Stakeholder engagement
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“Naturally positive”, the Lenzing Group’s sustainability strategy, was developed from the results of the materiality analysis and is firmly rooted in the Lenzing Group’s sCore TEN strategy. Within the dimensions People – Planet – Profit, this strategy defines those sustainability areas where Lenzing can do the most to create a more sustainable world. This is the essence of Lenzing’s Naturally positive thinking. A successful implementation of this thinking focus areas to reinforce the sphere of influence. One of these focus areas is Partnering for change.

The sustainability strategy “Naturally positive” is the basis for Lenzing’s approach to contributing to the United Nations’ Sustainable Development Goals (SDGs).

**Strategic focus areas of sustainability in the Lenzing Group and corresponding SDGs**
Partnering for change

The world is more interconnected today than ever before. Improving access to technology and knowledge is an important way to share ideas and foster innovation. The complex global sustainability challenges we are facing, such as the COVID-19 pandemic, climate change, widespread biodiversity loss, plastic pollution, etc., call for a collaborative approach to designing systemic solutions.

Transparency is a prerequisite for fostering trust and long-term relationships. Guided by the United Nations Sustainable Development Goal SDG 17: Partnerships for the Goals, the Lenzing Group regularly engages with a wide range of stakeholders and business partners in order to integrate different perspectives, understand global trends, and mitigate risks. Lenzing strives to identify and develop cross-industry business cases to make progress in instituting circularity at Lenzing and throughout the industry. With its contributions to developing methods, tools and products, Lenzing helps the industry to progress on its path towards a more sustainable future. For example, Lenzing’s launch of carbon-zero TENCEL™ fibers contributes to reducing the carbon footprint of customers’ supply chains.

Engaging in a dialog means respecting stakeholders, contributing Lenzing’s expertise and knowledge, and taking the opportunity to learn from partners’ perspectives. Each dialog starts with providing transparent information, supporting stakeholders to form an educated opinion and assess risks, and avoiding misunderstandings by building trust. Furthermore, stakeholder relationships built on trust and openness help solve existing tensions and avoid potential conflicts.

The ongoing stakeholder dialog in the Lenzing Group typically includes workshops and webinars with customers, one-on-one discussions, training sessions, interviews, surveys, education, joint product development, web platforms, roadshows, regular media relations, trade shows and conferences, press interviews, risk assessments, and audits. All these activities are conducted either online or personally.

Various business functions are involved in reaching out to individual stakeholders. In addition to the Lenzing Sustainability team, the Management Board, managers of the different business functions, and key account managers are all important players who drive the company’s proactive approach towards ongoing stakeholder dialog.

Lenzing’s key stakeholders

The key stakeholders for the Lenzing Group are the people and entities who are potentially affected by its operations, business conduct, and strategic targets. Lenzing regards them as strategic partners who have a significant interest in and impact on areas that matter the most to Lenzing.

One very special stakeholder group is Lenzing’s staff. Transparency, collaboration, and sharing of information make them key testimonials to credible Lenzing Group sustainability performance. For the special challenges, COVID-19 presented for the Lenzing staff in the reporting year, please see “Empowering people” in the Sustainability Report. This figure below shows an overview of the most important stakeholder groups.
Lenzing’s most important stakeholder dialogs

The following information shows the way Lenzing usually engages with its stakeholders.

**Employees**

One very special stakeholder group is Lenzing staff. Transparency, collaboration, and sharing of information make them key testimonials for credible Lenzing Group sustainability performance.

<table>
<thead>
<tr>
<th>Stakeholder interest</th>
<th>Lenzing engagement through</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works councils/trade unions</td>
<td></td>
<td>Regular information on work conditions, remuneration, etc.</td>
</tr>
<tr>
<td>Internal communication</td>
<td></td>
<td>Regular town hall meetings, corporate media (newsletters, TV cooperation, screens, online magazines, intranet etc.), workshops, presentations to sites &amp; functions, internal sustainability training, site visits. In 2020, the frequency of virtual townhall meetings and the provision of information was considerably increased due to COVID-19</td>
</tr>
</tbody>
</table>

Fair employment conditions, respect and collaboration, safe & healthy working environment, transparent information, job security, long-term & sustainable thinking
**Media**

Transparent and open communication is an essential prerequisite for a successful, globally operating, publicly listed company like the Lenzing Group. Increasing digitalization increases the significance of media as stakeholders for the company.

<table>
<thead>
<tr>
<th>Stakeholder interest</th>
<th>Lenzing engagement through</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding and ongoing public information regarding the development of Lenzing</td>
<td>Corporate Communications, Marketing Communication, Brand Management, Business Management</td>
<td>Press relations with general and trade media, press conferences, product launches, interviews, collaboration with the local TV station in Lenzing, social media communication</td>
</tr>
</tbody>
</table>

**Local communities / neighbors**

Both locally and internationally, the Lenzing Group takes its social responsibility as a corporate citizen seriously.

<table>
<thead>
<tr>
<th>Stakeholder interest</th>
<th>Lenzing engagement through</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Safety, job creation, prosperity, clean environment in terms of water, air, noise; ethical standards, compliance, paying fair taxes</td>
<td>Management at production sites, Community department of PT. South Pacific Viscose,</td>
<td>Ongoing contacts with community representatives</td>
</tr>
</tbody>
</table>

**Direct customers & value chain partners**

Customer intimacy and responsiveness to customer needs are part of Lenzing’s sCore TEN strategy. Relationships are geared to the long term and often extend over many decades.

<table>
<thead>
<tr>
<th>Stakeholder interest</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Innovative, sustainable and differentiating products, long term and trustful partnerships, open and transparent collaboration, reliability</td>
<td>Sales, Business Development, Corporate Sustainability, Technical Customer Service</td>
<td>Ongoing regular exchange on a wide range of sustainability topics, customer events, webinars, panel discussions and workshops about quality, product development, innovation, supply chain management, site visits, trend forecasts, color cards, fabric and product development, exhibitions, specialist conferences newsletters, blogs</td>
</tr>
</tbody>
</table>
**Retailers & brands**

Retailers and brands are key stakeholders and customers for the company, which is situated at the upstream end of the value chain. Retailers and brands are the key link to the end consumer.

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Innovative, sustainable and differentiating products, long term and trustful partnerships, open and transparent collaboration, reliability</td>
<td>Business Development, Key account managers, Corporate Sustainability, Brand Management</td>
<td>Ongoing regular exchange on a wide range of sustainability topics, customer events and workshops, conferences, exhibitions, virtual site tour at Lenzing site, Austria</td>
</tr>
</tbody>
</table>

**Suppliers**

The responsible purchasing of primary and raw materials for fiber and pulp production plays a crucial role for the Lenzing Group. Against the backdrop of the global issue of deforestation and land degradation, particular importance is attached to responsible wood and pulp sourcing. Good and transparent business relationships with our suppliers are key to promoting and improving a sustainable supply chain.

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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Long-term and trustful partnerships, open and transparent collaboration, fair pricing, reliability</td>
<td>Purchasing department, Global Pulp &amp; Wood, EcoVadis assessment</td>
<td>Audits and supplier assessments, site and forest visits, specialist conferences</td>
</tr>
</tbody>
</table>

**Multi-stakeholder organizations/initiatives**

Stakeholder interest: Leadership and participation to change for the better, develop and shape new tools and standards, collaboration, drive sustainable business practices and take responsibility.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Membership</th>
<th>Description</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Round Table (ERT)</td>
<td>Member</td>
<td>Group of CEOs from some of Europe’s largest businesses to promote sustainable growth, competitiveness and prosperity in Europe.</td>
<td>In 2020 Lenzing’s Chief Executive Officer was the only CEO of an Austrian company to be appointed to the European Round Table (ERT).</td>
</tr>
<tr>
<td>Make Fashion Circular (an initiative of the Ellen MacArthur Foundation)</td>
<td>Participant</td>
<td>The Make Fashion Circular initiative was established by Ellen MacArthur Foundation in 2018 with the aim of accelerating the transition to the circular economy.</td>
<td>Lenzing contributed to this ambitious initiative by providing an industrial perspective and insights and drawing on its experience in the textile industry and its pioneering TENCEL™ Lyocell fibers with REFIBRA™ technology.</td>
</tr>
<tr>
<td>Policy Hub on circular economy for the apparel and footwear industry</td>
<td>Member since 2019, co-chair from May 2020</td>
<td></td>
<td>Active contribution to several topics</td>
</tr>
<tr>
<td><strong>Renewable Carbon Initiative</strong></td>
<td>Founding partner</td>
<td>Eleven leading companies from six countries founded the Renewable Carbon Initiative (RCI) in September 2020 under the leadership of nova-Institute (Germany)</td>
<td>Details see chapter Circular Economy page 50 in the Sustainability Report 2020</td>
</tr>
<tr>
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<td>-------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Sustainable Apparel Coalition (SAC)</strong></td>
<td>Founding member</td>
<td>SAC is the apparel, footwear and home textile industry’s foremost alliance for advancing sustainability.</td>
<td>Supporting and speeding up the transition from fossil carbon to renewable carbon for all organic chemicals and materials</td>
</tr>
<tr>
<td><strong>Textile Exchange</strong></td>
<td>Member</td>
<td>Textile Exchange is a global non-profit organization that works closely with the global textile supply chain, brands, and retailers to drive industry transformation in preferred fibers, integrity, standards and responsible supply networks.</td>
<td>Contribution to the development and testing of the Material Sustainability Index (MSI) relaunch and the first part of the product module</td>
</tr>
<tr>
<td><strong>UN Fashion Charter</strong></td>
<td>Founding member of the UN Fashion Dialogue (2018).</td>
<td>The Fashion Industry Charter for Climate Action under the auspices of UN Climate Change was presented in 2018 at the COP 24 in Katovice, Poland. It is a broad stakeholder movement in the textiles, clothing and Lenzing contributed actively to the working group on raw materials. Details see in chapter decarbonization page 93 in the Sustainability Report 2020</td>
<td></td>
</tr>
</tbody>
</table>
Fashion industry towards a holistic commitment to climate action. Signatories commit to climate targets and finally to fully decarbonize the fashion industry value chain in alignment with the Science Based Targets Initiative.

The World Economic Forum (WEF) is an international NGO. Its mission is stated as "committed to improving the state of the world by engaging business, political, academic, and other leaders of society to shape global, regional, and industry agendas".

Contribution to CEO Climate Leaders Alliance
Member of “Shaping the Future of Advanced Manufacturing and Production” platform
Member of Steering Committee of the Nature Climate Solutions Alliance
Contributor to PACE Platform for Accelerating the Circular Economy

World Economic Forum (WEF)  
Contributor Member

Zero Discharge of Hazardous Chemicals (ZDHC)  
Contributor to ZDHC’s Cellulosic Fibers (MMCF) Task Team on wastewater, sludge/solid waste, and air emissions

ZDHC works towards reducing the industry’s chemical footprint and collaborates with global brands, chemical suppliers, manufacturers and other organizations.

ZDHC MMCF wastewater guideline implemented at viscose production sites

Industry associations
Stakeholder interest: leadership and participation to change for the better, support industry interests, develop and shape standards, collaboration.

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Membership</th>
<th>Description</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIRFS European Man-Made Fibres Industry Association</td>
<td>Presidency Contributor</td>
<td>CIRFS is the voice of the man-made fibers industry in Europe. CIRFS’s mission is to facilitate the sustainable growth of the European man-made fibers industry to meet the future needs of the consumer, society, and our planet.</td>
<td>Beside the presidency in the CIRFS executive board by Lenzing’s Board Member, Robert van de Kerkhof, Lenzing actively takes part in 12 different committees and working groups organized by CIRFS for a wide range of topics. Apart from Economic &amp; Trade Policy and Statistics the key focus of CIRFS is on different topics within Circular Economy, Sustainability and Chemical Policy.</td>
</tr>
<tr>
<td>CNTAC China National Textile and Apparel Council</td>
<td>Contributor</td>
<td>CNTAC is a national organization for China’s textile and apparel industry.</td>
<td>Lenzing cooperates with CNTAC Office for Social Responsibility, Information Center and Development Center on</td>
</tr>
</tbody>
</table>
EDANA
European and Association Disposables Nonwovens Contributor

EDANA promotes the sustainable development of the nonwoven industry for a community of over 290 companies worldwide and advocate the benefits of nonwovens for society.

Lenzing is engaged in several steering and working groups in various fields. In 2020 a key focus of Lenzing’s work within EDANA was the Circular Economy working group, where the key topic for Lenzing was the discussions around the EU Single-Use-Plastics Directive.

EURATEX
- European Apparel and Textile Confederation

EURATEX is the European Apparel and Textile Confederation, representing the interests of the European textile and clothing industry at the level of the EU institutions.

Lenzing takes an important role in the latest project ReHubs to further drive circularity in the Textile Industry. For details, see chapter Circular Economy (EURATEX) page 51.
sustainability challenges by leveraging the power of markets.

In 2020 Lenzing continued its open exchange with the NGO. Numerous activities in safety, health, and environment at the Indonesian production site were continued, such as improvements in measuring and reporting key environmental data, continuous improvement, waste management, and in safety.

World Resources Institute (WRI)

The Lenzing Group has initiated collaboration and supports WRI in developing the “Science Based Target initiative’s Apparel Sector Guidance”. This guidance was launched in mid-2019 and will help all companies along the value chain to develop climate change targets based on up-to-date climate science.

Academia

Stakeholder interest: Industry insights, market development analysis

<table>
<thead>
<tr>
<th>Institution</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wood K plus</td>
<td>Long-term cooperation. Ongoing R&amp;D projects on advanced biomass, lignin and hemicellulose utilization, use of enzymes in the production process.</td>
</tr>
<tr>
<td>Christian Doppler Laboratory</td>
<td>R&amp;D on efficient, recycling-based circular economy.</td>
</tr>
<tr>
<td>Research Center for Non Destructive Testing</td>
<td>Collaboration in PSSP project together with several Austrian industrial companies.</td>
</tr>
<tr>
<td>University of California, San Diego, USA - Scripps Institution of Oceanography</td>
<td>Biodegradability of cellulose-based materials in maritime environment.</td>
</tr>
<tr>
<td>Johannes Kepler University, Austria, Linz Institute of Organic Solar Cells (LIOS)</td>
<td>Basic research regarding dielectric properties of cellulose fibers and their influence on processing.</td>
</tr>
<tr>
<td>EPNOE (European Polysaccharide Network of Excellence)</td>
<td>Exchange with European top institutes – Lenzing is also member of Industrial Advisory Board.</td>
</tr>
<tr>
<td>AIT (Austrian Institute of Technology)</td>
<td>Development of energy-efficient technologies within NEFI network (New Energies for Industry).</td>
</tr>
<tr>
<td>RWTH Aachen, Germany</td>
<td>Cooperation e.g. in project INGRAIN (biobased circular economy).</td>
</tr>
<tr>
<td>VTT, Finland</td>
<td>Cooperation in project “Piloting alternatives for plastics”</td>
</tr>
</tbody>
</table>
Value Chain Partnerships

Competence centers and technical services
Lenzing runs three competence centers and offers technical and professional advice for partners along the value chain in order to deepen its relationships with them. These “Lenzing Innovation and Technology hubs” (LIT) are equipped with state-of-the-art facilities, such as the latest airjet high-speed spinning & spin/knit technology, and are operated by textile experts from the Technical Marketing Development team. The competence centers play a crucial role when it comes to offering added value to Lenzing’s business partners who use Lenzing fibers.

Lenzing Innovation and Technology hubs

- **Lenzing, Austria – Technical Marketing Center (TMC)**
  Located at the Lenzing headquarters in Austria, the TMC’s competence focuses on the development of new fiber applications and ranges to best practice in fabric production. The professional team and the technically advanced facilities enable a wide scope from spinning to woven and knit fabric manufacturing and further down to fabric and garment processing. Equally sophisticated laboratory and testing facilities are available for nonwoven applications as well.

- **Purwakarta, Indonesia – Lenzing Center of Excellence**
  Lenzing’s Center of Excellence in Indonesia focuses on primary customers. Its energy-efficient state-of-the-art machine park (fiber opening, carding, draw frame and spinning machines) covers all commercially important spinning technologies for wood-based fibers along the entire textile production chain. The up-to-date facilities respond to the customers’ need for highly flexible solutions.

- **Hong Kong, China – Application Innovation Center**
  The Hong Kong Application Innovation Center is specialized in fabric and new application development. Its state-of-the-art facilities include seamless, yarn/garment coloration & spin/knit technology.

Cooperation between Lenzing & Hof University of Applied Sciences
The testing facilities to support Lenzing’s nonwoven business were significantly strengthened in 2020. In a cooperation with the German Hof University of Applied Sciences a brand new state of the art nonwoven pilot line was inaugurated. The new line offers unique opportunities to run trials on an industrial scale line and will specifically support Lenzing’s customers in their developments towards products made from 100 percent cellulosic materials.
Financial Community / Investors

Investors are increasingly conscious of the social and environmental consequences of the decisions that companies make. Environmental, Social & Governance (ESG) criteria combine the company’s environmental and social impact with its corporate governance performance and measure these activities in transparent, quantifiable metrics. Investors use ESG criteria to evaluate the creation of a company’s long-term value and ability to mitigate risk; and regulators increasingly integrate ESG risk analysis and disclosure into their frameworks. Nevertheless, only 30 percent of investors consider ESG information provided by companies sufficient and therefore turn to third parties, such as rating agencies, for qualitative and quantitative data.

Global developments, such as the move towards reducing greenhouse gas emissions and increasing renewable energies affect investments in all kinds of industries. An increasing number of investors use ESG screens to direct capital towards change leaders.

Consequently, innovative and sustainability-based financing has gained in importance in the implementation of Lenzing’s corporate strategy ‘sCore TEN’. ESG rating agencies are increasingly important for Lenzing to evaluate its efforts to identify environmental, social and governance risks, and to improve its target setting.

As one of the first companies in the world, Lenzing successfully positioned a bonded loan bound to its sustainability performance. The success of a EUR 500 million hybrid bond issued in the reporting year is a vote of confidence in Lenzing by the capital market. The company’s rating history shows constantly improving results, with ratings being above sector average where rated. The ratings achieved in the reporting year underline that Lenzing’s performance with regard to the production of climate-neutral and socially responsible fibers were positively received by the investors’ community.
Ratings 2020:

CDP
CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. The world’s economy looks to CDP as the gold standard of environmental reporting with the richest and most comprehensive dataset on corporate and city action.

- CDP Forests: ‘A’ rating
  CDP Forests provides a framework of action for companies to measure and manage forest-related risks and opportunities, transparently report on progress, and commit to proactive action for the restoration of forests and ecosystems. Lenzing received 'A' for Timber, which is in the Leadership band. This is higher than the Europe regional average of B-, and higher than the Chemicals sector average of C (“Implementing current best practices”)

- CDP Climate: ‘A’ rating
  CDP’s climate change program aims to reduce companies’ greenhouse gas emissions and mitigate climate change risk. Lenzing received an ‘A’ for Climate (“Implementing current best practices”). This is higher than the Europe regional average of C, and higher than the Chemicals sector average of C.

Sustainalytics: rating improved to 22/100 i Medium risk level, (Improvement compared to last evaluation)

MSCI: ‘A’ rating (‘A’ score in the last 2 years, before ‘BBB’)

ISS-ESG: ‘B’-rating
In its latest report, ISS ESG raised the Lenzing Group’s sustainability rating from “C+” to “B-”, the highest rating in the category “Paper & Forest Products”, positioning the Lenzing Group among the top 10 percent of rated companies and confirming “Prime Status”.

ISS ESG is one of the leading agencies for sustainability ratings internationally and currently covers more than 8,000 issuers worldwide. The assessment of sustainability performance is based on more than 800 individual indicators in the areas of environmental, social and governance (so-called ESG criteria) performance. 40 companies from all over the world are rated in the “Paper & Forest Products” category. The best rating in this category is ‘B-’.

EcoVadis: 72/100 Gold status
The Lenzing Group was awarded the gold status in EcoVadis’ CSR rating for the third year in a row. Lenzing is one of the leading two percent of all assessed companies in its industry. The assessment covers the four most important CSR (Corporate Social Responsibility) practices: environment, fair working conditions and human rights, ethics and sustainable procurement. Lenzing achieves top ratings in all areas, making it one of the best performing companies.

Vigeo Eiris: 59/100 – “robust” performance level
Lenzing is among the top 20 percent in its sector and among top 4 percent worldwide

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i MMCF: man-made cellulosic fibers
ii 0 is best