



Lufthansa Group
Corporate Governance
Karl-Ludwig Kley,
Chairman of the Supervisory Board

March 2019

Agenda

- 1 Lufthansa Becoming #1
- 2 Supervisory Board and Committee Work
- 3 Corporate Responsibility
- 4 Management Remuneration

Our goal remains: #1 for customers, employees and shareholders



Supervisory Board comprises shareholder and employee representatives

20 Board Members

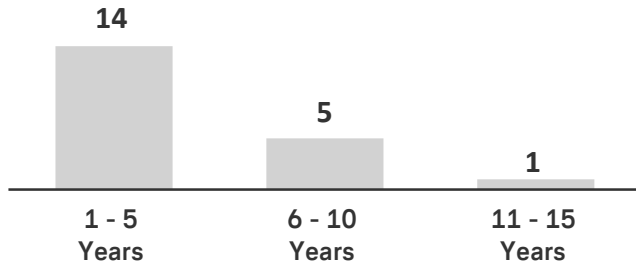


10 Shareholder
Representatives

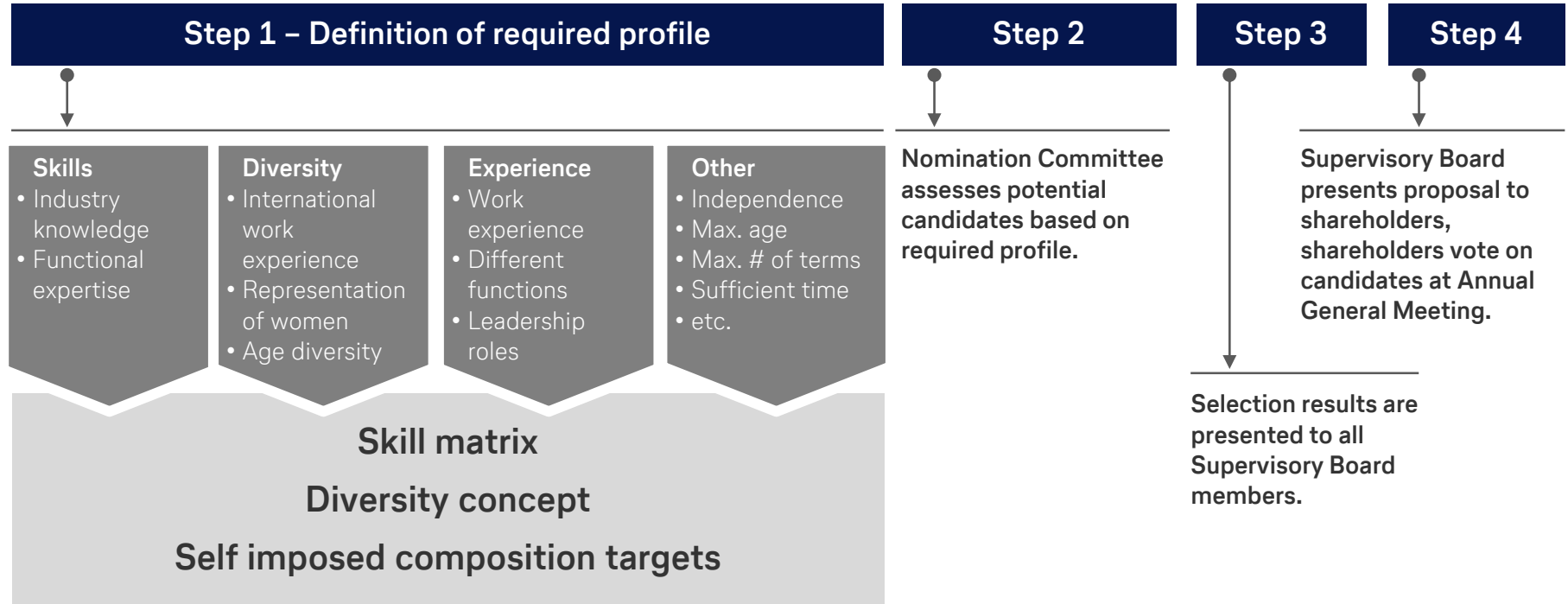


10 Employee
Representatives

Board Tenure in Years



Clearly defined Supervisory Board nomination process



Shareholder representatives cover the targeted skill set and diversity criteria



Karl-Ludwig Kley
Chairman of the Supervisory Board

Born 1951, German
 Member since 2013

Expertise in financial analysis and capital markets and extensive leadership and supervisory board experience



Herbert Hainer

Born 1954, German
 Member since 2010

Extensive leadership experience and expert in marketing, sales and strategy



Michael Nilles

Born 1973, German
 Member since 2018

Expert in Digital Transformation



Miriam E. Sapiro

Born 1960, US American
 Member since 2017

Leadership experience and international experience in government and business



Carsten Knobel

Born 1969, German
 Member since 2018

Particular expertise in financial analysis and capital markets
 Financial expert



Martina Merz

Born 1963, German
 Member since 2016

Technical / Industrial expert and expertise in digital, marketing and sales, extensive board experience



Stephan Sturm

Born 1963, German
 Member since 2015

Particular expertise in financial analysis and capital markets
 Financial expert



Martin Koehler

Born 1957, German
 Member since 2010

Airline expert with extensive expertise in aviation and strategy



Monika Ribar

Born 1959, Swiss
 Member since 2014

Logistics expert, extensive leadership and finance experience



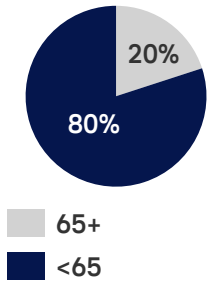
Matthias Wissmann

Born 1949, German
 Member since 2008

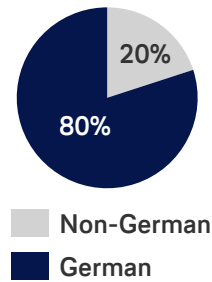
Comprehensive legal and compliance expertise and expert in transport policy

Well-balanced group of shareholder representatives

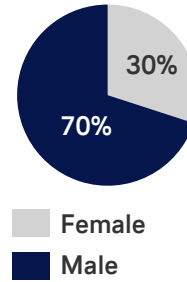
Age



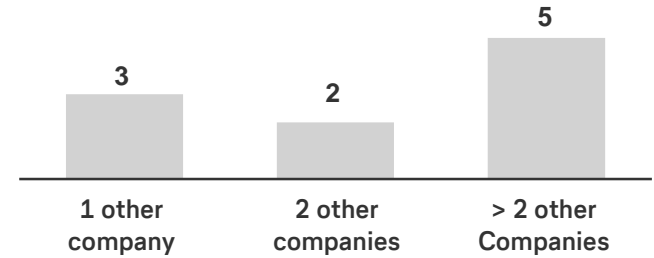
Nationality



Gender



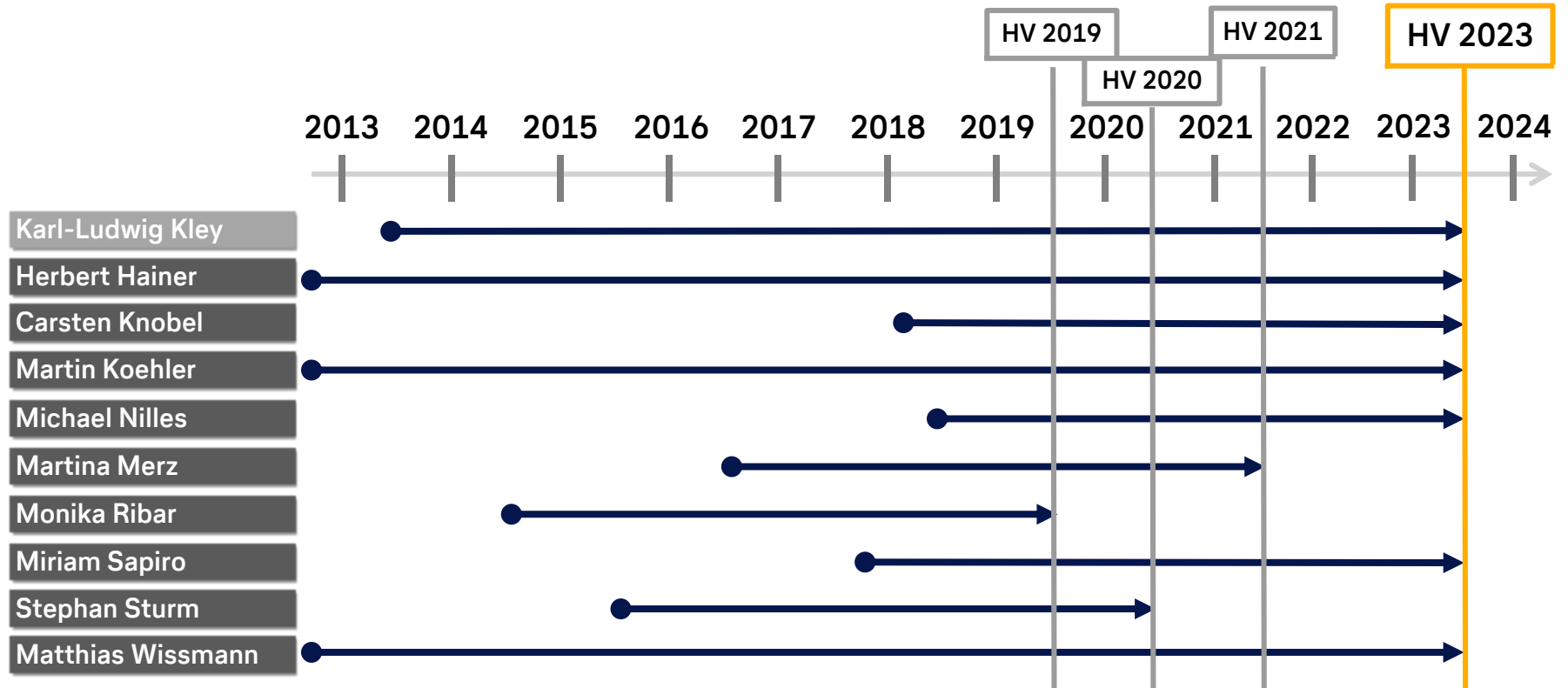
Professional experience



Most recent appointments added digital expertise to Supervisory Board

	Position		Competence in relevant sector / markets			Functional						Diversity criteria / Independence			
	Role in Board	Initial Election	Aviation	Marketing / Distribution / Customer	Politics / Association work / Science	GM / CEO	CFO / Capital market	Digital	Legal / Compliance	HR / Organisation	Sustainability	Age	Nationality	Work Stage	Independence
Karl-Ludwig Kley Chairman of the Supervisory Board E.ON SE	Chair	2013										67	German	Post	Yes
Herbert Hainer ex-CEO, adidas	Member	2010										64	German	Post	Yes
Michael Nilles Chief Digital Officer, Schindler Group	Member	2018										45	German	Exec	Yes
Carsten Knobel CFO, Henkel	Member	2018										50	German	Exec	Yes
Martin Koehler Independent business consultant	Member	2010										61	German	Exec	Yes
Martina Merz ex-CEO, Chassis Brakes Int.	Member	2016										56	German	Post	Yes
Monika Ribar President Board of Directors, SBB	Member	2014										59	Swiss	Post	Yes
Miriam Sapiro Managing Director Sard Verbinen & Co.	Member	2017										58	US	Exec	Yes
Stephan Sturm CEO, Fresenius SE	Member	2015										55	German	Exec	Yes
Matthias Wissmann President, OICA	Member	2008										70	German	Post	Yes

Shareholder representatives have staggered terms



Group of employee representatives headed by experienced chair



Christine Behle
Deputy Chairman of the Supervisory Board

Born 1968, German
Member since 2013

Extensive supervisory board experience



Alexander Behrens

Born 1974, German
Member since 2018

Flight attendant



Holger Benjamin Koch

Born 1976, German
Member since 2018

Senior Director of Sustainability
Management Process



Olivia Stelz

Born 1971, German
Member since 2018

Purser



Jörg Cebulla

Born 1966, German
Member since 2015

Flight Captain



Birgit Rohleder

Born 1960, German
Member since 2018

Business administration graduate



Christina Weber

Born 1958, German
Member since 2013

Commercial employee



Christian Hirsch

Born 1959, German
Member since 2018

Information management consultant



Ilja Schulz

Born 1967, German
Member since 2018

Flight Captain



Klaus Winkler

Born 1973, German
Member since 2018

Engine mechanic

Committees support the work of the Supervisory Board

Steering Committee

Prepares the Supervisory Board's meetings and decisions

Members

- **Karl-Ludwig Kley, Chairman**
- Christine Behle, Deputy Chairwoman
- Herbert Hainer
- Ilja Schulz

Nomination Committee

Recommends to the Supervisory Board candidates for election to the Supervisory Board by the Annual Shareholders Meeting

Members

- **Karl-Ludwig Kley, Chairman**
- Herbert Hainer
- Martin Köhler

Audit Committee

Monitors the accounting process and internal control systems

Examines effectiveness of internal control, compliance and risk management systems

Members

- **Stephan Sturm, Chairman**
- Alexander Behrens
- Jörg Cebulla
- Carsten Knobel
- Monika Ribar
- Christina Weber

- Shareholder Representatives
- Employee Representatives

Supervisory and Executive Boards met on a regular basis in 2018

Supervisory Board

5 Meetings in 2018

Steering Committee

+ 4 Meetings in 2018

Audit Committee

+ 5 Meetings in 2018

Nomination Committee

+ No meetings in 2018

**Executive Board:
25 Meetings in 2018**

Attendance of Supervisory Board and committee meetings 2018

Supervisory Board Member	Board Meeting	Steering Committee	Audit Committee	Nomination Committee
Karl-Ludwig Kley	5 / 5	4 / 4		0 / 0
Christine Behle	5 / 5	4 / 4		
Nicoley Baublies	2 / 2			
Alexander Behrens	2 / 3		1 / 3	
Jörg Cebulla	5 / 5		3 / 3	
Herbert Hainer	4 / 5	3 / 4		0 / 0
Christian Hirsch	3 / 3			
Robert Kimmitt	2 / 2			
Carsten Knobel	4 / 5		5 / 5	
Holger Benjamin Koch	3 / 3			
Martin Koehler	5 / 5			0 / 0
Doris Krüger	2 / 2		2 / 2	
Eckhard Lieb	2 / 2		2 / 2	
Jan-Wilhelm Marquardt	2 / 2		2 / 2	
Martina Merz	4 / 5			
Ralf Müller	2 / 2			
Michael Nilles	3 / 3			
Monika Ribar	5 / 5		5 / 5	
Birgit Rohleder	3 / 3			
Miriam Sapiro	5 / 5			
Ilija Schulz	3 / 3	2 / 2		
Olivia Stelz	3 / 3			
Andreas Strache	2 / 2			
Stephan Sturm	5 / 5		5 / 5	
Christina Weber	5 / 5		3 / 3	
Birgit Weinreich	2 / 2	2 / 2		
Klaus Winkler	3 / 3			
Matthias Wissmann	5 / 5			

Overall attendance: 95%

Regular efficiency reviews support continuous improvement

LUFTHANSA GROUP
Efficiency Review 2018 Supervisory Board Deutsche Lufthansa AG

Deutsche Lufthansa AG
Supervisory Board

Efficiency Review 2018
Questionnaire

STRICTLY CONFIDENTIAL 1 / 7

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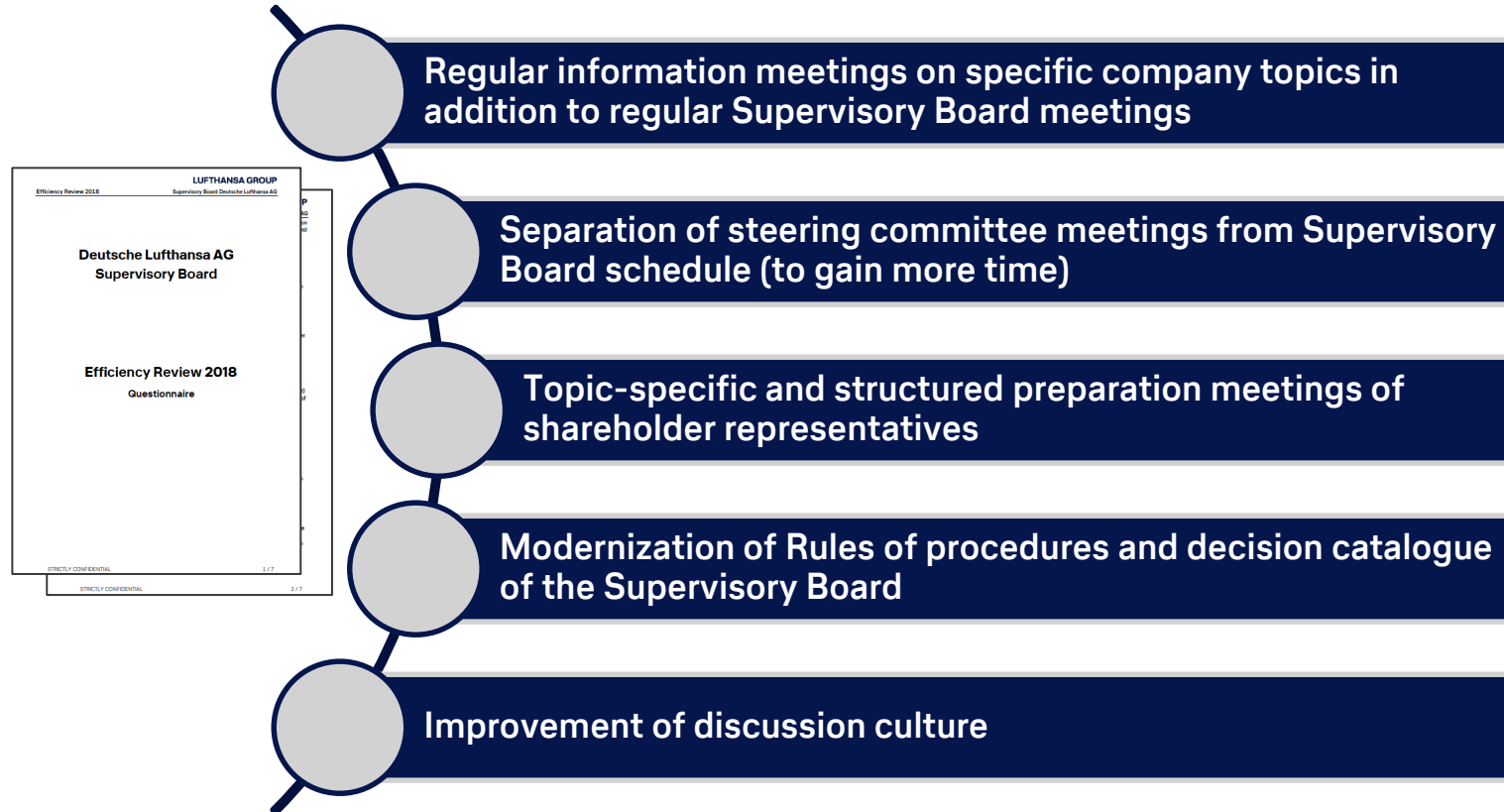
our work in the

Not yet possible

STRICTLY CONFIDENTIAL 2 / 7

- The **Supervisory Board** conducts **annual efficiency reviews** of its work
- All Supervisory Members provide their feedback based on a **detailed efficiency review questionnaire** that is evaluated anonymously (improved efficiency review questionnaire since 2017).
- The Chairman conducts **bilateral meetings** with the each Supervisory Board **Member** on a **two year basis**
- Executive Board provides 360° feedback on the work of the Supervisory Board.
- The results are discussed by the Supervisory Board.
- The efficiency review is considered a **very valuable tool** to promote open discussion and forms the **basis for continuous improvement**.

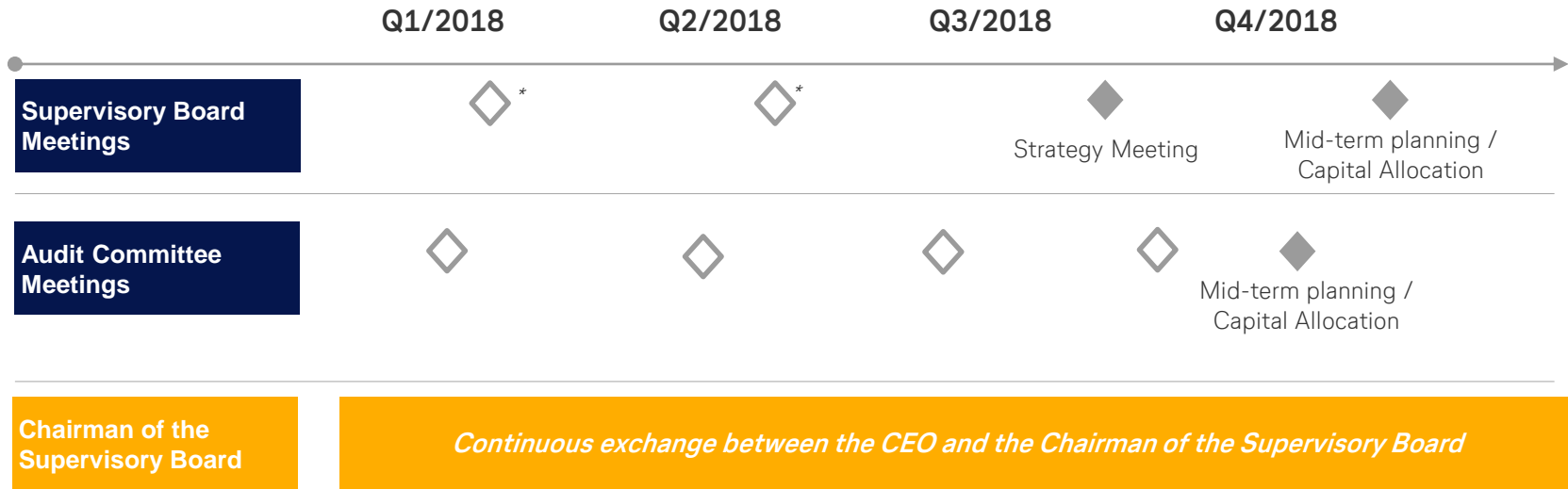
Results of efficiency review drove improvements of Supervisory Board work



The Supervisory Board is actively involved in the strategy process

A special strategy meeting of the Supervisory Board is held in September.

In addition, strategic questions are discussed at the other meetings of the Supervisory Board as required.










* Additional strategy coverage if required.

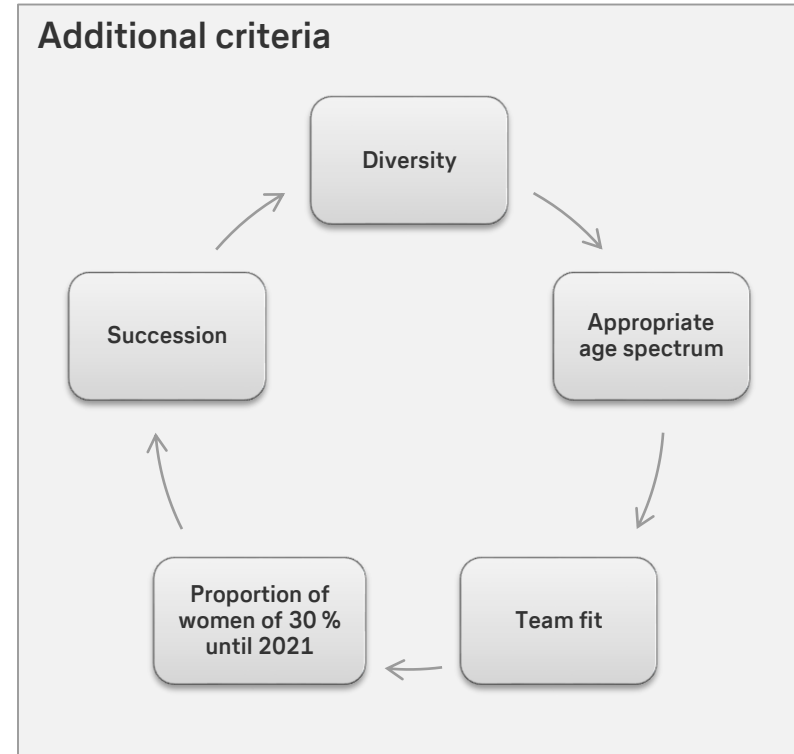
The Supervisory Board effectively oversees the work of the Executive Board

Shareholders Deutsche Lufthansa AG

Supervisory Board

	Carsten Spohr Chairman & CEO	Harry Hohmeister Chief Commercial Officer Network Airlines	Detlef Kayser Airline Resources & Operations Standards	Ulrik Svensson Chief Financial Officer	Bettina Volkens Human Resources & Legal Affairs	Thorsten Dirks Eurowings
 Lufthansa Frankfurt		●	●	●	●	
 Lufthansa Munich		●	●	●	●	
 SWISS Zurich		●	●	●	●	
 Austrian Vienna		●	●	●	●	
 Lufthansa Cargo			●	●	●	
 Lufthansa Technik				●	●	
LSG group				●	●	

The selection of Executive Board members is guided by a comprehensive set of criteria



Corporate Responsibility defined as a key focus point of Management in 2019

- **Taking responsibility** is an integral part of Lufthansa Group's role as an industry leader
- The Group's **materiality analysis** revealed that **climate protection, customer- and employee orientation, social engagement**, respecting **human rights** and **responsible production** are seen as key areas to act responsibly and sustainably



CO2 Emission

To limit its CO2 footprint, the Group is **improving its CO2 efficiency**:

- investment in highly efficient aircrafts
- research of new technologies (e.g. alternative fuel)
- ongoing weight and fuel optimization projects
- collaboration with system partners (e.g. airports, suppliers)
- waste management



Employees

The Group will reach its goals only with a motivated and engaged team. That is why the Group strives to create a **great place to work**, exemplified by top positions (#2) employer rankings.



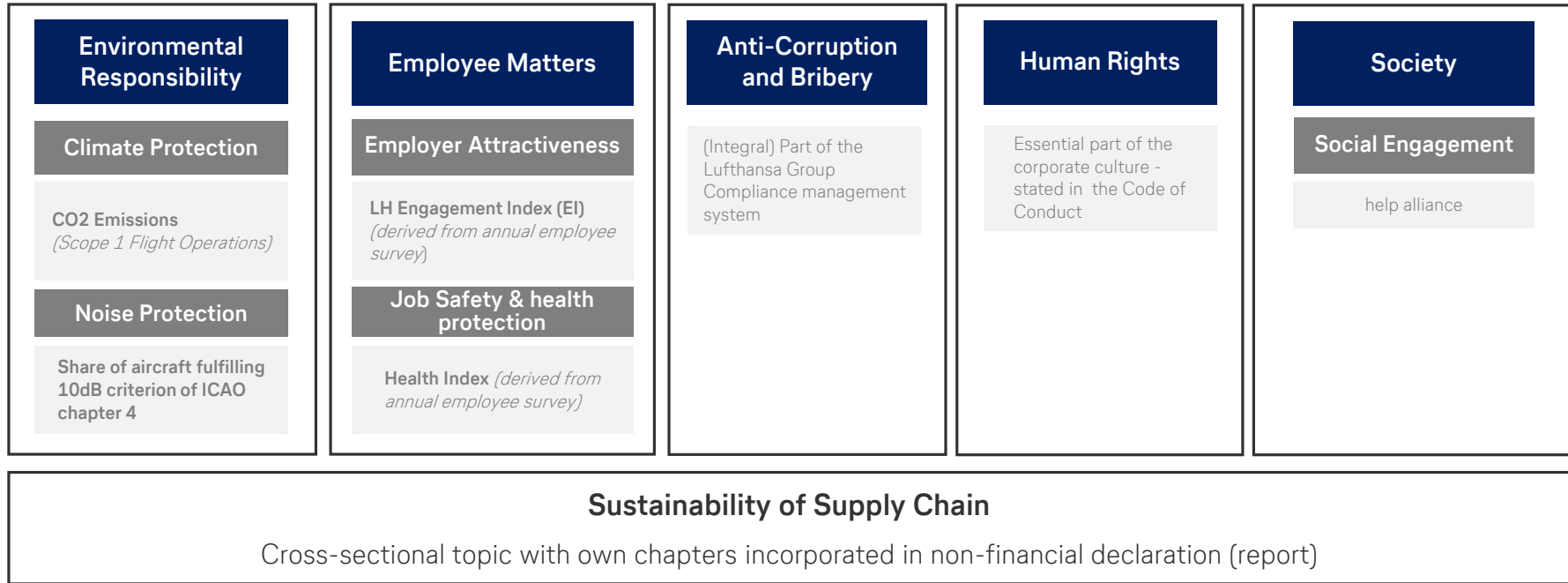
Social

LHG and its employees care and engage socially. The Group's helpalliance was founded in 1999 and has initiated over 140 social projects since.



Responsible and sustainable management of resources, the environment, employees and suppliers is the **prerequisite for** long-term **financial stability and attractiveness** for customers, investors, employees and partners.

Comprehensive corporate responsibility reporting



Group plans to introduce new Executive Board compensation system

Illustrative

Compensation Elements

- Financial targets (85%)
- Sustainability targets (15%)
- 0.8 – 1.2 factor for individual performance
- Annual performance period
- Payout: Cash
- Cap: 200% of STI target remuneration

- Fixed yearly contribution
- No annuity option, payout in 1 or maximum of 10 tranches

Base Salary



Short-Term Annual Bonus (STI)



Long-Term Incentive (LTI)



Pension

Share Ownership Guidelines (SOG)

- Internal and external targets (each 50%)
- Sustainability targets (15%)
- Payout: Cash
- 4 years performance period
- Cap: 200% of the LTI target remuneration

- Obligation to invest 15% of STI and LTI in LH shares until stock of shares in the amount of 100% (ordinary member of the Executive Board) or 200% (Chairman) of the annual base salary has been built.

New system significantly reduces complexity

Further strengthens performance culture

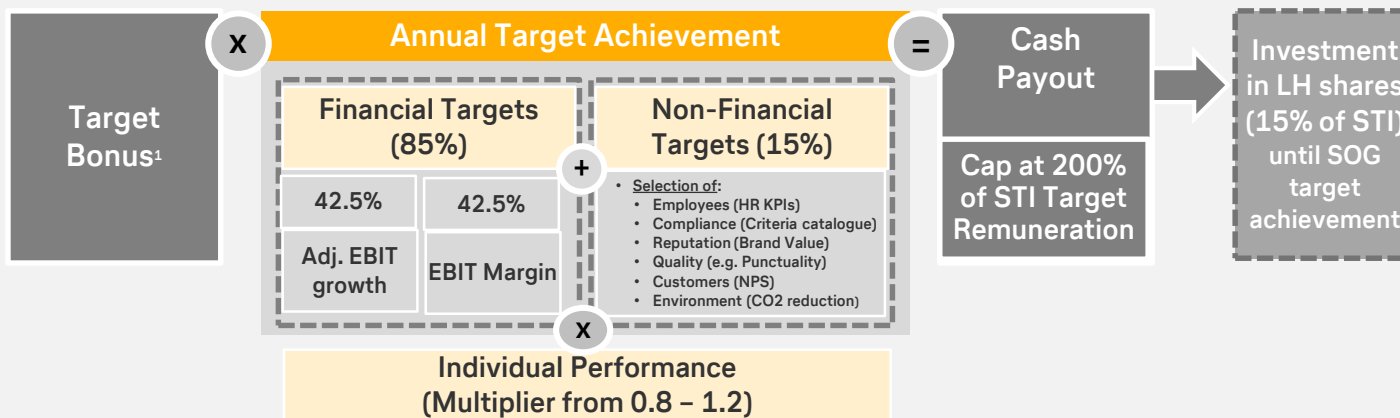
Promotes shareholder orientation

Annual Bonus paid out in cash

The STI considers financial and non-financial targets as well as individual performance

Short-Term Incentive (STI)

Illustrative



¹ Supervisory Board decides on targets on an annual basis.

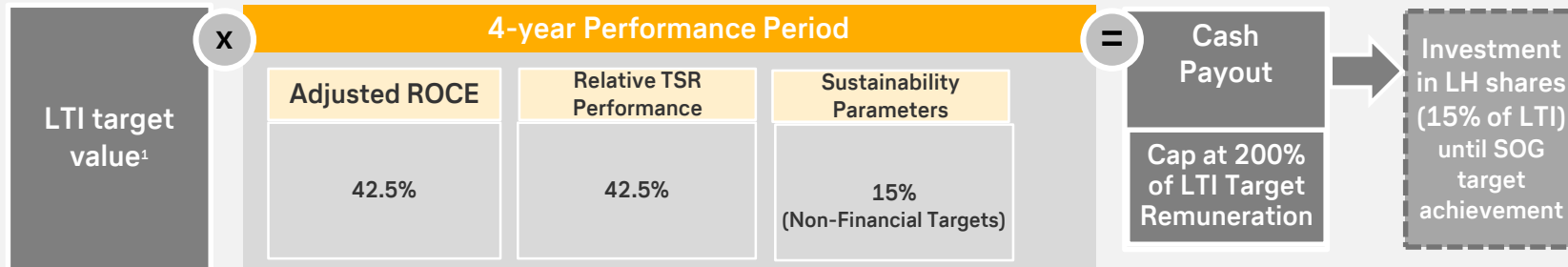
- Rationale**
- Less complex than current STI
 - Reflects common market practice
 - Multiplier ensures flexibility to adjust payouts according to individual performance

Long-Term Incentive harmonizes interests of management and shareholders

The LTI is based on Adjusted ROCE, relative TSR and non-financial targets

Long-Term Incentive (LTI)

Illustrative



¹ Supervisory Board sets target values on an annual basis.

Rationale

- TSR relative to the DAX aligns management incentives with the interests of shareholders
- Adjusted ROCE promotes capital return focus
- Sustainability parameters may differ from STI, allowing further diversification and differences in weighting

Supervisory Board remuneration is fixed and based on committee work

▪ Base compensation:

- Chairman: € 240,000
- Deputy Chairman: € 120,000
- Ordinary members: € 80,000

▪ Committee chairmanship:

- Audit Committee: additional € 60,000
- Other Committees: additional € 40,000

▪ Committee membership:

- Audit Committee: additional € 30,000
- Other Committees: additional € 20,000

	Compensation 2018			Compensation 2017		
	Fixed	Committee activities	Total	Fixed	Committee activities	Total
in EUR thousands						
Wolfgang Mayrhuber (until 24.09.2017)	-	-	-	176	33	209
Karl-Ludwig Kley	240	40	280	123	45	168
Christine Behle	120	20	140	120	20	140
Nicoley Baublies (until 8.05.2018)	30	-	30	80	-	80
Alexander Behrens (since 8.05.2018)	52	20	72	-	-	-
Werner Brandt (until 31.12.2017)	-	-	-	80	64	144
Jörg Cebulla	80	20	100	80	-	80
Herbert Hainer	80	20	100	80	21	101
Christian Hirsch (since 8.05.2018)	52	-	52	-	-	-
Robert Kimmitt (until 8.05.2018)	28	-	28	80	-	80
Carsten Knobel (since 9.01.2018)	78	29	107	-	-	-
Holger Benjamin Koch (since 8.05.2018)	52	-	52	-	-	-
Martin Koehler	80	-	80	80	22	102
Doris Krüger (until 8.05.2018)	28	10	38	80	30	110
Michael Nilles (since 8.05.2018)	52	-	52	-	-	-
Eckhard Lieb (until 8.05.2018)	28	10	38	80	30	110
Jan-Wilhelm Marquardt (until 8.05.2018)	28	10	38	80	30	110
Martina Merz	80	-	80	80	-	80
Ralf Müller (until 8.05.2018)	28	-	28	80	-	80
Monika Ribar	80	30	110	80	30	110
Birgit Rohleder (since 8.05.2018)	52	-	52	-	-	-
Miriam Sapiro (since 24.10.2017)	80	-	80	15	-	15
Ilja Schulz (since 8.05.2018)	52	13	65	-	-	-
Olivia Stelz (since 8.05.2018)	52	-	52	-	-	-
Andreas Strache (until 8.05.2018)	28	-	28	80	-	80
Stephan Sturm	80	60	140	80	24	104
Christina Weber	80	20	100	80	-	80
Birgit Weinreich (until 8.05.2018)	28	7	35	80	20	100
Klaus Winkler (since 8.05.2018)	52	-	52	-	-	-
Matthias Wissmann	80	-	80	80	-	80
Total	1,800	309	2,109	1,794	369	2,163

Appendix



Auditor and auditors' fees

Current auditor

PricewaterhouseCoopers GmbH,
Wirtschaftsprüfungsgesellschaft

Lead auditors

Eckhard Sprinkmeier (since 2018)
Petra Justenhoven (since 2015)

Auditor rotation

Ernst & Young to audit Group financial
statements from FY 2020 onwards

Auditors' fees

The auditing services mainly consist of fees for auditing the consolidated financial statements, the review of the half-yearly financial statements and the audit of the financial statements of Deutsche Lufthansa AG and its consolidated subsidiaries.

44 Auditors' fees

The fees paid to the auditors in the financial year and charged to expenses in accordance with Section 314 Paragraph 1 No. 9 HGB are made up as follows:

T180 AUDITORS' FEES

in €m	2017	2016
Annual audit	4.1	3.6
Other assurance services	0.3	0.4
Tax advisory services	0.7	1.2
Other services	0.4	1.4
Total	5.6	6.6

T181 ADDITIONAL AUDITORS' FEES

in €m	2017	2016
Annual audit	3.6	3.2
Other assurance services	0.2	0.2
Tax advisory services	0.4	0.8
Other services	0.5	0.4
Total	4.6	4.6

Capital Authorizations

	Purpose	Contribution	Nominal amount	Exclusion of Subscription rights	Date of authorization	Expiry of authorization
Authorized Capital A	General purposes	In cash or in kind	EUR 561m ~47.4% of share capital	Contribution in cash: max. 10% of share capital Sum of contribution in cash and in kind: max. 20% of share capital	April 29, 2015	April 28, 2020
Authorized Capital B	Share issuance to employees	In cash	EUR 29m ~2.5% of share capital		April 29, 2014	April 28, 2019
Conditional Capital	Issuance of convertible bonds or similar	-	EUR 238m ~19.6% of share capital		April 28, 2016	April 27, 2021