



Governance Framework

Board's Role in Shaping Sustainability Policy

The Board provides direction on sustainability policy and initiatives to enhance the positive impacts and reduce the negative impacts on the economy, environment and society. The Board is responsible for developing, approving and updating organization's purpose, value or mission statements, strategies, policies, and goals related to sustainable development. Accordingly, the Board has assigned the Board Audit Committee to include oversight of sustainability-related risks and opportunities, including climate-related risk. This enrichment of role also encompasses promoting diversity, equity, and inclusion across the organization. The Audit Committee, has been assigned the responsibility to oversee the embedding of sustainability principles into the Company's strategy and compliance with reporting frameworks such as GRI and SECP's ESG disclosure guidelines. A report in this regard is submitted to the Board once per year outlining the Company's progress and initiatives aimed at integrating sustainability to enhance long-term corporate value. Performance of the Committee and underlying the respective management teams is reviewed by the Board.

The Board Audit Committee is chaired by an Independent Female Director. The committee is responsible for approval of the sustainability initiatives and activities covering Environmental, Social & Governance, tracking progress against sustainability targets, ensuring that these are in line with guidelines of the highest governance body. The Committee approves the annual sustainability report and disclosure, including climate-related metrics.

The Board Audit Committee is also responsible for recommendation to Board, for the appointment of independent external reviewer for the review of the annual sustainability report. The current report was reviewed by Corporate Social Responsibility Center Pakistan (CSRCP). The assurance is conducted in accordance with the requirements of International Standard on Assurance Engagement (ISAE) 3000. ESG Committee is responsible to ensure that requirements of ISAE – 3000 are complied with.

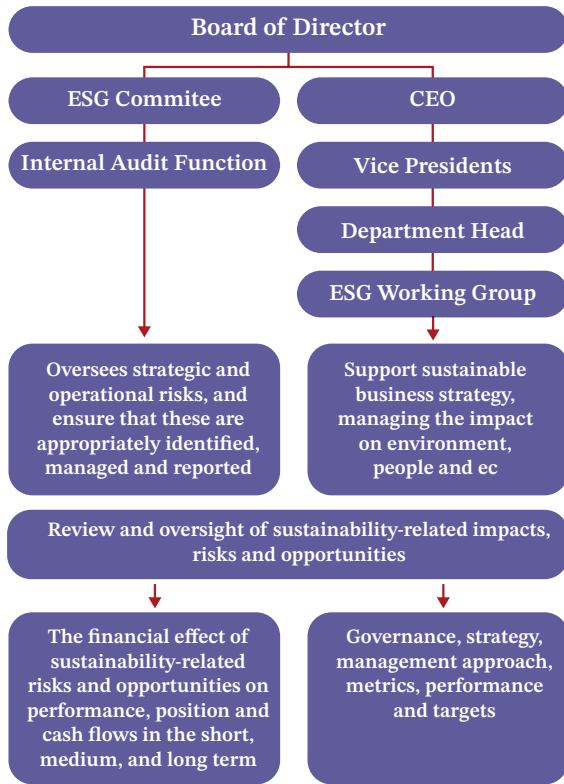
Board's Statement for adoption of CSR Best Practices and Financial Performance

Atlas Honda Board of Directors affirms its commitment to integrating Corporate Social Responsibility (CSR) principles into the Company's core business strategy and operations. As a market leader in the two-wheeler automotive industry, being a steward of customer's trust and a vital contributor to the economic and social well-being of its stakeholders, the Company recognizes its responsibility to serve the communities and operate sustainably and ethically. The Board is committed to a process of continuous improvement in the Company's CSR practices. The Board of the Company has voluntarily adopted SECP ESG Guidelines 2023 for listed Companies. The Board recognizes that such initiatives are not only aligned with ethical obligations but also contribute directly to the Company's financial performance. Sustainable practices such as 3R model, and optimized resource utilization lead to cost savings and improved operational resilience. Furthermore, CSR efforts enhance the Company's brand reputation and stakeholder confidence, which in turn support market competitiveness, customer loyalty, and long-term value creation.

Board's Statement on Company's Strategic Objectives and Intended impact on ESG reporting

The Board is committed to integrating ESG factors into the Company's strategic objectives. These strategic objectives are designed to deliver sustainable growth and positive outcomes for all its stakeholders, including customers, employees, shareholders, supply chain partners and communities the Company serves; underpinning the belief that strong ESG performance is intrinsically linked to financial performance and contributes to a more resilient and equitable future. In alignment with its commitment to transparency and accountability, AHL is dedicated to provide clear and comprehensive sustainability-related financial information, by voluntarily adhering to the principles and requirements outlined in IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures'. Detail disclosures can be found on page 117 of this report.

Sustainability Governance Structure



Management's Role in Assessing and Managing Sustainability related Impacts, Risks and Opportunities

Sustainability principles are embedded in Company's core governance framework through established policies, systems, and processes whereas the enterprise risk management framework ensures effective risk oversight and mitigation through monitoring and control mechanism.

The risk management system and materiality assessment identify key sustainability-related risks, impacts, and opportunities through materiality assessments and risk evaluations,

Senior leadership oversees the implementation of a robust internal control system, which monitors company's major sustainability risks, opportunities, and impacts. This system also ensures the protection of company's assets and the strategic allocation of resources. The CEO approves material sustainability topics and external assurance engagements, while the ESG Committee evaluates sustainability performance and advises leadership on related matters.

Atlas Honda assesses its operational impacts through a risk and opportunity lens to enhance value for all stakeholders. Risk Management Committee designs management processes and action plans, which are implemented by the management teams. Progress updates are regularly presented to the Board, which reviews performance against corporate goals.

Throughout the year, the management and cross-functional teams attended ESG training sessions to stay informed on sustainability trends. AHL's leadership also engages in international and local conferences, workshops, and training programs to remain updated on governance, leadership, ESG, and sustainability best practices. Additionally, the Board receives regular briefings on evolving corporate regulations and governance requirements.

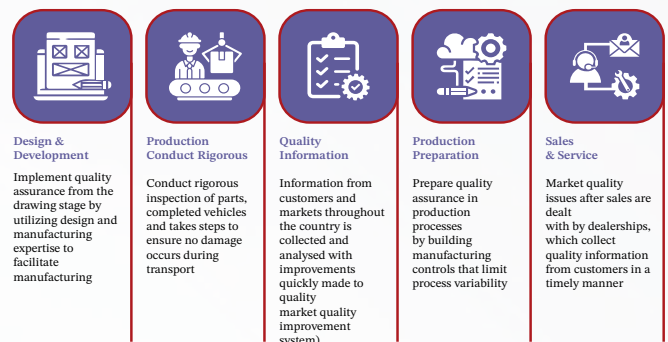
Driving Sustainable Mobility with Excellence

Atlas Honda is committed to pioneering sustainable transportation, by delivering premium-quality products designed to exceed customer expectations. Through innovative marketing and unparalleled after-sales services, we continuously expand our nationwide sales and service network, making mobility solutions more accessible across Pakistan.

Our customer-centric approach includes rigorous dealer training programs and active feedback mechanisms to ensure constant improvement. Aligned with Honda's global vision, the Company prioritizes health and safety by meticulously evaluating product performance and potential risks. This unwavering dedication to quality and safety reinforces Company's position as a trusted leader in Pakistan's two-wheeler industry, while its growing product range caters to the diverse needs of modern commuters. All of Company's products and services comply with the safety requirements of PSQCA and there has been no incident of non-compliance during the year.

Honda's Quality Cycle

The Company's global partner, Honda Motor Company Limited, implements a consistent and standardized quality strategy across its global operations. To maintain its unwavering commitment to high-quality standards, quality assurance activities are centrally coordinated and meticulously managed across all departments. By integrating design and development expertise during the preparation and production phases, the Company enhances product quality through the creation of manufacturing-centric visuals and the application of stringent control measures to minimize process variability. Post-sales, product improvements are systematically introduced based on a comprehensive analysis of customer feedback. These insights drive the continuous refinement of the Company's approach, informing future cycles of design and development.



Quality Improvement Programs

PROGRAM	OBJECTIVE
Vendor Improvement Program (VIP)	To establish Quality Management System (QMS) at the vendor end to control process rejections and improve the quality management skills of suppliers.
Service Instructor Quality Program (SIQP)	To foster high quality, dedicated service staff and standardize training delivery across the company as per Honda standards. Future trainers are trained to achieve proficiency in training, communication skills and key instructional abilities.
Training of service and dealers Staff	A one-day training program to improve their skills of judging the problem pertaining to a claim to ensure timely and efficient rectification.
Training of service and dealers Staff	A two-day program to understand how to put into practice the quality control techniques and approaches needed in quality assurance activities in manufacturing.

Marketing & After-Sale Service Product & Service Labeling & Marketing Communication

The company strictly adheres to not only the applicable local laws and regulations but also upholds a strong commitment to safety, human rights, environmental stewardship, and ethical standards in the presentation and communication of its product information. Product labeling is a critical element



of the Company's marketing strategy, serving both to support promotional efforts and to provide users with comprehensive and accurate instructions. To ensure clear communication of product details, each customer is provided with an Owner's Manual upon purchase, which includes operational guidelines, safety protocols, maintenance recommendations, and information on model-specific features. Although the disclosure of auto parts sourcing and related details is not legally required, the Company has opted not to release such information. Upon delivery, customers are provided with detailed explanations of the product's technical features through interactive demonstrations. Moreover, the Company has maintained full compliance with all relevant regulations and voluntary codes governing product and service labeling and marketing communications with no instances of non-compliance.

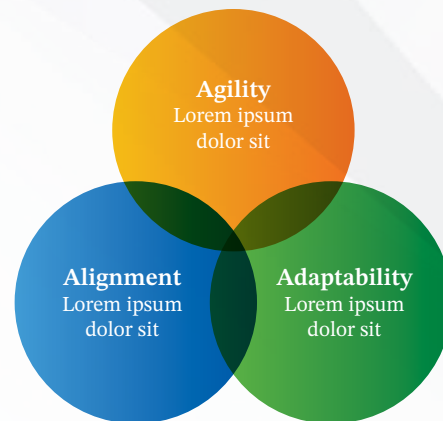
Management Approach towards Supply Chain Quality Management

Vendor collaboration plays a crucial role in creating value for the Company, and it is essential for achieving our long-term business objectives. The Company recognizes the importance of working closely with our supply chain partners on key



issues such as sustainability, as our supply chain is a reflection of our core values. The Company is committed to engaging with vendors who uphold the same high standards of ethical business practices, environmental sustainability, and social responsibility. In addition, the Company sees significant opportunities to leverage its expertise to support and guide its vendors in enhancing their performance, contributing to shared success in sustainability and responsible business practices.

The Company's supply chain is based on the philosophy of 3As which are:



The Company's Supply Chain department, Commercial & Planning, Quality Assurance, and Logistics, are jointly responsible for guaranteeing long-term supply chain management. In order to maintain sustainability and ongoing progress, the Company focuses on controlling and mitigating vendor risks and maximizing vendor potential. To guarantee that the Company and its business partners are aware of local environmental, health, safety, and labor laws,

as well as legal obligations and worldwide sustainability principles, a variety of company-specific rules and policies have been established. These policies and guidelines allow the Company to go forward with its sustainability goals and ensure that they are met.

As far as it is qualitatively compatible, technically viable, and economically justified, the Company procures most of its essential materials from Pakistan, where its working facilities are located. Except for certain raw materials and parts that are not readily available in Pakistan, all raw materials and parts are sourced locally.

Vendor Induction and Communication

Vendor Selection

The Company's vendor selection and approval procedure is based on a set of criteria that includes not only their capacity to deliver high-quality parts at reasonable rates, but also their commitment to environmental values. Key factor in our decision making is the vendor's commitment to environmental responsibility and sustainable practices. The Company also seeks out and collaborates with businesses who have procurement and production standards that are similar to or identical to its own. All vendors are required to acknowledge and sign the Company's Vendor Policy and Vendor CSR Guidelines, ensuring a shared commitment to responsible business practices.

In line with the Company's selection criteria, all new vendors are screened and inducted only if they comply with sustainability principles detailed in 'environmental and social performance' section.

Vendor Diversity

A diverse vendor base is a key driver of the Company's growth and long-term success. To uphold our commitment to providing the best mobility solutions, the Company is dedicated to fostering partnerships with businesses that align with our sustainability and ethical values. Through a range of opportunities and initiatives, we support vendors from diverse backgrounds, helping them thrive and become sustainable, long-term contributors to our supply chain. By cultivating these mutually beneficial relationships, the Company ensures that it meets the evolving demands and expectations of its consumers while promoting inclusive growth and responsible business practices.

Business to Business Communication Portal

Establishing good and lasting relationships with the Company's vendors requires open and transparent communication as well as fair and consistent behavior. The Company has made available various forums for engagement at different levels, including regional vendor meetings, business unit reviews, quarterly business update calls and participation in events organized by vendors and industry associations. Furthermore, a Business to Business link has been established, allowing the Company's Supply Chain Department and vendors to communicate with each other without delay.



Parts Quality

To maintain customer trust, the Company places a strong emphasis on quality across its entire supply chain. To support this commitment, all vendors are required to establish and maintain a robust quality assurance system. In alignment with the Company's objective of sourcing inspection-free components, vendors are expected to ensure that all delivered parts consistently conform to design specifications and technical drawings throughout their manufacturing processes. To attain these quality goals, the following steps were taken:

Vendor Improvement Program

Through various initiatives, including the Company's vendor improvement program (VIP) launched a few years ago, AHL actively supports its vendors in improving both quality and operational performance. This program specifically targets six key areas, which are outlined below:

Certificates are awarded to vendors at the time of completion of the program. Further, they are reviewed and audited each year for recertification. A dedicated team, comprising employees from the Company's Supply Chain and Quality Assurance departments, ensures continuous follow-up. This team plays a vital role in maintaining ongoing engagement with our vendors, ensuring alignment with our CSR objectives and fostering a commitment to sustainability, quality, and ethical business practices throughout our supply chain. This year, 20 vendors were analyzed and assessed under this Program.



Vendor Development

The Company actively encourages its vendors to invest in enhancing their facilities, expanding manufacturing capacity, and adopting new technologies. This strategy ensures that the Company vendors are well-equipped to meet business demands while also achieving a strong return on their investments. By supporting such growth, the Company fosters a resilient and innovative supply chain that contributes to our mutual success.

On-site visits to Company's vendors assist in the identification of production bottlenecks and the formulation of process improvement strategies. The Company assures timely implementation of recommended actions through formal feedback and follow-up visits, resulting in improved engineering skills and job possibilities.