

The Remuneration Policy defines the principles that are applied in order to determine the remuneration of the Managing and Supervisory boards of Lenzing Aktiengesellschaft (Lenzing AG). The remuneration system implements the statutory requirements of Section 78 et seq. of the Austrian Stock Corporation Act (AktG) and the recommendations of the Austrian Code of Corporate Governance (ÖCGK). The primary aim of the Remuneration Policy is to promote the long-term and sustainable development and growth of the Group's business.

## Remuneration of the Managing Board

### Principles of remuneration of members of the Managing Board

The Supervisory Board's Remuneration Committee is responsible for preparing, regularly revising and controlling the implementation of the Remuneration Policy for the Managing Board. Final determination of the Remuneration Policy is the responsibility of the entire Supervisory Board. If required, the committee and/or the Supervisory Board are to be supported by an external remuneration advisor. In order to avoid conflicts of interest, it is to be ensured that the advisor to whom recourse is made does not at the same time advise the Managing Board on remuneration issues.

The Managing Board members' tasks and activities, the company's situation and standard levels of remuneration are taken into consideration when determining the remuneration of the Managing Board. The Managing Board members' professional experience and responsibilities as well as the scope and complexity of their work are to be taken into consideration. A horizontal remuneration comparison to other Austrian and German industrial enterprises ensures that the remuneration of the Managing Board is competitive and in conformity with the market, and will attract, motivate and retain the most qualified Managing Board members for the company. In addition, the remuneration and employment condition of the company's employees will be taken into consideration in order to establish the relationship of Managing Board remuneration to the company's remuneration structure.

Managing Board members are employed on local Austrian terms and conditions. For this reason, remuneration components are determined in euros (gross). The Managing Board members' employment contracts are concluded with Lenzing AG and are subject to Austrian law.

### Remuneration components and structure

The Managing Board members' remuneration is comprised of non-performance-based and performance-based components which are as follows:

## Overview of remuneration components

Remuneration components	Description of major parameters
<b>Non-performance-based remuneration</b>	
Basic remuneration	Fixed salary at a competitive level taking into consideration responsibility and activities of each Managing Board member
Remuneration in kind and other benefits	Company car, insurance premiums
Pension contributions	Defined pensions are paid via an external pension fund
<b>Performance-based remuneration</b>	
Short-term variable performance bonus (Short-Term Incentive, STI)	<p>Performance assessment based on financial and non-financial criteria over an assessment period of one year</p> <ul style="list-style-type: none"> <li>– Financial criteria: EBITDA, ROCE and share of net profit/loss for the year attributable to shareholders of Lenzing AG</li> <li>– Non-financial targets: Overall performance and individual performance (modifier of +/-20%)</li> </ul> <p>Cap: 150% of the target value bonus</p>
Long-term variable performance bonus (Long-Term Incentive, LTI)	<p>Performance assessment based on financial and non-financial criteria over an assessment period of several years</p> <ul style="list-style-type: none"> <li>– Financial criteria: ROCE, share of net profit/loss for the year attributable to Lenzing AG shareholders and relative TSR</li> <li>– Non-financial criteria: Sustainability targets</li> </ul> <p>Cap: 200% of the target value bonus</p>
Special grants and bonuses	May be granted in the case of extraordinary achievements that have a future-oriented benefit for the company, and sign-on bonuses and retention bonuses

The components of the target remuneration (exclusive of remuneration in kind and other benefits, pension contributions or special grants or bonuses, if any) account for the following percentages:

Percentage of remuneration components in target remuneration in%	Managing Board Chair (CEO)	Managing Board member
<b>Basic salary</b>	35-45%	35-55%
<b>STI</b>	15-30%	20-35%
<b>LTI</b>	30-50%	20-35%

The relative percentages of existing contracts with Managing Board members lie within the above-stated ranges. At the same time they serve as a benchmark for the conclusion of future contracts with Managing Board members. Details on the absolute amounts of remuneration components can be found in the Corporate Governance Report or in the company's Remuneration Reports after the Annual General Meeting concerning the 2020 financial year.

The long-term variable performance bonus promotes medium-term and long-term value enhancement as well as the successful implementation of the Lenzing Group's strategy including the sustainability strategy. In addition, the LTI also takes into consideration the relative total shareholder return (TSR), in other words, the shareholder return from share price performance and dividend in relation to selected companies of the ATX Prime and the MDAX. This serves the purpose of aligning the targets of Managing Board members with interests of shareholders and stakeholders.

Due to consideration of the relative TSR, Managing Board members are granted share-based remuneration. In other respects, the focus of variable remuneration components is to be placed more on internal performance indicators relating to the company's financial results and sustainability indicators. This is because the stock market price of the company's shares is sometimes significantly affected by exogenous factors such as interest rates trends as well as bull and bear phases in the capital market, and is consequently appropriate to only a limited extent as a benchmark to assess Managing Board performance.

With regard to C-Rule 27 of the Austrian Code of Corporate Governance, the Remuneration Policy makes provision whereby the company may reclaim variable remuneration components if it transpires that they were paid on the basis of evidently false data (claw back).

## **Basic salary**

The basic salary consists of a fixed annual salary paid in 14 equal installments. These payments cover all overtime, traveling time and all work performed in excess of normal working hours applying to the company's employees. This also includes directorships held at Group companies.

The basic salary is a fixed competitive payment which incentivizes Managing Board members to act for the company's benefit in compliance with shareholder interests, employee interests and public interests.

## **Short-Term Incentive (STI)**

The STI is based on the company's performance in the respective past financial year and depends on the financial targets of Group EBITDA, Group ROCE and the share of net profit/loss for the year attributable to shareholders of Lenzing AG as well as non-financial criteria.

## Performance criteria Short-Term Incentive (STI)

### Overview of STI performance criteria

Performance criterion	Financial			Non-financial
	EBITDA (absolute)	Return on capital employed (ROCE)	net profit for the year attributable to shareholders of Lenzing AG	Modifier
Weighting	40%	30%	30%	0.8 - 1.2

The Supervisory Board's Remuneration Committee defines the target levels and the upper and lower limits for financial performance criteria for the assessment period (the current financial year), which apply to all Managing Board members equally, by January 31 of the financial year in question. The target value may be defined by following the approved budget for the relevant year, among other methods. The actual target achievement rates will then be calculated on the basis of the audited IFRS consolidated financial statements after the end of the respective financial year.

### Financial performance criteria - STI

Performance	Target achievement rate
Upper limit	150%
Target value	100%
Lower limit	50%
Lower limit not reached	0%

If exactly the lower limit is achieved for the respective financial performance criterion, the target achievement level amounts to 50%. If the upper limit is reached or exceeded, the target achievement rate amounts to 150% (CAP). Target achievement rates lying between the levels are distributed on a linear basis (linear interpolation). If the lower limit is not reached, the target achievement rate amounts to 0%. As a consequence, the bonus share for the relevant performance criterion and the short-term variable performance bonus (STI) as a whole may be omitted completely.

### Overview of the STI entitlement calculation



In the case of extraordinary performance that is not reflected in the financial criteria, the Remuneration Committee may increase the bonus that derives from the achievement of the financial performance criteria by a maximum of 20% by applying a modifier, or reduce the same by a maximum of 20% in the case that performance lies below expectations. Normally, a modifier of 1.0 is to be applied. The basis for assessing non-financial performance is, firstly, the collective performance of the entire Managing Board and, secondly, the individual performance of each Managing Board member. This may include, for example, the achievement of important strategic corporate goals and the realization of key projects.

The amount of the STI target value bonus is defined individually for each Managing Board member in his or her employment contract. The STI bonus is limited to 150% of the target value bonus and cannot be exceeded, including by application of the modifier. The amount of the payment will be calculated by June 30 of the financial year following the end of the assessment period and will then be paid in seven equal installments in the months July to December (including a special payment in December).

The inclusion of three financial and one non-financial target key performance indicators in the assessment ensures a comprehensive and balanced assessment of the Managing Board members' performance. The financial target key performance indicators take into consideration trends in both profitability and returns on capital. By using EBITDA with a 40% weighting, the focus is on earnings growth. In addition, ROCE with a weighting of 30% takes into consideration the efficiency of capital employment. The appropriation of the share of the net profit/loss for the year attributable to the shareholders of Lenzing AG has the effect of aligning the remuneration with the interests of the shareholders of Lenzing AG.

Under special circumstances (in particular in a period of corporate restructuring) the Supervisory Board's Remuneration Committee may replace the financial performance criteria by alternative performance criteria, such as free cash flow as well as the EBITDA or EBIT margin, by January 31 of the current financial year. The weightings of the criteria may also be adjusted in the course of such a modification. This is intended to enable the management to focus on generating free cash flows in critical phases in compliance with profitability trends.

## **Long-Term Incentive (LTI)**

The LTI is a performance-based remuneration component with an assessment period of several years which is intended to achieve a long-term incentive effect. The LTI is granted on a rolling basis, i.e. in annual tranches with assessment periods of three years each. For this purpose, financial performance criteria, namely the share of net profit/loss for the year attributable to shareholders of Lenzing AG, Group ROCE and the company's capital market performance in relation to selected peer companies (relative TSR), and non-financial sustainability criteria are applied.

## Performance criteria Long-Term Incentive (LTI)

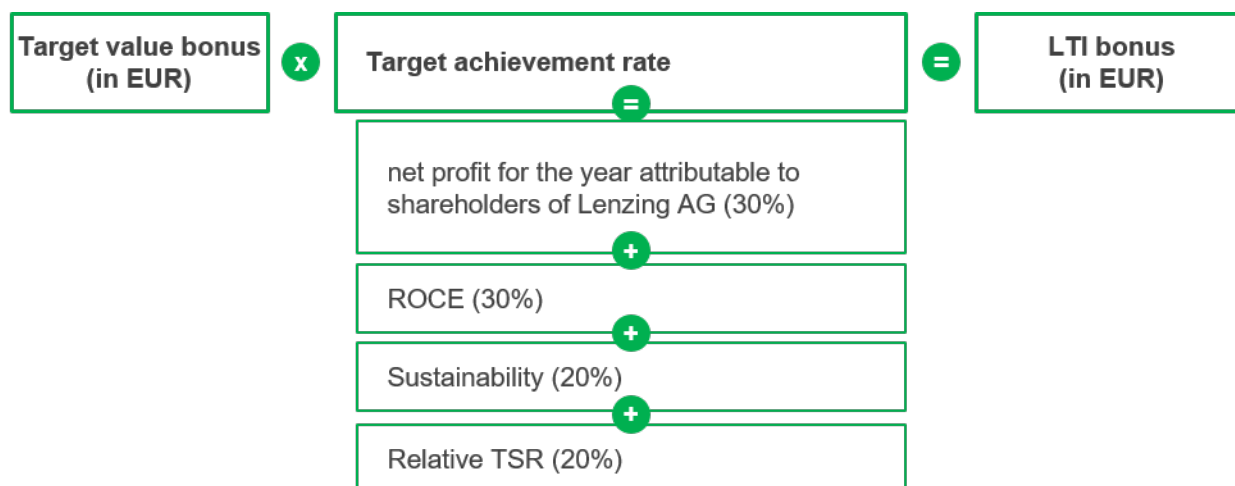
### LTI performance criteria overview

	Financial			Non-financial
<b>Performance criterion</b>	net profit for the year attributable to shareholders of Lenzing AG	Return on capital employed (ROCE)	Relative total shareholder return (TSR)	Sustainability
<b>Weighting</b>	30%	30%	20%	20%

The Supervisory Board's Remuneration Committee defines the target values and the upper and lower limits of the financial LTI performance criteria for the assessment period (mean of the next three financial years), which applies to all Managing Board members, by January 31 of the financial year in question.

Starting from January 2022, the relevant ESG KPIs, assessment criteria and specific targets for sustainability criteria are to be defined by January 31 of the respective financial year.

### Overview of the LTI entitlement calculation



Incentivizing Managing Board members in a uniform manner simplifies the integration of newly appointed Managing Board members, thereby serving the company's sustainable performance. When defining LTI targets, recourse is made to both internal sources such as corporate planning and, where appropriate, external sources such as analysts' estimates and historical peer performance. This is intended to create a target that is ambitious compared to competitors, thereby supporting the long-term competitiveness of Lenzing AG. The level of target achievement is then determined on the basis of the audited IFRS consolidated financial statements and sustainability reporting or, where applicable, the corresponding external ESG ratings for the financial years of the assessment period. In contrast to the STI, the LTI target achievement rate amounts to 200% (CAP) when reaching the upper limit.

## LTI - Zielerreichung

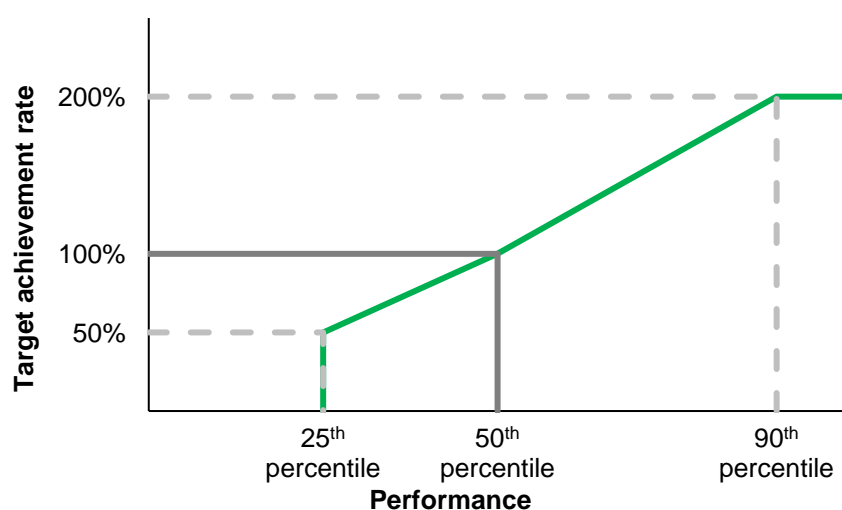
### Financial performance criteria - LTI

Performance	Target achievement rate
Upper limit	200%
Target value	100%
Lower limit	50%
Lower limit not reached	0%

Accordingly, the bonus share for the relevant performance criterion and the long-term variable performance bonus as a whole may be omitted completely.

To assess the target achievement rate of the relative TSR, the TSR performance of Lenzing AG is compared with the performance of all ATX Prime and MDAX companies (in each case excluding banks, insurance companies and real estate companies). If the TSR of Lenzing AG equals the 50th percentile (median) of the peer group, the target achievement rate amounts to 100%. The 25th percentile is defined as the lower limit with a target achievement rate of 50% and the 90th percentile is defined as the upper limit with a target achievement rate of 200%. If the TSR of Lenzing AG lies below the 25th percentile, the target achievement rate amounts to 0%. Between the 25th percentile and the 50th percentile and between the 50th percentile and the 90th percentile, the TSR target achievement rates are distributed on a linear basis (linear interpolation).

### Target achievement curve – relative TSR



In addition to the relative TSR, the use of ROCE and the share of net profit/loss for the year attributable to Lenzing AG shareholders takes into consideration both profitability and the earnings trend in the long-term variable performance bonus. While ROCE focuses efficient long-term capital employment, the share of net profit/loss for the year attributable to the shareholders of Lenzing AG has the effect of aligning remuneration with

the shareholders' interests. The target levels and upper and lower limits for ROCE and the share of net profit/loss for the year attributable to shareholders of Lenzing AG are generally not identical for the short-term and long-term performance bonus. By using the ROCE in both remuneration components the focus is on efficient capital employment.

Due to the increasing significance of the topic of sustainability for all businesses and in particular also for Lenzing AG, two to five sustainability targets are to be defined for each LTI tranche according to the following list of criteria:



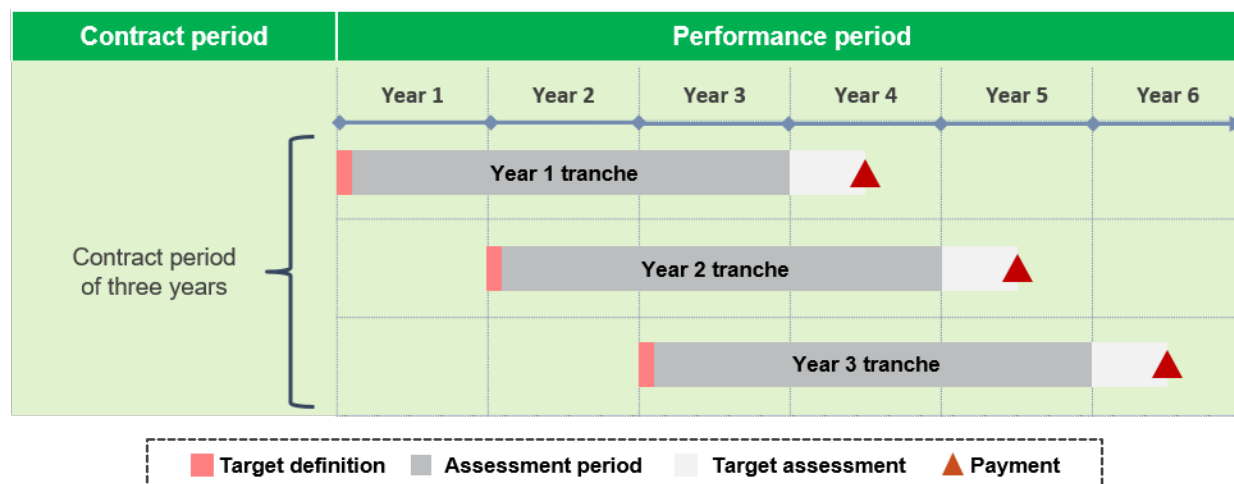
By this means, sustainability targets can be adjusted to the business environment of Lenzing AG, and different emphases can be set for each financial year.

The LTI is granted in yearly tranches with three-year assessment periods.

Here, the target values and the upper and lower limits for the three financial performance criteria always refer to the mean of the three years of the assessment period. An LTI target bonus applies to each tranche, the amount of which is defined for each Managing Board member individually in his or her employment contract.

The tranche model used for the LTI is intended to promote the company's long-term strategic development. When defining the LTI, this model also reflects the company's performance after the end of the term of office of a Managing Board member. This incentivizes Managing Board members to continue to invest sustainably in the company at the end of their terms of office. This also helps to offset the effects of cyclical earnings fluctuations on the LTI.





The payment amount of the LTI tranche is to be calculated by June 30 of the financial year following the end of the assessment period for an LTI tranche, and is then paid in seven equal installments in the months July to December (including a special payment in December). If Managing Board members resign from their role before the end of the term for which they were appointed or if they are dismissed for an exceptional reason as defined in Section 75 AktG, all claims to LTI payments for all LTI tranches for which the assessment period has not yet expired are forfeited.

## Special grants and bonuses

The Remuneration Committee reserves the right to grant special bonuses for special work or achievements in addition to the aforementioned variable performance bonuses, provided that the company has derived a future-oriented benefit from such special work or achievements. Special bonuses are intended to motivate Managing Board members to manage the company sustainably and on a long-term basis.

The granting of sign-on bonuses and retention bonuses to Managing Board members is permitted. This may be necessary in order to attract top qualified Managing Board members and to retain them for the company.

## Pension fund

Lenzing AG pays contributions for the Managing Board members it employs into an external pension fund. The amount of such payments is defined individually for each Managing Board member in his or her employment contract and amounts to between 4% and 15% of the annual basic salary. Normally, no early retirement schemes apply.

## Remuneration in kind and other benefits

The company may take out a directors and officers (D&O) insurance policy, accident insurance and any other insurance necessary for the activities as a Managing Board member, such as a legal expenses insurance and foreign travel health insurance. The company may provide Managing Board members with a company car. In addition, Managing Board members may be reimbursed reasonable business expenses incurred in connection with their work as a Managing Board member, as well as travel expenses. Managing Board members have

health, pension and accident insurance cover with an Austrian social security institution. The costs of social security contributions are divided between Managing Board members and the company according to the statutory key, and the company pays a statutory contribution to a severance payment and pension fund. In the case of the death of a Managing Board member, the company may grant the widow or the children of the deceased a death benefit.

## **Derogation from the Remuneration Policy in extraordinary circumstances**

In extraordinary circumstances, the Remuneration Committee or the Supervisory Board may temporarily derogate from this Remuneration Policy in accordance with Section 78a (8) AktG in order to ensure the company's long-term development and/or profitability.

If the office of a Managing Board member is assumed by a Supervisory Board member on an interim basis, the variable remuneration components and the proportion between the basic salary and variable remuneration components may be defined on a different basis in order to incentivize the Managing Board member who has been delegated by the Supervisory Board in a manner that is appropriate for the situation.

In addition, in extraordinary circumstances which are particularly challenging in macroeconomic terms or specifically for the company, other short-term and long-term performance bonuses may be defined on a temporary basis in order to attract and/or retain particularly suitable Managing Board members and to motivate them accordingly by means of remuneration incentives.

## **Term of office of Managing Board members**

The term of office of a Managing Board member is normally limited to approximately three years; in exceptional cases a term of office of up to five years may be agreed. Re-appointments are permitted. To ensure continuity on the Managing Board, the Supervisory Board ensures that the majority of contracts of Managing Board members do not end on the same date.

## **Termination of the office of a Managing Board member**

The Managing Board members' employment contracts are concluded for limited periods of time. They may only be terminated for exceptional reasons, in particular those of Section 27 of the Austrian Employees Act (AngG), with no notice period being applicable. In the case of permanent occupational disability or if an illness continues for more than six months, the employment relationship may also be terminated during the term of the contract by either of the parties by giving three months' written notice as of June 30 or December 31 of a given year.

In the case of early termination of an appointment to the Managing Board by the company for any of the reasons stated in Section 75 AktG, or in the case of resignation from office without an exceptional reason and without the Supervisory Board's consent, the employment contract shall also end.

If severance pay was agreed with Managing Board members in the case of early termination without an exceptional reason, such severance pay must not exceed the annual base salary plus the maximum STI for a maximum of two years or a shorter residual term of contract, if applicable.

## Remuneration of the Supervisory Board

### Principles of remuneration of members of the Supervisory Board

The Remuneration Committee is responsible for preparation and regular review of the Remuneration Policy for Supervisory Board members. The entire Supervisory Board is responsible for setting up the Remuneration Policy for the Supervisory Board. The final annual determination of the remuneration for the Supervisory Board is the responsibility of the Annual General Meeting (Section 98 AktG).

As a matter of principle, the remuneration for the Supervisory Board consists of basic remuneration for work on the Supervisory Board and for membership of a committee, and an attendance fee for meetings of the Supervisory Board and its committee(s). In view of the greater responsibility and the broader scope of activities, the chair of the Supervisory Board and his/her deputy, the chairs of the committee(s), specific committee members and the financial expert may be granted a basic remuneration that is higher than that of regular Supervisory Board members. In addition, Supervisory Board members are entitled to reimbursement of their expenses.

If Supervisory Board members assume a special task within the company, special remuneration may be granted to them by resolution of the Annual General Meeting.

The remuneration of the Supervisory Board is intended to promote the business strategy and the long-term development of the company by appropriately taking into consideration the responsibility and the scope of work of the Supervisory Board members as well as the company's financial position. In order to ensure that the Supervisory Board can supervise the management in an unbiased manner, Supervisory Board members are neither granted variable remuneration or bonuses nor share-based remuneration; this prevents convergence with the interests of the Managing Board.

In order to attract, motivate and retain the most suitable Supervisory Board members, remuneration is defined on a performance-oriented basis and is in conformity with the market. When defining remuneration that is in conformity with the market, not only Austrian but also German enterprises are applied as a benchmark. In view of the global business activities of Lenzing AG, this is necessary in order to offer highly-qualified international candidates attractive remuneration.

The company may take out a directors and officers (D&O) insurance policy for Supervisory Board members.

### Derogation from Remuneration Policy in extraordinary circumstances

In extraordinary circumstances the Annual General Meeting may temporarily adapt the amount of remuneration for the Supervisory Board and meeting attendance fees to reflect the company's situation, if this is necessary for the company's long-term development or for safeguarding its profitability.

### Term of office of Supervisory Board members and termination

Supervisory Board members are appointed by the Annual General Meeting for a period of approximately three to five years; in exceptional cases appointments for shorter terms are possible. Re-appointments are permitted. To ensure continuity on the Supervisory Board, the Annual General Meeting is to ensure that not all appointments end on the same date.

The appointment of a Supervisory Board member may be revoked by shareholder resolution with a three-quarters majority prior to the end of the term of office. In this case, the Supervisory Board member is entitled to remuneration on a pro-rata (monthly) basis for the financial year concerned.

All Supervisory Board members may step down from their office with no obligation to state reasons by giving four weeks' written notice to the chair of the Supervisory Board.