

## **Honda Corporate Governance Basic Policies**

### **Introduction**

Honda (the “Company”) adopted these “Honda Corporate Governance Basic Policies” pursuant to a resolution passed in a meeting of the Board of Directors of the Company, to indicate the Company’s basic views, frameworks and operating guidelines regarding the corporate governance of the Company.

### **1. Basic Policy Regarding Corporate Governance**

#### **Article 1 Basic Views**

(1) The Company strives to enhance corporate governance as one of the most important tasks for its management, based on the Company’s basic principle, in order to strengthen the trust of our shareholders/investors, customers and society; encourage timely, decisive and risk-considered decision-making; seek sustainable growth and the enhancement of corporate value over the mid- to long-term; and become “a company that society wants to exist.”

(2) In order to clearly segregate the supervisory function and execution function of management and to strengthen the supervisory function and to enable prompt and flexible decisions, the Company has “Nominating Committee”, “Audit Committee”, and “Compensation Committee,” which each are composed of more than one half of Outside Directors, and has adopted a company with three committees structure which allows broad delegation of the business execution authority from Board of Directors to the Executive Officers.

### **2. Corporate Governance Structures**

#### **2.1 The Directors and the Board of Directors**

#### **Article 2 Roles and Responsibilities of the Board of Directors**

(1) In order to respond to the entrustment of the shareholders, the Board of Directors shall make decisions with respect to the basic management policies of the Company Group and other equivalent matters and oversee the performance by the Directors and Executive Officers of their duties, with the aim of achieving the sustainable growth of the Company Group and enhancing the corporate value over the mid- to long-term.

(2) The Board of Directors shall discuss and make decisions concerning matters specified in the regulations of the Board of Directors, as well as matters set forth in the

articles of incorporation and applicable laws. All other matters shall be delegated to the Representative Executive Officers or Executive Officers.

### **Article 3 Constitution of the Board of Directors**

- (1) The Board of Directors shall consist of an appropriate number of Directors totaling no more than fifteen.
- (2) In order to fulfill its role of making decisions with respect to the basic management policies of the Company Group and other equivalent matters and overseeing the performance by the Directors and Executive Officers of their duties, the Board of Directors shall have a constitution that takes into consideration a balance in the diverse knowledge and experience of the Board of Directors as a whole.
- (3) The Company shall have at least two Outside Directors, and at least one third of the members of the Board of Directors shall be Independent Directors, who fulfill the independence standards set forth separately.

### **Article 4 Directors**

- (1) The Directors, based on their knowledge and experience, shall respond to the entrustment of the shareholders, and shall endeavor to ensure sustainable growth and enhancement of mid- to long-term corporate value of the Company Group.
- (2) The Directors shall gather information sufficient for the execution their duties and actively express their opinions and conduct constructive discussions at meetings of the Board of Directors, etc.
- (3) Outside Directors shall, based on their knowledge and experience, supervise the execution of duties by the Directors and Executive Officers from an independent standpoint.
- (4) The Nominating Committee shall, in principle, upon the President's proposal, discuss and select the Director candidates who are capable to fulfill the roles and responsibilities stated in the preceding three paragraphs.
- (5) The Director candidates shall be exceptional persons who are familiar with corporate management or the Company Group's business, and have superior character and insight, irrespective of gender, nationality, and other such individual attributes. In nominating such candidates, the Nominating Committee shall consider the balance of gender, internationality, and experience and specialization in each field.

(6) The Outside Director candidates shall have abundant experience and deep insight in fields such as corporate management, the legal, public administration, accounting, or education, and shall be capable of overseeing the entire business management of the Company from an objective, highly sophisticated and broader viewpoint based on the standpoint independent from the Company Group.

(7) If a Director violates a law or regulation or the articles of incorporation, or any other event that is deemed to make it difficult for the Director to appropriately perform his or her duties occurs, the Board of Directors shall discuss and make a determination regarding disciplinary action such as removing such Director from his or her position. Also, the Nominating Committee shall, if necessary, discuss and make a determination regarding submitting a proposal for removal of such Director from the Board of Directors to the shareholders' meeting.

#### **Article 5 Appointment of Chief Executive Officer**

The Board of Directors shall, in principle, upon the president's proposal, discuss and select the successor of the president and Chief Executive Officer of the Company, who shall be a person who is capable of making decisions in a flexible, fresh and clear manner, and maintaining the founding spirit and business culture of the Company.

#### **Article 6 Nominating Committee**

(1) The Nominating Committee shall make determinations regarding proposals for appointment or removal of Directors to be submitted to the shareholders' meeting and other duties prescribed by laws and regulations and the articles of incorporation.

(2) The Members of the Nominating Committee shall be at least three in number, and more than one half of them shall be Independent Directors.

(3) The Chairperson of the Nominating Committee shall be an Independent Director.

#### **Article 7 Audit Committee**

(1) In order to respond to the entrustment of the shareholders, the Audit Committee shall conduct audits of the execution of duties by the Directors and Executive Officers and perform the other duties of the committee prescribed by laws and regulations and the articles of incorporation with the aim of ensuring the sound and sustainable growth of the Company Group.

(2) The Audit Committee shall be composed of at least three members, and more than

one half of them shall be Independent Directors. One or more of the Members of the Audit Committee shall be a person who has an appreciable extent of expertise regarding finance and accounting.

(3) The Chairperson of the Audit Committee shall be an Independent Director.

(4) In order to ensure the effectiveness of the audit, full-time Member(s) of the Audit Committee shall be elected by a resolution of the Board of Directors.

#### **Article 8 Compensation Committee**

(1) The Compensation Committee shall make determinations regarding the details of compensation for each Director and Executive Officer and other duties of the committee prescribed by laws or regulations or the articles of incorporation.

(2) The Members of the Compensation Committee shall be at least three in number, and more than one half of them shall be Independent Directors.

(3) The Chairperson of the Compensation Committee shall be an Independent Director.

#### **Article 9 Approaches for Improving Board Effectiveness**

The Board of Directors shall take the following approaches to enhance its effectiveness.

##### Provision of Information

(1) So that the Company can have fruitful discussions at each board meeting, the Company shall strive to distribute materials relating to the agenda and expected resolutions for board meetings to the outside directors in advance of the meeting date, and to provide sufficient information such as by providing prior explanations as necessary.

(2) The secretariat of the Board of Directors shall determine the schedule of board meetings for the next business year and notify the schedule to directors, before the commencement of the said business year.

##### Training for Directors, Executive Officers, and Other Executives

(1) The Company shall provide training in the Companies Act, corporate governance, etc., to Executive Officers (excluding those who concurrently serve as Director) and other executives who are considered as prospective Director candidates, and after they assume their respective positions as Directors, the Company shall provide training to

continually update their knowledge as necessary.

(2) The Company shall provide training in industry trends, the Company's history, business, finances, organizations, internal control system and other matters to outside director candidates to be newly appointed. The Company shall provide incumbent outside directors with opportunities including the visits to subsidiaries located in regions in order to deepen their understanding of the Company Group's business.

#### Call of Meeting by Outside Directors

The outside directors may call meetings consisting of other directors, as necessary. Relevant departments shall provide any necessary support when such meetings were called.

#### Concurrent Post

If any Outside Director also serves as an officer at another listed company, such Director shall only serve at four companies other than the Company so that they can secure sufficient time to perform their duties for the Company. If any Outside Director receives an offer from another listed company, such Director shall notify the President of the Company of such receipt of offer.

#### Evaluation Relating to Effectiveness of the Board of Directors

(1) Each year, the Board of Directors shall analyze and evaluate the effectiveness of the Board of Directors as a whole, based on the self-evaluations of each Director.

(2) Each year, each committee shall analyze and evaluate the effectiveness of each committee as a whole, based on the self-evaluations of each Member and report this to the Board of Directors.

#### **Article 10 Conflicting Interest Transactions**

(1) A Director or Executive Officer shall not carry out, for himself/herself or for a third party, any transaction that is against the interests of the Company Group.

(2) If a Director or Executive Officer intends to carry out any transaction with the Company for himself/herself or for a third party, the Director or Executive Officer shall obtain the approval of the Board of Directors in accordance with the procedures set forth in the Companies Act, and report the material facts of the transaction to the Board of Directors.

## **2.2 Operating Structure**

### **Article 11 Basic Views**

(1) In order to strengthen business operations in each region and field, and to make timely and appropriate business decisions, the Company shall place Executive Officers and other executives who have been delegated the business execution authority from the Representative Executive Officers to being responsible for business operations in their respective area of responsibility, in each area headquarters, business headquarters and functional headquarters, and other main organizations.

(2) The Company shall clarify the scope of the authorities granted to the Executive Officers and other executives, and the decision-making process by establishing management meetings and business operating board, etc., putting in place agendas to be discussed at each meeting, etc., and thereby establish systems that enable timely and appropriate business decisions.

### **Article 12 Executive Officers**

(1) The Executive Officers shall respond to the entrustment from the shareholders and other matters prescribed by laws and regulations and the articles of incorporation and shall be responsible for particularly important business operations of the Company Group that are within the scope of business execution authority delegated from the Board of Directors.

(2) The Executive Officers shall report on the status of business operations to the Board of Directors at least once every three months, and provide information requested by the Board of Directors, Directors, or committees as necessary.

(3) The Board of Directors shall, upon receiving a proposal by the President, discuss and appoint Executive Officers who are able to fulfill the roles and responsibilities stated in the preceding two paragraphs.

(4) Executive Officers shall be exceptional persons who are familiar with corporate management or the Company Group's business, and have superior character and insight. Gender, nationality and other attributes shall be of no consequence.

(5) Executive Officers' terms of office shall be one year.

(6) If an Executive Officer violates a law or regulation or the articles of incorporation, or any other event that is deemed to make it difficult for the Executive Officer to

appropriately perform his or her duties occurs, the Board of Directors shall discuss and make a determination regarding disciplinary action such as removing the Executive Officers from his or her position or dismissing the Executive Officer.

## **2.3 Remuneration**

### **Article 13 Remuneration Policies**

- (1) The Company's remuneration structure for the officers shall be designed with the aim of motivating them to contribute not only to short-term, but also to mid- to long-term business results, to enable the sustainable enhancement of the corporate value, and shall consist of a fixed monthly remuneration paid as compensation for the performance of their duties, an executive bonus linked to the business results for the relevant business year, and a stock-based remuneration linked to mid- to long-term business results.
- (2) Monthly remuneration shall be paid in an amount that is suitable for attracting diverse and exceptional human resources, while taking into consideration the payment standards of other companies etc. and based on the remuneration standards resolved by the Compensation Committee.
- (3) Executive bonuses shall be determined by a resolution of the Compensation Committee taking into consideration the business results of each business year, dividends to shareholders, the standards of bonuses of employees and other matters and paid.
- (4) Stock-based remuneration shall be paid in the Company's stock and money and linked to business results in the mid- to long-term based on the standards and procedures resolved by the Compensation Committee, so that the stock-based remuneration functions as a sound incentive aimed at sustainable growth.
- (5) Remuneration of the Executive Officers shall consist of monthly remuneration as well as executive bonuses and stock-based remuneration.
- (6) Remuneration of the Outside Directors and other Directors who do not concurrently serve as Executive Officer shall consist only of monthly remuneration.
- (7) In order to advance the Company Group's sustainable growth and enhance its corporate value over the mid- to long-term by sharing common interests with the shareholders through having a shareholding in the Company, even Directors and Executive Officers who are not eligible for stock-based remuneration shall acquire the

Company's stock by contributing a certain portion of their fixed remuneration to the Officers Shareholding Association.

(8) Directors and Executive Officers shall continuously hold throughout their term of office and for one year after their retirement any stock of the Company acquired as stock-based remuneration or acquired through the Officers Shareholding Association.

### **3. Relationship with Shareholders**

#### **Article 14 Shareholders' Meeting**

The Company shall strive to provide shareholders with sufficient time to consider agenda for the shareholders' meeting and to take measures to put in place an environment in which shareholder rights can be exercised appropriately.

#### **Article 15 Securing the Rights of Shareholders**

(1) The Company shall secure equal treatment of shareholders and give adequate consideration to the exercise of the rights that are also granted to minority shareholders.

(2) If a resolution proposed by the Company is passed at the shareholders' meeting but a considerable number of votes have been cast against the proposal, the Company shall analyze the reasons behind the opposing votes and why many shareholders opposed, and shall consider taking necessary measures.

#### **Article 16 Basic Policies for Cross-Shareholdings and Exercise of Voting Rights as to Cross-Shareholdings**

(1) The Company shall examine elements such as the conveniences or risks accompanying cross-share holdings, in addition to the characteristics or size, etc. of transactions with the entities whose shares are cross-held and determine the necessity of such shareholdings of each stock from a mid- to long-term viewpoint and from both qualitative and quantitative aspects.

(2) The Board of Directors shall examine the necessity of having cross-shareholdings.

(3) With regard to the exercise of the voting rights concerning shares held by the Company, the Company shall appropriately exercise its voting rights in view of the purpose of the shareholding and, with respect to proposed resolutions for shareholders' meetings of the relevant company, in consideration of the possible impact on the business conditions of the said company and the Company Group's business operation.

(4) The matters that the Company considers important in exercising its voting rights

pursuant to the preceding paragraph include the following:

- disposal of surplus;
- amendment of the articles of incorporation;
- election of directors and audit and supervisory board members; and
- awarding of officer remuneration and retirement bonus.

#### **Article 17 Policies for Dialogue with Shareholders**

For the purpose of providing valuable and useful information, which is useful for shareholders and investors to make investment decisions, in a timely, fair and accurate manner, and for the purpose of enhancing the understanding of shareholders and investors as well as achieving the appropriate evaluation of the corporate value, the Board of Directors shall separately prescribe policies for promoting dialogue with shareholders.

#### **4. Relationship with Stakeholders Other Than Shareholders**

##### **Article 18 Relationship with Stakeholders**

The Company recognizes that its sustainable growth and the enhancement of mid- to long-term corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including customers, distributors, business partners, local communities and employees. As such, the Company shall strive to establish an appropriate relationship of cooperation with those stakeholders.

#### **5. Disclosure**

##### **Article 19 Appropriate Disclosure of Information and Securing of Transparency**

In order to further strengthen the trust and mutual feeling of investors and society, the Company shall strive to improve corporate transparency by conducting the appropriate disclosure of corporate information, such as the timely and accurate disclosure of quarterly financial results and management policies.

Established on July 31, 2015

Partly amended on June 15, 2017

Partly amended on June 14, 2018

Partly amended on February 19, 2019

Partly amended on April 1, 2020

Partly amended on June 23, 2021

Partly amended on April 1, 2022

**Honda Motor Co., Ltd.**  
**Criteria for Independence of Outside Directors**

The Company's Board of Directors will determine that an outside director is sufficiently independent from the Company if it determines that the said outside director satisfies the independence criteria stipulated by the Tokyo Stock Exchange and the requirements set forth below:

1. He/She is not, and has never been, any of the following during the last year:
  - 1) a person who executes the business (\*1) of a large shareholder (\*2) of the Company;
  - 2) a person who executes the business of (i) a major customer (\*3) of the Company, or (ii) a company of which the Company is a major customer;
  - 3) a person who executes the business of a major lender (\*4) of the Company group;
  - 4) a person who executes the business of an audit corporation which conducts statutory audits for the Company or a person who handles the audit functions of the Company;
  - 5) a consultant, an accounting specialist, or a legal expert (or, if the person in question is a corporation, an association, or any other similar organization, then a person who executes the business of that corporation, etc.) who receives a large amount (\*5) of money, etc. from the Company, other than remuneration paid to directors of the Company;
2. No family member or close relative (\*6) of the outside director currently falls or at any point of time during the last year fell under any of items 1) through 5) in paragraph 1 above.

[End]

Established on May 15, 2015

Amended on June 15, 2017

Amended on February 9, 2021

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\*1 A "person who executes the business" means an executive director, an executive officer, or an important employee including operating officer.

\*2 A "large shareholder" means a shareholder who directly or indirectly holds shares representing 10% or more of the total number of voting rights of the Company as of the end of a fiscal year.

\*3 A "major customer" means a customer of the Company where the annual amount of transactions between the customer and the Company exceeds 2% of the consolidated sales revenue of the Company or the said customer.

\*4 A "major lender" means a financial institution from which the Company group

borrowings, where the aggregate amount of outstanding borrowings exceeds 2% of the amount of consolidated total assets of the Company or the financial institution as at the end of a fiscal year.

\*5 A person receives a “large amount” if he/she receives consideration from the Company in excess of 10 million yen per year.

\*6 A “family member or close relative” means a spouse or first or second degree relative of an outside director.

## Annex 2

### **Policies for Promoting Dialogue with Shareholders**

- (1) The Company's dialogue with shareholders shall be administrated by the Finance division and the Administration division, and be controlled by the head of the business management operations.
- (2) In order to engage in appropriate dialogue with shareholders, the Finance division and the Administration division shall exchange information periodically and establish an organic cooperation system with the Corporate Planning division, Accounting division, Human Resources division, Legal division, Corporate Communications division and other departments.
- (3) In order to deepen the understanding by shareholders and investors regarding the business of the Company Group, the Company shall proactively and continuously undertake the holding of financial results briefings, the provision of information on the Company's website, the explanation of business reports at shareholders' meetings, etc., the sending to shareholders of literature such as bulletins for shareholders, factory tours for shareholders and so on.
- (4) Shareholders' views which have been recognized through dialogue shall be fed back to the management team periodically.
- (5) The contact persons of the Finance division and the Administration division who engage in dialogue with shareholders shall receive training on the handling of insider information and confidential information, and engage in appropriate dialogue with shareholders in compliance with the relevant internal rules of the Company.