

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into between the California Air Resources Board (CARB), with its principal location at 1001 I Street, Sacramento, California 95814; and American Honda Motor Co., Inc. (hereinafter "Honda"), with its principal location at 1919 Torrance Boulevard, Torrance, California, 90501-2746 (collectively, the "Parties," or individually, "Party").

LEGAL BACKGROUND

- (1) Purpose. The California Health and Safety Code mandates the reduction of emissions of air pollution from off-road engines. (Health & Saf. Code §§ 43013; 43018.)
- (2) Regulation. CARB adopted the "*Small Off-Road Engines*" Regulation (Cal. Code Regs., tit. 13, §§ 2400-2409) (SORE Regulation) to reduce emissions of, inter alia, oxides of nitrogen (NOx) and hydrocarbons (HC) from off-road spark-ignited small off-road engines (SORE) rated at equal to or less than 19 kilowatts, and equipment utilizing such engines.
- (3) Regulatory Provisions. The SORE Regulation requires all SORE engines that are manufactured for sale, sold, or offered for sale in California, or introduced, delivered, or imported into California for introduction into commerce in California, to be covered by an Executive Order showing the engine meets the exhaust emission standards as determined; was properly tested following all required test procedures; contains an emission control label; meets all defect warranty requirements; and complies with the reporting requirements. (Cal. Code Regs., tit. 13, §§ 2400-2409.)
- (4) Penalty Provisions. Failure to comply with the regulatory requirements is a violation of state law that may result in penalties up to six hundred eight dollars (\$608.00 USD) for each strict liability violation of the SORE Regulation, respectively, for each noncompliant SORE engine or equipment. (Cal. Code Regs., tit. 13, § 2407; Health & Saf. Code § 43016.)

CASE BACKGROUND

- (5) Corporate Entity. At all relevant times, Honda was organized under the laws of California as a corporation and conducted business in the State of California.
- (6) Allegations. CARB alleges that Honda violated the SORE Regulation by manufacturing for sale in California, selling, offering for sale in California, or introducing, delivering, or importing into California for introduction into commerce in California, SORE engines without obtaining an Executive Order pursuant to the certification requirements and protocols (Cal. Code Regs., tit. 13, § 2400(a)(2)), and failing to meet reporting requirements (Cal. Code Regs.,

tit. 13, §§ 2405.1, 2407, 2408). On September 7, 2023, Honda self-disclosed that a variant of its _HMXS.2702AB and _HMXS.2702BB engines were inadvertently not included during the annual certification process. CARB alleges that if paragraphs 1 through 6 were proven, civil penalties could be imposed against Honda for each and every SORE engine involved in the violations and for each day.

- (7) Acknowledgment. Honda admits to the facts in paragraphs 1 through 6 but denies any liability resulting from said allegations.
- (8) Consideration. In consideration of the foregoing, and of the promises and facts set forth herein, the Parties desire to settle and resolve all claims, disputes, and obligations relating to the above-listed alleged violations and voluntarily agree to resolve this matter by means of this Settlement Agreement. In order to resolve the violations described herein, Honda has taken, or agrees to take, the actions enumerated below within the Terms and Conditions. Further, CARB accepts this Settlement Agreement in termination and full settlement of this matter.

TERMS AND CONDITIONS

In consideration of CARB not filing a legal action against Honda for the alleged violations referred to above in the Legal Background and Case Background, and Honda's agreement to complete all terms and conditions set forth below, CARB and Honda agree as follows:

- (9) Settlement Amount. Honda shall pay a civil penalty of seventy-nine thousand eight hundred dollars (\$79,800.00 USD) and agrees to fund a Supplemental Environmental Project (SEP) entitled Residential Air Filtration Program in the amount of seventy-nine thousand eight hundred dollars (\$79,800.00 USD), consistent with CARB's SEP Policy, for a total settlement of one hundred and fifty-nine thousand six hundred dollars (\$159,600.00 USD). Honda shall make all payments within thirty (30) calendar days from the Notification Date.
- (10) Notification Date. The date upon which CARB notifies Honda according to Paragraph 18 (Notices) that the Settlement Agreement is fully executed or when CARB sends the fully executed Settlement Agreement to Honda.
- (11) Civil Penalty Payment Method. Honda shall pay the civil penalty by check, credit card, wire transfer, or portal, payable to the "California Air Resources Board," using instructions provided separately by CARB in a Payment Transmittal Form. Honda is responsible for all payment processing fees. Payments shall be accompanied by the Payment Transmittal Form to ensure proper application. CARB shall deposit the civil penalty amount into the Air Pollution Control Fund

for the purpose of carrying out CARB's duties and functions to ensure the integrity of its air pollution control programs. Should payment instructions change, CARB will provide notice to Honda in accordance with Paragraph 18 (Notices).

- (12) SEP Payment Method(s). Honda shall fund the SEP by check, payable to the SEP Recipient/Administrator, San Joaquin Valley Air Pollution Control District, using instructions provided separately by CARB in a SEP Payment Transmittal Form. Honda is responsible for all payment processing fees. Payments shall be accompanied by the SEP Payment Transmittal Form to ensure proper application. Should payment instructions change, CARB will provide notice to Honda in accordance with Paragraph 18 (Notices).
- (13) Prohibition Against Financial Benefit. Honda has agreed that by funding the Residential Air Filtration Program SEP, Honda will not receive any direct or indirect financial benefit. Should Honda publicize or refer to the SEP or results of the SEP, Honda will state that the SEP is part of the settlement of a CARB enforcement action.
- (14) Assignment of Rights. In the event the SEP Recipient/Administrator does not fully implement or complete the SEP in accordance with the terms of the SEP Agreement, CARB shall be entitled to recover the full amount of the SEP from the SEP Recipient/Administrator, less any amount expended on the timely and successful completion of any previously agreed upon interim milestone(s). CARB will deposit any such recovery into the Air Pollution Control Fund. Accordingly, Honda assigns any and all rights against the SEP Recipient/Administrator to CARB.
- (15) Compliance Plan. On January 17, 2024, Honda presented a Compliance Plan to CARB that includes a 24-month commitment and provides for periodic status reports to CARB. CARB accepted the Compliance Plan on January 31, 2024. As part of this settlement, Honda will follow all necessary steps presented in the Compliance Plan.
- (16) Documents. Honda shall promptly email or mail the signed and dated Settlement Agreement to the address or email in Paragraph 18 (Notices).
- (17) Other Relief. Honda shall follow through with the compliance plan including the 24-month service commitment. Additionally, Honda shall report on the compliance progress by 2025 Quarter 2 and 2026 Quarter 2. In addition, Honda shall notify CARB of any workmanship or safety defects discovered by Honda within 30 days after the conclusion of the 24-month service commitment.

- (18) Notices. Unless otherwise specified in this Settlement Agreement, whenever notifications, submissions, or communications are required by this Settlement Agreement, they shall be submitted in writing to the address or email below:

As to CARB:

California Air Resources Board
Enforcement Division / Settlement Agreements
Vehicle Parts and Consumer Products Enforcement Branch
Engine and Parts Enforcement Section
P.O. Box 2815
Sacramento, California 95812-2815
Settlement_Agreement@arb.ca.gov

As to Honda:

American Honda Motor Co., Inc.
Product Regulatory Office
1919 Torrance Boulevard, MS 500-2C-10A
Torrance, California 90501-2746
Attn: Vice President

With copies to:

American Honda Motor Co., Inc.
Law & IP Unit
1919 Torrance Boulevard, MS 300-2-1C
Torrance California 90501-2746
Attn: Associate General Counsel
jack_alden@na.honda.com

Any Party may, by written notice to the other Parties, change its designated notice recipient or notice address provided above. Notices submitted pursuant to this section shall be deemed submitted upon emailing or mailing.

- (19) Repeat Violations. Honda agrees to comply with all regulatory requirements and acknowledges that repeat violations could result in increased penalties in the future.
- (20) Entirety. This Settlement Agreement constitutes the entire agreement and understanding between the Parties concerning the Case Background and supersedes and replaces any and all prior negotiations and agreements of any kind, whether written or oral, between the Parties concerning the Case Background hereof. This Settlement Agreement consists of 9 pages and 38 numbered paragraphs.

- (21) Binding Effect. This Settlement Agreement binds Honda, and any principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations and CARB and any successor agency that may have responsibility for and jurisdiction over the subject matter of this Settlement Agreement.
- (22) Effective Date. The effective date shall be the date upon which this Settlement Agreement is fully executed.
- (23) Modification and Termination. No agreement to modify, amend, extend, supersede, terminate, or discharge this Settlement Agreement, or any portion thereof, is valid or enforceable unless it is in writing and signed by all Parties to this Settlement Agreement.
- (24) Severability. Each provision of this Settlement Agreement is severable, and in the event that any provision of this Settlement Agreement is held to be illegal, invalid or unenforceable in any jurisdiction, the remainder of this Settlement Agreement remains in full force and effect.
- (25) Choice of Law. This Settlement Agreement shall be interpreted and enforced in accordance with the laws of the State of California, without regard to California's choice-of-law rules.
- (26) Non-Discharge. It is further agreed that the penalties described in this Settlement Agreement are non-dischargeable under United States Code, title 11, section 523(a)(7), which provides an exception from discharge for any debt to the extent such debt is for a fine, penalty, or forfeiture payable to and for the benefit of a governmental unit.
- (27) Rules of Construction. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Settlement Agreement.
- (28) Non-Waiver. The failure to enforce any provision of this Settlement Agreement shall not be construed as a waiver of any such provision, nor prevent such Party thereafter from enforcing such provision or any other provision of this Settlement Agreement. The rights and remedies granted to all Parties herein are cumulative and the election of one right or remedy by a Party shall not constitute a waiver of such Party's right to assert all other legal remedies available under this Settlement Agreement or otherwise provided by law.
- (29) Intent to be Bound. The Parties represent that: They have participated fully in the review and drafting of this Settlement Agreement; understand and accept all terms; enter into this Settlement Agreement freely and voluntarily; have had an opportunity to consult with legal counsel; are fully informed of the terms and

effect of this Settlement Agreement; have agreed to this Settlement Agreement after independent investigation and agree it was not arrived at through fraud, duress, or undue influence; and knowingly and voluntarily intend to be legally bound by this Settlement Agreement.

- (30) Venue. The Superior Court of California, located in the County of Sacramento, shall hear any dispute between the Parties arising from this Settlement Agreement.
- (31) Counterparts and Electronic Signatures. This Settlement Agreement may be executed in counterparts. Electronic, facsimile or photocopied signatures shall be considered as valid signatures.
- (32) Release. In consideration of full payment of the civil penalty and SEP payment(s), and all other undertakings above, CARB hereby releases Honda and its principals, officers, receivers, trustees, successors and assignees, subsidiary and parent corporations, from any claims CARB may have based on the circumstances described in Paragraph 6 (Allegations) above.
- (33) Authority. The undersigned represents that he or she has full authority to enter into this Settlement Agreement.

PENALTY BASIS

- (34) Per Unit Penalty. The per unit or per vehicle penalty in this case is a maximum of six hundred eight dollars (\$608.00 USD) per action under Health and Safety Code section 43016, for violations of the SORE Regulation (Cal. Code Regs., tit. 13, § 2400 et seq.; Health & Saf. Code § 43016.). The penalty of one hundred fifty-nine thousand six hundred dollars (\$159,600.00 USD) over an unspecified number of days of violation is for 250 noncompliances. The per unit penalty in this case is approximately four hundred twenty-five dollars and sixty cents (\$425.60 USD) per noncompliant unit for uncertified engines and approximately two hundred twelve dollars and eighty cents (\$212.80 USD) per noncompliant unit for failure to meet reporting requirements.
- (35) Emissions. The provisions cited in Paragraph 6 (Allegations) above prohibit emissions above a specified level. Without information on usage and emission rates, it is not practicable to quantify the excess emissions. However, since CARB has alleged that the SORE engines did not meet the regulatory requirements, all of the emissions from these engines were noncompliant.
- (36) Aggravating and Mitigating Factors. The penalties in this matter were determined in consideration of all relevant circumstances, including statutory factors as described in CARB's Enforcement Policy. CARB considered whether

the violator came into compliance quickly and cooperated with the investigation; the extent of harm to public health, safety and welfare; nature and persistence of the violation, including the magnitude of the excess emissions; compliance history; preventative efforts taken; innovative nature and the magnitude of the effort required to comply, and the accuracy, reproducibility, and repeatability of the available test methods; efforts to attain, or provide for, compliance prior to violation; action taken to mitigate the violation; financial burden to the violator; and voluntary disclosure. The penalties are set at levels sufficient to deter violations, to remove any economic benefit or unfair advantage from noncompliance, to obtain swift compliance, and avoid the potential costs, risks, and uncertainty associated with litigation. Penalties in future cases might be smaller or larger depending on the unique circumstances of the case.

(37) Confidential Business Information. CARB may have based this penalty in part on confidential business information provided by Honda or confidential settlement communications.

(38) Effect of Settlement/Reservation of Rights. The following shall apply:

- (a) This Settlement Agreement resolves the civil claims of CARB for the violations alleged in this Settlement Agreement.
- (b) CARB reserves, and this Settlement Agreement is without prejudice to, all claims, rights, and remedies against Honda with respect to all matters not expressly resolved in this Settlement Agreement. Notwithstanding any other provision of the Settlement Agreement, CARB reserves all claims, rights, and remedies, whether in law or equity, against Honda with respect to:
 - (i) Noncompliance with or enforcement of any provision of this Settlement Agreement.
 - (ii) Facts that were not disclosed by Honda to CARB.
 - (iii) Violation of the California Health and Safety Code and its implementing regulations, or other State laws, regulations, or permit condition(s) not expressly resolved within this Settlement Agreement.
 - (iv) Any imminent and substantial endangerment to the public health, welfare, or the environment in California, whether related to the violations addressed in this Settlement Agreement or otherwise.
 - (v) Any criminal liability.

- (vi) Any claim(s) of any officer or agency of the United States or California, other than CARB.
- (c) In any subsequent administrative or judicial proceeding initiated by CARB for injunctive relief, civil penalties, or other appropriate relief relating to enforcement of the Settlement Agreement, Honda shall not assert, and may not maintain, any defense or claim based upon the principles of waiver, res judicata, collateral estoppel, issue preclusion, claim preclusion, claim-splitting, or other defenses based upon any contention that the claims raised by CARB in the subsequent proceeding were or should have been brought in the instant case.
- (d) This Settlement Agreement does not limit or affect the rights of Honda or of CARB against any third parties not covered by this Settlement Agreement, nor does it limit the rights of third parties not covered by this Settlement Agreement against Honda, except as otherwise provided by law. This Settlement Agreement shall not be construed to create rights in, or grant any cause of action to, any third party not covered by this Settlement Agreement.
- (e) This Settlement Agreement is not a permit, or a modification of any permit, under any federal, State, or local laws or regulations. Honda is responsible for achieving and maintaining compliance with all applicable federal, State, and local laws, regulations, and permits; Honda's compliance with this Settlement Agreement shall not be a defense to any action commenced pursuant to any such laws, regulations, or permits. CARB does not, by its execution of this Settlement Agreement, warrant or aver in any manner that Honda's compliance with any aspect of this Settlement Agreement will result in compliance with any provisions of federal, State, or local laws, regulations, or permits.

ACKNOWLEDGED AND ACCEPTED BY:

California Air Resources Board

Signature: /S/

Name: Ellen M. Peter

Title: Chief Counsel

Date: May 24, 2024

American Honda Motor Co., Inc.

Signature: /S/

Name: Alice Lee

Title: Vice President, Product Regulatory Office

Date: May 15, 2024