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Task Force on Climate-related Financial Disclosures Report 2022

INTRODUCTION

Incorporating the risks and opportunities associated with climate change into the business activities of the PIERER Mobility Group goes hand in hand with its mission to design future-oriented mobility solutions and promote more climate-friendly mobility. It therefore understands a sustainable approach to mean, above all, the phased reduction of emissions over the entire product life cycle. For this reason, innovative technologies are embraced to help to reduce CO₂ emissions in order to combat climate change. In this context, it examines the climate-related risks and opportunities of its business activities and discloses them in line with the recommendations of

the Task Force on Climate-Related Financial Disclosures (TCFD) on reporting climate-related information. The TCFD report was first issued in 2021 and is revised and published annually.

While the detailed implementation plan and sustainability strategy that are designed to underpin future TCFD declarations are being developed, at the same time work is taking place to develop and agree environmental targets (short and medium term) and a program of actions for the years ahead.

GOVERNANCE

The Executive Board of the PIERER Mobility Group is structured according to functional and business responsibilities. Just as they were in 2021, the business-related divisions are led by four members of the Executive Board. The following areas of responsibility focus on the group functions and business-related responsibilities:

- Chairman of the Executive Board/Overall Strategic Management, Product and Quality Management, Supply Chain, Strategic Projects, Sustainability;
- Finance/Controlling, Compliance, Tax, Risk Management;
- Sales, Marketing, Customer Service, Joint Ventures;
- Human Resources, Organization, IT.

More information about the members of the Executive Board and their areas of responsibility can be found from page 66 of the 2021 Annual Report¹. In response to increasing stakeholder interest in environmental, sustainability and governance issues, ESG management has been expanded further. The ESG team, comprising employees from Risk Management, Quality Management, Environmental Management, and Investor Relations, consults

regularly with ESG officers/responsible persons from all specialist departments. The general managers/divisional heads of the respective business units/divisions are responsible for implementing the ESG process and for creating and achieving the ESG targets. The targets are regularly monitored and approved by the Executive Board. Overall responsibility rests with the CEO.

New Supervisory Board committee for ESG issues

The Compliance, IR and ESG Committee was established by circular resolution of the Supervisory Board of PIERER Mobility AG dated May 11, 2022. The committee held its inaugural meeting in the 2022 financial year and, among other things, examines the issues from the sustainability and TCFD reports and regularly reviews whether the compliance, IR and ESG objectives pursued by PIERER Mobility AG are being met. For this purpose, the committee monitors the measures being taken to achieve these objectives and examines whether the ESG information that is disclosed meets stakeholder expectations.

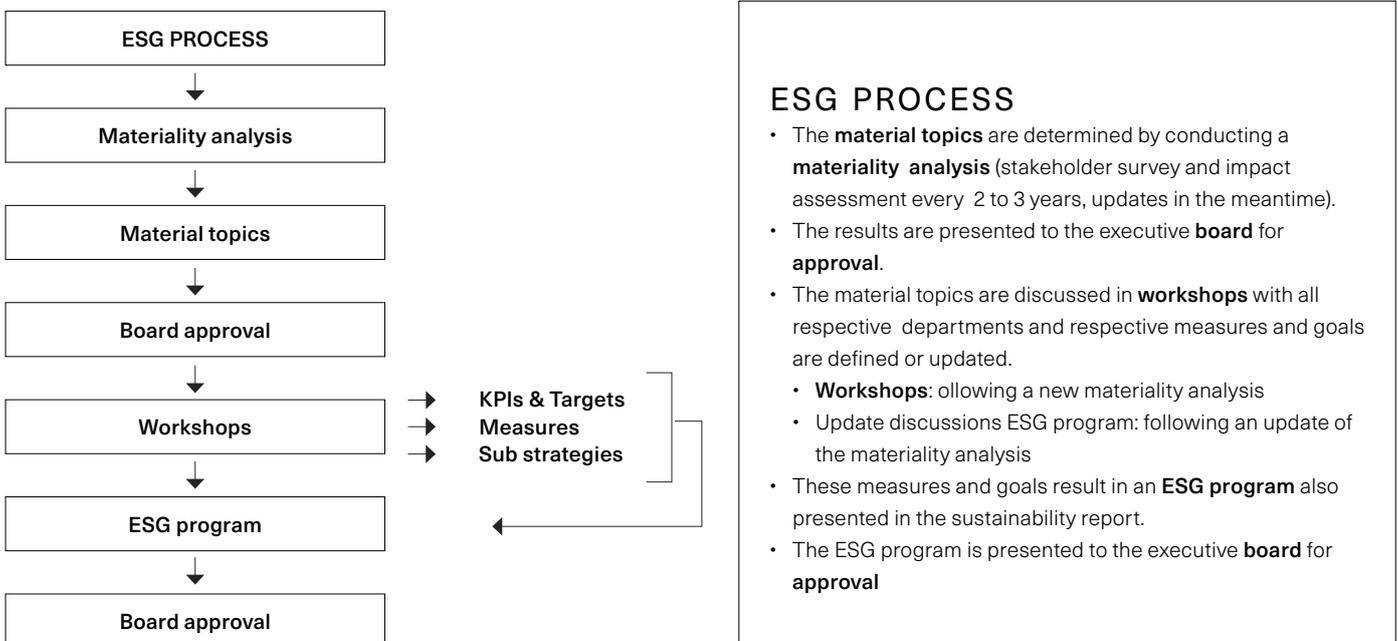


Figure 1: ESG process of the PIERER Mobility Group

¹ https://www.pierermobility.com/wp-content/uploads/2022/03/Annual-Report-2021_PIERER-Mobility-AG.pdf

STRATEGY

The urgent need to take action to combat the ongoing process of climate change and to adapt to the unavoidable consequences of progressive warming brings both risks and opportunities for companies. Particularly in the area of mobility, consequences that can be expected and are already being seen are stricter regulations for vehicles and further requirements, but also increased interest from stakeholders in relation to climate-friendly mobility solutions. The development of alternative drive systems and the reduction of vehicle emissions are therefore also one of the key tasks for PIERER Mobility AG, both to counter risks associated with climate change at an early stage, and also to make the best possible use of emerging opportunities and potential. Furthermore, efficient use of materials to save resources is hugely important in development and production. Thanks to its wide range of products, the company has various levers at its disposal that enable it to achieve a sustainable reduction in emissions in all areas of mobility and along the entire life cycle – from the way products are developed and manufactured to the way they are used. This includes, for example, the Life Cycle Assessment (LCA) for various products, which is currently in development and will also allow climate-relevant aspects to be regularly evaluated and integrated into the planning of specific activities. The aim is to use the results to identify potential to reduce the carbon footprint as well as possible steps that can actually be implemented to achieve ecological sustainability (with a focus on materials and recycling) and material qualification (with a focus on plastics). The first step in the project is to set up and conduct the calculation process using a selected example component (metal). The continuous optimization of internal processes and procedures is based on legal foundations, international norms and standards (ISO certifications, energy audits according to the Austrian Energy Efficiency Act (EEffG), GRI standards, etc.). These measures and developments are thus directly linked to the objectives of the PIERER Mobility Group. An overview of all projects was compiled in the program of actions and published with the Sustainability Report 2021¹ in March 2022.

The group already considers various approaches to ecological issues in the way it selects and procures purchased parts and production materials and is therefore heavily engaged in this area (such as the expansion of supplier verification - see from page 60 onward in the Sustainability Report 2021). At the Mattighofen/Munderfing production site, various projects to save energy are also being implemented, including the provision/installation of photovoltaics - see page 67 in the Sustainability Report 2021. The aim is to keep the amount of power for the company's own consumption at a high level by expanding the area of photovoltaic installations. Roughly 80% of the electricity produced is intended to be used to meet the company's own needs.

In-house battery development enables solutions that are designed for recycling to be created within the group. The more components are easy to separate, the more parts can be recycled.

For the production sites in Munderfing and Mattighofen in Austria, PIERER Mobility relies on local procurement strategies that produce more environmentally friendly supply chains thanks to shorter distances and lower transport costs. In the 2021 financial year, 90% of the components we used in motorcycle production were sourced from Europe. For further information, please refer to page 61 of the Sustainability Report 2021. A regional focus is also important when it comes to selecting suppliers for construction work. At the same time, various approaches are being pursued in the distribution of products to further minimize transport routes and continuously reduce packaging material. For more information, please refer to pages 68-69 and page 70 of the Sustainability Report 2021.

DECARBONIZATION OF TRANSPORT BY EMBRACING TECHNOLOGY

One of the key pillars of the sustainability strategy is the decarbonization of transport. As well as incorporating the legal requirements and comparative figures, the PIERER Mobility Group is endeavoring to provide powertrain solutions for PTWs that champion this approach and will help to achieve the EU target of net zero emissions by 2050. The Group therefore shares with KTM AG, as a member of ACEM, its decarbonization strategy.² This focuses on the objectives of the European Green Deal and the Climate Change Act, as well as the Sustainable and Smart Mobility Strategy of the European Commission. The ACEM strategy provides the Group with guidance on how to handle its key ESG issues throughout the product life cycle.

The industry goal, which is based on the concept of "right vehicle, right place, right energy source," is to continue to offer the market a variety of powertrains, each of which will help to deliver decarbonization. Urban environments, for example, which tend to involve medium speeds and fairly short journeys, can particularly benefit from electric powertrains: Road vehicles up to around 250 cc for use in urban areas will also move toward low-voltage (48-volt) electric drives. All combustion engines are capable of using carbon-neutral fuels.

¹ <https://www.pierermobility.com/wp-content/uploads/2022/03/Sustainability-Report-of-PIERER-Mobility-AG-for-the-BY-2021.pdf>

² <https://www.acem.eu/policy-areas/environment/acem-position-paper-decarbonisation-of-transport-powered-two-wheelers-ptws-on-the-road-to-2050>

In market segments that are difficult to electrify, other solutions based on the combustion engine will also be vital. To be able to continue to operate dynamically in the premium vehicle segments with higher performance and range requirements, electrification with current battery technology is not a viable alternative for the mass market - apart from for a few niche products. In the high-performance segments, the focus of development work will therefore be on making further improvements to the combustion engine (e.g., reducing CO₂ and NVH¹) and using and ensuring compatibility with e-fuels (synthetic fuels).

In Moto^{GP}, blended fuels will be used from 2024. Blending involves mixing conventional fuel with e-fuels. From 2027, 100% of the fuels used in motorsport will be synthetic fuels. The transfer of technology within the group is very important. The innovations and experience gained from racing have long been the foundation on which the series applications of PIERER Mobility's motorcycles have been based. This means that gradual introduction of e-fuels and therefore gradual decarbonization of the entire vehicle fleet will also be feasible for production motorcycles. In principle, this also means that no interventions in the engine mechanics and application will be required.

The PIERER Mobility Group views e-fuels² as a possible alternative for making the wide range of existing vehicles carbon-neutral. E-fuels can make an important contribution toward achieving the climate protection targets in the transport sector. The advantages of e-fuels are their high energy density and ease of storage compared to conventional fuels.

European e-mobility competence for swappable battery

In 2021, the Swappable Batteries Motorcycle Consortium (SBMC)³ was founded by KTM Forschungs & Entwicklungs GmbH together with three other motorcycle manufacturers (Honda Motor Co. Ltd., Piaggio Group (PIA.MI) and Yamaha Motor Co. Ltd.) to develop a common technical standard for a battery swap system including the corresponding battery swap stations by 2024. This goal will be achieved by following four main objectives:

1. Developing common technical specifications for swappable battery systems.
2. Confirming the shared use of battery systems.
3. Promoting the consortium's common specifications with European and international standardization bodies and making them standard.
4. Applying the consortium's common specifications globally.

The international standardization (e.g., CEN, ISO) that is envisaged in the project will create a market for this battery system, which will allow it to meet customers' expectations when it comes to range, "charging time" (limited to the time needed to swap the batteries) and costs, and in which positive business cases can be presented for each of the manufacturers (vehicle, battery, charging/swap stations). The work of the consortium, which is also open to other members (there are currently 21 members), will thus help significantly to broaden the use of electric propulsion in light 2-, 3- and 4-wheeled vehicles with a focus on applications over shorter distances (e.g., daily journeys of <100 km).

Furthermore, the group is pursuing the following strategies in its core areas, also with a view to sustainability and climate change:

- Developing technologies that are designed to deliver a further reduction in CO₂ as well as a reduction in harmful emissions for future generations of engines for vehicles with combustion engines (e.g., Euro 5+).
- Developing a joint platform strategy with Bajaj Auto, India's second-biggest motorcycle manufacturer for electric two-wheelers (48 volts, 4-11 kW power), that will be used to produce various products for the brands of both partners. As well as joint vehicles, part of this cooperation involves adopting an open approach to different battery solutions to exploit the advantages of both integrated and removable batteries. The first products are set to be launched on the market in the next few years.
- Expanding (e-)bicycle production capacity within the EU with MAXCOM in Plovdiv, Bulgaria, one of the largest bicycle manufacturers in Eastern Europe. The aim is to source more locally, also with a view to having a sustainable procurement strategy: Bringing component production back to Europe in order to shorten supply chains and improve availability (see also page 69 in the Sustainability Report 2021).
- Strategic cooperation with leading manufacturers of Li-ion battery cells, in relation to high-performance battery cells (21700 cell). The focus is on cooperation in the areas of research and development as well as the industrialization of low-voltage battery platforms for vehicles ranging from 250 watts to 20 kilowatts peak power which deliver a high range and performance. There is also a focus on issues such as the return, recycling and 2nd life of batteries.
- Research and development in the area of alternative drive technologies for powered two-wheelers - such as synthetic fuels (e-fuels) etc.

¹ NVH: Noise, Vibration, Harshness

² https://www.acem.eu/images/publiq/2022/ACEM_position_paper_-_Efuels.pdf

³ <https://www.sb-mc.net/>; see also the press release dated Sept. 15, 2022:

<https://www.pierermobility.com/en/2022/the-swappable-batteries-motorcycle-consortium-sbmc-has-grown-from-four-to-21-members>

RISK MANAGEMENT - RISKS AND OPPORTUNITIES

The identification and assessment of climate-related risks are integrated as part of the Enterprise Risk Management (ERM) process into workshops with the respective functions.

risk owner. The risk manager is regularly informed about the status of the measures.

RISK PROCESS

Risk management in the PIERER Mobility Group is a continuous process that serves to identify, assess, manage, report on and monitor opportunities and risks in the various business units. The basis for this is a standard, group-wide reporting system established on a monthly basis and ongoing monitoring of operational and strategic plans.

The group has a multi-level risk management system in which group-wide risks are identified by location or geographical area. Operational responsibility and the assessment of group-wide risks is carried out by the Risk Management department of KTM AG and local management and is reported directly to and monitored by the Executive Board of KTM AG and the Group Executive Board. To identify risks, risk workshops are held, controlled at the level of KTM AG, and climate-related opportunities and risks are discussed. Responsibility for identifying risks lies with the risk manager together with the respective divisional manager or their nominated representative. This risk manager is also responsible for ESG issues within the company, which is why an integrated approach makes sense and is technically feasible. Following this, the identified climate-related opportunities and risks are also worked through in an integrated manner in the other steps within the ERM process, and are also incorporated into the ESG process to allow measures and targets to be identified.

In principle, opportunities and individual risks are assessed to identify how likely they are to occur and the level of damage using a scenario-oriented approach consisting of best case (BC), most likely case (MLC) and worst case (WC), based on (a) risks that have actually occurred in the past, (b) benchmark values from the industry or (c) realistic expert assessments prepared in-house. In addition to the usual quantitative assessment, the methodology also envisages making a qualitative assessment, which is particularly useful in relation to reputational climate-related opportunities and risks. A medium-term assessment allows interdependencies between individual risks to be considered as part of the company's overall risk exposure.

The main objective of risk management is to ensure an active, continuous and controlled influence on opportunities and risks, taking account of the corporate strategy, in order to deliberately manage the company's overall risk exposure and thus produce an increase in the value of the company over the long term. Risk management measures are defined and evaluated by the respective

CLIMATE-RELATED RISKS AND OPPORTUNITIES (OUTSIDE IN) AND POTENTIAL FINANCIAL IMPACTS

Climate-related risks		Potential financial impacts
POLITICS AND LAW		
Climate-related regulations/driving bans	As a result of efforts to mitigate climate change and deteriorating air quality, existing regulations/driving bans could be tightened/expanded or new regulations could be passed.	Higher R&D costs for new solutions to comply with these regulations, a loss of value for existing models/extra costs for retrofitting, a decline in sales due to changes in market segments and size (e.g., due to urban driving bans).
Increasing reporting requirements (EU taxonomy, CSRD, etc.)	Increasing requirements in terms of the quality and scope of reporting in relation to climate-specific aspects could create additional financial expenditure (personnel, software, etc.) and also lead to a higher risk of non-compliance with new requirements.	Costs of additional human resources, software solutions, audits etc.
Climate-related product lawsuits	In addition to existing potential causes of product-related lawsuits, climate change-related regulations could add further grounds for action that increase the risk of lawsuits.	Costs of legal proceedings
EU regulation on battery disposal	An amended regulation on how to handle and dispose of traction batteries in relation to electric mobility as a measure to combat climate change could result in higher organizational costs.	Costs of research and development Costs of collection and disposal processes (including labeling, etc.).
TECHNOLOGY		
Loss of market position and technology/innovation position	Hesitation in the research and development of alternative drive technologies could worsen the market position and the position in relation to technology and innovation. If we were too late in addressing an increasingly relevant topic, competitors could overtake us in/through this area.	Loss of sales due to deterioration in market position and damage to reputation ("Nokia effect").
Incorrectly targeted R&D activities and investments	Focusing on a single alternative (e.g., just e-technology) or alternative(s) not gaining acceptance could prove to be the wrong move. Technologies may also turn out to be economically unfeasible at the present time.	Investments and outlay yield no/insufficient return; at the same time, high R&D (cost) outlay for switching to other or parallel developments; loss of sales due to deterioration in market position and damage to reputation.

Climate-related risks		Potential financial impacts
MARKET		
Changes to customer behavior	Increasing awareness of the climate among consumers could lead to an increase in the demand for alternative (more climate-friendly) mobility solutions and decrease in demand for (individual) mobility that is harmful to the climate.	Lower demand for PTW with a combustion engine
Scarcity of resources/ raw material price increases	In particular, resources such as steel and aluminum could become more expensive on the market as a result of climate change-related effects (increased use of renewable energy, which is currently still more expensive, higher requirements for steel production, etc.). A large increase in demand for critical resources, e.g., for the increased production of batteries needed for e-mobility, could also lead to shortages of resources in the market.	Higher expenses for basic resources, materials and purchased parts; costs of production shutdowns if there are occasional shortages of raw materials; loss of sales due to suspended production.
REPUTATION		
Reputational damage caused by inadequate ESG performance, especially climate change mitigation and adaptation strategies	Inadequate performance in the area of climate change adaptation and mitigation strategies and the public perception associated with this could cause key stakeholders to develop a negative or insufficiently positive image of the company and reduce or completely withdraw their support.	Reduced availability of capital (banks refuse loans or good terms); loss of sales due to boycott/reputational damage; higher procurement costs if suppliers refuse to offer ESG-linked benefits.
ACUTE		
Extreme weather events (severe weather/storms with hail, flooding)	Extreme weather events (esp. floods, storms) could affect the company's own production sites as well as those of its suppliers and thus also cause interruptions to the supply chain or logistics.	Increased costs from the maintenance/repair of buildings, IT and other infrastructure costs resulting from production shutdowns caused by supply chain bottlenecks; loss of sales due to interruptions to logistics (logistics of finished products for dealers, parts logistics for plants, etc.).
CHRONIC		
Increasing demand for cooling due to warming	Rising average and peak temperatures, even in Austria, could increase energy demand for cooling.	Increased costs for energy for cooling
Weather-dependent mobility behavior	Volatile weather patterns and increased temperatures could reduce demand for weather-dependent PTW in the long term.	Loss of sales due to lower demand

Climate-related opportunities	Potential financial impacts	
POLITICS AND LAW		
Climate-related regulations	<p>Regulatory measures such as the carbon tax that was recently introduced in Austria could make PTW more attractive as a more fuel-efficient alternative to cars.</p> <p>Regulatory measures such as environmental zones or other driving bans related to the climate and air quality could make PTW more attractive as an alternative to the passenger car that is often exempt from these regulations.</p>	Increasing sales/market share
TECHNOLOGY		
Securing leading role on technology and availability of better technologies	Technical innovations and the launch on the market of new products from the research and development of alternative drive technologies could further strengthen the company's position in the market and in respect of technology and innovation and enable the relatively high research budget to be maintained. Rising demand for novel drive solutions could be the basis for increasing investments in research and speed up the availability of even better technologies.	Increasing sales/market share
ENERGY SOURCE		
Photovoltaic installations, air-source heat pumps	Operating costs for air conditioning and electricity consumption could be reduced by using the company's own photovoltaic installations and the energy they generate, and by replacing the existing cooling/heating technology with heat pumps.	Less dependence on electricity prices thanks to self-sufficiency; lower heating costs thanks to low-temperature heating; possible subsidies for modernization projects.
PRODUCTS AND SERVICES		
E-bicycles and e-motorcycles	With higher demand for low-emission and low-noise individual mobility solutions, expanding the product range to include e-bicycles/stand-up scooters and e-motorcycles in the low-power range could help to boost sales.	Increased sales from new product areas such as stand-up scooters, e-bicycles or low-emission/emission-free alternatives to conventional models with combustion engines.
IoT solutions in products	IoT solutions in products could provide valuable information for climate change-related transport measures such as the expansion/improvement of bicycle infrastructure and thus serve as a new source of revenue.	New source of revenue from collaborations and selling the information collected.
Battery business	The batteries required for electric mobility could represent a new source of revenue if they are developed in-house and sold.	Boost to revenue from the sale of batteries for the company's own e-products.

Climate-related opportunities	Potential financial impacts	
REPUTATION		
Intensifying ESG performance and integrating ESG into the corporate strategy	Intensifying ESG performance and gradually integrating ESG (especially climate protection) into the corporate strategy could significantly boost the company's reputation among its stakeholders.	Increased revenue resulting from a better reputation with potential and existing customers; better terms in the financial market thanks to better ESG performance and rating results.
Markets		
Expansion of existing market volumes: Individual mobility in urban areas	As a result of climate-related driving bans, increasingly enforced traffic calming measures in inner cities, resulting in a shortage of parking spaces, and expansion measures for two-wheeler infrastructure, two-wheelers (incl. motorcycles, e-bicycles, stand-up scooters, e-motorcycles/ motorcycles with e-fuels) could replace cars as the dominant form of individual mobility in urban settings.	Increased revenue from more sales of low-volume PTWs, stand-up scooters, e-motorcycles and motorcycles suitable for e-fuels, as well as e-bicycles for urban use.
Improved competitive position thanks to pioneering role with alternative drive technologies	The change to a new (lower-emission or zero-emission) technology could turn the structure of the market on its head and create the opportunity to lead the market by taking on a pioneering role with alternative drive technologies.	Expansion of market share to achieve market leadership with associated increases in revenue.
Expansion of the depth of added value	Due to climate-related changes (regulations, supply chains that are unstable or no longer economically viable), the business case for in-house production of components or products that were previously purchased could emerge.	Avoiding increased procurement costs, higher revenues from the sale of components produced in-house.

The **scenario analysis** is currently under development. The aim is to present this in the next report.

ENVIRONMENTAL MANAGEMENT

In the first half of the 2021 financial year, work was carried out on the implementation of an environmental management system in accordance with ISO 14001:2015. This was integrated into the existing management system with the associated processes. The certification, which was completed in mid-2021, is part of the environmental strategy and involves the development, logistics and production sites of the PIERER Mobility Group in Munderfing and Mattighofen, Austria. Every employee will be trained on the

environmental management system and will therefore be required to act in an ecologically responsible manner. Training on how to separate waste properly has been offered to all employees since mid-2022. As part of the implementation of ISO 14001:2015, our environmental targets were also defined and the expansion of waste management was promoted (for more details, see “Key figures and targets”).

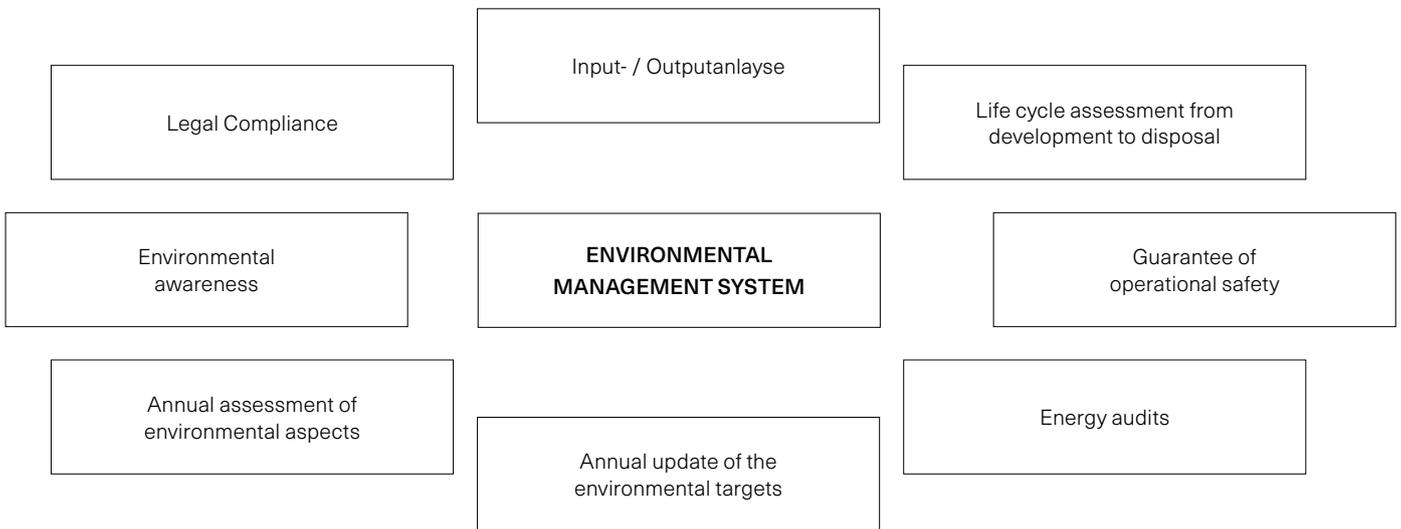


Figure 2 - Process and structure of environmental management in the KTM AG Group

ENERGY AND WATER CONSUMPTION

Since the implementation of ISO 14001, the materiality of the environmental aspects has been established and evaluated in the company in the form of workshops with key employees from the R&D, Production/Infrastructure and Purchasing departments. The evaluation method covers both direct and indirect environmental aspects and also includes emergency situations. Both energy and water consumption were classified as being not significant given the current internal production processes. Nevertheless, in order to further reduce energy consumption, a target was set to reduce the energy demand in the production halls (see also the table on page 16). In 2021, the annual drinking water consumption throughout the environmental management system¹ was around 19,000 cubic meters. This is equivalent to roughly 4.75 m³ per employee at the ISO 14001 certified sites in Mattighofen and Munderfing and is

therefore very low. Water is mainly used for social areas and for cleaning purposes. Water consumption in the production process is extremely low.

ENERGY EFFICIENCY

The current energy situation was surveyed as part of the energy audit report. PIERER Mobility AG has already implemented various energy saving projects. For example, the operating hours of the outdoor lighting at all sites have been reduced by using timer switches. In addition, the following two goals, which have now also been achieved, were defined in the course of implementing an environmental management system: Firstly the electrification of the passenger car fleet was accelerated (22% share of the fleet), and secondly the increased use of LED lighting in the production halls was promoted (for example, retrofitting in vehicle assembly was completed at the end of 2021).

¹ The scope of the environmental management system includes the KTM AG companies with the areas of vehicle assembly, development, parts center, engine construction, mechanical production, logistics center as well as KTM Components with the areas of suspension, exhaust and frame. Improved data quality and also the pandemic meant that the annual consumption of drinking water was lower than in the previous year. The annual consumption volume of 19,000 cubic meters (2020: 15,000m³) includes water consumption from production (2021: 4,185 m³, 2020: 3,364 m³).

Furthermore, with one of the largest photovoltaic installations in Austria on the roof of the KTM logistics center in Munderfing, the group is taking a further step toward a resource-saving future. The electricity is currently fed into the public grid, which enables renewable solar energy to be used more broadly throughout the region. In addition to the photovoltaic installation on the logistics center and the House of Brands, the decision has already been taken to provide a photovoltaic installation on the new second logistics center as well.

MEASURES TO REDUCE VEHICLE EMISSIONS

An important aspect of the development of road-registered (homologated) vehicles is reducing emissions of exhaust gases and noise, which are caused by the combustion process itself and by any evaporative emissions of the hydrocarbons (= fuel) contained in the vehicle. In the 2021 financial year, efforts once again focused on making further progress with development projects relating to our range of combustion engines. Particular emphasis 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 already successfully transferred to series production in 2021. The development team is already working on technologies that will deliver a further reduction in pollutant emissions for future generations of engines. The aim is to launch products that meet the latest environmental standards or are environmentally friendly throughout their product life cycle. From 1.1.2021, only Euro 5 vehicles will be produced for the EU area and for operation on public roads (see EU Regulation 168/2013 on the Euro 5 requirements on page 74 of the Sustainability Report 2021, as well as further information in the paragraphs further below on "Key figures: Greenhouse gas emissions in CO₂ equivalents" and "Fleet emissions (Scope 3)").

A further priority is to develop CO₂ emission-neutral electric vehicles for various areas of application. Since 2014, KTM AG's range has included one such product, namely the purely electrically powered "KTM FREERIDE E-XC" model. Since the FREERIDE E-XC was launched on the market, KTM has been a pioneer in the light e-mobility segment. With the KTM SX-E 5, HUSQVARNA EE 5 and GASGAS MC-E 5 models, electric and performance-oriented youth motorcycles have been put into production and launched on the market. In the past reporting year, the product family has been expanded to include more models with reduced power and battery capacity in the form of the KTM SX-E 3 and HUSQVARNA EE 3, as well as the GASGAS MC-E 3. The product range also includes the e-balanced bikes. These are electrically powered bikes with a wide range of uses and great versatility, designed to provide an entry-level platform for the youngest riders.

A division specially set up within KTM Forschungs & Entwicklungs GmbH (a subsidiary of KTM AG specializing in R&D activities) also provides in-house e-mobility know-how, including the development of in-house 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.

In addition, we are working with project partners on concepts for sustainable two-wheeler mobility in urban living spaces. One example is the "EMotion" research project: The aim is to have cost-effective, energy-efficient, comfortable and lightweight electric two-wheelers, along with innovative user interfaces and eco-coaching strategies for efficient and resource-saving use. Initial concepts and prototypes are available and undergoing evaluation. A pilot phase for eco-coaching strategies is planned for 2023. For further information, please refer to page 58 of the Sustainability Report 2021. PIERER Mobility AG therefore understands a sustainable approach to mean above all the phased reduction of emissions over the entire product life cycle. Thanks to many years of intensive development work in the field of electric traction systems for PTW, a substantial technology platform has been created to complement the first products available on the market. This will enable further vehicles powered by alternative energy to be launched on the market in the years ahead.

With one of the highest levels of investment in innovation in the industry - currently 8-9% of revenue is invested in R&D - the PIERER Mobility Group is meeting the challenges of today and will continue to invest heavily in technology. In the 2021 financial year, €18.8 million (previous year: €7.9 million) was spent on developing alternative drive technologies (e.g., electric mobility). The share of all electrified two-wheelers was 18.3% in 2021 (previous year: 16.4%).

END-OF-LIFE IMPACTS ON THE CLIMATE AND ENVIRONMENT

The PIERER Mobility Group pays special attention to recovering and recycling lithium-ion batteries. The company has an established working relationship with a renowned recycling company to ensure that batteries are disposed of in accordance with EU regulations. This covers the collection of traction batteries fitted in our electric vehicles. For further information, please refer to page 76 of the Sustainability Report 2021.

KEY FIGURES AND TARGETS

As part of the annual environmental audit in line with ISO 14001:2015, an environmental program was defined with the following environmental targets for the current year:

Environmental aspect	Target	Action	To be implemented by	Status	SDGs
Emergency preparedness	Ensure safe production operations	Observe all safety-relevant floor markings	12/2022	●	
Packaging material used	Reduce the amount of packaging material used	Increased use of recyclable packaging in vehicle assembly	Ongoing projects	●	
Waste logistics	Reduce the amount of residual waste by 10% in relation to the total amount of waste from the reference year 2019	Improve the separation of recyclable materials by providing recycling islands in the office areas	12/2024	●	
	Improve the separation of waste into different types	Compress oil-contaminated packaging using a press to reduce the number of consignments of waste	12/2022	●	
		Improve the collection of plastics Separate films into different types	12/2022	●	
Energy consumption	Increase the use of solar energy to save fossil fuels	Installation of photovoltaic systems on roofs of KTM AG: KTM Components (operator ÖkoSolar, 3.8 MW of electricity for the public grid, in operation since 2022)	12/2022	●	
		Increase energy efficiency	Switchover to LEDs in spare parts center 1 – phase 1	12/2022	●
	Switchover to LEDs in spare parts center 1 – phase 2		10/2023	Out-standing	
		Establish energy monitoring for a selected area (technical solution, smart meters)	12/2023	Out-standing	

Environmental aspect	Target	Action	To be implemented by	Status	SDGs
		Optimize the parking lot lighting at the main plant by using LEDs	Currently no target date set	Out-standing	 
Carbon footprint Indirectly	CO₂ reduction	Calculate the actual CO ₂ figures based on purchased parts (top-down calculation)	12/2022		
	Strengthen the local supplier base	Targeted financial support for specific local suppliers	Ongoing		  
Carbon footprint Vehicles	Reduce specific CO₂ emissions (calculation as per GRI) by 0.8% per year¹	R&D activities will focus on reducing noise and exhaust emissions from combustion engines (Euro 5+)	Ongoing		 
		Further development of combustion engines to embrace the use of synthetic fuels	Ongoing		
	Reduce CO₂ produced in the manufacture of vehicles	Define a calculation scheme to calculate the carbon footprint at the vehicle level	10/2023		
		Launch of R&D vehicle projects (in particular freeride LV, electrified sport minicycles)	12/2022		 
		Launch of R&D platform for development projects in the fields of e-drive and e-storage systems	12/2022		 
Environmental impacts of suppliers	Establish transparency regarding the environmental standard in the supply chain, including identifying actions	Introduce ESG platform, include 80% of series suppliers	12/2022		 

¹ The calculation is based on the average CO₂ emissions of our reported vehicle fleet, which in 2021 were: 79.36 g/km, in 2020: 78.67 g/km and in 2019: 79.09 g/100 km (see further information in the paragraph "Fleet emissions (Scope 3)").

ACTIONS COMPLETED

Environmental aspect	Target	Action	To be implemented by	Status	SDGs
Waste logistics	Compliance with legal requirements stipulated in Austrian Waste Management Act (AWG)	Standardize the waste management concepts of KTM AG and KTM Components	07/2022	●	 
	Reduce the amount of residual waste by 10% in relation to the total amount of waste from the reference year 2019	E-learning course on the topic of waste management to raise awareness of waste handling	12/2022	●	  
Energy consumption	Increase energy efficiency	Switchover to LEDs in vehicle assembly (according to EnEff audit 2019)	12/2022	●	 
	Electrification of the vehicle fleet	20% increase (share of electric and hybrid vehicles)	12/2022	●	 
Emergency preparedness	Ensure safe production operations	Revision of the site-specific emergency plans	06/2021	●	   
Packaging material used	Improve the separation of waste into different types	Implement standard labeling (color/icon) of waste collection containers in production (waste paper, residual waste, cardboard, mixed plastics, oily waste, spray cans)	06/2021	●	
Carbon footprint Indirectly	Delivery optimization - consignment warehouse	Reduce the goods received in the consignment warehouse (not yet quantifiable)		●	 
Legal compliance	Implementation of legal compliance software		12/2021	●	
Light emissions	Reduce light emissions in parking areas	Temporarily switch-off parking lot lighting at the main plant (at night after the end of the late shift)	03/2022	●	 
		Use downward-radiating lights in the parking areas of logistics center 2	07/2022	●	 

Key:  in progress,  completed,  suspended

KEY FIGURES: GREENHOUSE GAS EMISSIONS IN CO₂ EQUIVALENTS

KTM AG's production sites, such as vehicle assembly, frame construction and exhaust production, are not part of the energy-intensive industry. At these and other major sites of the PIERER Mobility Group, greenhouse gas emissions are generated directly from the burning of fossil fuels (Scope 1 emissions) and indirectly from 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 currently around 1% (This calculation does not yet include the share from purchased parts. Efforts are being made to expand the collection of data.). Most of the greenhouse gas emissions, around 99%, are generated when the vehicles which are sold are actually used (Scope 3 emissions).

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

PIERER Mobility Group CO ₂ footprint	2021		2020		2019	
	in t CO ₂ -e	in percent	in t CO ₂ -e	in percent	in t CO ₂ -e	in percent
Greenhouse gas emissions according to greenhouse gas protocol (Scope 1-3):						
Scope 1: Direct greenhouse gas emissions	6,677.29	0.70%	5,679.78	0.67%	6,565.99	0.83%
Emissions natural gas procurement at PIERER Mobility-Gruppe sites ¹	3,898.10	58.38%	3,295.77	58.03%	3,688.60	56.18%
Emissions vehicle fleet	1,638.10	24.53%	1,565.46	27.56%	1,619.37	24.66%
Emissions test benches	1,141.09	17.09%	818.54	14.41%	1,258.02	19.16%
Scope 2: Indirect greenhouse gas emissions "location based"²	5,136.72	0.54%	5,036.93	0.60%	5,580.66	0.71%
Emissions district heat procurement ²	134.39	2.62%	125.73	2.50%	129.33	2.32%
Emissions electricity procurement at PIERER Mobility Group sites ¹	5,002.34	97.38%	4,911.20	97.50%	5,451.33	97.68%
Scope 2: Indirect greenhouse gas emissions "market based"²	213.09	0.02%	1,154.76	0.14%	-	-
Emissions district heating	136.40	64.01%	125.73	10.89%	-	-
Emissions electricity procurement at PIERER Mobility Group sites ¹	76.68	35.99%	1,029.03	89.11%	-	-
Scope 3: Indirect greenhouse gas emissions	936,260.90	98.75%	832,231.63	98.73%	778,605.29	98.46%
Emissions commuter traffic with aircraft	1,315.40	0.14%	738.05	0.09%	6,790.99	0.87%
Emissions commuter traffic with private vehicles	54.79	0.01%	33.01	0.00%	46.75	0.01%
Emissions commuter traffic with rental cars	86.31	0.01%	61.03	0.01%	125.35	0.02%
Emissions commuter traffic with train ³	2.14	0.00%	1.74	0.00%	4.93	0.00%
Emissions commuter traffic with taxi ³	31.05	0.00%	16.26	0.00%	55.83	0.01%
Emissions paper ³	2,144.03	0.23%	1,617.20	0.19%	1,821.04	0.23%
Emissions use phase of vehicle sold ⁴	932,627.17	99.61%	829,764.35	99.70%	769,760.40	98.86%
Total footprint "location based"	948,074.91	100.00%	842,948.34	100.00%	790,751.94	100.00%
Total footprint "market based"	943,151.28	-	839,066.17	-	-	-

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

PIERER Mobility Group CO ₂ footprint	2021	2020	2019
Emissions per vehicle sold			
"location based" (305-4)^{2,5}			
t CO ₂ -e per vehicle sold (Scope 1-2)	0.04	0.05	0.06
t CO ₂ -e per vehicle sold (Scope 1-3)	2.92	3.67	3.83
GRI 302-3 Energy intensity⁶			
MWh per vehicle sold	0.14	0.16	0.20
MWh per vehicle produced	0.25	0.27	0.26
Water consumption in m ³ per vehicle sold	0.08	0.07	0.11

For the calculation of CO₂ equivalents for Scope 1-2, the conversion factors of the Austria Federal Environment Agency and the UK Department for Environment, Food & Regulatory Affairs (DEFRA) for 2016, 2019, 2020 & 2021 were used.

The base year of the calculation is 2018, the calculation of CO₂ equivalents for Scope 1-3 was published for the first time in the Sustainability Report 2019.

In principle, the data of the main company and production sites in Austria are included in the evaluation: In addition to PIERER Mobility AG, this comprises KTM AG, Pierer Innovation GmbH, KTM Technologies GmbH and KTM Sportcar GmbH.

- 1 Evaluation excluding Pierer Innovation GmbH, Avocado GmbH, PIERER E-Bikes GmbH, DC Digital GmbH.
- 2 In 2019, calculation with "location-based" emissions. Emissions from district heating at the KTM Sportcar GmbH site. Since 2020, emissions have also been calculated using a "market based" method. However, for 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). In the case of KTM Sportcar GmbH, the emission factor from the Federal Environment Agency was used for the calculation for district heating, because no information on the emission data is available from the supplier.
- 3 Evaluation including Pierer Innovation GmbH.
- 4 Calculation based on EU homologation data on fuel consumption according to WMTC and taking into account average annual mileage and average service life. The Enduro Competition models are homologated in a mechanically and electronically throttled condition. However, the motorcycles are often used in an unthrottled condition at amateur and professional racing events, at the customer's own risk. This results in significantly higher consumption and greenhouse gas emissions. The KTM models sold directly by Bajaj Auto are also included in the calculation.
- 5 Calculated from the total carbon footprint (market based Scope 1+2 and Scope 1-3) divided by the number of vehicles sold (PTW and X-BOW).
- 6 Calculated from electricity, district heating and natural gas consumption divided by the total number of vehicles sold (PTW and X-BOW). In 2021 and 2020, "market based" was used to calculate electricity and district heating purchases; in 2019, "location based" was used (difference is very small and therefore negligible).

Motorcycles sold in the B2C (retail) business were used for the calculation of the usage phase, as well as X-Bow and, from 2021, e-bicycles in the B2B (wholesale) business: Number of vehicles used for the calculation 324,476 (previous year: 229,536 excl. e-bicycles). 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). A total of 332,881 motorcycles and 76,916 e-bicycles were sold in 2021 (previous year: 270,407 motorcycles, 56,064 e-bicycles).

The values included in the evaluation are based on EU homologation data for the respective models. In 2021, there were several homologation amendments to the MY21 Street and MY22 Enduro models due to changes in catalytic converter compositions. This had a subsequent impact on fleet emissions and consumption in the past two reporting years.

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.

GREENHOUSE GAS EMISSIONS PER VEHICLE SOLD (SCOPE 1-3)

Greenhouse gas emissions per vehicle sold in the production phase (Scope 1-2) were 0.04 t CO₂-e (previous year: 0.05 t CO₂-e) and in the use phase (Scope 1-3) 2.92 t CO₂-e (previous year: 3.67 t CO₂-e). This is equivalent to a reduction in direct and indirect greenhouse gas emissions per vehicle sold of around 22.0% (based on Scope 1+2 emissions) and 20.4% (based on Scope 1+3 emissions) compared with the previous year. The calculation included motorcycles sold in the B2C (retail) business (including the KTM models sold directly by Bajaj Auto) and, from 2021, also e-bicycles sold in the B2B (wholesale) business.

FLEET EMISSIONS (SCOPE 3)

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). When the WMTC test cycle and the EURO 4 emissions standard were introduced on 1/1/2016, 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.

The average CO₂ emissions of our reported vehicle fleet of 249,472 units amounted to 79.36 g/km¹ in 2021 (internal calculation of PIERER Mobility AG). This means that CO₂ fleet emissions increased by 0.69 g/km in the reporting year, also thanks to the strong growth in sales of ICE models with medium and large displacements (> 500 cc) (2020: 78.67 g/km). The LC8c (790/890 & 901) and LC8 (1290) engine platform models recorded sales growth of 4,708 units (+13% YoY).

Nevertheless, between 2016 and 2021 PIERER Mobility AG reduced the average CO₂ emissions of its newly sold vehicles by 2.34% (2020: 3.19%).² Average fuel consumption in the 2021 reporting year was 3.41 l/100km³. Fleet fuel consumption was reduced by 2.49% compared to the 2016 base year (2016: 3.5 l/100km). This equates to a total energy saving of 725.03 gigajoules in the 2021 reporting year.⁴

The introduction of new models and product segments with drive technologies featuring lower fuel consumption and emissions is also having a positive impact on our average fleet values. Including the sold e-bicycle models of PIERER New Mobility GmbH (previously PIERER E-Bikes GmbH), the cumulative CO₂ fleet emission value is 61.14 g/km (internal calculation of PIERER Mobility AG).⁵

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 GRI 302-5

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

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

5 Calculation based on a pro rata share of 74,942 e-bikes in the B2B (wholesale) business.

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

