Sustainability Strategy Framework

At the core of Company's business philosophy lies a robust sustainability strategy designed to create enduring value while ensuring equitable opportunities for future generations. The Company recognizes that true sustainability can only be achieved through a holistic approach that combines responsible resource utilization, innovative product development, and an unwavering commitment to environmental stewardship and social equity. Atlas Honda dedication to sustainable business practices distinguishes the Company in the marketplace, fostering deep customer trust, enhancing brand reputation, and driving growing demand for our products and services.

The Company's Sustainability Strategy Framework serves as the foundation for its business operations, fully aligned with its corporate mission and vision. This comprehensive framework is structured around three critical pillars:

Environmental Protection: Implementing eco-conscious manufacturing processes, reducing carbon footprint, and promoting circular economy principles

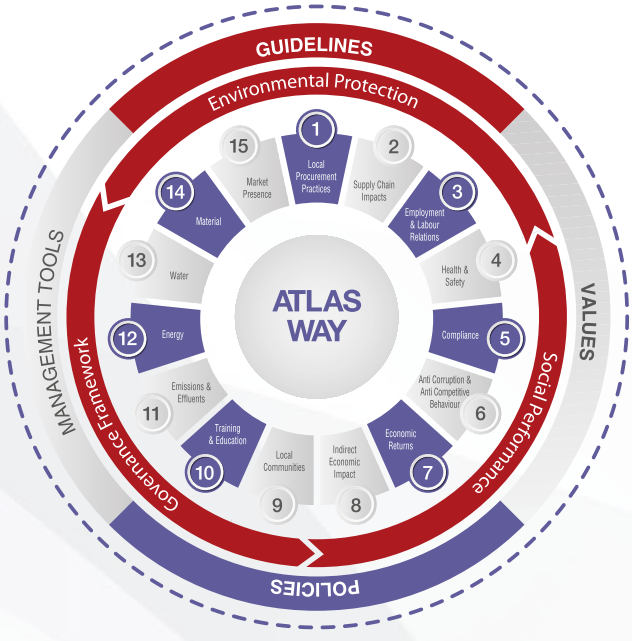
Social Performance: Investing in community development, ensuring fair labor practices, and prioritizing stakeholder welfare

Governance Framework: Maintaining transparent operations, ethical business conduct, and robust compliance mechanisms

Guided by the fundamental principles of the "ATLAS WAY" - the cornerstone of Atlas Group's business doctrine - Company's sustainability approach permeates every aspect of its operations. The ATLAS WAY encompasses both the "ATLAS CULTURE" (its shared values and behaviors) and the "ATLAS SYSTEMS" (its operational methodologies and processes), creating a unified framework that drives continuous improvement across all departments and business activities.

This integrated approach enables the Company to pursue operational excellence and product quality while simultaneously safeguarding environmental interests and creating positive social impact. By embedding sustainability into its corporate DNA, the Company is not only meeting current market demands but also paving the way for a more sustainable future - one where business success goes hand-in-hand with environmental preservation and social progress.

The following diagram summarizes the Company's framework and approach to sustainability:

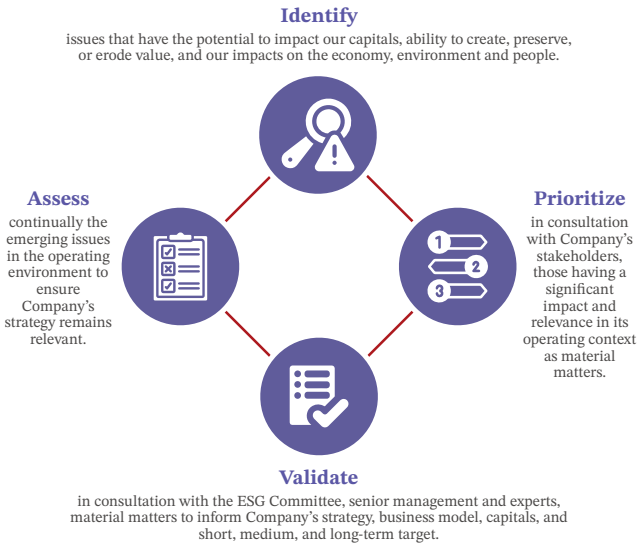


Process to determine Material Topics

Company's approach to assessing materiality offers a comprehensive perspective on the impacts both within and outside the organization. This report concentrates on the issues, opportunities, and risks that significantly affect its resources, its ability to conduct sustainable business, and its impact on the economy, environment, and people, including their human rights.

To identify these issues, the Company analyzes the risks and opportunities present in its operating environment, review industry-specific concerns, engage with stakeholders, and consider issues brought forth through our grievance mechanism system. Through the process of materiality analysis, the Company evaluates the significance of both negative and positive impacts, taking into account their severity, likelihood, scale, and scope. This assessment helps the Company in establishing relative levels of importance, guiding its efforts in mitigation and enhancement activities. Adherence to the Company's laws, international standards, internal regulations, and its Code of Conduct forms the

fundamental requirements for all its activities, as part of Company's precautionary approach.



The material matters outlined in this report inform and shape Company's strategy, the evolution of its business model, and its short, medium, and long-term targets. We continuously assess the list of material matters to ensure that our strategy remains relevant in the constantly changing external environment. The most recent evaluation, conducted in 2024-2025 with input from stakeholders, resulted in no changes to the list of material topics.

Area	Material Topic	Why is the topic material?
Economic	Economic returns	Critical for economic contribution and ability to deliver value to stakeholders
	Indirect economic impacts	Impacts on the surrounding communities and socio-economic development
	Market presence	Economic contribution and job opportunities for local community
	Procurement practices	Economic contribution and creation of business opportunities through local sourcing
	Anti-corruption and anti-competitive behavior	Impact on competition, negation of competition and equal opportunity rights as per applicable laws and regulations
	Marketing & Labeling	Provision of customer centric product information and compliance with applicable laws and regulations
	Energy	Impact on depleting finite resources and environmental impact of use of non-renewable sources
	Emissions	Environmental impact due to emissions
	Materials	Depleting raw material resources affecting finite resources
	Effluents & Waste	Environmental impact through incretion, dumping and discharge of waste
	Water	Environmental impact due to depleting water reserves leading to water scarcity
Social	Human rights	Impact on the basic rights of people defined in charters and conventions
	Local communities	Impact of operational activities and developments around plant site for economic development
	Health & Safety	Impacts on health of workforce affecting productivity and consumers concerns
	Employment and labor relations	Diversified workforce for better productivity and compliance with applicable laws and regulations
	Training & Education	Impact on workforce ability to effectively contribute to operational success affecting organization's ability to create value
Environment & Social	Supply chain impacts	Impact due to activities of supply chain partners

Voluntary Adoption of IFRS S1 & S2

Sustainability Reporting under IFRS S1

Atlas Honda recognizes that sustainable business practices are fundamental to long-term success and value creation. In accordance with IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information), the Company has provided comprehensive disclosures across the four core pillars of governance, strategy, risk management, and metrics & targets. This report outlines Company's systematic approach to integrating sustainability into decision-making processes, ensuring alignment with global best practices while addressing Country's unique socio-economic and environmental challenges.

1. Governance: Leadership and Oversight

Atlas Honda's sustainability governance framework is anchored in robust Board-level oversight and executive accountability. The Board of Directors, supported by the Audit Committee, plays an active role in reviewing and guiding sustainable business policies, ensuring they align with Board's fiduciary duties to stakeholders.

Board Responsibilities: The Board evaluates sustainability related risks and opportunities as part of its strategic mandate, ensuring that ESG considerations are embedded in corporate decision-making.

ESG Working Group: Day-to-day sustainability initiatives are led by a cross-functional Working Group, comprising representatives from manufacturing, supply chain, sales, after sales, HR, and finance. This team ensures compliance with local regulations and global standards.

Stakeholder Engagement: The Company maintains transparent communication with investors, regulators, employees, and communities through annual sustainability reports, and stakeholder consultations.

This governance structure ensures that sustainability is not treated as a peripheral activity but as a core business imperative.

2. Integrating Sustainability into Business Objectives

Atlas Honda's sustainability strategy is designed to create long-term resilience and competitive advantage while contributing to National sustainable development goals. Company's strategic priorities include:

a. Environmental Sustainability

Carbon Neutrality Roadmap: We are committed to reducing our carbon footprint through energy-efficient manufacturing, adoption of renewable energy (e.g., solar power in plants), and optimizing logistics to cut fuel consumption.

Circular Economy Initiatives: Enhancing recycling and reuse of materials (e.g., metal scrap, packaging) to minimize waste.

Electric Vehicle (EV) Readiness: Investing in R&D for electric motorcycles to align with global decarburization trends.

b. Social Responsibility

Workforce Development: Ensuring safe working conditions, up skilling employees, and promoting gender diversity in manufacturing roles.

Community Impact: Expanding CSR programs in education, healthcare, and road safety awareness, and women empowerment through bike riding training sessions.

Ethical Supply Chain: Partnering with suppliers who adhere to labor and environmental standards.

c. Economic Value Creation

Cost Efficiency: Sustainable business practices reduce operational costs (e.g., lower energy consumption, reduced material consumption).

Market Leadership: Strengthening brand reputation among ESG-conscious consumers and investors.

Scenario analyses are conducted to assess how sustainability trends (e.g., stricter emissions regulations, EV adoption) could impact the business model over the next decade.

3. Risk Management: Identifying and Mitigating Sustainability Risks

Atlas Honda employs a structured approach to identify, assess, and mitigate sustainability-related risks:

Climate-Related Risks: Physical risks (e.g., extreme weather disrupting production) and transition risks (e.g., policy shifts toward EVs) are evaluated through climate vulnerability assessments.

Supply Chain Risks: Ensuring raw material traceability (e.g., conflict-free minerals) and building supplier resilience against climate and geopolitical disruptions.

Regulatory Risks: Proactively monitoring changes in laws and the regulations to ensure compliance.

Reputational Risks: Addressing stakeholders' concerns through transparent ESG disclosures and grievance reporting mechanism.

These risks are integrated into our Enterprise Risk Management (ERM) framework, with mitigation strategies reviewed quarterly by the Board.

4. Metrics & Targets: Measuring Progress

Key performances against ESG metrics have been listed below:

Environmental Metrics	2025	2024
Scope 1 Emissions – C02 metric tons	18,025	15,900
Scope 2 Emissions - C02 metric tons	6,108	4,161
Energy Intensity Ratio – KJ / Motorcycle	337	355
Water Intensity Ratio – litres / Motorcycle	483.18	498.12
Waste Intensity Ratio – KG / Motorcycle	6.79	6.82

Social Metrics	2025	2024
Diversity %	1.61	1.30
Training Hours per employee	8.9	8.5
Mean gender Pay Gap	(52.08)	(34.49)
Median Gender Pay Gap	(72.51)	(81.02)

Governance Metrics	2025	2024
Board Diversity Ratio – Gender %	12.5	12.5
Board Diversity Ratio – Minorities %	37.5	37.5
Board Diversity Ratio – Independent Directors %	25%	25%
Dedicated ESG Committee of the Board	Yes	No

As the nation's largest two-wheeler manufacturer, the Company has been working to develop power sources with reduced carbon impact, for a broad range of products and services.

In order to make steady progress toward carbon neutrality, Atlas Honda has defined corresponding targets and has been promoting efforts accordingly. For CO_2 emissions during product use, a target for CO_2 emissions intensity has been set for 2035, representing nationwide sales share of electrified entry level products. In the area of corporate activities, the Company aims to reduce its total CO_2 emissions by 46% from year 2020. To achieve this target, the Company will promote initiatives such as improving production efficiency, implementing energy-saving measures, transition to low renewable energy sources.

Additionally, for water resources that are vulnerable to climate change, the Company is giving consideration to water supply risk that affects its businesses, together with depletion risk that impacts areas surrounding our production facilities. Hence, the Company will undertake initiatives to reduce our industrial water consumption.

Sustainability Reporting under IFRS S2

Governance

The Audit Committee of the Board oversees the framework to identify the risks and opportunities concerning climate change, energy and resources, and devises the short-medium- and long-term environmental strategies on the basis of risk assessment. The environment related risks, opportunities and underlying strategies are communicated to the Board by the Board Audit Committee.

Risk Management

At Atlas Honda, "climate change-related risks" are positioned as one of the company-wide priority risks, which include the environmental risk such as stricter environmental regulations, and natural disaster risk such as earthquakes, floods, etc. The response to climate change-related risks is being driven by the Board of the Company. The audit committee, on behalf of the Board, is responsible for organizing information on the progress of environmental measures.

The Company has defined multiple scenarios - including 1.5°C and 4°C, to anticipate future risks due posed by climatic changes. The scenario analyses has identified various transition and physical risks and opportunities. For sustainable management, the Company is enhancing its response measures and improving strategy resilience, using these strategies to reduce risks and create opportunities while promoting resilient products and services.

1.5°C scenario	4°C Scenario
• As part of the 1.5°C scenario, the Company assumes that measures to achieve carbon neutrality by 2050 will be promoted across the world, resulting in the widespread use of carbon-free products and renewable energy.	• In the 4°C scenario, the Company assumes that irreversible environmental changes will occur, leading to more frequent and more severe natural disasters.
• In the automobile industry, the Company assumes regulations on fuel efficiency and zero-emission vehicles. Additionally, the transition to a circular economy is assumed to accelerate.	

1.5°C scenario	4°C Scenario
• The Company assumes a shift in consumers' demand, with an increasing number developing a preference for carbon-free products, such as EVs, and services too.	
• As decarburization approaches, the Company also assumes advances in renewable energy and energy-saving clean technologies, as well as the growth of their widespread use.	

Transition Risks

Risks and opportunities and the underlying response strategies

Driving Factor: Policy & Regulations / Changing Consumer Preferences

Risk: Rising climate risks, including stricter emissions regulations and evolving reporting standards (such as IFRS SDS S1 & S2), are accelerating the global shift toward low-carbon mobility. Governments worldwide are imposing tighter emissions limits, imposing carbon taxes and mandating detailed carbon disclosures, increasing compliance costs. These regulatory changes could reduce demand for ICE models as consumers and fleet operators pivot to electric alternatives to avoid future penalties or obsolescence. Additionally, enhanced emissions reporting requirements may expose financial risks (e.g., stranded assets, retrofitting expenses), further eroding the competitiveness of ICE motorcycles in key markets. Proactively adapting to these shifts—through electrification, carbon-neutral fuels, or circular economy strategies—will be critical to sustaining sales and regulatory compliance.

Timeframe: Medium / Long Term

Opportunity: The tightening climate regulations and shifting consumer preferences away from internal combustion engine (ICE) motorcycles present a significant opportunity to pioneer sustainable mobility solutions and capture emerging market demand. By strategically investing in electric vehicle (EV) technology, hybrid models, and carbon-neutral fuel alternatives such as bio fuels, the Company can position itself as a leader in the low-carbon transportation sector. This transition allows the Company to:

- Expand into growing EV markets, benefiting from government incentives (e.g., subsidies, tax breaks) for clean vehicles.
- Enhance brand reputation as a sustainability-driven innovator, attracting environmentally conscious consumers.
- Build partnerships to access new revenue streams.
- Improve operational efficiency by adopting circular economy practices (e.g., material recycling, remanufacturing) to reduce costs and emissions.

Driving Factor: Changes in technology

Risk: Advancements in the EV technology could reduce the price gap with ICE technology which could render ICE technology uncompetitive. The risk isn't about the EVs getting better, it is about the ICE technology becoming obsolete or uncompetitive.

Timeframe: Medium / Long Term

Opportunity: This presents company with a new opportunity to grow by creating a market that operates parallel to its existing technology. The Company constantly monitors the technological advancements and explore possibilities to embrace these innovations in the future, which aligns with its strategy to offer low carbon solutions. The energy transition is inevitable, but it needs to be affordable. With the extent of localization that the Company has achieved, its ICE technology has a competitive edge over the lithium ion technology. This shows that ICE technology will continue to grow while more environmental conscious consumers having the capacity to afford will transition towards EVs. Further, other alternatives such as flexi fuel vehicles present opportunities to create new revenue streams.

Physical Risks

Driving Factor: Climate related physical risks

Risk: Extreme climatic conditions from natural disasters may damage Company's production base or could cause disruption in its supply chain which may affect our production.

Timeframe: Medium / Long Term

Opportunity: The Company has a stable production system with two production sites in Pakistan: one in Lahore and the other one in Karachi. In Addition to this, for all of Company's key components and raw materials, it has a diversified vendor chain across the country, which reduces its dependence on single source suppliers. Furthermore, this presents the opportunity to partner with key suppliers in adopting sustainable and resilient practices.

Climate-Related Financial Impact Assessment

The Company is currently evaluating the financial implications of climate-related risks and opportunities. While the Company has disclosed these risks and opportunities, the financial impact assessment is still in progress.

This analysis includes physical and transition risks, as well as potential opportunities such as energy efficiency and low-carbon solutions. Given the complexity and evolving nature of climate-related financial modeling, this process requires careful consideration and may involve scenario analysis, stakeholder engagement, and further data collection. The Company will provide updates as its assessment advances.