



Honda on Human Rights: Fighting Against Forced Labour and Child Labour

This annual report is published pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”).

Report Date: May 15, 2024

Reporting Period: Year ending March 31, 2024

Jointly Reporting Entities: Honda Canada Inc. (“**HCI**”), Honda Trading Canada Inc. (“**HTC**”), Honda Trading America Corporation (“**HTA**”) and Honda Development & Manufacturing of America, LLC (“**HDMA**”) (together “**Honda NA**”).

I. Introduction - Structure, Activities and Supply Chains

Honda NA is part of a group of global companies directly or indirectly owned or controlled by Honda Motor Co., Ltd., which has its head office in Japan (together being the “**Honda Group**” or “**Honda**”). The Honda Group manufactures and distributes automobiles, motorcycles, power products and associated parts globally. The Honda Group is made up of over 350 companies operating in the following global regions: Japan, China, Asia & Oceania, North America, South America & Europe, Middle East & Africa.

Honda proactively addresses human rights issues, including forced labour and child labour, in order to respect the human rights of all people with whom we engage through our business activities.

We respect each individual’s fundamental human rights and do not allow forced labour or child labour of any form, including human trafficking. Honda is working to ensure that its suppliers are aware of Honda’s prohibition of forced and child labour in their operations.

Honda NA carries out a wide array of business activities within Canada including:

- Manufacturing;
- Distribution;
- Logistics services;
- Sales and Marketing; and,
- Raw Materials Procurement.

Due to its wide-ranging operations and extensive product portfolio, Honda manages a highly complex supply chain, encompassing suppliers of goods and services from Canada and across the globe.

Honda Canada Inc. (“HCI”)

Honda Canada Inc. is an affiliate of Honda Motor Co., Ltd. of Japan. Its roots date back to 1969. HCI manages sales and marketing of Honda and Acura products in Canada including automobiles, motorcycles, all-terrain vehicles, and power equipment. HCI also has automobile and engine manufacturing facilities in Canada. The vehicles built by HCI are sold in the Canadian market and abroad.

Honda Trading Canada Inc. (“HTC”)

As the sole Honda Group trading company located in Canada, HTC makes full use of the strengths of its global operation which includes the supply of raw materials, inclusive of steel, resin and aluminum, used to produce parts for Honda vehicles. HTC also sources and coordinates the supply of equipment, dies, parts and machinery as well as ferrous and non-ferrous recycling. As a fully licensed customs broker, with a dedicated logistics group, HTC manages the movement of goods, within all modes of transportation, to support its business partners.

Honda Trading America Corporation (“HTA”)

HTA is a Honda trading company based in Ohio (with offices in California, Indiana, South Carolina, and Alabama) that acts as a supply chain partner, both within the Honda supply system and to third parties. It provides a supply of raw materials, including steel, resin, aluminum, to Honda suppliers in North America, and sources and coordinates the supply of equipment, dies, parts, and machinery, as well as ferrous and non-ferrous recycling. Like its subsidiary company in Canada, HTC, HTA also manages the logistics of supply chain activity for Honda and other client companies, coordinating the movement of goods, both nationally and internationally, to support its business partners.

Honda Development & Manufacturing of America, LLC (“HDMA”)

As a unified automotive product development and manufacturing operation entity, Honda Development & Manufacturing of America, LLC develops and produces engines and vehicles at facilities located in the United States. The vehicles built by HDMA are sold in the United States and abroad. HDMA is a subsidiary of American Honda Motor Co., Inc., the North American subsidiary of the Honda Motor Company.

II. Policies and Due Diligence Processes and How We Reduce Forced Labour or Child Labour Risks

The Honda Philosophy forms the values shared by all Honda Group companies and all of their associates. It is the basis for Honda's corporate activities, associates' behaviour and corporate decision-making.

To achieve both the creation of growth opportunities for the Honda Group and a sustainable society, Honda has set "Striving to be a company society wants to exist" as its direction for the 21st century. Honda expressly includes "*Respect for the Individual*" and "*Respect of Human Rights*" as part of that core philosophy. This philosophy is further reflected in a number of policies and procedures in respect of forced labour and child labour. We discuss some of these policies and procedures below.

Honda Group's ESG Data Book

Honda 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, which includes the prohibition of forced and child labour. The Honda Group discusses such efforts in its ESG Data Book, published annually. The most recent version of the ESG Data Book can be found [here](#)¹.

The ESG Data Book confirms that Honda endeavors to build an environment in which all associates can demonstrate their abilities, individuality, and imagination, thereby supporting each individual's willingness to take on new challenges. The ESG Data Book also articulates that the Universal Declaration of Human Rights, the International Labour Organization's (the "ILO") Declaration on Fundamental Principles and Rights at Work, as well as Honda's own Associate Relations policies, are applied to Honda's daily corporate actions.

A fundamental policy outlined in the ESG Data Book is that "We will always respect each individual's basic human rights and will not allow forced labor or child labor."

The ESG Data Book further confirms that some suppliers are inspected against Honda's commitments, including in respect of forced labour and child labour. Honda introduced sustainability initiatives inspection for suppliers with large business volumes and significant influence on Honda, in line with rising expectations worldwide to fulfill corporate social responsibility that also includes supply chains.

¹ https://global.honda/en/sustainability/cq_img/report/pdf/2023/Honda-SR-2023-en-all.pdf

Honda's Code of Conduct

Honda's Code of Conduct applies to all Honda Group personnel. First published in 2003, the Code of Conduct requires Honda personnel to act in a way that allows Honda to strengthen its position as "a *company that society wants to exist*". Honda's Code of Conduct is publicly available for download on its global website [here](#)².

Honda's Code of Conduct requires all Honda Group personnel to, among other things:

- ensure that their relationships and activities comply with applicable laws, rules and regulations, and the common sense of the community in which they operate;
- understand and abide by the words as well as the spirit of applicable laws and regulations, stay informed of relevant revisions to applicable laws and regulations and take necessary courses of action;
- whenever violations of laws and regulations or the risk of such an occurrence is noticed, report to or consult with their supervisor or the legal department; and
- respect human rights, and not treat any person in an unjust way.

Any failure by an employee to comply with Honda's Code of Conduct is a disciplinary offence.

Honda's Human Rights Policy

Based on its core philosophy of "*Respect for the Individual*", Honda has formulated a global Human Rights Policy to fulfill its responsibility to respect the human rights of stakeholders affected by its business activities. Honda's Human Rights Policy is publicly available for download [here](#)³. The Human Rights Policy explicitly prohibits the use of forced and child labour stating: "We respect each individual's fundamental human rights and do not allow forced labor or child labor of any form, including human trafficking."

Honda is committed to respecting human rights that are set out in the International Bill of Human Rights and the ten ILO core conventions as set out in the Declaration on Fundamental Principles and Rights at Work. In addition, Honda supports the United Nations Guiding Principles on Business and Human Rights and endeavors to practice these principles in business activities.

² https://global.honda/en/about/assets/codeofconduct/pdf/HondaCodeofConduct_en.pdf

³ https://global.honda/en/sustainability/human_rights_policy/

Honda's North American Region Compliance & Ethics Policy

Honda NA is subject to Honda's North American Region Compliance & Ethics Policy which is publicly available for download [here](#)⁴. Honda NA's Compliance & Ethics Policy requires its employees to follow all applicable laws and regulations in carrying out their responsibilities.

Each Honda NA entity also has access to a "*Compliance and Ethics Hotline*"; a telephone number and e-mail address that allows anyone to report (anonymously, if they wish) any breach, suspected breach or anticipated breach of Honda's Code of Conduct or any other unethical or fraudulent conduct. The Compliance and Ethics Hotline is checked regularly. Incidents of suspected forced or child labour can therefore be reported through the Compliance and Ethics Hotline to Honda NA in a secure and confidential manner. Any reported incidents will be investigated by the Honda North America Compliance & Ethics team.

Honda Corporate Responsibility Statement

As part of the North American effort to embody the Honda ideals of being "*a company that society wants to exist*", Honda entities in North America have developed an approach to conducting business that seeks to uphold key principles and responsibilities of good corporate citizenship. This approach, reflected in the Honda Corporate Social Responsibility ("**CSR**") Statement, available [here](#)⁵, includes a commitment to ensuring that the individuals building Honda products and components and providing services to our company are afforded responsible working conditions, and are treated with dignity and respect. The CSR Statement confirms that children who do not reach the legal age for work in each country and region shall not be hired, and that no form of human trafficking, forced, bonded (including debt bondage) or indentured labour, slavery or trafficking of persons will be tolerated. This includes, but is not limited to, transporting, harboring, recruiting, transferring or receiving persons by means of threat, force, coercion, deception, abduction or fraud for labour services.

The CSR statement further reflects that Honda does not knowingly provide products containing raw materials that contribute to human rights abuses, bribery, and ethics violations or negatively affects the environment. Honda entities continue to conduct due diligence within their supply chains, as outlined in this report, to understand the source of raw materials within our products and will promote utilization of conflict free smelters and refiners for procurement of materials and metals to ensure responsible and ethical sourcing.

⁴ https://www.honda.ca/Content/honda.ca/a046c435-b1ed-4c6b-9dd5-33987d336bd7/GenericContent_FFH/2018-10-Oct/Appendix%201%20-%20North%20American%20Compliance%20and%20Ethics%20Policy%20-%20Limited%20contact%20page.pdf

⁵ <https://csr.honda.com/longform-content/honda-corporate-responsibility-statement/>

In adhering to the principles set out in the CSR Statement, Honda seeks to communicate its commitment to its customers, associates, suppliers, dealers, other business partners, and to the communities in which we live and work. Further, Honda expects that any party conducting business with Honda will embrace and uphold these principles to the best of their ability.

The Honda Policy Against Human Trafficking

The Honda Policy Against Human Trafficking outlines the efforts Honda's North American entities make towards eliminating human trafficking, slavery, forced labour and child labour from its global supply chain. Honda's Policy Against Human Trafficking applies to Honda, its associates, agents, contractors/vendors, subcontractors, suppliers (and their employees) when acting within their scope of employment or contract with Honda.

The Honda Policy Against Human Trafficking confirms that Honda will not tolerate and will not condone the use of slavery, forced, involuntary or coerced labour, child labour, human trafficking or sex trafficking by any associate, agent, subcontractor or supplier in the operation or support of our business or the sales and distribution of our products. This includes the requirement, among other things, to avoid engaging in i) any form of forced or child labour, ii) withholding access by an employee to the employee's identity or immigration documents, iii) using misleading or fraudulent practices during recruitment, including in respect of living and working conditions and wages, and iv) use of recruitment fees. The Honda Policy Against Human Trafficking is available [here](#)⁶.

Supplier Initiatives and Contractual Agreements

Honda NA is determined to ensure its suppliers comply with their contractual obligations and requires its suppliers through contract to comply with applicable laws. HCI recently updated various contract agreements to explicitly require suppliers to represent that they comply with modern slavery legislation and to provide HCI the right to terminate the supplier agreement should it be discovered that the supplier utilizes forced or child labour in its supply chain. Honda NA continues to review its supplier contracts to incorporate such commitments going forward. In 2023, HCI, HDMA, HTC, and HTA also wrote to all suppliers and dealers to specifically reiterate Honda's prohibition of the use of forced labour or child labour through their supply chains.

In addition, the Honda Group has established Supplier Sustainability Guidelines, found [here](#)⁷ and [here](#)⁸. These guidelines state Honda's basic approach to human rights and labour matters, such

⁶ <https://csr.honda.com/longform-content/the-honda-policy-against-human-trafficking/>

⁷ https://global.honda.jp/procurement/pdf/sustainability_guideline_En_230131.pdf

⁸ https://global.honda.jp/procurement/pdf/sustainability_guideline_En_2309.pdf

as prohibition of forced labour and child labour. Specifically, the guidelines require that suppliers must observe the minimum employment age in their business activities in accordance with the national and local laws and regulations, and that suppliers must ensure that all labour is voluntary and that they respect employees' right to resign when they want and at their own free will. Suppliers must further prohibit any forms of forced, bonded or compulsory labour, and human trafficking.

Customs and Trade Compliance

HCI, HTA and HDMA are partners in the Customs Trade Partnership Against Terrorism program (“CTPAT”), which is a program offered by United States Customs and Border Protection. Additionally, HCI is a member of Partners in Protection (“PIP”), which is a program offered by the Canada Border Services Agency. HCI, HTA and HDMA must undergo audits every four years to ensure compliance with Minimum Security Criteria, which in the future will include an assessment of whether forced labour exists within its supply chain. HTC is a partner in the PIP program and must also undergo audits and assessments, including in the future audits in respect of forced labour within its supply chain.

III. Risks of Forced Labour or Child Labour in our Supply Chain

As Honda moves towards electrification of its product lines, it recognizes the potential link between the increased demand for rare minerals, and human rights issues that have been associated with the extraction of these minerals, such as child labour. Honda remains cognizant of this risk and is engaged in activities aiming to ethically source minerals that do not contribute to human rights violations.

In its commitment to ethical business practices and human rights, Honda acknowledges the complex nature of its supply chain. Despite efforts to maintain a responsible supply chain, the intricate web of global suppliers, subcontractors, and partners introduces risks of forced labour and child labour that are difficult to fully eradicate. These risks are exacerbated by imperfect visibility into the upstream supply chain. Honda is actively working to enhance its oversight and implement measures to address these challenges, reaffirming our dedication to combating modern slavery in all its forms within our supply chain.

Honda NA, alongside other Honda entities, is actively working to establish a system that would enable all Honda entities across the continent to collaborate with a third-party service. The service would offer the Honda entities enhanced intelligence on their supply chains, improving visibility into potential risks, including of forced labour or child labour in their supply chains. If

successfully implemented, this system will provide Honda NA access and visibility into global suppliers, thereby enhancing supply chain management and risk assessment capabilities.

IV. Remediation

For the reporting period ending December 31, 2023, Honda NA has not found instances of forced or child labour in its supply chain. As a result, Honda NA has not had to remediate any such instances, and has not had to remediate any loss of income to the most vulnerable persons affected by forced or child labour.

V. How We Provide Training

Since prevention is the best way to minimize problems associated with unethical or illegal conduct, Honda provides periodic training on ethical and legal responsibilities. Both mandatory and voluntary training in respect of compliance and ethics is provided to Honda NA employees through online portals.

For example, Honda provides Compliance and Ethics Training for the North American Region in respect of its Compliance and Ethics Policy. In addition, Honda provides training on the Honda Philosophy all around the world. Honda also works to promote awareness and thorough implementation of the Code of Conduct by distributing leaflets, posting the relevant information on the corporate intranet, and providing training.

VI. How Honda Assesses the Effectiveness of its Policies and Procedures

Honda has established a Human Rights Working Team to effectively implement initiatives to respect human rights, including forced labour and child labour. The Human Rights Working Team is led by the human resources and labor affairs divisions, and collaborates with many divisions involved in human rights, including the purchasing divisions and divisions in charge of sustainability planning. The Human Rights Working Team is working to strengthen the initiatives and encourages associates to take appropriate action through human rights due diligence measures, including assessments for Honda Group business sites and suppliers, as well as awareness-raising activities. The Team has also established a system to prevent and mitigate negative impacts and risks related to human rights in cooperation with the Compliance Committee and the Risk Management Committee. These activities are reported annually to

Honda's Executive Council and the Board of Directors are linked to the Honda's sustainability management strategy.

Honda NA plans to continually assess the effectiveness of its policies and practices to ensure that forced and child labour are not being used in its business and supply chains. Honda NA is deeply committed to ensuring that no forced or child labour is used throughout its supply chain.