

### Tender documentation

It is a requirement under Honda Australia's Purchasing Manual that we conduct formal competitive tender processes for the procurement of high value goods or services, or long term major supplier arrangements.

When we do engage in tender processes, we send potential vendors Request for Proposal (**RFP**) and Request for Information (**RFI**) documentation. Our current RFI asks suppliers to provide an overview of their policies and procedures, including their controls over their supply chains and our RFP lists ethics as a key evaluation criteria.

We will update our RFP and RFI documentation to require the respondents to complete the supplier modern slavery questionnaire above, and assess their responses as part of our supplier selection evaluation criteria.

### Purchasing Manual

We will update our Purchasing Manual to reference the new supplier processes above and to include a process for monitoring the modern slavery practices of suppliers we identify as having a high inherent or actual risk of modern slavery in their operations and supply chains.

### Training of Associates

We have recently delivered face-to-face training to our directors and senior management team regarding the Act and Honda Australia's commitment to modern slavery compliance.

We will update our Associate new starter training program to include references to Honda Australia's modern slavery compliance policies and procedures. We will also send a bulletin to all Honda Australia employees regarding our commitment to modern slavery compliance before 31 March 2021.

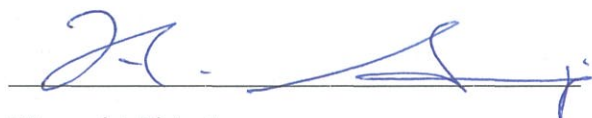
### CG Committee



Honda Australia's will continually monitor the effectiveness of its modern slavery controls under the stewardship of its CG Committee and its Chief Compliance Officer.

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This statement was approved by the Board of Directors for Honda Australia on 22<sup>nd</sup> December 2020.



Hiroyuki Shimizu  
Managing Director, Honda Australia

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