

Managing sustainability

2022

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Governance structure for sustainability

[GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-18, 2-19, 2-20]

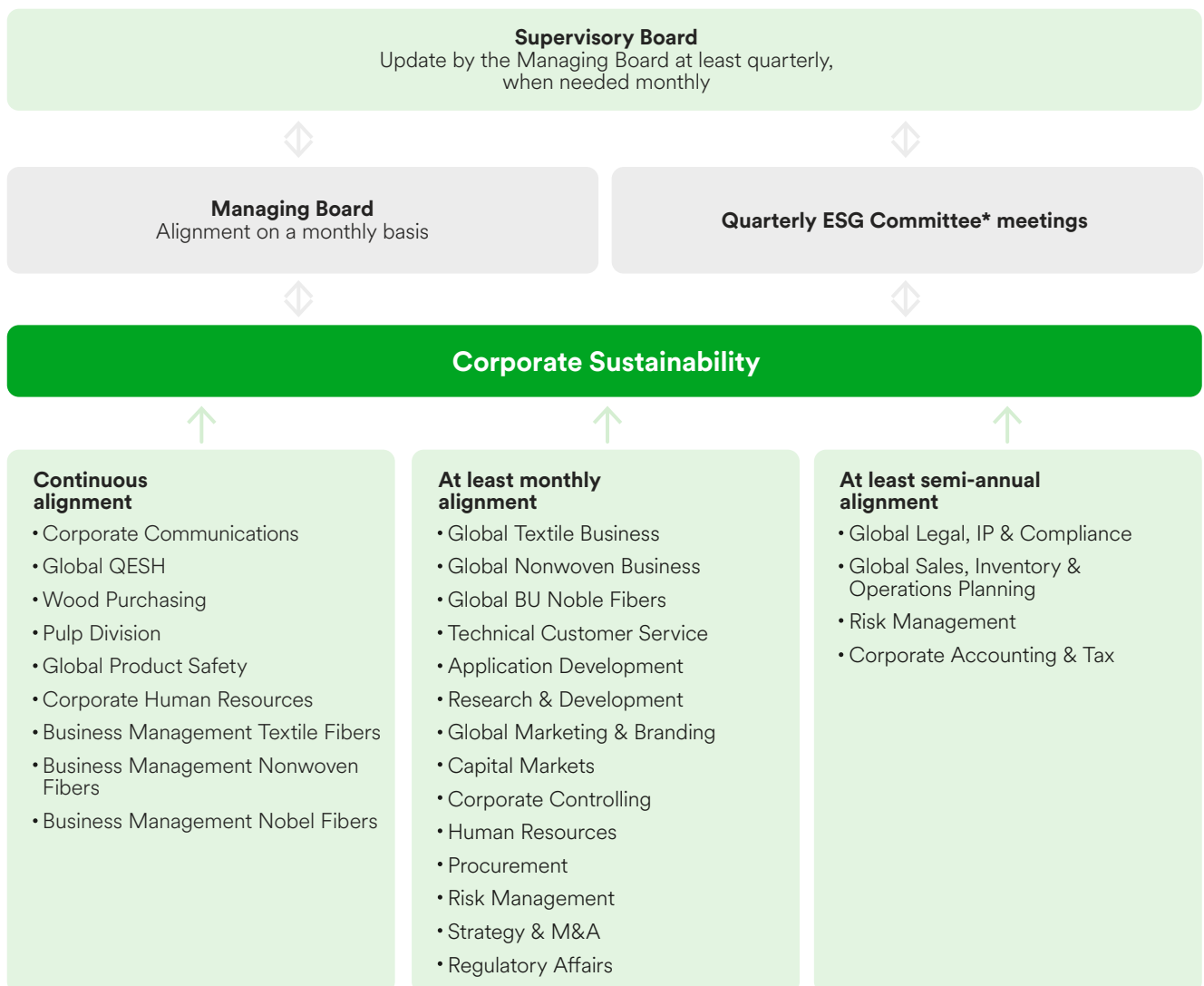
Corporate Sustainability reports directly to the Managing Board. In addition, an internal committee (ESG Committee) has been established to accelerate the sustainability agenda in the company, with meeting held on a quarterly basis. Regular alignments on various topics take place with different functions to drive the integration of social and environmental concerns into the company's business operations. General information on corporate Governance can be found in the Lenzing Group's Annual Report 2022 (Corporate Governance Report.)

Board remuneration linked to sustainability performance

The principles of the Remuneration Policy were revised in the 2021 financial year and the Annual General Meeting in 2022 approved the new Remuneration Policy. The Remuneration Policy of Lenzing AG for the performance-based remuneration of the Managing Board is linked to both financial performance and non-financial sustainability criteria (ESG), which further promote the sustainable business strategy. Therefore, in addition to the existing criteria, the long-term incentive (LTI), which is a variable performance bonus, has been expanded to include sustainability targets for Managing Board members.

Sustainability organization

Figure 03



* ESG Committee is an internal committee to accelerate sustainability agenda. Members are Managing Board, Global Strategy and M&A, Corporate Sustainability, Global Wood & Pulp, Corporate Audit & Risk, Capital Markets, Global QESH, Corporate HR, Corporate Controlling, Global Procurement, Global Textile Business, Global Nonwoven Business, Corporate Communications, Research & Development

ESG Committee

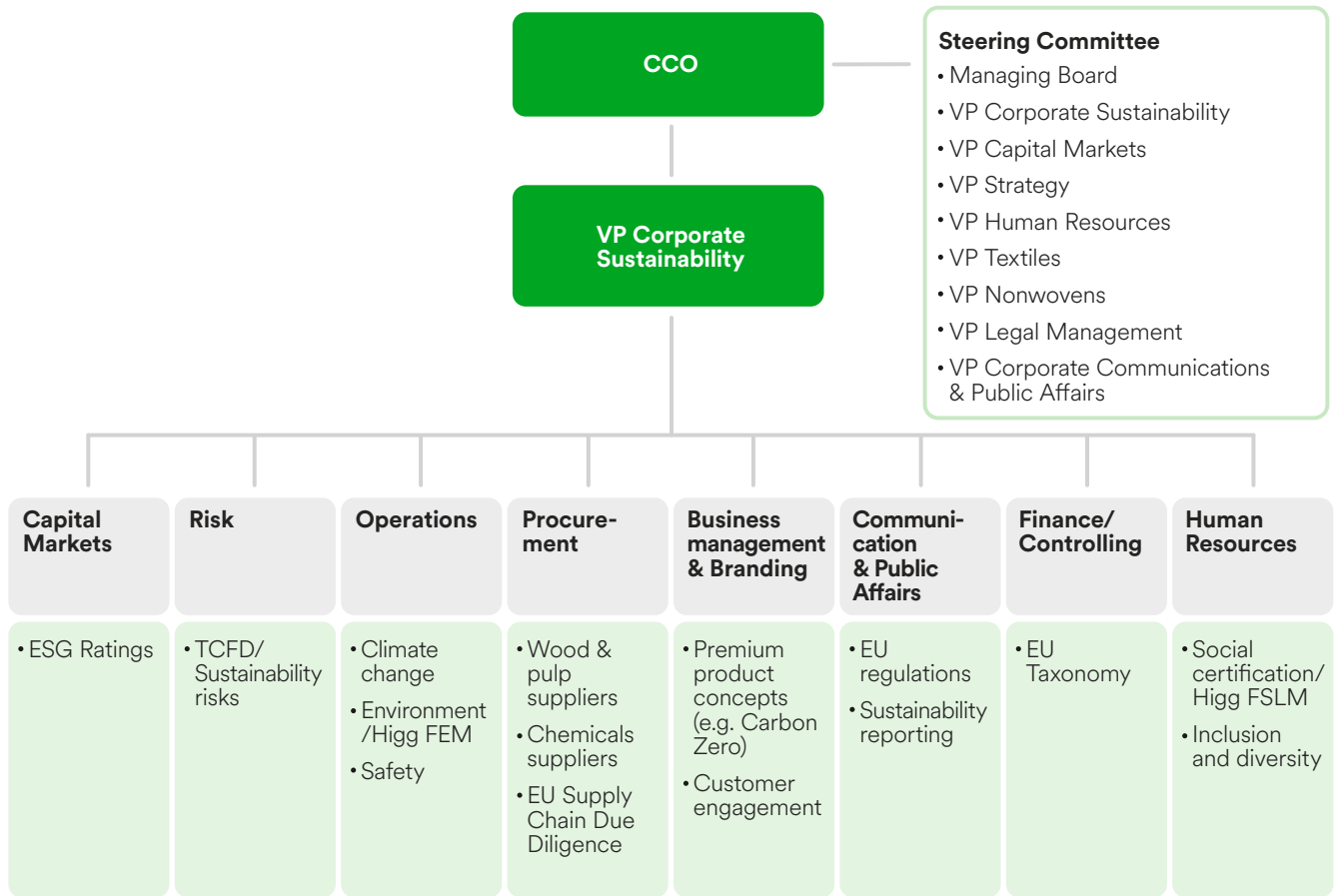
[GRI 2-17]

Sustainability is a value, business and innovation driver in the Lenzing Group. The company is increasingly leveraging its sustainability work by positioning itself using net benefit products (e.g. ECOVERO™), key ratings (for investors) and benchmarking tools at the wider industry level. To support these efforts, an ESG committee has been installed to accelerate the sustainability agenda implementation by aligning across functions. The key objectives are to formulate and execute the company’s sustainability vision, strategy and ESG benchmarks and tools. The ESG committee consists

of the Managing Board and heads of different functions, who review the progress of the sustainability targets, evaluate the effectiveness of Lenzing’s approach to managing all aspects of sustainability, including risks and opportunities, and make long-term strategic decisions. The corporate sustainability department is an integral part of the committee and works closely with several functions to ensure the integration of sustainability aspects in various business processes and to respond to stakeholder needs and expectations and prepares organization to be future-fit.

ESG Committee structure

Figure 04



For information on the Lenzing Group’s governance structure, please refer to the Lenzing Group’s Annual Report 2022 (Corporate Governance Report).

Risk management

[GRI 2-25]

Dissolving wood pulp and fiber production require chemical and technical processes that pose potential risks...

... to people, including internal staff, visitors, neighboring communities, and parties dealing with Lenzing's products along the value chain as well as to the environment. Risk management also includes risks arising from environmental, social and governance (ESG) topics for the company's operations, partners of the entire

value chain and other stakeholders. Any potential impacts could affect the success of the Lenzing Group and its reputation. For more information, please see the Risk Report in the Lenzing Group's Annual Report 2022.

Compliance

Compliance goes beyond simply adhering to legal requirements.

Lenzing strives to achieve exemplary quality in products and processes, as well as integrity and honesty whenever dealing with business partners and shareholders. Compliance at the Lenzing Group does not just stand for compliance with legal regulations and regulatory standards. Compliance for Lenzing is a question of attitude that also reflects a culture of integrity when dealing with one another. Consequently, compliance is seen as the active responsibility of all employees and executives, as well as being a shared value which is firmly anchored across the entire Lenzing Group. Compliance is an integral part of management meetings.

Lenzing ensures that any reported cases of suspected non-compliance are investigated thoroughly and does not tolerate any form of compliance breaches if any are discovered.

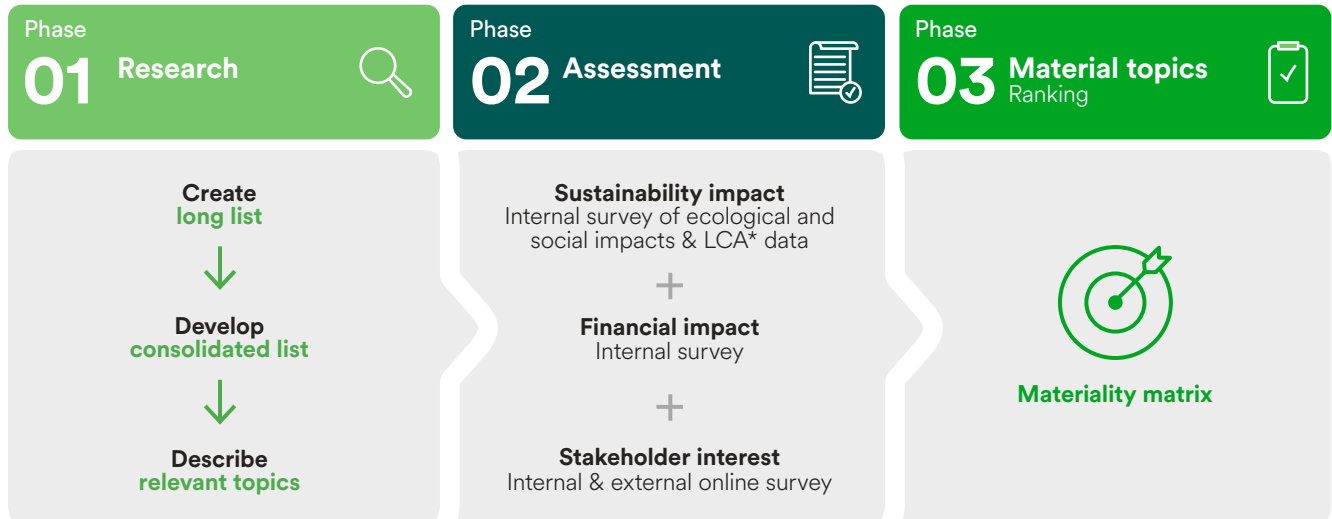
For a detailed description of compliance management at Lenzing, please refer to the "Business ethics" chapter.

Double materiality analysis

[GRI 3-1, 3-2]

Materiality analysis

Figure 05



* LCA = Life cycle assessment

Lenzing presented its “Naturally Positive” sustainability strategy in 2017. In the run-up to this, it performed a comprehensive materiality analysis for the first time in 2015. This materiality analysis was updated and expanded in 2021. For the first time, a so-called double materiality analysis was carried out. This means that both the influence of the environment on the company and the influence of the company on the environment were examined and supplemented by the financial consideration of these influences.

Lenzing is continuously engaging with stakeholders to understand the relevance and update the materiality analysis if required. In the reporting year, Lenzing had conversations with several stakeholders (e.g. Canopy) and no new topics were identified.

The new materiality matrix of the Lenzing Group was developed in three phases. The first phase was dedicated to defining the potential material topics. Around 300 internal and external topics and trends in the environmental, social and governance (ESG) domain were identified for the present and future. This list of topics was divided according to ESG criteria and then summarized, which yielded the 16 potential material topics (i.e. the short-list).

The second phase was to prioritize the potential material topics with the help of external and internal stakeholders. For this purpose, a stakeholder survey and an impact analysis were carried out in order to be able to compile a topic ranking in the third phase of the process. For each of these topics, a brief description of the impacts, risks, opportunities, expectations and current situation was prepared and a questionnaire was created. This questionnaire was sent worldwide to employees at different levels, the Supervisory Board, investors, suppliers, customers, partners from the value chain, brands, insurance companies and the media. The feedback received from stakeholders regarding the relevance of the different topics, have been considered in the final materiality matrix.

In addition, an impact analysis of these topics was carried out with 40 employees from various areas who are also involved in sustainability reporting on ecological and social impacts. These experts were selected from the areas of business management, risk management, sustainability, finance, etc.

In the last phase, the impact analyses and the stakeholder survey results have been compiled to the final materiality matrix, which allowed ranking the issues and thus defining the material issues for the company.

Material aspects

Materiality analysis – allocation of topics

Table 03

Material aspects	Strategic focus area	NaDiVeG	ESRS	SDG
Circularity & resources	Partnering for systemic change, Sustainable innovations	Environmental matters	E5 Resource use and circular economy	9, 11, 12, 17
Climate & energy	Decarbonization	Environmental matters	E1 Climate change	7, 13, 17
Responsible wood sourcing	Raw material security	Environmental matters	–	15
Biodiversity & ecosystems	Raw material security	Environmental matters	E4 Biodiversity and ecosystems	15
Sustainable innovation & products	Sustainable innovations	Environmental matters	E2 Pollution, E3 Water and marine resources, S4 Consumers and end-users	9, 12, 17
Health & safety	Empowering people	Employee-related matters	S1 Own workforce	3
Human rights & fair labor practices	Empowering people	Employee-related matters, Respect for human rights	S3 Affected communities, S1 Own workforce	5, 8, 10
Business ethics	Empowering people	All non-financial matters	G1 Business ethics	16
Digitalization & cyber security	Sustainable innovations	All non-financial matters	–	9, 8, 16
Further sustainability aspects				
Supply chain sustainability	Raw material security, Partnering for systemic change	Environmental matters, Respect for human rights	–	8, 12, 17
Water stewardship	Sustainable innovations	Environmental matters	E3 Water and marine resources	6
Community wellbeing	Enhancing community wellbeing	Social matters	S3 Affected communities	1, 3, 11
Diversity, inclusion & equal opportunity	Empowering people	Employee-related matters, Respect for human rights	S1 Own workforce	5, 10
Employee empowerment & development	Empowering people	Employee-related matters, Respect for human rights	S1 Own workforce	5, 10

For further information on the updated materiality analysis, please see the [“Materiality analysis”](#) focus paper.

„Naturally positive” sustainability strategy

OUR SUSTAINABILITY VISION

Our passion is to provide truly sustainable solutions for a growing world. We create a positive impact for the people we work with, the consumers we serve, and the society and environment in which we operate. In doing so, we are commercially successful.

OUR SUSTAINABILITY MISSION

We are change agents and collaborate with our suppliers and value chain partners to catalyze change for the better. We actively contribute towards improving environmental performance throughout the value chain and, consequently, in final products. We promote social wellbeing. Creation of more positive impacts and benefits is the guiding light for our innovation and business practices.

Our defined sustainability mission and vision act as guide to making better choices in everything we do – from the small decisions of everyday business to strategic and long-term decisions.

“Naturally positive”, the Lenzing Group’s sustainability strategy, was created from the results of the materiality analysis and is firmly rooted in the Lenzing Group’s new Better Growth strategy which was developed in the reporting year. Within the four strategic drivers (sustainability, innovation, premiumisation and excellence), the corporate strategy defines the sustainability areas in which Lenzing can do most to create a more sustainable world. At the same time, this approach enables Lenzing to adequately consider and contribute to those United Nations’ Sustainable Development Goals (SDGs) on which the company’s activities have the greatest impact.

Strategic focus areas of sustainability and the corresponding SDGs

Figure 06



Three strategic principles

Lenzing's sustainability strategy builds on three strategic principles. Within those principles, seven focus areas were identified in which the Lenzing Group substantially contributes to creating positive impacts and benefits.

1. Driving systemic change

Complex global challenges call for a collaborative approach to designing systemic solutions that involve many stakeholder groups. As a leader in wood-based cellulosic fibers, Lenzing has a particular responsibility and an ambition to help raise the bar for sustainability in the textile and nonwovens industries. Transparency and traceability are a prerequisite for fostering trust and building long-term relationships. With its contributions to developing industry-wide methods, tools, and approaches, Lenzing is helping the industry to progress on its sustainability roadmap by overcoming critical challenges. Industry benchmarking tools such as ZDHC (Zero Discharge of Hazardous Chemicals) and FSLM (Facility Social Labor Module), concrete sustainability targets, supplier engagement, and physical and digital traceability tools contribute to this change.

2. Advancing circularity

According to Lenzing's circular economy vision, "We give waste a new life. Every day", Lenzing drives the industry towards a fully-fledged circular economy by striving to give waste a new life in all aspects of its core business and by co-developing circular solutions with potential partners in and outside the current value chain to

close loops wherever possible. This vision is based on Lenzing's determination to create value using as few virgin resources as possible and reduce the use of fossil carbon in the company and the value chain while improving sustainability performance.

The company unites the cellulosic fiber cycle of its wood-based products (biological cycle) with its innovative technologies that focus on closing loops in the production and recovery of raw materials and chemicals (technical cycle).

Dedicated targets for the development of recycled content-based fibers and circular business models with value chain partners contribute to this principle.

3. Greening the value chain

Lenzing's responsible practices and innovative products enable its customers and value chain partners to improve their environmental and social performance and achieve their sustainability targets and commitments. Responsible sourcing practices, water stewardship, decarbonization, and sustainable innovations form the basis of Lenzing's efforts in greening the value chain. The sustainability targets for air emissions, water emissions, pollution, and climate protection are the cornerstones of Lenzing's responsible entrepreneurship and act as innovation drivers.

For further information on Lenzing's sustainability strategy, strategic principles, and focus areas, please see the "[Sustainability strategy](#)" focus paper.

Sustainability policy

Lenzing aims to embody best sustainability practices, lifecycle and long-term thinking, transparent and respectful collaboration and partnerships with its stakeholders in all activities and business decisions to meet society's long-term goals. Lenzing's approach is creating more positive impacts and benefits thanks to its business practices and products to make the world a better place. This covers the three dimensions of PEOPLE, PLANET and PROFIT, balancing the needs of society, the environment and shareholders and partners.

Sustainability targets, measures and progress

[GRI 3-3]

Lenzing has set Group sustainability targets for the most important challenges in each of its strategic focus areas. To increase transparency, the corresponding implementation measures and target progress made during the reporting year are described below. There could be potential conflicts that can arise between different material topics and their respective targets in a company. For example, raw material security and biodiversity & ecosystems can be competing as the sourcing of wood from critical (ancient and endangered) forests could lead to potential loss in biodiversity. As a

responsible company, Lenzing is committed to procuring wood and dissolving wood pulp exclusively from sustainable forests and plantations. Furthermore Lenzing strives to create positive impact on biodiversity in different regions of the world through conservation projects. Another example is the conflicting targets of water stewardship and climate, as the recycling of water is energy intensive. To counteract this conflict Lenzing sets a water target in regions where water is scarce. This means, the company takes a context based approach to target setting so that we try to address and prioritize most relevant topics for a specific region.

Color code status

On track
Achieved
Delayed
New target

Sustainability targets, measures and progress

Table 04

		Target year	SDG
Sustainable innovations			
Target 1	To improve the Lenzing Group's specific sulfur emissions by 50 percent by 2023 (baseline 2014) ^a	2023	12
Measure(s)	Lenzing implements a sulfur recovery plant (CAP) upgrade at the Purwakarta plant (Indonesia)	2023	
Progress made in 2022	The project is in the full construction phase. The current global situation, with the war against Ukraine, a shortage of semiconductors and China lockdowns, is delaying several shipments from Europe and Asia. This is having a major impact on the project completion schedule. Weather conditions in Purwakarta, with heavy and frequent rainfall, are also impacting the construction activities. Based on the current situation, the start-up of the sulfur recovery plant is likely in the first half of 2023.		
Target 2	To offer viscose, modal and lyocell staple fibers with up to 50 percent post-consumer recycled content on a commercial scale by 2025	2025	9, 12, 17
Measure(s)	All fibers with recycled content offered by Lenzing contain a share of post-consumer waste	2022	
	Lenzing increases the recycled content from 30 to 40 percent for fibers produced with REFIBRA™f technology for textiles and with Eco Cycle technology for nonwovens	2023	
	Lenzing introduces its viscose and modal fibers with REFIBRA™ and with Eco Cycle technology with a minimum of 30 percent recycled content	2023	
	Lenzing and Södra collaboration will recycle 25,000 t of textile waste per year at Södra's Mörrum site ^b	2025	
Progress made in 2022	The joint efforts with Södra to develop a recycled pulp with a share of post-consumer waste on an industrial scale were successfully continued. Significant progress was made towards the development of a production line processing 25 kt of textile waste. Start-up of this plant is targeted for 2025. Overall, Lenzing continued with product and process development towards reaching the key target for 2025. The biggest challenges are adapting the recycled pulp for industrial fiber production and securing the supply of good quality recycled pulp for cellulose fibers. These challenges also led to a delay of at least one year in the first measure for 2022.		
Target 3	To innovate a new circular business model by closing the loops for post-consumer materials and partner with 25 key supply chain companies by 2025	2025	9, 12, 17
Progress made in 2022	The organizational structure was set up to create new business models. There have been initial discussions and scouting of brands and supply chain partners to develop collaborative pilot projects. Lenzing became a partner of the EU-funded CISUTAC (Circular and Sustainable Textile and Clothing) project together with 27 other consortium members, aimed at removing bottlenecks to enhance textile circularity in Europe. Additionally, Lenzing committed to joining the "Transform Waste into Feedstock" project within the EURATEX Rehubs Initiative led by Texaid.		
Target 4a	To achieve 'aspirational' MMCF level for ZDHC wastewater and air emission guidelines at Lenzing viscose facilities by 2024	2024	6, 12
Progress made in 2022	All Lenzing viscose sites - Lenzing (Austria), Nanjing (China), Purwakarta (Indonesia) - have continuously reported to the ZDHC Gateway on time in 2022. While the site in Lenzing has achieved the aspirational level as defined by the wastewater guideline, the sites in Nanjing and Purwakarta have developed their own action plans for further improvement in the coming two years. The ZDHC MMCF guideline was revised in 2022 and it has been extended to include lyocell fiber, among others. Lenzing will start to implement the guideline accordingly at all its fiber production sites in 2023.		

Target 4b	To achieve 'aspirational' MMCF level for ZDHC wastewater and responsible production guidelines at Lenzing lyocell facilities by 2028	2028	6, 12
Measure(s)	First ZDHC Gateway reporting of MMCF waste water guideline v2 at all lyocell sites ^e in 2023	2023	
	First supplier platform implementation and reporting of MMCF Guideline v2 - Responsible fiber production at all lyocell sites ^e in 2023	2023	
	Lenzing lyocell sites ^e achieves 'aspirational' level for wastewater and responsible production	2025	
	Lenzing site in Grimsby (UK) achieves 'foundational' level for wastewater and responsible production	2025	
	Lenzing site in Grimsby (UK) achieves 'aspirational' level for wastewater and responsible production	2028	
Water stewardship			
Target 5	To improve Lenzing Group's specific wastewater emissions (COD) by 20 percent by 2024 (baseline 2014) ^{a,b}	2024	6, 12
Measure(s)	Lenzing implements a wastewater treatment plant upgrade at Purwakarta site (Indonesia)	2023	
	Lenzing implements a new wastewater treatment plant at Grimsby (UK) site	2024	
Progress made in 2022	The current global situation, with the war against Ukraine, a shortage of semiconductors and China lockdowns, is delaying several shipments from Europe and Asia. This is having a major impact on the project completion schedule. Weather conditions in Purwakarta with heavy and frequent rainfall, are also impacting the construction activities. The start-up is planned for the first half of 2023. In Grimsby, the Membrane Bio Reactor (MBR) route for the wastewater treatment plant was selected. The pilot plant, proving trials and designs have been completed. It is on track for commissioning and operation in the second half of 2024.		
Raw material security and biodiversity			
Target 6	To implement a conservation solution of 20 ha in Albania in combination with a social impact project by 2024	2024	1, 15
Measure(s)	Lenzing reforests 20 ha of degraded land in Albania	2024	
	Lenzing establishes a training center for local communities in Albania	2024	
	Lenzing supports interdisciplinary vocational trainings and school partnerships in Albania	Yearly	
Progress made in 2022	By the end of 2022, the first 12 ha have been reforested and more than 400 forest workers were trained in sustainable forest management. Student enrollment in the Shkodra Forest School is increasing. Tree seedlings are being grown with a survival rate of 85-90 percent in the new tree nursery for future restoration projects.		
Target 7	To implement conservation solutions on 15,000 ha at the new pulp site in Indianópolis (Brazil) by 2030	2030	15
Measure(s)	Lenzing increases the protected area in Brazil from 13,000 ha to 15,000 ha	2030	
Progress made in 2022	Lenzing achieved this goal in 2022 and increased the total conservation area in Brazil even further than the target, to 17,000 ha.		
Target 8	To engage in further conservation, biodiversity protection, and restoration activities in regions where forests are at risk or should be improved by 2025	2025	15
Progress made in 2022	Lenzing defined the guidelines to be taken into account for selecting (a) suitable project(s) based on different stakeholder criteria. Additionally, potential projects, partners and solutions performed by other players were identified. A potential combination of projects to be executed was selected in the reporting year and final alignment is planned for 2023.		
Partnering for systemic change			
Target 9	To engage suppliers, covering more than 80 percent of spend, to improve sustainability performance	Continuous	12, 17
Measure(s)	Lenzing assesses 95 percent of its top 200 suppliers (approx. 80 percent of spend) via EcoVadis, the Together for Sustainability Audit or an internal assessment/audit by 2025.	2025	
	Lenzing considers climate, water and chemical aspects in the procurement contractual process of its top chemicals suppliers	Continuous	
Progress made in 2022	Lenzing joined Together for Sustainability. The number of suppliers responding to the EcoVadis questionnaire more than doubled to 387. Sustainability clauses were included in the first suppliers contracts as part of the general conditions.		
Target 10	To improve transparency by implementing the Higg Facility Environmental Module (FEM 3.0) at all sites by 2019	Achieved	12, 17
Target 11	To implement and annually update FEM in all pulp and fiber production facilities and share verified modules with customers from 2024 ^d	2024	12, 17
Measure(s)	Lenzing conducts self-assessments in existing sites in 2022 and first external verification by 2023	2023	
	Lenzing conducts self-assessments and trainings for new legal entities (Prachinburi (Thailand) and Indianópolis (Brazil)) in 2023 and first external verification by 2024	2024	
Progress made in 2022	Internal targets as well as group and site level roadmaps have been developed. Lenzing determined the expansion of FEM to new sites and adjusted the group roadmap accordingly. In 2022, Lenzing carried out internal FEM assessment and external training to prepare for the first external verification of Higg FEM in 2023. Preparation for new sites in Thailand and Brazil will start next year.		
Target 12	To achieve digital fiber traceability by having 500 value chain partners with blockchain technology by 2021	Achieved	9, 12, 17

Target 13	To increase physical traceability from TENCEL™ x REFIBRA™ and LENZING™ ECOVERO™ to 100 percent of Lenzing's textile special fibers by 2021	Achieved	12
Decarbonization			
Target 14	To reduce scope 1, 2 & 3 (purchased goods and services, upstream and downstream transport, and fuel and energy-related activities) greenhouse gas emissions by 50 percent per ton of fiber and pulp sold by 2030 (baseline 2017)	2030	7, 13
Measure(s)	Lenzing reduces 40 percent of specific CO ₂ emissions per ton of product sold ^{b,c}	2024	
	Lenzing reduces 50 percent of specific CO ₂ emissions per ton of product produced ^d	2027	
Progress made in 2022	Lenzing maintained its approach towards mitigating climate change by reducing its GHG emissions compared to baseline 2017. Detailed information on achievements in 2022 is available in the "Climate & energy" chapter.		
Target 15	To achieve net-zero CO ₂ emissions by 2050 (scope 1, 2 & 3)	2050	7, 13
Measure(s)	Lenzing achieves 100 percent green electricity for four sites	2024	
	Lenzing phases out coal in its Nanjing (China) operations	2022	
	Lenzing installs on-site photovoltaic power generation at the Lenzing plant	2022	
	Lenzing increases the share of renewable energy consumed by the Lenzing Group and supplies excess bioenergy from the pulp production facility in Indianópolis (Brazil)	2023	
	Lenzing achieves scope 1 and 2 carbon neutrality at its new lyocell fiber production site in Prachinburi (Thailand) by using 100 percent bioenergy	2023	
	Lenzing engages 20 key suppliers, by spend and CO ₂ impact, in order to reduce Lenzing's scope 3 emissions and incentivize the suppliers that help Lenzing offer more low-carbon-footprint fibers	Continuous	
	Lenzing engages and enables 50 percent of 'customers with approved SBT and commitment' (textile and nonwoven brands/retailers as well as manufacturers working with LENZING™; fibers) to fulfill their ambition by providing information on low GHG-footprint specialty products such as TENCEL™, LENZING™, ECOVERO™, and VEOCEL™ branded fibers	Continuous	
	Lenzing runs a campaign to reach 50 percent of TENCEL™ and VEOCEL™ customers (textile and nonwoven brands/retailers as well as manufacturers using the TENCEL™ and VEOCEL™ brands) to promote the use of innovative carbon-zero TENCEL™ products and climate care VEOCEL™ products	Continuous	
Progress made in 2022	Lenzing has commissioned the largest ground-mounted photovoltaic system in Upper Austria, which is expected to provide 5,500 MWh annually. This is expected to cut CO ₂ emissions by some 4,400 tons per year. The transition to solely renewable electricity in Nanjing (China) is underway and expected to be completed in 2023. Phasing out coal in Nanjing (China) is ongoing, however the project was delayed due to long negotiations with gas stakeholders such as infrastructure and supply and the strict COVID-19 restrictions in China. The targeted carbon neutrality in (Prachinburi) Thailand was achieved in 2022. For more information, please see the "Climate and energy" chapter.		
Empowering people			
Target 16	To have a continuously valid third-party audited accredited social certificate for every Lenzing Group production (fiber or dissolving wood pulp) site by 2024 ^d	2024	8, 12
Measure(s)	Lenzing implements and annually updates the Facility Social Labor Module (FSLM) at all pulp and fiber production facilities and shares verified modules with customers from 2024 onwards	2024	
Progress made in 2022	For the sites in Nanjing (China) and Mobile (USA): Completion of online assessment, preparation of on-site audits, completion of certification expected in Q1/23, training modules for all sites in preparation. For the sites in Austria and the Czech Republic, a different verification is being sought, as these two countries cannot be verified according to FSLM.		
Target 17	To enable a good life for people amplified by means of products offered by Lenzing and by respecting human rights, employee wellbeing, and diversity	Continuous	3, 5, 10
Measure(s)	Lenzing implements training courses for 75 percent of the workforce on diversity, discrimination, the non-discrimination policy, and human rights	2025	
	Lenzing increases its proportion of women to 22.5 percent in all positions graded 5a and above by 2025	2025	
	Lenzing establishes a working condition policy	2021	
Progress made in 2022	In 2022, further measures were taken to provide diversity training and publish a range of global guidelines to explain processes and benefits that impact employees' terms and conditions to ensure fairness and consistency across the Group. In order to get an overview of existing guidelines and policies to be included in the working conditions policy, several guidelines were reviewed and developed such as the Job Evaluation Guideline, Guideline for Creating a Job Description, Learning and Development Guideline and Talent Management Guideline. In 2023, it will be summarized in one (global) policy.		
Target 18	To continuously support the development of local communities near Lenzing production sites and support social welfare programs to 2025 and beyond	Continuous	1, 3, 11
Progress made in 2022	In 2022, Lenzing continued supporting numerous social and environmental initiatives for enhancing community development and wellbeing. Depending on local requirements, activities range from donations, sponsorships, health and medical care, scholarships and other educational programs, as well as local environmental projects. A current overview of activities conducted in 2022 at each site is provided in the "Social responsibility" focus paper.		

a) The target has the same production volumes and scope of facilities as the 2014 baseline (i.e. excluding the new legal entities in Prachinburi (Thailand) and Indianópolis (Brazil)).

b) Relevant for the Managing Board long-term incentive (LTI) bonus target

c) Lenzing (Austria), Heiligenkreuz (Austria), Mobile (USA), Prachinburi (Thailand)

d) The scope includes all Lenzing facilities, also the new legal entities in Prachinburi (Thailand) and Indianópolis (Brazil).

e) These intermediate targets are part of the Lenzing corporate strategy on the way to reach science-based target by 2030.

Information on environmentally sustainable economic activities according to the EU Taxonomy Regulation

According to the Regulations (EU) 2021/2139 of the European Commission as of June 4, 2021, (EU) 2021/2178 of the European Commission as of July 6, 2021 and (EU) 2020/852 of the European Commission as of June 18, 2020, the Lenzing Group is required to disclose three key performance indicators (turnover, CAPEX and OPEX) associated with the Lenzing Group's economic activities that are eligible under and aligned with the EU Taxonomy. The Lenzing Group designed an EU-Taxonomy accounting guideline for describing the methodology for reporting the three KPIs by following the time sequence and requirements as outlined in the Delegated Act dated January 1, 2022.

To determine the Taxonomy-eligible activities, the Lenzing Group assessed all economic activities listed in the EU-Taxonomy for all consolidated group companies. The European industry classification system (NACE codes⁴) was used as a framework to capture all economic sectors. Due to the current state of EU legislation, not all economic activities and industries are covered by the two currently applicable environmental objectives. As a consequence, the Lenzing Group's core business activities (wood-based fiber production, dissolving wood pulp production and supporting activities) are currently not included. Thus, the information on Taxonomy-eligible economic activities for 2022 covers only a very small portion of activities within the Lenzing Group. The following activities are identified as Taxonomy-eligible: Transmission and distribution of electricity, cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels, cogeneration of heat/cool and power from bioenergy. Future developments in legislation may change the scope of the Taxonomy-eligible activities.

Taxonomy-eligibility refers to an economic activity that is described in the EU-Taxonomy regulation. Taxonomy-alignment goes beyond eligibility and implies a positive assessment of the applicable technical screening criteria. This includes a substantial contribution to at least one of the Taxonomy's environmental objectives, no significant harm to any other objectives and compliance with the minimum safeguards.

For the identified economic activities that are considered material in terms of the key performance indicators, an assessment for Taxonomy-alignment was performed. The Lenzing Group began the alignment assessment by screening the technical criteria, including the substantial contribution, the Minimum Safeguards and DNSH (Does Not Significantly Harm) criteria. During the screening, the Lenzing Group came to the conclusion that the requirements of Annex A (climate risk and vulnerability assessment) as well as other elements can not yet be fulfilled. As a consequence of this assessment, no full DNSH-alignment was obtained. All identified economic activities are reported as Taxonomy-eligible, but not Taxonomy-aligned.

The Lenzing Group avoids any double counting by evaluating the data for each key performance indicator independently. All identified economic activities only count once for the environmental objective of "Climate Change Mitigation". The Lenzing Group has assessed the turnover, CAPEX and OPEX according to the definition of Taxonomy-eligible and Taxonomy-aligned activities as set out in the Taxonomy.

⁴ NACE (Nomenclature statistique des activités économiques dans la Communauté européenne) is the classification of economic activities in the European Union

The proportion of turnover, CAPEX and OPEX from products or services associated with Taxonomy-eligible and -aligned economic activities, covering the year 2022, is presented in the template below:

Table 05

Economic activities	Codes	Absolute turnover	Proportion of turnover	Substantial Contribution criteria							DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards	Taxonomy-aligned proportion of turnover year 2022	Taxonomy-aligned proportion of turnover year (n/a)	Category (transitional activity)
				Climate Change Mitigation	Climate Change Adaptation	Water marine resources	Circular Economy	Pollution	Biodiversity and ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water marine resources	Circular Economy	Pollution	Biodiversity and ecosystems						
		EUR mn	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	I	T	

TURNOVER

A. TAXONOMY-ELIGIBLE ACTIVITIES			
A.1. Environmental sustainable activities (Taxonomy aligned)			
A.2. Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)			
Transmission and distribution of electricity	4.9.	1.6	0.1%
Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	4.19.	31.2	1.2%
Cogeneration of heat/cool and power from bioenergy	4.20.	14.7	0.6%
Turnover of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		47.5	1.9%
Total (A.1 + A.2)		47.5	1.9%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities (B)		2,518.2	98.1%
Total (A + B)		2,565.7	100%

CAPEX

A. TAXONOMY-ELIGIBLE ACTIVITIES			
A.1. Environmental sustainable activities (Taxonomy aligned)			
A.2. Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)			
Transmission and distribution of electricity	4.9.	0.8	0.1%
Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	4.19.	4.0	0.5%
Cogeneration of heat/cool and power from bioenergy	4.20.	0.1	0.0%
CAPEX of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		4.9	0.6%
Total (A.1 + A.2)		4.9	0.6%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CAPEX of Taxonomy-non-eligible activities (B)		803.3	99.4%
Total (A + B)		808.2	100%

OPEX

A. TAXONOMY-ELIGIBLE ACTIVITIES			
A.1. Environmental sustainable activities (Taxonomy aligned)			
A.2. Taxonomy-Eligible but not environmental sustainable activities (not Taxonomy-aligned activities)			

Transmission and distribution of electricity	4.9.	0.3	0.1%
Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels	4.19.	5.4	2.8%
Cogeneration of heat/cool and power from bioenergy	4.20.	5.2	2.7%
OPEX of Taxonomy-eligible but not environmental sustainable activities (not Taxonomy-aligned activities) (A.2.)		10.9	5.6%
Total (A.1 + A.2)		10.9	5.6%
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OPEX of Taxonomy-non-eligible activities (B)		183.9	94.4%
Total (A + B)		194.8	100%

The total turnover covers the revenue recognized pursuant to International Accounting Standard (IAS) 1.82 (a), as adopted by Commission Regulation (EC) 1126/2008 and is reported in the consolidated financial statements for 2022 (see consolidated Income Statement line "revenue"). The turnover derived from products or services, including intangibles, associated with Taxonomy-eligible economic activities, is presented in relation to the total turnover.

The total CAPEX covers book (not cash-effective) additions to property, plant and equipment, intangible assets, biological assets and right of use assets. The CAPEX related to assets or processes associated with Taxonomy-eligible economic activities, is presented in relation to the total CAPEX.

EU Taxonomy CAPEX

Table 06

	EUR mn 1-12/2021	EUR mn 1-12/2022
Additions to intangible assets (see note 18 of consolidated financial statements 2022)	8.7	10.9
Additions to property, plant and equipment excluding down payments	947.7	778.6
Additions to land and buildings (see note 19 of consolidated financial statements 2022)	28.9	131.5
Additions to technical equipment and machinery, factory and office equipment (see note 19 of consolidated financial statements 2022)	53.8	455.4
Additions to down payments and assets under constructions (see note 19 of consolidated financial statements 2022)	755.7	46.3
Reclassification of down payments (see note 19 of consolidated financial statements 2022)	109.3 ^a	145.5 ^a
Additions to biological assets (see note 20 of consolidated financial statements 2022)	1.5	4.6
Additions to right of use assets (see note 21 of consolidated financial statements 2022)	10.1	14.2
Total	967.9	808.2

a) Additions include prepayments amounting to EUR 141 mn (2021: 106.5 mn), which were capitalized in the financial year. The decrease in advance payments made compared to the previous period amounts to EUR 4.3 mn (2021: 2.8 mn).

The total OPEX covers direct non-capitalized operating expenses that relate to research and development, building renovation measures, short-term leasing, maintenance and repair. Maintenance and repair expenses relate to the day-to-day servicing of property, plant and equipment assets (including maintenance material and cleaning services). Operating expenses associated with taxonomy-eligible economic activities are presented in relation to total operating expenses.

EU Taxonomy OPEX

Table 07

	EUR mn 1-12/2021	EUR mn 1-12/2022
Maintenance and repairs including maintenance material (see note 6 of consolidated financial statements 2022)	35.0	158.7
Rental and leasing expenses (see note 21 of consolidated financial statements 2022)	8.5	10.9
Research and development expenses (see consolidated financial income statement 2022)	24	29.2
Less amortization and depreciation included in research and development expenses (see note 6 of consolidated financial statements 2022)	-0.9	-4.0
Total	66.6	194.8

Partnering for systemic 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 society is facing, call for a collaborative approach to designing systemic solutions.

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 opportunities to make progress in implementing circularity at Lenzing and throughout the industry. Thanks to its contributions to developing methods, tools and products, Lenzing helps the industry to progress on its path towards a more sustainable future. For example, the Lenzing Group actively contributes to multi-stakeholder associations such as the Textile Exchange (TE) MMCF roundtable and Sustainable Apparel Coalition's (SAC) Higg transparency program, as well as a policy hub for accelerating circularity via forward-looking policy frameworks and for engaging policy makers in Europe.

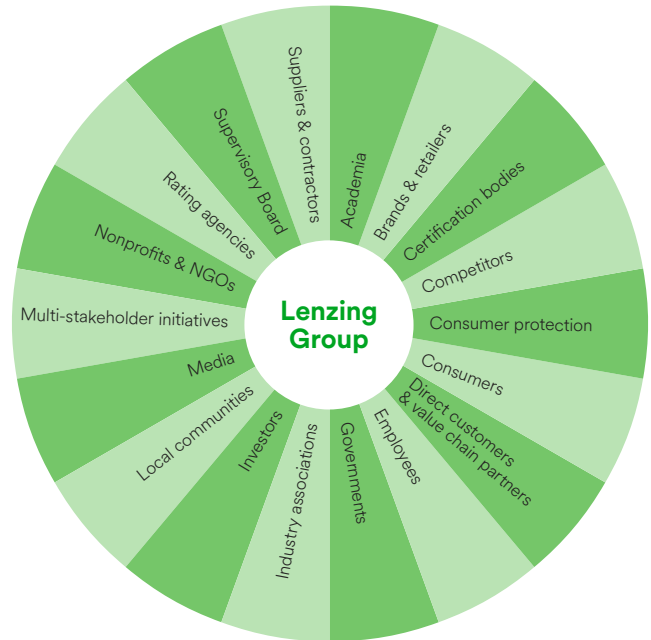
Engaging in a dialog means respecting stakeholders, contributing Lenzing's expertise and knowledge, and taking the opportunity to learn from partners' perspectives. Transparency is a prerequisite for fostering trust and long-term relationships. Each dialog starts with providing transparent information,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

The ongoing stakeholder dialog improved significantly following the COVID-19 pandemic in the reporting year. Many activities, such as customer meetings or events took place again in person. The Lenzing teams made great efforts to continue their work by finding an efficient balance between online and in-person activities with (virtual) workshops and webinars with customers, one-to-one discussions, training sessions, interviews, surveys, education, joint product development, web platforms, roadshows, regular media relations, online trade shows and conferences, press interviews, risk assessments, and audits.

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

Key stakeholder groups

Figure 07



Key stakeholders in 2022

The Lenzing Group's key stakeholders 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 the sharing of information make them a clear testimony to the Lenzing Group's credible sustainability performance. The main topics discussed in 2022:

- Energy security and reducing reliance on fossil fuels
- Climate change, GHG (greenhouse gas) emission targets, science-based target (SBT)
- Diversity and inclusion
- Responsible sourcing, in particular Supply Chain Due Diligence and (verification of) scope 3 emissions
- EU policies (e.g. EU Taxonomy, Empowering Consumers Directive)
- ESG risks
- Circular economy and recycling technologies
- Waste, emissions and water management
- Transparency and traceability of supply chains
- Environmental assessment and communication of products
- Biodiversity and conservation of ecosystems
- Benchmarking tools (Textile Exchange Preferred Fiber and Material Matrix)

For more information on the stakeholder dialog, please see the "Stakeholder engagement" chapter.

United Nations Sustainable Development Goals (SDGs)

The SDGs are a collection of 17 goals adopted by all Member States of the United Nations in 2015 to address global economic, social, and environmental challenges and achieve a more sustainable future by 2030.

Sustainable development plays an important role in addressing global challenges such as the current health crisis by aiming to provide access to healthcare and clean water for all.

Lenzing recognizes its responsibility and sees its pioneering role in the textile and nonwovens industries as an opportunity to contribute to the achievement of sustainable development goals. Lenzing's sustainability strategy and targets contribute towards these goals. For more information on Lenzing's approach to the SDGs, please see the ["Sustainable development goals"](#) focus paper.