

PIERER

Mobility AG

KTM



Husqvarna
MOTORCYCLES



GASGAS

SUSTAINABILITY REPORT 2019

(CONSOLIDATED NON-FINANCIAL REPORT)



ABOUT THIS REPORT

This sustainability report has been drawn up taking account of the Global Reporting Initiative's "GRI Standards", the internationally recognized framework for sustainability reporting. At present, the sustainability report does not yet meet the requirements for compliance with the "core" reporting option. The GRI Content Index, starting on page 46, contains a detailed list of the minimum requirements in this regard and of our compliance or omission. Compliance with the "core" reporting option will continue to be sought and reporting will be further optimized in 2020.

This consolidated non-financial report, as it is known, essentially covers all fully consolidated subsidiaries of PIERER Mobility AG. The two companies PEXCO GmbH and Avocado GmbH will not be fully included in the environmental and employee figures until 2020 due to their full consolidation during the year. PEXCO GmbH was taken over completely by PIERER Mobility AG in December 2019 (previously: 40% share) and Avocado GmbH has been part of the PIERER Mobility Group since May 2019.

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OVERVIEW OF PIERER MOBILITY

The **PIERER Mobility Group** (formerly KTM Industries Group) is Europe's leading "Powered Two-Wheeler" manufacturer ("PTW"). With its globally known motorcycle brands KTM, HUSQVARNA and GASGAS, it is one of the European technology and market leaders, especially for premium motorcycles. The product range of the PIERER Mobility Group includes vehicles equipped with the latest generation of combustion engines, emission-neutral vehicles with innovative electric drives, and e-bikes. As a pioneer in the field of electric mobility for two-wheelers in the low-voltage range (48 volts), the Group has the foundations in place with its strategic partner Bajaj Auto Ltd. of Pune, India, to assume a leading global role in this market segment. Thanks to our innovative strength, we see ourselves as the technology leader in the two-wheeler sector in Europe.

KTM AG, with registered office in Mattighofen, Austria, is the holding company of the manufacturers of our premium motorcycles as well as special high-performance components (WP Suspension) and sports cars (KTM X-BOW). In partnership with more than 40 sales subsidiaries, the company serves around 2,900 dealers and importers worldwide on behalf of KTM Sportmotorcycle GmbH, Husqvarna Motorcycles GmbH and GASGAS Motorcycles GmbH, as well as a growing network of WP Authorized Centers. KTM AG has a broad product range of performance vehicles. At the heart of this offer is a motorcycle model range covering all major engine capacity categories and classes from 50 cc to 1300 cc.

KTM Technologies GmbH, which is based in Anif near Salzburg, Austria, focuses on the development of innovative product concepts and new technologies for the motorcycle segment and the area of mobility solutions with a promising future. The company's competences are wide-ranging and, in addition to overall vehicle development, are particularly geared to developing holistic vehicle and product concepts using groundbreaking technology. In addition, KTM Technologies GmbH specializes in

concept development for electrically driven vehicles and technology platforms for the various product groups of the single or multi-track mobility sector. The company cooperates with a very efficient network within the KTM Group as well as with external partners such as institutes and universities.

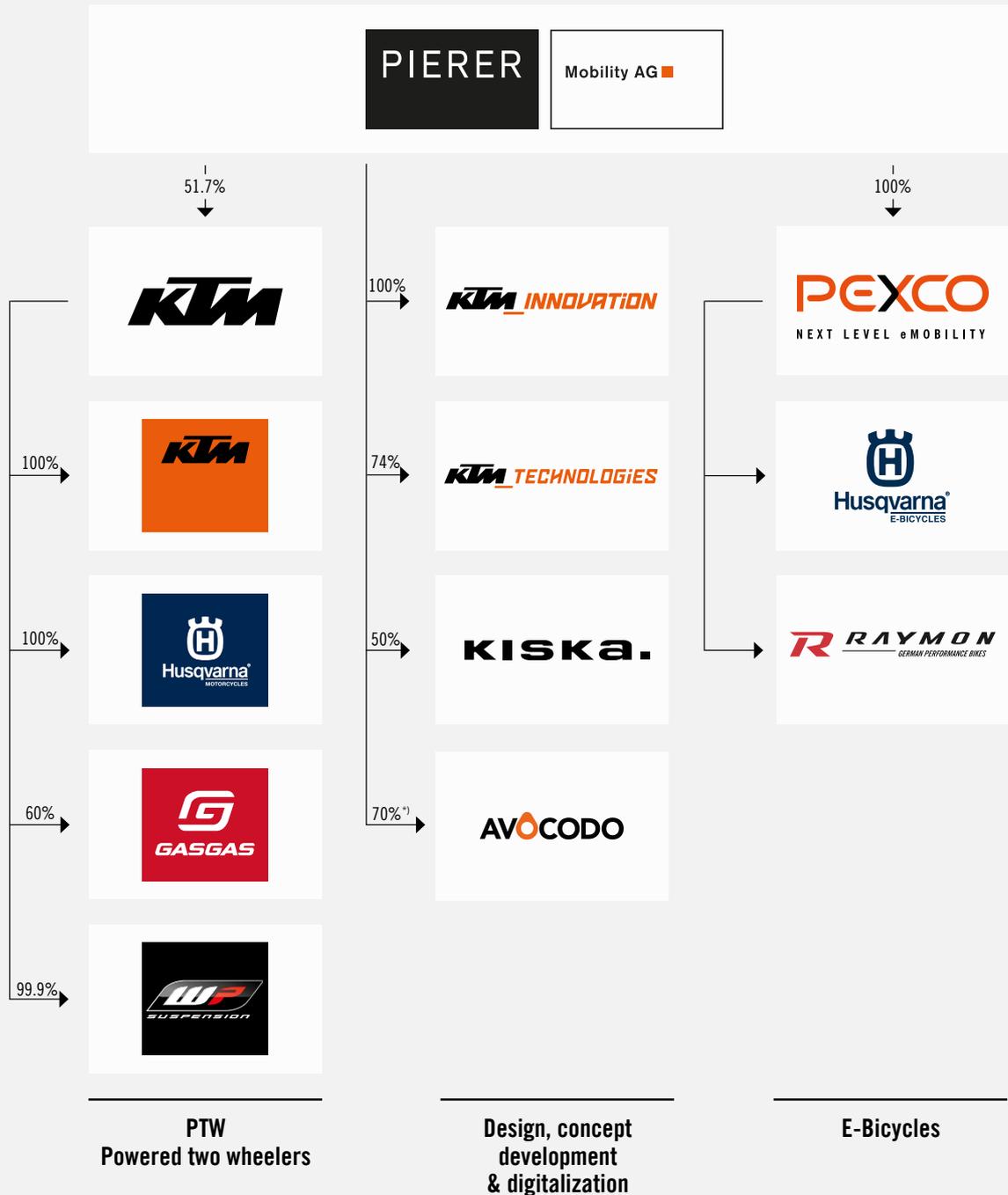
KTM Innovation GmbH, which was founded in 2018 and has its registered office in Wels, Austria, focuses on trending topics from various fields of technology in the field of digitalization such as artificial intelligence, big data, blockchain and business modeling. The focus is on the development of digital products and services for the motorcycle segment - the group's core product. The aim is to facilitate a profound digital transformation in all areas; on the motorcycle, in production and along the supply chain, in marketing and sales, in communication with riders, and in services that we provide to the users of our products.

In December 2019, the PIERER Mobility Group took another step in the area of 2-wheel electric mobility with the early acquisition of PEXCO GmbH, Schweinfurt/Germany. In 2020, E-bicycle activities will be promoted under the brands HUSQVARNA E-Bicycles and R Raymon in order to participate in the attractive market growth of the e-bicycle segment and to develop into an international active player. The focus in this area is on the development and sale of e-bikes and bicycles.

AVOCODO GmbH, with registered office in Linz, Austria, is a full-service provider specializing in mobile applications, web applications and business solutions. The company's focus is particularly on digital solutions and individual developments.

GROUP STRUCTURE

SIMPLIFIED PRESENTATION AS OF 12/31/2019



Other shareholdings:

PF Beteiligungsverwaltungs GmbH	100%
Platin1483. GmbH	100%
ACstyria Mobilitätscluster GmbH	12.3%

^{*)} increase to 100% in January 2020

PRODUCTS & DEVELOPMENTS



KTM 450 SX-F

- The SX-F combines when it comes to handling and performance and absolutely represents the benchmark in the segment for years.
- For the latest generation, the frame – made from hydroformed chromium-molybdenum steel tubes – has been fundamentally overhauled. This enabled the vehicle weight to be reduced again to around 100kg.
- The SX-F Family offers a state-of-the-art electronics package with Launch Control, Traction Control and Map Select Switch on the handlebars.

KTM 1290 SUPER DUKE R

- With the KTM 1290 SUPER DUKE R, a significant increase in overall efficiency was achieved by reducing the weight of the vehicle by 6kg (e.g. -2kg on the frame & -0.8kg on the engine) and simultaneously improving overall performance (frame stiffness, geometry, linkage, engine power, etc.).
- Other special features of the new model generation include a completely revised E/E system to reduce exhaust emissions, assistance systems (Traction Control, Cruise Control, Quickshifter+, etc.) and connectivity features.



HUSQVARNA TE 250i

- The Husqvarna Enduro Competition models offer unrivaled ergonomics and quality.
- The revolutionary 2-stroke TPI (Transfer-Port-Injection) injection system ensures that the optimum fuel quantity is supplied in every situation. This guarantees controlled power output and reduced pollutant emissions.
- Using a two-part carbon-fiber composite rear frame (70% polyamide, 30% CFK) allowed the weight to again be significantly reduced.





KTM SX-E 5

- The SX-E 5 with its air-cooled, 5kW 48V electric motor is the result of intensive R&D work in the electric segment.
- An 84-cell lithium-ion powerpack equipped with an intelligent battery management system is used to store energy.
- The competitive mini motocross model is equipped with the highest-quality components, which will usher in a completely new emission-free and low-noise era in motorsport.



HUSQVARNA GRAN URBAN 6



- The strong growth of major international cities is producing an increasingly large number of problems: overloaded infrastructures, traffic chaos, fine particulate pollution.
- HUSQVARNA E-Bicycles has specifically addressed the challenges of urban mobility and developed new e-bike models for use in the city in model year 2019.
- However, in paying tribute to HUSQVARNA's brand DNA, the drive is at the heart of the design. Designed to be open and free-floating, the powerful Shimano drives are the beating heart of this model range.

OUTLOOK – ENDURO RANGE MY21

In 2020, in the area of the GASGAS Enduro model range, the focus of R&D activities is on switch from outdated carburetor technology to the modern TPI injection system. The GASGAS models are also based on the same highly developed technology platform as the KTM and HUSQVARNA models.

Research &
development

Purchasing

Production &
assembly

Logistics &
sales

Product use &
recycling

OUR VALUE CHAIN

As a manufacturer of motorcycles for offroad and street use, the PIERER Mobility Group integrates an extensive part of the value chain. This starts with creating products in the area of research and development and extends from purchasing, through production - in some cases also done internally - to sales and distribution, right up to the use of products in the professional or private sector.



Racers & factory riders, rider teams	Media	Dealers	Politicians
Neighbours	Employees	Academia & experts	Networks & associations
Supplies	Shareholders & investors	Business partners	Customers

OUR STAKEHOLDERS AND KEY SUSTAINABILITY TOPICS

Thanks to the growing presence of our products from the various divisions - especially those under the KTM, HUSQVARNA Motorcycles & E-Bicycles and GASGAS brands - we engage with various stakeholders on the global market. Their individual interests and approaches are balanced as fairly as possible. We endeavor to engage in ongoing and intense dialog with our stakeholders at all times. The views and experiences of others have a crucial bearing on how we act in addressing and discussing relevant but also controversial issues. This is the only way we can satisfy the requirements and expectations of both sides and develop sustainable solutions.

To this end, we have established defined communication channels and forms of dialog that enable an ongoing exchange with the most important stakeholders. Communicating proactively and integrating relevant stakeholders are crucial for PIERER Mobility Group in allowing us to maintain our leading position in the market and also to respond as promptly as possible to the volatile market environment for our products and services. Treating each other with respect and the transparent flow of information

help over the long term to build up mutual trust and prevent misunderstandings - this is the only way to reduce any tension that may exist and avoid new conflicts.

In addition to personal discussions, our stakeholder dialog also focuses particularly on joint product development with various specialist groups and strong regional cooperation between our sites and suppliers. We are aware of our social responsibility and this is why we constantly strive to provide future-proof jobs and create new jobs in a sustainable way. Through dialog with neighbors, communities and associations, we develop concepts for solutions to meet local challenges and promote balanced educational work. Regular engagement with the capital market, for example at roadshows and on conference calls, is very important for PIERER Mobility Group. In addition, our stakeholder management also involves tech talks, themed workshops, training courses, surveys, web platforms, media contacts and interviews as well as trade fairs and career days.

The stakeholder groups were identified in 2018 as part of an internal analysis of the most important stakeholder groups that regularly make contact with us or with which there is already an intense exchange of information. An overview of our **stakeholder groups** and the **forms of dialog** can be found below.

- **Employees:** Annual employee appraisal, intranet, specialist workshops, training courses, ideas workshop, employee survey, information events and staff meetings, guided tours of production areas, welcome days for new employees and apprentices, KTM_academy.
- **Shareholders and investors:** Bilateral exchange on environmental, social and governance (ESG) issues with investors.
- **Academia and experts:** Delta Academy of Montanuni Leoben (Stefan Pierer as a member of the management board), round table in small groups on technological topics of the future, joint R&D projects, visits to educational institutes (universities of applied science, universities), preparation of studies, cooperation with technical universities within the framework of sponsored projects, cooperation with LIMAK as well as with universities and technical colleges, sponsor of/cooperation with Formula Student Teams, member of the automobile cluster.
- **Suppliers and dealers:** Trade fairs, product presentations and test drives, joint events, training courses, lectures, regular dealer meetings on delivery and quality agreements, daily exchange of information via Dealer.Net.
- **Business partners:** Knowledge sharing at specialist conferences and expert workshops.
- **Racers and factory riders, rider teams:** Test rides, face-to-face feedback discussions and exchange of experiences in relation to safety.
- **Media:** Interviews, press releases, close contact with business journalists, test rides, trade fairs, product presentations.
- **Politicians, networks and associations:** Presidency (Stefan Pierer) at ACEM, the European Association of Motorcycle Manufacturers; the Federation of Upper Austrian Industry (Stefan Pierer as Vice-President); at the locations of the PIERER Mobility Group the management is in regular contact with relevant local/regional government officials and authorities (Provision of company data, business and sustainability report). Participation in the association "z.l.ö. - zukunft.lehre.österreich.", cooperation with Hotspot (Lebensraum) Innviertel and Innovation and Technology Transfer Salzburg; cooperation with Occupational Health Service, awards: "Career Best Recruiter", "Employer Branding Award 2019" gold.







ABOUT ACEM

The European Association of Motorcycle Manufactures (ACEM) represents the manufacturers of mopeds, motorcycles, tricycles and quadricycles (L-category vehicles) in Europe. ACEM members include 17 manufacturing companies and 17 national industry associations from 14 countries. Around 300,000 jobs depend on the motorcycle, moped, tricycle and quadricycle industry in Europe. This is why the association works closely with the EU institutions and with many stakeholders from different policy areas. Topics range from the European approval of L-category vehicles in relation to environmental legislation, road safety and transport policy to international trade relations. In addition to road safety and mobility, ACEM also focuses on the environmental performance of L-category vehicles and the role of the motorcycle industry in promoting sustainable transport in Europe. For this reason, it makes a significant contribution to driving forward regulatory activities and lobbying for the introduction of new environmental standards, such as the implementation of the Euro 5 exhaust gas regulation.

PIERER Mobility CEO Stefan Pierer will be President of ACEM until April 2021. During his presidency, activities that have been promoted include the following:

Type approval

- Provision of the Euro 5 package for use from 2020 with a corresponding reduction in the limit values for local pollutants.
- Completion of technical details for the implementation of on-board diagnostics, preparation for the discussion on Euro 5 noise limits.

Emission factors of the L category

Update COPERT with data of the Euro 4 L category. COPERT is the EU's standard vehicle emission calculator. This covers all major pollutant categories and is used to calculate emissions at national, regional or local level and to establish annual to daily calculation models. The COPERT methodology is published and peer-reviewed by experts of the UNECE LRTAP Convention.

Life cycle | Waste | Risk materials

Increasing focus on the documentation of usage behavior along the entire product life cycle and promotion of further association activities. Particular attention will be paid to the issues relating to the recycling of lithium-ion powerpacks ("cradle to grave") and to working to promote the safe handling of the chemicals they contain in the form of an inter-association alliance. In addition, ACEM, together with other European vehicle associations, is working to advance the GRMS² (Global Regulatory Monitoring System for Chemical Substances) project on substance monitoring.

Another important topic, which plays a major role in the automotive industry in particular, is the **REACH* regulation** on the registration, measurement, authorization and restriction of chemicals in products. The corresponding EU regulation has been in force since 2017 and applies in principle to all chemicals - whether they are used in industrial processes or in everyday life. As an ACEM member, KTM AG supports the program and is strongly committed to protecting human health and the environment. This is why, in 2019, the first joint measures were drawn up to limit the risks that can arise, for example, from using harmful substances in the production process in the vehicle industry.

RESEARCH AND DEVELOPMENT POLICY

- Active membership of the European technology platform ERTRAC (European Road Transport Research Advisory Council). ERTRAC is a consortium of stakeholders from the vehicle sector for developing a common vision for road transport research in Europe in the technical field.
- KTM is also an active member of EGVI (European Green Vehicles Initiative Association), an association which is involved in the "European Green Vehicles Initiative PPP"* together with the European Commission to represent the private sector side of the partnership. The aim of this initiative is to provide environmentally friendly vehicles and mobility system solutions for the future to meet the social, ecological and economic challenges of future mobility.
- With its product developments, the PIERER Mobility Group makes an important contribution to the development of roadmaps in the fields of safety, automation, decarbonization and electric mobility.
- Furthermore, the PIERER Mobility Group participates in and supports various EU research projects.

Connected Motorcycle Consortium

KTM AG is a member of the Connected Motorcycle Consortium (CMC). The strategic research and development platform promotes cooperation in industrial innovations in the field of Cooperative Intelligent Transport Systems (C-ITS). The primary mission of the consortium is to bring together the leading companies in the motorcycle industry to promote the timely and widespread use of C-ITS, which offer considerable potential for improving the level of safety for motorcyclists on the road.

E-Call

Participation in transnational standardization activities to define the minimum requirements for the integration of the automated emergency call system E-Call, which is already established in the automotive segment.

European quality seal for motorcycle training

The quality seal is a joint initiative of ACEM, the German Transport Safety Council (DVR), an independent NGO, and the International Motorcycle Federation (FIM - Fédération Internationale de Motocyclisme). The initiative is supported by the European Transport Safety Council (ETSC) and the European Commissioner for Transport, Violeta Bulc. A total of 29 training programs in Austria, Belgium, France, Germany, the Netherlands, Spain and Sweden have already been recognized with this award, including two of the KTM RIDERS ACADEMY programs.

Cooperation with IMMA

The IMMA (International Motorcycle Manufacturers Association) is the international association of manufacturers of "Powered Two-Wheelers" (PTWs). The main task of IMMA is to develop and support global, international legislation governing the construction and use of motorized two and three-wheelers. IMMA enables the industry to speak with one voice at all levels. IMMA's members include the industry associations of the most important regions of the world.

Environment

Continuation of activities within the United Nations Economic Commission for Europe (UNECE) in the field of Environmental and Propulsion Performance Requirements for Internal Combustion Engine PTWs (EPPR). The cooperation involves the international adoption of the Euro 4 and Euro 5 emission standards as well as the further development of legislation on noise emissions from PTWs.

Safety

Stepping up of activities within the UNECE* concerning safety regulations in the PTW segment (such as brakes, lighting, etc.) and presentation of the new publication "Safe motorcycling: The global motorcycle industry's road safety initiative".

* UNECE: United Nations Economic Commission for Europe. REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals. EGVI cPPP: European Green Vehicles Initiative with a contractual Public Private Partnership.

MATERIALITY ANALYSIS

In order to determine the material contents for this sustainability report, we first conducted a materiality analysis with the assistance of selected employees from the subsidiaries of the PIERER Mobility Group in 2017. As part of this, we identified those topics relating to environmental, social and employee interests, observance of human rights and tackling of corruption that have an impact on our activities and are of relevance to our long-term business success. In the 2018 financial year, a reassessment of the subject areas took place with the following result:

- Research & development
- Business compliance and fairness in dealing with business partners (incl. suppliers)
- Product quality and safety
- Environmental aspects along the product life cycle
- Occupational safety and employee health
- (Further) training of employees

On the basis of our ongoing communication with our stakeholders during the year, we have since reviewed the main topics at least once a year to ensure that they are up to date. In the 2019 financial year, the topics were confirmed without any change. These topics will be described in the chapters that follow, using the concepts of risks, due diligence processes and measures, and results and performance indicators.

Significant risks from business activities and our business relationships, which are associated with the impact on the issues in focus, are identified in the respective divisions and avoided as far as possible by means of the measures described. Non-financial risks are systematically recorded and evaluated. Significant risks that are likely to have a negative impact on the interests of the company are included in the reporting in accordance with Section 267a of the Austrian Commercial Code (UGB). No significant risks were identified in the 2019 financial year.

OUR VALUES & UNDERSTANDING OF BUSINESS (BUSINESS COMPLIANCE)

The code of conduct of the PIERER Mobility Group was revised in the 2019 financial year. In the new version, the subject area of corruption has been expanded to include the sphere of public officials, and other topics such as child labor and the financing of terrorism have been added. The new code of conduct, which applies to all board members, managers and employees of the PIERER Mobility Group, will be rolled out in 2020. This binding set of rules defines ethical standards and principles and serves as a benchmark for the conduct of all board members, managers and employees.

The code of conduct addresses relevant compliance risks and defines the expectations for dealing with the topic areas which are outlined below.

- Human rights, respect and integrity, diversity, fair working conditions
- Sustainability
- Fair competition, prohibition of cartels
- Corruption, money laundering, financing of terrorism, export controls
- Conflicts of interest, handling of company property and of business and trade secrets, data protection, prohibition of insider trading, political activities

ANTI-CORRUPTION AND FAIR COMPETITION

In principle, collaboration with partners along the value creation chain involves risks of unfair competition, including (unfair) influencing of suppliers, customers or decision makers. Corruption also involves financial risks for companies in connection with the threat of financial penalties, loss of orders or customers, or damage to reputation. Currently, there is no increased risk of corruption in the PIERER Mobility Group.

The PIERER Mobility Group complies fully and uncompromisingly with the respective national anti-corruption provisions as well as the international directives or recommendations (e.g. UNCAC, U.S. Foreign Corrupt Practices Act, UK Bribery Act, OECD Guidelines for Multinational Enterprises).

It does not tolerate any practices in which business transactions are concluded by unfair means.

The code of conduct lays down comprehensive conduct guidelines in relation to awarding of undue advantages, corruption and bribery. The mandatory principles defined therein in relation to awarding and acceptance of undue advantages provide a regulatory framework that board members, managers and employees must regard as a guide for their conduct when dealing with suppliers and customers. Board members, managers and employees are encouraged to speak to their managers or the competent office for general compliance issues in the event of any doubts as to the permissibility of an award or acceptance of a benefit. When assessing the appropriateness of gifts and invitations of any kind, special attention is paid to the social custom and appropriateness in addition to the underlying motive.

The code of conduct can be viewed on the intranet site of the KTM AG Group at any time by all board members, managers, and employees. The code of conduct is also highlighted on the homepage of the intranet of the KTM AG Group at regular intervals. The code of conduct is handed out along with the welcome pack to new employees.

Furthermore, extensive training is provided on the content of the code of conduct and to raise awareness of compliance issues. The focus is on the issue of anti-corruption. Ostensibly, managers and employees from particularly vulnerable areas such as Human Resources, PG&A, Purchasing, Sales, Research & Development, Marketing, Quality Management as well as board members and general managers are trained in face-to-face sessions. In the 2019 financial year, 104 managers were trained by the end of the year - including 55 team leaders, 1 project manager, 8 vice

presidents, 3 section leaders, 1 managing director and 36 heads of department. In 2019, a total of 31% of managers received training. Since training began in November 2018 on the topics in the code of conduct, the proportion of managers who have been trained has been 51%. This training segment will continue to be promoted in 2020 as well. Further training measures are planned. In particular, an e-learning tool with the contents of the code of conduct will be published on the KTM AG intranet site in 2020 to make a large number of employees aware of this topic and to train them regularly. In the course of these training measures, the KTM AG Group successfully implements its anti-corruption strategy, which is why the anti-corruption system in the KTM AG Group is continuously being improved.

There were no known cases or proceedings relating to corruption within the PIERER Mobility Group during the 2019 financial year.

Extensive training was also delivered on the General Data Protection Regulation, as part of which, during classroom training, employees of subsidiaries were also trained alongside the employees at the sites in Mattighofen and Munderfing. Moreover, an e-learning training tool with a mandatory test in relation to the issue of data protection was made available for the employees on the intranet.

In addition, a data protection guideline for the introduction of a data protection management system was put into effect. Compliance with this ensures that the company's conduct is in line with data protection regulations, in particular that it safeguards the rights of data subjects, prevents data protection violations and avoids fines. All employees are obliged to comply with this guideline, which is a set of instructions. This guideline has been substantiated with several company agreements in the field of data protection. Each company has set up its own privacy e-mail address to receive requests.

We apply the same high quality standards in the area of data security and data protection as we do for our products.

CYBER SECURITY

Within the PIERER Mobility Group, an IT security and risk management system is operated with the aim of making it possible to recognize and manage company-relevant risks in the area of information security. In addition, evidence of compliance and the exercising of due diligence when handling and using information and equipment for the processing of information is provided and documented in respect of customers, the Executive Board of the PIERER Mobility Group and the general managers of each participating company.

The ever-increasing threat of IT and cyber risks is countered within the PIERER Mobility Group through the ongoing development of IT security measures and the use of state-of-the-art IT security technologies. Cyber attacks are averted using a multi-level technical concept, which makes use of state-of-the-art security features, such as an intrusion prevention system and additional upstream or internal technical security systems. In addition, behavior-based security solutions are used with a view to

identifying security-related abuse. Incidents are identified and handled by a malware incident response process. In parallel, regular internal and external vulnerability analyses are performed and any vulnerabilities identified are countered by means of an established patch and update management process. Regular internal and external security audits are documented, evaluated and prioritized by means of risk management measures and a solution is then applied.

Care is taken to ensure that all users of the PIERER Mobility Group's IT system possess the requisite knowledge and awareness of how to use the IT system within the scope of their role through the provision of regular IT security awareness training. This is carried out in a preventative and transparent way and takes place in all subsidiaries worldwide. For new employees, the training sessions are held monthly. In future, every employee shall be obliged to take part in the IT security awareness training once a year.

OBSERVANCE OF HUMAN RIGHTS

People who work directly or indirectly for the PIERER Mobility Group are entitled to have their human rights within the meaning of the UN Universal Declaration of Human Rights observed, and to be treated with fairness and respect. The PIERER Mobility Group expects its board members, managers and employees to respect human rights and to protect them in their everyday activities. Equally, the Group expects its key business partners to observe the human rights set out in the code of conduct which is referred to in the purchase conditions of KTM AG.

The PIERER Mobility Group regards it as particularly important for all employees to be treated with fairness and respect. The aim is to create a working environment characterized by mutual trust, in which each individual is treated with dignity and respect, and in which people from diverse cultures and with different personal backgrounds are held in esteem. As an international Group, we value the diversity that is reflected in the

origin, culture, language, and ideas of our employees. The PIERER Mobility Group prohibits sexual harassment in any form.

Board members, managers and employees are able at any time to contact the competent office for general compliance issues if they have questions regarding observance of human rights, and to report indications of possible human rights violations within the company to this office. These indications are investigated, and measures are taken to resolve possible grievances, if required. No indications were reported and followed up in the reporting period. There were no cases or proceedings relating to human rights abuses within the PIERER Mobility Group during the 2019 financial year. In addition, there are currently no increased risks of negative impacts arising from operating activities in relation to observing human rights.



COOPERATION PARTNERS

In the course of collaboration with international business partners, the general risk exists that the countries concerned may not apply statutory laws that are as stringent as those in Austria. Our long-term partners set their own high standards in order to meet our demands for observing human rights.

Bajaj Auto Ltd. of India, as a strategic partner of KTM, is committed to the continuous improvement of occupational safety, employee health,

environmental impact and the environmental impact associated with its business activities, and pledges to comply with the applicable safety, health and environmental laws and regulations. As a listed company, Bajaj Auto Ltd. is obliged to make reference in its annual financial report to the legal regulations applicable in its country and compliance with them (<https://www.bajajauto.com/investors/codes-policies>).



OUR CONTRIBUTION TO THE SDGS

In 2015, as part of the 2030 Agenda for Sustainable Development, the United Nations set 17 Sustainable Development Goals. Broad cooperation between politicians, civil society, science and business will be needed to achieve these goals. The PIERER Mobility Group wants to help to achieve the global Sustainable Development Goals with its operating activities and ensure that its operating activities do not have any detrimental effects on the issues and objectives in question.



SDG 3 – Good Health and Well-being

As a manufacturing company, the PIERER Mobility Group has a particular responsibility to ensure the health and safety of its employees. We aim to contribute to SDG3 by making continuous improvements in the area of occupational safety and introducing new health promotion measures.

In the 2019 reporting year, the focus in the area of mental health was on burnout prevention and support, particularly in collaboration with the occupational psychologist and the human resources department (Target 3.4 - Promoting mental well-being). For example, in occupational safety were implemented ongoing improvements for the continuous implementation of safety briefings with newly recruited employees as well as catching up on missing or inadequate safety briefings in areas with an increased incidence of accidents at work.



SDG 4 - Quality Education

With its initiatives focusing on the (further) training of potential and existing employees, the PIERER Mobility Group makes a valuable contribution to SDG 4, which aims to provide quality education and lifelong learning opportunities.

As one of the largest trainers of apprentices in the region and through intensive cooperation with vocational colleges, universities and UASs, young people in particular are offered wide-ranging opportunities to obtain high-quality vocational and technical education and training (Target 4.3). Existing employees have the opportunity to choose from a comprehensive further training program at the KTM_academy (e.g. Young Pioneers College, KTM MBA) to increase their individual qualifications (Target 4.4).



SDG 8 – Decent Work and Economic Growth

The PIERER Mobility Group is considered a technology pioneer in the premium motorcycle segment and is also one of the largest employers in Upper Austria. The PIERER Mobility Group thus contributes to sustainable economic growth and regards it as a matter of course that it will support decent work.

To promote decent working conditions, the PIERER Mobility Group builds on a positive working environment and expects its managers, employees, and business partners to respect human rights. Internal contact points have been set up within the company to report possible irregularities. These are all fundamental measures which support Target 8.7 (contribution to eradicating forced labor, modern slavery and human trafficking).



SDG 9 - Industry, Innovation and Infrastructure

As a leading innovator in the sports motorcycle sector, the PIERER Mobility Group traditionally pays great attention to its culture of innovation. In recent financial years, for example, considerable investments have been made in the group's research and development sites.

The pursuit of technological progress and the promotion of innovation are the cornerstones of the PIERER Mobility Group's business model and implicitly support.



SDG 13 – Climate Action

The PIERER Mobility Group is conscious of the contribution that its operating activities make to climate change and supports SDG 13 with measures to combat climate change.

An important aspect in the development of road-registered = homologated vehicles is reducing emissions of exhaust gases and noise, which are caused by the combustion process itself, for example, also by any evaporative emissions of the hydrocarbons (= fuel) contained in the vehicle.

As far as the development and production of its products are concerned, the PIERER Mobility Group attaches great importance to the efficient use of raw materials in a manner that conserves resources, and to environmentally sustainable operations. This is why the issue of increasing efficiency and making the fullest possible use of raw materials, including their return to the material cycle (currently in the form of a comprehensive recycling strategy for steel, aluminum and residual waste as well as wood, cardboard and other recyclable materials) is of particular importance.

Thanks to many years of intensive development work in the field of electric traction systems for PTW, a substantial technology platform has been created in addition to the first products available on the market, which will enable further vehicles powered by renewable energy to be launched on the market in the years ahead.



OUR EMPLOYEES

Finding qualified employees and retaining them in the company over a long period of time poses a significant challenge particularly for rural sites. Every employee in the PIERER Mobility Group forms part of the large team that drives the success of the company with dedication and enthusiasm. Attractive jobs offering exciting challenges and excellent opportunities for training and career progression give employees the chance to demonstrate and expand on their skills. Growing by embracing challenges is one of the premises in personnel development

Internal and external measures to increase the attractiveness of the company as an employer are an essential element in conveying the prevailing spirit of the PIERER Mobility Group to potential new employees. In order to further strengthen the employer brand in this context, in particular, alongside the traditional career fairs, the next steps have been taken in digitalization. For example, a 360° virtual reality company tour was developed in 2019 to present KTM as an attractive employer to potential employees using VR glasses. The VR glasses provide candidates at career fairs with specific insights into the KTM world. In addition, the VR glasses enable new employees to be introduced to their future workplace, colleagues, premises, benefits etc. before they first start work. This completely new onboarding concept won the gold award at the “Employer Branding Award 2019”.

A new applicant management tool was introduced in 2019 with the aim of taking a further step toward digitalization in the area of recruitment and avoiding media disruptions. Even the approval process for a vacant position is controlled via a digital workflow. Further advantages are, in particular, the automated interfaces with various publication channels, preprogrammed evaluations of statistics and the creation of talent pools, which deliver added value for future job searches. The new tool also represents a simplified process from the point of view of the applicants because it enables a “one-click application”.





FOCUS ON MAKING WORKING HOURS AND WORK LOCATIONS MORE FLEXIBLE

For the purpose of creating a modern and flexible working environment, the PIERER Mobility Group, as an attractive employer, enables employees to better adapt their working hours and place of work to their personal needs and the needs of the company. In order to increase job satisfaction and flexibility at the same time, KTM employees can spread out their weekly working hours from Monday to Thursday based on a fair-use principle. This means they no longer have to commute five days a week. In principle, this flexible arrangement for working hours applies to employees who come under the flexitime agreement. A new flexitime agreement was also introduced at KTM Technologies GmbH in 2019. The employees at the site in Anif near Salzburg can now better coordinate their daily working hours with their current lives. In order to further reduce travel times, employees can also use the KTM offices in Wels and Anif near Salzburg in addition to the workplaces in Mattighofen and Munderfing.

A further measure for making working hours more flexible is the option of working from home ("home office"). A new directive has allowed this since 2019, provided that operational requirements are not adversely affected.

In 2019, KTM and KTM Technologies GmbH also updated and optimized their policy on business trips. As part of these regulations, the focus is once again on digitalization and reducing CO2 pollution. By expanding the possibilities for digital communication, the extent of business trips should be reduced to the necessary extent. For business trips, a new regulation provides incentives for increased use of public transport, thus reducing the use of motor vehicles.

The PIERER Mobility Group employed 4,368 people worldwide as of December 31st 2019 (previous year: 4,303), with 3,639 of them in Austria (around 83%). Approximately 18% of the total workforce work in research & development. In 2019, the proportion of female employees was 23%. With its Mattighofen, Munderfing, Thalheim and Schalchen sites, KTM AG is one of the largest employers in the Upper Austria region. In the 2019 reporting year, 3,426 people were employed here.

In 2019, employee turnover at the Austrian companies in the PIERER Mobility Group was below 10% (previous year: <10%). This figure includes all non-retirement departures in proportion to the overall number of employees excluding temporary staff. An extended list of the most important employee indicators can be found in the appendix.

OCCUPATIONAL SAFETY AND EMPLOYEE HEALTH

The PIERER Mobility Group is concerned with guaranteeing the safety of its employees at all times. Statistics are collected by the human resources department on accidents in relation to the cause, type, quantity, place/department and days on which the employee concerned was absent for the purpose of taking appropriate improvement measures.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

To achieve continuous improvement in the area of health and safety, among other things a range of preventative measures are taken in relation to general workplace safety, fire prevention, safety of machinery, promotion of occupational health and measures for ensuring suitable and ergonomic workplaces (including lighting, height requirements, individual seating solutions, specific IT hardware, positioning of work equipment, use of tools or aids).

The following measures are taken in an annual cycle for the continuous prevention of workplace accidents:

- Comprehensive mandatory safety briefings with all employees.
- Focusing on measures from the current KTM Operations System (KOS) for production: efficiency is increased with KPIs and methods as well as an improved understanding of roles and increased qualification of the employees. Furthermore, process optimization in terms of cleanliness, order and waste, as well as a focus on standardized working and improved workplace design, reduces the probability of accidents at work and thus increases the level of safety. There is close cooperation in this area with Gemba-Austria (among other things, implementing lean management projects).
- The level of protective equipment is constantly being expanded for accident-critical jobs, e.g. cut-resistant gloves to prevent cut injuries.

- Material improvement specifications are constantly passed on to suppliers and implemented to prevent accidents and injuries involving equipment and materials.
- ÖAMTC training courses on how to ride safely are held annually for test riders.

In 2019, the PIERER Mobility Group experienced 101 work-related accidents. All work-related accidents (mainly cuts, bruises and contusions) happened at the KTM sites in Mattighofen, Munderfing and Schalchen. The main causes of accidents can be attributed to the handling of work equipment and tools, vehicles and other means of transport, as well as a lack of attention, stumbling and twisting. The injury rate is 19.4 accidents at work per million hours worked (previous year: 9.1)*.

The increase in accidents at work can be attributed to the following reasons:

- Increased organizational changes and relocation of production areas and the associated high turnover of employees in these areas.
- Training courses from KTM Operations Systems (KOS) were not implemented across the board in different divisions until mid-2019, and therefore did not have an impact until the second half of the year.
- General increase in the turnover of temporary staff in individual production areas.
- In some cases insufficient and inadequate safety training in some areas (Deficiencies were already addressed in the reporting year).

In 2019, the following measures were implemented specifically to improve occupational safety and employee health:

- Ergonomic development of workstations in all production areas and selected office workstations.
- Implementation of a lifting platform in the vehicle assembly facility to reduce the manual movement of vehicles by employees.
- Adaptation of the production processes and technical equipment on the production lines to reduce accidents at work.
- Training in the internal use and steering of all industrial trucks.
- Optimization of the traffic routes all around the company premises, e.g.: Widening of the footpaths.
- Optimization of work processes and organizational changes in the entire warehouse area and thus a significant reduction in accidents at work.

- Optimization of work processes and organizational changes in the whole of frame production; as a result, there were no accidents at work in this area in 2019.
- Ongoing improvements for the continuous implementation of safety briefings with newly recruited employees as well as catching up on missing or inadequate safety briefings in areas with an increased incidence of accidents at work.

KTM Technologies GmbH also attaches great importance to the highest safety standards, regularly trains its employees and ensures that all legal requirements are met. Special safety briefings are conducted for employees who work in areas with a higher risk potential. The safety briefing is refreshed annually for each employee working with the company INTERGEO. In addition, employees are given the opportunity to ask questions in a personal safety briefing. Due to this high safety standard, KTM Technologies GmbH recorded no accidents at work in 2019 which required reporting to the Austrian Workers' Compensation Board (AUVA).

In the 2019 reporting year, KTM focused on burnout prevention and support in the area of health promotion, especially in cooperation with the occupational psychologist and the human resources department. In addition, information workshops were launched in this area with a target group of managers, and these are gradually being expanded to include the entire workforce. Specifically, individual cases were intensively supported by the human resources department and appropriate measures were taken in the working environment or an internal change of activity was implemented.

* Number of hours worked in 2019: 5,209,176 (previous year: 5,074,350). In 2019 the calculation method was adjusted. Values for 2018 include reportable occupational accidents, while values from 2019 onwards include all documented occupational accidents.



New apprentices joining the company in September 2019

TRAINING AND FURTHER TRAINING

In 2019, the PIERER Mobility Group invested in around 46,000 hours of further training at its Austrian companies (previous year: around 43,000). The number of training and further training hours per employee was around 12 hours (previous year: around 14 hours). See also the table on “Training and further training” in the appendix.

NEW LEARNING MANAGEMENT SYSTEM

KTM has defined its employees as the fourth pillar of its success alongside globalization, innovation and brands in the company, and is intensively expanding this pillar by expanding the training and further training it offers:

As personal development is now defined by massive changes in an age of digitalization, a modern and web-based learning management system (“SuccessFactors”) was launched in 2019. This makes the training and further training of KTM employees even more attractive, efficient and transparent. The new tool is also the platform for all e-learning courses.

Due to the high technical requirements, highly trained employees are especially important. Especially with regard to the growth course, risks may arise if key staff leave the company. Efficient personnel management as well as the constant pursuit of personnel development programs are designed to prevent the unwanted departure of employees from the company. A shortage of skilled staff at KTM is also being addressed with a comprehensive apprentice training program in our own apprentice workshop. The aim is to recruit employees from the region and to retain them in the long term. This starts on their first day at work with individual onboarding.

The onboarding process has been continuously optimized further in order to enable a swift start and effective integration of new employees in the company. Welcome days are regularly offered for new employees in German and English and, in addition to a presentation about the company, they also include guided tours of all production areas and a shared lunch to allow people to get to know each other. Each fall, apprentice welcome days that are geared to providing information for apprentices are arranged.

EMPLOYEE APPRAISAL

Structured and standardized employee appraisals are conducted as part of a “performance management” system. Formal appraisal interviews are mandatory for all white-collar employees. The concept as well as the accompanying guideline - known as the “KTM Performance Talk” - was completely renewed for 2019. This is why all KTM managers were required to be fully trained on the new process and guideline. In addition, e-learning courses were made available to all employees to promote better understanding and handling of the KTM Performance Talk.

TRAINING PRIORITIES

In the operating companies of the PIERER Mobility Group, (further) training is delivered by attending external and in-house training sessions that are specifically tailored to the needs of KTM and KTM Technologies GmbH. In further training for production employees, the focus was still on lean management, with 5-S training courses being conducted here, for example. In addition, managers also received particular training in production with specific lean management content.

Effective management is an important factor for success in achieving the corporate objectives. Experienced managers have the opportunity to refine or expand their skill set and develop additional skills during manager training. New managers are provided with support to help them assume their role successfully. 2019 began with a management course designed specifically for KTM. All hierarchical levels are trained with the same methods and content on the subject of leadership, so that there is a shared understanding of leadership within KTM. In addition, attendees networking with each other makes a significant contribution to strengthening everyday teamwork.

KTM OPERATIONS SYSTEM

The KOS (KTM Operations System) project in production, a continuous improvement process (CIP), has set itself the goal of making workflows more efficient and preventive in terms of cleanliness, order and waste. KOS is intended to deliver the same patterns of action in the company when it comes to “leadership” and “standards” as part of training and projects. Within the framework of this project, every single employee in production is required to get involved, to boost efficiency in production in a lasting way, also to generate added value for personal development and to contribute to safety in all areas of production. This provides production employees with on-the-job input on which aspects are essential for efficient and safe production processes.

As part of this, the following principles are communicated to all production employees in order to enable them to make their contribution:

SIMPLE

Our processes are simple, standardized, visualized and transparent.

Trust yourself and get started!



IDENTIFICATION

Take every opportunity to get involved in improving the whole process.

Your contribution is important to us!



ADDED VALUE

We work daily on optimizing the added value and the resources used.

Make waste visible and minimize it!



TO THE POINT

We meet our agreed deadlines. That means not too early and not too late.

Don't be late!



PULL

We produce what is needed - when it is needed. We focus on the next customer in the value stream.

Know your customer!



STABLE

Our processes are robust and can be reproduced continuously.

We guarantee to deliver high-quality work results.

Only pass on quality!



SYNCHRONOUS

Our processes intermesh like cogs. We all work to the same rhythm. Material and information also flows at this pace.

Align your work to our pace!



COOPERATION WITH UNIVERSITIES AND UNIVERSITIES OF APPLIED SCIENCES

ACADEMIC COURSES

KTM promotes joint activities with universities and universities of applied sciences. New career opportunities for employees were launched in 2019 together with the LIMAK Austrian Business School. The offer includes a KTM Young Pioneers College and an exclusive KTM Digital Intrapreneurship MBA. The programs focus on general management, leadership and digital intrapreneurship. The KTM Young Pioneers College, which was first launched in September 2019, is aimed at managers and employees who do not yet hold a management position but who show great development potential. The 18 participants were selected during the "Escape the Motohall" event in the KTM Motohall. The applicants had to prove themselves over a day in tasks ranging from individual presentations to group discussions. The KTM Digital Intrapreneurship MBA also started in September 2019 with 14 attendees.

KTM Technologies GmbH cooperates with various colleges and universities in research projects and student research projects. With Johannes Kepler University Linz (JKU) there is an economic-scientific cooperation within the framework of the Christian Doppler Laboratory for Structural Strength Control of Lightweight Structures in which two doctoral theses in the field of additive manufacturing are supported. As initiators of the Future Mobility Cup (FMC), KTM Technologies GmbH supports the Automotive Mechatronics and Management department of Wels University of Applied Sciences. Over a period of five months, teams of students from five technical universities will develop algorithms for vehicles on a scale of 1:8 as part of the FMC. These vehicles will be equipped with state-of-the-art sensor technology (lidar, cameras, ultrasound) and software from the automotive industry. In spring 2020, the teams will compete against each other with their autonomous model vehicles in a race to determine the Cup winner.

FOCUS ON SUSTAINABILITY, ALSO IN COOPERATIONS

The intention is to embark on joint projects to give more focus to the issue of sustainability and promote an ongoing working relationship with universities and universities of applied sciences, essentially in order to combat the lack of skilled staff. The aim is to establish an open network to exchange experiences and get to know potential future employees. At the same time, this makes it possible to establish the areas in which

action needs to be taken and how the measures can be drawn up by working together. Specific projects in this context include cooperations with universities and technical colleges for participating in jobs fairs and also orders for technical assignments and of course the awarding of internships and degree theses. Furthermore, KTM also maintains various cooperations with Formula Student teams in the form of technical support and/or sponsorship in order to recruit the skilled workers of the future. A good example is our rookies event with Formula Student at which students had to solve technical tasks.

The primary focus for the regional support of sustainability is on working with the (surrounding) communities of Mattighofen, Munderfing, and Schalchen, for example in the form of utilizing regional facilities for training courses and sessions or also our company's own toddler groups in Mattighofen and Munderfing.

THE DUAL MASTER'S

As a combination of theory and practice, we offer a dual master's program in Automotive Mechatronics & Management in cooperation with the University of Applied Sciences Upper Austria in Wels (FH Wels). The participants in this program work for us on a part-time basis during their degree. The features of this dual training are lecturers with technical know-how from the automotive industry, top laboratory equipment at the UAS and the fixed study period of 4 semesters as well as the master's thesis in cooperation with us. Each year, 2-3 students complete this training.

FOREMAN TRAINING

KTM recruits many new employees with qualifications from higher-level secondary schools. If employees demonstrate special performance and a high level of self-motivation, KTM helps them to complete a degree or training as a foreman alongside their job. The prerequisite for this is that the chosen subject is related to their current position or possible positions at KTM. KTM provides financial support by paying costs, but also by granting special leave, free time to prepare for examinations, or traditional part-time education.



Apprentice training - Expansion of the apprentice workshop

In 2019, KTM started its participation in the association "z.l.ö. - zukunft. lehre.österreich.". The association has set itself the goal of making apprenticeships the most attractive form of training in Austria once again. As a member, KTM can on the one hand provide its experience and expertise. On the other hand, apprenticeship training benefits from this network with mutual interaction and support. A significant contribution to improved teaching conditions can be made here.

Apprentice training forms an important aspect of HR strategy, as the employees make a significant contribution to the company's success. This is why KTM will be investing around 2.5 million euros in the expansion of its apprentice workshop in the next few years. This will create the foundations for significantly increasing the number of apprentices from the current 160 to 200 within the next two years.

With the KTM_academy, further emphasis is placed on the quality of the training as an apprentice. The aim is to enable the apprentices to obtain a qualification in their specialist area at high-school diploma level through specific additional courses offered by KTM. The KTM_academy offers employees the opportunity to pursue an apprenticeship with a high-school diploma, university entrance qualification courses and, subsequently, an academic career through dual study. There is still a guarantee of a job for apprentices who have successfully completed their apprenticeship, and a motorbike if they achieve 'good' or 'distinction' on their apprenticeship certificate.

The fall of 2019 saw the intake of 59 new apprentices, They were welcomed in the KTM Motohall and also immediately had the chance to demonstrate their motorcycle skills on the KTM E-Cross test track.

In 2019, the way that apprentices are recruited was also revised: The presence at apprentice fairs was improved and a new promotional video for apprentices was produced which will be presented at trade fairs and in promotional materials and on social media platforms.

KTM AG now has more vocational training places than any other employer in the region. As of the reporting date of December 31st 2019, around 160 apprentices were employed (previous year: around 140), with training again taking place in 12 apprenticeship areas:

- CAD construction (mechanical engineering)
- Process engineering
- Automotive engineering (motorcycle engineering)
- Metal engineering (with a focus on mechanical engineering)
- Industrial purchasing managers
- Mechatronics (production engineering)
- Operational logistics administrators
- E-commerce administrators
- Application developers
- Information technology (specializing in systems engineering)
- Information technology (specializing in production engineering)
- Office administrators

It is a central aim of the company to continue to employ apprentices when they have completed their training. This satisfies the company's requirement for well-trained specialist staff and at the same time helps young people to make a good start to their professional lives. The cornerstone of apprentice training is our own apprentice workshop. This is where the basic training in all technical apprenticeship trades and special training programs is delivered, and it enables our future technicians to familiarize themselves with the company as much as possible. Apprentices rotate through the various specialist departments in which they are trained. Great emphasis is placed on the technical and teaching qualifications of those training the apprentices along with their social skills. Social and methodological skills are also promoted at KTM AG, in addition to specialist skills. Each year, all apprentices participate in a team building exercise together.

Apprentices work on projects together, present the results, and their teamwork and mutual trust are strengthened in a trip to the Pullman City Western Town in Bavaria. In the reporting year, 34 employees who had completed training were integrated into various specialized areas in KTM AG. More than 20 of them passed their final exams with distinction and received a brand-new motocross bike as a reward.

INTERNATIONAL SKILLED WORKERS EXCHANGE

Since 2017, KTM AG has enabled apprentices to spend time abroad in England and Ireland through the organization IFA (International Skilled Workers Exchange). Commercial and technical apprentices support small local businesses with their expertise and are able to improve their own language skills. In addition to language skills, the exchange essentially strengthens their awareness of other cultures but in particular their self-confidence. In 2019, six apprentices took part in the international skilled workers exchange and spent four weeks abroad. 20 apprentices have expressed an interest in applying to participate in 2020.

DUAL ACADEMY

Since September 2018, KTM has been training general high school graduates who are interested in starting their professional lives and earning their own money straight away and turning them into highly skilled employees as part of the Dual Academy. The Dual Academy is a new training program that was developed under the initiative of the Upper Austrian Chamber of Commerce and is unique within Austria. The focus is on modern professions where there is great demand and a gap in the labor market. This has created another training path for the highly skilled employees of the future at KTM.

- KTM is currently focusing its training on mechatronics/automation technology, automotive engineering and operating logistics. This form of training takes 2.5 years, covers three areas and ends with the apprenticeship certificate: Company training program based at KTM
- Delivering specialist theory through the competence centers in the vocational colleges
- Delivering social, digital, and international future competences.

DIVERSITY AND EQUAL TREATMENT

The PIERER Mobility Group regards it as particularly important for all employees to be treated with fairness and respect. In order to counter the risk of unequal treatment, we create a working environment characterized by mutual trust, in which each individual is treated with dignity and respect, and in which people from diverse cultures and with different personal backgrounds are valued equally. As an international Group, we value the diversity that is reflected in the origin, culture, language, and ideas of our employees.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

INTEGRATION OF FOREIGN EMPLOYEES AND PEOPLE WITH DISABILITIES

To promote and support the integration of foreign employees, KTM works with "Hotspot Innviertel" and KTM Technologies GmbH works with ITG (Innovations- und Technologietransfer Salzburg GmbH). As part of the cooperation with Hotspot Innviertel, around five events per year are organized explicitly for foreign employees to help them to integrate in the region or Austria. In Salzburg there is also a regular expat gathering where new expats can network. Furthermore, all employees are provided with a pocket guide which gives them legal guidance and useful information about integration in Austria.

In addition, measures are actively being taken to promote integration at all levels. To this end, a defined number of jobs are given to individuals with physical and/or mental disabilities. As of December 31st 2019, a total of 37 people with disabilities (measured by the degree of disability reported) were employed by KTM.

CREATING MORE FLEXIBLE WORKING ARRANGEMENTS

Increasingly flexible ways of working (part-time positions, home office and flexible working hours) should also make it possible in the future to achieve a good work/life balance and therefore return to work and stay with the company over the long term. In the reporting period, a total of 50

employees returned to work at KTM after their parental leave (of which 76% were women). The rate of return was approximately 92% in the last year. As a result of the new flexitime agreement since the middle of the year, a major step has been taken in the area of flexible working hours in order to make it possible to reconcile work with family requirements based on a person's current personal circumstances.

CHILDCARE

To support working parents, a further toddler group for children of KTM employees aged from one to three was opened in Mattighofen in January 2019 alongside the toddler group that has been running successfully in Munderfing since 2012. This means that a total of 23 childcare places for young children have been available since 2019. The two in-house toddler groups in Munderfing and Mattighofen give KTM employees the opportunity to have their children cared for by a qualified team of educators during working hours from Monday to Friday in exchange for a very small contribution to costs.

SUPPORT FOR WOMEN IN STEM PROFESSIONS

To support women in STEM professions, KTM AG has already implemented several measures (Girl's Day, technical apprenticeship) that are constantly being expanded. Every year, KTM invites interested girls to gain an insight into the company's technical training. In addition to receiving a guided tour of production, on Girl's Day they can also get involved themselves by machining key chains, stripping down and build engines, carrying out measurements on electric panels or removing entire wheels at various stations. The stations are expertly supervised by KTM's trainers. The number of girls on technical apprenticeships is rising steadily.

Employee rights are safeguarded within the company by the works council. The works council with 13 members in Mattighofen represents the interests of the workforce. The works council, a member of the Supervisory Board, is actively informed about ongoing developments in the company and involved in decisions.



Photo: Fa. Hennecke

RESEARCH & DEVELOPMENT

As a technology-driven premium manufacturer in the sports motorcycle segment, KTM AG has particularly focused its activities on research and development (R&D) for years. Our consistently high level of commitment to development is an essential pillar of the company's success. A progressive R&D strategy has produced innovative products which meet the high expectations of our customers in terms of technology and quality. At the same time, it makes it possible for us to develop new markets.

We give particular priority to early recognition of trends in the Powered Two-Wheeler (PTW) segment and the further development of our products in terms of their functional and technical aspects. At the same time, we invest a lot of effort in tracking and implementing customer requirements in our products and services in order to further build upon our pioneering technological position and in order to guarantee a market-oriented development strategy.

Thanks to our globally active research and development organization, we have an impressive portfolio of highly qualified development resources – for instance in the construction, computation and simulation sectors. Furthermore, we can quickly respond to our product development requirements using our on-site machinery and equipment, which are used for the production, construction and testing of newly developed prototypes. In addition to our primary goal of driving forward product and technology development in the area of sustainable mobility concepts (such as electrified vehicles, reduction of noise and exhaust emissions), in the past financial year we continued to focus intensively on increasing product development efficiency by evaluating and further developing our process landscape in the area of research and development as well as in production.

The research and development department at KTM AG is a global organization, with decentralized locations in Europe (Austria, Germany, Spain), America and Colombia. The development programs continue to be centrally managed at the R&D headquarters in Mattighofen, where the majority of highly qualified employees from the research and development department are based. The research and development center at the head office in Mattighofen is an innovation hub covering an area of over 19,000 m². Here, groundbreaking products for the Powersport segment are designed, developed and tested with state-of-the-art equipment. We see it as our mission to set new standards in the motorcycle segment – in particular in terms of safety, performance and technology, in order to be able to offer our end customers an inspirational and emotional product experience.

While the 2018 financial year was primarily marked by the completion of the construction and installation work in connection with the extension of the research and development infrastructure at the Mattighofen site, the focus of the last financial year has been on modernization of the existing building parts. In order to adapt the infrastructural conditions of the existing building to the markedly altered requirements of modern product and technological development, extensive work was carried out in relation to workplace ergonomics and technical building facilities. Thanks to our extensive infrastructural investments in the R&D department, we can also guarantee state-of-the-art product development for the future, and under markedly changed conditions.

CONCEPT, TECHNOLOGY AND PROTOTYPE DEVELOPMENT

KTM Technologies GmbH is one of the leading specialists in the design and development of vehicles with electric drives. The wide range of expertise extends from materials engineering, design, simulation, electrics/electronics and software to prototype construction and testing. KTM Technologies GmbH has a lot of experience in the selection and arrangement of components (packaging), making optimum use of installation space and the construction of a highly functional complete vehicle offering great benefit to the customer.

A key factor for the design of electric drive systems is maximizing system efficiency, which is achieved by adopting modern simulation methods in combination with special test benches for electric drive systems. Suitable simulation methods are used to evaluate different concepts, as well as for the mechanical, thermal and electromagnetic requirements that are identified. Last but not least, the functional safety of the E/E system plays a major role, and this is a central element of KTM Technologies GmbH' development expertise.

Research and development projects are working on improving mobility solutions. For example, electric drives and battery electric energy storage systems are being developed and optimized for specific applications. The company, which is based in Anif near Salzburg, has a state-of-the-art infrastructure for virtual vehicle development, which is used for the development of mechanical as well as electrical/electronic components, but also enables complex optimization tasks and crash analyses. In 2019, the Testing division was greatly expanded, both for components and for complete vehicles. On the one hand, a new process with various criteria and approval levels was introduced to increase safety. On the other hand, investments were made in new test benches for the engine, battery and

complete vehicle. In order to ensure even more efficient development in the future, new software for risk management and consideration of international laws and approval guidelines was introduced. This allows the various technical and legal requirements, FMEAs and tests to be defined, tracked and documented. Alongside the development of new prototypes and concepts, the end of 2019 also saw the start of the site infrastructure expansion for the further development of e-mobility activities. The conversion work is scheduled to be completed by the end of 2020.

EMPLOYEES & INVESTMENTS

The development, testing and transition to series production of new concepts in the particularly technology-driven motorcycle premium segment requires a steadily growing, inter-disciplinary team of specialists from different disciplines. This is reflected in the renewed increase in employee numbers in the research and development department. As of December 31st 2019, the PIERER Mobility Group had 789 employees (previous year: 678) in the areas of research and development, which is equivalent to around 18% of the entire workforce. For the further expansion, around **€ 121 million** was invested in **product development** in 2019. The focus of investments in plant and equipment and infrastructure included the modernization of the research and development center at the Mattighofen site. In operating terms, excluding the ancillary effect of capitalizing and amortizing development expenses, around 9% of total revenue was expended in research and development. The products of all group companies are associated with a very high performance level; customers therefore have expectations of continuous (further) development. The product life cycle is very different for each customer.



RESPONSIBLE PROCUREMENT

When it comes to procuring components, we focus on factors such as quality, reliability of supply, competitive prices and the sustainability of the entire supply chain, taking into account and complying with the provisions of our code of conduct. Important success factors here are long-term, trusting and professional relationships with our supply partners. Procurement for all our production sites is managed centrally and is governed by the same principles. Individual processes may vary due to different technical or production requirements.

The working relationship with our supply partners benefits from long-standing, consistent contacts in purchasing, which we can ensure through low staff turnover. Our expertise in the area of purchasing is continuously increased through further education and on-the-job training. Based on their personal learning concept, our employees continue their education through purchasing courses in cooperation with the BMÖ/BME, technical training or KTM's own MBA in cooperation with LIMAK in Linz.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

In order to grow as a company together with our supply partners and to achieve continuous improvement in all areas, we rely on open and transparent communication. For new developments of SE and principal components, we work together with our supply partners at a very early stage of development in order to jointly design components that support our goals from a technical, commercial and logistical point of view. Here, as is customary in the industry, we are working with our R&D department on approaches such as design to cost, cost engineering and component standardization.

The selection of the right supply partners takes place in the Purchasing, R&D and Quality team, taking into account our commodity group strategies. This ensures that all criteria are taken into account in their entirety in the decision and that the next steps are planned together. The most important criteria here include ISO certification, technical possibilities, reliability of supply, quality, competitiveness and communication. Together with our supply partners, we work to ensure quality and supply before series production begins. In cooperation with the Quality department, we carry out product and process audits and coordinate capacities and production quantities at an early stage based on existing demand figures. The common goal is to deliver an efficient start to series production and a

stable series supply following the delivery schedule in order to ensure that our production receives an optimum supply of parts. An optimum supply also involves agreeing sensible production and delivery batch sizes with our supply partners in order to keep inventories in the supply chain and in our engine and vehicle assembly line as low as possible (working capital management).

The basis for cooperation with a supplier for our series production is that the supplier has introduced a quality management system (at least according to ISO 9001). In the cooperation with our supply partners, we monitor and control their performance capacity by continuously evaluating their quality and delivery performance in detail. In addition, we regularly evaluate the financial situation of our supply partners and request that they take out product liability insurance. Above a certain purchasing volume, we can offer our supply partners the option to participate in our specially developed supply chain finance program. This program offers our supply partners a financing program on KTM terms and enables KTM to extend the terms of payment for the purpose of working capital management.

When we visit our supply partners on site, but also at their subcontractors, we look at working conditions, safety aspects in production, environmental protection and the responsible use of resources.

By implementing local procurement strategies for our production sites in Munderfing and Mattighofen, among other things, we try to boost the economy of our own region and generate lower transport costs and more environmentally friendly supply chains by having shorter transport distances. The regional supply industry contributes to a large extent to KTM AG's success as a company.

- Purchase volume of components for series production:
4% Braunau district, 10% within Upper Austria, 26% within Austria, 63% within Austria/Germany/Italy and 81% within Europe
- Purchase volume - indirect purchasing:
13% Braunau district, 31% within Upper Austria, 70% within Austria, 90% within Austria/Germany/Italy and 98% within Europe



The general conditions for cooperation with our supply partners are set out in standardized documents such as a non-disclosure agreement, purchasing conditions and manufacturing conditions. The document for the purchasing conditions is available to download on our website (<https://www.ktmgroup.com/en/procurement/>).

PROCUREMENT OF PARTS FOR PROTOTYPE CONSTRUCTION

The procurement of parts for prototype construction at KTM Technologies GmbH and KTM AG is arranged according to the time schedule and demands on quality and costs. As a rule, proven suppliers from the local region (Salzburg, Bavaria region, Upper Austria, etc.) are commissioned for this purpose. Short transport routes, reliability and flexibility are our top priorities here. Compliance with legal standards and a value-based, entrepreneurial approach are also basic requirements here.

Suppliers must therefore comply with PIERER Mobility AG's compliance guidelines and pledge to sign the code of conduct and comply with the rules and principles of conduct contained therein.

ENVIRONMENTAL ASPECTS ALONG THE PRODUCT LIFE CYCLE

The PIERER Mobility Group is aware of the environmental impacts associated with the production and in particular the use of its products, and therefore strives in particular to use natural resources responsibly.

Activities to safeguard the sustainability goals are coordinated in large parts of the PIERER Mobility Group in the respective departments of the company.

ENVIRONMENTAL ASPECTS IN THE DEVELOPMENT AND PRODUCTION OF OUR PRODUCTS

As far as the development and production of its products are concerned, the PIERER Mobility Group always attaches great importance to the efficient use of raw materials in a manner that conserves resources, as well as to environmentally sustainable operations. Special attention is paid to the careful use of the resources required for the development and production of the products. This is why increases in efficiency in many areas, in addition to the maximum possible utilization of raw materials - including their return to the material cycle - represent a particularly important aspect for PIERER Mobility.

The operating and administrative buildings of KTM AG are built according to the specifications of OIB Guideline 6 (energy performance certificate for non-residential buildings, or energy performance certificate for other buildings). Various materials are disposed of separately for precursors and finished products and reusable containers are used. The **preparation of oil** can also contribute toward protecting the environment. Following an engine test bench run, the oil is filtered in a reprocessing plant and then returned to the oil tank. This means that it is no longer necessary to change the oil, and the environmental impact of disposing of it after just one use is reduced. The **aluminum chips** produced during the mechanical milling of cylinder heads and engine housings are conveyed via a central extraction system by means of a vacuum through a pipe system directly from the CNC milling machine into a collection container. The aluminum chips are sold to a recycling company for **further processing** and can be turned back into a valuable raw material. All aluminum castings machined

in-house are cleaned in a solvent-based (alcohol) **parts washing machine**. In comparison to water-based systems, this method of cleaning parts does not produce any waste water, which has to be disposed of at great cost. Only the dirt filters need to be replaced at regular intervals.

EMISSIONS

In addition to assembly, KTM AG also has production areas such as frame construction and muffler, which are parts of the energy-intensive industry. At the sites of the PIERER Mobility Group, CO₂ emissions are generated directly through the combustion of fossil fuels (**Scope 1 emissions**) and indirectly through district heating and electricity consumption (**Scope 2 emissions**). Our production causes about **2%** of these emissions. Around 98% of emissions are generated during the service life of the vehicles sold (Scope 3 emissions). The detailed table can be found in the appendix.

ENERGY AND WATER CONSUMPTION

In 2019, in the PIERER Mobility Group* electricity consumption amounted to 20,831,528 kWh (previous year: 20,775,364 kWh) and gas consumption to 20,063,068 kWh (previous year: 18,154,198 kWh). At KTM AG, around 480,000 litres of fuel were used for the test benches during the last business year (previous year: around 458,000 litres), water consumption from production amounted around to 3,618 m³ (previous year: 3,993 m³).

*excluding KTM Innovation GmbH, PEXCO GmbH, Avocado GmbH

DUE DILIGENCE PROCESS AND MEASURES TO REDUCE CONSUMPTION

For the purpose of continuing to increase efficiency and permanently reducing the use of resources in the research and development department, ongoing stock analyses and a targeted purchasing strategy for consumables have been introduced. The number of prototype components required for the development of new engines and vehicles is to be reduced further in the future by means of anticipatory test planning and simultaneous multiple use. Furthermore, activities relating to raw materials development and the resulting weight optimization of new components continue to be promoted.

- **Electricity:** As part of the construction of the new “House of Brands” office building at the Munderfing site, a photovoltaic system covering a total area of 679.8 m² was also commissioned in July 2019. This system is designed to cover the office building’s own consumption. It will only be possible to give a precise statement on the cost savings achieved by this system for the KTM Group once it has been operating for a year. The roof area of the KTM logistics center in Munderfing was rented out for the construction of another photovoltaic system covering 40,000 m². This system is designed to feed electricity into the public grid and will go into operation in the second half of 2020. It will only be possible to give a statement about the electricity produced by this system once it has been operating for a year.
- **Gas:** In the existing buildings, such as the main plant, the R&D center and the training center, the heating units have gradually been fully modernized in recent years as part of an upgrade. The newly installed units are among the most modern in their class and are noted for being significantly more efficient than their predecessors. This ensures that considerably fewer resources are consumed in controlling the temperature of the building infrastructure. Ongoing investments in modernization and boosting efficiency ensure that the buildings at the PIERER Mobility Group’s sites are state-of-the-art. For this reason, further savings when it comes to the building stock will only be possible to a limited extent.

The key objective for KTM AG in developing new engines and vehicles in the high-performance motorcycle segment is in particular to use materials that meet the requirements - for example by using high-strength steels and composite materials for its chassis and engines. By using state-of-the-art construction and simulation software, it has also been possible to establish a reliable strength design that significantly reduces the number of prototype parts required, as well as significantly reducing the specific component weight. For example, the component weight of the frame of a road model in the premium segment has been reduced by 1.9 kg - this is equivalent to approx. 20% of the component weight. At the same time, the performance of the component in terms of its strength and flexibility parameters has been significantly improved. Another example is the latest development of the 450cc offroad engine which, with a total weight of approx. 27 kg around 1.6 kg, is less than comparable competitors.

In KTM AG, the test bench infrastructure and also other installations wit-

hin the research and development departments are subject to a detailed capacity utilization plan, which ensures efficient use of infrastructure, and enables any maintenance and repair work that may be necessary to be scheduled at specific times and reduced. Furthermore, recyclable fractions generated in the development process are carefully separated in all sites of KTM AG. In 2019, for example, a total quantity of 20.5 tonnes of aluminum (previous year: 19.6 tonnes) and 20.8 tonnes of steel scrap (previous year: 20.2 tonnes) was fed into the recycling chain. The increase in tonnage in the recycling of aluminum and scrap steel is due to increased production and the results of targeted activities for recycling reusable materials in the past year. Depending on the production volume, the waste produced (both steel and aluminum) is fed into the recycling cycle at a rate of up to 90 - 95%.

VEHICLE ASSEMBLY: ONE LINE - THREE BRANDS

The assembly lines of the vehicle assembly department (FAS) in Mattighofen are designed to be sufficiently flexibly that both road and offroad motorcycles of all brands (KTM, HUSQVARNA, GASGAS) can be assembled on them. Following assembly, the functional check is carried out on specially designed test benches. The test process can be carried out with very little set-up effort on any of the existing test stands, regardless of the type and size of the motorcycle.

In order to optimize the consumption of resources, the required quantity of auxiliary and operating materials is controlled and, if necessary, optimized during the assembly process as well as during the testing process. For example, the amount of grease applied for lubricating the steering head tube was considerably reduced by developing a dosing unit.

RECYCLING OF PRODUCTION MATERIAL

A further focus is on gradually switching over to sustainable and reusable packaging units. This includes both internal suppliers (engine construction and component production) and external suppliers. For example, the packaging of external suppliers has been changed from disposable containers to containers in circulation. In one specific example, there was a switch to large load carriers including a framework structure for the provision of rear frames in pre-assembly.

BUILDING SERVICES

In order to reduce energy costs and keep the indoor temperature as constant as possible even during the winter months, lock gates have been installed in the incoming goods area. Furthermore, the light consumption is optimized both on the factory premises and in the assembly halls by employing a timer. In addition, LED lighting is now used instead of existing neon lighting in those assembly areas that are being optimized or converted. Also, by creating and raising awareness among employees at all company sites, care is taken to ensure that computer screens, lighting, air conditioning units and the like are switched off when leaving the workplace.

There are currently no increased environmental risks arising from operating activities that extend beyond the impacts described in this chapter.

PRODUCT QUALITY AND SAFETY



Foto: Daniel Schäfer | © Müller-BBM Vibroakustik Systeme GmbH

As a manufacturer of premium products, the PIERER Mobility Group has set itself the goal of manufacturing products that are innovative, in line with market requirements, safe, and, most importantly, of high quality.

DUE DILIGENCE PROCESS

The entire process of producing a product – from the product idea to market analysis, design studies, design and development, cooperation with suppliers, procurement of components for series production, parts production, assembly of engine and vehicle, through to packing and dispatch – is mapped by a process-oriented quality management system according to ISO 9001:2015 and controlled using the KTM process management system.

In order to counter the risk as much as possible of a faulty product and of associated potential adverse effects for our customers, we perform intensive audits on engines and vehicles while production is underway. As some of the vehicles produced are designed and homologated for use on public roads, we attach a great deal of importance to complying with the statutory requirements of the relevant end markets. In order to examine the effect of products on health and safety in greater detail, we set up our own laboratory within the research and development department for the purpose of analyzing the chemical properties of the raw materials used and their interactions for people and environmental organisms.

In accordance with our product development process, the development results are already put to the test in early prototype phases by specially installed test teams in the research and development department as well as by our factory teams on specially designed test infrastructure and race tracks. In addition, a testing and endurance testing program spanning all prototype phases up to the series product ensures that the highest quality and safety standards are maintained.

Customer health and safety are our top priority. The low recall rate - there was a recall for a KTM model in the reporting period - is proof of the strict requirements along our value chain and demonstrates the high product quality of all brands. Further information about the recall can be found at <https://www.ktm.com/en/service/safety/>.

THE SUPPLIER OF TAILOR-MADE COMPONENTS

In addition, KTM AG develops and produces tailor-made components in close collaboration with its customers and in accordance with agreed quality, cost and deadline targets. Continuous development of products and processes is one of the company's core competencies, and is firmly embedded in the principles of KTM AG. Ongoing expansion of the employees' know-how and the systematic expansion of the zero-error principle aim to secure and expand our product and customer portfolio, while profitable growth forms the foundation of the long-term security of the concern. The PIERER Mobility Group views itself as a long-term partner for its suppliers, with the aim of working with them to develop and produce innovative and high-quality products.

CURRENT MEASURES FOR PROCESS OPTIMIZATION

- In 2019, the KTM Group had a clear focus on optimizing processes and reducing material stocks. A significant improvement was achieved, for example, by implementing a new manufacturing system for the production of the frames of our offroad models. By switching from cell production to a synchronous flow production system, cycle times were reduced by 70%.
- To ensure and further improve consistent high product quality at the overall vehicle and component level despite ever-increasing complexity, the internal measuring and testing processes have been further optimized. In the areas of pipe part production, sheet metal part production and final frame inspection, 3D measuring robots were installed for measuring the components and semi-finished products.

NEW TESTING EQUIPMENT FOR EURO 5

The introduction of the Euro 5 emissions standard in the motorcycle segment brings with it significantly higher requirements for the exhaust system of our vehicles. In order to meet these requirements, new testing equipment was developed and installed in the production process. The new process represents a 100% check of the tightness of all components that are located before the exhaust aftertreatment.

PRODUCT SAFETY AND QUALITY MEASURES FOR AFTERMARKET COMPONENTS

In the Suspension division, new EC screwing systems and new filling machines were put into operation. These investments guarantee product safety and quality through complete electronic monitoring of all safety-relevant processes.

ASSEMBLY

KTM AG in Mattighofen assembles an average of 700 motorcycles per day (annual production volume in 2019: around 160,000 vehicles). Each vehicle component is inspected according to a test plan by experienced employees trained in the relevant test criteria. In the course of the assembly process, each vehicle or engine undergoes a test bench run - the so-called "End-of-Line Test". This process step is secured by systems engineering, so that no vehicle can leave production without passing the test. If an error is detected in the assembly process, it is recorded in the ERP system by the post-assembly personnel. Each error that is entered is transferred to the ERP system and created there as a quality notification. The evaluation of the data in the form of reporting is carried out in monthly cycles. In addition, a vehicle is taken from each production order and subjected to a detailed product audit.

We achieve high product quality in particular through production-oriented design, the use of analytical and statistical methods of calculation, comprehensive checking and testing, compliance with relevant homologation rules, a focus on process quality and by using targeted communications, as well as by implementing training measures at all companies in the PIERER Mobility Group and at the suppliers.

The global assembly sites are professionally supported by a team of highly skilled QM employees. They make sure that the manufacturing know-how is passed on to these sites and ensure the quality of the vehicles produced there by implementing a KTM-compliant quality management system. Our electric motors and combustion engines are key components of our motorcycles and are developed and produced by the PIERER Mobility Group. They guarantee the identity of the products of the brands KTM, HUSQVARNA Motorcycles and from 2020 also GASGAS. The impressive track record of the PIERER Mobility Group's products in international motor racing is the best proof of the high technical competence and quality of our products.



Innovations and developments in the area of motorcycle and riding safety

The products of KTM AG give it a reputation in many fields as a technology leader in the motorcycles segment. When it comes to safety, particular emphasis should be made of the world's first leaning-angle-dependent **ABS "motorcycle stability control" system** and the semi-active chassis which was fully developed within the KTM Group. The demonstrator prototypes, unveiled in 2018, of a radar-based, adaptively controlled cruise control system that can also be used as a **distance radar** and **emergency brake assistant** as well as a blind spot detector for motorcycles are also examples showing the Group's innovative capacity when it comes to **safety systems**. The series development of these radar-based systems was intensively pursued in the 2019 research year and preparations were made for these technologies to be launched on the market in the form of new products.

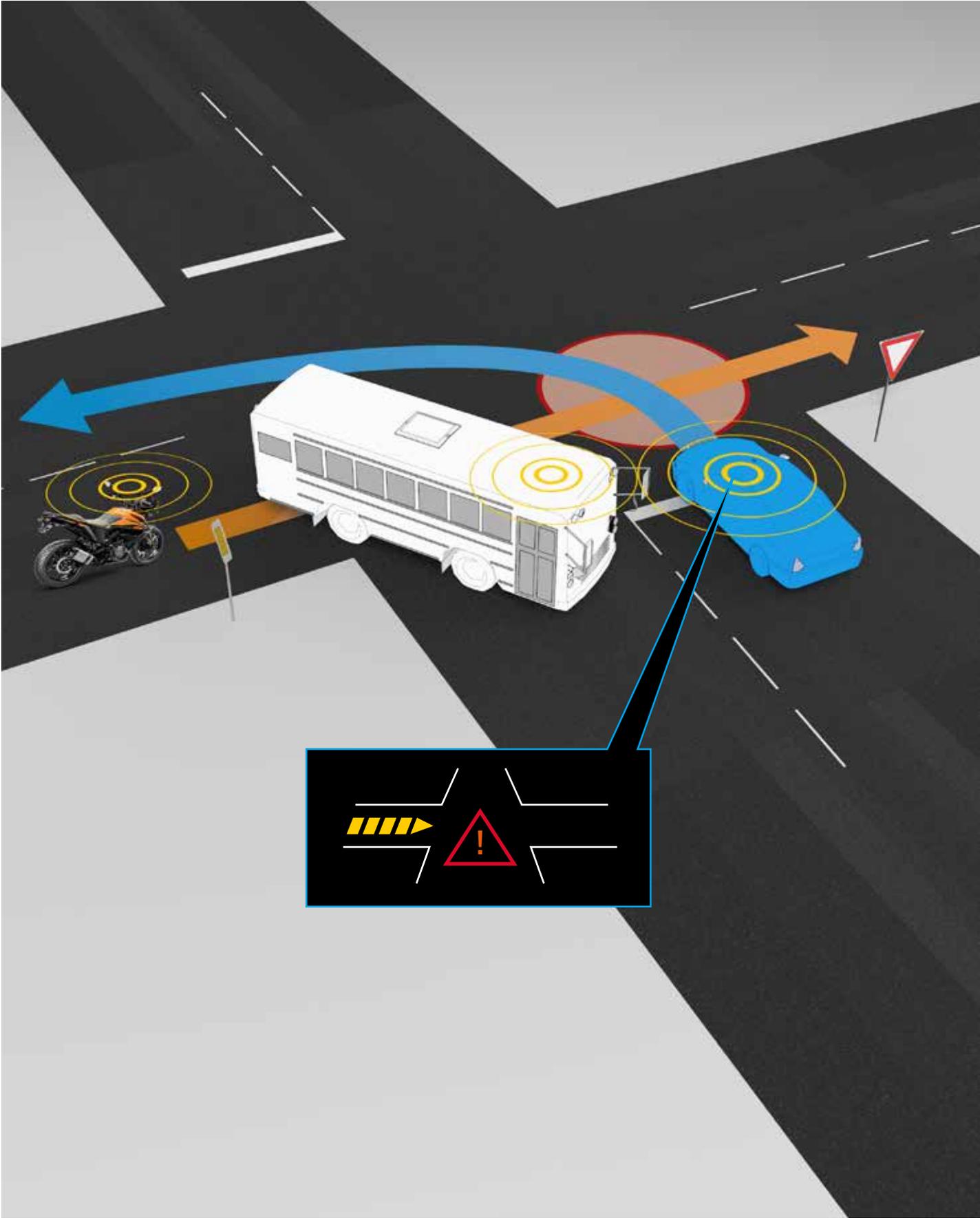
The research and development department of KTM AG is heavily committed to ensuring the safety of its customers and works on future-oriented solutions in this area. The "**vehicle-to-vehicle (V2V) communication**" offers great potential for avoiding accidents. The analysis of accident scenarios shows that one frequent cause can be found at inner-city intersections. In many cases, the narrower silhouette of a motorcycle means that motorcycles are simply not seen by car or truck drivers. Radio technology in the 5.9 GHz band constantly transmits the current position to other road users, thus forming the basis for warning of an impending collision. Tests involving our prototypes were positive and show the potential of the new technology. The picture shows (to the right) a typical traffic situation in which the motorcycle is only made "virtually" visible to the passenger car with the V2V communication. The development of the technical solution is also being advanced, among other things, by cooperation in the Car2Car and Connected Motorcycle Consortium.

A further expansion of the testing facilities and the extension of competencies in these areas has been planned for the future. In the past year, the development of the **KTM connectivity infrastructure** was also advanced. In addition to a system that is able to automatically make an emergency call in the event of an accident, this also includes networking between vehicles of all manufacturers and the corresponding infrastructure to further reduce the risk of accidents. KTM AG is also involved in various interdisciplinary research projects concerned with similar questions.

In order to support the ever-increasing complexity of the vehicles in the trade, the dealers have been equipped with a pioneering diagnostic system that also supports 3D applications such as virtual reality (VR) and augmented reality (AR).

The increasing integration of complex electronic control systems may pose significant safety risks in the event of malfunctions, which is why they are subject to stringent development and quality assurance processes. Functional development in the electrics/electronics area of a motorcycle is mainly carried out according to the ISO 26262 standard for functional safety. Special attention is paid to the complete and correct networking of safety-relevant components (e.g. the behavior of the electrically assisted brake system and the motor control). This ensures that safe operation of the vehicle can be guaranteed at all times, both in normal operation and in the event of a defect.

A further focus is on the systematic further development of our suppliers, so that compliance with safety standards and the smooth integration of the supplied components into the overall system is also ensured there. For the purpose of a specific strength design, newly developed components are subjected to extensive calculations and simulations, structural strength tests and prolonged load tests according to our own operational strength process. Future focal points will be the further intensification of testing processes and the securing of personal data collected during the course of networked mobility (GDPR). Similarly to the expansion of the testing and measuring capacities in the area of strength design and ensuring operational strength, a further area of priority is the expansion of test bench capacities in the area of emissions development.



LOGISTICS AND SALES

As an international company that exports a great deal and at the same time places high quality demands on the speed and reliability of the transport service provided to our customers and a globally diverse supply chain, we are conscious of the environmental impacts. Working together and in partnership with the entire logistics industry, we must accept the increasing challenge to use resource-conserving technologies and processes to develop concepts for ever more complex operations. We pursue different approaches here.

In the supply chain for our production sites, we source a large share of the deliveries from suppliers in the local geographical area, which reduces the need for goods to be transported long distances. In addition, in a well-developed process and in coordination with our production planning systems in our main supplier countries of Austria, Germany, and Italy, we have installed milk-run systems which ensure that cargo capacity can be utilized with the space being optimized and empty runs can thus be avoided. KTM also applies this logic globally wherever optimization makes sense and can be implemented, in particular in supply chains from Japan, China, and India. The import of accessories and apparel from Asia is also being optimized, with consignments being consolidated at defined collection points and transported in full containers. Air freight is only used in absolutely exceptional cases and to avoid production downtimes.

In the delivery of spare parts, garments, and accessories (PG&A), we are working to optimize our packaging strategy, which also involves the upstream supply chain. Based on an agreement with our suppliers to avoid waste packaging and unnecessary repacking, where it is expedient and possible to do so, reusable systems are used (in particular for European suppliers with a high purchasing volume – see further details below). Or the goods are provided to us in packaging so they are already ready for dispatch. In addition, where it is feasible to do so, we refrain from using environmentally harmful materials (for example winding foils made of polyvinyl chloride or polyethylene, filling material like polystyrene) in the packaging and endeavor to use primarily renewable raw materials to protect our precious goods. In addition, we are currently optimizing the size of our packaging so that even reductions of a few centimeters lead to a resource-saving scaling effect. The only exceptions to this are goods which, for legal reasons, require special protection (e.g. liquids such as oils or paints).

The motorcycle logistics system developed in-house by KTM based on **reusable metal racks** which will last for 10+ years is regarded as an innovative example for the whole industry. Each rack is used 11.5 times

on average per year. In Europe, we are in the process of closing the last geographical gaps in Norway and the Baltic States for motorcycle shipments in reusable packaging. There are also plans to develop a packaging circuit on four continents, Asia/India - Europe - USA - Australia. A project to reduce the weight and metal consumption of the frames was launched in 2018, the results of which are expected in 2020 following further improvements. We hope that this will reduce fuel consumption for the trucks transporting them, and the amount of material that is required to produce them in the first place. The products are transported mainly by truck and ship. Air freight is avoided whenever possible.

We have made a voluntary pledge to award at least 95 % of all consignments which are transported predominantly to companies that are also pursuing similar initiatives to create traceable and effective measures to reduce the impact on the environment. Our objective is to achieve a figure of 100 % in the medium term. The traceability is verified among other ways in the quality audits which are conducted annually with the companies providing transport services.

There is a particular focus here among others on the following points and aspects in which, of course, the contribution that we need to make as an employer in optimizing the scheduling of consignments also needs to be considered:

- A modern fleet of trucks, ideally consisting exclusively of low-emission trucks that meet the Euro 6 emissions standard.
- Truck driver training sessions which lead to optimized driving and braking. A significant portion of the fuel consumption of a truck is influenced by different factors such as weather, topography, traffic and speed – these are parameters that the driver can respond to.
- Observance of the behaviors that have been learned during the training is monitored by telematics so that if necessary there can be a focus on even better implementation of the optimization measures which have been developed in follow-up training sessions.
- Transport planning which makes it possible to use shipping companies with a longer travel time. This so-called slow steaming, whereby the speed of the cargo ship is reduced by approximately half ensures that just a small proportion of the fuel is consumed.
- If air freight should be required from time to time, preference is given to using carriers that operate mainly fuel-efficient fleets of aircraft.
- Installation of completely paper-free systems in consignment scheduling and handling.

PRODUCT USE AND RECYCLING

ACTIVITIES IN THE FIELD OF VEHICLES WITH COMBUSTION ENGINES

As a mainly assembling company, KTM AG is not part of the energy-intensive industry. However, we are aware that the use of our products is associated with considerable environmental effects, including emissions caused by exhaust gases and noise.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

KTM AG endeavors to further develop its role as a technological leader in the motorcycles segment in these respects too. Vehicles, that have been designed and homologated for use on public roads fulfill or fall short of the statutory homologation requirements of the respective distribution markets. Pollutant emissions (including NOx and CO2) are determined and recorded by KTM AG in the course of the homologation process using in-house, certified exhaust-gas test benches under strict supervision and regulation by the competent authorities. Detailed information on the emissions values of individual vehicles is recorded in the respective model approval documents, and is available upon request. Reducing exhaust emissions makes a substantial contribution toward protecting the world's climate, and therefore forms a key area of priority in current and future development projects. In the 2019 financial year, the development and advance development of new technologies for reducing emissions was successfully advanced further. One example is the testing of new strategies for reducing raw emissions and for exhaust aftertreatment on large parts of our engine platforms. We see this as a necessary step to ensure that our model range continues to comply with future homologation regulations and emissions standards.

The OBD (onboard diagnostics) systems used in our motorcycle models monitor emission-relevant components during riding, and notify the customer (rider) of any malfunctions. This avoids a situation in which vehicles with possibly increased levels of pollutant emissions are ridden for a longer period of time without this being noticed. The range of functions of the OBD systems in use extends beyond the range of functions required for vehicle model approval since 2016 (when the Euro 4 emissions standards were introduced). Even models intended for markets in which the OBD system is not mandatory are voluntarily equipped with the OBD system. Our research and development department is working on the development and further development of the engine control units and the OBD system so that levels of exhaust emissions and fuel consumption can be reduced further in a sustainable way. An important aspect in the development of vehicles homologated for use in road traffic is to reduce

emissions such as exhaust emissions from the combustion process and evaporative emissions from hydrocarbons (= fuel). The homologation-relevant vehicles currently under development have up to 40% lower exhaust emissions with regard to the **Euro 5 emissions standard** (valid from 2020 and obligatory for new vehicle types) than vehicles that are homologated in accordance with the Euro 4-standard (valid until 12/31/2019 for new vehicle types) which is currently mandatory in Europe.

To take account of the increasing requirements to reduce pollutant emissions and fuel consumption, work began back in 2016 to expand the testing center at the R&D site in Mattighofen. The first engine test benches, which in terms of their energy efficiency and measuring precision are among the most modern in their category, were successfully put into operation back in the third quarter of 2018. As part of the expansion of the test equipment capacities, consistent modernization and expansion of the exhaust emissions infrastructure was also pursued. In 2019, an acoustic roller testing facility was also commissioned at the Mattighofen site, and this will contribute to a significant improvement in quality in the area of noise development and thus to a reduction in noise emissions from the products.

ACTIVITIES IN THE FIELD OF VEHICLES WITH ELECTRIC DRIVES

As part of an electric mobility drive, in 2019 KTM AG and its Indian partner Bajaj Auto Ltd. started a joint series development project for single-track electric vehicles in the power range between 3 and 10 kW. Models based on this platform are offered in different product variants under the brands of both partners. In addition to the KTM FREERIDE E, the product launch of the e-mini series and the existing activities with PEXCO in the HUSQVARNA e-bike segment, this strategic step is a major milestone in the field of electric mobility.

A further priority lies in the **development of CO₂ emission-neutral electric vehicles** for various areas of application. KTM AG has had such a product in its portfolio for many years in the form of the purely electrically powered "KTM FREERIDE E" models. Intensive development work on the electric energy accumulator at cell level and refinement of the battery management system has recently made it possible to increase the range of the model currently on sale by approximately 50%. The business field of emission-free mobility will be gradually expanded in the next few years, as described above. For example, the electric vehicle series models in the entry-level offroad segment (KTM SX-E 5 and HUSQVARNA EE-5) which were presented in November 2018 at the EICMA - the most important

European trade fair for the motorcycle sector - went into series production in the past 2019 financial year.

RECOVERY AND RECYCLING OF BATTERIES

KTM pays special attention to the recovery and recycling of lithium-ion batteries. This applies in particular to the powerpacks which are installed in the electric vehicles. This refers to the drive batteries of the KTM FREE-RIDE E, as well as KTM SX-E and HUSQVARNA Motorcycles EE models, which were introduced to the end customer market from 2014. These batteries come under what is known as high-voltage technology due to their high energy content of up to 3.9 kWh and an operating voltage of up to 302.4 volts, depending on the design. They contain up to 360 individual lithium-ion cells and thus a correspondingly large quantity of valuable raw materials whose recovery for further use is extremely important in relation to increasing electric mobility in the future of individual transport. In order to promote the careful use of these valuable resources, a function was implemented on the dealer communication platforms of the sales companies through which the KTM dealer network is obliged to register every powerpack that is put onto the market. This is done in the form of a delivery certificate which is to be registered in the system both for powerpacks in the motorcycle and for spare powerpacks.

BATTERY DISPOSAL

Another approach is the disposal of batteries in accordance with the current EU regulation. For this purpose, KTM works together with a well-known recycling company. In December 2019, a cooperation agreement was concluded with the ERP (European Recycling Platform), on the basis of which the requirements of DIRECTIVE 2006/66/EC will be implemented more specifically for KTM/Husqvarna/GasGas. This means that the ERP will centrally report all batteries "placed on the market" to the respective state authorities for KTM/Husqvarna/GasGas. Likewise, the disposal of all types of batteries at the end of their life cycle can be handled by the ERP partners in the countries, or the collection of used batteries can be handled directly by the ERP organizations. Since the subsidiaries have so

far complied with the obligations of the directive on individual agreements, this measure, which is managed from company headquarters in Mattighofen, will make it possible to meet the compliance obligations more efficiently in every respect.

CUSTOMER SERVICE

KTM AG has a global service network of approx. 2500 (with India approx. 3000) specialist motorcycle workshops to meet the high demands placed on the quality of our products. These meet defined quality standards with regard to infrastructure, equipment with special tools and training. The workshop specialists are trained using the "train-the-trainer" principle from headquarters by means of face-to-face training units lasting several weeks, a self-study e-academy, mobile learning modules and live webinars.

- **B2B:** In order to offer dealers and importers optimum technical support, a so-called "Global Support Center" was rolled out in 2019: a ticket system with an underlying support workflow and connected knowledge database. In this way, not only can "help for self-help" be offered, but knowledge growth can also be generated directly from all markets. In addition, the service level is made measurable.
- **B2C:** End customers also have the opportunity to submit support requests via the website, which are also handled promptly by the Global Support Center via the global service network.

Street motorcycles are delivered in Europe's main sales markets with 12 months of mobility assistance, which is extended by one year free of charge for the customer with every service in an authorized specialist workshop. In addition, street motorcycle customers in 15 European countries have the option of taking out an extended warranty. Both services are handled in cooperation with partners operating throughout Europe.

Support is also guaranteed for HUSQVARNA motorcycle models developed before HUSQVARNA Motorcycles was added to KTM AG in 2013.

Wels, March 2020

Executive Board



Stefan Pierer, CEO



Friedrich Roithner, CFO



Hubert Trunkenpolz



Viktor Sigl, MBA

APPENDIX

KEY FIGURES

Employees	Unit	2019	2018	2017
Total	Headcount	4,368	4,303	4,194
Full time	Headcount	4,044	4,042	3,977
of which male	Headcount	3,262	3,234	3,161
of which female	Headcount	782	808	816
Part time	Headcount	324	261	217
of which male	Headcount	119	81	66
of which female	Headcount	205	180	151

All data excl. members of the Executive Board of PIERER Mobility AG, incl. temporary workers. In 2019 including Avocado GmbH and PEXCO GmbH.

Diversity	Unit	2019	2018	2017
Total employees	Headcount	4,368	4,303	4,194
Managers ¹⁾	in Percent	10%	1%	1%
of which male	in Percent	86%	89%	89%
of which female	in Percent	14%	11%	11%
of which < 30 years	in Percent	8%	0%	4%
of which 30-50 years	in Percent	75%	78%	76%
of which > 50 years	in Percent	17%	22%	20%
White-collar workers	in Percent	46%	54%	54%
of which male	in Percent	72%	73%	72%
of which female	in Percent	28%	27%	28%
of which < 30 years	in Percent	36%	32%	39%
of which 30-50 years	in Percent	55%	57%	51%
of which > 50 years	in Percent	9%	12%	10%
Manual workers	in Percent	40%	39%	45%
of which male	in Percent	81%	81%	82%
of which female	in Percent	19%	19%	18%
of which < 30 years	in Percent	29%	30%	34%
of which 30-50 years	in Percent	54%	53%	52%
of which > 50 years	in Percent	18%	17%	14%
Temporary workers	in Percent	4%	6%	-
of which male	in Percent	87%	90%	-
of which female	in Percent	13%	10%	-
of which < 30 years	in Percent	49%	66%	-
of which 30-50 years	in Percent	46%	31%	-
of which > 50 years	in Percent	5%	3%	-

¹⁾ Changed definition of managers, therefore not comparable with previous year. All figures rounded. Representation excl. members of the Executive Board of PIERER Mobility AG, incl. temporary workers. In 2019 including employees of Avocado GmbH and PEXCO GmbH. Managers include Board members (excl. members of the Executive Board of PIERER Mobility AG), general managers, division managers, subdivision managers, heads of department and team leaders. Only about 1% of the employees have a fixed-term contract, so no separate subdivision into permanent / fixed-term employment relationships is made in this list. Excluded from this are interns, diploma/master's students etc. as well as employees in their probationary period (first 6 months of service). Number of temporary workers as of 31.12.2019: 178, which is 4.1% of the total workforce.

KEY FIGURES

Executive Board and Supervisory Board	Unit	2019	2018	2017
Executive Board	Headcount	4	4	4
of which male	in Percent	100%	100%	100%
of which 30-50 years	in Percent	25%	-	-
of which > 50 years	in Percent	75%	100%	100%
Supervisory Board	Headcount	4	4	4
of which male	in Percent	100%	100%	100%
of which > 50 years	in Percent	100%	100%	100%

Mag. Viktor Sigl, MBA was elected to the Executive Board on December 19th 2019. Harald Plöckinger resigned from the Executive Board on February 2nd 2019.

Health and Safety	Unit	2019 ¹⁾	2018
Accidents at work ¹⁾	Number	101	46
Injury rate	in Hours	19.4	9.1
Serious accidents at work (over 6 months of recovery)	Number	14	-
Injury rate of serious accidents	Number	2.7	-
Number of work-related deaths	Number	0	0

¹⁾ In 2019 the method of calculation was adjusted. Values for 2018 include notifiable occupational accidents (including commuting accidents), while values from 2019 onwards include all documented occupational accidents (excluding commuting accidents). Accident figures for employees of external companies are not available. Injury rate based on injuries per 1 million working hours. In accordance with GRI standards, the injury rate is calculated on the basis of productive working hours: Number of hours worked in 2019: 5,209,176 (previous year: 5,074,350).

Training and Further Training	Unit	2019 ¹⁾	2018
Total number of employees¹⁾	Headcount	3,981	-
of which male	Headcount	3,062	-
of which female	Headcount	919	-
of which manual workers (incl. apprentices)	Headcount	1,757	-
of which white-collar workers (incl. apprentices)	Headcount	1,815	-
of which managers ²⁾	Headcount	414	-
Number of apprentices	Headcount	158	-
of which commercial apprentices	Headcount	54	-
of which industrial apprentices	Headcount	104	-
Total number of hours of (further) training of employees in Austria	in Hours	45,869	43,139
Average number of hours of (further) training	in Hours	12	14
By gender	in Hours		
Total for male employees	in Hours	36,698	-
Average number per employee/male	in Hours	12	14
Total for female employees	in Hours	9,171	-
Average number per employee/female	in Hours	10	12
By employee category	in Hours		
Total for manual workers (incl. apprentices)	in Hours	12,619	-
Average number for manual workers	in Hours	7	5
Total for white-collar workers (incl. apprentices)	in Hours	23,051	-
Average number for white-collar workers	in Hours	13	23
Total for managers	in Hours	10,199	-
Average number for managers	in Hours	25	8

¹⁾ Representation excluding temporary workers and external employees.

²⁾ Changed definition of managers, therefore not comparable with previous year. Managers include Board members, general managers, division managers and subdivision managers. Since 2019 department managers and team leaders are also included. Not included in the evaluation members of the Executive Board of KTM AG. Not included in the evaluation are KTM Technologies GmbH, Avocado GmbH and PEXCO GmbH.

In the reporting year, KTM Technologies GmbH's further training hours also included hours spent at trade fairs and congresses. From 2020 onwards, further training hours will be collected separately and a breakdown by gender, employee and manager will be sought.

Research and Development	Unit	2019	2018	2017
Employees in Research and Development	Headcount	789	678	607
Employees in Research and Development as % of total employees	in Percent	18.1%	15.8%	14.5%
Investments	in € Mio.	121	106	84
R&D expenses from revenue	in Percent	9.1%	8.7%	8.3%

PIERER Mobility Group CO ₂ footprint	2019		2018	
Greenhouse gas emissions according to greenhouse gas protocol (Scope 1-3):	in t CO ₂ -e	in percent	in t CO ₂ -e	in percent
Scope 1: Direct greenhouse gas emissions	6,433.72	1.24%	6,173.39	1.24%
Emissions from natural gas procurement at PIERER Mobility Group sites ¹⁾	3,688.60	57.33%	3,339.65	54.10%
Emissions from vehicle fleet	1,619.37	25.17%	1,762.38	28.55%
Emissions from test benches	1,125.75	17.50%	1,071.36	17.35%
Scope 2: Indirect greenhouse gas emissions	5,495.59	1.06%	5,279.79	1.06%
Emissions from district heat procurement ²⁾	121.06	2.20%	127.50	2.41%
Emissions from electricity procurement at PIERER Mobility Group sites ¹⁾	5,374.53	97.80%	5,152.29	97.59%
Scope 3: Indirect greenhouse gas emissions	506,090.82	97.70%	484,480.57	97.69%
Emissions from commuter traffic with aircraft	6,790.99	1.34%	7,881.07	1.63%
Emissions from commuter traffic with private vehicles	46.75	0.01%	49.13	0.01%
Emissions from commuter traffic with rental cars	125.35	0.02%	417.85	0.09%
Emissions during useful life of vehicles ³⁾	499,127.73	98.62%	476,132.51	98.28%
Total footprint	518,020.13		495,933.75	

Emissions per vehicle sold	2019	2018
specific greenhouse gas emissions:		
t CO ₂ -e per vehicle sold (Scope 1-2)	0.08	0.09
t CO ₂ -e per vehicle sold (Scope 1-3)	3.62	3.70

The conversion factors of the Austrian Federal Environment Agency and the UK Department for Environment, Food & Regulatory Affairs (DEFRA) 2018 & 2019 were used to calculate the CO₂ equivalents.

¹⁾ Evaluation excluding KTM Innovation GmbH, Avocado GmbH und PEXCO GmbH.

²⁾ Site of KTM Sportcar GmbH.

³⁾ Greenhouse emissions are calculated on the basis of homologated laboratory values. The motorcycles are homologated in a mechanically and electronically throttled condition. However, the motorcycles are often used in an unthrottled condition at amateur and professional racing events, at the customer's own risk. This results in significantly higher consumption and greenhouse gas emissions. Vehicles sold in the B2C (retail) business and X-Bow were used to calculate the useful life. Number of vehicles used as a basis for the calculation 143,165 (previous year: 134,164). Motorcycle models that are not eligible for registration (e.g. motocross, cross country, sport minicycles) were not considered due to an insufficient database (missing consumption and mileage data). Furthermore, KTM models sold directly by Bajaj Auto Ltd. were not considered either. In 2019 a total of 280,099 vehicles were sold (previous year: 261,454) (including direct sales Bajaj Auto Ltd.).

GRI CONTENT INDEX

The Report has been prepared taking into account the principles and criteria of the internationally recognized framework for sustainability reporting „GRI Standards“ of the Global Reporting Initiative. Currently, the Sustainability Report has no compliance with the "core" reporting option. Compliance with the "core" reporting option will continue to be sought and reporting will be further optimised in 2020. This applies in particular to the following standards: 102-14, 301-1, 412-3, 403-1 to 403-7.

General information

GRI-Standard	Description	Comments Omissions	Page(s)
101	Foundation 2016		
102	General Disclosures 2016		
102-1	Name of the organization		4
102-2	Activities, brands, products, and services		4
102-3	Location of headquarters		4
102-4	Location of operations		4
102-5	Ownership and legal form		4
102-6	Market served		4
102-7	Scale of the organization	Management Report	86, 87
102-8	Information on employees and other workers	Only 1% of employees have a temporary contract, therefore no separate subdivision into permanent / temporary employment has been conducted.	14
102-9	Supply chain		8
102-10	Significant changes to the organization and its supply chain		4
102-11	Precautionary Principle or approach		14, 16, 22, 36
102-12	External initiatives		14, 15
102-13	Membership of associations		10, 12
102-14	Statement from senior decision-maker		42
102-16	Values, principles, standards, and norms of behavior		42
102-18	Governance structure	Corporate Governance Report	52, 55
102-40	List of stakeholder groups		9
102-41	Collective bargaining agreements	Around 82% of PIERER Mobility employees are subject to collective agreements. The Austrian requirements do not apply to subsidiaries in other countries.	
102-42	Identifying and selecting stakeholders		14
102-43	Approach to stakeholder engagement		14
102-44	Key topics and concerns raised		14
102-45	Entities included in the consolidated financial statements	Consolidated financial Statement	171-173
102-46	Defining report content and topic boundaries		14
102-47	List of material topics		14
102-48	Restatements of information	No restatements have been necessary.	
102-49	Changes in reporting		14
102-50	Reporting period	01/01/2019 – 12/31/2019	
102-51	Date of most recent report	Report about FY 2018	
102-52	Reporting cycle	yearly	
102-53	Contact point for questions regarding the report		48
102-54	Claims of reporting in accordance with the GRI Standards	No compliance with GRI Standards „core option“; reporting fully in accordance with „core option“ is aimed for in 2020.	
102-55	GRI content index		46-48
102-56	External assurance	Currently no external assurance.	

Main topics

Research and Development

103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary		30
103-2	The management approach and its components		30
103-3	Evaluation of the management approach		30
Own indicator	R&D-employees in the reporting period (average)		45
Own indicator	R&D-quota in percent from revenues		45

Our Values & Understanding of Business (Business Compliance)

103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary		14, 15
103-2	The management approach and its components		14, 15
103-3	Evaluation of the management approach		14, 15

GRI-Standard	Description	Comments Omissions	Page(s)
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Anti-Corruption			
205	Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures		15
205-3	Confirmed incidents of corruption and actions taken	There were no known cases or proceedings relating to corruption in the reporting period.	15
Local employment / regionality			
204	Procurement Practices 2016		
204-1	Proportion of spending on local suppliers		32
Fair wages & work standards (Focus: supply chain & joint-venture)			
412	Human Rights Assessment 2016		
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	A qualitative description of the effects & measures is provided.	10, 32
Environmental aspects along the product life cycle			
103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary		34, 40-42
103-2	The management approach and its components		34, 40-42
103-3	Evaluation of the management approach		34, 40-42
Energy efficiency			
302	Energy 2106		
302-1	Energy consumption within the organisation		34
302-5	Reductions in energy requirements of products and services		41
CO₂-Emissions during production			
305	Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Emissions purchase of natural gas / vehicle fleet (see CO ₂ balance in the appendix).	45
305-2	Energy indirect (Scope 2) GHG emissions	Emissions electricity and district heating purchases (see CO ₂ balance in the appendix).	45
Efficient material usage			
301	Materials 2016		
301-1	Materials used by weight or volume	Qualitative description of the effects & measures; reporting process currently gets established.	34,35
Pollutant emissions and CO₂ emissions of vehicles (use phase)			
305	Emissions 2016		
305-3	Other indirect (Scope 3) GHG emissions	Emissions commuter traffic with airplanes/ private vehicles/ rental cars, emissions usage phase of the vehicles (see CO ₂ balance in the appendix).	45
Product quality and safety			
103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary		36-39
103-2	The management approach and its components		36-39
103-3	Evaluation of the management approach		36-39
Product quality and safety / Customer health and safety			
416	Customer Health and Safety 2016		
416-1	Assessment of the health and safety impacts of product and service categories	Each and every vehicle component is checked according to an inspection plan. Every vehicle or engine undergoes a complete functional check on the test bench. No vehicle can leave production without passing the test.	37
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	In the reporting period there was a recall in connection with safety risks for a KTM model.	37
Occupational safety and employee health			
103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary		22,23
103-2	The management approach and its components		22,23
103-3	Evaluation of the management approach		22,23
403	Occupational Health and Safety 2018	Reporting on further information on the management approach according to 403: 2018 (403-1 to 403-7) is under construction.	
403-9	Work-related injuries	No work-related fatalities in the reporting periods 2017, 2018 and 2019. Data for workers of external firms are not available.	23
(Further) training of employees			
103	Management Approach 2016		
103-1	Explanation of the material topic and its Boundary		24
103-2	The management approach and its components		24,25
103-3	Evaluation of the management approach		24,25
404	Training and Education 2016		
404-1	Average hours of training per year per employee		24,45
Diversity & Equal Treatment			
405	Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees		29

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The present sustainability report (consolidated non-financial report) has been prepared with the utmost care and the correctness of the data was checked. Nevertheless, slight differences in the calculations may arise as result of the summation of rounded amounts and percentages, and typographical and printing errors cannot be ruled out.

References to persons such as "employees" or "staff members" are intended to be gender-neutral and insofar as the contrary appears this is solely for purposes of legibility.

This report and the forward-looking statements it contains were prepared on the basis of all the data and information available at the time of going to press. However, we must point out that various factors may cause the actual results to deviate from the forward-looking statements given in the report.

This annual report is published in German and English. In the event of ambiguity, the German version shall take precedence.