

Corporate

Report 2020



The Austrian Code of Corporate Governance (ACCG) provides stock companies in Austria with a framework for corporate management and control. This framework includes internationally recognized standards for good corporate governance as well as the regulations of Austrian stock corporation law significant in this context.

The goal of the code is to ensure the responsible management and control of companies and corporate groups based on the sustainable and long-term creation of value. It is intended to create a high degree of transparency for all of the company's stakeholders.

Declaration of Commitment

Lenzing AG respects the ACCG and, for the first time in 2010, committed itself to compliance with the documented provisions. The Supervisory Board also unanimously resolved to fully adhere to the ACCG. The current version of the code (January 2021) is available on the Internet under <https://www.corporate-governance.at>. In accordance with L-Rule 60 of the ACCG, Lenzing AG is required to prepare and publish a Corporate Governance Report. The Corporate Governance Report of Lenzing AG also represents the consolidated Corporate Governance Report for the Lenzing Group.

This Corporate Governance Report is published on the website of Lenzing AG in accordance with C-Rule 61 of the ACCG (<https://www.lenzing.com/investors/corporate-governance>).

The Corporate Bodies of Lenzing AG

The division of responsibilities among the members of Lenzing's Managing Board during the 2020 financial year was as follows:

Managing Board

Stefan Doboczky (born 1967)

Chairman of the Managing Board,
Chief Executive Officer

First appointed: June 01, 2015

Current term of office ends: December 31, 2022

Responsibilities: Corporate Strategy, Corporate Human Resources, Corporate Communications, Sustainability, Corporate Legal Affairs, Investor Relations & Capital Markets, Research & Development, Digital Innovation, Corporate Office

Supervisory board functions in other companies:
OMV

Management and monitoring functions in major subsidiaries: none

Thomas Obendrauf (born 1970)

Member of the Managing Board,
Chief Financial Officer

First appointed: March 01, 2016

Current term of office ends: June 30, 2022

Responsibilities: Finance Fibers, Finance Pulp, Corporate Controlling, Information Technology, Corporate Accounting, Shared Service, Project T3, Business Processes, Treasury, Corporate Audit & Risk Management

Supervisory board functions in other companies:
none

Management and monitoring functions in major subsidiaries: none

Robert van de Kerkhof (born 1964)

Member of the Managing Board, Fibers

First appointed: May 01, 2014

Current term of office ends: December 31, 2023

Responsibilities: Textiles BM, Nonwovens BM, BU Noble Fibers, Marketing & Branding, Sales Admin, Demand Planning, Product Stewardship, Trade Marketing & Distribution

Supervisory board functions in other companies:
none

Management and monitoring functions in major subsidiaries: Lenzing Fibers Holding GmbH

Stephan Helmut Sielaff (born 1966)

Member of the Managing Board, Fibers

First appointed: March 01, 2020

Current term of office ends: February 28, 2023

Responsibilities: Operations Lyocell Standard, Operations Lyocell Specialties, Operations Viscose/Modal, Global QESH, Global Engineering, Global Purchasing, Fiber Supply Planning, P.I.T. (Performance Improvement Team), Lenzing Technik

Supervisory board functions in other companies:
none

Management and monitoring functions in major subsidiaries: Lenzing (Nanjing) Fibers Co., Ltd.

Christian Skilich (1968)

Member of the Managing Board, Pulp & Wood

First appointed: June 01, 2020

Current term of office ends: May 31, 2023

Responsibilities: Operations & Technology Pulp, Purchasing Wood, Commercial Affairs Pulp, Commercial Affairs Co-Products, Project Amadeus, Site LDC, Global Logistics, Site Lenzing

Supervisory board functions in other companies:
Labewood s.r.o. (since January 01, 2021)

Management and monitoring functions in major subsidiaries: Biocel Paskov a.s.

The Managing Board directs the business operations of Lenzing AG in accordance with the applicable legal regulations, the Articles of Association and the internal rules of procedure for the Managing Board. The distribution of responsibilities among the individual members of the Managing Board is based on the organizational plan specified in the internal rules of procedure, which also regulates the cooperation between the Managing Board members. Furthermore, the Managing Board is required to comply in full with the rules stated in the Austrian Code of Corporate Governance.

Supervisory Board

Composition

Peter Edelmann (born 1959)

First appointed: April 12, 2018

Since April 17, 2019: Chairman

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2020 financial year.

Supervisory board functions in other companies:

AMAG Austria Metall AG, Orcan Energy AG

Veit Sorger (born 1942)

First appointed: June 04, 2004

Since March 29, 2011: Deputy Chairman

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2020 financial year.

Supervisory board functions in other companies:

Mondi AG, Binder+Co AG, GrECo International Holding AG

Helmut Bernkopf (born 1967)

First appointed: April 23, 2009

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2022 financial year.

Supervisory board functions in other companies:

Oesterreichische Entwicklungsbank AG, OeKB CSD GmbH, Acredia Versicherung AG, OeKB EH Beteiligungs- und Management AG, Österreichische Hotel- und Tourismusbank GmbH

Christian Bruch (born 1970)

First appointed: April 17, 2019

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2022 financial year.

Supervisory board functions in other companies:

none

Stefan Fida (born 1979)

First appointed: April 17, 2019

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2020 financial year.

Supervisory board functions in other companies:

Semperit AG Holding

Franz Gasselsberger (born 1959)

First appointed: April 24, 2013

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2022 financial year.

Supervisory board functions in other companies:

Bank für Tirol und Vorarlberg Aktiengesellschaft, BKS Bank AG, voestalpine AG

Patrick Prügger (born 1975)

First appointed: March 29, 2011

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2021 financial year.

Supervisory board functions in other companies:

AMAG Austria Metall AG



Astrid Skala-Kuhmann (born 1953)

First appointed: April 19, 2012

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2021 financial year.

Supervisory board functions in other companies:

Semperit AG Holding, B&C Industrieholding GmbH

Melody Harris-Jensbach, (born 1961)

First appointed: June 18, 2020

Current term of office ends at the Annual General Meeting, which will pass resolutions on the 2023 financial year.

Supervisory board functions in other companies:

none

Felix Fremerey (born 1961)

First appointed: April 12, 2018

Felix Fremerey resigned from the Supervisory Board at his own request at the end of the Annual General Meeting on June 18, 2020.

Supervisory Board members delegated by the Works Council:

Helmut Kirchmair (born 1968)

First appointed: 2015

Georg Liftinger (born 1961)

First appointed: 2008

Daniela Födinger (born 1964)

First appointed: 2014

Johann Schernberger (born 1964)

First appointed: 2001

Herbert Brauneis (born 1987)

First appointed: 2018



Independence (C-Rules 53 and 54 ACCG)

The Supervisory Board has adopted the guidelines for the independence of its members pursuant to Appendix 1 of the ACCG.

Thereafter, all members of the Supervisory Board have declared themselves to be independent of the company and the Managing Board.

In accordance with C-Rule 54 of the ACCG, the Supervisory Board members Veit Sorger, Helmut Bernkopf, Christian Bruch, Franz Gasselsberger and Melody Harris-Jensbach declared that they were neither shareholders with a stake of more than 10 percent in the company nor did they represent the interests of such shareholders during the 2020 financial year.

Working procedures of the Supervisory Board

In order to fulfill its responsibility to monitor the work of the Managing Board, the Supervisory Board of Lenzing AG holds meetings at least once each quarter. Eight Supervisory Board meetings were held during the reporting year (C-Rule 36). The Supervisory Board was informed by the Managing Board about the business development as well as major transactions and measures. The Supervisory Board supervised the work of the Managing Board and provided advice regarding crucial strategic decisions. Central topics of the meetings included the business development, the strategic development of the Group, ongoing and planned expansion projects, focal points of research and development, personnel measures, financing measures as well as the discussion and approval of the budget for the 2021 financial year.

The Supervisory Board of Lenzing AG appointed seven committees from among its members in the 2020 financial year (C-Rules 34 and 39 of the ACCG):

Audit Committee

The Audit Committee carries out the responsibilities defined by Section 92 Para. 4a of the Austrian Stock Corporation Act. Accordingly, it is responsible, above all, for monitoring the accounting process and making recommendations or suggestions to ensure its reliability. This committee also oversees the effectiveness of the internal control system, internal audit and risk management. It supervises the audit of the annual and consolidated financial statements, examines and monitors the independence of the auditor and approves and controls non-audit services. The Audit Committee also examines the annual financial statements and prepares their approval by the full Supervisory Board, evaluates the Managing Board's proposal for the distribution of profits, the Management Report and the Corporate Governance Report. The Chairman of the Audit Committee defines the reciprocal communication between the auditor and the Audit Committee (C-Rule 81a of the ACCG). The committee is required to report to the Supervisory Board on its activities. The Audit Committee met three times in the 2020 financial year. The meetings focused on the reports and work of the auditor, compliance, sustainability reporting and the implementation of the internal audit schedule and the Risk Report.

Members: Patrick Prügger (Chairman, financial expert), Peter Edelmann, Franz Gasselsberger, Johann Schernberger, Georg Liftingner

Nomination Committee

The Supervisory Board has established a Nomination Committee. It makes recommendations to the Supervisory Board for appointments to fill vacant positions on the Managing Board and deals with issues related to succession planning. Recommendations are also made to the Annual General Meeting for appointments to the Supervisory Board. The Nomination Committee met twice in the 2020 financial year.

Members: Peter Edelmann (Chairman), Veit Sorger, Astrid Skala-Kuhmann, Johann Schernberger, Georg Liftingner

Remuneration Committee

The Supervisory Board has established a Remuneration Committee. It deals with the terms and conditions of the employment contracts with the members of the Managing Board and ensures compliance with C-Rules 27, 27a and 28 of the ACCG. In addition, the Remuneration Committee is responsible for preparing and reviewing the remuneration policy for the Managing Board members and Supervisory Board members, and for controlling the implementation of the remuneration policy for Managing Board members. The three meetings held by the Remuneration Committee in 2020 focused, in particular, on evaluating the performance of the Managing Board and the targets as well as general remuneration issues relating to the Managing Board.

Mitglieder: Peter Edelmann (Chairman), Veit Sorger

Strategy Committee

The Supervisory Board has established a Strategy Committee. It is responsible for reviewing the strategic positioning of the company and monitoring the implementation of the corporate strategy. In the 2020 financial year the Managing Board discussed, in particular, issues related to Lenzing's market positioning, the further development of the sCore TEN strategy and the competitive environment with the Strategy Committee. Two meetings were held in the 2020 financial year.

Members: Peter Edelmann (Chairman), Astrid Skala-Kuhmann, Veit Sorger, Patrick Prügger, Christian Bruch, Johann Schernberger, Georg Liftinger, Helmut Kirchmair, Melody Harris-Jensbach

Committee for Urgent Matters

The Supervisory Board has formed a committee to deal with urgent matters. It is authorized to make decisions in particularly urgent cases on transactions, which require the approval of the Supervisory Board. This committee did not meet in the 2020 financial year.

Members: Peter Edelmann (Chairman), Patrick Prügger, Johann Schernberger

Committee for Large-CAPEX Projects

The Supervisory Board has established a Committee for Large-CAPEX Projects. This committee deals with the ongoing support, consulting and control of the two large projects for the construction of a lyocell fiber plant in Thailand and the construction of a dissolving wood pulp plant in Brazil. The committee met five times in the 2020 financial year.

Members: Peter Edelmann (Chairman), Dr. Christian Bruch, Johann Schernberger

Committee for Financing Project Amadeus

The Supervisory Board of Lenzing AG established this committee in particular in the context of the simultaneous implementation of several large strategic projects. The committee met three times in the 2020 financial year.

Members: Peter Edelmann (Chairman), Patrick Prügger, Franz Gasselsberger, Helmut Bernkopf, Johann Schernberger, Georg Liftinger

Cooperation between the Managing Board and the Supervisory Board

The Managing Board reports to the Supervisory Board on fundamental issues relating to future business policies and the outlook for the financial position and financial performance of Lenzing AG and the group companies. In addition, the Managing Board provides the Supervisory Board with regular information on the development of business and the position of the company and the Group in comparison to forecasts, taking future developments into account. In a separate strategy meeting, the Managing Board and Supervisory Board also discuss the long-term growth objectives of the Lenzing Group.



Self-evaluation by the Supervisory Board

In the 2020 financial year, the Supervisory Board carried out a self-evaluation again as required by C-Rule 36 of the ACCG in the form of a questionnaire, which focused on the control function of the Supervisory Board over the Managing Board and compliance with the obligations of the Managing Board to provide information to the Supervisory Board. The result of the self-evaluation shows that the activities of the Supervisory Board of Lenzing AG are again rated as good overall. The Supervisory Board has acted on individual suggestions from the self-evaluation process. As a result, measures designed to ensure efficiency improvements in the activities of the Supervisory Board have been derived.

Principles of the Remuneration System for the Managing Board and Supervisory Board

In accordance with the Stock Corporation Law Amendment Act 2019 (Federal Law Gazette I 2019/63) the requirements regarding disclosure of the total remuneration of the individual members of the Managing Board and the principles of remuneration are no longer applicable.

A separate remuneration report was prepared for the first time for the 2020 financial year, which addresses the remuneration of the Managing Board and the Supervisory Board and can be viewed on the website <https://www.lenzing.com> after its discussion at the Annual General Meeting.

Advancement of women in the Managing Board, Supervisory Board and key management positions (L-Rule 60 ACCG)

Lenzing AG follows a strict equal opportunity policy in all functions and on all hierarchy levels, and actively promotes the career development of women in managerial positions in all areas of the business. As a result, the focus on the transparency of corporate social responsibility and diversity was increased as part of a CSR initiative in 2020.

Astrid Skala-Kuhmann, Melody Harris-Jensbach and Daniela Födinger are members of the Supervisory Board. The functions of Vice President Operations & Technology Pulp and Global Commercial Director Biorefinery & Co-Products as members of the top management team of the Pulp and Wood Division are held by women who report directly to the member of the Managing Board responsible for Pulp & Wood. One of the seven production sites – Lenzing Biocel Paskov – has been managed by a woman since 2019. More than half of the top management team in the Global Human Resources Department consists of women.

“Modern working conditions” are defined as a focus in the strategic HR orientation. This includes, among other things, the reconciliation of work and family life as a central topic. Therefore, in addition to existing flexible working time models, home office and parental leave for both parents, a bilingual (English-German) daycare center “Fasernest” was established near the Lenzing plant in 2018.

Compliance

Lenzing Global Code of Business Conduct

Lenzing attaches great value to the integrity and legally compliant behavior of all employees and business partners. As members of an internationally operating company, all executives and employees of Lenzing act as role models both nationally and internationally, for which the Lenzing Global Code of Business Conduct provides the basis. It is available to all employees in the Group languages on the intranet ("Lenzing Connect") and also accessible to external stakeholders on the website of the company. The Global Code of Business Conduct is supplemented by the Global Supplier Code of Conduct.

Compliance organization

In a further step to implement the compliance management system in the Lenzing Group, Compliance Officers have been trained at the locations in Asia and Brazil. The training addressed compliance-relevant topics such as the Code of Conduct, bribery and corruption, antitrust, etc. as well as the structure and implementation of compliance training for the employees on site.

Training

Understanding rules and regulations is a fundamental requirement for "correct" behavior. Therefore, the eLearning program was continuously expanded during the reporting year, thus efficiently conveying the most important contents of the compliance directives.

New employees receive welcome folders and onboarding training on the Code of Conduct and on the topics of "Bribery and Corruption" and "Issuer Compliance". In addition, every employee receives training on data protection, whistleblowing and IP protection in the form of eLearning. The latter two were rolled out globally during the reporting period.

Roughly 3,000 employees received training on various compliance topics during the reporting period (approx. 41% of the total workforce). Due to COVID-19, this training took place primarily via eLearning and online meetings.

Whistleblower system

Timely notification on ethical misconduct is important to take precautionary measures to prevent or reduce financial loss or reputational damage. In this context, our employees – and other stakeholders – are the primary and most valuable source of information. They in particular are able to support us in identifying violations of our Global Code of Business Conduct.

In order to enable our employees and other stakeholders to report concerns in connection with topics such as corruption, bribes, conflicts of interest, antitrust laws and capital market law, an online-based whistleblowing system was established in the summer of 2017. Concerns can be reported anonymously and without fear of retaliation worldwide with this system.

Four reports were filed during the reporting period (three of them via a mailbox that has been set up), which were processed in a targeted manner in accordance with the internal Investigation Directive. The Audit Committee is informed about the incidents reported twice a year.

Measures to fight cybercrime

Lenzing has taken targeted technical and organizational measures to strengthen resilience to data theft, manipulation of business processes and other forms of internet crimes for several years.

Like other Austrian companies, Lenzing is subject to increasingly intensive attacks using increasingly sophisticated methods. Recurrent information and training, in particular for exposed departments, as well as technical measures such as smart filter and defense systems contribute to optimally supporting employees who act responsibly in exercising their tasks and effectively protecting our data and corporate values. In addition, the threat situation and current events in the business environment are analyzed. Based on the resulting findings, protective measures are improved continuously.

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Governance

Update directives

During the reporting year, the updated directive on the topic of “know-how protection” was rolled out throughout the Group. A directive on the topic of „money laundering and terrorist financing” was created; its roll-out throughout the Group is scheduled for the first quarter of 2021.

Investigations

One official investigation was carried out in the Lenzing Group during the reporting period. This investigation was completed without any follow-up measures. One official investigation dating back to 2019 is still ongoing.

Compliance violations

Compliance violations are collected by the Legal, IP and Compliance Department. As in the previous years, no material cases of corruption were reported at Lenzing in 2020. No public proceedings related to corruption were filed against the company or its employees during the reporting period. Likewise, no significant fines had to be paid for the violation of legal regulations. No cases are pending due to anticompetitive practices.

At the meeting of the Audit Committee of the Supervisory Board on September 9, 2020, the Compliance Officer reported on the content, objectives and status of the compliance organization, the structure of the compliance management system, training and internal and external investigations in a separate agenda item.

Directors' Dealings

The purchase and sale of shares by members of the Managing Board and Supervisory Board are disclosed in accordance with the applicable legal regulations [Art. 19 Regulation (EU) No. 596/2014]. [Information on these purchases and sales is provided on the company's website.]

Risk management and Corporate Audit

The effectiveness of Lenzing's risk management system in the reporting year was evaluated by the auditor, KPMG Austria GmbH, in accordance with Rule 83 of the ACCG and resulted in an unqualified opinion. The Managing Board was informed of the audit results. In addition, the Head of Risk Management reports regularly on current risks at the Audit Committee meetings.

The Corporate Audit Department reports directly to the Managing Board. The annual audit schedule is finalized in close cooperation with the Managing Board and the Audit Committee. The Head of Corporate Audit also makes regular reports to the Audit Committee on key audit findings.



External evaluation

In accordance with C-Rule 62 of the ACCG, Lenzing must arrange for an external institution to evaluate its compliance with the C-Rules of the code on a regular basis, but at least every three years. Lenzing commissioned PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH to evaluate its Corporate Governance Report for 2020. This evaluation concluded that the statement of compliance with the Austrian Code of Corporate Governance issued by Lenzing AG gives a true and fair representation of the actual situation. All external evaluation reports are published on the company's website under <https://www.lenzing.com>.

Lenzing Aktiengesellschaft
Lenzing, March 08, 2021

The Managing Board

Stefan Doboczky
Chief Executive Officer

Thomas Obendrauf
Chief Financial Officer

Robert van de Kerkhof
Member of the Managing Board

Stephan Sielaff
Member of the Managing Board

Christian Skilich
Member of the Managing Board

Diversity concept

Respect, diversity and inclusion represent integral and indispensable components of the corporate culture of Lenzing AG and are reflected in appointments to all functions. Recommendations to the Annual General Meeting for elections to the Supervisory Board and the appointment of members to the Managing Board are designed to achieve a technical and diversity-related balance because this makes an important contribution to the professionalism and effectiveness of the work performed by the Supervisory Board and the Managing Board. In addition to technical and personal qualifications, aspects such as age structure, origin, gender, education and experience are also key criteria. Diversity within the Supervisory Board was further improved during the reporting year when vacant Supervisory Board mandates were filled.