



The best today,
for a better tomorrow



Sustainability Report 2014

**The best today,
for a better tomorrow**



A green-tinted image of a motorcycle side mirror. The mirror is the central focus, with a black frame and a clear lens. Inside the lens, there is a paragraph of text. The background is a solid green color, and the bottom of the image transitions to white.

Reflecting upon our success as the leading motorcycle manufacturer in Pakistan today, we take forward the same dedication and effort that brought us here. For Atlas Honda, true success comes from brightening the lives of all those we interact with, from our consumers and shareholders, to the environment itself. With a promising today, we seek to fulfill the promise of a better tomorrow.

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Sustainability Report

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Introduction

Progressing responsibly is one of the most important dimensions of what Atlas Honda Limited (the Company) stands for. It drives how the Company conducts its business every day ensuring environmental stewardship, attracting and developing the best work force, adhering to the highest ethical standards and building safer, stronger communities.

This third Sustainability Report of Atlas Honda Limited contains the snapshot of some of the many ways the Company is working on for creating a sustainable future. It describes the challenges the Company faces, the strategic approaches it uses to address them and progress towards meeting its goals. The sections of this report reflect the Company's pillars of Corporate Social Responsibility (CSR) viz Environment, Vendors, Customers, People, Society and Governance. Within these key areas, the Company presents distinguished sustainability initiatives as a means to focus the most critical CSR challenges today, for Atlas Honda as a leading two wheeler company and for its stakeholders. The Company firmly believes that it can continue to grow only when it maintains its stakeholders' full trust and collaboration.

About this Report

The Atlas Honda Corporate Sustainability Report for the financial year 2014 describes how the Company addresses economic, environmental & social challenges and opportunities to contribute for sustainable future. This being the third reporting year, the Company aims to present its work in an objective, transparent and informative manner for a wide range of stakeholders. The Company recognizes that there are challenges ahead to serve the country's needs for quality vehicles in two-wheeler category. It requires deeper engagement and collaboration with its suppliers, customers and partners to create shared solutions for sustainability challenges.

Atlas Honda Limited believes that its Sustainability Report is an efficient channel for providing information about its practices based on its business model, environment and operational context. By conducting interviews with internal and external stakeholders and analysis of local trends and challenges, the Company has identified the issues of significant material impact that it needs to address, and accordingly, reported on them.

Reporting Period, Scope and Boundaries

This report covers the Company's sustainability performance for the financial year 2014, which started from April 1, 2013 to March 31, 2014. The content in this report covers all business units over which the Company exercises financial control. This aligns the Company's sustainability reporting boundary with its financial reporting.

The data presented in the Sustainability section was generated by the Company's Environmental, Health, Safety & Security (EHSS), Manufacturing & HR teams. The results were reported to the management and a briefing was held for managers of related departments. The contents of this report were reviewed by the management and then duly approved by the Board of Directors. The report is circulated to the shareholders and published on website: www.atlashonda.com.pk.

The data presented in the Sustainability Report was reviewed and verified using an independent evaluation process defined by United Registrar of Systems who also performed an overall assurance in line with the international sustainability assurance protocols such as ISAE 3000. The data collection and management systems developed for this report will serve as the foundation for an increasingly robust reporting framework in the years to come.

Reporting Frameworks

For reporting to be as useful as possible for managers, executives, analysts, shareholders and stakeholders, a unified standard that allows reports to be quickly assessed, fairly judged and simply compared is a critical asset. Therefore, the Company has adopted the most widely used framework which is the Global Reporting Initiative (GRI) G3.1 and has based its Sustainability Report on these guidelines. The full GRI Index is available at the end of this report and includes references to where the information may be found.

Internal Quality Assurance

The Company's information systems ensure consistent and reliable data collection and aggregation from all of its functions. The Company also conducts corporate and business level Quality Assurance / Quality Control reviews and validation to evaluate the accuracy and reliability of data.

Restatements and Additions

There are no restatements from any of the previous Corporate Sustainability Reports of Atlas Honda Limited. Some of the initiatives on the social investments of the Company have recurring operations and each year similar kind of activities are repeated with different group of stakeholders. Similarly, some of the initiatives of Atlas Honda are specifically focused on certain stakeholders and new interventions were designed in the reporting period. In all such cases, the current report does include some of the recurring topics without restatement of the CSR performance.

Through the Company's reporting process, it seeks to move beyond compliance and enter into an inclusive and meaningful dialogue with its stakeholders, with the aim of informing the Company's strategy and building trust. The Company values feedbacks and welcomes questions and comments on its reporting, which can be provided at: ahl.suggestions@atlashonda.com.pk

CEO Message on Sustainability

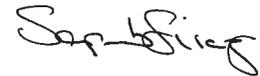
“Businesses should embrace sustainability not as a marketing tool but as an opportunity to redefine the operational boundaries and providing competitive advantage.”

Today's world is in a process of constant change. Quantum leaps in the fields of science, communication and technology have made the world a much smaller place than it actually is and has brought numerous conveniences to our daily lives. However, this progress has some adverse effects on our surroundings, which if left unaddressed, will be detrimental to the future generations.

At Atlas Honda, we believe that businesses have both an opportunity and an obligation to make the world a better place. Over the years, this belief has become an integral part of our fundamental operating philosophy “THE ATLAS WAY” and has thereby motivated us to set high standards for sustainability. We view success as a combination of financial returns on our investments and sustainable value of our products. This strategy has continued to evolve to the extent that we are now harnessing the power of innovation to manage risks, create opportunities and meet our sustainability goals, thereby, adding value to businesses and products.

The efforts detailed in this report reaffirm our commitment to the protection of environment, safety of customers, satisfaction of employees, growth of business associates and development of host communities. We uphold our commitment and take pride in our culture of sustainable values. I am pleased to report that the Company has successfully achieved most of its sustainability targets that were set at the start of the year.

We are constantly integrating more sustainable ways of working across our business operations. While this propels us forward, we recognize that Atlas Honda Limited is well positioned to drive positive change across its entire value chain, within industry and beyond. We anticipate that initiatives undertaken by the Company will help set an example for others to emulate. I would like to specifically mention the contributions of our global partner, Honda Motor Company Limited, Japan. Their proactive participation and constant guidance has always been a source of inspiration and we appreciate their support.



Saquib H. Shirazi
Chief Executive Officer

Karachi: April 30, 2014

Stakeholders Engagement

Embedding sustainability has consciously evolved through a systemic engagement with stakeholders. We define stakeholders as those who are potentially affected by our operations or who have an interest in or influence what we do. Our range of stakeholders includes Employees, Customers, Suppliers, Investors, non-governmental organizations, governmental institutions, analysts, media, education & research institutes and Society at large. It is crucial for us to engage with these groups to understand their expectations and concerns.

The Company has deepened its relationship with stakeholders through considering their interest and engaging them by following methods:

| | Stakeholder Group | Interest and Expectations | Engagement methods | How we respond to Stakeholders' Expectations |
|--|--|---|--|---|
| Environment | Communities and environment protection agencies. | Establish a truly sustainable framework of doing business, implement policies & procedures that are eco-friendly. | Ongoing <ul style="list-style-type: none"> External Environmental Audits and Impact Assessments. Meetings, partnerships and collaborations through relevant bodies. | <ul style="list-style-type: none"> Support initiatives for reducing energy consumption, disclosing and managing carbon emissions and other environment protection measures. |
| | Customers | | | |
| Customers | Final consumers of the company's products. | Product excellence through performance and product quality, cost and delivery, prompt after sales service. | Ongoing <ul style="list-style-type: none"> Regular communications through: sales, service and warranty centers, conferences and exhibitions, customer events and seminars. Dedicated customer care section on company's website. | <ul style="list-style-type: none"> Produce high quality products. Ensure reliable product supply. |
| | Media | | | |
| | Includes representatives from print, online broadcast and Social media. | A broad range of issues reflecting all stakeholder interests. | Ongoing <ul style="list-style-type: none"> Media releases, briefings, presentations, Facebook page and interviews. | <ul style="list-style-type: none"> Develop robust relationship with the media. Share information to deepen understanding of the Company's business. |
| | Dealers | | | |
| | Distributors of the Company's Product. Their business provides the basis for our continued growth. | Open and transparent business opportunities Return on Investment. | Ongoing <ul style="list-style-type: none"> B2B Links connecting dealers to the Company. Dealers training and continuing education programs. Annual <ul style="list-style-type: none"> Dealers' Convention. | Nurture and protect these partnerships so as to learn from and support each other to achieve mutually beneficial results. |
| Vendors | Includes businesses that provides key manufacturing support. | <ul style="list-style-type: none"> Shared development and supply chain sustainability. Fair and reasonable contract terms and on time payment. | Ongoing <ul style="list-style-type: none"> Multiple Audits and sites visits to ensure their development and enhance their quality. B2B Portal for vendors. Annual <ul style="list-style-type: none"> Vendor Conventions and Vendor Excellence Awards (ALA MAYAR.) | <ul style="list-style-type: none"> An opportunity to compete for business on the basis of clear and transparent procedures and evaluation criteria. Mutually beneficial relationships in which all parties integrate their talents, resources and efforts to exceed expectations. |
| People | Core asset who implement every strategic and operational decision of the management. | Fair remuneration and benefits, personal development, training, health and safety of workforce. Clarity about their roles and responsibilities, goals, performance management and development. | Ongoing <ul style="list-style-type: none"> Open and continuous communication through immediate supervisors, management and intranet. Employee newsletters and general communications. Channel of Whistle blowing. Training and development programs. Bi-annual <ul style="list-style-type: none"> Appraisal discussions regarding performance and evaluation. | <ul style="list-style-type: none"> Provide benchmarked competitive remuneration and benefits packages. Enforce stringent safety measures. Provide ongoing training and education options. Encourage open communication between employees and managers. |
| Society | Local Community and Neighbourhood. | Employment and business creation, support for social infrastructure and programs and improved environmental performance. | Ongoing <ul style="list-style-type: none"> Seminars and awareness campaign for social issues including road safety, healthy livelihood, educations and welfare. Internships, management trainee programs and factory visits. | <ul style="list-style-type: none"> Undertake community development programmes in key areas of need. Support various capability and skills development initiatives. |
| Governance | Stakeholder Group | | | |
| | Individuals, corporate, other organizations that have invested capital in the Company. | Sustained returns on investment through strategic and organic growth, sound risk management and exemplary governance practices. | Ongoing <ul style="list-style-type: none"> Dedicated page for investors on the Company's website. Notices, circulars and announcements. Annual: <ul style="list-style-type: none"> Annual General Meeting. Interim and annual reports. | <ul style="list-style-type: none"> Strong leadership who provide strategic direction and who lead by example. Focus on good corporate governance and ethics. |
| | Governments and regulators | | | |
| | Includes governments and regulatory authorities at Federal and Provincial levels and Stock Exchange. | Compliance to laws and regulatory requirements and adhere to policies and guidelines. | Ongoing <ul style="list-style-type: none"> Filing of statutory forms, returns, assessments and other information's as per applicable regulations. Participation in government initiatives and policy working groups. | <ul style="list-style-type: none"> Comply with and report transparently on existing regulations. Contribute to the economy by paying taxes and royalties as well as creating jobs. |
| | Industry association and representative bodies | | | |
| Includes auto sector specific association and various business councils. | Compliance to all regulations and playing constructive role in protecting the interest of members of associations and representative bodies. | Ongoing <ul style="list-style-type: none"> Representation in activities of local trade and industry associations, meetings, visits and training programs etc. Providing periodical operational data. | <ul style="list-style-type: none"> Constructive participation in key business and industry initiatives within the constraints of legal frameworks and requirements. | |
| Analyst | | | | |
| | Includes debt and equity analysts, socially responsible investment analysts and corporate governance analysts. | Analysts assess the financial performance of the Company. Increasingly, non-financial performance is also of interest, including corporate governance and sustainability. | Ongoing <ul style="list-style-type: none"> Notices circulars, announcements and news releases. Interim, Annual and Sustainability Reports. | <ul style="list-style-type: none"> Respond promptly to queries. Share information to deepen understanding of the Company's business. |

Approach to Sustainability

The Company's sustainability framework represents its identified stakeholders (see Stakeholders' engagement) and efforts undertaken for creating sustainable value for their development. It is a reflection of the Company's philosophy of Corporate Social Responsibility and focuses on the following six key areas:

- | | |
|----------------|---------------|
| a) Environment | d) People |
| b) Customers | e) Society |
| c) Vendors | f) Governance |

The Company's framework is a product of the Atlas Group's fundamental business doctrine, the "ATLAS WAY". It comprises of the principles of "ATLAS CULTURE" and "ATLAS SYSTEMS". This is a set of rules and procedures which have sustained the test of time and has proved to be at the heart of the Company's success.

The principles of the **Atlas Way** cover all departments, operations, activities and aspects of our business and provide ideal guidelines for their progressive development. The ultimate goal is to obtain excellence in our operations and quality in our products without compromising the protection of environment and interests of society at large. The **Atlas Way** teaches us to pursue operational and financial results while maintaining environmental quality and social responsibility.

In recent years, Global Reporting Initiative (GRI) has issued certain guidelines that have emerged as the internationally recognized standards on sustainability. Accordingly, the Company also ensures the compliance with these Guidelines through application of its framework in order to adhere with best practices. These guidelines organize aspects of sustainable performance into following three categories:

- Economic
- Environmental
- Social

The procedures adopted in the **Atlas Culture** and the **Atlas Systems** completely align the Company's six areas of sustainability framework with the three performance categories given in the GRI guidelines.

The Company's sustainability framework defines the way we do business and is supported by a suite of policies, guidance, values and management tools. It commits the Company to consider and take responsibility for the longer term economic, social and environmental implications of its decisions and to work in partnership with stakeholders across the automotive value chain to maximize positive impacts. The following diagram summarizes the Company's framework and approach to sustainability:

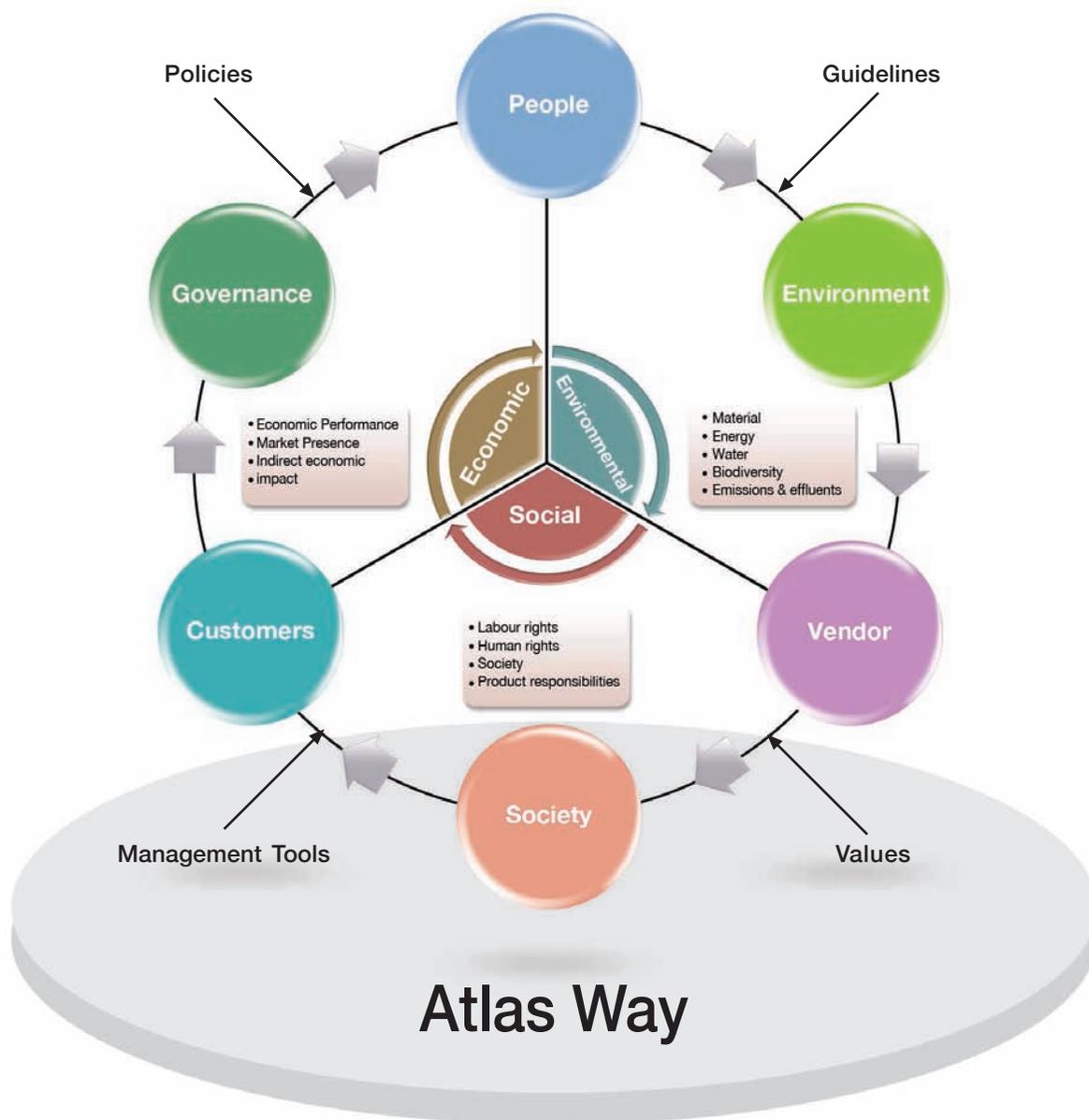
Atlas Culture

- Corporate governance.
- Respect, recognition and reward.
- Value of time.
- Recruitment and career advancement based on integrity, merit, experience and skills.
- Education and training of staff and descendants.
- Self reliance.
- Leading by example.
- Humility and excellence.
- Living within one's means, saving for the future and donating for good cause.
- To be happy and healthy.

شائین کا جہاں اور
(We Look Beyond Horizons)

Atlas Systems

- Management by Objectives (MBO) to align activities towards agreed company goals.
- Implementing 7S vision (Strategy, Structure, System, Style, Staff, Skills and Shared values) for the company.
- Inducting and retaining competent and skilled staff - right man for the right job.
- Using BCG model for strategic direction.
- Creating values through implementations of internal controls (SOPs and policy manuals).
- Management development to produce performers, organization builders and strategists.
- Active participation in management meetings for continuous performance improvements.
- Ensuring accuracy and control of information / data through efficient MIS.
- Judicious sharing of profitability between employee bonuses, dividend payout and profit retention.



Management Approach Disclosures

Based on the Company's sustainability framework, management has formed the following approaches for each of the aforementioned performance category:

Economic

- Sharing of generated wealth with all stakeholders.
- Ensuring adequate remunerations, rewards and retirement benefits for staff.
- Assessing financial implications arising from change in technology, threats from new entrants, minimum environmental standards etc.
- Timely deposit of taxes / duties / levies with respective government authorities.
- Increase dealer presence through improvement in coverage.
- Assisting vendors in improving quality.
- Evaluating implications of major threats and devise counter measures.

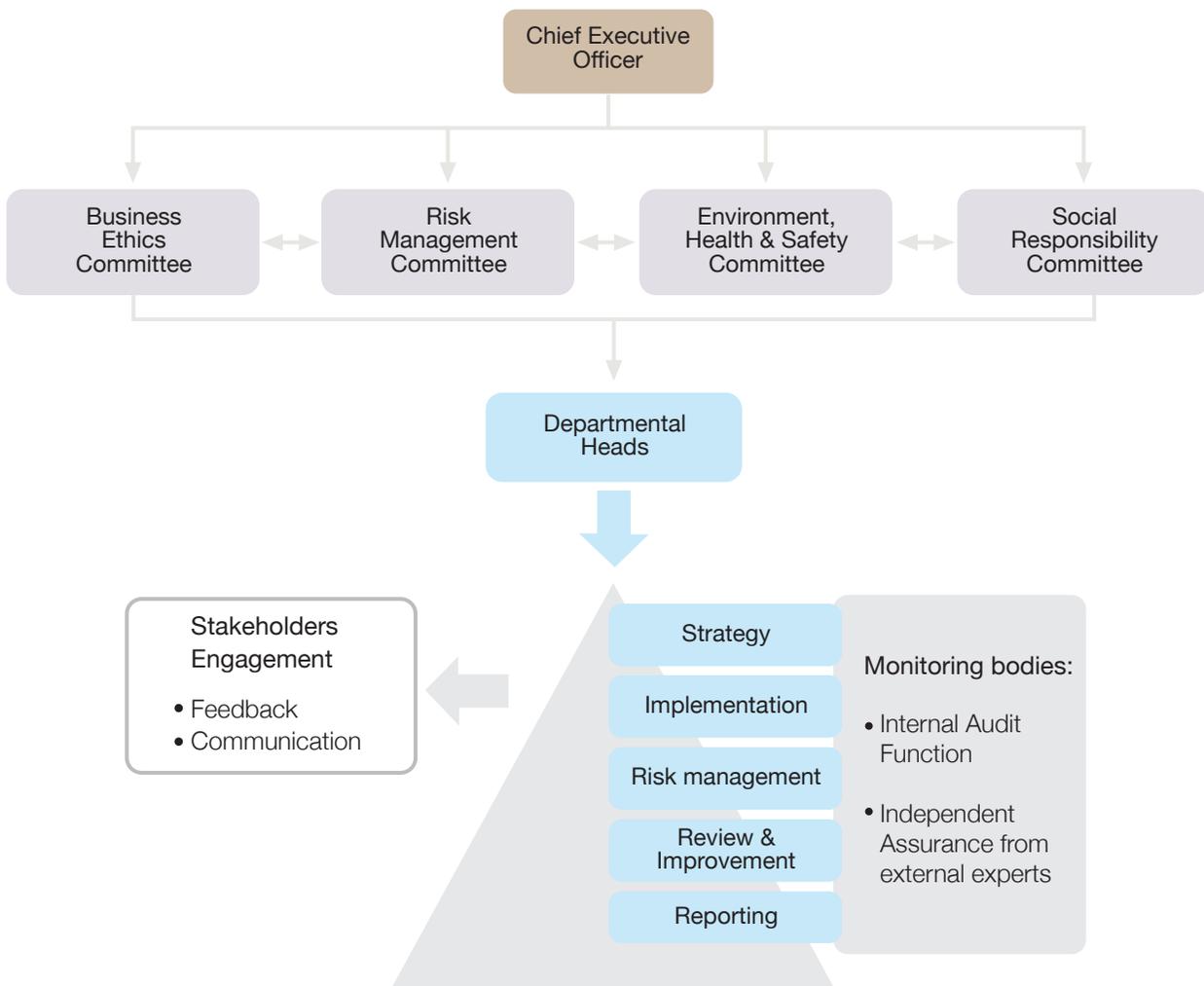
Environmental

- Following the principle of four R's (Reduce, Reuse, Recycle and Responsible Disposal).
- Ensuring strict compliance with environmental standards.
- Reduction of carbon footprint and exhaust emissions from operations.
- Implementing Green policies on all locations, including business partners.
- Improving awareness for protecting the environment through continuous training and development programs.

Social

- Ensuring equal opportunity employer-ship.
- Updating human resource policies and practices in accordance with the best practices.
- Strict adherence with employee safety and labour laws.
- Implementing policies that counter corruption and fraudulent activities.
- Training employees in modern health and safety standards.
- Focusing on education and development of local communities.
- Ensuring compliance with human rights initiatives.
- Striving to make safer products and ensuring safety training of customers.

Sustainability Governance



The Chief Executive Officer (CEO) is responsible for reporting the Company's performance on sustainability to the Board of Directors. CEO is supported by four functional committees that facilitate him in performance of his duties. These committees meet frequently and ensure implementation of sustainability framework in various aspects of the Company's operations.

The implementation of the framework is ensured by various departmental heads who report the activities and progress to these committees. Input is also acquired from associated third parties through the Company's processes of stakeholders engagement. The implementation of sustainability framework is frequently monitored by Internal Audit Function and annual assurance is also obtained from an independent expert before reporting of results to stakeholders.



Environment

Atlas Honda believes that the long-term viability of companies will depend on their ability to successfully operate in a world of finite natural resources. The Company is therefore working to measure and reduce the direct and indirect impacts caused by its operations and vehicles, aiming to protect natural resources, reduce risk, spur competitive advantage, and help drive innovation.

Our Commitment

The Company will run efficient operations which consume less energy and fuel, produce less waste and reduce any negative impact of its business activities on the environment.

Our Performance

- Initiated an exercise with vendors to reduce CO₂ emissions from their processes, products and premises.
- Initiated “Resource Refill” project, aiming to reuse rain water.

Our Direction

The Company is focused to reduce its environmental impact by utilizing alternate source of energy. In this regard, Waste Heat Project will be implemented in the coming years.

As a responsible corporate citizen, Atlas Honda Limited is dedicated to protect human health, natural resources and the global environment. This dedication reaches further than compliance with the law to encompass the integration of sound environmental practices into our business decisions.

The Environmental Policy provides guidance to the Company’s associates in the conduct of their daily business practices.

The Company clearly defines and implements effective environmental protection strategies and targets to minimize the impact of its business components in the following aspects:

Material

The major raw materials used in vehicle manufacturing are steel, coils, ferrous and non-ferrous castings, paints and thinners. The Company sources a large number of finished components used in assembly operations from various suppliers. The Company strives for material optimization, efforts for which starts at model development stage. The material usage is periodically reviewed at the manufacturing stage and various initiatives are undertaken to further reduce

material use through reuse and re-engineering

Energy

Continuous reductions in energy requirements as well as a strategy of producing its energy or drawing energy from local renewable sources will increase autonomy and ensure continuity of supply for the Company. As a result, the probability of production lines being affected by energy bottlenecks decreases.

Water

Water conservation is an integral part in environment management system of Atlas Honda Limited. The Company recognizes the global, social and economic challenges forced by water scarcity. Pakistan is now a water-scarce country at 1200 m³ per capita per year and depends heavily on annual glacier melts and monsoon rains. Being a leader in its industry, the Company took initiatives to systematically recycle and reuses water to ensure minimum water discharge. Water audit is conducted on daily basis in plants. The key considerations of the water audit include:

- Monitor the installed water meters at important water use points.
- Re-use / recycling process maintenance.
- Use of water-saving devices in toilets, shower-heads and faucets.
- Spreading awareness among the employees.
- Re-use of cooling water.
- Re-use of effluent. ISO (14001:2004) audit concluded that the effluent discharges are viably suitable for irrigation applications.

Biodiversity

Both manufacturing plants are located in industrial areas, away from the protected areas with low biodiversity value. Nevertheless, the Company recognizes the importance of biodiversity for human survival and ensures that its operations do not affect the biodiversity. The protection and ecological use is beneficial for all kinds of living nature and biodiversity. The Company makes continuous efforts to minimize the harmful impact of discharges and ensures safe disposal of emissions.

Environment

Customer

People

Society

Governance

Vendor

Environmental Policy

| | |
|-------------------------------|---|
| Reduce and prevent | Reduce and prevent the generation of waste and pollution in our production system. |
| Promote energy conservation | Establish management program to promote energy conservation and reduce waste. |
| Compliance | Comply with requirements of environmental legislation and local regulations as a responsible corporate citizen. |
| Promote protection knowledge | Promote relevant environmental protection knowledge and activities through education and training. |
| Extend improvement activities | Initiate and extend environmental improvement activities from the Company itself to its business partners including parts manufacturers, general suppliers and dealers. |

Undertaking efforts towards conservation of bio diversity, in November 2013, the Company participated in WWF's Tree-a-Thon campaign. In this activity, 100 seedlings were planted in an attempt to maintain the green eco system.

Gaseous Emissions, Effluents and Solid Waste

The Company is aware of the Green House Gas emissions, which results in global climate change. Therefore, energy reduction initiatives have been taken to lower down the direct and indirect GHG discharge from its operations. Accordingly, carbon footprint analysis has been taken periodically. Waste material is disposed off through legitimate contractors at certified waste disposal facilities. Waste water treatment plants are in place to treat used water before draining out of the Company's premises.

The Company operations, its products, vehicles, raw materials, machines and equipment does not produce any ozone depleting object. Whilst some like fire extinguisher and some other machines and refrigerant may have these emissions but these are minimal. A major part of emissions includes carbon dioxide, nitrous oxide and methane from combustion but these are not in the list of ozone depletion objects.

Product and Services

To improve both the environmental and economic performance, Atlas Honda Limited took an initiative to opt for green supply chain management practices. The Company also played its role in reducing the environmental risks and impacts through improved ecological efficiency in all of its departments and business partners. Euro II compliant models of the Company exemplify such initiatives.

Environmental Management System

The Company has established and maintained a strong environmental management system (EMS). This system helps the Company in monitoring, analyzing and reassessing the manufacturing facilities and operations in realizing targeted results consistent with environmental leadership. ISO 14001:2004 certification has also been granted to the Company in appreciation of its effective EMS.

Compliance of Environmental Legislation

The Company is committed to comply with environmental legislations applicable to all of its Company's products and operations. It maintains a system which identifies prevailing and new applicable environmental legislation and includes them to the audit checklists of respective departments as a guideline and for periodic review.

Environmental Audit

A detailed internal audit on energy, water and effluents was performed to add value and to secure the environment more

accurately. Internal Environmental Audit is conducted on manufacturing plants semi annually in addition to surprised audits randomly to scrutinize environmental impact and risk assessment of all new proposed projects. Recent manufacturing products and services ensure that adequate measures are being implemented to protect environment and preserve biodiversity of the plants and area around the plants. We use the results to transform techniques, attitudes and understanding of employees and to invest in more energy efficient capital equipment. The Company's external audit on its environmental activities is conducted annually by an external body SGS.

Environmental Impact Assessment

The Company is committed to reduce environmental impact of its business activities and carbon footprint by ensuring the safe stewardship of its products and helping to grow its suppliers and customers by providing them with sustainable solutions. Main focus areas are reduction of CO₂ emission, management of hazardous substances and activities to support recycle-oriented society.

Preventing Global Warming

The Company believes that investment in environment friendly techniques yields long term benefits as it fulfils the needs of environmentally conscious customers. Accordingly, the manufacturing facilities of the Company has been designed using eco-friendly construction materials and principles of design and technology selection have been made to reduce energy consumption by applying green manufacturing principles. We are into recycling, reusing and reducing use of energy that is the major source of CO₂ emission for the companies. We encourage suppliers to use minimal paper packaging for the material instead of plastic packaging that helps to prevent global warming. At Company's plant, energy savers are used instead of bulbs that help reduce around 15% of carbon dioxide annually.

We are confident that these measures have led to better pollution control, reduced maintenance time and cost, improved hygienic condition and consistency in quality and improved productivity.

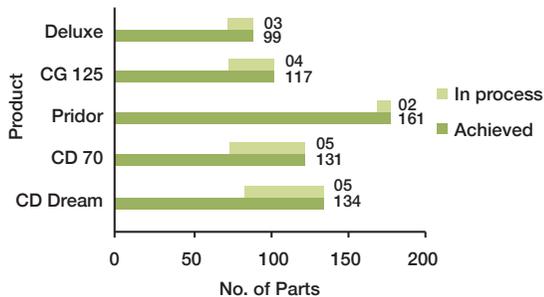
Atlas Honda Limited is now able to address the climate-related risks and opportunities affecting its business and working closely with its partners for developing a low carbon economy.

Green Procurement

- Suppliers celebrated Green Day for plantation in their factory premises in order to develop environmental friendly trend among their teams.
- Another Supplier shifted towards energy efficient lights from mercury lights. This transformation into new technology will reduce CO₂ emission by 0.72 (Gentani).
- At few suppliers, inverters were installed at Power Presses that resulted in significant reduction of energy consumption by 39.54 MW/ hour.

- Vendors are being encouraged to use environmental friendly materials for their production. In this regard, Company has shifted 64% of its parts from hexavalent materials to tetravalent materials for plating.

Hexavalent to Tetravalent Plating Conversion

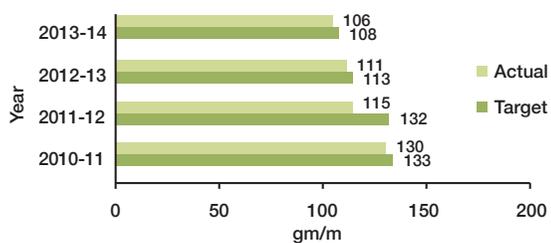


Green Factories

VOC Elimination

Volatile Organic Compounds (VOC) are a group of carbon based chemicals that readily evaporates at room temperature from hazardous products usage and storage. To protect its workers from VOC modifications in buildings have been made and new air treatment systems have been installed. This year VOC emissions are reduced from 111 gm/m to 105.95 gm/m, thereby, reducing the exposure of relative workers by 50%.

VOC Elimination Reduction



Fuel Conservation

To optimize fuel consumption of furnaces and oven, Fuel Gas Analyzer and Gas Flow Meters are used to accurately monitor the fuel consumption and efficient tuning of burners. Before installation, burner setting was performed based on visual judgment of flame, where it can never be ensured that burning is efficient as well as emissions are within range. An annual monitoring was being done by contractor but periodic checks were not possible without Fuel Gas Analyzer. The expected outcome of this action is reduction of CO₂ to 390 ton per year and energy saving of 7,500 GJ per year.

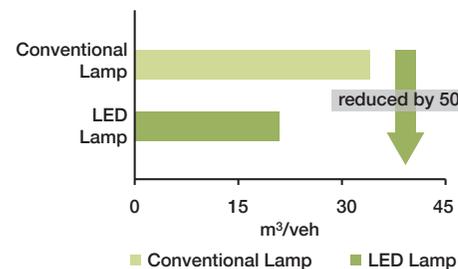
Energy Saving

- In order to avoid high consumption of electricity due to excessive ventilation and manual operation of inlet and outlet Pump, the Company has installed VFD at Air Blower Motor and Level Switches at Inlet and Outlet Tank. As a result, actual DO value is reduced to 1.8mg/l from 6.5 mg/l, resulting in energy efficiency of 447 GJ/yr and CO₂ 57.37 ton/yr.

- Energy analyzers are being installed at various consumption points to monitor electricity consumption of individual areas. It will help in better control of energy consumption at the plant. Energy analyzers are installed to identify and control the energy usage and reduced energy losses. By the use of these analyzers, the Company is able to achieve 5 to 10% energy cost reduction.

- The Company replaced inductive ballast fluorescent fixtures with more efficient electronic ballast fixtures. This change reduced the wattage of the fluorescent fixtures to 115 KW. CO₂ emissions were reduced by 1.06 kg per unit of vehicle produced.

Energy Saving



- The Company improved forklift operational efficiency by optimizing routing and reducing operating time by 650 hours per year.

Energy Consumption & CO₂ Emission Trend

| | Year | 2012 | 2013 | 2014 |
|--------------------------|---------|-------|-------|-------|
| Energy Consumed | GJ/Unit | 0.53 | 0.59 | 0.59 |
| CO ₂ Emission | Kg/Unit | 40.60 | 40.70 | 38.17 |

Leakage Prevention

To counter the persistent energy crisis and increasing prices of energy, the Company strategically took measures to reduce the energy consumption, through load management, leakage surveys of air and natural gas. The Company is working on the design change of chip conveyer and replacing motors to avoid cutting oil flow leakage via efficient pumps. By taking necessary measures, the Company will be able to acquire energy efficiency of 0.6 GJ/yr, CO₂ 1.977 ton/yr and cost saving of 98,000 Rs./yr. The Company is also working on recycling tank of cutting oil with electrical pump and filter for cutting oil re-use. This will save Rs. 2.6 million per year.

Reallocation of Resources

The Company eliminated the need of standby generator at manufacturing power house. For this purpose, a power link is established by connecting engine plant power house and manufacturing power house. It results in CO₂ emission reduction by 16 ton per year and energy saving of 1604 GJ per year.

Recycling, Reusing, Reducing and Responsible Disposal

The environment policy of the Company promotes energy conservation, by four R's (Reduce, Reuse and Recycle and responsible disposal), green procurement, environment friendly mobility and environment consciousness among its direct stakeholders. Compliance with all environmental regulations is mandatory. The Company has undertaken following initiatives:

1. Previously, packing material was being scraped, that resulted in additional solid waste. The Company have started reuse such material to make packing for inter-plant and out-plant logistics.
2. Suppliers are encouraged to use recycled and reused packaging material for component supplies. The Company has made packing material an integral part of the new component approval procedure to ensure non usage or minimal use of polythene and cardboard that cause damage to ozone layer.
3. Through rainwater harvesting, that is the Resource Refill project, wasted water is being used through water recharge well.
4. Scrapped Dies and Jigs are repaired to enhance their lives effectively.
5. The Company is shifting towards paperless environment to enhance its document accessibility and reduction in

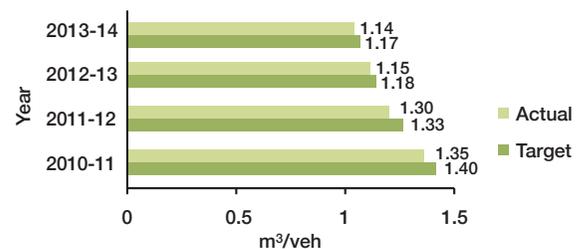
cost of printing, handling, distribution and personnel.

6. The Company minimizes its water consumption by using recycled water from the RO system in lavatory faucets. City water use was reduced by 72 cubic meters daily through this implementation. In addition, the Company recycled its treated waste water for garden and landscape irrigation. A total of 37,800 cubic meters of treated wastewater was prevented from being discharged outside of the facility.



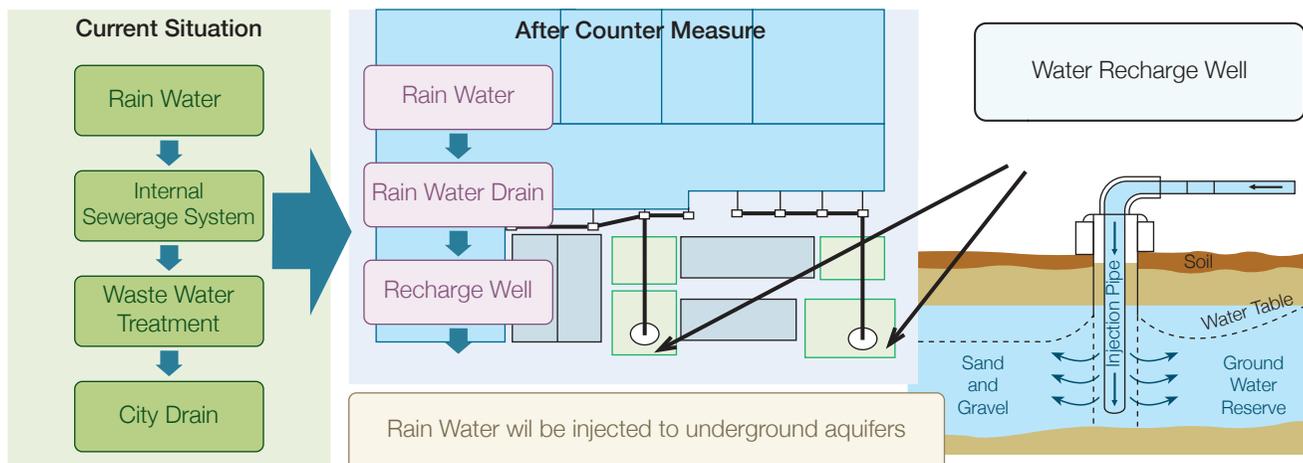
RO System at Sheikhpura Plant

Water Consumption Reduction



The Resource Refill

The Company has taken initiatives towards rain harvesting that will ensure zero water discharge to city drain by the use of water recharge wells. Currently, rain water goes to city drain through sewerage system of the factory and it poses extra load on sewerage and waste water treatment system. The Company is scheduling the rain water to be routed to ground water recharge well through separate piping. This will replenish ground water reservoir. These wells can be constructed in several areas of the plant. Total potential for water injection is 85,000 m³/year which is much higher than the current water injection of 10,000 m³/year.



The Issue

Carbon Dioxide (CO₂) is one of the GHG that contributes more than 70% in global warming. In this view, Honda Motor Company Limited, Japan (HMJ) has aimed to achieve zero CO₂ emissions by 2020. Given HMJ's philosophy of reducing impacts across the entire product life cycle, different methodologies were initiated not only in HMJ but also in its business partners and their supply chain.

Philosophy of Program

CO₂ is mostly emitted by the burning of long chains of hydrocarbon i.e. Fossil Fuels. Given that the generation of electricity requires a huge amount of such fuel, the global emphasis is to reduce the consumption of electricity at front end, eventually resulting in the lower generation of electricity at back end and consequent reduction in CO₂ emissions. Therefore, "Energy Conservation Caravan" program was initiated, with a primary aim to visit the suppliers and monitor their energy consumptions.

Activity at Atlas Honda Limited

With the cooperation of HMJ and under the supervision of Asian Honda Motor Company Limited, Thailand (AHT), these activities were rolled off at Atlas Honda Limited. A combined team visited Atlas Honda Limited and described the purpose and methodologies of reduction activity. Two suppliers were selected for the trial activity. The working group from AHT and the Company, the Caravan, visited the suppliers' production facilities to examine their processes. To reduce CO₂ emissions and energy losses, production planning is done in a way which optimizes product yield with minimum electricity usage.

The supplier's were guided to gather the electricity consumption data in the manufacturing of sub components of Atlas Honda motorcycles. During these visits the Caravan shared know-how concerning CO₂ visualization.

After the analysis of the energy consumption data, losses were detected and the Caravan advised the suppliers of continuous improvement methods. A plan was also developed to implement the countermeasures and reduction of CO₂ emission.

ATAI Environmental Conference 2013

In November 2013, an Environmental Conference was held in Thailand, organized by AHT where the representatives from the joint ventures and subsidiaries of Honda participated and presented the activity report of CO₂ emission reduction in their companies. Atlas Honda Limited also presented their report. In the conference, future targets were set and tasks were assigned to each participant for the CO₂ reduction activity.

Future Ahead

Moving forward, the Company will continue the CO₂ visualization caravan, expanding to other local suppliers. The Company has selected 37 local suppliers, contributing around 70% of their purchasing in Supply Chain, to implement this activity in the coming year and plans to engage more suppliers in the future.



Caravan Visit to Vendor



Caravan Observing Production Process



ATAI Environmental Conference



Customer

Atlas Honda has always aimed to meet and exceed the expectations of its esteemed customers. This principle applies to all products, sales activities and other associated services offered by Company. It is only this commitment that keeps us close to our customers and considerate of their individual preferences. Moreover, Atlas Honda has continuously made sure that its dealings with its loyal customers are fair, reliable and transparent.

Our Commitment

The Company is committed to provide safe, high quality products and services that will satisfy its customers and earn their trust.

Our Performance

- Comprehensive efforts to increase the technical knowledge of dealers and mechanics to improve their understanding of the product as well as its operation.
- Introduced new models taking into account the needs and desires of customers.

Our Direction

The Company is focused on the following:

- Product quality: Enriching lives through excellent product quality.
- Product Attributes: Provide stylish design, reliability and environmental friendly products.
- Service Level: Maximum customer care by applying 5S strategy.

Atlas culture revolves around a set of core principles. 'Customer satisfaction and education' is one of such principle. We promote a customer driven corporate culture by providing the best quality and impeccable service with all values centered on our customers. At Atlas Honda Limited, we are determined to provide quality products and services to our customers and thoroughly educate them regarding safety and security of the products. Our customers are on the road all over Pakistan and we work hard to continually expand our Dealers' network to allow us to reach a wider,

an increasingly diverse, customer base.

Creating Customer Loyalty

Atlas Honda's business units are focused on improving customer engagement and measuring levels of customer satisfaction to ensure its customer relationships are a continuing source of competitive advantage.

Consumers increasingly want to be engaged in a discussion about how the products they purchase affect themselves, their families and the planet. They are curious about the material makeup of products, how these products are manufactured, where the ingredients originate, and who is affected throughout the supply chain. In turn, we are using the tools available to us—both old and new—to educate and engage consumers about the impacts of the products they buy. In order to rise above the mass of messages, we work on educating our dealers and consumers about healthy and sustainable choices without overwhelming them with data.

Product and supply chain transparency is another important approach to authentically communicate to consumers. Through the web and social media, consumers can engage with information about sustainable products at the level they are comfortable with. We have actively used social media to connect with our existing customers and finding new customers. This forum helped us to understand our customers, their complaints and requirements. Active customer engagement through social media helped in developing new products which surpass customer expectations.

During the year 2013-14, the Company has taken many steps to ensure customer engagement and education, which are listed below.

Customer Engagement Activities

| Activity | Purpose | No. of Participants |
|---|---|---------------------|
| 23 rd March Mega free checkup camp | Customer's centric mega checkup camps were organised on 23 rd March, 2014 throughout Pakistan. Customers were provided with exhaustive checkup, completely free of cost and also received gifts and prizes in celebration of Pakistan Day. | 66,801 |
| Institutional Free Checkup and Test Rides | Free checkup of the Motorcycle condition and test rides were provided at PTCL, CSD, DHL and Traffic Police departments. This generated customer's interest and involvement as well as enhanced loyalty for Honda products. | 3,952 |
| Customer Education in Cities and Towns | To increase customer awareness regarding Honda products and their features. | 41,561 |
| Expo Pakistan 2013 | Stall at the Japan Pavilion of Expo Pakistan 2013, held from 26 th to 29 th September, 2013 at Karachi Expo Centre. This provides an avenue for promotion of the product as well as educating customers. | More than 5,000 |



CSD Free Checkup Camp



14th August Pridor Rally



DHL Free Checkup Camp



Honda Stall at Expo Centre

Engaging and Expanding the Dealer

Atlas Honda Limited aims at expanding its dealer's network along with educating and upgrading its existing dealers. The Company specifically designed various projects for

enhancing the effectiveness and efficiency of its dealers network. During the year 2013-14, the Company has conducted special training sessions for the development and education of the Dealers network for ensuring that quality services are provided to the ultimate consumers. These were:

Dealers Engagement Activities

| Activity | Purpose | No. of Participants |
|---|--|---------------------------|
| Sales Dealers Convention | | 550 |
| Service and Parts Dealers Convention | To provide briefing about new product features, impart product knowledge and training regarding proper usage of product. | 2,400 |
| Marketing Staff Training | | 150 |
| General Mechanics Training | To upskill level of Honda Mechanics, enhance quality of service network and guide them to promote use of Honda Genuine Oil and spare parts. | 5,044 |
| Honda Mechanics Training | | 5,963 |
| Second hand Dealers CD Dream Training | To provide briefing about new product features. | 1,776 |
| Sale, Service Dealers / Successors Training | To upskill level of Honda Mechanics, enhance quality of service network and guide them to promote use of Honda Genuine Oil and spare parts. | 1,230 |
| Warranty Dealers Training | | 549 |
| Team Binding Activities | To create linkage of Service Network with Sales and Parts Dealers. | 1,089 |
| Factory Visit | To educate dealers and create their involvement. | 46 |
| Foreign Sales Scheme | The Company organized foreign trips for dealers to Indonesia and Japan in the months of February and March 2014. During these trips, dealers visited Honda factory in Japan. | Indonesia 110 Japan 70 |



Dealers Trip to Indonesia

Product Quality Assurance

The Company seeks to provide a high level of quality at every stage connected to its vehicles. In line with its philosophy of “Fix Right First Time”, reliability, durability and quality consistency of all parts as well as every motorcycle manufactured is ensured by thorough inspections and checking at pre and post production stages. Warranty control initiatives, after sales service experience and regular quality audits also help maintain the premium quality standards of the Company’s product.

Meeting Customers’ Needs

By analyzing our customers’ needs continuously and improving our products and services accordingly, we work to ensure customer satisfaction and loyalty. During the year 2013-14, one new product CD DREAM was launched in the month of November 2013 and it lived up to Atlas Honda’s name.

Life Cycle Analysis

Life Cycle Assessment (LCA) is a tool that allows the Company to fully analyze and understand the impact that occurs in the life of the product from manufacture to disposal. The Company products are used by more than 5 million people across Pakistan. Although the material used in the products is not of a nature that would cause harm to the customer. However, it recognizes life cycle assessment as a critical tool for understanding the impact of its products and operations on the environment over the life of the product. Using the LCA framework, the Company is working to minimize their impact on environment virtually in every aspect of its business.



Promoting Usage of Genuine Honda Parts

Information and Advertising

All advertising and sales promotion is subject to an inhouse check to ensure that they comply with the applicable laws as well as with Atlas Honda’s standards and codes of conduct. The Company also adheres to industry principles such as the Pakistan advertising sector’s code of ethics.

The Company’s service booklets and operating instructions tell customers how to save fuel and use their vehicles in a safe and responsible manner. The Company also provides additional information online through its website.

Adherence to laws, standards and voluntary codes for communication

The Company is committed to the generally agreed ethical codes for marketing its products. When preparing marketing communication and advertising material, the legislative and regulatory compliance of the content is always checked and confirmed before publication. The Company ensures that advertisements must be clear and simple, using language as close as possible to the one normally used by people communicating with each other.

Fines and Sanctions

There have been no incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship.



Launching Ceremony of CD Dream



DREAMCLUB

HONDA



Atlas Honda's products have always represented highest quality, optimum performance and best service. Over the course of its history, the Company has captured the imagination of the nation by bringing out the most fabulous models. Models, which have not only fulfilled customers' needs but have also set the benchmark of motorcycle manufacturing in the country. These products have inspired and captivated the motorcycle users of Pakistan and gave them a taste of how it is to ride a two wheeler of international standards. Needless to say, many of Atlas Honda's products have ended up being the cultural icons of their times and have managed to elevate the Honda brand name to unprecedented heights.

The drive behind this continuous thrust of new products is our desire to bring the most upgraded innovation to our customers. We are committed to provide them the benefits of the latest two-wheeler technology, visually attractive designs, comfortable seats, updated drive dynamics and the modern safety features available in the industry. Being the market leader, we believe this is not only our business model but also our obligation towards our loyal customer base.

Continuing with this philosophy of innovation, Atlas Honda has launched its latest models collectively known as the Dream Club. Dream Club consists of

two separate motorcycles, one each for 70 CC and 125 CC categories. Both models are launched with the vision of providing customers the best available product in the two most popular CC categories in the country. The 70 CC motorcycle, called CD Dream was launched in November 2013 meanwhile the 125 CC motorcycle, known as CG Dream was launched in of May 2014.

The motorcycles of Dream Club possess a more modernized look and sleeker design. The most recent additions to Atlas Honda's product portfolio come with trendy exteriors and additional parts that provide these motorcycles a fresh visual. The idea was to conceive a product that is modern enough to attract urban and rural markets alike without compromising Honda's known performance standards. With top notch designs in both CC categories available at affordable prices, Dream Club is set to provide a complete riding experience to customers of all segments. While riding Dream Club, you will not just feel a smooth ride at top mileage, but will experience excitement, comfort and confidence unlike ever before. With latest Honda technology and largest dealership network of Pakistan at its disposal, Dream Club is all set to take on the market and propel itself to become customers' Number 1 choice.

*Meri
Dream
Meri Power*





People

People are the real divers of the business performance. Atlas Honda is acutely aware of its responsibilities to its people and believes that it is important to let people know what they really mean to us and how deeply we value them and their contribution.

Our Commitment

In the light of the “Atlas Way”, the Company is committed to create a corporate culture that encourages creativity and autonomy. The Company values its people and is committed to train and develop its employees.

Our Performance

Worked proactively for rewarding, retaining and developing talent, giving special focus to the employees training and development.

Our Direction

Entwine the principles of the “Atlas Way” deeper into Company’s corporate culture to improve workforce productivity and diversity.

The Company sees recruitment of talent and investment in employees as a fundamental part of staying competitive and sustainable. The Company provides interesting opportunities to its employee and offers unique corporate culture which helps in attracting and retaining the best individuals from diverse backgrounds. The Company’s culture provides full opportunities to its employees for utilizing their talents for achieving challenging goals. This makes them the driving force for Atlas Honda’s sustained growth.

Securing Talent for the Future

At Atlas Honda Limited, its associates represent the competitive and creative force behind everything it does. It is the Company’s mission to attract and develop a diverse employee base with the skills and vision to deliver on the Company’s guiding values: “The Atlas Way”. To develop such a pool for future talent, the Company has developed a “Management Trainee” program. During the year, 24 graduates in engineering, IT and business studies from reputed universities joined the program and demonstrated outstanding technical and personal abilities. This recruitment tool provided the Company with a way to identify individuals with potential for graduate-level entry into the specialized areas of operations. Accordingly, 20 such grads were put on a fast track to an outstanding career.

Providing Competitive Remuneration

Delivering strategic objectives successfully is dependent on the ability to attract, develop, empower and retain high-performing, value driven employees with the right skills and experience. The Company’s remuneration approach is aimed at achieving the above objective. The remuneration system is gender neutral and there were no discernible differences between the base salaries of women and men, thus, reflecting fair reward for all. Further keeping itself abreast with the latest salary trends, the Company conducted industry wide remuneration survey during the year.

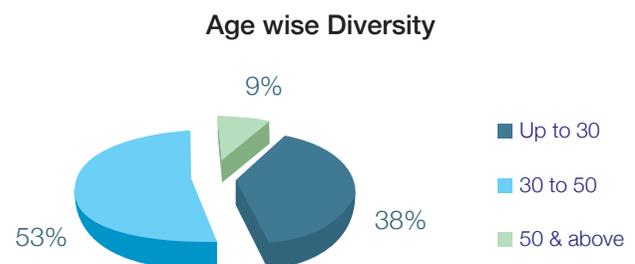
A Strong Employer Brand

Development and career opportunities, combined with an achievement oriented culture makes Atlas Honda Limited very attractive to young graduates. More than 9,000 respondents across the country voted Atlas Honda the “Most Attractive Employer” in the automobile sector. This survey was conducted by ROZEE.PK, a renowned online recruitment platform, with the assistance of YouGov, a leading global opinion pollster based in UK. The purpose of the survey was to analyze the perception of Pakistan’s educated workforce regarding top employers in Pakistan.

Embracing Diversity

Building an inclusive and diverse organization is a business imperative. The Company’s commitment to diversity is also reflected in its efforts to actively recruit and hire employees from different backgrounds, gender, age group, experiences and locations.

The number of employees as at March 31, 2014 was 1,590. Following is the age wise diversity of the workforce:



Further, it is a challenge for the entire automotive industry to attract women in sufficient numbers. The Atlas Group has a long-term ambition to increase the number of women in executive teams, while taking into account all other important diversity parameters.

The Company is also conscious of the difficulties often experienced by people with disabilities in society and in the workplace, and makes every effort to ensure access to the Company’s facilities and services through the provision of additional facilities, job criteria and appropriate training.

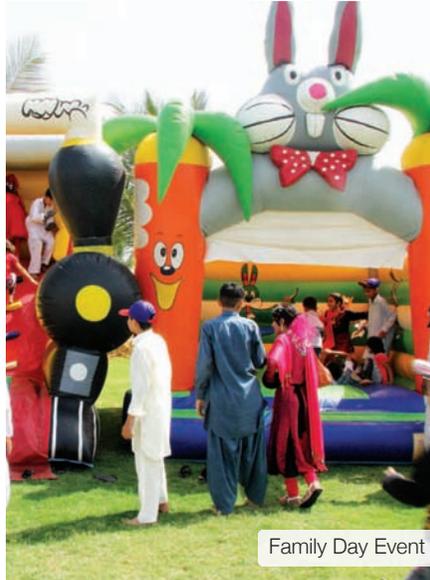
Respecting Individual Human Rights

The Company respects human rights principles including the United Nations Declaration of Human Rights and is dedicated to enrich the workplace, engaging with stakeholders and continuously improving the communities in which the Company operates.

The Company does not tolerate discrimination on the grounds of gender, gender identity, race, religion, age, sexual orientation, nationality, political opinion, union affiliation, disabilities, social or ethnic origin. This responsibility is embodied in our Business Principles and Code of Conduct.



Top Employer Award



Family Day Event



Oil Spillage Training



Orientation Session for Management Trainees

Work Life Balance

In today's world, personal and professional lives are becoming increasingly interlinked. Ideally, the two should complement each other, but in reality they sometimes do the opposite. The Company would like to help its employees to achieve a harmonious work life balance.

As a step to improve employees' opportunities to cater to imbalance in work life, the Company arranged a cricket match at Lahore Gymkhana Ground. Associates from different departments, dealers and their families were invited. This event was a delightful experience for the families who cheered in support of the teams. A picnic for associates was also arranged in other similar endeavour.

Safety, Health and Wellbeing

Occupational health and safety is viewed as an important material issue by the Company. Atlas Honda Limited, therefore, strives to eradicate workplace risks and promote a safety culture by taking a holistic approach to workplace safety, health and wellbeing. Following are some of the initiatives taken in this regard:

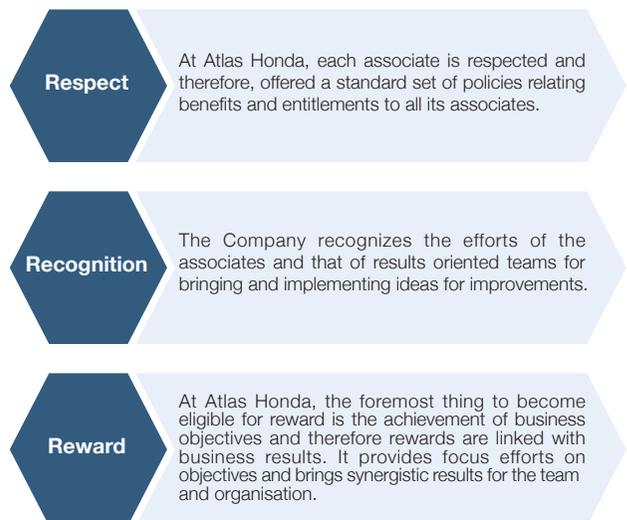
- An in house training program regarding health and dengue awareness was conducted for the Company's associates in October 2013 at Sheikhpura plant. Causes and precautionary measures to control spread of dengue were highlighted by guest speaker Dr. Sadain Khalid. The informative program was highly interactive and was appreciated by the employees.
- In September 2013, fire safety training session was conducted to familiarize associates with an emergency action plan. Associates from various departments actively participated in this activity. Hands on training on handling of portable fire extinguisher and other fire safety equipment were also given.

- Oil spillage safety training program was held in September 2013 in which employees learnt how to prevent, manage and respond to oil and various other liquid spills.

Communication with Labour

The Company constantly tries to improve industrial relations and work diligently to create a work culture that affords all employees the opportunity to work without fear of intimidation, reprisal or harassment. The employees' union rights are respected and they are allowed to join unions and engage in collective bargaining as permitted by applicable laws in the country. The Company has labour unions at Sheikhpura and Karachi plants which enjoys consultative or negotiating powers on issues of mutual interest.

The Three Human Resource Principles



Core Development Framework is at the core of training & development programs of Atlas Honda Limited which is based on the principles of the “Atlas Way”. It guides through the training and development stages of people right from their recruitment to the senior most positions in the Company. It measures the return on learning and development with the success criteria of producing a set of successors to the key positions and a group of people who are ready to take up new challenges.



Highlights of training and development initiatives:

- More than 13,240 hours of in-house & external workshops have been arranged for the entry level associates. It contributed in their development by imparting the understanding of the culture, norms and the systems of the Company. Such programs include:
 - J & F course.
 - NH Circles – Overseas visits.
- To have a set of professionally sound people who can deliver the results with effectiveness and efficiency, more than 25 performers from Junior Management and Middle Management have been sent to following trainings, investing 8,880 hours:
 - Atlas – IBA Diploma in Business Administration.
 - HIDA / AOTS / ILO training programs in Japan and other countries.
 - Overseas Joint Venture Partner Programs in Thailand, Japan etc.
- The focus on developing organization builders helped in identifying potential successors. To get a work force ready for the next level, 144 hours were invested in following programs:
 - Senior Managers Training Program by Honda in Thailand.
 - Executive MBA program from IBA and LUMS.
- Continuing with the aim to nurture strategists, a senior manager has been selected through a criterion of merit and potential basis and sent to Harvard Business School to attend prestigious Advanced Management Program (AMP). The AMP is of intense 416 hours of learning.

In aggregate, the Company spent 3,893 days on the training and development of its employees, with average of 1.93 days per associate.



Environment

Customer

People

Society

Governance

Vendor



Society

Atlas Honda is committed to fulfill its responsibilities as a good corporate citizen through ongoing involvement in socially beneficial activities tailored to the needs of local communities, in order to ensure that its business activities contribute to the building of a sustainable society.

Our Commitment

Through collaboration, capacity building initiatives and strategic philanthropy, the Company strives to:

- transform education;
- increase economic opportunity; and
- make the communities where it operates better places to live and work.

Our Performance

- Joined hands with Namal Foundation to introduce an endowment fund.
- Participated in famine relief activities in Thar.

Our Direction

The Company is focused to create a positive difference in communities through working with local partners and supporting the active involvement of its employees.

Empowering communities and enabling them to grow is deeply ingrained in the business approach. As a responsible corporate social member, the Company believes that “what has been earned from the society must be shared with the society”. This is the only way both the Company and society can move forward.

The Company seeks to improve education & healthcare conditions, equip people with the knowledge and skills to become economically self-sufficient, and boost society’s ability to meet critical human needs and respond to disasters.

Healthcare

The Company aims to play its role for the improvement of health of people associated with the Company and of the overall community. Accordingly, following initiatives were taken to create awareness pertaining to health issues and mitigate the associated risks:

Dengue Awareness Program

In past few years, Pakistan has reported a large number of Dengue cases. One of the reasons is a lack of awareness among people. In August 2013, Atlas Honda Limited initiated Dengue Awareness Campaign in cooperation with the local Government and Shalimar College Lahore. 100 students, teachers, Provincial Minister and other officials participated in the program. Booklets and pamphlets were distributed among students and lectures were delivered for encouraging healthy life style and precautions necessary to exterminate dengue mosquitoes in their neighbourhood.

Awareness Rally was also organized in which informative material on prevention of mosquito breeding and protection from mosquito bites were distributed by the participants in the neighbourhoods.

Blood Donation Camp

The Company encourages its employees to contribute for the benefit of society through various employee volunteering programs. In April 2013, the Company organized a blood donation drive for thalassaemia patients along with Fatmid Foundation. All levels of employees from shop floor workers to senior management participated in the volunteering program and enthusiastically donated more than 300 blood bags.

Community Initiatives

The Company values, reflected in the “Atlas Way”, have provided guidelines in developing projects that ensure positive contributions to local community. Following are few projects that were undertaken during the year:

Green Pakistan

“Green Pakistan” is a project directly aimed to promote healthy livelihood based on the idea of “Grow your own food”. Under this program, home farming was promoted by establishing a vegetable garden in Begum Rana Liaqat Ali Khan College, Karachi. Lectures were delivered; seeds and vegetables were distributed to 2,200 students who participated in this program.

Environment

Customer

People

Society

Governance

Vendor

Financial Resource

Human Capital

Expertise

Partnerships

Fulfilment of Atlas Group’s Vision: What has been earned from the society must be shared with the society

Healthcare

The Company aims to create healthcare and utilize its own resources to extend better health facilities to the society.

Community Initiatives

Atlas Honda Limited is pursuing a variety of activities that suits local characteristics at manufacturing plant, dealerships and other facilities.

Education

The Company is involved in activities designed to promote education among the local communities.

Safety

With global partner Honda, the Company is working to offer traffic safety education and promote safe driving in ways that meet local community needs.



Planting Trees to Promote Green Pakistan



Vocational Training Program



Blood Donation Camp



Factory visit of University Students

Keeping in view the importance of clean and healthy environment, the Company ensures upkeep of horticulture in its facilities. Attractive seasonal flora and lush green lawns maintained at its Sheikhpura plant were recognized as the best plantation by an industrial organization, by the Horticulture Society of Pakistan, in March 2014.

Special Children's Day

On Special Children's Day, the Company spread smiles on faces of special children and their parents when it organized sports festival in collaboration with Idara-e-Bahali-Mazooran, Islamabad. The participants took part in cycling, races, cricket, football and other different games.

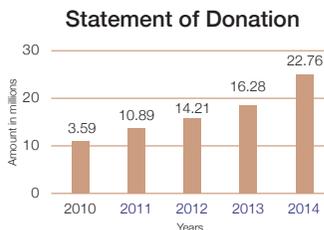
The Company also arranged motorcycle rally in which special children were provided with three wheeled scooters on which they experienced the thrill of riding.

Famine Relief Activities

In 2013, the famine hit the district of Tharparkar, Sindh. Thousands of people were affected by the shortage of food, resulting in diseases and death. The Company immediately initiated relief efforts. Associates visited the famine stricken areas, where food relief packages were distributed among more than 1,200 families.

Donations

Benevolent donations to Atlas Foundation have always been conducive for improvement of health and education of local communities. During the year, an amount of Rs. 22.8 million was contributed.



Education

Support to Vocational Training

Atlas Honda Limited promotes specialization for technicians, trained drivers and operators through its Vocational Training

Program. Carefully designed curricula using targeted methods is applied to impart the training. Each year, 400 young people are offered this certified training.

The Company has also sponsored the renovation of motorcycle mechanic training workshop of Vocational Training Institute, Rawalpindi. The Company contributed in completing renovation of building, along with tools, literature and allied infra-structure.

Support to the Educational Institutes

The Company is working on several educational programs that utilizes its knowledge and resource base to provide education opportunities to underprivileged childrens.

Atlas Foundation and Namal College concluded "Atlas Namal Scholarship Endowment Fund" agreement on August 23, 2013. It aims to provide scholarships to eligible students enrolled at Namal College. The Chairman Namal Education Foundation appreciated the initiative and cherished the commitment and support of Atlas Group for their contribution towards promotion of education in the country. Also, the Company's alliance with the Citizen Foundation School continues to provide access to education to the young children unable to afford quality education.

The Company is always keen in providing scholarships through Atlas Foundation to F.C. College, NUST, IBA and various other institutions to deserving students helping them to excel in their careers.

Internship Programs and Factory Visits

The Company offers "Internship Program" to students of various universities which allows them an opportunity to observe the Company's processes and obtain their in depth knowledge. Around 166 students from different universities benefitted from this program.

In 2014, more than 1,500 students of renowned universities including IBA, NUST, NED UET, IQRA, SZABIST visited the plant. Instructions regarding various parts of motorcycle were provided to tour participants. They were also guided around the facilities to observe the manufacturing process.

With more and more vehicles on the road every year, it is important that drivers follow traffic rules to minimize possibility of accidents. The Company recognizes that helping to reduce traffic accidents requires a comprehensive approach addressing not just automobiles, but people and the traffic environment too. Looking towards the realization of a safer society with more mobility, the Company is involved in a wide range of activities with its various stakeholders. During the year, the Company took part in educational activities to boost this safety awareness measures to improve drivers' skills behind the wheel and a range of other safety promotions.

Safety Riding School

Safety riding school, established in collaboration with City Traffic Police Lahore, continued to educate and train young riders for improving riding skills, road signs knowledge and information regarding electrical and mechanical maintenance. In 2014, 9,000 license applicants received valuable training of safety riding. Also, 70 female riders successfully completed training program conducted in collaboration with Smile Institute and City Traffic Police at Walton Railway Academy.

Safety Lectures

Safety lectures have always been important feature of road safety program. Every year, the Company engages different institutes, universities and colleges to hold these lectures that impart useful information and helps to reduce accidents in future.

This year safety riding sessions were organized for staff of Nestle, USAID, Engro and McDonalds. Lectures and practical demonstration of safe motorcycles riding from qualified instructors contributed to deeper understanding of traffic safety of more than 1,500 participants.

This year more than 10,000 students from 20 colleges benefited from these lectures. Strong emphasis was placed on following traffic regulations, using helmets and other safety measures to ensure safe riding.

Safe Riding Awareness Campaign

Atlas Honda Limited joined hands with traffic police department for creating awareness of importance of helmet, indicators and back view mirrors. These basic safety measures can immensely reduce the risk of accidents and protects rider from any serious injury. This campaign was conducted in Lahore and Islamabad in which 150,000 purposefully designed pamphlets, clearly imparting this vital message, were distributed to motorcycle riders.

Speech Competition

Atlas Honda in affiliation with Islamabad Traffic Police organized Speech Competition in PNCA auditorium in Islamabad among students of colleges and universities. The activity aims to increase interest and awareness of safety issues among young students, the drivers of tomorrow. The topic was "Accidents are not accidental". In this competition students laid special emphasis on the role of youth in promoting safe driving habits.

Fun Learning

Children of elementary classes were also educated about safe driving. Puzzles, pictures for coloring and other features with easy to understand information were used to make learning fun.

Information material on safety riding with illustrations is also available on the Company's website.



Fun Learning Camp

Safe Riding Awareness Campaign

Safety Lecture at TCF School

Environment

Customer

People

Society

Governance

Vendor



Governance

Corporate Governance at Atlas Honda means more than checks and balances. It is an integral management aspect, pivotal to the Company's sustainable growth. The values-driven culture and code of ethics underpins the organization's governance structures and processes, committing the Company to high standards of business integrity and ethics in all its activities and business operations.

Our Commitment

The Company is committed to conduct its business responsibly and with integrity, minimizing risks related to fraud & corruption and strengthening its reputation. Atlas Honda Limited pledges to observe all the governing laws and to comply with its Code of Conduct.

Our Performance

The Board of Directors were elected, after completion of three year terms in the Extra Ordinary General Meeting. In line with the Code of Corporate Governance, the Chairman of the Board of Directors and all the members of the Board Audit Committee are non- executive.

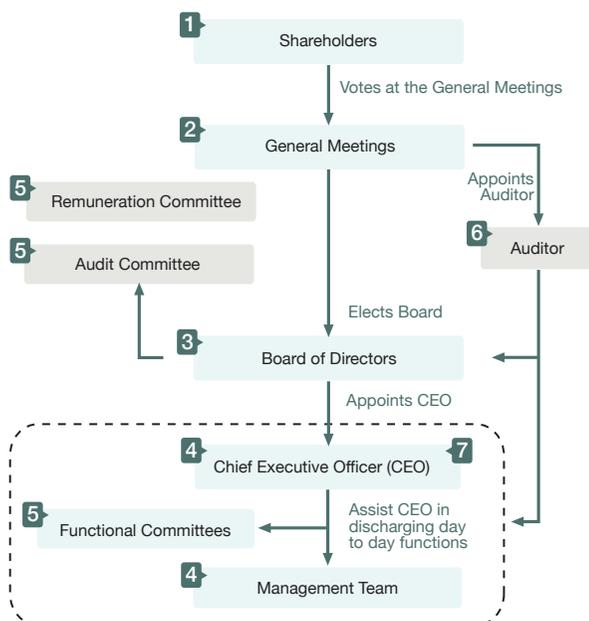
Our Direction

The Company will continue its long term economic success by complying with the statutory provisions, internal policies and ethical principles.

Governance structure at Atlas Honda Limited goes beyond an interest in governance or need to fulfil regulatory requirements. It is the Company's approach to adopt the highest governance standards in Pakistan as high quality governance supports long term value.

With the general shareholders' meeting as its highest decision-making body, Atlas Honda Limited has built a corporate governance system centered on the oversight and supervision of management's execution of duties by the Board of Directors (the Board). The Board is ultimately responsible for organization and management of the Company's operations. The Board has enhanced its governance functions by setting-up Audit Committee and Human Resource & Remuneration Committee.

Corporate Governance Structure



1 Shareholders

At March 31, 2014, Atlas Honda Limited had 103,406,614 shares outstanding. These shares are allocated among 1,423 shareholders. Each share corresponds to one vote. Honda Motor Company Limited, Japan is the largest owner with 35 percent of shares. Shirazi Investments (Private) Limited holds 24.43 percent and Shirazi Capital (Private) Limited holds 24.52 percent of the shares based on the number of registered shares.

Investor's Grievances / Feedbacks

The Company believes in protecting interests of its investors. In addition, the Company also encourages their feedbacks and suggestions to have a good understanding of the shareholders' view on different operations and decisions of the Company. Accordingly, it has constituted a "Grievance / Feedback System" that aims to resolve all of their complaints / queries on timely basis. Company Secretary has been designated as the person responsible for handling investor grievances and feedbacks. The mechanism is summarized below:

- A designated email address has been created namely **investor.relations@atlashonda.com.pk** to facilitate investors in submitting their queries / grievances and feedbacks.
- In addition to the aforementioned email address, complaints and suggestions can also be received in writing, duly addressed to the Company Secretary.
- All grievances / queries are resolved and communicated to the investors on timely basis after due verification procedures.

2 General Meetings

The decision making rights of shareholders are exercised at Annual General Meeting (AGM). It gives shareholders opportunity to obtain relevant information and make important decisions. The AGM also serves as a venue for the management to obtain the approval of its shareholders for strategic matters.

Extraordinary General Meetings (EOGM) may be held at the discretion of the Board or by shareholders owning at least 10% of the shares.

The Company's AGM was held on June 19, 2013. In addition to appointment of auditors, fixing their fees, adopting the Financial Statements, the shareholders adopted the following resolutions:

- To increase the authorized share capital;
- To approve long term equity investments in Atlas Hitec (Private) Limited; and
- To issue bonus shares @ 25%.

The Company held its Extraordinary General Meeting on March 20, 2014. At this meeting, election of directors was held as the previous Board completed its tenure.

3 Board of Directors

As of March 31, 2014, Atlas Honda Limited had eight directors, including four non-executive directors and one independent director. Non-executive directors are elected to enhance supervisory function of the Board from an objective standpoint, for increasing transparency of the management, and gain good advice by utilizing their management experience from different industries.

The Chairman is responsible for the overall discharge of Board's duties. The office of the Chairman and CEO are separate and the Chairman is a non-executive director.

Roles and Responsibilities of Chairman

The Chairman's role is primarily to guide long-term strategic planning for the Company including:

- Presiding over the Board and ensuring that all relevant information has been made available to the Board.
- Defining the Company's philosophy and objectives.
- Safeguarding shareholders' interest in the Company.
- Responsible for building the Company's image nationally and globally.
- Ensuring the appropriate recording and circulation of the minutes of the meeting to directors and officers entitled to attend Board meetings.
- Major spokesman of the Company, responsible for liaisoning with the senior most levels of Federal and Provincial Government.
- Overseeing the Company's macro approaches and public relations in the broadest sense, including its relations with public organization and other companies.
- Commitments and de-commitment of strategic investments.

Managing Conflict of Interest

Directors have a duty to avoid a situation in which they have, or can have, a direct or indirect interest which conflicts, or possibly may conflict, with the interests of the Company unless that situational conflict can be managed as per provisions of the Companies Ordinance, 1984 and rules and regulations of SECP and Stock Exchanges.

During the year, there were no such transactions of material nature with the directors which are in conflict of interest with the Company.

Board's Performance Review

The evaluation of Board's role of oversight and its effectiveness is a continual process, which is appraised by the Board itself. The core areas of focus are:

- Alignment of corporate goals and objectives with the vision and mission of the Company.
- Strategy formulation for sustainable operations;

- Board's independence; and
- Evaluation of Board's Committees performance in relation to discharging their responsibilities set out in respective terms of reference.

Remuneration of the Board of Directors

The remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no Directors take part in deciding his own remuneration.

For information on remuneration of directors and CEO in 2013-14, please refer Note 36 of the Financial Statements.

4 Chief Executive Officer

The CEO is responsible for all matters pertaining to the operation of the Company. The CEO forms the Functional Committees and Management Teams and delegates to its members the necessary powers for carrying out their responsibilities. The details of roles and responsibilities of Functional Committees are outlined in next section. CEO responsibilities include:

- To plan, formulate and implement strategic policies.
- To build and maintain amicable relations with government departments, trade associations and regulatory bodies.
- To ensure achievement of productivity and profitability targets and that the Company operates efficiently.
- To ensure that the chain of command in the Company is clear to facilitate the maintenance of discipline, the remits of all managers clearly define their functions to ensure accountability.
- To prepare for the approval of the Board of Directors annual forecasts of plans for production, sales, profit, revenue & capital expenditure, manpower which fit into the long term business objectives and the overall strategic direction of the Company.
- To ensure that necessary coordination exists between various departments of the Company to achieve smooth and effective operations.
- Maintain a regular review of duties and functions of the staff to ensure that there is no duplications of efforts in office methods and procedures and that all operations are carried out efficiently and economically.
- To ensure that technical information is made available to the Company under Technical Service or Royalty Agreements is used solely in the manufacture of approved products and the staff of the Company maintains strict confidentiality of such information.
- To ensure that the Company's interests and assets are properly protected and maintained and all the required Government obligations are complied.
- To maintain close liaison with the Government, customers, suppliers and sales offices.
- To chalk out human resource policies for achieving high professional standards, overall progress / betterment of the Company as a whole.
- To ensure that proper succession planning for all levels of hierarchy exist in the Company and is constantly

updated.

- To pay all Government dues on or before due dates and obtain all refunds due from the Government.
- To ensure proper functioning of the Management Committee of the Company of which he is the chairman.
- To prepare and present Company's performance to the Board of Directors against budget & targets.
- To ensure welfare and training of the staff in accordance with the Company's policy and government regulations that are applicable from time to time.
- To always keep the line of communication open with the competitors for taking joint actions for mutual benefits.
- To be responsible for publicity of Company products consistent with the Company's image and with a view to maximizing sales.
- To ensure that open, progressive and game free atmosphere is created among employees giving them a sense of participation and providing them with an opportunity to give their best.
- To ensure that every employee is treated equally as an individual regardless of his designation; career development is on merit basis and each employee is helped to develop pride of performance through continuous study and training so as to form a team in which all levels of employees work together with common goals to strengthen the position of the

Company.

- To ensure that the Company operates with minimum staffing and paperwork.

CEO's Performance Review

The performance of the CEO is formally appraised through the evaluation system which is based on quantitative and qualitative values. It includes performance of the business, accomplishment of objectives with reference to profits, organization building, succession planning and corporate success.

5 Audit, Remuneration and Functional Committees

The Board may from time to time establish committees, to assist it by focusing on specific responsibilities in greater detail than is possible for the Board as a whole, reporting to the Board and making any necessary recommendations. The statute requires the Board to formulate Audit Committee and Human Resource & Remuneration Committee.

The table below outlines the roles and responsibilities, number of members and frequency of meetings of the statutory and functional committees.

| Committee | Roles and Responsibilities of Committee | Number of members | Frequency of meeting |
|--|---|-------------------|----------------------|
| Reporting to Board of Directors | | | |
| Audit Committee | <ul style="list-style-type: none"> • Oversight of Financial Reporting and Accounting • Oversight of External Auditor • Oversight of Regulatory Compliance • Monitoring the effectiveness of the internal control process and the internal audit • Oversight of Risk Management | Three | Quarterly |
| Human Resource and Remuneration Committee | <ul style="list-style-type: none"> • Recommending Human Resource management policies to the Board • Recommending to the Board about selection, evaluation, compensation and succession planning of CEO, VP, CFO, Company Secretary and Head of Internal Audit • Consideration and approval of recommendations for key management positions who report directly to CEO and VP | Three | Once a year |
| Reporting to CEO | | | |
| Management Committee | <ul style="list-style-type: none"> • Reviewing and forwarding long term plans, capital and expense budget, development and stewardship of business plans. • Maintaining healthy environment. • Providing advice to CEO in normal course of business. | Thirteen | Monthly |
| Business Ethics Committee | <ul style="list-style-type: none"> • Effective communication & reinforcement of ethical values, best practices in the business • Ensuring compliance with our 3R principles (Respect, Reward and Recognition). | Nine | Twice a year |
| Treasury Committee | <ul style="list-style-type: none"> • Oversight of day to day matters. • Approval of short term investment decisions. • Ensuring subsequent approval of all the decisions by Board. | Three | Monthly |
| Risk Management Committee | <ul style="list-style-type: none"> • All risks are defined and mitigated on a timely basis in accordance with the well structured risk management process. | Three | Monthly |
| Environment, Health, Safety and Security Committee | <ul style="list-style-type: none"> • Ensures compliance with applicable Environmental, Health, Safety and Security laws and regulations. | Six | Monthly |
| Social Responsibility Committee | <ul style="list-style-type: none"> • Ensures compliance with Social Performance Governance Framework. | Five | Quarterly |

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Work of the Audit Committee on Internal Controls and the Report of Audit Committee:

The Board delegates Audit Committee the function of review of the effectiveness of the Company's internal controls and risk management systems. During the year, the Committee discharged this responsibility and reported the following:

- The Company's internal audit function which reports to the Audit Committee, performed independent audits of selected controls through desktop reviews and on-site re-performance of tests to ensure compliance with pre-defined policies and procedures.
- The composition of the Audit Committee meets all applicable independence requirements.
- Each member is equipped with professional qualifications and skillful experiences and one member has expert knowledge of finance and accounting.
- The Audit Committee approved the annual audit plan for the internal audit function and reviewed its reports. Audit Committee also assisted in overseeing relevant manuals, policies and important accounting principles applied by the Company.
- The Audit Committee reviewed all interim and annual financial reports before they are published.
- The Audit committee also ensured that all new and relevant International Accounting Standards were duly adopted and all applicable International Accounting Standards were duly followed in the preparation of Financial Statements of the Company.
- The Audit Committee monitored the effectiveness of the internal controls, including risk management, concerning the financial reporting and proactively proposed improvements to the control environment.
- The Audit Committee has implemented a procedure to review and approve all transactions with related parties.
- The Audit Committee has also established a whistleblower procedure for the reporting of violations relating to accounting, internal control and auditing matters.

6 Auditor

The external auditors are appointed in the Annual General Meeting. The external auditor is accountable to the Audit Committee, the Board and ultimately to the shareholders. The auditors review the interim report for the period April 1 to September 30 and audit the Annual Financial Statements. The auditors also express an opinion on the Company's compliance with the Code of Corporate Governance (CoCG). The auditor reports their findings with regard to the annual report through the audit reports and a separate opinion regarding the CoCG, which they present to the Annual General Meeting. In addition, the auditor report detailed findings on internal controls from their audit to the Audit Committee and Board of Directors.

7 Compliance and Integrity Management

Atlas Honda policy requires all their Directors and employees to comply with all applicable laws. Legal compliance systems and processes have been intensified during the year to mitigate the risk of non-compliance with the laws.

The Company's Code of Conduct (the Code) provides guidelines on fourteen ethical standards. It covers issues such as bribery and corruption, fraud, insider trading, legal compliance, conflicts of interests, human rights and discrimination. They include a commitment to conducting our business with due regard to the interests of all our stakeholders and the environment. The Code requires compliance with all applicable laws and regulations as a minimum standard. In essence, the guidelines to the code of ethics outline Atlas Honda's approach to ethics management, which includes all the elements recognized as best practice in ethics management. The code guides interactions with all stakeholders, including employees, suppliers and customers.

The Code is reviewed annually and any changes therein are

approved by the Board. The Code is communicated to all employees, suppliers, service providers and customers and is available on the Company's website.

Whistle Blowing Policy

The Company values an open dialogue on integrity and responsibility with its employees. The Company investigates all alleged breaches of code and apply appropriate measures when complaints turn out to be substantiated. The employees of the Company are encouraged to report their views on processes and practices to their manager or the Business Ethics Committee. These reporting mechanisms are part of the complaints procedure and are described in the code of conduct.

Violations reported through the whistle blower procedure are investigated by internal audit function. Information regarding any incident is reported to the Audit Committee. Reports include measures taken, details of the responsible Company function and the status of any investigation. In 2013-14, no alleged breaches of the Code of Conduct were reported.

Privacy and Data Protection:

Stakeholders are understandably concerned about how their personal information is used and shared, and they want to feel confident that data communicated or stored online is secure. The Company works regularly to enhance robust processes and systems that protect customer and employee data and to raise awareness about the importance of data protection and privacy through its IT Governance Policy which is summarized below:

- Members of Management Committee are responsible for required compliance in their respective functional areas, at all locations.
- The General Manager IT is responsible for its implementation, maintaining compliance and for suggesting new areas as per technology enhancement.

Code of Conduct at a Glance

Obeying the Law

Atlas Honda Limited is committed to comply with the laws and regulations of Pakistan.

Human Capital

Atlas Honda Limited is committed to:

- Create a working environment where there is mutual trust & respect.
- Be an equal opportunity employer.
- Provide safe and healthy working conditions for all employees. It neither uses nor supports the use of any form of forced, compulsory or child labour.

Consumers

Atlas Honda Limited is committed to:

- Provide products which consistently offer value in terms of price and quality.
- Promote safe practices throughout value chain from distributors to end users. It is committed to provide customers with products and services that are safe and reliable.

Shareholders

Atlas Honda Limited conducts its operations in accordance with principles of good corporate governance.

Business Partners

Atlas Honda Limited is committed to establish mutually beneficial relations with its suppliers, customers and business partners. In its business dealings it expects its partners to adhere to business principles consistent with its own.

Community Involvement

Atlas Honda Limited strives to be a trusted corporate citizen and, as an integral part of society, fulfill its responsibilities to the societies and communities in which it operates.

Public Activities

Atlas Honda Limited:

- Co-operates with government and other organizations in the development of proposed legislation and other regulations, which may affect its legitimate business interests.
- Neither supports political parties nor contributes to the funds of groups whose activities are to promote party interests.
- Is committed for promoting activities for safe driving.

The Environment

Atlas Honda Limited is committed to:

- Make continuous improvements in the management of its environmental impact and to the long-term goal of developing a sustainable business.
- Work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

Atlas Honda Limited is committed to fair competition and supports development of appropriate competition laws.

Business Integrity & Anti Corruption

Atlas Honda Limited does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain.

No employee may offer, give or receive any gift or payment, which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to the management.

Its accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interests

All of Atlas Honda Limited employees are expected to avoid personal activities and financial interests, which could conflict with their responsibilities to the Company.

Compliance - Monitoring - Reporting

Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by Audit Committee.

Any breach of the Code must be reported in accordance with the procedures specified by the management.

The Board expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

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The complete Code of Business Conduct can be found on the Company's website



Vendor

Suppliers are critical partners in the production of our products and in the overall economic viability of our business. Likewise, Atlas Honda realizes that it plays a critical role in their business and that our success is a mutual proposition.

Our Commitment

To work with suppliers to:

- Maintain excellent standards of product quality and safety.
- Ensure adherence to the Company's standards and its prescribed practices for maintaining and continually improving an effective quality control and safety requirements.

Our Performance

- Preliminary investigation of suppliers' use of conflict minerals initiated.
- Initiated an exercise with vendors to reduce CO₂ emissions from their processes, products and premises.

Our Direction

Strengthen CSR compliance to:

- Help suppliers in developing capabilities for managing quality.
- Continued examination of our suppliers' environmental data to promote emission reductions and other environmental efforts in our supply chain.

In today's economic environment, achieving lower costs, improving quality and meeting sustainability goals require continuous cooperation and coordination with suppliers. Atlas Honda Limited aims to firmly establish sustainability throughout its supplier network. The Company views the vendors as **"essential partners in its business activities"**. The Company strives to collaborate with its vendors on an equal footing and work with them in developing and maintaining cooperative relations that enable the Company to implement best practices. Accordingly, measures have been taken and structures have been set up to consistently push for more sustainable practices in the supply chain.

Atlas Honda Limited, together with its strong vendor partnerships focuses on the following areas in order to increase customer satisfaction and fulfil social responsibilities.

| | |
|-------------------------------|--|
| Global Quality | Global Competitiveness |
| Response to Changes in Demand | Compliance with Laws, Regulations and Corporate Ethics |

Win - Win Growth with Vendors

Atlas Honda Limited seeks to foster a shared commitment to quality throughout its supply chain and helping vendors in

building capabilities for managing issues internally and throughout their own supply chains. The Company has implemented various programs to help its vendors acquire world class competitiveness in quality, production and technology.

Developing Shared Commitment and Suppliers' Capability

The Company is focused to address vendor's weaknesses and strengthen their core competitiveness through its Procurement Collaboration System. Under this system, Atlas Honda Limited and its suppliers work together to mutually enhance capacity with an aim to address any near-term capacity constraints to meet rising sales demand. During 2013-14, investment of more than Rs. 1 billion was made by various vendors to enhance their capacity and consequently achieve production targets and operational efficiencies. Such projects include installation of heat treatment furnace, 420 ton machine, main and counter shaft machining facility and paint shops at different vendors.

Vendor Improvement Program

To achieve global quality and competitiveness, supply chain has launched VIP program for vendors.

Vendors selected under this program are gone through series of checks and reviews. Certificates are awarded at the end of VIP program. Vendors will be reviewed and audited each year for recertification. Continuous follow up is made by VIP designated team which is comprised of supply chain and quality department associates.

By 2013-14, 30 vendors have been analyzed and assessed under VIP and review of 6 vendors is in process.

Climate Protection through Energy Management

Atlas Honda Limited, in collaboration with Asian Honda Motor Company Limited, endeavors to comply with the Honda environment framework that ensures CO₂ emissions reductions from products, processes and premises. The Company endorse this framework and will continue to implement Honda Vision 2020 along with its' suppliers.

For details of this initiative, refer Environment section

Building Strong Vendor Relationships

Building strong relationships with vendors is central to the Company's ability to create a sustainable supply chain.

Vendor Convention

Atlas Honda Limited holds Vendor's Convention in order to share business directions and purchasing policies with them. This year, the convention was held at Sheikhpura plant in December 2013 along with 50 year celebrations. Vendors cherished their long term association and shared their working experiences with the Company. Awards and certificates were distributed to vendors demonstrating

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Ala Mayar Convention



Conflict Mineral Activity



Longterm Vendors Association Award

consistent improvement in their performance and management systems. The Company believes that such incentives for improvements are reflected in vendors' progress towards exceptional capabilities and quality.

Ala-Mayar Convention

The Company encourages its vendors to demonstrate as to how their operations could be improved, process efficiencies can be brought in and quality standards could be achieved. The Company organized the 23rd Ala Mayar Convention in June 2013 where vendors were appreciated and awarded for optimization in their performance. Such conventions also allow the Company to share information with suppliers, strengthen coordination and grow businesses together.

Building New Vendor Base

New model launches have necessitated further intensification of parts procurement and supplier management. Accordingly, the Company ensures that necessary capacity is available and the best quality standards are maintained at vendors end for production of newly launched models.

Vendors Evaluation

Performance evaluation of vendors at the Company has been designed to measure operational performance, evaluate improved effectiveness and examine strategic evaluation. Vendor's appraisal is done on the basis of Quality, Cost, Delivery and Reliability (QCDR).

- Quality: all vendors must meet the quality standards of Honda Motor Company, Japan and the Company.
- Cost: should be sourced at optimal cost without compromising quality.
- Delivery: on time deliveries as per production plan
- Reliability: maintain B2B system for monitoring inventory levels.

Conflict Minerals

The term "conflict minerals" refers to minerals, namely tantalum, tungsten, tin and gold, the 3TG, originating in the Democratic Republic of the Congo (DRC) and adjoining countries in Africa. Armed groups in the DRC have been routinely committing inhuman acts in the process of taking control over the mines and forcing people to labour. The profit from the trade of these minerals, provided through the global supply chain, is alleged to be funding armed groups in that region. Amid rising international concerns, the U.S. enacted the Dodd-Frank Consumer Protection and Wall Street Reform Act in July 2010. Under the conflict minerals reporting provisions of the law, corporations listed in the U.S. stock market are required to conduct a reasonable country of origin inquiry and due diligence process of their supply chain. Therefore, in August 2012, the Securities and Exchange Commission (the SEC) adopted annual disclosure requirements that implements Dodd-Frank Act to mandate corporations listed in the U.S. stock market to make disclosures relating to conflict minerals in a separate report beginning with the 2013 calendar year.

Based on the above background, the Company was required by Honda Motor Japan to conduct an inquiry regarding conflict minerals in its supply chain. Accordingly, the Company held briefing session with its vendors and rolled out a survey, based on the Electronic Industry Citizenship Coalition's (EICC) Conflict Minerals Reporting Template. This survey aims to determine whether suppliers are using 3TGs in their production, have implemented sourcing policies and understand what programs they need to have in place to trace the source of minerals used in the products they manufacture. In the event, there are concerns regarding any particular minerals, the Company will take steps to avoid the use of such minerals.

Independent Assurance Statement to the Board of Directors and Stakeholders

The Atlas Honda Limited Annual Sustainability Report 2014 (the Report) has been prepared by the management of Atlas Honda, which is responsible for the collection and presentation of the information it contains. Our responsibility, in accordance with management's instructions, is to carry out the following assurance activities:

| Assurance Scope | Level of Assurance | Assurance Criteria |
|---|----------------------|--|
| Atlas Honda's application of the principles of Inclusivity, Materiality & Responsiveness as described in the Report | Reasonable Assurance | The best practice standards of Inclusiveness, Materiality and Responsiveness reporting |
| Progress against objectives | Limited Assurance | Objectives set in 2013 Sustainability Report |
| Reliability of performance data for 2014 | Not included | Completeness and accuracy of selected reported performance data |

Observations from Our Work

Upon review of Atlas Honda's Sustainability Report, given below are our observations and areas for improvement. These observations do not affect our conclusions on the Report set out below.

Atlas Honda's report has clearly defined its annual sustainability goals & progress attained. These are communicated clearly to a range of stakeholders.

Health and Safety

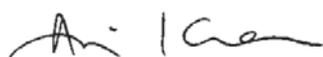
Atlas Honda has processes in place to improve the monitoring and management of safety performance for their employees, vendors and customers. We saw examples of programs initiated for all of the above targeted groups. Fire safety and oil spillage safety training for employees, engaging with vendors to maintain product quality & safety together with imparting training on traffic safety initiatives, safe driving are good reinforcements & add value to the sustainability initiatives undertaken during the year.

Stakeholder Engagement

Atlas Honda continues its methodical approach towards engaging with key stakeholders and obtaining inputs from stakeholders on sustainability efforts and future initiatives.

Environmental Data

This year, Atlas Honda has included information on use of rain water, Green supply chain management, VOC reduction, these are welcome additions. Other Environmental data presented is clearly and accurately presented.



Ali Khan
Chief Executive
United Registrar of Systems
Karachi, May 30, 2014



Conclusion

Atlas Honda's 2014 Sustainability Report provides a reasonable and balanced representation of information concerning report content, quality, boundary setting and material indicators.

We have reviewed information or explanation on selected statements on AHL's sustainability activities presented in the Report and we are not aware of any misstatements in the assertions made.

Limitations

The opinions expressed in this external assurance statement and commentary are intended to extend understanding of Atlas Honda's non-financial performance and should not be used or relied upon to form any judgments, or take any decisions, of a financial nature.

Our scope of work did not involve verification of financial, environmental, social or broader economic performance data. We also did not include physical inspections of any AHL's manufacturing assets

Our Assurance Team

Our assurance team has been drawn from our global environment and sustainability network, which undertakes engagements similar to this with a number of significant local and international businesses. The work has been led and reviewed by a Lead Sustainability Assurance Practitioner.



Ghulam Mustafa Aziz
Partner
G.M. Aziz & Co; Chartered Accountants
ICAP Membership No: 1254
Karachi, May 30, 2014

G3.1 Content Index

| Profile Disclosures | Description | Cross-reference / Direct answer |
|---------------------|--|--|
| | Standard Disclosures Part I | |
| 1 | Strategy and Analysis | |
| 1.1 | Statement from the most senior decision-maker of the organisation | Sustainability Report - CEO message on Sustainability |
| 1.2 | Description of key impacts, risks and opportunities | Annual Report - Risk and Opportunity Report |
| 2 | Organisational Profile | |
| 2.1 | Name of the organization. | Cover page |
| 2.2 | Primary brands, products, and/or services. | Annual Report - Chairman's Review |
| 2.3 | Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures | Annual Report - a) Company Information b) Organization Chart |
| 2.4 | Location of organization's headquarters/ head office. | Annual Report - Company Information |
| 2.5 | Number & names of countries where the organization operates. | The Company operates its business through Pakistan |
| 2.6 | Nature of ownership and legal form. | Annual Report - a) Shareholder's Information b) Pattern of Shareholding |
| 2.7 | Markets served by the organisation (geographic breakdown, sectors and types of customers / beneficiaries). | Annual Report - a) Chairman's Review b) Notes to the Financial Statement |
| 2.8 | Scale of the reporting organization | Annual Report - Financial Highlights |
| 2.9 | Significant changes during the reporting period. | Annual Report - a) Chairman's Review b) Directors' Report |
| 2.10 | Awards received in the reporting period. | Annual Report - Chairman's Review |
| 3 | Report Parameters | |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | Sustainability Report - About this Report |
| 3.2 | Date of most recent previous report (if any). | Sustainability Report - About this Report |
| 3.3 | Reporting cycle (annual, biennial, etc.) | Annual |
| 3.4 | Contact point for questions regarding the report or its contents. | Sustainability Report - About this Report |
| 3.5 | Process for defining report content (determining materiality, users of the report etc). | Sustainability Report - About this Report |
| 3.6 | Boundary of the report (e.g., countries, divisions, etc). | Sustainability Report - About this Report |
| 3.7 | State any specific limitations on the scope or boundary of the report. | Sustainability Report - About this Report |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, etc. | Not Applicable |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions. | Sustainability Report - About this Report |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports. | Sustainability Report - About this Report |
| 3.11 | Significant changes from previous reporting periods in the scope, boundary, or measurement methods. | Sustainability Report - About this Report |
| 3.12 | Table identifying the location of the standard disclosures in the report. (Index) | This Table |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | Sustainability Report - Independent Assurance Statement to the Board of Directors and Stakeholders |

| Profile Disclosures | Description | Cross-reference / Direct answer |
|---------------------|---|---|
| 4 | Governance, Commitments, and Engagement | |
| 4.1 | Governance structure of the organization. | Sustainability Report - Governance |
| 4.2 | Indicate whether the Chair of the highest governance body is also an executive officer. | Annual Report - Board of Directors |
| 4.3 | State the number of members of the governing body that are independent and/or non-executive members. | Annual Report - Board of Directors |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Sustainability Report - Governance |
| 4.5 | Linkage between compensation of those charged with Governance and the organization's overall performance | Compensation is linked to individuals and Company's performance |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | a) Annual Report - Statement of Compliance with the Code of Corporate Governance b) Sustainability Report - Governance |
| 4.7 | Process for determining the qualifications and expertise of those charged with governance. | Annual Report - Board of Directors |
| 4.8 | Internally developed mission statements, code of conduct, etc and their status of implementation. | a) Annual Report - Vision and Mission Statements b) Annual Report - Strategic Goals c) Sustainability framework |
| 4.9 | Procedures of those charged with governance for overseeing the identification and management of economic, environmental and social performance. | Sustainability Report - Approach to Sustainability |
| 4.10 | Processes for evaluating the performance of those charged with governance, with respect to economic, environmental, and social performance. | Sustainability Report - Approach to Sustainability |
| 4.11 | Explanation of whether and how the precautionary approach is addressed by the organization. | a) Sustainability Report - Approach to Sustainability b) Annual Report - Risk and Opportunity Report |
| 4.12 | Subscription of the organisation to externally developed economic, environmental, and social charters, principles, or other initiatives. | Sustainability Report - Approach to Sustainability |
| 4.13 | Organisation's membership in associations and national or international advocacy organisations. | OICCI, MAP, KCC, PBC, PAMA |
| 4.14 | List of stakeholder groups engaged by the organisation. | Sustainability Report - Stakeholders Engagement |
| 4.15 | Basis of identification and selection of stakeholders with whom to engage. | Sustainability Report - Stakeholders Engagement |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Sustainability Report - Stakeholders Engagement |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. | Sustainability Report - Stakeholders Engagement |
| | Standard Disclosures Part II - Management Approach Disclosures | |
| 1 | Environment | |
| 1.1 | Materials | Sustainability Report - Environment |
| 1.2 | Energy | Sustainability Report - Environment |
| 1.3 | Water | Sustainability Report - Environment |
| 1.4 | Biodiversity | Sustainability Report - Environment |
| 1.5 | Emissions, effluents and waste | Sustainability Report - Environment |
| 1.6 | Products and services | Sustainability Report - Environment |
| 2 | Social | |
| 2.1 | Labour practices & decent work | Sustainability Report - People |
| 2.2 | Human rights | Sustainability Report - People |
| 2.3 | Society | Sustainability Report - Society |
| 2.4 | Product Responsibility | Sustainability Report - Customers |

| Performance Indicator | Description | Cross-reference / Direct answer |
|---|--|--|
| Standard Disclosures Part III - Performance Indicators | | |
| Economic Performance | | |
| EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments. | Annual Report - Statement of Value Addition and its Distribution |
| EC2 | Financial implications and other risks and opportunities for the organisation's activities due to climate change. | Annual Report - Risk and Opportunity Report |
| EC3 | Defined benefit plan obligations' coverage. | Annual Report - Notes to the Financial Statements |
| EC4 | Significant financial assistance received from the government. | None |
| EC6 | Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. | Sustainability Report - Vendors |
| EC7 | Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. | Sustainability Report - People |
| EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. | Sustainability Report - Society |
| Environment | | |
| EN2 | Materials used that are recycled input materials. | Sustainability Report - Environment |
| EN5 | Energy saved due to conservation and efficiency improvements. | Sustainability Report - Environment |
| EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | a) Annual Report - Chairman's Review b) Sustainability Report - Environment |
| EN8 | Total water withdrawal by source. | Sustainability Report - Environment |
| EN16 | Other relevant indirect greenhouse gas emissions. | Sustainability Report - Environment |
| EN17 | Emissions of ozone-depleting substances. | Sustainability Report - Environment |
| EN23 | Total number and volume of significant spills. | None |
| EN26 | Initiatives to mitigate environmental impacts of products and services. | Sustainability Report - Environment |
| EN27 | Percentage of products sold and their packaging materials that are reclaimed. (recycled / reused) | Sustainability Report - Environment (partly reported) |
| EN28 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | None |
| Social - Labour Practice and Decent work | | |
| LA4 | Employees covered by collective bargaining agreements. | Sustainability Report - People |
| LA8 | Education, training, & counselling, programs. | Sustainability Report - People |
| | Significant fines and sanctions due to con-compliance with Labour Laws. | None |
| LA10 | Average hours of training per year per employee by gender, and by employee category. | Sustainability Report - People |
| Social - Human Rights | | |
| HR4 | Total number of incidents of discrimination and corrective actions taken. | None |
| HR5 | Operations in which freedom of association and collective bargaining may be at risk, and necessary remedial actions taken in this regard. | Sustainability Report - People |
| HR6 | Operations in which there is a risk of child labour, and remedial actions taken this regard. | Sustainability Report - People |
| HR7 | Operations in which there is a risk of forced & compulsory labour, and remedial actions in this regard | Sustainability Report - People |
| | Significant fines and sanctions due to non-compliance with Human Rights Laws. | None |

| Profile Disclosures | Description | Cross-reference / Direct answer |
|---------------------|--|--|
| | Social - Society | |
| SO1 | Programs & practices assessing & managing the impacts of operations on community. | Sustainability Report - Society |
| SO2 | Percentage and total number of business units analysed for risks related to corruption. | The Company analysed 100% of its business units for risk related to corruption. Also, refer Sustainability Report - Governance |
| SO3 | Percentage of employees trained in organisation's anti-corruption policies. | The Company trained 100% of its employees for anti-corruption policies. Also, refer Sustainability Report - Governance |
| SO4 | Actions taken in response to incidents of corruption. | No Incident during the reporting period was Identified |
| SO5 | Public policy positions and participation in public policy development and lobbying. | Sustainability Report - Governance |
| SO6 | Total value of financial and in-kind contributions to political parties, politicians and related institutions by country. | None |
| SO7 | Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly. | None |
| SO8 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | None |
| | Social - Product Responsibility | |
| PR1 | Life cycle stages in which health and safety impacts of products are assessed. | Sustainability Report - Customer |
| PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | None |
| PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | Sustainability Report - Customer |
| PR4 | Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes. | Sustainability Report - Customer |
| | Programs for adherence to laws and standards related to marketing communications. | Sustainability Report - Customer |
| PR5 | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction | Sustainability Report - Customer |
| PR6 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | None |
| PR7 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | None |
| PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. | None |
| | Compliance | |
| PR9 | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. | None |

Glossary of Terms

| Acronym | Description |
|-----------------|--|
| 3TG | Tungsten, Tin, Tantalum, Gold (minerals) |
| AGM | Annual General Meeting |
| AMP | Advance Management Program |
| CEO | Chief Executive Officer |
| CFO | Chief Financial Officer |
| CO ₂ | Carbon di Oxide |
| CoCG | Code of Corporate Governance |
| CSD | Canteen Stores Department |
| CSR | Corporate Social Responsibility |
| DHL | DHL Express |
| DO | Dissolved Oxygen |
| EHS & S | Environment, Health, Safety and Security |
| EMBA | Executive MBA |
| EMS | Environment Management System |
| EOGM | Extra Ordinary General Meeting |
| FBR | Federal Board of Revenue |
| GHG | Green House Gases |
| GJ | Giga Joule |
| gm/km | Gram per Kilo meter |
| gm/m | Gram per Meter |
| GRI | Global Reporting Initiative |
| HBS | Harvard Business School |
| HR | Human Resource |
| IBA | Institute of Business Administration |
| ISAE | International Standard on Assurance Engagement |
| IT | Information Technology |
| LCA | Life Cycle Assessment |
| LPG | Liquefied Petroleum Gas |
| LUMS | Lahore University of Management Science |
| M ₃ | Meter Cube |
| MIS | Management Information System |
| MTO | Management Trainee Officer |

| Acronym | Description |
|-----------------|--|
| MW | Mega Watt |
| NED | NED University of Engineering & Technology |
| NGO | Non-government Organization |
| NO _x | Nitrogen Oxides |
| NUST | National University of Science & Technology |
| PAAPAM | Pakistan Association of Automotive Parts and Accessories Manufacturers |
| PNCA | Pakistan National Council of Arts |
| PTCL | Pakistan Telecommunication Limited |
| QA | Quality Assurance |
| QC | Quality Control |
| RO | Reverse Osmosis |
| SECP | Securities and Exchange Commission of Pakistan |
| SGS | SGS Pakistan (Pvt) Ltd. |
| SNG | Synthetic Natural Gas |
| SZABIST | Syed Zulfiqar Ali Bhutto Institute of Science & Technology |
| TCF | The Citizens Foundation |
| UET | University of Engineering and Technology |
| URS | United Registrar of Systems |
| USAID | United States Aid |
| VIP | Vendor Improvement Program |
| VOC | Volatile Organic Compound |
| VP | Vice President |
| WAPDA | Water and Power Development Authority |
| WWF | World Wildlife Federation |

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