

# Corporate Governance Report 2018

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 relevant regulations of Austrian stock corporation law.

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 2018) is available on the Internet under [www.corporate-governance.at](http://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/en/investors/corporate-governance/evaluations-reports/>).

## The Corporate Bodies of Lenzing AG

The division of responsibilities among the members of Lenzing's Management Board during the 2018 financial year was as follows:

### Management Board

#### Stefan Doboczky (born 1967)

Chairman of the Management Board, Chief Executive Officer

First appointed: June 1, 2015

Current term of office ends: December 31, 2022

**Responsibilities:** Region Europe and Americas, Region AMEA, Region North Asia, Global Pulp & Wood, Global HR, Global R&D, Corporate Strategy & M&A, Legal IP & Compliance, Corporate Communications & Investor Relations, Pulp Expansion

**Supervisory Board functions in other companies:** none

**Management and monitoring functions in major subsidiaries:** none

#### Robert van de Kerkhof (born 1964)

Member of the Management Board, Chief Commercial Officer

First appointed: May 1, 2014

Current term of office ends: December 31, 2019

(extended to December 31, 2023 as of January 3, 2019)

**Responsibilities:** Global Business Management Textiles, Nonwovens and New Business Areas, Corporate Sustainability, Global Brand Management, Global Supply Chain, Commercial Innovation

**Supervisory Board functions in other companies:** none

**Management and monitoring functions in major subsidiaries:**

none

#### Thomas Obendrauf (born 1970)

Member of the Management Board, Chief Financial Officer

First appointed: March 1, 2016

Current term of office ends: February 28, 2019

(extended to June 30, 2022 as of January 3, 2019)

**Responsibilities:** Global Accounting & Tax Management, Global Controlling, Global Treasury, Finance AMEA, Finance North Asia, Finance Europe and Americas, Finance Pulp & Wood, Global Purchasing, Global Process & Information Technology, Internal Audit & Risk Management

**Supervisory Board functions in other companies:** none

**Management and monitoring functions in major subsidiaries:**

Lenzing (Nanjing) Fibers Co., Ltd., Biocel Paskov a.s.

#### Heiko Arnold (born 1966)

Member of the Management Board, Chief Technology Officer

First appointed: May 1, 2017

Current term of office ends: April 30, 2020

**Responsibilities:** Technology, Global Engineering, Global SHE, Global Quality Management & Technical Customer Service, Enterprise Excellence, Special Projects, Lenzing Technik

**Supervisory Board functions in other companies:** none

**Management and monitoring functions in major subsidiaries:**

PT. South Pacific Viscose, Lenzing (Nanjing) Fibers Co., Ltd.

The Management 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 Management Board. The distribution of responsibilities among the individual members of the Management Board is based on the organizational plan specified in the internal rules of procedure, which also regulates the cooperation between the Management Board members. Furthermore, the Management Board is required to comply in full with the rules stated in the Austrian Code of Corporate Governance.

## Supervisory Board

### Composition

#### **Hanno M. Bästlein (born 1963)**

First appointed: April 28, 2014

Since April 22, 2015: Chairman

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, VA Intertrading Aktiengesellschaft (Chairman), B&C Industrieholding GmbH, B&C LAG Holding GmbH

#### **Christoph Kollatz (born 1960)**

First appointed: April 12, 2018

Since April 12, 2018: 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:** Semperit AG Holding (Chairman)

#### **Veit Sorger (born 1942)**

First appointed: June 4, 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 (Chairman), Constantia Industries AG (Deputy Chairman), 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 2018 financial year.

**Supervisory Board functions in other companies:** Oesterreichische Entwicklungsbank AG (Chairman), OeKB CSD GmbH (Deputy Chairman), "Österreichischer Exportfonds" GmbH (Chairman) until July 27, 2018, Acredia Versicherung AG, OeKB EH Beteiligungs- und Management AG

#### **Peter Edelmann (born 1959)<sup>1</sup>**

First appointed: April 12, 2018

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:** Orcan Energy AG, B&C Industrieholding GmbH, B&C LAG Holding GmbH

#### **Felix Fremerey (born 1961)**

First appointed: April 12, 2018

Current term of office ends at the Annual General Meeting which will pass resolutions on the 2018 financial year.

**Supervisory Board functions in other companies:** Semperit AG Holding (dormant Supervisory Board mandate)

#### **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 2019 financial year.

**Supervisory Board functions in other companies:** Bank für Tirol und Vorarlberg Aktiengesellschaft (Chairman), BKS Bank AG, voestalpine AG, AMAG Austria Metall 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 2019 financial year.

**Supervisory Board functions in other companies:** Semperit AG Holding until April 25, 2018, 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, B&C LAG Holding GmbH

#### **Felix Strohbichler (born 1974)**

First appointed: April 22, 2015  
Since April 22, 2015: Deputy Chairman  
Felix Strohbichler resigned from the Supervisory Board on April 12, 2018.

**Supervisory Board functions in other companies:** Semperit AG Holding until April 25, 2018

#### **Josef Krenner (born 1952)**

First appointed: April 23, 2009

Josef Krenner resigned from the Supervisory Board on April 12, 2018.

**Supervisory Board functions in other companies:** B&C Industrieholding GmbH, AMAG Austria Metall AG (Chairman)

<sup>1</sup> Peter Edelmann did not personally participate in more than half of the Supervisory Board meetings during the reporting year. However, he was informed about the business development and important transactions and measures prior to these meetings. He exercised his voting right by granting proxy votes.

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## Supervisory Board members designated by the Works Council:

### Helmut Kirchmair (born 1968)

First appointed in 2015

### Georg Liftinger (born 1961)

First appointed in 2008

### Daniela Födinger (born 1964)

First appointed in 2014

### Johann Schernberger (born 1964)

First appointed in 2001

### Herbert Brauneis (born 1987)

First appointed in 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.

All members of the Supervisory Board have declared themselves to be independent of the company and the Management Board.

In accordance with C-Rule 54 of the ACCG, the Supervisory Board members Veit Sorger, Helmut Bernkopf and Franz Gasselsberger 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 2018 financial year.

## Working procedures of the Supervisory Board

In order to fulfill its responsibility to monitor the work of the Management Board, the Supervisory Board of Lenzing AG holds meetings at least once each quarter. Five Supervisory Board meetings were held during the reporting year (C-Rule 36). The Supervisory Board was informed by the Management Board about the business development as well as major transactions and measures. The Supervisory Board supervised the work of the Management 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 2019 financial year.

The Supervisory Board of Lenzing AG had five committees in 2018 (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 super-

vises 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 Management 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 2018. As in the previous years, the meetings focused, in particular, on compliance, the implementation of the internal audit schedule and the Risk Report.

**Members:** Patrick Prügger (Chairman, financial expert), Hanno M. Bästlein, Felix Strohbichler (resigned on April 12, 2018), Franz Gasselsberger (since April 12, 2018), Christoph Kollatz (since April 12, 2018), Johann Schernberger, Georg Liftinger

### 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 Management Board and deals with issues related to succession planning. The committee's activities in 2018 concentrated on succession planning and personnel development as well as the reappointment of Thomas Obendrauf and Robert van de Kerkhof. Recommendations were also made to the Annual General Meeting for appointments to the Supervisory Board. The Nomination Committee met three times in 2018.

**Members:** Hanno M. Bästlein (Chairman), Veit Sorger, Patrick Prügger (until April 12, 2018), Astrid Skala-Kuhmann, Peter Edelmann (since April 12, 2018), Johann Schernberger, Georg Liftinger

### 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 Management Board, ensures compliance with C-Rules 27, 27a and 28 of the ACCG and reviews the remuneration policy for the Management Board members at regular intervals. The three meetings held by the Remuneration Committee in 2018 focused, in particular, on evaluating the performance of the Management Board and the targets for 2018 as well as general remuneration issues relating to the Management Board. The committee also negotiated, approved and finalized the employment contracts with Thomas Obendrauf and Robert van de Kerkhof on behalf of Lenzing AG.

**Members:** Hanno M. Bästlein (Chairman), Veit Sorger, Patrick Prügger (until April 12, 2018), Peter Edelmann (since April 12, 2018)

### 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

2018 the Management Board discussed strategic options for the expansion of cellulose and fiber production capacity, issues related to Lenzing's market positioning and the further development of the sCore TEN strategy with the Strategy Committee. Two meetings were held in 2018.

**Members:** Hanno M. Bästlein (Chairman), Astrid Skala-Kuhmann, Veit Sorger, Patrick Prügger, Peter Edelmann (since April 12, 2018), Christoph Kollatz (since April 12, 2018) Johann Schernberger, Georg Liftingner

#### **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 2018.

**Members:** Hanno M. Bästlein (Chairman), Patrick Prügger (until April 12, 2018), Christoph Kollatz (since April 12, 2018), Johann Schernberger

#### **Cooperation between the Management Board and Supervisory Board**

The Management 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 Management 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 Management Board and Supervisory Board also discuss the long-term growth objectives of the Lenzing Group.

#### **Self-evaluation by the Supervisory Board**

In the 2018 financial year, the Supervisory Board carried out a self-evaluation 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 Management Board and compliance with the obligations of the Management 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 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 Management Board and Supervisory Board (C-Rule 30 of the ACCG)**

The remuneration system in the Management Board contracts was revised and harmonized in the past year. Variable salary compo-

nents (current and long-term bonus components) are replaced by the revised remuneration model with effect from January 1, 2019.

The aim of the revision was to define ambitious and relevant goals for the Management Board in the interest of our stakeholders. The new remuneration model complies with all legal requirements of the Austrian Stock Corporation Act (AktG) and with the recommendations of the ACCG.

Total remuneration still consists of a fixed current component, a variable current (performance-based) component (short-term incentive, STI) and a variable long-term (performance-based) component (long-term incentive, LTI).

#### • **Short-term Incentive (STI)**

With effect from January 1, 2019, the STI is based on the company's performance in the respective preceding financial year and takes into account the financial benchmarks Group EBITDA and Group ROCE. In addition, the Remuneration Committee assesses non-financial criteria each year. These criteria may influence the amount of the bonus, which is determined on the basis of the financial benchmarks, and increase or decrease it by 20 percent. In order to be entitled to a bonus, a threshold value must be achieved for at least one of the two financial benchmarks. The bonus is paid in cash after the end of the respective financial year. The STI can amount to a maximum of 150 percent of the STI target value. The STI target value is an absolute amount. For the 2018 financial year the variable short-term component for the entire Management Board was based on the previously valid ROCE criteria and individual qualitative targets.

#### • **Long-term Incentive (LTI)**

The LTI is granted on a rolling basis as of January 1, 2019, i.e., in annual tranches over three-year assessment periods. For this purpose, consolidated net profit for the year and ROCE are measured during the term of a tranche. In addition, the company's capital market performance is assessed in comparison with a group of selected listed companies. To this end, the total shareholder return – i.e., the share performance including dividend payments – is determined and compared with the peer group. The prerequisite for bonus entitlement is the achievement of a threshold value for at least one of the three benchmarks. The LTI is paid out in cash after the end of the three-year assessment period and can amount to a maximum of 200 percent of the (absolute) LTI target value. The LTI target value is an absolute amount. If a Management Board member resigns from his Management Board mandate before his term expires or if the Management Board Member is dismissed for material cause pursuant to Section 75 of the Austrian Stock Corporation Act, all entitlements to current LTI tranches of the current contractual period will lapse. As a result, the LTI also has a retention effect.

Until December 31, 2018 the benchmark for the LTI was an increase in the value of the Lenzing Group (also including EBITDA

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and net debt), calculated based on an agreed formula, over a period of several years. For Thomas Obendrauf and Robert van de Kerkhof, whose Management Board contracts were extended as of January 1, 2019, some of the LTI provisions of their old contract continue to apply in parallel in 2019. Stefan Doboczky will receive one more payment from the old contract (period from June 1, 2015 to May 31, 2018) unless he resigns from his mandate early without material cause.

- The maximum bonus of 158 percent for Stefan Doboczky, 151 percent for Robert van de Kerkhof, 277 percent for Thomas Obendrauf and 68 percent for Heiko Arnold is based on the maximum current variable remuneration component plus the proportional share of the maximum long-term bonus in relation to the current fixed component. There is no stock option program or other program for the transfer of shares at a favorable price.
- The Management Board is also entitled to contributions by the company to a pension fund, which amounted to EUR 152 thousand in 2018 (2017: EUR 132 thousand). Of this total, EUR 78 thousand are attributable to Stefan Doboczky, EUR 32 thousand to Robert van de Kerkhof, EUR 21 thousand to Thomas Obendrauf and EUR 21 thousand to Heiko Arnold.
- Company pension benefits as well as severance payments and entitlements to benefits on the termination of a board member's employment contract are based on the Federal Act on Corporate Staff and Self-Employment Provision.
- The provisions of C-Rule 27a of the ACCG are adequately taken into consideration in the event a Management Board contract is terminated prematurely.
- The company has concluded directors and officers liability insurance (D&O insurance), accident insurance and legal protection insurance for the members of the Management Board.

The following amounts totaling EUR 3,333 thousand in 2018 (2017: EUR 5,131 thousand) represent short-term benefits and do not include any payments related to the termination of employment contracts.

## Current remuneration for the active members of the Management Board of Lenzing AG (expensed):

The expenses recognized for entitlements arising from long-term bonus models (other non-current employee benefits and share-based payments) rose by EUR 1,940 thousand in 2018 (2017: EUR 2,244 thousand). Post-employment benefits of EUR 236 thousand (2017: EUR 216 thousand) were also granted to the active members of the Management Board for company pensions and termination payments. The remuneration paid for former members of the Management Board of Lenzing AG or their surviving dependents amounted to EUR 1,033 thousand in 2018 (2017: EUR 1,004 thousand).

The principles underlying the remuneration of the Supervisory Board are defined in the Articles of Association of Lenzing AG (Section 13), which are published on the company's website. In accordance with the Articles of Association, the members of the Supervisory Board are granted annual remuneration consistent with their responsibilities and the position of the company.

## The remuneration of the Supervisory Board members for the 2017 financial year, which was approved by the Annual General Meeting of Lenzing AG on April 12, 2018, is as follows:

- EUR 90,000 for the Chairman of the Supervisory Board
- EUR 50,000 for the Deputy Chairman of the Supervisory Board
- EUR 40,000 for each other Member of the Supervisory Board
- EUR 50,000 for the Chairman of the Audit Committee and the Strategy Committee as well as for the financial expert unless he/she is Chairman of the Audit Committee

## Current remuneration for the active members of the Management Board of Lenzing AG (expensed):

EUR '000

	Stefan Doboczky		Robert van de Kerkhof		Thomas Obendrauf		Heiko Arnold*		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fixed current remuneration	778	643	437	437	397	397	398	328	2,010	1,805
Variable current remuneration	588	1,732	213	654	250	760	272	181	1,323	3,326
<b>Total</b>	<b>1,366</b>	<b>2,374</b>	<b>650</b>	<b>1,091</b>	<b>647</b>	<b>1,157</b>	<b>670</b>	<b>509</b>	<b>3,333</b>	<b>5,131</b>

\* Member of the Management Board since May 1, 2017



- e. EUR 25,000 for the Chairman of the Nomination Committee and the Remuneration Committee
- f. EUR 20,000 for each member of the Audit Committee and the Strategy Committee
- g. 10,000 for each member of the Nomination Committee and the Remuneration Committee

Each Supervisory Board member also receives an attendance fee of EUR 1,500 for each Supervisory Board meeting. The members of the Supervisory Board committees each receive an attendance fee of EUR 1,000 for each committee meeting, unless these meetings are held on the same day as a Supervisory Board meeting.

The members of the Supervisory Board received the following remuneration for 2017 (in total EUR 798,500), which was paid out in 2018:

<b>Hanno M. Bästlein</b>	EUR 223,500
<b>Veit Sorger</b>	EUR 103,500
<b>Felix Strohbichler</b> (resigned as of April 12, 2018)	EUR 121,500
<b>Helmut Bernkopf</b>	EUR 47,500
<b>Josef Krenner</b>	EUR 46,000
<b>Franz Gasselsberger</b>	EUR 44,500
<b>Patrick Prügger</b>	EUR 130,000
<b>Astrid Skala-Kuhmann</b>	EUR 82,000

The remuneration policy for the Group's global top management, the managing directors of subsidiaries and the region managers consists of a fixed and a variable component. The fixed remuneration represents an attractive income in line with the market. The variable remuneration is based, on the one hand, on the attainment of established financial targets for the Group and, on the other hand, on the fulfilment of individually defined personal goals.

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

Lenzing AG follows a strict equal opportunity policy and actively promotes the career development of women in managerial positions in all areas of the business.

The percentage of women in qualified positions in the Lenzing Group has increased steadily in recent years. Astrid Skala-Kuh-

mann and Daniela Födinger are members of the Supervisory Board. In 2018, Andrea Borgards was appointed to the company's Executive Committee as Senior Vice President Pulp and Wood. In addition, the company actively supports the compatibility of career and family life with flexible working time, work-at-home models and parental leave for both parents.

## Compliance

A company's reputation and economic success can be significantly jeopardized by compliance violations. As a fiber producer, the Lenzing Group has very high standards in sustainability management and consequently strives to achieve a balance of the needs of society, the environment and shareholders.

Against this background, the management has adopted a Compliance Management System for the entire Lenzing Group, which is designed to ensure and demonstrate compliance with legal regulations and internal guidelines on a long-term basis.

The objective of the establishment and continuous development of the Compliance Management System is to prevent and reveal compliance violations against the company's interests, avoid liability risks and reputation damage, provide training, advice and protection for the management, executives and employees, and to increase efficiency through the coordination of existing compliance activities.

### Policies, directives and guidelines

Policies are declarations of intent of Lenzing AG and its consolidated subsidiaries which define standards of conduct for all employees. They include the Global Code of Business Conduct as a guiding principle, the Supplier Code of Conduct, the Policy on Human Rights and Labor Standards, the Policy for Safety, Health and Environment, the Sustainability Policy, the Quality Policy and the Wood and Pulp Policy.

Directives define rules of conduct that are binding for all employees. Important directives include the Antitrust Directive, the Anti-Bribery and Corruption Directive, the Whistleblower Directive, the IP Protection Directive and the Issuer Compliance Directive.

Guidelines primarily contain descriptions of processes and instructions regarding work processes such as the safe handling of chemicals.

### Global Code of Business Conduct

In 2018, more than 200 employees participated in training for an enhanced understanding of the Global Code of Business Conduct. All team members are encouraged to promptly report violations or suspected violations of this code.

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## Important directives and special-purpose codes

### Anti-Bribery and Corruption Directive

The Anti-Bribery and Corruption Directive (ABC Directive) was revised in 2018. The roll-out of the revised directive is scheduled for the first quarter of 2019.

### Antitrust Directive

The Antitrust Directive provides a detailed overview of the most important antitrust-related circumstances in order to help all employees of the Lenzing Group to identify, prevent and report potential infringements of competition law. This directive is currently being revised.

### Know-how Protection Directive

In order to meet the increasing challenges of the market environment and changing legal framework conditions such as the EU Know-how Protection Directive, the Know-how Protection Directive has been revised comprehensively and extended in many areas. The completion of the revised directive and its introduction throughout the group are planned for the first quarter of 2019.

### Global Supplier Code of Conduct

The Global Supplier Code of Conduct outlines Lenzing's expectations for supplier conduct with respect to safety and health at work, labor and human rights, environmental protection, ethics and management practices.

### Issuer Compliance Directive

The internal directive regarding issuer compliance was revised and approved by the Management Board in October 2018.

## General Data Protection Regulation

Lenzing AG prepared intensively for the introduction of the General Data Protection Regulation.

An inter-company project team led by the responsible Data Protection Officer handles all tasks related to this topic. All employees who have IT access receive training via e-learning. More than 500 managers have already undergone personal, practice-oriented training. In addition, a new staff position for information security has been created, which focuses on the increasing security and data protection issues in the company.

## Whistleblowing system

This system can be used to report abuse and concerns regarding unethical or unlawful behavior as well as behavior conflicting with corporate integrity. The Audit Committee is informed about the incidents reported twice per year. In 2018, 21 reports were filed via the whistleblowing system. All reports were processed in a targeted manner.

## Compliance training

The Global Code of Business Conduct, which was revised in the 2017 financial year, applies to all team members of the Lenzing Group. In 2016, an international training program was developed in order to ensure that all employees of the Lenzing Group are familiar

with the content of the code, understand it and consciously live by it in everyday work life. This program has been implemented since 2017.

In 2018, on-site training courses were held regarding the Global Code of Business Conduct, anticorruption and issuer compliance. More than 400 participants attended these courses. The Management Board and the members of the Extended Executive Committee received training at workshops on compliance management, anticorruption and antitrust topics. In addition, the members of the Management Board received training on a variety of compliance and liability topics.

## Enforcement

The Compliance Officer reports to the Audit Committee of the Supervisory Board twice a year. A separate compliance report is published in the Annual Report in the section Corporate Governance.

With a view to possible corruption offences or violations of cartel law, no official measures were taken against the Lenzing Group in 2018 and no legal claims were asserted.

## Directors' Dealings

The purchase and sale of shares by members of the Management Board and Supervisory Board are disclosed in accordance with the applicable legal regulations (Article 19 of the European Market Abuse Directive, Regulation (EU) No. 596/2014). Information on these purchases and sales is provided on the company's website.

## Risk management and Internal Audit

The effectiveness of Lenzing's risk management system was evaluated by the auditor, KPMG Austria GmbH, in accordance with Rule 83 of the ACCG and resulted in an unqualified opinion. The Management 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 Internal Audit Department reports directly to the Management Board. The annual audit schedule is finalized in close cooperation with the Management Board and the Audit Committee. The Head of Internal 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 2018. This evaluation concluded that the statement of compliance with the Austrian Code of Corporate

Governance (January 2018 version) issued by Lenzing Aktiengesellschaft gives a true and fair representation of the actual situation. All external evaluation reports are published on the company's website under [www.lenzing.com](http://www.lenzing.com).

## Diversity concept

Respect, diversity and inclusion represent integral and indispensable components of the corporate culture of Lenzing Aktiengesellschaft 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 Management 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 these two corporate bodies. 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. The diversity concept for the composition of the Supervisory Board and the Management Board was approved by the Nomination Committee on February 19, 2018.

Lenzing Aktiengesellschaft  
**Lenzing, March 5, 2019**

## The Management Board

**Stefan Doboczky**  
Chief Executive Officer  
Chairman of the  
Management Board

**Robert van de Kerkhof**  
Chief Commercial Officer  
Member of the  
Management Board

**Thomas Obendrauf**  
Chief Financial Officer  
Member of the  
Management Board

**Heiko Arnold**  
Chief Technology Officer  
Member of the  
Management Board