

**Lenzing**

Innovative by nature

2021

## Remuneration Report

Lenzing AG

# Remuneration Report of Lenzing Aktiengesellschaft for the 2021 financial year

## Overview of the 2021 financial year

Following the pandemic-related shock in the previous year, the demand situation in the textile and apparel industry largely recovered in 2021. Retail sales of apparel returned to pre-crisis levels worldwide. Thanks to its strategic focus on specialty fibers and a largely positive market environment, the Lenzing Group recorded a significant year-on-year improvement in revenue and earnings trends in 2021. Growing optimism in the textile and apparel industry as a consequence of the progress made with vaccinations and the continuing recovery in the retail sector ensured a significant rise in demand and prices on the global fiber market, particularly at the beginning of the year under review.

Revenue rose by 34.4 percent to EUR 2.19 bn in 2021, reflecting both higher sales volumes as well as higher fiber prices. The focus on wood-based specialty fibers, such as those of the TENCEL™, LENZING™ ECOVERO™ and VEOCEL™ brands, also exerted a positive impact on revenue growth. These positive price and mix effects more than offset negative currency effects.

The earnings trend mainly reflects Lenzing's position within the current market environment. A continued focus on measures to improve structural earnings in all regions reinforced this positive effect. Significant increases in energy, raw material and logistics costs were recorded throughout the reporting year. Earnings before interest, tax, depreciation and amortization (EBITDA) almost doubled year-on-year to EUR 362.9 mn in 2021 (compared with EUR 192.3 mn in 2020).

## Remuneration Policy and Remuneration Report

The Remuneration Report provides a comprehensive overview of the remuneration granted or promised to current or former members of the Managing Board and the Supervisory Board including all types of benefits during the past financial year. The statutory requirements of the Austrian Stock Corporation Act (Section 78c et seq. AktG) provide the legal basis.

The principles which are used for determining the remuneration of the Managing Board and the Supervisory Board of Lenzing Aktiengesellschaft (Lenzing AG) are defined in the Remuneration Policy of Lenzing AG. The remuneration system implements the statutory requirements of the Austrian Stock Corporation Act (Section 78 et seq. AktG) and the recommendations of the Austrian Code of Corporate Governance (ACCG). The primary aim of the Remuneration Policy is to promote long-term and sustainable business development.

The remuneration scheme for members of the Management Board of Lenzing AG applied for the 2021 financial year has been in effect since the 2019 financial year and was approved at the Annual General Meeting on June 18, 2020. The Remuneration Report for 2020 was submitted to the Annual General Meeting on April 14, 2021 for approval. The total number of valid votes cast was 19,202,339, corresponding to 72.33 percent of the share capital represented. The resolution was approved by 17,513,469 votes, representing 91.2 percent, 1,688,870 votes were cast against, representing 8.8 percent. Based on the positive voting result of 91.2 percent, the Supervisory Board's Remuneration Committee has retained the reporting format for the 2021 financial year.

Due to sustainability issue, which is becoming increasingly important for all companies and especially for Lenzing AG, the principles of the Remuneration Policy were revised in the 2021 financial year. The new Remuneration Policy was approved by the Annual General Meeting on April 14, 2021. This can be viewed on the company's website. In addition to the existing criteria, the long-term variable performance bonus (LTI) was expanded to include two to four sustainability targets for Managing Board members. In the 2021 financial year, the sustainability targets for the 2021 LTI tranche were not yet applied; the adjusted target for the Managing Board members will be applied from the 2022 LTI tranche. The remuneration principles set out below consequently continue to relate to the Remuneration Policy in force prior to April 14, 2021.

# Remuneration of the Managing Board

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

The Remuneration Committee of the Supervisory Board 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 need be, the committee and/or the Supervisory Board will be supported by an external remuneration advisor. To avoid conflicts of interest, it is ensured that the advisor who may be used does not advise the Managing Board on remuneration issues at the same time.

The tasks and activities of the Managing Board members, the situation of the company and the customary levels of remuneration are taken into consideration when fixing the remuneration of the Managing Board. Work experience and responsibility of the Managing Board members, as well as the scope and complexity of their work will be taken into account. 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 bind the most qualified Managing Board members to the company. In addition, the remuneration and employment conditions of the company's employees will be taken into account to put the remuneration of the Managing Board in context with the company's remuneration structure.

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

## Components and structure of remuneration

The remuneration of the Managing Board members consists of performance-based and non-performance-based components, which are shown in the table below:

### 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 account the responsibility and performance of the individual Managing Board members
Remuneration in kind and other benefits	Company car, insurance premium, travel allowance for meals
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 and ROCE</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 criteria over an assessment period of several years</p> <ul style="list-style-type: none"> <li>Financial criteria: ROCE, profit for the year and relative TSR</li> </ul> <p>Cap: 200% of the target value bonus</p>
Special grants and bonuses	May be granted in the case of extraordinary achievements which have a future-oriented benefit for the company, and sign-on and retention bonuses

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

Percentage of remuneration components in target remuneration in %	Chairperson of the Managing Board	Member of the Managing Board
Base salary	35-45%	40-50%
STI	15-30%	20-35%
LTI	30-50%	20-35%

The relative percentages of the existing contracts with Managing Board members are within above-stated ranges. At the same time, they serve as a benchmark for the conclusion of future contracts with Managing Board members.

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

With regard to C-Rule 27 of the Austrian Code of Corporate Governance (ACCG), the Remuneration Policy provides that the company may claim back variable remuneration components if it turns out that they were paid on the basis of obviously false data (clawback).

## Base salary

The base salary consists of fixed annual salary which is paid out in 14 equal instalments. These payments cover all overtime, travel times and all work done beyond the normal working hours applying to employees of the company. They also cover offices on corporate bodies of the group.

The base salary is a fixed competitive payment which incentivizes Managing Board members to act for the welfare of the company and in compliance with shareholder interests, employee interests and public interests.

## Short-Term Incentive (STI)

The STI is based on the company's results in the past financial year and depends on the financial key performance indicators consolidated EBITDA and consolidated ROCE as well as non-financial criteria.

### Overview of STI performance criteria

	Financial		Non-financial
Performance criterion	EBITDA (absolute)	Return on capital employed (ROCE)	Modifier
Weighting	70%	30%	0.8 - 1.2

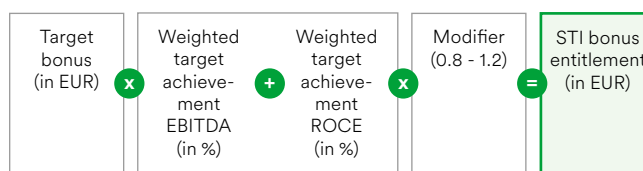
The Remuneration Committee of the Supervisory Board defines the target values and the upper and lower limits for the financial performance criteria for the assessment period (the current financial year), which apply to all Managing Board members equally, by January 31 of the financial year. The target may be defined by following the approved budget for the relevant year, among other things. 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.

### Target achievement rates – STI

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

If the EBITDA or ROCE achieved in the relevant financial year is exactly equal to the lower limit, the target achievement rate will be 50%. If the upper limit is reached or exceeded, the target achievement rate will be 150% (cap). The target achievement rates in between are linear (linear interpolation). If the lower limit is not reached, the target achievement rate will be 0%. Thus, the bonus share for the relevant performance criterion and the short-term variable performance bonus (STI) as a whole may be skipped completely.

### STI entitlement calculation overview



In the case of extraordinary performance which is not reflected in the financial criteria, the Remuneration Committee may increase the bonus that results 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 is below expectations. Normally, a modifier of 1.0 is applied. The basis for assessing non-financial performance is, on the one hand, the collective performance of the entire Managing Board and, on the other hand, the individual performance of each Managing Board member. This may, for example, be the achievement of important strategic corporate goals and the realization of key projects.

The amount of the STI target 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, not even by applying 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 out in seven equal instalments in the months July to December (including a special payment in December).

Taking into account two financial and one non-financial target key performance indicators ensures a comprehensive and balanced assessment of the Managing Board members' performance. The financial target key performance indicators take into account both the development of profitability and of efficiency. By using EBITDA with a weighting of 70% the focus is on the development of earning power. In addition thereto, ROCE with a weighting of 30% takes into account the efficiency of capital employment.

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

## Long-Term Incentive (LTI)

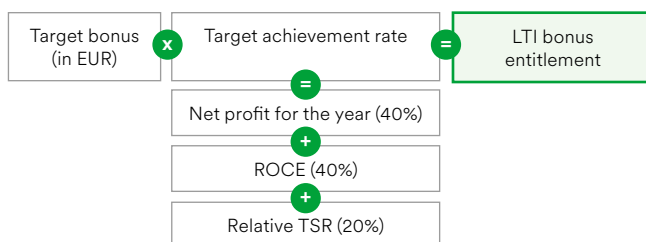
The LTI is a performance-based remuneration component with an assessment period of several years which is supposed to bring about a long-term incentive effect. The LTI is granted on a rolling basis, i.e. in annual tranches with assessment periods of three years each. Only financial performance criteria, i.e. the average consolidated profit for the year, the average consolidated ROCE and the company's capital market performance in relation to selected comparables (relative TSR), are considered.

### LTI performance criteria overview

	Financial		
Performance criterion	Consolidated profit for the year	Return on capital employed (ROCE)	Relative total shareholder return (TSR)
Weighting	40%	40%	20%

The Remuneration Committee of the Supervisory Board defines the target values and the upper and lower limits of the financial LTI performance criteria of consolidated profit for the year and consolidated ROCE for the assessment period (mean of the next three financial years), which shall apply to all Managing Board members, by January 31 of the financial year.

### LTI entitlement calculation overview



Incentivizing Managing Board members in a uniform manner simplifies the integration of newly appointed Managing Board members, which serves sustainable success of the business. When defining LTI targets internal sources such as corporate planning and, where appropriate, also external sources such as expectations of analysts or historical performance of peers are used. This is intended to create a target that is ambitious compared to competitors, which supports the long-term competitiveness of Lenzing AG. The target achievement rate will then be

calculated on the basis of the audited IFRS consolidated financial statements of the financial years of the assessment period. In contrast to the STI, the LTI target achievement rate is 200% (cap) when reaching the upper limit.

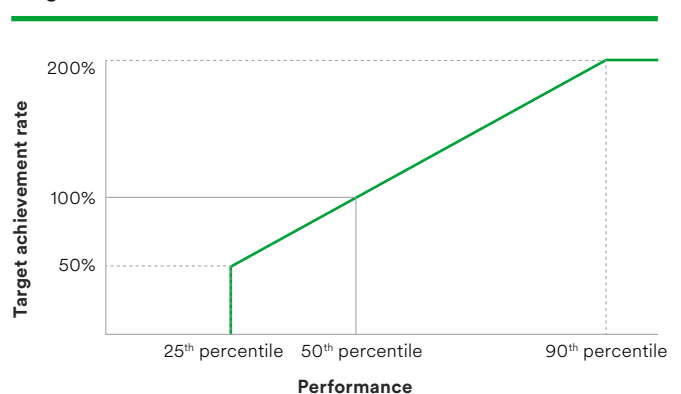
### Target achievement rates – LTI

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 skipped completely.

To assess the target achievement rate of the relative TSR, TSR performance of Lenzing AG is compared with the performance of all ATX Prime and MDAX companies (each exclusive of 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 will be 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 is below the 25th percentile, the target achievement rate is 0%. Between the 25th percentile and the 50th percentile and between the 50th percentile and the 90th percentile the TSR target achievement rates are linear (linear interpolation).

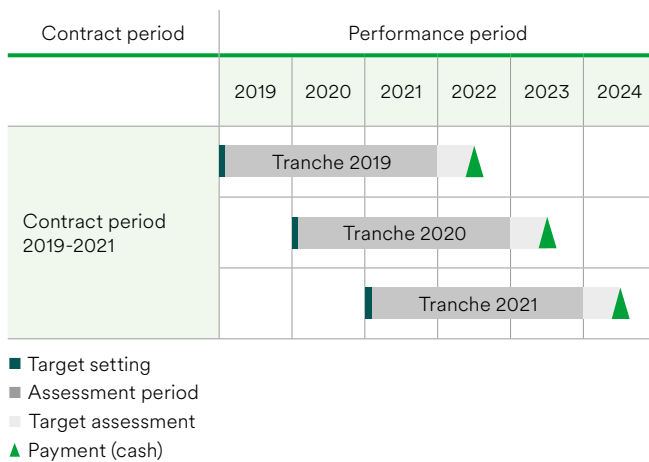
### Target achievement curve- relative TSR



In addition to the relative TSR, both the development of efficiency and the development of income are taken into account in the LTI by use of the ROCE and the profit for the year. While the ROCE is used to focus on efficient long-term employment of capital, the profit for the year, as the basis for distribution of dividends, is used to strongly design remuneration according to shareholder interests. Normally, the target values and the upper and lower limits of the ROCE are not identical for the STI and the LTI. By using the ROCE in both remuneration components the focus is on efficient employment of capital.

The LTI is granted in yearly tranches which have an assessment period of three years. 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 value 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 long-term strategic development of the company. When it comes to defining the LTI, this model ensures that the performance of the company after the end of the term of office of a Managing Board member is taken into account as well. In this way Managing Board members are incentivized to sustainably invest in the company also at the end of their terms of office. In addition, it also helps to offset the effects of cyclical fluctuations in results on the LTI.



The payment amount of the LTI tranche will be calculated by June 30 of the financial year following the end of the assessment period for an LTI tranche and will then be paid in seven equal instalments in the months July to December (including a special payment in December). If the Managing Board member resigns from his or her office before the end of the term for which s/he was appointed or if s/he is dismissed for important reason (cause) as defined in Section 75 AktG, all claims to LTI payments for all tranches granted during the current contract period for which the assessment period has not expired yet shall be forfeited. LTI tranches which were granted in earlier contract terms of the Managing Board member shall be paid when a target achievement rate that is above the lower limit is achieved.

## Special grants and bonuses

The Remuneration Committee reserves the right to grant special bonuses for special work or achievements in addition to the mentioned 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.

Granting of sign-on bonuses and retention bonuses to Managing Board members is permitted. This may be necessary to attract top qualified Managing Board members and to bind them to the company.

## Pension contributions

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

## Remuneration in kind and other benefits

The company has taken out a directors and officers (D&O) insurance, accident insurance and any other insurance necessary for the activities as a Managing Board member, such as a legal expenses insurance or a foreign travel health insurance, whose costs are borne by the company. 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 and travel expenses. Managing Board members enjoy health, pension and accident insurance cover with an Austrian social security institution. Social security contribution costs are split between Managing Board members and the company according to the statutory key and the company pays a contribution prescribed by law 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.

## Information on share-based remuneration

The remuneration of the Managing Board members is intended to promote the business strategy and the long-term development of the company by appropriately taking into account the responsibility and the scope of work of the Managing Board members as well as the financial situation of the company. The focus of the variable remuneration components for the Managing Board members is more on internal performance indicators which concern the Group's business results. The reason is that the stock market price of the company's shares is sometimes strongly affected by exogenous factors such as the development of interest rates or bull and bear phases of the capital market and is thus only of limited use as a benchmark for assessing the Managing Board's performance. For this reason, the Managing Board is not granted any share-based payments in the meaning of Section 78c (2) No. 4 AktG.

## **Derogation from 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 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 base salary and variable remuneration components may be defined in a different manner to incentivize the Managing Board member who has been delegated by the Supervisory Board in a manner that is appropriate for the situation. In the 2021 financial year, this was the case for Cord Prinzhorn.

In addition, in extraordinary circumstances which are a special challenge for the entire economy or specifically for the company, other short-term and long-term performance bonuses may be defined on a temporary basis to attract and/or keep 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 guarantee continuity on the Managing Board the Supervisory Board ensures that the majority of contracts Managing Board members will 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 important reasons (cause), in particular those of Section 27 of the Austrian Employees Act (AngG), with no notice period having to be observed. In the case of permanent occupational disability or if an illness continues for more than six months, the employment relationship may be terminated also 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 any year.

In the case of early termination of an appointment to the Managing Board by the company for any of the reasons that are stated in Section 75 AktG or in the case of resignation from office for no important 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 for no important 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.

## **Overview of the total remuneration of the Managing Board**

The Lenzing Group recorded a significant improvement in revenue and earnings trends compared to the previous year due to the predominantly positive market environment. As a result of these circumstances, the targets for the STI with a maximum achievement rate of 150 % were not reached. The targets for the LTI (2021 tranche) were accomplished at a preliminary target achievement rate of 100%.

The total remuneration of all members of the Managing Board for the 2021 financial year amounts to EUR 9,219 thousand. Non-performance-based components account for EUR 5,645 thousand while performance-based components totaled EUR 3,574 thousand.

The following table shows the remuneration granted or promised in accordance with the statutory requirements of the Austrian Stock Corporation Act (Section 78 et seq. AktG) and the recommendations of the Austrian Code of Corporate Governance.

## Overview of Managing Board remuneration 2021 - Remuneration due and granted

EUR thousand	Cord Prinzhorn, MBA <sup>1)</sup>	Robert van de Kerkhof, MBA	Mag. Thomas Obendrauf, MBA	DI Stephan Sielaff	DI Christian Skilich, MBA, LL.M.	Dr. Stefan Doboczky, MBA <sup>2)</sup>	Dr. Heiko Arnold <sup>3)</sup>	Total
Non-performance-based	112	499	494	517	522	740	0	<b>2,885</b>
Basic remuneration	111	450	450	450	450	630	0	<b>2,541</b>
Remuneration in kind and other benefits (especially company cars)	0	9	12	13	16	10	0	<b>60</b>
Contributions to the inter-company pension fund	1	40	32	54	57	100	0	<b>285</b>
Other insurance benefits	0	0	0	0	0	0	0	<b>0</b>
Performance-based	78	511	810	721	537	918	-1	<b>3,574</b>
Short-term incentive (STI)	78	375	375	375	375	458	0	<b>2,035</b>
Long-term incentive (LTI)	0	136	135	146	162	-439	-1	<b>139</b>
thereof owed	0	0	-1	0	0	-439	-1	<b>-441</b>
thereof granted	0	136	136	146	162	0	0	<b>580</b>
Other performance-related remuneration	0	0	300	200	0	900	0	<b>1,400</b>
Remuneration from affiliated companies	0	0	0	0	0	0	0	<b>0</b>
Salary for managing director activities at subsidiaries	0	0	0	0	0	0	0	<b>0</b>
Other remuneration	300	0	0	0	180	2,280	0	<b>2,760</b>
Compensation payments and one-off severance payments	0	0	0	0	0	2,280	0	<b>2,280</b>
Extraordinary remuneration payments	300	0	0	0	180	0	0	<b>480</b>
Remuneration from former board function	0	0	0	0	0	0	0	<b>0</b>
Retirement pension	0	0	0	0	0	0	0	<b>0</b>
<b>Total remuneration</b>	<b>490</b>	<b>1,010</b>	<b>1,304</b>	<b>1,238</b>	<b>1,239</b>	<b>3,938</b>	<b>-1</b>	<b>9,219</b>
thereof not performance-based in %	84.1%	49.4%	37.9%	41.7%	56.7%	76.7%	0.0%	<b>61.2%</b>
thereof performance-based in %	15.9%	50.6%	62.1%	58.3%	43.3%	23.3%	100.0%	<b>38.8%</b>
<b>Disbursements in 2021 for performance-based bonus payments<sup>4)</sup></b>	<b>0</b>	<b>0</b>	<b>300</b>	<b>0</b>	<b>0</b>	<b>1,612</b>	<b>0</b>	<b>1,912</b>

1) CEO of Lenzing AG since November 4, 2021

2) Stepped down from the Managing Board as of September, 2021. The income of EUR 439 thousand derives from the release of the provisions less a discount payment.

3) Stepped down from the Managing Board as of April 30, 2020. The income of EUR 1 thousand derives from the final calculation of claims.

4) For benefits/payments in the 2021 financial year or for prior periods

Remuneration granted represents those remuneration components that were actually paid during the reporting period as well as entitlements that were definitively obtained. In the 2021 financial year, the remuneration owed amounts to EUR 1,594 thousand, resulting on the one hand from the STI tranche 2021 with EUR 2,035 thousand and on the other hand from the LTI with EUR -441 thousand. For the 2021 STI tranche based on current business performance and the resulting target achievement, the final entitlements were vested and a provision of EUR 1,578 thousand was therefore recognized as an expense; in addition, an amount of EUR 458 thousand was actually received in the reporting year. From the final determination of the LTI entitlements, the provisions were adjusted with an effect on income in the amount of EUR 441 thousand.

Remuneration promised includes those remuneration components that are economically attributable to the 2021 reporting period, but have not yet been finally determined and paid out. Allocations to provisions for severance payments and pensions are exempted. Based on the current Remuneration Policy, the LTI is the only contract component at Lenzing AG whose final determination and payment occurs at a date after the reporting period. The final entitlements are not determined and thereby vested until the end of the last year of the assessment period of the respective LTI tranche. In the reporting year, the compensation granted amounted to EUR 580 thousand, resulting from the change in provisions for the 2021 LTI tranche and 2020 LTI tranche. Due to the current business performance and the resulting preliminary target achievement for the 2021 LTI tranche, provisions of EUR 796 thousand were formed. The provision for



the LTI tranche 2020 was adjusted through profit or loss in the amount of EUR 216 thousand due to the preliminary determination of the claims.

As part of the termination of the contract with Stefan Doboczky, the 2021 STI tranche and the 2019 LTI tranche were settled in a lump sum. No payment is due for the 2020 and 2021 LTI tranches. For the 2021 STI tranche, a variable performance bonus of EUR 458 thousand results if 150 percent of the targets are achieved and the bonus is factored in over a period of 9 months. Due to the reversal and utilization of provisions recognized for the 2019 and 2020 LTI tranches, the total income for Lenzing AG amounts to EUR 439 thousand. In addition, a post-contractual non-competition clause was agreed with the Managing Board member. For compliance with the post-contractual non-competition clause, the Managing Board member is entitled to a consideration of EUR 2,280 thousand as compensation, for which a liability was recognized as an expense.

The Remuneration Committee granted special bonuses to Stefan Doboczky and Thomas Obendrauf in the 2021 financial year for exceptional performance in connection with the hybrid bond issue. A special bonus was granted to Stefan Sielaff in connection with the successful introduction of a continuous improvement program. Sign-on bonuses were granted to Cord Prinzhorn and Christian Skilich.

For the calculation of the relative shares of non-performance-based and performance-based components of total remuneration, fringe benefits, pension contributions as well as other components are not taken into consideration, as specified by the Remuneration Policy.

#### Annual change in total remuneration of the Managing Board and financial performance

EUR thousand	2021	Change in %	2020
<b>Change in Managing Board remuneration</b>			
Cord Prinzhorn, MBA, CEO <sup>1)</sup>	490	n/a	0
Robert van de Kerkhof, MBA, member of the Managing Board	1,010	64%	615
Mag. Thomas Obendrauf, MBA, CFO	1,304	121%	591
DI Stephan Sielaff, member of the Managing Board	1,238	142%	511
DI Christian Skilich, MBA, LL.M., member of the Managing Board	1,239	113%	581
Dr. Stefan Doboczky, MBA <sup>2)</sup> , former member of the Managing Board	3,938	150%	1,574
Dr. Heiko Arnold <sup>3)</sup> , former member of the Managing Board	-1	n/a	18
<b>The company's financial performance</b>			
EBITDA (in EUR mn)	363	85%	197
Net income (in EUR mn)	128	n/a	-11
ROCE (in %)	5.4	n/a	-0,6
TSR (percentile)	75.8	217%	23.9
<b>Remuneration of employees</b>			
Average remuneration of employees on a full-time equivalent basis	78	15%	68
Average remuneration excluding government subsidies for short-time working	78	20%	65
Total number of employees on a full-time equivalent basis	2,812	5%	2,669

1) CEO of Lenzing AG since November 4, 2021

2) Stepped down from the Managing Board as of September 30, 2021

3) Stepped down from retired from the Managing Board as of April 30, 2020

## STI target achievement

In accordance with the Remuneration Policy, the STI of Lenzing AG is based on the company's results of the 2021 financial year and depends on the financial key indicators consolidated EBITDA and consolidated ROCE as well as non-financial criteria.

### STI Target achievement 2021

Criteria		Lower limit	Target value	Upper limit	Actual value 2021	Target achievement	Weighting	Weighted
EBITDA	EUR mn	210.4	263.0	315.6	363.0	150.0%	70.0%	105.0%
ROCE	in %	2.0%	2.5%	3.0%	5.4%	150.0%	30.0%	45.0%
<b>Target achievement</b>	<b>in %</b>							<b>150%</b>

### STI bonus entitlement 2021 – Managing Board members

EUR thousand	Robert von de Kerkhof, MBA	Mag. Thomas Obendrauf, MBA	DI Stephan Sielaff	DI Christian Skilich, MBA, LL.M
Target remuneration	250.0	250.0	250.0	250.0
STI bonus entitlement 2021	375.0	375.0	375.0	375.0

Due to the interim assumption of a Managing Board mandate and the fact that Cord Prinzhorn joined the company during the year, the STI is not calculated on the basis of the KPIs and target values applicable to the other members of the Management Board.

## LTI target achievement

The LTI of Lenzing AG is granted on a rolling basis, i.e. in annual tranches with assessment periods of three years each. Only financial performance criteria, i.e. the consolidated profit for the year, the consolidated ROCE and the company's capital market performance in relation to selected comparables (relative TSR), are considered.

The company reserves the right not to publish the target values, lower and upper limits for the LTI to protect sensitive business information. The target remuneration per tranche is shown in the following table:

### LTI target remuneration 2021 – Managing Board members

EUR thousand	Robert von de Kerkhof, MBA	Mag. Thomas Obendrauf, MBA	DI Stephan Sielaff	DI Christian Skilich, MBA, LL.M
Target remuneration per tranche	200.0	200.0	200.0	200.0

Due to the interim assumption of a Managing Board mandate, Cord Prinzhorn does not receive an LTI.

As of the 2021 financial year, the assessment period for the 2019 LTI tranche was completed and the entitlements finally vested. This tranche will be paid out in 2022. The following table presents the final target achievement for the 2019 tranche.

For net profit and ROCE, the lower limit of the KPIs was not reached. The target achievement therefore amounts to 0.0 percent. The target achievement of the relative TSR is 97.8 percent. Therefore, the overall target achievement for the 2019 tranche stands at 19.6 percent.

#### LTI target achievement 2019 tranche

Criteria		Lower limit	Target value	Upper limit	Actual value 2019-21	Target achievement	Weighting	Weighted
Net profit for the year	EUR mn	157	174	201	77.3	0.0%	40.0%	0.0%
ROCE	in %	7.2%	8.1%	11.0%	3.4%	0.0%	40.0%	0.0%
Relative TSR	Percentile	25	50	90	n/a	97.8%	20%	19.6%
<b>Overall target achievement</b>	<b>in %</b>							<b>19.6%</b>

## Remuneration of former board members

Post-employment benefits for former members of the Managing Board of Lenzing AG or their surviving dependents were recognized in the form of income in the income statement and revaluations in other comprehensive income in the amount of EUR 12 thousand (2020: expenses of EUR 607 thousand). The present value of the pension provision recognized for this purpose after deducting the fair value of the plan assets (net liability) amounts to EUR 6,512 thousand as of December 31, 2021 (December 31, 2020: EUR 7,285 thousand).

# Remuneration 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 rules for determining the Supervisory Board members' remuneration are provided in the Articles of Association (Section 13) of Lenzing AG, which are disclosed on the company's website. Final annual determination of the remuneration for the Supervisory Board is the responsibility of the shareholders' meeting (Section 98 AktG).

## Basic principles of the remuneration policy

Basically, the remuneration for the Supervisory Board consists of a base remuneration for work on the Supervisory Board and for membership of a committee and an attendance fee for meetings of the Supervisory Board and the committees. In view of the greater responsibility and the broader scope of activities the chairperson of the Supervisory Board and his/her deputy, the chairpersons of the committees, specific committee members and the financial expert may be granted a base 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 take on a special task in the company, special remuneration may be granted to them by resolution of the shareholders' meeting.

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

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

## Overview of total remuneration of the Supervisory Board

The total remuneration of all Supervisory Board members for the 2021 financial year amounts to EUR 907 thousand (previous year: EUR 864 thousand), which corresponds to an increase by 5.0 percent.

The following table shows the remuneration granted or promised in accordance with the statutory requirements of the Austrian Stock Corporation Act (Section 78 et seq. AktG) and the recommendations of the Austrian Code of Corporate Governance.

## Overview of total remuneration of the Supervisory Board 2021

EUR thousand	Fixed remuneration	Committee activity	Meeting fees	Special remuneration	Insurance payments	Total
Dipl.-Bw. Peter Edelmann	90	113	29	0	0	<b>231</b>
Dr. Markus Fürst	27	27	14	0	0	<b>68</b>
Mag. Helmut Bernkopf	40	10	10	0	0	<b>60</b>
Dr. Christian Bruch	40	25	9	0	0	<b>74</b>
Dr. Stefan Fida	47	13	12	0	0	<b>72</b>
Dr. Franz Gasselsberger, MBA	40	30	12	0	0	<b>82</b>
Mag. Patrick Prügger	47	65	14	0	0	<b>126</b>
Dr. Astrid Skala-Kuhmann	40	22	14	0	0	<b>76</b>
Melody Harris-Jensbach	40	5	8	0	0	<b>53</b>
Cord Prinzhorn <sup>1)</sup>	20	0	5	0	0	<b>25</b>
Dr. Veit Sorger <sup>2)</sup>	13	10	4	0	0	<b>26</b>
members delegated by the Works Council	0	0	15	0	0	<b>15</b>
<b>Total remuneration</b>	<b>442</b>	<b>319</b>	<b>146</b>	<b>0</b>	<b>0</b>	<b>907</b>

1) Mandate suspended as of November 4, 2021

2) Stepped down from the Supervisory Board as of April 14, 2021

## Information on share-based remuneration

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 account the responsibility and the scope of work of the Supervisory Board members as well as the financial situation of the company. 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 parallels with the interests of the Managing Board.

# Imprint

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