



Report of the Supervisory Board

To the 78th Annual General Meeting

Dear shareholders,

The COVID-19 pandemic has kept us on our toes for the second year now, and to date Lenzing has performed very well in this extraordinary situation. Whereas this supposedly small virus has made us aware of our great vulnerability, it has also brought us closer together again as a community. As a consequence, we were able to work together, join our forces and achieve our common goals. In the past year, the company again did everything within its power to protect the lives and health of our employees. We regret all the more the losses among our workforce and among our project partners, and at this point we too grieve with their bereaved families.

The year 2021 was a very eventful year for Lenzing Aktiengesellschaft, with some ups and downs. We made good preparations for a further pandemic crisis year by issuing a hybrid bond at the end of last year, and secured our major projects in Thailand and Brazil, despite all adversities, thereby underpinning Lenzing's long-term orientation. We have made great progress with both of these projects and look forward with confidence to their successful commissioning. Following the historically low price level in the previous year, viscose prices already recovered significantly in the first quarter of 2021. A surge in demand in global fiber markets favored the situation, and helped Lenzing to recover earlier than expected and despite the still tangible effects of the pandemic. Unfortunately, the market recovery was accompanied by a highly strained global logistics situation, so that not only extreme supply bottlenecks but also drastic cost increases challenged the entire textile value chain. The significant cost increases for energy and energy-intensive raw materials that began in the middle of the year then added to the burden. The consistent focus on the efficiency enhancement and cost reduction programs that we already initiated in 2020 prevented cuts in supply capability, competitiveness and ultimately also profitability.



Lenzing achieved a major success in the context of its long-term sustainability strategy. Lenzing was one of only 14 companies worldwide to achieve a "Triple A" rating from the non-profit environmental organization CDP. This award makes us all proud and confirms the company's strategic orientation of positioning resource conservation, the circular economy and innovation as the most important cornerstones of our targeted carbon neutrality.

In addition to supporting the Managing Board members in these diverse issues, a major task of the Supervisory Board was also to oversee the major strategic projects in Thailand and Brazil. COVID-19 hit these countries particularly hard during the past 2021 year. Our choice of partners and excellent project management, as well as our selection of executives, specialists and contractors, have proven particularly successful, so that these major projects have been implemented very successfully to date, despite the difficult pandemic situation. Both projects remain on budget and on schedule and represent the two cornerstones of "backward integration" and "product portfolio specialization" in our sCore TEN strategy.

A further high priority for the Supervisory Board was the complete clarification of the Hygiene Austria case. The excellent collaboration between the Managing Board and the Supervisory Board as well as the involvement of external experts led to a rapid forensic and legal review, whose consequences included the divestment of this business activity.

The Supervisory Board fulfilled the monitoring obligations defined by law, the articles of association and the rules of procedure in connection with these varied activities. It was involved in fundamental decisions on a timely basis and provided professional advice for the Managing Board. The Managing Board, in turn, submitted regular detailed reports to the Supervisory

Board on the financial position and performance of Lenzing AG and the Lenzing Group. In addition, the Managing Board also reported to the Chairman of the Supervisory Board outside the context of scheduled meetings concerning business performance, the company's position and major transactions. Individual issues were handled in depth by the committees established by the Supervisory Board, which then reported to the plenary Supervisory Board on their activities. Against the backdrop of the effects of COVID-19, the majority of the meetings were held virtually via video conference in the 2021 financial year.

Supervisory Board meetings

The Supervisory Board of Lenzing AG met eight times during the reporting year. At these meetings, the Managing Board reported on business performance as well as major transactions and measures. The Managing Board's work was also monitored, and the Supervisory Board offered its professional advice on major strategic issues. In view of the impact of the ongoing difficult logistics situation due to the effect of COVID-19 along the entire value chain, communication with the Managing Board was further intensified and steps to mitigate the COVID-19 risks for the business of Lenzing AG were continuously taken in close coordination with the Managing Board and evaluated on an ongoing basis. Meetings concentrated, above all, on the following topics: business and pricing trends, the Lenzing Group's further strategic development including an update of the sCore TEN strategy and its targets, the sustainability strategy and ESG topics, focus areas of research and development, digitalization, staff-related issues, financing measures as well as the discussion and approval of the budget for the 2022 financial year. A further focus was on the discussion on the complete clarification of the Hygiene Austria case, which was handled in cooperation with external experts.

In order to give the necessary emphasis to Lenzing's sustainability efforts, the Supervisory Board approved an adjusted remuneration policy, which was then approved by the Annual General Meeting. Now ESG KPIs can also be included in the evaluation of the Managing Board members' long-term, performance-based performance bonuses. The Supervisory Board also addressed the efficiency of its own working procedures, and discussed and initiated measures.

At the Annual General Meeting on April 14, 2021, Dr. Markus Fürst and Cord Prinzhorn, MBA, were newly elected to the Supervisory Board. Dipl.-BW Peter Edelmann and Dr. Stefan Fida were re-elected to the Supervisory Board. Dr. Veit Sorger stepped down from the Supervisory Board as of April 14, 2021. We would like to thank Dr. Veit Sorger for more than 17 years of trusting and constructive guidance and direction, and wish him all the best for his future path in life.

Dr. Stefan Doboczky stepped down as CEO of Lenzing AG at his own request and by mutual agreement as of September 2021. We would like to thank Dr. Stefan Doboczky for his extraordinary work for Lenzing over the past seven years. Stefan Doboczky has made a special contribution to the transformation of Lenzing into a global specialty fiber and sustainability company. The Supervisory Board will present a successor solution very soon.

Committee meetings

The Remuneration Committee established by the Supervisory Board met twelve times during the reporting year and dealt primarily with the evaluation of performance and definition of goals for the Managing Board members as well as general remuneration topics relating to the Managing Board. Moreover, the Remuneration Committee worked on developing the remuneration policy of Lenzing AG. The Nomination Committee convened for five meetings in the reporting year. These meetings focused on personnel development measures and succession planning issues, the appointment of Cord Prinzhorn, MBA, as interim CEO and, in particular, his long-term succession. The committee discussed election proposals to the Supervisory Board and presented corresponding proposals for resolution. The Strategy Committee did not hold any meetings in the reporting year. Instead, strategy-relevant topics were discussed at two extraordinary meetings of the plenary Supervisory Board. At these meetings, discussions with the Managing Board and voting covered the further development of the sCore TEN corporate strategy, the sustainability strategy and an update of the derived strategic approach and investments. In addition, updates on individual product strategies, the quality strategy as well as continuous programs to enhance efficiency and reduce costs were discussed with the Managing Board. The Audit Committee convened for four meetings in the reporting year. Some of these meetings were also attended by representatives of the auditors who reported on their auditing activities and coordinated them with the Audit Committee. Specific accounting topics were also discussed in the presence of the auditor. In addition to reviewing and preparing the separate and consolidated financial statements, the committee also addressed the additional tasks in accordance with Section 92 Para. 4a of the Austrian Stock Corporation Act, focusing particularly on critically examining and monitoring the functioning and effectiveness of the internal control, audit and risk management systems. The results were subsequently discussed with the full Supervisory Board.

As part of the Supervisory Board's work, the Hygiene Austria Committee was convened in the reporting year to fully clarify this matter. A total of ten meetings were held in the year under review. In addition, external teams of experts from various specialist areas, such as forensics, corporate law, criminal law, and labor and capital market law, were brought in to ensure a complete investigation and the implementation of the necessary measures derived from the findings. All results were reported by the committee to the Supervisory Board and discussed in detail. The Committee for Large CapEx Projects established by the Supervisory Board met five times in the reporting year and dealt with the ongoing support, consulting and control of the two large projects for construction of a lyocell fiber plant in Thailand and the construction of a dissolving wood pulp plant in Brazil. Project governance and risk management of the projects, as well as mitigation of COVID-19 impacts, were the primary focus here.

Additional information on the composition and working procedures of the Supervisory Board and its remuneration is provided in the Corporate Governance Report and the remuneration report of Lenzing AG.

Audit of the separate annual financial statements and management report as well as the consolidated financial statements and Group management report

The separate annual financial statements of Lenzing AG, together with the management report, and the consolidated financial statements of the Lenzing Group, together with the Group management report, including the non-financial statement in accordance with Section 245a of the Austrian Commercial Code as of December 31, 2021, were audited by KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft, Linz, and awarded an unqualified opinion. The Corporate Governance Report was evaluated by PwC Oberösterreich Wirtschaftsprüfung und Steuerberatung GmbH, Linz. It was found that the declaration of compliance with the Corporate Governance Code issued by Lenzing AG (January 2021) corresponds to the actual circumstances. The Supervisory Board's Audit Committee reviewed the separate annual financial statements and the consolidated financial statements as well as the separate management report and Group management report, the Managing Board's recommendation for the application of unappropriated profit and the Corporate Governance Report. The results of this review were subsequently discussed with the auditor in detail. The Audit Committee concurred with the results of the auditor's report based on its review, and reported to the Supervisory Board on this matter as required. The committee also recommended that the Supervisory Board submit a proposal to the Annual General Meeting to appoint KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor for the 2022 financial year. The Supervisory Board formally approved the management report and Corporate Governance Report after its review, and adopted the separate annual financial statements for 2021 in accordance with Section 96 Para. 4 of the Austrian Stock Corporation Act. Furthermore, the Supervisory Board declared its approval of the consolidated financial statements and the Group management report in accordance with Sections 244 and 245a of the Austrian Commercial Code. In accordance with Section 96 Para. 1 and 2 of the Austrian Stock Corporation Act, the Supervisory Board reported that a separate non-financial report (Sustainability Report) had been prepared and audited. The Supervisory Board concurs with the Managing Board's proposal for the application of unappropriated profit. The Supervisory Board concurs with the recommendation by the Audit Committee and will consequently submit a proposal to the 78th Annual General Meeting for the appointment of KPMG Austria GmbH Wirtschaftsprüfungs- und Steuerberatungsgesellschaft as the auditor of the annual financial statements for the 2022 financial year. The Supervisory Board was not informed of any conflicts of interest on the part of Managing Board or Supervisory Board members during the reporting year that would require disclosure to the Annual General Meeting.

The Supervisory Board would like to extend its thanks and acknowledgement to the Managing Board and all employees of Lenzing AG for their outstanding commitment. Thanks to their personal dedication, Lenzing AG was able to handle the particular challenges posed by COVID-19 and to continue

implementing the sCore TEN strategy with undiminished strength. We also wish to extend our special thanks to the customers, shareholders, suppliers and business partners of Lenzing for their trust and solidarity.

Thank you!

Vienna, March 9, 2022

Peter Edelmann,
Chairman of the Supervisory Board