

Corporate Governance Report 2019

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. 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/evaluations-reports>).

The Corporate Bodies of Lenzing AG

The division of responsibilities among the members of Lenzing's Management Board during the 2019 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

On an interim basis due to the resignation of the CTO: Technology, Global SHE, Global Engineering

Supervisory board functions in other companies: OMV

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, 2023

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

On an interim basis due to the resignation of the CTO: Global Quality Management & Technical Customer Service

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: June 30, 2022

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

On an interim basis due to the resignation of the CTO:

Special Projects – Lyocell fiber plant Thailand, Lenzing Technik

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)

Chief Technology Officer

First appointed: May 1, 2017

Heiko Arnold resigned from the Management Board on December 1, 2019.

At the Supervisory Board meeting of Lenzing AG held on December 11, 2019, Stephan Sielaff was appointed member of the Management Board (Chief Technology Officer) for a period of three years with effect from March 1, 2020. The responsibilities of the Chief Technology Officer are carried out on an interim basis by Stefan Doboczky, Thomas Obendrauf and Robert van de Kerkhof until February 28, 2020.

As part of an organizational change, Christian Skilich was appointed member of the Management Board for a period of three years with effect from June 1, 2020.

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

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:

Semperit AG Holding, AMAG Austria Metall AG, Orcan Energy AG

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 2022 financial year.

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Supervisory Board functions in other companies:

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

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

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 2021 financial year.

Supervisory Board functions in other companies:

Semperit Technische Produkte Gesellschaft m.b.H

Franz Gasselsberger, MBA (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 (until April 10, 2019)

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:

AMAG Austria Metall AG, Semperit AG Holding (from May 8, 2019)

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

Hanno M. Bästlein (born 1963)

First appointed: April 28, 2014

Hanno M. Bästlein resigned from the Supervisory Board on April 17, 2019.

Supervisory Board functions in other companies:

AMAG Austria Metall AG (until April 10, 2019), 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

Christoph Kollatz resigned from the Supervisory Board on April 17, 2019.

Supervisory Board functions in other companies:
Semperit AG Holding (Chairman until May 8, 2019)

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 of the 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, Christian Bruch 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 2019 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 seven committees in 2019 (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 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 2019. 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.

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Members: Patrick Prügger (Chairman, financial expert), Peter Edelmann (since April 17, 2019), Hanno M. Bästlein (resigned on April 17, 2019), Franz Gasselsberger, Christoph Kollatz (resigned on April 17, 2019), 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 Management Board and deals with issues related to succession planning. In 2019 the committee prepared the appointments of Stephan Sielaff and Christian Skilich. Recommendations were also made to the Annual General Meeting for appointments to the Supervisory Board. The Nomination Committee met four times in 2019.

Members: Peter Edelmann (Chairman since April 17, 2019), Hanno M. Bästlein (resigned on April 17, 2019), 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 Management 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 Management Board members and Supervisory Board members, and for controlling the implementation of the remuneration policy for Management Board members. The four meetings held by the Remuneration Committee in 2019 focused, in particular, on evaluating the performance of the Management Board and the targets for 2019 as well as general remuneration issues relating to the Management Board. The committee also negotiated, approved and finalized the employment contracts with Stephan Sielaff and Christian Skilich and the agreement with respect to the resignation of Heiko Arnold on behalf of Lenzing AG.

Members: Peter Edelmann (Chairman since April 17, 2019), Hanno M. Bästlein (resigned on April 17, 2019), 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 2019 the Management 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 2019 financial year.

Members: Peter Edelmann (Chairman since April 17, 2019), Hanno M. Bästlein (resigned on April 17, 2019), Astrid Skala-Kuhmann, Veit Sorger, Patrick Prügger, Christian Bruch (since April 17, 2019), Christoph Kollatz (resigned on April 17, 2019), Johann Schernberger, Georg Liftingner, Helmut Kirchmair (since April 17, 2019)

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 2019.

Members: Peter Edelmann (Chairman, since April 17, 2019), Hanno M. Bästlein (resigned on April 17, 2019), Patrick Prügger (since April 17, 2019), Christoph Kollatz (resigned on April 17, 2019), Johann Schernberger

Committee for Large-CAPEX Projects

The Supervisory Board established a Committee for Large-CAPEX Projects for the first time in 2019. 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.

Members: Peter Edelmann (Chairman, since April 17, 2019), Christian Bruch (since April 17, 2019), Johann Schernberger (since April 17, 2019)

Committee for Strategic Financing Matters

At its meeting on December 11, 2019, the Supervisory Board of Lenzing AG established a Committee for Strategic Financing Matters. This committee deals with decisions regarding key topics of financing with respect to the simultaneous implementation of several large strategic projects.

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

Cooperation between the Management Board and the 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 2019 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 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 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 Management Board and Supervisory Board (C-Rule 30 of the ACCG)

The contracts of all four Management Board members were revised in January 2019, in particular with respect to the regulation of variable remuneration components. Total remuneration 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)

For the Management Board contracts valid in 2019, the STI is based on 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, 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

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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.

• Long-term Incentive (LTI)

The LTI is granted on a rolling basis, i.e., in annual tranches. The assessment period for one tranche amounts to three years. The financial performance criteria are the average consolidated net profit for the year and average ROCE. 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.

- The bonus of 81 percent for Stefan Doboczky, 93 percent for Robert van de Kerkhof, 52 percent for Thomas Obendrauf and 65 percent for Heiko Arnold in the reporting year is based on the current variable

remuneration component plus the proportional share of the 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 163 thousand in 2019 (2018: EUR 152 thousand). Of this total, EUR 87 thousand are attributable to Stefan Doboczky, EUR 34 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.
- Die 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 2,785 thousand in 2019 (2018: EUR 3,333 thousand) represent short-term benefits (current remuneration, fixed and variable).

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 ¹⁾		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Fixed current remuneration	854	778	463	437	412	397	413	398	2,141	2,010
Variable current remuneration	154	588	132	213	130	250	228	272	644	1,324
Total	1,008	1,366	595	650	542	647	641	670	2,785	3,333

¹⁾ Member of the Management Board until December 1, 2019

The expenses recognized for entitlements arising from long-term bonus models (other non-current employee benefits and share-based payments) rose by EUR 1,757 thousand in 2019 (2018: EUR 1,940 thousand). Of this total, EUR 957 thousand (2018: EUR 1,940 thousand) were related to other long-term benefits and EUR 800 thousand (2018: EUR 0 thousand) to payments related to the termination of employment contracts. In addition, post-employment benefits of EUR 267 thousand (2018: EUR 236 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 1,067 thousand in 2019 (2018: EUR 1,033 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 2018 financial year, which was approved by the Annual General Meeting of Lenzing AG on April 17, 2019, is as follows:

- a. EUR 90,000 for the Chairman of the Supervisory Board
- b. EUR 50,000 for the Deputy Chairman of the Supervisory Board
- c. EUR 40,000 for each other Member of the Supervisory Board
- d. 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
- 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

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 1,500 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 2018 (in total EUR 866,000) which was paid out in 2019:

Hanno M. Bästlein (resigned on April 17, 2019)	EUR 226,500
Veit Sorger	EUR 103,500
Helmut Bernkopf	EUR 46,000
Peter Edelmann	EUR 64,500
Felix Fremerey	EUR 36,000
Franz Gasselsberger	EUR 61,000
Christoph Kollatz	EUR 78,000
Josef Krenner (resigned on April 12, 2018)	EUR 11,500
Patrick Prügger	EUR 131,500
Astrid Skala-Kuhmann	EUR 82,000
Felix Strohbichler (resigned on April 12, 2018)	EUR 25,500
For the first time, the remuneration was also paid out for the current financial year in 2019 (EUR 845,334 in total).	
Peter Edelmann (Chairman since April 17, 2019)	EUR 183,167
Veit Sorger	EUR 105,000

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Hanno M. Bästlein (resigned on April 17, 2019)	EUR 74,500
Helmut Bernkopf	EUR 47,500
Christian Bruch	EUR 47,500
Stefan Fida	EUR 32,667
Felix Fremerey	EUR 47,500
Franz Gasselsberger	EUR 70,500
Christoph Kollatz	EUR 33,000
Patrick Prügger	EUR 122,000
Astrid Skala-Kuhmann	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 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 is increased as part of a CSR initiative in 2020.

Astrid Skala-Kuhmann and Daniela Födinger are members of the Supervisory Board. Andrea Borgards has been a member of the Executive Committee, the highest management body, as Senior Vice President Pulp and Wood since 2018. One of the seven production sites – Lenzing Biocel Paskov – has been managed by Kateřina Kupková since 2019.

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 order to provide for the reconciliation of work and family life.

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 on the intranet ("Lenzing Connect") and also accessible to external stakeholders on the website of the company.

Training

Understanding rules and regulations is a fundamental requirement for "correct" behavior. Therefore, eLearnings designed to convey the most important contents of the compliance directives have been implemented and expanded continuously since 2018.

New employees receive welcome folders and onboarding training on the Code of Conduct and on the topics of "Bribery and Corruption" and "Issuer Compliance" (approx. 170 employees at the Lenzing plant in 2019 = approx. 6 % of the site's employees). In addition, every employee receives training on data protection as part of an eLearning.

Roughly 950 employees worldwide (approx. 14 % of the total workforce) received training on the topic of bribery and corruption during the reporting period (753 of them via eLearning); in addition, 49 employees received training on know-how protection at a multi-day on-site course at the location in Thailand. 68 employees at the Lenzing site completed an eLearning on the topic of "house search". The Management Board, the members of the Executive Committee and the Extended Executive Committee attended a workshop on the topic of Leadership Compliance. Furthermore, monthly short courses are held in the entire commercial area.

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 regarding, for example, corruption, bribes, conflicts of interest, antitrust laws or 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.

Since the introduction of the system, 28 reports have been filed (six 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 per 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 perfect methods such as spear-phishing and scam mails. The goal is to steal identities, extract or manipulate data or trigger unauthorized payments or deliveries.

Recurrent information and training, in particular for exposed departments, as well as technical measures such as smart filter and defense systems contribute to optimally support employees who act responsibly in exercising their tasks and effectively protecting our data and corporate values.

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Update Directives

The directives on the topics of “bribery and corruption” and “know-how protection” were subject to a relaunch and rolled out throughout the group in the reporting year.

Investigations

Two official investigations were carried out in the Lenzing Group during the reporting period. One of the investigations was completed without any follow-up measures while the other one is still ongoing.

Compliance violations

Compliance violations are collected by the Legal, IP und Compliance. As in the previous years, no material cases of corruption were reported at Lenzing in 2019. 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 11, 2019, the Compliance Officer reported on the content, objectives and status of the compliance organization, and the structure of the compliance management systems in a separate agenda item.

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 [Art. 19 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 2019. This evaluation concluded that the statement of compliance with the Austrian Code of Corporate Governance (January 2018 version) 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 www.lenzing.com.

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 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 3, 2020

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

Stephan Sielaff
Chief Technology Officer
Member of the
Management Board