

## **Principles Governing the Remuneration of Members of the Executive Board of PIERER Mobility AG (Remuneration Policy)**

### **Introduction:**

The following principles governing the remuneration (remuneration policy) of the members of the Executive Board of PIERER Mobility AG were established by resolution of the Supervisory Board on March 26, 2020.

The remuneration system of PIERER Mobility AG implements the recommendations of the Austrian Corporate Governance Code (OCGK) and the legal requirements of the Austrian Stock Corporation Act (Sections 78a ff and 98a) and was prepared in accordance with the EU Directive 2017/828.

Pursuant to Section 78b para. 1 of the Austrian Stock Corporation Act, the remuneration policy must be submitted to the Annual General Meeting to be voted on at least in every fourth financial year. The remuneration policy will be put to the vote for the first time at the Annual General Meeting on May 15, 2020 and, if approved, will be applied to new Executive Board contracts to be concluded in the future.

In drawing up the remuneration policy, the Supervisory Board has essentially been guided by the principles of the previously established and proven policy.

### **Business strategy and long-term development:**

The company is the parent company of the PIERER Mobility Group and acts as a managing holding company. By itself, the company employs only 16 staff members, who mainly work in Group management, Group accounting and administration. The PIERER Mobility Group is Europe's leading "Powered Two-Wheeler" manufacturer (PTW). With its world-famous motorcycle brands KTM, HUSQVARNA Motorcycles and GASGAS, it is one of the European technology and market leaders in each case, particularly in the premium motorcycle segment, through its largest subsidiary KTM AG, which in turn is the parent company of the KTM Group. In addition to the KTM Group, which is mainly focused on combustion engines, the electric mobility division represents another particularly promising area of business. As a pioneer in electric mobility for two-wheelers in the low-voltage range (48 volts), the Group has the foundations in place with its strategic partner Bajaj to assume a leading global role. The acquisition of the electric bicycle business of PEXCO was another important step in intensifying activities in the area of two-wheel electric mobility as well and in becoming a major international player in this area. The partnership with Bajaj, India's second largest motorcycle manufacturer, strengthens the company's competitiveness in global markets.

The PIERER Mobility Group has set itself the goal of further expanding its market share in the global motorcycle markets despite a challenging market environment. In addition, there is also a strong focus

on expanding and developing the dealer network in order to achieve market leadership in Europe. The GASGAS motorcycle division will be integrated into the Group as the third motorcycle brand. In addition, KTM has set itself the goal of developing Husqvarna Motorcycles into the third largest European motorcycle manufacturer.

With one exception, all members of the company's Executive Board also perform Executive Board roles in the largest subsidiary KTM AG.

The business strategy and the long-term development of the company as the parent company of the PIERER Mobility Group is to be supported in particular by organizing the variable remuneration in an appropriate way.

## **Remuneration of the Executive Board**

### **1) Principles of Executive Board remuneration:**

While establishing the total remuneration for members of the Executive Board, the Supervisory Board must ensure proportionality of the remuneration with the tasks assumed by, and performance delivered by, the individual member of the Executive Board, the situation of the company and the ordinary remuneration, and that long-term incentives with regard to sustained corporate development are taken into account.

Members of the Executive Board are remunerated in accordance with agreements under private law that have been concluded between the member of the Executive Board and the company, represented by the Supervisory Board.

The remuneration policy is reviewed regularly by the Supervisory Board. When drawing up the remuneration policy, particular consideration was given to the size of the company and the subsidiaries under its management, the internal organization, compliance with the strategy, and the interests and values of the company. The remuneration should reflect the scope and complexity of the business as well as the role and responsibility of the Executive Board members and be competitive in the market. The criteria are function, assumption of management tasks, professional and personal qualifications and relevant experience. No external benchmarking takes place with regard to the remuneration or remuneration structure.

None of the current members of the Executive Board receives any direct remuneration from the company. The Executive Board member Stefan Pierer works on the basis of a posting agreement which exists between Pierer Konzerngesellschaft mbH and KTM AG. A corresponding Executive Board employment contract exists between the Executive Board member Friedrich Roithner and Pierer Industrie AG. Some of the costs incurred in connection with his remuneration at Pierer Industrie AG level are borne by the company under a posting agreement concluded between Pierer Industrie AG and the company. With regard to the other members of the Executive Board Hubert Trunkenpolz and Viktor Sigl, each of them has a corresponding Executive Board employment contract with KTM AG. In each case, the existing contracts do not contain any provisions for a company pension scheme. In addition, they are generally subject to the "new severance pay" system.

The remuneration of the members of the company's Executive Board as described above consists of a fixed monthly basic salary and variable components.

## **2) Remuneration of Executive Board members:**

The remuneration includes in each case

- a non-performance-related remuneration (fixed remuneration),
- fringe benefits and a
- performance-related remuneration (variable remuneration)
- **no** stock option plans or similar share-based remuneration systems exist.

### **a) Fixed remuneration:**

Each member of the Executive Board receives a basic salary. This consists of an annual fixed salary, which is paid in 14 equal installments.

The basic salary represents a fixed monthly salary at a competitive level, which encourages the members of the Executive Board to act in the best interests of the shareholders and employees as well as the company.

In the event that a member of the Executive Board is prevented from performing their duties due to illness or an accident, the remuneration due to the member of the Executive Board in each case will continue to be paid for the period specified in the Employees Act, applying the provisions of the Employees Act on continued payment of remuneration.

The remuneration includes a lump-sum payment for all services rendered in excess of normal working hours. The gross remuneration increases in each case in accordance with the actual salary increase for the highest salary group of the framework collective bargaining agreement for white-collar employees in the industry.

For group internal mandates and functions, no additional remuneration is granted.

### **b) Fringe benefits:**

The fringe benefits include the following components:

- Use of a company car in the BMW 5 Series, Audi A6 or a similar category, which is also available for private use. The car is provided without a mileage limit. The taxes attributable to the value of the benefit in kind for private use are borne entirely by the member of the Executive Board.
- Accident insurance provides insurance cover in the case of death or disability. Personal liability insurance covers the legal liability of the Executive Board members that results from personal injuries, material damage or financial losses suffered by third parties.
- Insurance cover exists for claims for damages due to financial losses suffered by third parties or the company as a result of breaches of duty committed by a member of executive bodies of the company. The company bears the cost of these insurance policies.
- A D&O insurance policy (directors' and officers' liability insurance) exists for the members of the Executive Board.

### **c) Variable remuneration:**

The members of the Executive Board are entitled to a variable remuneration component. The variable components of the remuneration are established in advance in accordance with individual agreements in such a way that they are linked to measurable, sustainable, long-term and multi-annual performance criteria and shall not encourage the taking of inappropriate risks. The variable remuneration is based on the following criteria, the applicability and weighting of which is determined individually depending on the area of responsibility of the respective Executive Board member:

- EBT and free cash flow of the KTM Group for the financial year
- EBIT of the PIERER Mobility AG Group for the financial year
- Individually agreed targets

Fixed points or intervals are set for agreed target values, on the basis of which the fulfillment or non-fulfillment, respectively the ratio between over-fulfillment or under-fulfillment of the target value and the corresponding increase or decrease in the payment of the variable remuneration components is measured.

### **3) Employee remuneration and employment conditions**

In order to ensure an adequate relationship between the remuneration of the Executive Board and the remuneration and employment conditions of the company's employees, the monthly basic salary of an Executive Board member shall not exceed twenty times the average monthly gross salary of the Group's employees working in Austria, calculated on a full-time basis.

### **4) Pension fund**

No agreements with the Executive Board exist in respect of occupational retirement benefit plans.

### **5) Definition, review and implementation of the remuneration policy:**

The remuneration policy is decided by the Supervisory Board and put to the vote at the Annual General Meeting at least in every fourth financial year. As the Supervisory Board of PIERER Mobility AG in the 2019 financial year consisted solely of four members, a Remuneration Committee has not been set up, as it would not have led to an increase in efficiency on the Supervisory Board.

The remuneration policy to be drawn up for the first time by the Supervisory Board in accordance with Section 78a of the Austrian Stock Corporation Act was resolved by the Supervisory Board on March 26, 2020 and will be put to the vote of the Annual General Meeting on May 15, 2020.

If the Remuneration Committee, whose tasks are performed by the Supervisory Board as a whole, deems changes in the remuneration policy to be necessary, these will be proposed to the Supervisory Board and subsequently submitted to the Annual General Meeting for a vote.

### **6) Terms of the Executive Board mandates**

As a rule, members of the Executive Board are appointed or reappointed and Executive Board contracts are concluded for the maximum statutory term.

## **7) Termination of an Executive Board mandate**

The Executive Board contracts/employment contracts or any posting agreements are fixed-term contracts concluded for the respective term which can only be terminated with immediate effect during the term for good reasons (in particular reasons under Section 27 of the Employees Act).

In the event of resignation without good reason and without the consent of the Supervisory Board, as well as in the event of premature termination of the appointment to the Executive Board by the company for a reason stated in Section 75 of the Austrian Stock Corporation Act, any existing employment contract or posting agreement will also end.

In the event of termination of the employment contract with a single member of the Executive Board, the latter will be entitled to a voluntary severance payment in analogous application of the Employees Act (in the version applicable immediately prior to the entry into force of the Federal Act BGBl I 2002/100). The monthly remuneration to be used as the basis for the calculation corresponds to the average remuneration (fixed and variable) received in the last three years before the termination of the contractual relationship. Such a provision will no longer be included in future Executive Board contracts. In the event of premature dismissal without good reason, generally the fixed remuneration will be paid for the duration of the contract.

## **8) Deviations from the remuneration policy**

In order to ensure the long-term development of the company, the Remuneration Committee or the Supervisory Board may temporarily deviate from this remuneration policy in exceptional circumstances in accordance with Section 78a (8) of the Austrian Stock Corporation Act. Exceptional circumstances are deemed to exist if a deviation from the remuneration policy is necessary for the long-term development of the company.

In the event of a planned deviation from the remuneration policy, a corresponding proposal must be submitted to the Supervisory Board, explaining why an exceptional circumstance is given. After approval by the Supervisory Board, the Remuneration Committee may enter into different contractual obligations with the members of the Executive Board. The next remuneration report to be presented to the Annual General Meeting has to address this exceptional circumstance.