

PIERER

Mobility AG

SUSTAINABILITY REPORT 2020

(CONSOLIDATED NON-FINANCIAL REPORT)



KTM



Husqvarna
MOTORCYCLES



GASGAS



ABOUT THIS REPORT

This sustainability report (non-financial report pursuant to Section 267a of the Austrian Commercial Code (UGB)) has been drawn up in accordance with the internationally recognized framework for sustainability reporting “GRI Standards”: “Core” option. The GRI Content Index, starting on page 64, contains a detailed list of the minimum requirements in this regard and of our compliance or omission.

This consolidated non-financial report, as it is known, essentially covers all fully consolidated subsidiaries of PIERER Mobility AG. In addition to KTM AG, this comprises KTM E-Technologies GmbH, KTM Innovation GmbH, Avocado GmbH and PIERER E-Bikes GmbH. The key environmental figures generally reflect the key figures of the main company and production sites: In addition to PIERER Mobility AG, this comprises KTM AG, KTM Innovation GmbH, KTM E-Technologies GmbH and KTM Sportcar GmbH. PIERER E-Bikes GmbH* is not included here. The key environmental figures and emissions associated with this company are not published in this report.

External assurance

The published information has been audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz/Austria. Our aim is to document the validation and trustworthiness of the disclosed information for the public in a comprehensible manner through the external assurance. The corresponding confirmation can be found in the Independent Assurance Report at the end of this Sustainability Report.

* The (e-)bikes of PIERER E-Bikes GmbH are sourced from two external, independent assembly sites. The assembly sites are in turn supplied directly by various component manufacturers. PIERER E-Bikes GmbH therefore does not perform any assembly work itself.

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INTRODUCTION BY THE EXECUTIVE BOARD

We are particularly pleased that, for the first time, we have achieved the “Core” option according to the “GRI Standards” with this sustainability report. Our reporting has been gradually expanded over the past three years in order that we can inform our stakeholders and the public about the key issues and current measures in the PIERER Mobility Group. There have been some recent developments, owing to changes in society as a whole and in general policy, which have prompted us to revise and conduct the materiality analysis in 2020. In addition to assessing the impact of our business activities on the environment and society, the key topics were also assessed to determine their influence on stakeholder decisions and actions. As part of this, we have included new key topics in our assessment, such as vehicle emissions, alternative drive technologies, the circular economy, and road safety. In general, all topics surveyed were assessed as being more important than in previous years. The topics of “Research and development” and “Product quality and safety for customers” are, as in previous years, the most highly rated, and are at the top of our topic ranking.

COVID measures

Extraordinary times also call for special concepts. Due to the outbreak of the coronavirus pandemic, from spring onward special measures were taken on an ongoing basis to protect employees. Thanks to this forward-looking approach and constant engagement with the authorities, it was possible to implement these measures as well as government regulations comprehensively and quickly. This prevented any extensive spread within the company and the risk of contracting COVID-19 within the company is considered to be minimal. The immediate effects of the coronavirus pandemic, for example with suppliers affected by illness, as well as the upheaval in the global economy as a result of the coronavirus crisis, also place greater demands on safeguarding the availability of parts. In order to be able to specifically identify and resolve risks emerging from the coronavirus pandemic at an early stage, the supplier risk assessment has been revised and the corresponding risks have been reassessed for each country.

Mobility

With its many years of research work, the PIERER Mobility Group is one of the pioneers of electric mobility and certainly one of the most experienced in this field. In order to bring together know-how and activities in this area, in 2020 we established our own e-mobility competence center located in Anif near Salzburg. At the new e-mobility center, all future concepts from the 48-volt platform (15 hp) to electric bicycles and electric motorcycles - from the Freeride light to an electric scooter in the 125cc class - will be developed. One of the cornerstones of our product strategy is developing solutions and concepts for sustainable mobility in urban environments. Energy-efficient, electrically powered two-wheelers in particular are a key part of the solution. We therefore understand a sustainable approach to mean, above all, the phased reduction of emissions over the entire product life cycle. The focus here is particularly on using electric mobility, which will predominantly be used for short distances in the low-voltage range.

R&D and innovations

For us as a technology-driven motorcycle manufacturer, research and development has been the focus of our activities for many years. A progressive R&D strategy produces innovative products which meet the high expectations of our customers in terms of technology and quality. It is particularly important for us to identify trends in the PTW (Powered Two-Wheeler) segment at an early stage and to continuously develop our product range. We pursue a very intensive R&D strategy in order to further expand our role as a leading technology pioneer and also to keep pace with our major competitors. This also explains the relatively high research budget - currently around 9%. In the 2020 financial year, development activities on our range of internal combustion engines were intensively advanced. Particular focus was placed on improving performance while at the same time reducing fuel consumption and emissions. For example, some models that comply with the new Euro 5 emissions standard were successfully transferred to series production in 2020. We have also set ourselves the goal of manufacturing extra safe and high-quality products. Our mission is to reduce the number of avoidable motorcycle accidents to a technically feasible minimum by using rider assistance systems, among

other things. Here, for example, “vehicle-to-vehicle (V2V) communication” offers great potential and initial tests carried out on our prototypes in the summer of 2020 showed the inherent possibilities of this new technology. In addition, a PTW bend warning system was developed and a patent application for it was filed. This warning system is intended to reduce the risk of collision with a motor vehicle that cannot be seen.

Environment

The products which we develop, produce and sell are various vehicle concepts adapted to the various usage profiles of our customers. Thanks to our broad product range, we are able to ensure a sustainable reduction in emissions in all mobility areas and along the entire life cycle - from product development and product manufacturing to product use. Activities for the purpose of safeguarding the environmental goals are coordinated in the respective departments of the company. In addition, work is currently underway to implement an environmental management system in accordance with ISO 14001:2015. In the course of the implementation, our sustainability goals will also be defined.

Waste management was expanded further in 2020. During the course of motorcycle production, we have to deal with considerable amounts of waste. A large part of the waste produced comes from certain steps during production. With our measures, we take the necessary steps to avoid or reduce waste and to recycle secondary raw materials.

Furthermore, with the creation of one of Austria's largest photovoltaic installations on the roof of our logistics center in Munderfing, we are taking another step toward a future that conserves resources. The electricity is fed into the public grid and enables a broader use of renewable solar energy in the region. In the first construction phase, a total of 12,000 modules and 60 inverters with an output of four megawatts will be put into operation over an area of 24,000 m² in 2021.

The reduction of emissions was also successfully advanced in the reporting year. The average CO₂ emissions of our reported vehicle fleet were 78.44 g/km in 2020. This means that we reduced CO₂ fleet emissions by 0.65 g/km in the reporting year. This is also thanks to the growth in sales of electrified and ICE models with small and medium displacements (< 900cc) (2019: 79.09 g/km). The introduction of new models with drive technologies featuring lower fuel consumption and emissions is also having a positive impact on our average fleet values. In the 2020 reporting year, the average fuel consumption was 3.4 l/100km.

Outlook

Due to the introduction of the Euro 5 emissions standard on January 2020, updating the entire Motorcycle Street product range to comply with the new regulatory requirements was the focus of our R&D activities and will be completed in 2021. Series production of the first “Euro 5” model took place in July 2020 (sample series of KTM 890 Adventure models). The last

“Euro 4” model for the EU area was produced in December 2020. Since January 2021, only “Euro 5” vehicles have been manufactured for the EU area and for operation on public roads. Our R&D development team is also already working on technologies that provide for a further reduction in pollutant emissions for future generations of engines.

The outlook for the two-wheeler division is very positive for the years ahead because the role of electric mobility will continue to increase. According to a survey conducted by Deloitte among all PTW manufacturers, the total market share of electric mobility in the European market is forecast to be approx. 30% by 2030. Here we will see an accelerated delivery of electrification in the coming years, especially in urban areas. The market for “urban mobility” and “short distance mobility” will switch entirely to electric drives in the small performance classes up to 11 kW. Not least because of climate change, regulations are placing increasing pressure on vehicle manufacturers around the world. In the future, more PTWs will be developed for urban areas and for shorter ranges (60 to 70 kilometers): motorcycle models in the small-volume displacement range of between 50 and 125 cubic centimeters or new types of products with electric powertrains. The level of interest in e-bikes is also continuing to grow enormously.

Sustainability is one of the most important aspects in the future of mobility and electrification will play a major role in achieving this goal. For powered two-wheelers, electric drives are still severely limited when it comes to range, charging time and cost. A swappable battery system based on international technical standards is a proven way to address these challenges. Considering the entire life cycle of a product, widespread use of batteries that comply with a common standard will support their reuse as well as the circular economy. This is why we are very pleased to be one of the four founding members (KTM, Honda, Yamaha Motor, Piaggio) of a consortium for standardized and swappable batteries for motorcycles and light electric vehicles (L-category vehicles). As part of this consortium, we are able to strengthen our activities in close collaboration with interested stakeholders and national, European and international standardization bodies in order to achieve our goals in the e-mobility sector.



Stefan Pierer
Chairman of the Executive Board

L. COMPANY

OVERVIEW OF PIERER MOBILITY

The **PIERER Mobility Group** is Europe's leading "Powered Two-Wheeler" ("PTW") manufacturer and is among the European technology and market leaders, particularly in the premium motorcycle segment. In addition to powered two-wheelers, which are equipped with combustion engines or with new types of electric powertrains, the product range also includes e-bikes. The Group's activities are divided into three value creation pillars: Motorcycles, E-Bikes as well as Design, Concept and Digitalization (see also the Group Structure shown on page 7). 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 a technology leader in the two-wheeler sector in Europe.

KTM AG, with registered office in Mattighofen, Austria, combines the activities of the globally renowned motorcycle brands KTM, Husqvarna Motorcycles and GASGAS as well as the component manufacturer WP Suspension. The product range covers all relevant motorcycle segments in the capacity classes from 50 to 1,300 cc and is continuously being expanded. In addition, KTM was a pioneer in 2014 when it presented the electric FREERIDE E. The segment of electrically powered sports motorcycles has since also been expanded to include sport minicycles (SX-E, EE5 and the MC-E 5). Alongside motorcycles and components, the sports car division completes the KTM AG model range with the KTM X-BOW. Working in close cooperation with 31 international sales organizations, the company serves a worldwide dealer network on behalf of KTM Sportmotorcycle GmbH, Husqvarna Motorcycles GmbH and GASGAS Motorcycles GmbH, as well as a growing network of WP Authorized Centers.

True to the motto "DRIVEN BY THE NEW", **KTM E-TECHNOLOGIES GmbH** develops innovative electric vehicles. In 2020, the company's site in Anif near Salzburg was expanded to become the PIERER Mobility Group's development center for e-mobility, where all development activities related to the electric drivetrain are brought together. The employees' broad expertise in electrics, electronics and software combined with their leading overall vehicle and lightweight construction know-how form the basis for the development of impressive and sustainable products. The focus of technology development is on low-voltage drive and battery systems with maximum continuous power of up to 11 kW. The current

product range extends from e-bikes, e-scooters and light motorcycles licensed for use on the road to various sports vehicles for off-road use. As a service provider, the company also works with third-party customers on strategically meaningful projects.

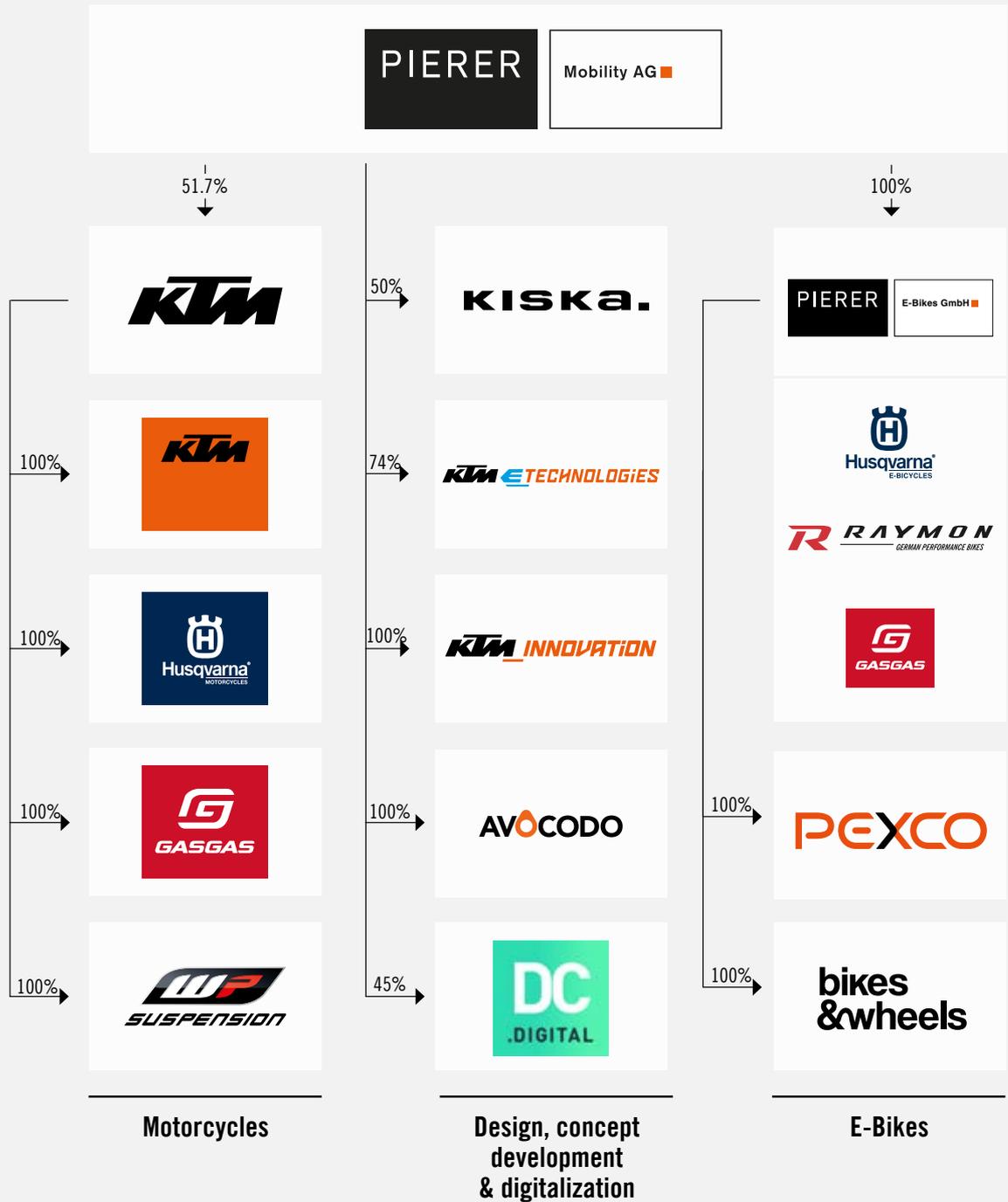
KTM Innovation GmbH, which was founded in 2018 and has its registered office in Wels, Austria, focuses on trending topics from various fields of technology for the digitalization of products and processes. Classic software development and methods of machine learning, artificial intelligence, big data, blockchain and business modeling are applied. The focus is on developing digital products and services for the motorcycle segment and on improving efficiency and the user experience in the sales channel. 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.

Since mid-2020, the e-mobility division of the PIERER Mobility Group has been trading under the name **PIERER E-Bikes GmbH**, with registered office in Munderfing, Austria. Among other developments, PEXCO GmbH, which was acquired in December 2019, was incorporated into this newly founded company. The focus for PIERER E-Bikes is on the development as well as the sale of (e-)bikes. In the past financial year, the E-Bikes activities were marketed under the Husqvarna E-Bicycles and R Raymon brands in order to participate in the attractive market growth in the e-bicycle segment and develop into a significant international player in this segment. To make the issue of electric mobility accessible to an even broader target audience, an additional brand was added to the portfolio: GASGAS. From spring 2021, the Spanish brand will manage a complete e-bike fleet under the umbrella of PIERER E-Bikes GmbH and, with the specialist motorcycle trade, will exploit a sales channel that has so far been largely untapped in the bicycle industry.

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

AS OF 12/31/2020 SIMPLIFIED PRESENTATION



Other shareholdings: ACstyria Mobilitätscluster GmbH 12.3%

PRODUCTS & DEVELOPMENTS

KTM 890 DUKE R

- With the 890 DUKE R, an increase in overall efficiency was achieved by reducing the weight of the vehicle by 3 kg (compared to the 790 DUKE) and improving the combustion efficiency of the 899 cm³ two-cylinder engine. As a result, engine performance has been significantly improved (~ 15.6% increase in power) with only a minimal increase in CO₂ emissions (~ 7.7%).
- The Euro 5 compliant exhaust system guarantees that all pollutant emission specifications are met.

KTM 390 ADVENTURE

- The first KTM model in the entry-level travel segment has several innovative features: fully adjustable WP APEX suspension, up and down quickshifter, lean-angle-dependent cornering ABS and a 5-inch TFT display.
- The lightweight trellis frame made of high-strength steel helps to centralize mass and is also the basis for the excellent stability, and precise and nimble handling. This makes the 390 ADVENTURE the lightest and most agile model in the segment with a READY TO RACE weight (all fluids, excluding fuel) of just 161 kg.
- In addition, the Euro 5 compliant exhaust system reduces pollutant emissions to 78 g / km of CO₂ and the low weight ensures economical fuel consumption of just 3.37 l / 100 km.

GASGAS EC 300

- The innovative 2-stroke TPI (Transfer-Port-Injection) electronic fuel injection ensures that the optimum fuel quantity is supplied in every situation. This guarantees controlled power output and reduced pollutant emissions.
- The rear frame is made of lightweight aluminum and offers a short and compact profile. This helps to centralize mass while keeping the weight to a minimum of 106.2 kg.
- The GASGAS Enduro Competition models are the first Euro 5 compliant products in the market segment with an additional catalytic converter and evaporative emission system canister.

HUSQVARNA MOUNTAIN CROSS 7

- The new Shimano EP8 represents a completely new motor generation: The 36% reduction in frictional resistance ensures greater efficiency and easier pedaling.
- Weighing just 2.6 kg, the EP8 drive unit is 300 grams lighter than the previous model. It is one of the lightest drive units available on the market and offers the best power-to-weight ratio in its class.
- With the E-TUBE PROJECT app, the system settings can be adapted to the conditions of the terrain with three different assistance modes (Trail, Boost and Eco for increased energy efficiency). The assistance modes offer ten different levels with different performance parameters: for example, the option to define the maximum torque to perfectly match the rider's individual riding style.



KTM 890 DUKE R



KTM 390 ADVENTURE



GASGAS EC 300



HUSQVARNA MOUNTAIN CROSS 7

OUTLOOK

MOTORCYCLES - 2021 MODEL RANGE

Due to the introduction of the Euro 5 emissions standard on January 1, 2020, updating the entire Motorcycle Street product range to comply with the new regulatory requirements is the focus of R&D activities and will be completed in 2021.

In addition, pioneering new products in the Travel and Naked Bike segments will introduce innovative features to improve rider safety through radar-based active cruise control and adaptive brake lights, among other features. At the same time, overall performance and efficiency will be further enhanced to meet future market demands.

(E-)BIKES

As an emission-free alternative for transportation over short and medium-length routes, electric bikes are also increasingly coming into focus across all generations. Alongside the COVID-19 pandemic, in which individual mobility solutions have seen significant growth, cities around the world are all facing similar challenges: congested infrastructures, noise and air pollution are just a few examples. A mobility revolution will undoubtedly largely come from major cities and the surrounding catchment areas - and today's e-bike is already a suitable solution for precisely these problems.

For this reason, the focus of both the Husqvarna E-Bicycles and R Raymon brands in model year '21 is on expanding the City and Urban collections. To allow us to appeal to the broadest possible target group, we are covering various options with our Gran Urban, Gran City and Eco City or CityRay E and UrbanRay E so that we can be part of tomorrow's mobility revolution today. We will gradually continue to expand this responsibility internationally.

OUR VALUE CHAIN

As a manufacturer of motorcycles for off-road and street use and as a developer of products and designs for (e-)bikes, 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 - which in some cases is also done internally - to sales and distribution.

Research & development

Purchasing

Motorcycle production
& assembly

Logistics & sales

(Product use &
recycling)



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

OUR STAKEHOLDERS

Thanks to the growing presence of our products from the various divisions - especially those under the KTM, Husqvarna Motorcycles and GASGAS brands and under the Husqvarna E-Bicycles, R Raymon and GASGAS E-Bicycles (e-)bike 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 the PIERER Mobility Group in allowing us to maintain our leading position in the market and also 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 the 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 first 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. On the basis of our ongoing activities with our stakeholders during the year, we have since reviewed the forms of dialog at least once a year to ensure that they are up to date. 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 assurance 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 PIERER Mobility Group locations, the management is in regular contact with relevant local/regional government officials and authorities (provision of company data, annual report 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 2020/2021” gold.



ACEM ACTIVITIES

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 387,000 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. The topics range from the European approval of L-category vehicles in relation to environmental legislation, road safety and transport policy through to international trade relations. In addition to road safety and mobility, ACEM is also heavily involved with the environmental performance of L-category vehicles and focuses on 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 2022. His role was confirmed for a further two years at the General Meeting in April 2020. During Stefan Pierer's presidency, activities that have been promoted have included 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. To this end, the first step, development of a new measurement method “ASEP 2.0”, has been completed. (See further below)

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.

Under the presidency of Stefan Pierer, a new, medium-term project was launched with the aim of developing a “**Vision of the PTW Sector**”. The first workshops have already taken place and an interim conclusion has been reached. ACEM’s positions on the key topics defined were developed in the working groups:

1. Urban mobility
2. Carbon emissions
3. Noise (noise emissions)

RESEARCH AND DEVELOPMENT POLICY

- KTM is also involved as a member in the activities of EG VIA (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 (CITS). 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 CITS, which offer considerable potential for improving the level of safety for motorcyclists on the road. Since the beginning of 2021, the CMC has adopted the new name “CMC Next”, with the same development topics. The key focus is on developing all functions of CITS for the L category. The main topic for this year is the testing of V2V and V2Infrastructure vehicle communication. (For more information, see the “Product Quality and Safety” chapter starting on page 49.)

* REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals.
 ** EG VIA cPPP: European Green Vehicles Initiative with a contractual Public Private Partnership.





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. As of today, just 3 years after their introduction, 31 training programs in Austria, Belgium, France, Germany, the Netherlands, Spain and Sweden have already been certified with the European Quality Seal, including two motorcycle training courses at the KTM Riders Academy.

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.

On the subject of "**Euro 5 - Noise Emissions**", a new measurement method was developed in 2020 in the ACEM "Noise" working group under the leadership of KTM and has already been translated by IMMA into a UNECE regulation that applies worldwide. In future, the new "ASEP 2.0" method will measure the pass-by noise up to a Vmax of 100 km/h (previously up to Vmax 80 km/h) and will therefore reflect the noise level in "real world" use. This measurement method will be valid for all new homologations from September 2023.

Safety

Continuation of activities within the UNECE* regarding safety regulations in the PTW segment, such as brakes, lighting, etc. In addition, in the area of safety, manufacturers are focusing in particular on rider assistance systems:

Rider assistance systems for motorcycles can help to prevent accidents. They help to reduce collisions by supporting the rider in critical situations. At the same time, they also make the ride more fun and comfortable. Relevant examples are: Traction Control Systems (TCS),

Tire Pressure Monitoring Systems (TPMS), electronically adjustable suspension, electronic cruise control, shift assist, fuel-saving assist, proximity activation systems (i.e. keyless driving systems), in-vehicle navigation systems, adjustable ride mode, side view assist, automatic stability control, etc. Many advanced rider assistance systems were originally developed for cars. However, they can potentially be dangerous if they are used on motorcycles without being appropriately adjusted. For this reason, ACEM members are working on specific technical solutions for rider assistance technologies.

Systems have already been developed by KTM AG and will be incorporated into production motorcycles from 2021 offering adaptive cruise control, forward collision warning and even blind spot detection, all of which will help to increase the level of safety for motorcyclists. The technology on which these systems are based is a combination of radar sensor, brake system, engine management system and HMI (Human Machine Interface).

ARGE2RAD ACTIVITIES

Arge2Rad is the association of the Austrian two-wheeler industry. Its activities focus on convincing people to make motorcycling even more attractive by making access to powered two-wheelers easier and safer at the same time. In cooperation with a number of partners - among them the Austrian mobility clubs, the driving schools, the Chamber of Commerce, the media, the police and various ministries - Arge2Rad has already managed to achieve a great deal.

Hubert Trunkenpolz, a member of the Management Board of KTM AG, acts as president of Arge2Rad which focuses on the following key priorities:

- Stable development of the market for powered 2-wheelers,
- Realistic reduction of CO² and noise emissions,
- Traffic regulations and road safety initiatives,
- Organization of test days and trade fairs.

*UNECE: United Nations Economic Commission for Europe.



MATERIALITY ANALYSIS AND KEY SUSTAINABILITY TOPICS

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. On the basis of our ongoing communication with our stakeholders during the year, we have since reviewed the key topics at least once a year to ensure that they are up to date and have been able to leave them unchanged.

There have been some recent developments, both in terms of society as a whole and in terms of general policy, which prompted us to revise and conduct the materiality analysis in 2020. Due to the COVID pandemic, it took the form of an online survey. This gave us the opportunity to survey a much wider stakeholder group, including a number of external stakeholders. In addition to assessing the impact of our business activities on the environment and society, the key topics were also assessed to determine their influence on stakeholder decisions and actions, with the following result:

Environmental interests

- Research and development
- Pollutant emissions from vehicles (emissions) *
- Efficiency in the use of materials (waste, recycling management) *
- Alternative drive technologies (including electric mobility) *
- Energy efficiency *
- Local employment: responsible procurement *

Social and employee concerns

- Occupational safety and employee health
- Training and further education of employees
- Local employment: jobs *
- Fair pay and labor standards (diversity and equal treatment)
- Data protection *
- Road safety *
- Product quality and safety/ customer health and safety
- Research and development

Respect for human rights

- Business compliance (combating corruption)
- Occupational safety and employee health
- Fair pay and labor standards (diversity and equal treatment) *

Combating corruption and bribery

- Business compliance (combating corruption, data protection)

*New material topic which was included in 2020 as part of the materiality analysis.

In general, all the topics surveyed were rated as more important than in previous years - except for the topic of "Combating corruption", which was rated much higher in 2020. The topics of "Research and development" and "Product quality and safety for customers" are, as in previous years, the most highly rated, and are at the top of the topic rankings. Of the new key topics, "Alternative drive technologies" and "Road safety" received the highest rating. 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).

OUR VALUES & UNDERSTANDING OF BUSINESS

(BUSINESS COMPLIANCE)

CONCEPT AND OBJECTIVE

The PIERER Mobility Group considers lawfulness, honesty, ethics, reliability, respect and trust to be the foundation and universal basis of any cooperation and good business relations. With these values in mind, the PIERER Mobility Group respects the applicable national and international laws, regulations and guidelines and expects its employees, managers and board members as well as consultants, business partners and customers to respect and comply with applicable law at all times.

The Code of Conduct of the PIERER Mobility Group serves as the basis for achieving legal compliance. It sets out the principles and rules on which the PIERER Mobility Group bases its business activities. The Code of Conduct addresses relevant compliance risks and in particular 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

DUE DILIGENCE PROCESS AND CURRENT MEASURES

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. In order to systematically reduce potential corruption risks, the PIERER Mobility Group takes measures to observe and implement the principles laid down in the Code of Conduct and to make managers and employees more aware of compliance issues.

The PIERER Mobility Group advocates the respective national anti-corruption provisions and 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 prac-

tices 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 social custom and appropriateness in addition to the underlying motive.

As a general rule, the Compliance Officer of the PIERER Mobility Group acts as the relevant point of contact. The Executive Board bears ultimate responsibility. The operational handling of inquiries and reports of potential compliance cases concerning the PIERER Mobility Group is the responsibility of the legal department of KTM AG.

The Code of Conduct of KTM AG is permanently available on its intranet site for the majority of the board members, managers and employees (with internet access) of the PIERER Mobility Group. The Code of Conduct is also highlighted on the homepage of the intranet of the KTM AG Group each year. The Code of Conduct is handed out along with the welcome pack to new employees.

Furthermore, training is provided by the PIERER Mobility Group 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, Purchasing, Sales, Research & Development, Marketing, Quality Management as well as board members and general managers are trained in face-to-face sessions. In light of the COVID-19 pandemic and the measures which were then required to protect the health of employees, it was only possible to conduct face-to-face training sessions to a limited extent in the 2020 financial year. The time was therefore used to create an e-learning tool with the content of the Code of Conduct and thus enable digital training for employees (with internet access) from all areas of the business from the 2021 financial year.

The PIERER Mobility Group also expects its consultants, business partners and customers to respect and follow the basic rules and principles contained in the Code of Conduct.

Respect for 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. As human rights risks may exist in principle as a result of the cooperation with partners along the value chain, the Group similarly requires its principal business partners to respect the human rights in the Code of Conduct.

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 respected. 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 therefore does not accept any discriminatory behavior toward employees, customers and business partners, nor does it tolerate any form of sexual harassment.

Board members, managers and employees are able to contact the competent office for general compliance issues at any time 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 2020 financial year.

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-standing partners, such as Bajaj Auto Ltd. and Zhejiang CFMOTO Power Co., Ltd., set high standards for themselves for the purpose of meeting our requirements for respecting 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>).

Data Protection and Cybersecurity

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. We pay particular attention to the data we process in the areas of research & development, vehicle and customer data, and personal data of our employees and applicants.

We apply the same high quality standards in the areas of data security and data protection as we do for our products. The process is guaranteed by a comprehensive data protection management system that is firmly established in the company. The process documents are available to employees on the intranet. The greatest risk for the Group is a possible penalty imposed as a result of alleged data privacy breaches. The highest risk for the data subject is personal data leaking to unauthorized third parties. In order to identify and prevent potential data protection risks, a data protection management system has been implemented and this includes various data protection guidelines and regulations. Our legal department is in regular contact with a data protection lawyer to monitor all existing or new applications and discuss possible adjustments.

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 the future, it will be mandatory for every employee to attend IT security awareness training once a year. However, in 2020 there was significantly less of this due to coronavirus.

Extensive training measures were carried out for employees at the Matighofen and Munderfing sites on the General Data Protection Regulation. The training courses for employees at the subsidiaries were canceled in the reporting year due to Covid and will be caught up in 2021. The content of the e-learning tool with a mandatory test for employees was adapted again in the 2020 financial year and will also be made available in English in the 2021 financial year. The intranet also contains an overview of responsibility for data protection: the Executive Board bears ultimate responsibility, while the data protection coordinator deals with and responds to specific technical questions on the subject. The information and security manager is responsible for data security.

In addition, a data protection guideline for the introduction of a data protection management system is in place. Compliance with this ensures that the company's conduct is in line with data protection regulations, and in particular safeguards the rights of data subjects, prevents data protection violations and avoids fines. All employees are required to comply with this guideline. This is an instruction. The information sheet that has been part of the service contracts since April 2018 is available on the intranet. This guideline has been substantiated by several company agreements for the area of data protection in general and most recently for video surveillance. Each company has set up its own privacy e-mail address to receive requests.

RESULTS, KEY PERFORMANCE INDICATORS AND NEXT STEPS

The Code of Conduct of the PIERER Mobility Group was revised in the 2019 financial year and the new version was published at the beginning of 2020. As part of this, awareness as well as the obligation to comply with the principles set out in it were steadily promoted and expanded during the 2020 financial year.

The Code of Conduct in its current version (January 1, 2020) was brought to the attention of all series suppliers of KTM AG in the 2020 financial year. For the 2021 financial year, the plan is also to inform non-series suppliers about the Code of Conduct. New contractual relationships of the KTM AG Group in the supplier sector have included the Code of Conduct as standard since the beginning of 2020, if not earlier. Over the course of the 2020 and 2021 financial years, the Code of Conduct has been or will also be firmly established as a further annex and thus a contractual component of the dealer contracts of the KTM AG Group. All existing importers of the KTM AG Group were notified about the Code of Conduct in the current version dated January 1, 2020. The Code of Conduct is always included in any new importer contracts that are concluded.

Respect for human rights is also very important to the PIERER Mobility Group when it comes to significant investment contracts. Over the coming years, the intention is that any new significant investment contracts shall therefore also gradually be made contingent on the principles of the Code of Conduct. Significant investment contracts include orders for investments in property, plant and equipment (including buildings and production facilities) that exceed an investment amount of EUR 300,000. In the financial year 2020, a total of three orders for production equipment were placed that exceeded an investment amount of EUR 300,000, whereby for two of these relevant orders - and thus for 66.67% of the significant investment contracts in the area of production equipment in the business year 2020 - the Code of Conduct of the KTM AG Group and the principles contained therein with regard to the observance of human rights are part of the contract.

At the beginning of the 2020 financial year, 35 managers received training - including 19 team leaders and 9 heads of department. The percentage of leaders trained on the Code of Conduct topics in 2020 was 6%. In light of the COVID-19 pandemic and the measures which were then required to protect the health of employees, it was then not possible to conduct any further face-to-face training sessions in the 2020 financial year. Nevertheless, in order to continuously make employees aware of the issues covered by the Code of Conduct, a total of 2,669 employees (with internet access) of the PIERER Mobility Group were informed about the contents of the Code of Conduct by means of a separate e-mail, which equates to around 62% of the entire workforce. An overview in table form can be found in the appendix.

In order to train a large number of employees on a regular basis in the future, an e-learning tool with the content of the Code of Conduct was also created in the 2020 financial year. With the help of this digital training, the plan is to train all managers and employees (with internet access) of the PIERER Mobility Group in Austria in the 2021 financial year. In addition, the training measures will also be extended to the first and second level managers of the companies within the PIERER Mobility Group that are located outside of Austria.

As a further option for reporting complaints and violations, a whistleblower system will be set up in the 2021 financial year.

In the PIERER Mobility Group, there were neither any relevant compliance cases nor cases that resulted in corresponding compliance investigations or proceedings regarding corruption in the 2020 financial year.

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.

3 GOOD HEALTH AND WELL-BEING
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.

Due to the outbreak of the coronavirus pandemic, special measures were taken to protect employees from spring onward in the 2020 reporting year. This prevented extensive spread of the virus in the company. In addition, the focus in the area of mental health was still on burnout prevention and support, particularly in collaboration with the occupational psychologist and the human resources department (Target 3.4 - Promoting mental well-being). In occupational safety, for example, ongoing adjustments were made to the production processes and the technical equipment used on the production lines to reduce occupational accidents. In addition, there were training courses on how to handle industrial trucks in internal traffic. Furthermore, to further improve the training program for test riders, the KTM Riders Academy was launched. This ensures that KTM employees receive regular rider training in line with their job description.

4 QUALITY EDUCATION
SDG 4 - QUALITY EDUCATION
 With its initiatives focusing on the training and education 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 and enables everyone to enjoy equal access to this.

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. 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 offered by the KTM_academy (e.g. digital transfer manager course, sales trainee program, management training, online language training) or

from academic courses (KTM Young Pioneers College, KTM Digital Intrapreneurship MBA) to increase their individual qualifications (Target 4.4).

8 DECENT WORK AND ECONOMIC GROWTH
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 Group thus contributes to sustainable economic growth and takes it for granted that it promotes 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).

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
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 locations (such as in the new E-Mobility Competence and Development Center in Anif near Salzburg).

The pursuit of technological progress and the promotion of innovation are the cornerstones of the PIERER Mobility Group's business model. Our stated goal is to further expand our pioneering role in terms of technology, sales and sustainability in the powered two-wheeler world through continuous growth. The progressive R&D strategy has produced innovative products which meet the high expectations of our customers in terms of technology, performance and efficiency.



SDG 13 - CLIMATE ACTION / SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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. We also support SDG 12 by using natural resources efficiently and by taking measures to avoid, reduce and recycle waste.

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, and also by any evaporative emissions of the hydrocarbons (= fuel) contained in the vehicle.

In addition, we are working with project partners on concepts for sustainable mobility in urban living spaces. Energy-efficient, electrically powered two-wheelers in particular represent an essential part of our solution. We therefore understand a sustainable approach to mean, above all, the phased reduction of emissions over the entire product life cycle.

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 utilizing raw materials to the fullest possible extent, including recycling them, for example recycling lithium ion batteries, is so important. This is currently being vigorously pursued with the introduction of an environmental management system in accordance with ISO 14001:2015 and with the development of waste management.

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. This will enable further vehicles powered by renewable energy to be launched on the market in the years ahead. In this segment, we are currently working on electric drive systems in the power range from 4 to 11 kW and battery platforms in the 48 volt range for planned series (for example, Husqvarna's first electric scooter).

Furthermore, with the creation of one of Austria's largest photovoltaic installation on the roof of the KTM logistics center in Munderfing, we are taking another step toward a future that conserves resources. The electricity is fed into the public grid and enables a broader use of renewable solar energy in the region. In addition, we farm around 12 hectares of arable land in Mattigthal and have planted 270 trees at our sites in Munderfing since 2016.





II. EMPLOYEES AND SOCIETY

OUR EMPLOYEES

CONCEPT AND OBJECTIVE

Recruitment and retention of 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 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.

Workplace standard and pay: Around 98% of the employees in the PIERER Mobility Group are subject to collective bargaining agreements. All job advertisements are posted with the minimum salary, which can be increased according to suitability and experience. This ensures that every applicant is aware in advance of the minimum salary for the advertised position.

Local employment: In the region and especially in the immediate vicinity around the company's production sites in Austria, KTM AG is a major employer that accounts for a high proportion of local employment. Approximately 1,750 KTM AG employees live directly in Mattighofen and the neighboring communities within a radius of 10 km as the crow flies.

MEASURES TO INCREASE THE ATTRACTIVENESS OF THE EMPLOYER

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. With various cross-media employee campaigns, KTM AG was able to largely meet its personnel requirements in the reporting year. A new career homepage was launched. This plays a significant role in helping to ensure that KTM AG has an even better profile as an employer and that what is on offer as well as the many benefits are recognized even faster and more clearly. In the area of apprenticeships, attention was not only paid to addressing the target group appropriately, but a dedicated section was also created for the parents of future apprentices in order to provide information about opportunities and possibilities at an early stage and prevent any uncertainties. During the redesign of the career site career.ktm.com, the virtual reality tour around the buildings at the Mattighofen and Munderfing sites was expanded and integrated into the homepage.

An attempt was made to compensate for the cancellation of trade fairs due to Covid by participating in virtual trade fairs. The recruiting team of KTM AG reacted quickly to the circumstances in 2020 and was technically well equipped to make personal contact in many ways. Of course, an employee of the HR department of KTM AG also "sits" behind the newly integrated chatbot on the career site, answering questions quickly and expertly.

Jobs advertised - internal employees are also wanted!

It is not just external employees that have the opportunity to apply for advertised positions. KTM AG consciously promotes the internal development of employees. For example, in 2020, about one third of the positions advertised in Austria were filled internally and two thirds of the management positions advertised allowed existing employees to make the next step in their career.

As special recognition, KTM was once again presented on a virtual podium this year with the golden Sigl of the Best Recruiter Awards for the automotive sector. Ranked 15th among the TOP 100 employers in Austria, the company achieved its best position to date in 2020.

Focus on making working hours and work locations more flexible

For the purpose of creating a modern and flexible working environment, and at times because of the Covid-19 pandemic, 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 type of flexible working hours is available to employees who are covered by the scope of the flexitime agreement (applies to the company's sites in Austria and around 80% of the employees). These flexitime options were also optimized and expanded in other individual PIERER Mobility companies. 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 2020, there was a quick and clear response to the requirements of the pandemic. For example, options for working from home were further expanded (IT processes and equipment), and teams were split and divided between working from home and in the office. Furthermore, it was ensured that most of the workforce would be able to work from home if required.

In light of these measures, which are continuously being analyzed and adjusted, motivated and committed employees form the foundation of our shared success as a business. Compliance with labor law regulations, a transparent exchange of information, appropriate remuneration and an attractive working environment are essential cornerstones for fair cooperation and the reason why the company has many loyal and long-standing employees.

The PIERER Mobility Group employed 4,586 people worldwide as of December 31, 2020 (previous year: 4,368), with 3,822 of them in Austria (around 83%). 17.6% of the total workforce work in research & development. In 2020, the proportion of female employees was around 22%. With its Mattighofen, Munderfing, Thalheim and Schalchen sites, KTM AG is one of the largest employers in the Upper Austria region. In the 2020 reporting year, 3,557 people were employed here.

In 2020, the staff turnover rate¹⁾ 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.

¹⁾ Calculation of staff turnover rate as %: Relevant departures (1-12 of the year) / average headcount (1-12 of the year) * 100. Premises for relevant departures are blue-collar + white-collar employees (excl. external workers, excl. fixed-term service contracts, excl. freelancers, excl. natural turnover due to retirement or death).

OCCUPATIONAL SAFETY AND EMPLOYEE HEALTH

CONCEPT AND OBJECTIVE

The health and safety of our employees is a top priority for us. That's why we want to strengthen not only the professional skills of our employees, but also their health. This is the prerequisite for achieving professional performance and being able to deal with physical and mental stress. As a company producing and assembling street and off-road motorcycles, there are significant health and safety risks for our employees in the workshops and during test rides. We pursue a strategic approach to minimizing hazards based on the "STOP principle", precautionary measures and special training, particularly in work areas with a high hazard potential, such as test drives, work environments with machinery, and in workshops. Great attention is paid to following the safety measures that are necessary and have been put in place, and to ensuring that every employee follows the instructions given to them. In particular, everyone is required to wear the personal protective equipment that has been specified and provided free of charge. Health and safety instruction is given to each employee before he or she starts work. 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. The safety specialist is responsible for the entire area of occupational safety and health protection and is supported by specialist occupational health and safety service providers. During the reporting year, proactive and preventive measures were taken in particular to prevent the spread of possible COVID-19 disease in the companies of the PIERER Mobility Group.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

In order to achieve continuous improvement in the area of health and safety, preventive measures are taken to safeguard general safety in the workplace and employee health. These include fire safety briefings, machine safety, promotion of health in the workplace, general occupational health services (acute first aid, vaccination advice and vaccination, maternity leave, eyesight tests), integration of employees with a disability, as well as precautions to ensure suitable and ergonomic workplaces, conflict management in the workplace and resolution of psychological stress.

Rider training for test riders

A special focus of our efforts is also on the best possible way to prevent accidents during the course of operationally required test rides with

prototype and production motorcycles. Our employees who are responsible for functional testing and test rides have so far received training in a multi-stage program as part of ÖAMTC rider safety training. To further improve this training program, the **KTM Riders Academy** was launched in 2020: With the introduction of this rider training, which has been completely redesigned, we want to ensure that KTM employees regularly complete rider training that is appropriate to their job description. The new training courses on offer replace the training courses which were previously conducted in cooperation with the ÖAMTC. The trainers are provided by the KTM Riders Academy. The training courses themselves have been developed together with R&D and are structured in stages with 3 qualification levels, depending on the professional need:

- Qualification level 1 is for employees who have to carry out motorcycle rides for work purposes. The core content of this training includes, for example, the controlled response to everyday situations and improving individual riding skills.
- Qualification level 2 is for employees who have to ride motorcycles in a dynamic way as part of their job - this involves acquiring specific skills such as confidence in the rider assistance systems and gaining a better understanding of systems and vehicle design. This qualification level focuses, for example, on developers of electronic control systems (ABS, EMS, ERS).
- Qualification level 3 is aimed at employees who have to ride motorcycles in the highly dynamic limit range as part of their operational work. This primarily involves full-time test riders from the Test Street division. The aim of this qualification level is to enable riders to achieve greater safety in demanding driving maneuvers and be able also to give better test feedback.

Employees are required to attend refresher courses on a regular basis to maintain the particular qualification levels. The period between refresher courses is currently two years, with the level automatically becoming invalid after a maximum of three years without any refresher. In 2020, a total of 186 employees attended the motorcycle training courses offered by the KTM Riders Academy. Courses ranged from basic beginner courses to special street training and advanced courses. There were 1,525 hours of training in total.

COVID-19

Extraordinary times call for special concepts. Due to the outbreak of the coronavirus pandemic, special measures were taken to protect employees from spring onward:

- Establishment of a dedicated KTM COVID team with its own COVID hotline
- In-house contact tracing with rapid isolation, usually before any contact from the authorities
- Hygiene guidelines, mandatory masks in the workplace, capability to measure people's temperature
- Working from home / office splitting
- Establishment of the first dedicated test station for assessing PCR and rapid tests in May; expansion to a larger dedicated rapid test station (throat swab) in October
- PCR mass testing of over 2,000 employees in August
- Between October and December 2020, over 3,000 rapid tests assessed at KTM's own test station

The COVID team set up by KTM E-Technologies GmbH developed measures in a very short space of time in close coordination with KTM to protect the health of the employees and to avoid a possible risk of infection in the company (e.g. wearing a face covering when leaving the workplace and in public areas, restriction on the number of people in meeting rooms, reduction of business trips, testing, home working, etc.). The various measures were continuously adapted to the circumstances at the time (government measures, recommendations, traffic light system in the region, etc.). An internal traffic light system was created to ensure timely action and adaptation of measures in the interest of everyone concerned. In addition, a preventive medical check-up including COVID antibody tests for employees was organized and supported. This offer was very well received by the employees.

Thanks to this forward-looking approach and constant engagement with the authorities, it was possible to implement these measures as well as government regulations comprehensively and quickly. This was often done before there was a legal requirement to do so. This prevented any extensive spread within the company and the risk of contracting COVID-19 within the company is considered to be minimal.

In order to continuously prevent occupational accidents and minimize hazards, the following measures are taken on an annual cycle according to the "STOP principle":

- **Substitution:** Substitution of hazardous working materials with less hazardous ones. Vehicle tests on roller dynamometers using robot handling. Most welding processes take place on robotic equipment.
- **Technical protective measures:** Safeguarding of equipment with protective guards, protective enclosures, light curtains. Extraction systems at grinding and welding stations, as well as at facilities with cooling lubricants. Ergonomic auxiliary devices when lifting and holding tools and workpieces.
- **Organizational measures:** Design of footpaths and traffic routes. Labeling of areas and access restrictions. Restriction on working hours where there is increased force, noise or exposure to hazardous substances.
- **Personal protective equipment for accident-prone workplaces:** Continuous improvement and adaptation of safety equipment. For example, protective gloves to prevent cuts or safety boots to prevent foot injuries, wrist bandages. Customized hearing protection in noisy areas such as test benches and processing machines. Expansion of operating instructions and briefings.

Each employee receives a fire safety briefing as well as a general safety briefing, which is made more specific for the respective workplace (for example, briefings on how to operate forklifts and pallet trucks, robot systems, test bench systems, computer workstations, etc.). To prevent accidents and injuries caused by tools and materials, material improvement specifications are continuously passed on to suppliers and implemented (avoiding sharp burrs on components to prevent cut injuries).

In addition, the focus for production is on measures from the ongoing KTM Operations System (KOS): Efficiency is being increased through key performance indicators and methods as well as an improved understanding of roles and increased levels of qualification for 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 therefore helps to increase the level of safety. There is close cooperation in this area with Gemba-Austria (e.g. implementing lean management projects).

In 2020, 62 work-related accidents occurred at the PIERER Mobility Group (of which 56 involved employees and 6 temporary workers) and, to our regret, there was also one work-related traffic accident resulting in death during a motorcycle test ride on the road. All work-related accidents (mainly contusions, cuts and bruises) happened at the KTM sites in Mat-tighofen, 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 among employees is 12.8 work-related accidents per million hours worked

* Number of hours worked in 2020: 4,368,239. The method of calculation was adjusted in 2019. Values for 2018 include reportable work-related accidents, while values from 2019 include all documented work-related accidents. From 2020 onward, work-related injuries to temporary workers are evaluated separately. 2020, 2019 and 2018 are therefore not comparable. See table in the appendix.

In 2020, 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.
- Adaptation of the production processes and the technical equipment on the production lines to reduce accidents at work. (Preassembled assembly groups are installed on the line.)
- Training courses on how to handle industrial trucks in internal traffic.
- Installation of additional extraction systems on machines with dust or aerosol formation (lathe, vibratory grinding system).
- Improvements to the traffic routes surrounding the company premises, for example: new road markings made, widening of sidewalks.
- Optimization of work processes and organizational changes in the entire warehouse area and therefore a significant reduction in accidents at work.
- Ongoing improvements for the continuous implementation of safety briefings and fire 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 or near misses.

KTM E-Technologies GmbH also attaches great importance to the highest safety standards, regularly trains its employees and ensures that all legal requirements set out in the Austrian Employee Protection Act 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 E-Technologies GmbH recorded no accidents at work in 2020 which required reporting to the Austrian Workers' Compensation Board (AUVA).

The company moved to a new building at the beginning of 2021. Here, the focus is also on safety at the workplaces, especially in the new research and development workshops, which in the future will specialize more heavily in the key topic of e-mobility. The safety concept was implemented in accordance with the latest standards. In the area of battery development, the company has worked with experts to develop completely new concepts which have not yet been subject to any standards.

Health promotion

In the 2020 reporting year, KTM continued to focus on burnout prevention and support in the area of health promotion, especially in cooperation with the occupational psychologist (315 hours of work p.a.) and the human resources department. Due to the COVID-19 pandemic, this increasingly took place in individual meetings. 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. In this context, there was also the possibility of conflict counseling at the workplace to resolve difficult work situations. A reduction in psychologically stressful working conditions was achieved. In addition, great importance was attached to reintegration into part-time work or integration of employees with a disability. KTM E-Technologies GmbH also continuously supports various aspects of health promotion. For example, in 2020 the office workplaces were evaluated together with an ergonomics consultant and the replacement of appropriate office furniture was organized (height-adjustable desks, office chairs for tall people). The fact that the health of employees is also constantly promoted at Avocado GmbH is confirmed by the seal of approval for workplace health promotion (BGF) from the Austrian Health Insurance Fund (ÖGK) and this has been the case since the year of the first award in 2013. Various sports programs, a regular health day and talks are always on offer.



EDUCATION AND TRAINING

CONCEPT AND OBJECTIVE

In 2020, due to COVID, the PIERER Mobility Group conducted significantly fewer training and development courses in the Austrian companies than originally planned. The number of hours of training and development for employees in Austria was around 27,000 hours (previous year: around 46,000). The average number of hours per employee was 7 (previous year: around 12 hours). See also the table on “Education and Training” in the appendix.

Due to the high technical requirements, highly trained employees are especially important. In particular in terms of the growth course, risks may arise if key staff leave the company. In terms of education and training, 2020 was also dominated by the coronavirus pandemic. By complying with the strictest safety measures and switching to online training, the PIERER Mobility Group was able to continue its training. Following the positive experiences of adopting e-learning, webinars and other online training, the focus will continue to be on this type of training in the future. (This topic will not be discussed separately in the following paragraphs.)

DUE DILIGENCE PROCESSES AND MEASURES

Structured 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. In production, a qualification matrix is used to map the employees' ability to work. In addition, this matrix is used to continuously determine the employees' qualification requirements and to plan further training accordingly.

In particular, the PIERER Mobility Group will in future increasingly rely on online training to deliver training and education of its employees which is flexible in terms of time and location. Furthermore, we will focus on exchanging knowledge internally through experts. This is also the reason why PIERER Mobility has defined its employees as the fourth pillar of its success alongside globalization, innovation and brands in the company, and constantly strives to reinforce this pillar by expanding the education and training it offers:

“KTM_academy training portal” learning management system

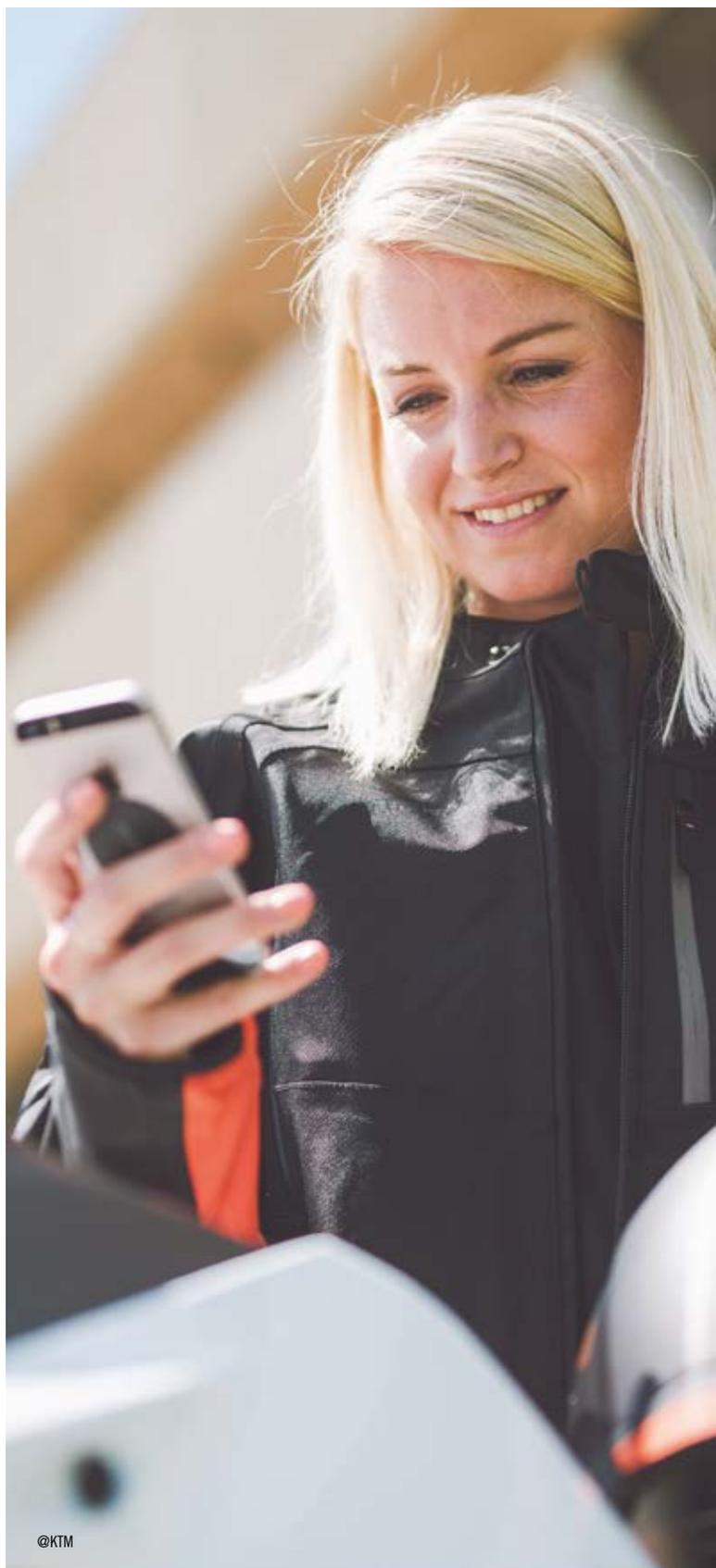
Since personal development is now characterized by massive change in an age of digitalization, a web-based learning management system (“KTM_academy training portal”) was launched in 2019. This makes the training and education of KTM AG employees even more attractive, efficient and transparent. In 2020, the system was further optimized and improved. In this context, “mini-administrators” were trained in individual areas in order to work even more efficiently. The plan for 2021 is also to connect KTM E-Technologies GmbH to the learning management system.

Onboarding of new employees and managers

The onboarding process has been continuously optimized in order to enable a swift start and effective integration of new employees in the company. Managers conduct feedback meetings with employees both at the end of the probationary period and at the end of the fixed term to ensure sustainable and qualified onboarding. Welcome days are regularly offered for new employees 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 geared to catering for the needs of apprentices are organized. 2020 saw the introduction of a new pre-onboarding e-learning course (“Welcome @ KTM”) which new employees complete before their first day of work in order to be best prepared for their start at KTM AG. This e-learning course contains important information about the company, such as the company history, company brands and information about the company management. Furthermore, new employees can find general information about internal conventions such as working hours, catering, further education and training. In addition, before they start work, new employees receive a pair of VR glasses by post which they can use to take a virtual tour of the entire company. What is more, the VR glasses enable new employees to be introduced to their future workplace, colleagues, premises, benefits etc. before they first start work. After the first day of work, additional e-learning courses on the Code of Conduct, DSGVO and IT security are available for further induction. This offering is constantly being expanded. The quality of the onboarding process for apprentices who have completed their training and their transfer to the respective departments was also improved in 2020.

Employee appraisal

Structured and standardized employee appraisals are conducted as part of a “performance management” system. Formal employee appraisal interviews are mandatory for all white-collar employees across the company. The concept and the associated guideline - the so-called “KTM Performance Talk” - was further improved and optimized and is only implemented in this form in parts of the PIERER Mobility Group. This is where the company attaches great importance to preparing for the appraisals in great detail. For this reason, all new managers receive mandatory training on the “KTM Performance Talk” in a special training session. “Refresher training” is offered to existing managers. An e-learning course is available to all employees to



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help them prepare. This e-learning course was completely redesigned and revised in 2020, offering new content and an improved learning experience for existing and new employees.

Training priorities

In the operating companies of the PIERER Mobility Group, training and education is delivered by attending external and in-house training sessions that are specifically tailored to the needs of KTM and KTM E-Technologies GmbH. In 2020, we were also largely able to safeguard the training and education of our employees by switching the training courses to an online format. For example, in-house training courses such as “Leadership” and training courses in the area of project management were partly conducted in person (compliance with the strictest safety regulations and testing of the participants) or switched to interactive online formats. Feedback from participants and trainers is collected after each training course to safeguard quality.

Management training

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. This training course was optimized and successfully continued in 2020.

Project management

In the area of project management, KTM has many different standards, principles, wordings and methods. The aim of the KTM Academy is to offer a consistent and comprehensive range of training courses that cover different levels of experience, approaches and methods in order to provide helpful inputs for a wide range of target groups which can be used in everyday working life. Together with Primas Consulting as the provider and with representatives of all the departments in which project management is operated, we have developed a training concept that supports all areas in the company with future projects, as well as facilitates cross-departmental cooperation in the project. The training includes provision for beginners and experts as well as the possibility of certification. Training participants are selected on an interdisciplinary basis to promote exchange between different divisions of the company.

Online language training

In 2020, online language training was introduced in collaboration with a multi-award-winning provider. Here we offer our employees language training in the form of e-learning and 1:1 live tutoring sessions with highly qualified trainers, individually tailored to the respective language level. Both the basics of the respective language as well as job-specific and

industry-specific content can be learned here. The new language is taught intuitively using what is known as the “Dynamic Immersion Method”. This method is based on pictures, videos, stories and interactive exercises. Employees allocate the time flexibly themselves.

Digital Transfer Manager course

The trend towards digitalization requires changes to work processes and in qualifications. The course helps to improve creative capabilities, to communicate strategic methods and to apply the skills learned to generate new and innovative digital solutions. Special topics such as “Digital Strategy” or “Opportunities of Digitalization” are addressed in great depth in this course. The 9-day course culminates in a transfer paper, which is presented to a jury and company representatives.

Training support

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. In 2020, the system of providing support for training costs was revised and standardized across the company.

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 is aimed at managers and employees who do not yet hold a management position but who show great development potential. The KTM Digital Intrapreneurship MBA is aimed at managers and specialists. Participants were selected via both a written and a video application as well as an analysis of potential. The first group at the KTM Young Pioneers College celebrated their graduation in 2020. The very positive feedback from the participants related in particular to the interdisciplinary exchange throughout the college.

KTM E-Technologies GmbH cooperates with various colleges and universities in research projects and student research projects. It has proven to be a successful model for getting young and committed students involved in the company at an early stage in the form of an internship or student placement. These students can then also write their final theses (Bachelor, Master or Diploma) here and then have the prospect of being taken on as permanent employees. For the past three years, a business/science cooperation has existed with the Johannes Kepler University Linz (JKU) within the framework of the Christian Doppler Laboratory for

Structural Strength Control of Lightweight Structures. On this basis, two dissertations are being supported in the field of additive manufacturing, one of which has already been completed with an excellent mark.

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. Close cooperation is also maintained with compulsory schools, for example as a project partner and sponsor of the "Lego League".

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.

Sales trainee program

The general shortage of qualified junior (management) staff in the area of sales and the desire to establish an attractive program in the labor market for graduates has prompted the company to develop a "Sales trainee

program". The internal training of a new employee takes at least 6-12 months. The long-term solution to prevent a shortage of qualified junior (management) staff is a regular sales trainee program to meet future demand. Trainees receive comprehensive training in the most important areas. In the 18-month trainee program, college and university graduates with a specialism in sales and a passion for motorcycles can optimally combine theory and practice. Furthermore, these participants of the Young Pioneers College are involved to ensure networking within the company and to acquire new knowledge together with colleagues. At the same time, practical experience is gained directly in sales management and closely related areas. International experience is a top priority, and this is why the trainees also spend some time in our offices in France, the UK or the USA. After this 18-month period, there is then the opportunity to immediately take up a permanent position at KTM in sales management.

APPRENTICE TRAINING

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 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, foreman training 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 motorcycle if they achieve 'good' or 'distinction' on their apprenticeship certificate.

As of the reporting date of December 31, 2020, we employed around 170 apprentices (previous year: around 160), who were training in 15 vocational training programs:

- Operational logistics administrator
- Office clerk
- CAD construction (mechanical engineering)
- E-commerce administrator
- Events management assistant
- Industrial purchaser
- Information technology (systems engineering or operating technology)
- Automotive engineering (motorcycle engineering)
- Mechatronics (production engineering)
- Mechatronics (automation technology)
- Media specialist – in combination with professional photographer
- Metal technology (mechanical engineering)
- Metal technology (welding technology)
- Process engineering
- Forwarding manager

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 store is placed by 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, 33 employees who had completed training were integrated into various specialized areas in KTM AG. Of these, more than 28 successfully passed their final exams with distinction and were able to receive a brand-new motorcycle as a reward at a celebratory event in the KTM Motohall, to which their parents were also invited.

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 expressed an interest in applying to participate in 2020. The exchange program could not take place due to the pandemic and will be partly continued in 2021.

Digital training management - "Apprentio"

In 2020, the digital training management system "Apprentio" was introduced in apprentice training. The software makes it possible to implement a uniform approach and thus supports the quality of training in companies, "Apprentio" is used by the main trainers in the KTM apprentice workshop, the trainers in the specialist departments and the apprentices themselves. First and foremost, the software provides an overview of which apprentice is assigned to which area and also enables the main trainers, via this app, to plan and administer the rotation, internal and external training as well as when the 170 apprentices are at vocational college. In addition to the improved overview, the process for creating the learning objective checks is facilitated and fully digitalized. In addition, Apprentio enables us at the end of each rotation to store feedback forms which can be completed directly in the system by the trainers and the apprentice.

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 counteract 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: In the reporting year, employees from 48 nationalities* were employed in our Group.

* Based on the number of nationalities at the company location in Austria (KTM AG incl. subsidiaries in Austria).

DUE DILIGENCE PROCESS AND 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 E-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. The activities are managed and implemented by the HR department of the respective company.

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. A structured process is also being introduced to better integrate employees with disabilities into company departments. As of December 31, 2020, a total of 48 people with disabilities (measured by the degree of disability reported) were employed in the PIERER Mobility Group.

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 84 employees returned to work in the PIERER Mobility Group after their parental leave (of which around 30% were women). The rate of return was approximately 94% in the last year. As a result of the new flexitime agreement since 2019, 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, 23 childcare places are available in the company crèches in Munderfing and Mattighofen for children of KTM employees aged between 1 and 3 years. Employees are therefore given the opportunity to have their young 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. This offer helps fathers and mothers to organize childcare. In addition, KTM pays part of the childcare 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, working on 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.

OUR COMMITMENTS



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Spinal cord research

For many years now, KTM AG has been supporting the organization “**Wings for Life**”, a non-profit, state-recognized foundation for spinal cord research, which has set itself the goal of finding a cure for paraplegia. With the help of donations, promising research projects and clinical studies to heal the injured spinal cord are supported around the world (in 2020 with a contribution of EUR 110,961.06). The organization is also a matter close to the hearts of many employees, and so many respond to the annual call to participate in the Wings for Life Run. In 2020, 400 employees took part in the “Wings for Life” Run, in a different way owing to COVID-19: employees had one week to run as far as they wanted and collected money with every kilometer. A total of 14,287 kilometers were run. Every single kilometer represents one euro (EUR 14,287), which will be donated by KTM.

KTM youth support program

The past four YOUNG FIGHTERZ seasons have already demonstrated that KTM is committed to promoting young talent. The promotion of young motorsport talent remains an important topic. Austria’s young riders in the 85cc class are referred to as YOUNG FIGHTERZ. All riders, regardless of which make, or whether a license holder or amateur rider, are eligible to participate. Following the great success of the 85cc training camps in previous years, the YOUNG FIGHTERZ training series was extended last year to include two camps for riders in the 65cc class, the MINI FIGHTERZ. These training camps have been very popular for many years and were also a fixture of the KTM youth support program in 2020. The **YOUNG FIGHTERZ and MINI FIGHTERZ camps** take place at various carefully selected venues that offer the best training and development opportunities. Local Enduro greats help the youngsters to develop their cross-country skills. This gives young talented riders the opportunity to share their experiences with heroes and role models from the national motorsport scene and get tips from the pros. The main emphasis at all camps is on having fun and enjoying the sport of motocross.

Innovation Lab - workshops for children and youngsters

At KTM, technology and innovation are paramount. It is important to KTM to make the younger target group more aware of technical subjects that are also applied in the KTM world. Learning the basics of electrical engineering, programming and digital design in a playful way are the focus of the workshops that children and youngsters can attend in the so-called Innovation Lab in the KTM Motohall. Together with the Linz-based art, science and technology center ARS Electronica Solutions, the KTM Motohall was able to further develop and optimize the content of the workshop and create an educational concept as a basis and guide for the workshop supervisors. The younger target group learns to develop a curiosity for technical subjects, become more involved with them and acquire expertise.

“Learning by doing” is the motto: all children and youngsters need to bring along is their creativity, the rest they learn in a very playful way, for example in the form of soldering, doodling (using 3-D pens, children and youngsters are allowed to paint with melted plastic and thus create a three-dimensional motorcycle, for example). In design workshops, they learn how 3-D scanners and 3-D printers work, they design their own motorcycles on the design board and then cut them out on the laser cutter.

“Motorcycle of the Future”

With its in-house Innovation Lab, KTM Motohall presents itself as an industry partner of the eEducation Austria initiative, a project of the Federal Ministry of Education, Science and Research. The Innovation Lab is an educational facility for students which was developed together with the Linz-based art, science and technology center ARS Electronica Solutions. The focus of the unique project concept called “Motorcycle of the Future” is the didactically meaningful use of digital media as well as boosting digital and IT skills (digi.komp) in Austrian classrooms. Our common goal: Digital education for all!





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In the Innovation Lab workshops, children and youngsters aged 6-15 can playfully learn how to use the latest design and production processes and the associated tools. Didactically prepared documents serve as a basis and guide for the workshop supervisors. The younger target group learns to develop a curiosity for technical subjects, become more involved with them and acquire expertise. The compulsory exercise “Basic Digital Education” aims to develop pupils’ basic digital skills. This measure supports eEducation with teaching materials for teachers and learners. KTM Motohall also contributes didactically prepared teaching content for all new secondary school (NMS) and academic secondary schools (AHS) lower levels (digi.komp) as preparation and follow-up work for the bookable workshops. This content is worked through in three teaching units in the classroom as part of preliminary project work, includes a visit to the KTM Motohall including a rookie tour and a workshop in the Innovation Lab and is concluded with project follow-up work in school. The whole “Motorcycle of the Future” project focuses on designing your own motorcycle of the future using 3-D printers and design software. It will be possible to book these workshops from the start of 2021. KTM Motohall is officially starting the project together with the TNMS Mattighofen.

Ladies Camp – “Girls only!”

One of our main media partners, Austria’s Motorrad Magazine, organizes the Ladies Camp at the Wachauring once a year. What’s special about this event is that only “ladies” are allowed to attend the weekend, with about 100 places for each day of riding. In addition to know-how workshops on various topics, experienced instructors from ÖAMTC Fahrtechnik also demonstrate exercises in motorcycle control in designated areas. This is where the ladies receive training in the basics of riding such as how to brake, evasive maneuvers, leaning position, where to look as well as how to handle dangerous gritted passageways. In addition to the workshops, which the ladies attend on their own bikes, all the major manufacturers are present on site. The attendees can test their way through the product ranges of KTM, Husqvarna, GASGAS but also through rival models.

Employee recognition - 50 years at KTM

A 66-year-old employee was honored for his 50 years of employment at KTM AG. He started his career at KTM in frame construction at the age of 16 and, in order to complete a full 50 years, he worked two months beyond retirement age. The Executive Board recognized this great level of enthusiasm and dedication by the employee. To mark his anniversary, CEO Stefan Pierer and his colleagues on the Executive Board Hubert Trunkenpolz, Viktor Sigl and Thorsten Hartmann presented him with a restored “KTM Comet” built in 1968, as a retirement gift.

III. ENVIRONMENT AND RESOURCES, INNOVATION AND PRODUCTION

RESEARCH & DEVELOPMENT

CONCEPT AND OBJECTIVE

For KTM AG, as the leading motorcycle manufacturer in Europe, it is our declared goal to continue to grow to further expand our leading role when it comes to technology, sales and sustainability in the world of motorcycling. Research and development has therefore been the focus of our activities for many years. The strong commitment to the development division of KTM AG and the close cooperation with KTM E-Technologies GmbH therefore represents a key pillar of the success of the PIERER Mobility Group. The progressive R&D strategy has produced innovative products which meet the expectations of our customers in terms of technology, performance and efficiency. At the same time, it makes it possible for us to develop ongoing and lasting new markets.

One of the cornerstones of our product strategy is developing solutions and concepts for sustainable mobility in urban environments. In particular, energy-efficient, electrically powered two-wheelers that share the road with cars, bicycles and public transport make up an essential part of the solution. We therefore understand a sustainable approach to mean, above all, the phased reduction of emissions over the entire product life cycle.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

We give particularly high 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. This includes, for example, constantly improving the efficiency of our products and reducing emissions along the entire product life cycle. At the same time, we make great efforts to track and implement customer requirements in our products and services in order to further build upon our pioneering position and in order to guarantee a market-oriented product development

strategy. Our globally active development organization has an interdisciplinary network of developers from various specialist areas, such as design, calculation and simulation, in order to drive product development forward as efficiently as possible. In addition, at the various development locations in Europe (Austria, Spain), in the USA or India, the company has its own extensive range of plant and machinery, which is responsible for the production, assembly and validation of newly developed prototypes and supports our product development in an optimum way. 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 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. Due to limited personnel resources (short-time working), development projects were reprioritized, which meant that there were no significant delays to production launches.

The research and development department of KTM AG is organized globally with decentralized locations in Europe (Austria, Germany, Spain), America and Colombia so that it can respond optimally to the requirements of our customers. The development programs are 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 headquarters in Mattighofen is an innovation hub extending over more than 20,000 m². At our development sites, performance-oriented products for the Powersport segment are designed, developed and tested using state-of-the-art testing methods. The central aim of our efforts is to set new standards in the motorcycle segment - especially in the areas of riding safety, performance and technology, so that we can offer our end customers the best possible product experience.

E-MOBILITY COMPETENCE AND DEVELOPMENT CENTER

KTM E-Technologies GmbH is one of the leading specialists in the design and development of vehicles with electric drives. The company, which is based in Anif near Salzburg, has a state-of-the-art infrastructure for vehicle development, which is used for the development of mechanical as well as electrical/electronic components, but also enables complex simulation tasks such as topology optimizations and crash analyses. In 2020, KTM Technologies was renamed KTM E-Technologies GmbH. This was done on the one hand to highlight the new function as the Group's e-mobility competence and development center. On the other hand, this is intended to create a clear corporate profile in the area of e-mobility within the Group and on the market, so that KTM E-Technologies GmbH can also be flexibly deployed as a strategic development service provider of Pierer Mobility AG with a focus on e-mobility. The wide range of expertise, which was also restructured internally in 2020, extends from materials engineering, design, simulation, electrics/electronics and software to prototype construction and testing. The focus here is on concept and series development for new e-vehicles and new electric drivetrains, supported by the already established engineering services (design, simulation, CFD, crash, ...) and in-house technology development (lightweight construction, composites, additive manufacturing, ...).

New mobility solutions for the L category

The research and development projects that are currently being advanced are working on improving mobility solutions. For example, electric drives and battery electric energy storage systems are being developed and optimized for specific applications. One example is the research project "EMotion", which was launched in 2020 and will run for 3 years. In this project, eleven partners from industry and academia are jointly developing L-category electric two-wheelers specifically for the young generation (16-18 years) and older generation (50+). These cost-effective, energy-efficient and comfortable electric two-wheelers are designed to provide users of conventional vehicles with a viable and environmentally friendly alternative with a reduced footprint for their daily commute. This project is supported by funding from the Climate and Energy Fund and is carried out as part of the "Zero Emission Mobility" program.

Goals and technological solutions of EMotion*

- Innovative lightweight construction and component arrangement (AREA I)
- Highly efficient electric drive and charging components (AREA II)
- User-oriented human-machine interface together with a novel on-board information system (AREA III)

*Further information on the EMotion project can be found at <https://www.ait.ac.at/themen/propulsion-technologies/projects/emotion/>

One of the key factors for the design of our electric powertrains 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, and also 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 the development expertise of KTM E-Technologies GmbH.

For validation and testing, investments were made in the last 2020 financial year in particular in new test benches for the engine, battery and complete vehicle. New software for risk management, requirements engineering and testing was also introduced and expanded. This allows the various technical and legal requirements, FMEAs and tests to be defined, tracked and documented. Alongside the development of new vehicles and drives, the end of 2019 also saw the start of the site infrastructure expansion for the further development of e-mobility activities. The conversion work was completed on schedule at the end of 2020, so that the new E-Mobility Center could be opened at the beginning of 2021. Activities or overarching goals for 2021 of KTM E-Technologies GmbH are:

- Expansion of the focus on e-mobility and the associated expertise
- Service and cooperation with strategically relevant third-party customers and partners, with the aim as far as possible of also retaining these over the long term
- All projects are to be carried out with a view to series production capability
- Economic success in conjunction with "added value" for the Group

EMPLOYEES & INVESTMENTS

The development, testing and transition to series production of new concepts in the particularly technology-driven motorcycle premium segment require a steadily growing, inter-disciplinary team of specialists from a range of disciplines. This is reflected in the renewed increase in the number of employees in the Research and Development department. As of December 31, 2020, the PIERER Mobility Group had 808 employees (previous year: 789), representing 17.6% of the total workforce in the Research and Development department. In operational terms, excluding the ancillary effect of capitalizing and amortizing development expenses, 9.0% of total revenue was spent on research and development.

AREA I

expected **mass** reduction of structural frame **15%**



AREA I

expected **size** reduction of vehicle packaging **10%**



AREA II

expected **efficiency** increase of electric motor **3%**



vehicle demonstrators

- D1:** L1e-B with 4 kW
- D2:** L3e-A1 with 8 kW



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ECODESIGN

AREA II

expected **energy density** increase of battery **10%**



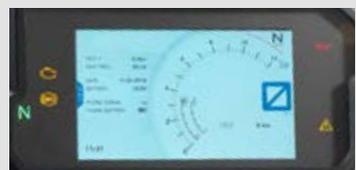
AREA III

increase of **user experience** and **usability** through novel HMI concept



AREA III

increase of **driving range** by on-board information system **10%**



AREA II

expected **power density** of on-board charger **1000 W/l**



RESPONSIBLE PROCUREMENT

CONCEPT AND OBJECTIVE

The issue of procurement has become increasingly important in recent years. A mature supply chain from the supplier through to the production sites in Mattighofen and Munderfing is primarily intended to ensure the availability of parts at economically competitive costs, but also to create a basis for the parties involved, for suppliers and for customers to allow long-term business relationships to be established or expanded. In order to be able to implement these goals, various employees from the areas of purchasing, quality management and research & development contribute their expertise before a new purchased part is awarded to a supplier selected in a tender. Fair payment and fair working conditions, both in the company's own operations and in the supply chain, form the basis for a long-term working relationship based on trust. The immediate effects of the coronavirus pandemic, for example with suppliers affected by illness, as well as the upheaval in the global economy as a result of the coronavirus crisis place even greater demands on safeguarding the availability of parts. In order to be able to specifically identify and resolve risks emerging from the coronavirus pandemic at an early stage, the supplier risk assessment has been revised and the corresponding risks have been reassessed for each country. A program has also been implemented to provide advance warning of any global events that have a direct or indirect impact on the supply chain. In addition, we continuously assess at an early stage whether there is a risk to the supply of materials from suppliers.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

Taking into account and complying with the regulations of our Code of Conduct, the working relationship with our supply partners benefits from long-term, consistent points of contact in purchasing, which we can ensure thanks to a low turnover of staff. 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.

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. These key criteria include ISO 9001 certification, technical possibilities, security 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 component and vehicle assembly line as low as possible (working capital management).

*BMÖ: Federal Association for Materials Management, Purchasing and Logistics in Austria; BME: Federal Association for Materials Management, Purchasing and Logistics in Germany. SE: Simultaneous Engineering.



@KTM



The basic prerequisite for a functioning supply chain is constant communication

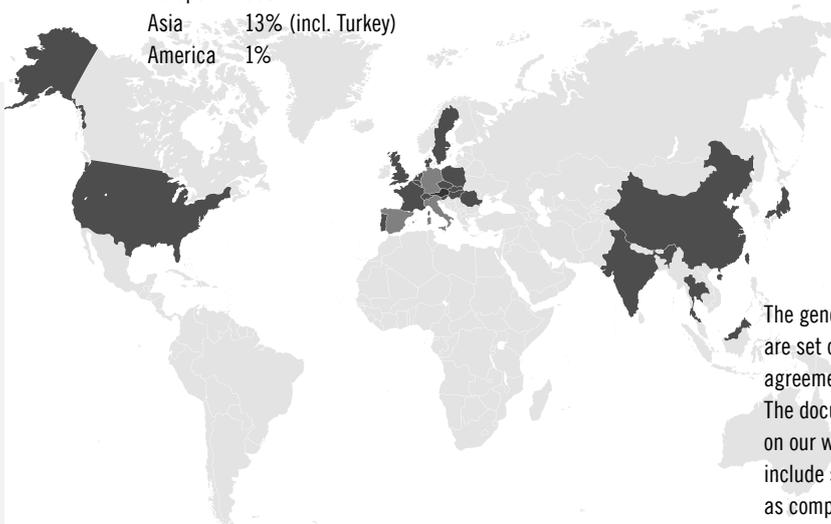
The basis for cooperation with a supplier for our series production is that the supplier has introduced a quality management system (at least in accordance with ISO 9001). We satisfy ourselves of the quality of the products and the production standard by making regular visits to our suppliers' sites. For the largest suppliers, we aim to make an on-site visit at least once a year. However, the pandemic meant that these visits had to be greatly reduced during the last financial year. Working conditions, safety aspects in production, environmental protection and the responsible use of resources also have an impact on the overall impression made during the inspections of production sites. There are plans to formally document these criteria in 2021.

Suppliers with above-average performance are presented with a quality award once a year (KTM Supplier Excellence). The quality award is given to those suppliers that have not been the cause of any complaints for 12 months and have supplied products at least in the last 12 months. In addition, criteria regarding the level of turnover and the signing of the quality assurance agreement must be fulfilled. Furthermore, there must be no justified objection from the quality and purchasing management. 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.

Purchasing volume per continent

(series purchasing):

- Europe 86%
- Asia 13% (incl. Turkey)
- America 1%



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://ktmgroup.com/en/procurement/>). These include sociological as well as environmental criteria on items such as compliance, quality, manufacturing, product liability and shipping, among others.

Procurement strategy and purchasing volume

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.

When awarding new projects, emphasis is placed on supporting social enterprises, taking into account local procurement strategies. This means that suitable projects are preferably awarded to inclusive businesses in the region.

Procurement of parts for prototype construction

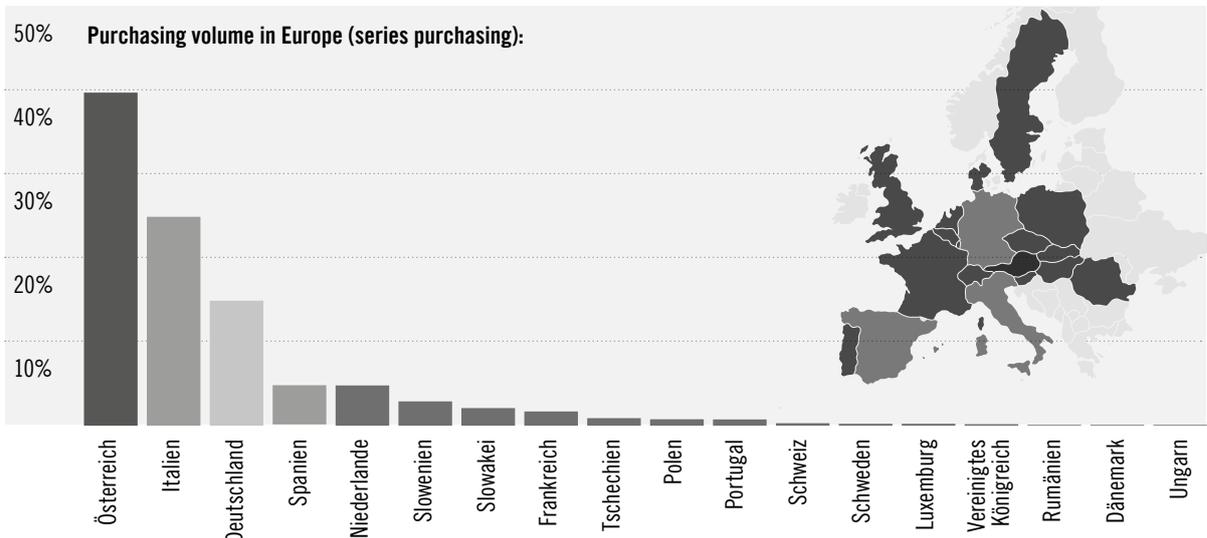
The procurement of parts for prototype construction at KTM E-Technologies GmbH and KTM AG is arranged according to the time schedule and demands on quality and costs. As a rule, proven suppliers from the local region (Salzburg, Bavaria region, Upper Austria, etc.) are commissioned for this purpose. Short 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.

- The purchasing volume of components for the series production of motorcycles was approx. 560 million euros. Geographical breakdown: 2% from the district of Braunau, 17% from Upper Austria, 34% from Austria, 69% from Austria/Germany/Italy and 86% from Europe.
- The bicycles are purchased fully assembled from a partner in Europe (approx. 65%) and a partner in Asia (approx. 35%).
- The purchasing volume for indirect materials and services for the plants in Austria was approx. 175 million euros. The majority was procured within Austria: 13% from the district of Braunau, 31% within Upper Austria, 70% within Austria, 90% within Austria/Germany/Italy and 98% within Europe.

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

NEXT STEPS

At the turn of the year 2020-2021, a project for inbound supply was launched and is intended to combine the needs and demands of all departments in the future and accordingly optimize the variants of inbound deliveries. In this project, for example, picking hubs or similar will be examined for their feasibility in order to be able to utilize the capacities in the supply flows more optimally in the future.



ENVIRONMENTAL ASPECTS ALONG THE PRODUCT LIFE CYCLE

CONCEPT AND OBJECTIVE

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. The products developed, produced and sold by PIERER Mobility AG are various vehicle concepts adapted to the various usage profiles of our customers. The portfolio ranges from vehicles for active leisure activities (Motocross, Enduro, etc.) to uses in the field of urban mobility. Thanks to its broad product range, the company has various levers at its disposal that enable a sustainable reduction in emissions in all mobility areas and along the entire life cycle - from product development and product manufacturing to product use. Activities for the purpose of safeguarding the environmental goals are coordinated in large parts of the PIERER Mobility Group in the respective departments of the company. In addition, work is currently underway to implement an environmental management system in

accordance with ISO 14001:2015. In the course of the implementation, our sustainability goals will also be defined. Certification of this environmental management system (EMS) is planned for mid-2021 and will include KTM Components GmbH as well as KTM AG. Every employee will be trained on the environmental management system and will therefore be required to act in an ecologically responsible manner.

Important steps in the implementation of ISO 14001:

- Definition of environmental targets
- Integration of the environmental management system into the existing management system with the associated processes
- Identification of relevant environmental aspects and their effects
- Expansion of the waste management system
- Presentation of energy and material flows and derivation of potential areas for improvement

ENVIRONMENTAL ASPECTS IN DEVELOPMENT AND PRODUCTION

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, and sustainable handling of the resources used for the development and production process. 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 AG.

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). An energy certificate is only available for newer buildings as of 2013. The manufacture of preliminary products and finished products

generates various waste materials that are recycled according to type. The materials to be recycled are aluminum, stainless steel and steel waste, which are handed over to a certified specialist waste management company in various quality grades. Efficient use of materials and the fullest possible utilization of raw materials, including their return to the materials cycle, prevent unnecessary waste of materials and also ensure that any waste produced is disposed of properly. For the transport of preliminary products and finished products within the Group structure, we use a very large proportion of circulating or reusable containers which we have manufactured specifically for our needs. 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 cases 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 processed at a recycling company 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.

POLLUTANT EMISSIONS FROM VEHICLES (EMISSIONS)

Within the organizational structure of KTM AG, in addition to the actual vehicle assembly, there are also manufacturing upstream operations, such as frame construction and exhaust production, which form part of the energy-intensive industry due to the high proportion of joining and machining process steps. At the sites of the PIERER Mobility Group, greenhouse gas emissions are generated directly through the combustion of fossil fuels (**Scope 1 emissions**) and indirectly through district heating and electricity consumption (**Scope 2 emissions**). This means that the percentage of greenhouse gas emissions (in CO₂ equivalents) associated with the production or assembly of our products is around **1%**. The majority of greenhouse gas emissions, around **99%**, are generated during the use phase of the vehicles sold (Scope 3 emissions). Furthermore, greenhouse gas emissions per vehicle sold in the production phase (Scope 1-2) were 0.05 t CO₂-e (previous year: 0.06 t CO₂-e) and in the use phase (Scope 1-3) were 3.68 t CO₂-e (previous year: 3.82 t CO₂-e). For the first time, motorcycles sold directly by Bajaj in the financial year were also included in the calculation. There was thus an adjustment or clarification of the calculation with the KTM models also including India retrospectively for 2019 and 2018. The detailed table can be found in the appendix.

Reduction in emissions advanced

The average CO₂ emissions of our reported vehicle fleet in 2020 were 78.44 g/km (internal calculation of Pierer Mobility AG). This means that we reduced CO₂ fleet emissions by 0.65 g/km in the reporting year, also thanks to the growth in sales of electrified and ICE models with small and medium displacements (< 900cc) (2019: 79.09 g/km).

Between 2016 and 2020, Pierer Mobility AG thus reduced the CO₂ emissions of its newly sold vehicles by 3.43% (2019: 2.64%). The introduction of new models with drive technologies featuring lower fuel consumption and emissions continues to have a positive impact on our average fleet values. Average fuel consumption in the 2020 reporting year was 3.4 l/100km. Fleet fuel consumption was reduced by 2.75% compared to the 2016 base year (2016: 3.5 l/100km).

This equates to a total energy saving of 741.04 gigajoules in the 2020 reporting year.³

Reduction in energy demand for products

The calculations for CO₂ emissions and fuel consumption of our sold vehicle fleet are based on the specifications and assumptions of the World-Harmonized Motorcycle Test Cycle (WMTC). This method was chosen because it provides a globally harmonized approach. Previously, the calculations were based on the specifications and assumptions of the New European Driving Cycle (NEDC) or the voluntary commitment of the ACEM (European Association of Motorcycle Manufacturers). With the introduction of the WMTC test cycle and the EURO 4 emissions standard on January 1, 2016, the reporting year 2016 was chosen as the base year. To allow better understanding, we do not state the vehicle consumption in joules, but in l / 100 km as usual.

ENERGY- AND WATER CONSUMPTION

In 2020, electricity consumption at the PIERER Mobility Group* was 18,927,287 kWh (previous year: 20,831,528 kWh) and gas consumption was 17,924,474 kWh (previous year: 20,063,068 kWh). At KTM AG, around 317,000 liters of fuel were consumed for the test benches in the past financial year (previous year: around 480,000 liters) and water consumption from production was around 3,364 m³ (previous year: 3.618 m³).

*exclusive of KTM Innovation GmbH, PIERER E-Bikes GmbH, Avocado GmbH

In the 2020 reporting year, the legally required energy audit was carried out for the energy consumption areas of buildings, processes and transport in accordance with Section 9 of the German Energy Efficiency Act (the energy consumptions were determined in accordance with the energy audit methodology EN 16247-1). In the course of the energy audit, all energy consumers of PIERER Mobility AG were recorded and evaluated. The sites at Mattighofen, Munderfing and Anif near Salzburg were selected as reference sites. Due to the energy used to provide space heating, consumption is primarily concentrated in the area of buildings. The area of transport is the third-largest individual area of consumption after production machinery. The survey and analysis of the current energy situation shows that energy efficiency is receiving attention in the PIERER Mobility Group: The company has already implemented various energy-saving measures (for example, use of timers for parking lot lighting, partial conversion to LED). Existing facilities are also regularly examined for their potential to be optimized. In order to achieve further energy savings, future projects will focus on the vehicle fleet, the compressed air system, lighting and energy control (see the example in the "Building services" section). The measures and reviews in this context also serve to comply with the state of the art and thus counteract the risks of increased energy costs and negative environmental impacts due to increased CO₂ emissions.

1 Since 01/2016, all L-category vehicles in the EU must be registered according to the new type test cycle WMTC. This concerns all two-, three-, or four-wheeled vehicles according to Article 4 and Appendix I (Enduro motorcycles (L3e-AxE (x = 1, 2 or 3)), trial motorcycles (L3e-AxT (x = 1, 2 or 3)) and heavy off-road quads (L7e-B)) of EU Regulation 2013/168/EU which are intended to be driven on public roads. The fleet value is based on the homologated test values according to WMTC.

2 The consumption is based on the homologated test values according to WMTC.

3 Calculation in gigajoules (GJ) based on Net CV according to DEFRA for "Petrol (average biofuel blend)".

DUE DILIGENCE PROCESS AND MEASURES TO REDUCE CONSUMPTION

The introduction of an environmental management system in accordance with ISO 14001:2015 is being prepared at the Mattighofen and Munderfing sites. A pre-audit by TÜV Süd was carried out at the end of January 2021. The first environmental audit is expected to be completed by the end of March 2021. The certification audit is scheduled for summer 2021. The environmental management system will be integrated into the existing management system and the effective implementation of the defined management processes will be safeguarded via the existing internal audit processes. In the course of implementing the environmental management system, relevant environmental aspects will be identified. The issue of reducing consumption will play a key role in this. Based on the findings of the 2020 energy audit report, corresponding targets are defined and monitored by the existing management system.

To make it possible to continue to increase efficiency and permanently reduce 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.

Sustainable energy source on the roof of KTM

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.

During the period from July 2019 to February 2021, 220,080 kWh of electricity was produced by this photovoltaic system. Due to the lack of a smart meter, it is not possible to make a valid statement about how the reciprocal amount of energy was bought or sold. This additional module is to be retrofitted by the end of the second quarter of 2021. After that, more precise information can be provided about the amount of energy generated.

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 be realized in a total of three construction phases by 2022 - it will serve as an energy source with a total output of eleven megawatts. The operator of the photovoltaic system is Ökosolar PV GmbH (Austria). Over an area of 24,000 square meters, a total of 12,000 modules as well as 60 inverters with an output of four megawatts will be put into operation in the first construction phase in 2021. In total, this will produce a sustainable amount of 3.5 million kilowatt hours (kWh) of energy per year.

For comparison: An average Austrian household consumes 4,415 kWh of electricity per year, according to the Association of Austrian Electricity Companies - with an increasing trend. In the final stage, the plant will thus supply approx. 2,000 households. The photovoltaic system as an environmentally friendly technology on the roof of KTM AG will also deliver a CO₂ saving of 1,400 tons per year in the very first construction phase. The second construction phase with an output of four megawatts will also be realized in 2021, and construction phase three - with a further three megawatts - will follow in 2022.

Use of materials and efficient use of infrastructure

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, minimize the number of prototype parts required, as well as significantly reduce the specific component weight. For example, the component weight of the frame of a road model which entered series production in 2020 was 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 further development of the 450cc off-road engine which, with a total weight of approx. 27 kg, is around 1.6 kg less than comparable competitors.

In KTM AG, the test bench infrastructure and also other installations within 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, a precise separation of recyclable materials generated in the development process is carried out at all KTM AG sites - more details on this can be found in the "Waste management" section below.

Vehicle assembly: One line – three brands

The assembly lines of the vehicle assembly department (FAS) in Mattighofen are designed to be sufficiently flexible that both road and off-road 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 on assembly line 1 was considerably reduced by developing a dosing unit. A changeover on assembly lines 2, 3 and 4 is being planned.

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. Packaging from external suppliers was switched over from disposable to recyclable containers - five suppliers did this in the reporting year - a total of 45 suppliers have already switched to recyclable packaging. In 2021, there are plans for a further three to five suppliers to make the switch. Our goal is to standardize the use of reusable packaging for all new projects, such as with our current supplier for the new 1290 Super Adventure.

Building services

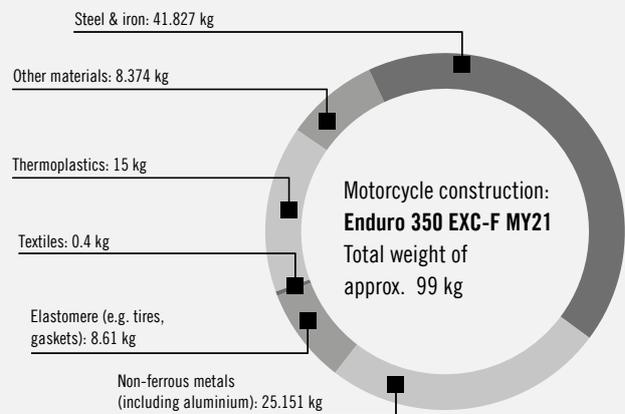
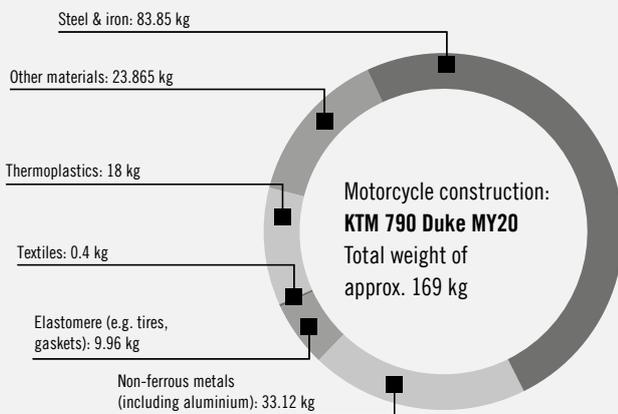
In order to reduce energy costs and keep the indoor temperature as constant as possible even during the winter months, in 2020 the final lock gates were installed in the incoming goods area. Furthermore, lighting consumption will be continuously optimized both at the factory site and within the assembly halls by using timers. In addition, a new hall lighting system for production will be commissioned in summer 2021.

Infrastructure expansion in Anif near Salzburg

The workforce at KTM E-Technologies GmbH moved into a newly renovated building at the beginning of 2021. The hall area covering approx. 5,000 m² contains the workshop and test benches as well as a small office area. In addition, it is equipped with the very latest safety technology. In the course of the renovation work, the existing cooling/heating technology was replaced for the entire building and substituted with air source heat pumps. Heating is provided by a low-temperature heating system. The office building was modernized (in respect of room conditioning) by installing interior insulation and replacing all windows. With the move to the new building, more parking spaces are available for employees, and above all there are more bicycle and (e-)two-wheeler parking spaces. Furthermore, e-charging stations for e-vehicles are being installed.

Breakdown of materials in motorcycles

The graphs reflect the breakdown of the materials used in KTM AG motorcycles. The basis for the calculation is data on representative vehicles from all production areas. The weighting results from the materials used for each model listed.



Packaging material used

For disposable packaging, we use the following quantities per vehicle for the models listed above:

■ Enduro 350 EXC-F

Depending on the destination, disposable packaging is used for some vehicles. This packaging consists of a wood / cardboard mixture. The weight of this packaging is 34 kg.

■ KTM 790 Duke

Depending on the destination, disposable packaging is used for some vehicles. This packaging consists of a wood / cardboard mixture. The weight of this packaging is 46 kg.

WASTE MANAGEMENT

In 2020, a waste management officer was appointed in this area. After reviewing the existing documents (ongoing process), the new division managers made various adjustments in the area of implementation, recording and delivery of waste management. The desire to achieve ISO:14001/2015 certification meant that the implementation of the measures was accelerated and is expected to be completed by mid-2021. Special attention has been paid here to reintroducing separate plastic collection and improving waste paper separation in offices. Refinements in the area of raw material separation are also important and planned, as is the improved labeling and assignment of hazardous waste. In order to achieve an even higher rate in the separation of the various waste fractions, an improved training structure for employees is to be integrated for the future. On the recommendation of KTM AG, the waste management company will be certified as a specialist waste management company in 02/2021.

During the course of motorcycle production, we have to deal with considerable amounts of waste. A large part of the waste that is produced comes from certain product-specific steps during production. This starts with the processing of engine cases (aluminum chips, drilling emulsion) and continues with the manufacture of exhaust systems (steel, oil-water mixtures, stainless steel) and vehicle frames (steel, coolant) and also extends to the manufacture of products in general (packaging materials such as wood, cardboard and plastic). With our measures, we take the necessary steps to avoid or reduce waste and to recycle secondary raw materials. An example of waste reduction is our reusable racks, which are used as packaging for transporting motorcycles in Europe (disposable

packaging is currently used for overseas shipments). Thus, in the reporting year, KTM AG and KTM Components GmbH were able to recycle 661.0 tons (previous year: 735 tons) of **metal waste** (separated into various scrap fractions, excl. aluminum waste); 267.5 tons (previous year: 265.8) of **aluminum waste**; 3,126 tons (previous year: 3,324.8) of recyclable waste. Furthermore, 267.8 tons (previous year: 255.3) of **hazardous waste** and 500.3 tons (previous year: 611.4 tons) of **other waste** that could not be recycled was produced. This list focuses on the operating companies of the PIERER Mobility Group. The detailed table can be found in the appendix.

In 2020, the amount of waste per vehicle produced was around 34 kg (in 2019 around 32 kg). The reason for the increased amount could not be conclusively determined at the time of reporting. We expect the result of the analysis at the end of the second quarter. 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%.

ACTIVITIES AND MEASURES IN THE (E-)BIKE DEVELOPMENT PROCESS

Sustainability already plays a central role in the area of research & development at PIERER E-Bikes GmbH. The aim is to make every phase of the product life cycle environmentally friendly - from the choice of raw material suppliers to disposal and recycling. Effective measures can be taken into account throughout the product development process in order to manufacture products that are as environmentally friendly as possible. For example, new processes and procedures can reduce energy consumption, save material or replace existing materials with more sustainable alternatives. A concrete example of this is the use of thermoplastics. Plastic polymers soften when heated and can be molded; they solidify when cooled. Owing to their unique chemical properties, thermoplastics can be reshaped and recycled without negatively affecting the physical properties of the material. This is why they are increasingly being used for all types of injection molding, for example in frame construction.

If you look at the product range strategy itself, further positive effects can be achieved by extending the product life cycles themselves. This strategy has been successfully practiced for a season in the bike and e-bike segment of the R RAYMON and Husqvarna E-Bicycles brands with so-called takeover or Allstars models.



LOGISTICS AND SALES

CONCEPT AND OBJECTIVE

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 (for example by fulfilling Euro 6) and processes to develop efficient concepts for ever more complex operations. Our goal is to further minimize transport routes and to continuously reduce packaging material. In addition, in the medium term we want to award all paid shipments exclusively to transport companies that also focus on sustainable initiatives (for example reducing emissions). We pursue different approaches here.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

In coordination with our production planning systems, we have installed milk run systems or shipment consolidation at collection points in the supplier countries of Austria, Germany and Italy, which ensure that freight space can be utilized in the most efficient way, thus preventing empty runs wherever possible. 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 if geographically close at the same port of departure and where time allows at defined collection points and transported in full containers. Air freight is only used in absolutely exceptional cases and to avoid production downtimes.

An innovative example is the motorcycle logistics system used by KTM on **reusable steel racks**, which have a service life of 10+ years. Using the steel rack avoids using wood and cardboard. Each rack, 28,000 units of which are in pan-European circulation, is used an average of 11.5 times a year. Even though the products we source from overseas are currently still shipped in wood/cardboard packaging, we are working out and reviewing with our partner Bajaj the feasibility of a round trip with reusable racks between India and Europe. In general, products from India are transported mainly by truck, train and ship. Air freight is avoided whenever possible.

We work predominantly with global logistics service providers that are pursuing appropriate initiatives to create traceable and effective measures to reduce the impact on the environment. The traceability is checked, among other things, in the annual quality audits with the forwarding service providers and also via their sustainability reports or integrated annual reports.

NEXT STEPS

We also attach great importance to optimizing our supply chain and delivery logistics. For us the following project is particularly worth mentioning:

In the USA, motorcycles are currently only delivered via a distribution center in Virginia. By the second half of the year, we are planning to set up a second center west of the Mississippi, probably in Nevada. As a result, we will reduce the distance traveled in individual deliveries to our dealers from the current 1,544 miles to 720 miles.

IV. PRODUCTS AND CUSTOMERS

PRODUCT QUALITY AND PRODUCT SAFETY

CONCEPT AND OBJECTIVE

PIERER Mobility AG has set itself the goal of manufacturing particularly safe and high-quality products. Our mission is to reduce the number of avoidable motorcycle accidents to a technically feasible minimum by using rider assistance systems, among other things. In particular, we also involve our relevant stakeholder groups in the testing and validation process in order to ensure the best possible overall result.

DUE DILIGENCE PROCESS

The entire process of producing a product – from the market analysis, the product idea, 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 most 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, and prevent them, 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. Since then, we have successively expanded our capacities for carrying out material analysis tests, which is why we were again able to improve development quality in this respect.

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 always have top priority across all product areas of PIERER Mobility AG. The low recall rate – in the reporting period there was a recall for one KTM model and a recall for one Husqvarna motorcycle model – is proof of the strict requirements along our value chain and demonstrates the high product quality of all brands. Further information on the recalls can be found at <https://www.ktm.com/en/service/safety/> and <https://www.husqvarna-motorcycles.com/en/service/safety-information/>

At Pierer E-Bikes GmbH, the entire product development process is carried out using tried and tested processes that are constantly being refined in line with the continuous improvement process. Suppliers of safety-relevant and functionally relevant components are integrated into the process in a timely manner. The finished products are assembled at experienced assembly plants that are renowned for their excellent quality. Since the products produced must meet safety-relevant requirements, we attach extremely high importance to complying with the legal requirements of the respective end markets. Appropriate quality planning during the actual product development process ensures that we continue to improve the existing high standard. In order to further develop the process of corrective and improvement measures based on market findings, Pierer E-Bikes GmbH is planning both an increase in personnel resources and a systematic database-based evaluation of quality-relevant market information. This measure is intended to ensure that any corrective measures can be quickly and efficiently incorporated into both the product development process and ongoing production.

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. In addition to the intensive development work on our products, ongoing further development of our processes throughout the business division also represents a key aspect of our activities. 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 works closely with its suppliers in long-term partnerships to jointly develop and manufacture innovative and high-quality products.

Measures for process optimization

- In the KTM Group, the optimization of processes and the reduction of material inventories continued in 2020. A significant improvement was achieved, for example, by implementing a new manufacturing system for the production of the frames of our off-road 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 test facility 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 ensures 100 percent 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 708 motorcycles per day (annual production volume in 2020: around 140,000 vehicles). Each vehicle component is inspected according to a test plan by experienced employees trained in the relevant test criteria. At the conclusion of vehicle assembly, 100% of all motorcycles are subjected to an end-of-line test (test bench run). 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. Furthermore, in the course of delivery to the end customer, a pre-delivery inspection is carried out for each motorcycle by the trained KTM/Husqvarna/GASGAS dealer. A clearly defined inspection list with all safety-relevant components and systems is worked through and electronically stored in the vehicle history for each motorcycle in the KTM/Husqvarna/GASGAS Dealer.Net.

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 motto READY TO RACE is at the heart of KTM's philosophy, character and passion. Since the company was founded, it has won more than 300 FIM World Championship titles. These are the best proof of the high technical competence of our products, which go hand in hand with performance and reliability.



©CMC

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 prototype of a radar-based, adaptive cruise control system, which can also be used as a **distance radar and emergency brake assistant**, was first presented in 2018 as part of a press roadshow and made the final transition to series production in the past research year of 2020. The market launch of the first vehicle equipped with this highly innovative safety system, the KTM 1290 Superadventure, is scheduled for the first quarter of 2021. The adaptive cruise control system is representative of the Group's innovative strength in the field of **safety systems**.

The research and development department of KTM AG is heavily committed to ensuring the safety of its customers and works on future-oriented solutions. For example, 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. Initial tests with our prototypes were positive. The potential

in this new technology was demonstrated in the summer of 2020 at the Volkswagen AG test site (Ehra-Lessien). Application tests were carried out here on a Volkswagen production vehicle. The goal was/is to perform successful tests with Car2X* production vehicles from Volkswagen to validate the compatibility of Car2X safety functions.

* Car2X (or V2X) in relation to wireless communication technology stands for 'Vehicle-to-Everything' and is composed of 'Vehicle-to-Vehicle' plus 'Vehicle-to-Infrastructure' communication.

In addition, a **PTW bend warning system** was developed in cooperation with Volkswagen and a patent application for it was filed. The process is still being examined. This warning system is intended to reduce the risk of collision with a motor vehicle that cannot be seen.

At the end of 2020, the Connected Motorcycle Consortium (CMC), of which KTM is an active member, recorded videos of motorcycles in various traffic situations, including a roadworks warning with a KTM model. The videos demonstrate other typical traffic situations in which only through the use of using V2V communication is the motorcycle made virtually visible to a passenger car (all videos can be found at <https://www.cmc-info.net/safety.html>). In addition, technical solutions are also being developed further through collaboration with Car2Car.

CMC ,Next‘

In order to further increase motorcycle safety and ensure that motorcycles can retain their mobility role in the future, the motorcycle manufacturers* have agreed to continue cooperation in the CMC in 2021 as well. The joint activities will be pursued under the name “CMC Next” and will focus on topics such as traffic scenarios at intersections and the combination of sensor technology with V2V. The goal is to examine ADAS systems in cars as well as motorcycles to create synergies between in-vehicle sensor systems and connectivity. An important step for “CMC Next” in this regard is closer collaboration with the automotive and vehicle industry, as the intention is for motorcycles to communicate in a standardized manner. Modern vehicles are increasingly equipped with on-board sensor technology (radar, camera, etc.) and rider assistance systems. These vehicle systems need to incorporate the requirements of motorcycles to make them safer when there is a mixture of traffic including motorcycles. “CMC Next” advocates the need to develop and standardize customized motorcycle/car scenarios and tests. The new organization commenced work in January 2021 to continue to champion the deployment of new solutions for motorcycle safety.

* Founding members: BMW Group, Honda Motor Co Ltd, KTM AG, Yamaha Motor Co Ltd.

KTM MY RIDE INFRASTRUCTURE

In recent years, the development of the KTM MY RIDE infrastructure has also been 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. The PIERER Mobility Group is also involved in various interdisciplinary research projects concerned with similar questions.

Lighthouse projects

Digital innovation ranges from new solutions for the motorcycle to the user experience when gathering information, purchasing products, and before, during and after a motorcycle ride. In 2020, a completely new digital end-user ecosystem was developed for the PIERER Mobility Group brands. This includes a mobile app that serves as a central focal point for all digital services and functions. One of the first services to be launched was a user-setting tool for optimal engine and suspension settings for off-road motorcycles to enhance and improve the riding experience of motocrossers! This project was delivered in an agile way as an interdisciplinary project in several areas and successfully placed on the market.

A similar app was also developed for the e-bike segment to display data such as the battery level, speed, remaining range etc. on a cellphone, which can then be used as a dashboard on the e-bike. Data science methods are also used to carry out product improvements. The aim here is to develop models that are designed to help the rider before dangerous situations arise on the bike or to support the rider during and after a ride. Initial successes in the B2B2C environment were achieved in the area of e-commerce. A new type of reservation platform was developed so that retailers could allow special editions to be reserved by interested customers, thus optimizing margins in addition to process cost savings.

VR & AR

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).

Safety standards

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). Similar 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.

PRODUCT USE AND RECYCLING

CONCEPT AND OBJECTIVE

As a mainly assembling company, KTM AG is not part of the energy-intensive industry. However, we are aware that the production of the individual components, the assembly and also the use of our products along the entire life cycle is associated with considerable environmental impacts, including the exhaust and noise emissions associated with combustion engines.

The regulation on the type approval of vehicles in category “L” (Regulation (EU) 168/2013) stipulates that vehicle types approved for the first time after January 1, 2020 must comply with the “Euro 5” requirements. Since January 1, 2021, all vehicle types must comply with these requirements. Over the course of the 2020 calendar year, all models intended for the EU area and for operation on public roads were newly type-approved in accordance with the “Euro 5” regulations or their type approval was raised from “Euro 4” to “Euro 5” by means of an amendment. Series production of the first “Euro 5” model took place in July 2020 (sample series of KTM 890 Adventure models). The last “Euro 4” model for the EU area was produced in December 2020. Since January 1, 2021, only “Euro 5” vehicles have been produced for the EU area and for operation on public roads. In addition to the “Euro 5”-compliant vehicle types, types with other specifications are also produced. These vehicle types are not intended for operation on public roads in the EU area. These are vehicle types for sale outside the EU or vehicle types that are not intended for operation on public roads. These are, for example, vehicle types that are operated exclusively on closed tracks (or at any rate not on public roads) for training purposes or in the context of motor sport events.

Our goal is to bring products to market that meet the latest environmental standards or are environmentally friendly and at the same time also offer a high level of additional benefit to the customer (individual mobility). Especially during a pandemic, many people want to be able to be independently mobile. We want to combine these two topics in the best possible way and heavily promote the development of low-emission and low-noise vehicles (solutions for sustainable mobility in urban environments, such as the Husqvarna e-scooter). To ensure that electric mobility is adopted by a broader group of the population, we aim to raise awareness among our dealers and customers through regular interaction to facilitate the switch to electric two-wheelers. We also offer products with low-voltage technology which deliver many benefits for all parties: storage and transportation are easier, a significant reduction in the training needed for dealers, use of existing charging infrastructure (for example, all electric motorcycles can be charged using standard household power sockets), environmentally friendly battery disposal.

DUE DILIGENCE PROCESS AND CURRENT MEASURES

Activities in the field of vehicles with combustion engines

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 NO_x and CO₂) are determined and recorded by KTM AG in the course of the homologation process using in-house 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 2020 financial year, development activities on our range of internal combustion engines were intensively advanced. Particular focus was placed on improving performance while reducing fuel consumption and pollutant emissions. For example, some models that comply with the new Euro 5 emissions standard were already successfully transferred to series production in 2020. The development team is already working on technologies that provide for a further reduction in pollutant emissions for future generations of engines. Another focus of the reporting year was to further increase the efficiency of our engines through mass centralization and optimization of the entire engine package. The effects of COVID-19 were primarily felt in the form of a severe reduction in the travel activities of our developers (the R&D area is associated with very high-frequency travel due to the heavy consultation with development partners and the necessary testing of new development stages) and various delays in deadlines with our supply partners or in the delivery of prototype components.

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. In principle, all motorcycles homologated at the factory for use on public roads in the EU are equipped with an electronic onboard diagnostic system (OBD-1). In particular, the vehicles homologated in the EU in accordance with the Euro 5 exhaust emission standard are also equipped with a software-based OBD system (OBD-2), which offers an extended range of functions. The equipment with the respective OBD system is based on the European and internationally applicable homologation requirements for vehicles. The intensive series development and testing of these models have represented a significant part of our research and development programs in recent years. 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).

Activities in the field of vehicles with electric powertrains

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. With the FREERIDE E (electric motocross motorcycle in series production), KTM is a pioneer in the light e-mobility segment. Thanks to developments in the battery sector, it has been possible to increase the range here by 50% in recent years. With the KTM E-SX 5 and HUSQVARNA EE-5 models, an electric motorcycle for children has been successfully taken into series production and marketed. KTM E-Technologies GmbH offers in-house e-mobility expertise, including the development of its own components. Work is being done on electric drive systems in the power range from 4 to 11 kW and battery platforms in the 48 volt range for planned series. In a series development project with our partner Bajaj Auto Ltd. in India, a joint platform for electric two-wheelers was developed and will be used for the brands of both partners for various product variants. The market launch of the first Husqvarna electric scooter is planned for 2022. Through our continuous development of alternative drive technologies, we are thus making a significant contribution to climate protection.

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 powerpacks of the KTM FREERIDE 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 authorized 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. If the powerpack weakens or becomes defective during the product life cycle, it can also be repaired directly by the manufacturer and reused in the motorcycle.

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 (24 countries) for KTM/Husqvarna/GasGas. Likewise, the disposal of all types of starter or powerpacks 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.

Packaging and recycling of (e-)bikes

When it comes to the packaging and recycling of (e-)bikes, we have a long-standing cooperation with the renowned full-service partner Go4Recycling in Cologne, Germany. The company has set itself the goal of making a significant contribution to a sustainable increase in global recycling and recovery rates. To achieve this, Go4Recycling ensures all international environmental obligations in the areas of WEEE/waste electrical equipment, packaging and batteries are met centrally - with a worldwide, central registration and licensing body. An enormous contribution to sustainability can be made through the right type of disposal, selecting operational disposal partners/concepts, classifying and avoiding waste materials/packaging and end-of-life products. As a service provider, Go4Recycling takes care of all international registrations, notifications of disposal quantities for all countries in which PIERER E-Bikes GmbH operates.

CUSTOMER SERVICE

KTM AG has a global service network of approx. 3,000 (with India approx. 3,500) 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.

CURRENT MEASURES

When it came to the training for importers/dealers, the focus in 2020 was on digitalization. For new importers, for example, a “live webinar” lasting several hours is offered as an introduction and for initial technical guidance. In the reporting year, there was +121% online training. With the establishment of a dashboard, a quick overview showing which importers/dealers worldwide have received training on which topic can be called up at any time.

Another focus of activities was the integration of GASGAS into our service network. In order to offer the usual service standards, all subsidiaries were trained and our platforms such as Dealer.net and the Support Center were also rolled out for the third motorcycle brand. Service and warranty coverage as well as spare parts are also guaranteed for GASGAS Trial models built before 2020.

WP Suspension has also been included in the centralized Learning Management System (LMS), which means much easier access to training for all WP dealers.

The full integration of the bike division also relied on the proven processes and structures of the motorcycle model. With Dealer.net a virtual communication platform for parts procurement and warranty processing was created. All dealer inquiries are handled via the Support Center, and end customers have the option of submitting their support requests via the website.

In addition, as of June 2020 for KTM and Husqvarna, and as of September 2020 also for GASGAS, a switch was made to paperless operating instructions. This environmentally friendly measure has also massively reduced our monthly printing and provisioning costs (around EUR 90,000). There is now a new option for ordering operating and repair manuals in paper form or as a .PDF by submitting an online request (print on demand: a separate website has been set up for this in cooperation with our print shop).

Measuring dealer performance

In the form of a KPI dashboard, we have defined six different KPIs from which dealer performance can be assessed. Two KPIs will be a prerequisite for a dealer bonus in the future. This is an important management tool for us for identifying trends at an early stage and also for being able to measure and manage any project successes. The KPIs cover these key areas for us:

- Offering high product quality for our customers and ensuring that their motorcycles are always right up to date
- Recognizing process reliability, analyzing product quality
- Commercial orientation and managing success
- Customer satisfaction and loyalty

In order to be able to integrate all incoming questions from the worldwide dealer, importer and sales subsidiary network, the Support Center is equipped with a qualitative and quantitative control system. Quantitatively, among other things a service level agreement is used to guarantee the user response times that reflect how critical the situation is (a distinction is made between 4 levels).

NEXT STEPS

Well-prepared support is the key to having satisfied and above all loyal customers. Customer expectations have changed dramatically in recent years due to digitalization. To meet these expectations, customer service activities for all brands will continue to be expanded in 2021.

The Customer Dashboard application, as the most important information hub for the customer, was a key project in 2020 and will be rolled out after the test runs in 2021. With this application, customers have all vehicle-related information at their fingertips in one place. Whether

it is information from the owner's manual, information about the next service, the warranty or the mobility service. The issue of the safety of our products is also considered here with the direct connection to our data systems. This gives us another possible way to inform customers quickly and securely about our product improvement measures. A contact form for customer inquiries is also available on the Customer Dashboard (multi-way communication).

Wels, March 2021

The Executive Board



Stefan Pierer, CEO



Friedrich Roithner, CFO



Hubert Trunkenpolz



Viktor Sigl

APPENDIX

- Key figures
- GRI Content Index
- Independent Assurance Report
- Imprint
- Contact



KEY FIGURES

I. COMPANY

GRI 205-2

Anti-corruption training	Unit	2020	2019	2018
Total number of employees ¹⁾	Headcount	4,293	4,190	-
of which manual workers (incl. apprentices)	Headcount	1,822	1,757	-
of which white-collar workers (incl. apprentices)	Headcount	1,896	1,989	-
of which managers	Headcount	575	444	-
Executive Board and Supervisory Board	Headcount	8	8	-
Informing employees about anti-corruption (e.g. Code of Conduct)				
Persons informed about anti-corruption	Headcount	2,669	0	-
Percentage of people informed about anti-corruption	in per cent	62%	0%	-
By employee category				
Number of manual workers (incl. apprentices)	Headcount	741	0	-
Proportion of manual workers	in per cent	41%	0%	-
Number of white-collar workers (incl. apprentices)	Headcount	1,499	0	-
Proportion of white-collar workers	in per cent	79%	0%	-
Number of managers	Headcount	421	0	-
Proportion of managers	in per cent	73%	0%	-
Executive Board and Supervisory Board	Headcount	8	0	-
Proportion of Executive Board and Supervisory Board	in per cent	100%	0%	-
Anti-corruption training (e.g. e-learning or face-to-face training sessions)				
Total number of persons with anti-corruption training	Headcount	49	104	-
Proportion of persons with anti-corruption training (rounded)	in per cent	1%	2%	-
By employee category				
Number of manual workers (incl. apprentices)	Headcount	0	0	-
Proportion of manual workers (rounded)	in per cent	0%	0%	-
Number of white-collar workers (incl. apprentices)	Headcount	9	0	-
Proportion of white-collar workers (rounded)	in per cent	0.5%	0%	-
Number of managers	Headcount	35	104	-
Proportion of managers (rounded)	in per cent	6%	23%	-
Executive Board and Supervisory Board ²⁾	Headcount	5	0	-
Proportion of Executive Board and Supervisory Board (rounded)	in per cent	63%	0%	-

¹⁾ Representation excluding temporary workers and external employees. Managers include members of the Executive Board (excl. members of the Executive Board of PIERER Mobility AG), managing directors, division managers, subdivision managers, department managers and team managers. Anti-corruption information and anti-corruption training activities for employees will only be systematically recorded and continuously expanded at Group level from 2020 onwards. In 2019, training courses were only held at KTM AG. Therefore, the information is not comparable with the previous year. The Code of Conduct is made available to suppliers and subcontractors upon request. ²⁾ In the reporting year, training for the members of the Executive Board and Supervisory Board also took place as part of the Supervisory Board meeting of KTM AG. Accordingly, all members of the Executive Board and one member of the Supervisory Board of PIERER Mobility AG were trained.

GRI 205-3, 416-2, 418-1

Compliance Safety risks with products Data Protection	Unit	2020	2019	2018
205-3: Compliance cases	Number	0	0	0
416-2: Incidents with fine or penalty after recalls	Number	0	0	0
418-1: Data protection complaints	Number	0	0	0

II. EMPLOYEES AND SOCIETY

GRI 102-8

Employees	Unit	2020	2019	2018
Total	Headcount	4,586	4,368	4,303
Full time	Headcount	4,248	4,044	4,042
of which male	Headcount	3,450	3,262	3,234
of which female	Headcount	798	782	808
Part time	Headcount	338	324	261
of which male	Headcount	110	119	81
of which female	Headcount	228	205	180

All data excl. members of the Executive Board of PIERER Mobility AG, incl. temporary workers. In 2019 including Avocado GmbH and PEXCO GmbH. As of 2020, the employees of PEXCO GmbH are included in the key figures of PIERER E-Bikes GmbH.

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 (incl. Foundation Apprentices) as of 31.12.2020: 294, which is 6.4% of the total workforce. Number of employees: in Austria 3,822 (approx. 83%), in Germany 116 (approx. 3%), in Europe 284 (approx. 6%; excl. AT/DE), other continents 364 (approx. 8%).

GRI 405-1

Diversity	Unit	2020	2019	2018
Total employees	Headcount	4,586	4,368	4,303
Managers ¹⁾	in per cent	13%	10%	1%
of which male	in per cent	85%	86%	89%
of which female	in per cent	15%	14%	11%
of which < 30 years	in per cent	6%	8%	0%
of which 30-50 years	in per cent	75%	75%	78%
of which > 50 years	in per cent	19%	17%	22%
White-collar workers	in per cent	41%	46%	54%
of which male	in per cent	70%	72%	73%
of which female	in per cent	30%	28%	27%
of which < 30 years	in per cent	36%	36%	32%
of which 30-50 years	in per cent	55%	55%	57%
of which > 50 years	in per cent	9%	9%	12%
Manual workers	in per cent	40%	40%	39%
of which male	in per cent	82%	81%	81%
of which female	in per cent	18%	19%	19%
of which < 30 years	in per cent	28%	29%	30%
of which 30-50 years	in per cent	53%	54%	53%
of which > 50 years	in per cent	19%	18%	17%
Temporary workers	in per cent	6%	4%	6%
of which male	in per cent	85%	87%	90%
of which female	in per cent	15%	13%	10%
of which < 30 years	in per cent	46%	49%	66%
of which 30-50 years	in per cent	50%	46%	31%
of which > 50 years	in per cent	4%	4%	3%

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. As of 2020, the employees of PEXCO GmbH are included in the key figures of PIERER E-Bikes GmbH.

¹⁾ Changed definition of managers, therefore 2020, 2019 and 2018 not comparable. 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. 2018: managers in Austria only, 2019: Managers in Europe, 2020: Managers globally.

GRI 405-1

Executive Board and Supervisory Board		Unit	2020	2019	2018
Executive Board	Headcount		4	4	4
of which male	in per cent		100%	100%	100%
of which 30-50 years	in per cent		25%	25%	0%
of which > 50 years	in per cent		75%	75%	100%
Supervisory Board	Headcount		4	4	4
of which male	in per cent		100%	100%	100%
of which > 50 years	in per cent		100%	100%	100%

There were no changes to the Executive Board and Supervisory Board in the reporting year.

GRI 403-9

Health and Safety		Unit	2020	2019	2018
Employees					
Accidents at work	Number		56	101	46
Injury rate	in Hours		12.8	19.4	9.1
Serious accidents at work (over 6 months of recovery)	Number		3	14	-
Injury rate of serious accidents	Number		0.7	2.7	-
Number of work-related deaths	Number		0.2	0	0
Temporary workers					
Arbeitsunfälle	Number		6	-	-
Verletzungsrate	in Hours		22.6	-	-
Schwere Arbeitsunfälle (über 6 Monate Genesungsdauer)	Number		0	-	-
Verletzungsrate schwerer Unfälle	Number		0	-	-
Rate arbeitsbedingter Todesfälle	Number		0	-	-

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 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 2020: by employees 4,368,239, by temporary workers 265,463. Productive hours in 2018 (5,074,350) and 2019 (5,209,176) including temporary and leased workers. Starting in 2020, work-related injuries to temporary workers are shown separately. For 2020, no productive hours of KTM E-Technologies GmbH as well as Pierer E-Bikes GmbH could be evaluated from the time recording, the evaluation of these hours is under construction. In the 2020 financial year, there was one work-related death among employees. There were no work-related deaths in 2019 and 2018.

GRI 404-1

Training and Further Training	Unit	2020	2019 ¹⁾	2018
Total number of employees ¹⁾	Headcount	4,293	3,981	-
of which male	Headcount	3,310	3,062	-
of which female	Headcount	983	919	-
of which manual workers (incl. apprentices)	Headcount	1,815	1,757	-
of which white-collar workers (incl. apprentices)	Headcount	1,806	1,815	-
of which managers ²⁾	Headcount	553	414	-
Number of apprentices	Headcount	171	158	-
of which commercial apprentices	Headcount	61	54	-
of which industrial apprentices	Headcount	110	104	-
Total number of hours of (further) training of employees in Austria	in Hours	27,225	45,869	43,139
Average number of hours of (further) training	in Hours	6	12	14
By gender				
Total for male employees	in Hours	23,007	36,698	-
Average number per employee/male	in Hours	7	12	14
Total for female employees	in Hours	6,269	9,171	-
Average number per employee/female	in Hours	6	10	12
By employee category				
Total for manual workers (incl. apprentices)	in Hours	3,856	12,619	-
Average number for manual workers	in Hours	2	7	5
Total for white-collar workers (incl. apprentices)	in Hours	14,034	23,051	-
Average number for white-collar workers	in Hours	8	13	23
Total for managers	in Hours	11,386	10,199	-
Average number for managers	in Hours	21	25	8

¹⁾ Representation excluding temporary workers and external employees as well as excl. subsidiaries of Pierer E-Bikes GmbH. Number of apprentices incl. foundation apprentices.

²⁾ Definition of managers changed in 2019, therefore not comparable with previous year. Managers include managing directors, division heads and subdivision heads; since 2019 also department heads and team leaders are included. The members of the Executive Board of KTM AG were not included in this representation.

III. ENVIRONMENT AND RESOURCES, INNOVATION AND PRODUCTION

Own indicator

Research and Development (R&D)	Unit	2020	2019	2018
Employees in R&D	Headcount	808	789	678
Employees in R&D as % of total employees	in per cent	17.6%	18.1%	15.8%
Investments	in m€	111	121	106
R&D expenses from revenue	in per cent	9.0%	9.1%	8.7%

GRI 305-1, 305-2, 305-3

PIERER Mobility Group CO ₂ footprint	2020		2019		2018	
Greenhouse gas emissions according to greenhouse gas protocol (Scope 1-3):	in t CO ₂ -e	in per cent	in t CO ₂ -e	in per cent	in t CO ₂ -e	in per cent
Scope 1: Direct greenhouse gas emissions	5,678.49	0.67%	6,565.99	0.83%	6,084.24	0.88%
Emissions from natural gas procurement at PIERER Mobility Group sites ¹⁾	3,295.77	58.04%	3,688.60	56.18%	3,339.65	54.89%
Emissions from vehicle fleet	1,565.46	27.57%	1,619.37	24.66%	1,762.38	28.97%
Emissions from test benches	817.26	14.39%	1,258.02	19.16%	982.21	16.14%
Scope 2: Indirect greenhouse gas emissions "location based" ²⁾	4,927.95	0.58%	5,495.59	0.70%	5,279.79	0.76%
Emissions from district heat procurement ²⁾	44.71	0.91%	121.06	2.20%	127.50	2.41%
Emissions from electricity procurement at PIERER Mobility Group sites ¹⁾	4,883.24	99.09%	5,374.53	97.80%	5,152.29	97.59%
Scope 2: Indirect greenhouse gas emissions "market based" ²⁾	2,011.46	-	-	-	-	-
Emissions from district heat procurement and electricity procurement	2,011.46	-	-	-	-	-
Scope 3: Indirect greenhouse gas emissions	834,556.37	98.75%	776,723.49	98.47%	681,914.83	98.36%
Emissions from commuter traffic with aircraft	738.05	0.09%	6,790.99	0.87%	7,881.07	1.16%
Emissions from commuter traffic with private vehicles	33.01	0.00%	46.75	0.01%	49.13	0.01%
Emissions from commuter traffic with rental cars	61.03	0.01%	125.35	0.02%	417.85	0.06%
Emissions from commuter traffic with train ³⁾	1.74	0.00%	0.00	0.00%	0.00	0.00%
Emissions from commuter traffic with cab ³⁾	16.26	0.00%	0.00	0.00%	0.00	0.00%
Emissions paper ³⁾	1,617.20	0.19%	0.00	0.00%	0.00	0.00%
Pollutant emissions from vehicles (Emissions) ⁴⁾	832,089.09	99.70%	769,760.40	99.10%	673,566.78	98.78%
Total footprint "location based"	845,162.82	100.00%	788,785.07	100.00%	693,278.86	100.00%
Total footprint "market based"	842,246.33	-	-	-	-	-
Emissions per vehicle sold "location based" ²⁾	2020		2019		2018	
specific greenhouse gas emissions:						
t CO₂-e per vehicle sold (Scope 1-2)	0.05		0.06		0.06	
t CO₂-e per vehicle sold (Scope 1-3)	3.68		3.82		3.84	

The conversion factors of the Austrian Federal Environment Agency and the UK Department for Environment, Food & Regulatory Affairs (DEFRA) 2016, 2018, 2019 & 2020 were used to calculate the CO₂ equivalents.

¹⁾ Evaluation excluding KTM Innovation GmbH, Avocodo GmbH and PIERER E-Bikes GmbH.

²⁾ In 2018 and 2019, calculation with "location-based" emissions. Emissions from district heat procurement at the KTM Sportcar GmbH site. From 2020, emissions will also be calculated according to "market based". For a better traceability, the calculation of the emission shares in % in the reporting year was waived here and "location based" was used for the CO₂ emissions per vehicle sold (the difference between "market and location based" is very small and therefore negligible).

³⁾ New in the evaluation as of 2020.

⁴⁾ Emissions are calculated on EU homologation data on fuel consumption according to WMTC and taking into account the average annual mileage and average service life. The Enduro Competition models are homologated in a mechanically and electronically throttled condition. Often, however, the motorcycles are used, on their own responsibility of the customer, in unthrottled condition at amateur and professional racing events. This results in significantly higher consumption and greenhouse emissions. For the first time, KTM models sold directly by Bajaj Auto in the reporting year were also considered and the values for the base year 2016, 2018 and 2019 were adjusted.

Motorcycles sold in the B2C (retail) business were used for the calculation of the useful life, as well as X-Bow (excl. e-bikes): number of vehicles used for the calculation 229,536 (previous year: 206,544). 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). In 2020, a total of 270,407 motorcycles were sold (previous year: 280,099).

According to the Kyoto Protocol, there are seven main greenhouse gases that contribute to climate change: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), and nitrogen trifluoride (NF₃). CO₂-e is the universal unit of measurement used to indicate the global warming potential (GWP) of each of the seven greenhouse gases, expressed as the GWP of one unit of carbon dioxide. It is used to assess the release (or avoidance of release) of various greenhouse gases on a common basis.

GRI 302-1

Energy and Water Consumption	Unit	2020	2019	2018
Gas consumption ¹⁾	kWh	17,924,474	20,063,068	18,154,198
Electricity consumption ¹⁾	kWh	18,927,287	20,831,528	20,775,364
Water consumption from production ²⁾	m ³	3,364	3,618	3,993
Fuel test benches	in liters	317,246	480,474	458,133

¹⁾ For reasons of materiality, the table only contains values from the corporate and production sites of KTM AG, KTM E-Technologies GmbH and PIERER Mobility AG.

²⁾ Values rounded. Water consumption refers to the sites in Mattighofen and Munderfing.

GRI 302-5

Reduction in energy demand for products	Unit	2020	2019	2018
Fleet emissions	Ø Emission in g/km	78.44	79.09	81.82
Fleet consumption*	Ø Consumption in l/100 km	3.40	3.41	3.52

* To allow better understanding, we do not state the vehicle consumption in joules, but in l/100 km as usual.

Own indicator

Vehicle assembly	Unit	2020	2019	2018
Motorcycles ¹⁾	Ø vehicles / day	708	700	776
Annual production volume in Mattighofen ²⁾	vehicles / year	140,252	160,098	171,297

¹⁾ In 2020, there were 40 fewer production days due to the covid-related production stop.

²⁾ Production units at the headquarter in Austria.

Own indicator

Certification			
Environmental management system	ISO 14001		in implementation
Quality management system	ISO 9001		
Functional safety	ISO 26262		
IT & information security	Tisax Certification Security Level3		Oriented on ISO 27001/ 27002

GRI 306-3

Waste quantity	Unit	2020	2019	2018
Total waste	kg	4,822,664	5,192,327	-
KTM Components GmbH	kg	929,665	1,189,675	-
Metal waste (excluding aluminium waste)	kg	490,873	567,278	-
Aluminium waste	kg	46,538	56,192	-
Waste for recycling	kg	287,580	434,013	-
Hazardous waste	kg	46,694	66,662	-
Other waste	kg	57,980	65,530	-
KTM AG	kg	3,892,999	4,002,652	-
Metal waste (excluding aluminium waste)	kg	170,119	167,651	-
Aluminium waste	kg	221,017	209,620	-
Waste for recycling	kg	2,838,400	2,890,810	-
Hazardous waste	kg	221,133	188,681	-
Other waste	kg	442,330	545,890	-

For reasons of materiality, the table only contains values from the KTM Group's manufacturing sites in Mattighofen and Munderfing.

Description of waste types // metals: including various metal scrap, cable scrap, mixed chips, prototypes. Aluminium: including castings, smelting, chips; Waste for recycling: including waste wood (untreated, material), waste wood pallets, waste paper, various cardboard boxes; Hazardous waste: Waste oil, drilling emulsion, various solvents, cleaners, railroad sleepers; Other waste: including plasterboard, used tires, industrial waste.

GRI CONTENT INDEX

The Sustainability Report has been prepared for the first time in the past financial year in accordance with the internationally recognized framework for sustainability reporting "GRI Standards": "Core" option. An extension will continue to be sought and the reporting will be further optimized in 2021. This applies in particular to the following standards: 301-1, 306-3, 308, 412-3, 414.

General information

GRI-Standard	Description	Comments Omissions	Reference Chapter	Page(s)
101	Foundation 2016			
102	General Disclosures 2016			
102-1	Name of the organisation		Overview of Pierer Mobility	6
102-2	Activities, brands, products, and services		Overview of Pierer Mobility	6
102-3	Location of headquarters		Overview of Pierer Mobility	6
102-4	Location of operations	Worldwide, in 28 countries	Non-financial report/ Overview of Pierer Mobility, Annual Report 2020/ schedule of equity holdings)	6, 181-183
102-5	Ownership and legal form		Overview of Pierer Mobility, Group structure	6, 7
102-6	Market served	Management Report	Annual Report 2020	88-110
102-7	Scale of the organization	Management Report	Annual Report 2020	88-110
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. Employees by country (AT, DE) and by continent.	Our employees, Appendix	23, 59
102-9	Supply chain		Responsible Procurement	40
102-10	Significant changes to the organization and its supply chain		Non-financial report/Group structure, Responsible Procurement; Annual Report 2020/ Management Report	40, 88-110
102-11	Precautionary Principle or approach		Company, Employees and society, Products and customers	6, 23, 49
102-12	External initiatives		Business Compliance, Respect for Human Rights	18, 19
102-13	Membership of associations		Our Stakeholders	11
102-14	Statement from senior decision-maker		Introduction by the executive board	4
102-16	Values, principles, standards, and norms of behavior		Anti-Corruption and Fair Competition, Respect for Human Rights	18, 19
102-18	Governance structure	Corporate Governance Report	Annual Report 2020	
102-40	List of stakeholder groups		Our Stakeholders	11
102-41	Collective bargaining agreements	Around 98% of PIERER Mobility employees are subject to collective agreements. The Austrian requirements do not apply to subsidiaries in other countries.	Our Employees, Appendix	23, 59
102-42	Identifying and selecting stakeholders		Our Stakeholders	11
102-43	Approach to stakeholder engagement		Our Stakeholders	11
102-44	Key topics and concerns raised		Materiality Analysis and Key Sustainability Topics, Business Compliance	16, 18
102-45	Entities included in the consolidated financial statements	Consolidated financial statements	Annual Report 2020	from 111
102-46	Defining report content and topic boundaries		Materiality Analysis and Key Sustainability Topics	16
102-47	List of material topics		Materiality Analysis and Key Sustainability Topics	16
102-48	Restatements of information	No restatements have been necessary.		
102-49	Changes in reporting		Key Sustainability Topics	16
102-50	Reporting period	01/01/2020 - 12/31/2020		
102-51	Date of most recent report	Report about FY 2019		
102-52	Reporting cycle	yearly		
102-53	Contact point for questions regarding the report		Imprint	71
102-54	Claims of reporting in accordance with the GRI Standards	Reporting in accordance with GRI standards: "Core" option. First achieved in 2020.	About this report	2
102-55	GRI content index		Appendix	56, 64
102-56	External assurance	Independent Assurance Report	About this report, Appendix	2, 69

GRI-Standard	Description	Comments Omissions	Reference Chapter	Page(s)
I. COMPANY				
Business Compliance (Anti-corruption)				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Our Values & Understanding of Business	18
103-2	The management approach and its components		Our Values & Understanding of Business	18
103-3	Evaluation of the management approach		Our Values & Understanding of Business	18
205	Anti-corruption 2016		Business Compliance, Anti-Corruption and Fair Competition	18
205-2	Communication and training about anti-corruption policies and procedures		Anti-Corruption and Fair Competition, Appendix	18,58
205-3	Confirmed incidents of corruption and actions taken	There were no known cases or proceedings relating to corruption in the reporting period.		
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Our Values & Understanding of Business	18
103-2	The management approach and its components		Our Values & Understanding of Business	18
103-3	Evaluation of the management approach		Our Values & Understanding of Business	18
412	Human rights assessment 2016		Anti-Corruption and Fair Competition, Respect for Human Rights	18
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	In 2020, the data collection will be limited to production facilities. From 2021, the data collection will also be extended to building facilities.	Business Compliance/ Results, Key performance indicators	20
Data Protection				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Our Values & Understanding of Business/ Data Protection and Cybersecurity	18,19
103-2	The management approach and its components		Our Values & Understanding of Business/ Data Protection and Cybersecurity	18,19
103-3	Evaluation of the management approach		Our Values & Understanding of Business/ Data Protection and Cybersecurity	18,19
418	Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	We are not aware of any substantiated complaints in the reporting year.		
II. EMPLOYEES AND SOCIETY				
Local employment: jobs				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Our Employees	23
103-2	The management approach and its components		Our Employees	23
103-3	Evaluation of the management approach		Our Employees	23
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. Employees by country (AT, DE) and by continent.	Our Employees, Appendix	23,59
Eigener Indikator	Employed within 10km	Approximately 1,750 KTM AG employees live directly in Mattighofen and the neighboring communities within a radius of 10 km as the crow flies.		23
Fair pay and labor standards (diversity and equal treatment)				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Our Employees, Diversity and Equal Treatment	23,33
103-2	The management approach and its components		Diversity and Equal Treatment	33
103-3	Evaluation of the management approach		Diversity and Equal Treatment	33
405	Diversity and equal opportunity 2016			
405-1	Diversity of governance bodies and employees		Diversity and Equal Treatment	33

GRI-Standard	Description	Comments Omissions	Reference Chapter	Page(s)
Occupational Safety and Employee Health				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Our Employees, Occupational Safety and Employee Health	23,25
103-2	The management approach and its components		Our Employees, Occupational Safety and Employee Health	23,25
103-3	Evaluation of the management approach		Our Employees, Occupational Safety and Employee Health	23,25
403	Occupational health and safety 2018			
403-1	Occupational health and safety management system 2018	All legal requirements regarding occupational safety and health protection are implemented in accordance with the provisions of the Employee Protection Act and the Work Equipment Ordinance. In addition, compliance with machine guidelines, dust/noise and screen exposure guidelines is ensured, especially in work areas with an increased risk of danger/accident and injury.		
403-2	Hazard identification, risk assessment and incident investigation	The risk assessment of work areas and the documentation are carried out on the basis of regular evaluations by the external safety expert ("ASZ Linz", "Intergeo") in cooperation with the in-house safety officers.	Occupational Safety and Employee Health	25
403-3	Occupational health services	Cooperation with occupational health service providers „ASZ Linz“, „Intergeo“ (company physicians, qualified health and nursing staff, occupational psychologist, ergonomists).	Stakeholder, Occupational Safety and Employee Health	11,25
403-4	Worker participation, consultation and communication on occupational health and safety		Occupational Safety and Employee Health	25
403-5	Worker training on occupational health and safety		Occupational Safety and Employee Health	25
403-6	Promotion of worker health		Occupational Safety and Employee Health	25
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Occupational Safety and Employee Health	25
403-9	Work-related injuries	No work-related fatalities in the reporting periods 2018 and 2019, and one work-related fatality in 2020. Accident figures for employees of external companies are available.	Occupational Safety and Employee Health, Appendix	25, 60
Education and Training				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Education and Training	28
103-2	The management approach and its components		Education and Training	28
103-3	Evaluation of the management approach		Education and Training	28
404	Training and Education 2016		Education and Training	28
404-1	Average hours of training per year per employee		Education and Training, Appendix	28,61
III. ENVIRONMENT AND RESOURCES, INNOVATION AND PRODUCTION				
Research & Development				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Research & Development	37
103-2	The management approach and its components		Research & Development	37
103-3	Evaluation of the management approach		Research & Development	37
Own indicator	R&D-employees in the reporting period (average)		R&D/ Employees & investments, Appendix	38,62
Own indicator	R&D-quota in percent from revenues		R&D/ Employees & investments, Appendix	38,62
Local employment: responsible procurement				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Responsible Procurement	40
103-2	The management approach and its components		Responsible Procurement	40
103-3	Evaluation of the management approach		Responsible Procurement	40
204	Procurement practices 2016			
204-1	Proportion of spending on local suppliers	Purchasing volume in EUR and in %	Procurement strategy and purchasing volume	42

GRI-Standard	Description	Comments Omissions	Reference Chapter	Page(s)
Energy efficiency				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary	Implementation of an environmental management system according to ISO 14001:2015	Environmental Aspects Along the Product Life Cycle/ in Development and Production	43
103-2	The management approach and its components		Environmental Aspects Along the Product Life Cycle/ in Development and Production	43
103-3	Evaluation of the management approach		Environmental Aspects Along the Product Life Cycle/ in Development and Production	43
302	Energy 2016			
302-1	Energy consumption within the organisation		Environmental Aspects in Development and Production	43
302-5	Reductions in energy requirements of products and services	Reduction in fleet emissions and fleet consumption. To allow better understanding, we do not state the vehicle consumption in joules, but in l/100 km as usual.	Environmental Aspects in Development and Production, Appendix	43,63
305	Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	emissions natural gas procurement/ vehicle fleet/ test benches	Environmental Aspects in Development and Production, Appendix/ CO ₂ footprint	44,62
305-2	Energy indirect (Scope 2) GHG emissions	Emissions district heat and electricity procurement (calculation 2018+2019 according to "location based", from 2020 according to "market based").	Environmental Aspects in Development and Production, Appendix/ CO ₂ footprint	44,62
Pollutant emissions from vehicles (emissions)				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		R&D, Environmental Aspects in Development and Production, Product Use and Recycling	37,43,53
103-2	The management approach and its components		R&D, Environmental Aspects in Development and Production, Product Use and Recycling	37,43,53
103-3	Evaluation of the management approach		R&D, Environmental Aspects in Development and Production, Product Use and Recycling	37,43,53
305	Emissions 2016			
305-3	Other indirect (Scope 3) GHG emissions	Emissions commuter traffic by airplanes/ private vehicles/ rental cars, from 2020 extended to emissions by train/ cab, emissions paper, emissions usage phase of vehicles: calculation extended to KTM motorcycle models distributed by Bajaj, values adjusted for base year 2016 and for reporting years 2018 and 2019.	Environmental Aspects in Development and Production, Appendix/ CO ₂ footprint	44,62
Efficiency in the use of materials (waste, recycling management)				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Environmental Aspects in Development and Production	43
103-2	The management approach and its components		Environmental Aspects in Development and Production	43
103-3	Evaluation of the management approach		Environmental Aspects in Development and Production	43
301	Materials 2016			
301-1	Materials used by weight or volume	Distribution of materials used in motorcycles and packaging material used "disposable packaging" (in kg): For this purpose, two representative motorcycle models were selected that are sold most on average (KTM 790 Duke, Enduro 350 EXC-F). The reporting process currently gets established.	Environmental Aspects in Development and Production	43
306	Waste 2020			
306-3	Waste generated	Waste management is currently under construction. For this report, waste types, total waste volume (in tons) / per vehicle produced (in kg) were collected.	Environmental Aspects in Development and Production/ Waste Management, Appendix	43,47,63
Environmental and social standards in the supply chain				
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Responsible Procurement, Logistic and Sales	40,48
103-2	The management approach and its components		Responsible Procurement, Logistic and Sales	40,48
103-3	Evaluation of the management approach		Responsible Procurement, Logistic and Sales	40,48
308	Supplier environmental assessment 2016			
308-1	New suppliers that were screened using environmental criteria	Qualitative description; reporting process currently gets established. (Currently, it is not possible to specify the percentage of suppliers evaluated).	Responsible Procurement, Logistic and Sales	40,48

GRI-Standard	Description	Comments Omissions	Reference Chapter	Page(s)
308-2	Negative environmental impacts in the supply chain and actions taken	No business relationships were terminated in the reporting year due to identified negative environmental impacts.	Responsible Procurement, Logistic and Sales	40,48
414	Supplier social assessment 2016			
414-1	New suppliers that were screened using social criteria	Qualitative description; reporting process currently gets established. (Currently, it is not possible to specify the percentage of suppliers evaluated).	Responsible Procurement	40
414-2	Negative social impacts in the supply chain and actions taken	Regular checks of suppliers prior to project approval also ensure that social aspects are taken into account. We were not aware of any negative effects in the reporting year.	Responsible Procurement	40

IV. PRODUCTS AND CUSTOMERS

Alternative drive technologies

103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		R&D, Product Use and Recycling/Activities in the field of vehicles with electric powertrains	37,54
103-2	The management approach and its components		R&D, Product Use and Recycling/Activities in the field of vehicles with electric powertrains	37,54
103-3	Evaluation of the management approach		R&D, Product Use and Recycling/Activities in the field of vehicles with electric powertrains	37,54

Road safety

103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Product Quality and Product Safety/ Due diligence process	49
103-2	The management approach and its components		Product Quality and Product Safety/ Due diligence process	49
103-3	Evaluation of the management approach		Product Quality and Product Safety/ Due diligence process	49
103	Management approach 2016			
103-1	Explanation of the material topic and its boundary		Product Quality and Product Safety	49
103-2	The management approach and its components		Product Quality and Product Safety	49
103-3	Evaluation of the management approach		Product Quality and Product Safety	49
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. The check is carried out on 100% of the vehicles.	Product Quality and Product Safety/ Assembly	50
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 and for a Husqvarna motorcycle model. In the reporting year, we are not aware of any incidents involving fines or penalties, and no warnings were issued.	Product Quality and Product Safety/ Due diligence process	49

INDEPENDENT ASSURANCE REPORT

To
the Board of Executive Directors of
PIERER Mobility AG, Wels

INDEPENDENT ASSURANCE REPORT ON THE NON-FINANCIAL REPORTING ACCORDING TO § 267A UGB

We have performed an independent limited assurance engagement on the consolidated non-financial report according to § 267a UGB ("NFI report") for the financial year 2020, which has been published as Sustainability Report 2020 (Consolidated non-financial Report) of **PIERER Mobility AG, Wels** (referred to as "the Company").

Management's Responsibility

The Company's management is responsible for the proper preparation of the NFI report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "Core" as reporting criteria.

The Company's management is responsible for the selection and application of appropriate methods for non-financial reporting (especially the selection of significant matters) as well as the use of appropriate assumptions and estimates for individual non-financial disclosures, given the circumstances. Furthermore, their responsibilities include the design, implementation and maintenance of systems, processes and internal controls that are relevant for the preparation of the sustainability report in a way that is free of material misstatements – whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to state whether, based on our procedures performed and the evidence we have obtained, anything has come to our attention that causes us to believe that the Company's NFI report is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "Core" in all material respects.

Our engagement was conducted in conformity with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance ("limited assurance engagement") is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance ("reasonable assurance engagement"), thus providing reduced assurance. Despite diligent engagement planning and execution, it cannot be ruled out that material misstatements, illegal acts or irregularities within the non-financial report will remain undetected.

The procedures selected depend on the auditor's judgment and included the following procedures in particular:

- Inquiries of personnel at the group level, who are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting thresholds of the Company;
- A risk assessment, including a media analysis, on relevant information on the Company's sustainability performance in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and monitoring of disclosures on environmental, social and employees matters, respect for human rights, anti-corruption as well as bribery and also includes the consolidation of data;
- Inquiries of personnel at the group level, who are responsible for providing, consolidating and implementing internal control procedures relating to the disclosure of concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents, in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Assessment of the local data collection, validation and reporting processes as well as the reliability of the reported data through a (remote) sample survey of KTM AG in Mattighofen;
- Analytical evaluation of the data and trend of quantitative disclosures regarding the GRI Standards listed in the GRI-Index, submitted by all locations for consolidation at the group level;

- Evaluation of the consistency of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the GRI Standards, Option "Core" to disclosures and indicators of the NFI report, which apply to the Company;
- Evaluation of the overall presentation of the disclosures by critically reading the NFI report.

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revealing and clarifying of illegal acts (such as fraud), nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to audit future-related disclosures, prior year figures, statements from external sources of information, expert opinions or references to more extensive external reporting formats of the Company. Disclosures audited within the scope of the annual financial statement were assessed for correct presentation (no content examination).

Conclusion

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the NFI report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§ 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards) Option "Core" in all material respects.

Restriction on use

Because our report will be prepared solely on behalf of and for the benefit of the principal, its contents may not be relied upon by any third party, and consequently, we shall not be liable for any third party claims. We agree to the publication of our audit certificate together with the NFI report.

General Conditions of Contract

Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

Linz, 12 March 2021

KPMG Austria GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

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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.

