



Lufthansa Group Corporate Governance

Karl-Ludwig Kley,
Chairman of the Supervisory Board

February 2020

Agenda

1 Supervisory Board and Committee Work

2 Corporate Responsibility

3 Management Remuneration

Lufthansa Supervisory Board – Experienced, Diverse and Independent

20 Board Members



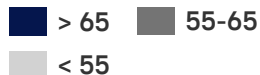
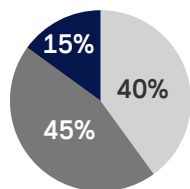
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Shareholder
Representatives

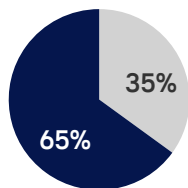
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Employee
Representatives

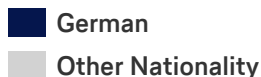
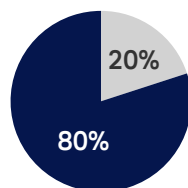
Age



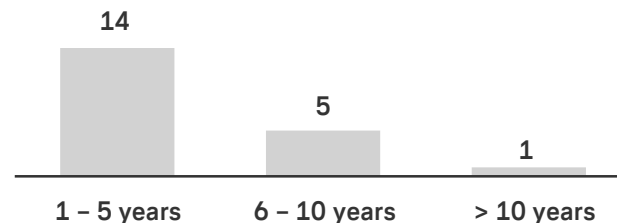
Gender



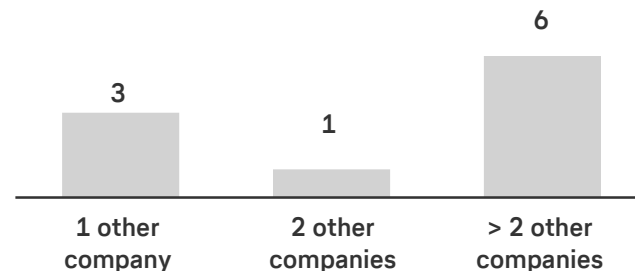
Nationality¹



Lufthansa Supervisory Board tenure



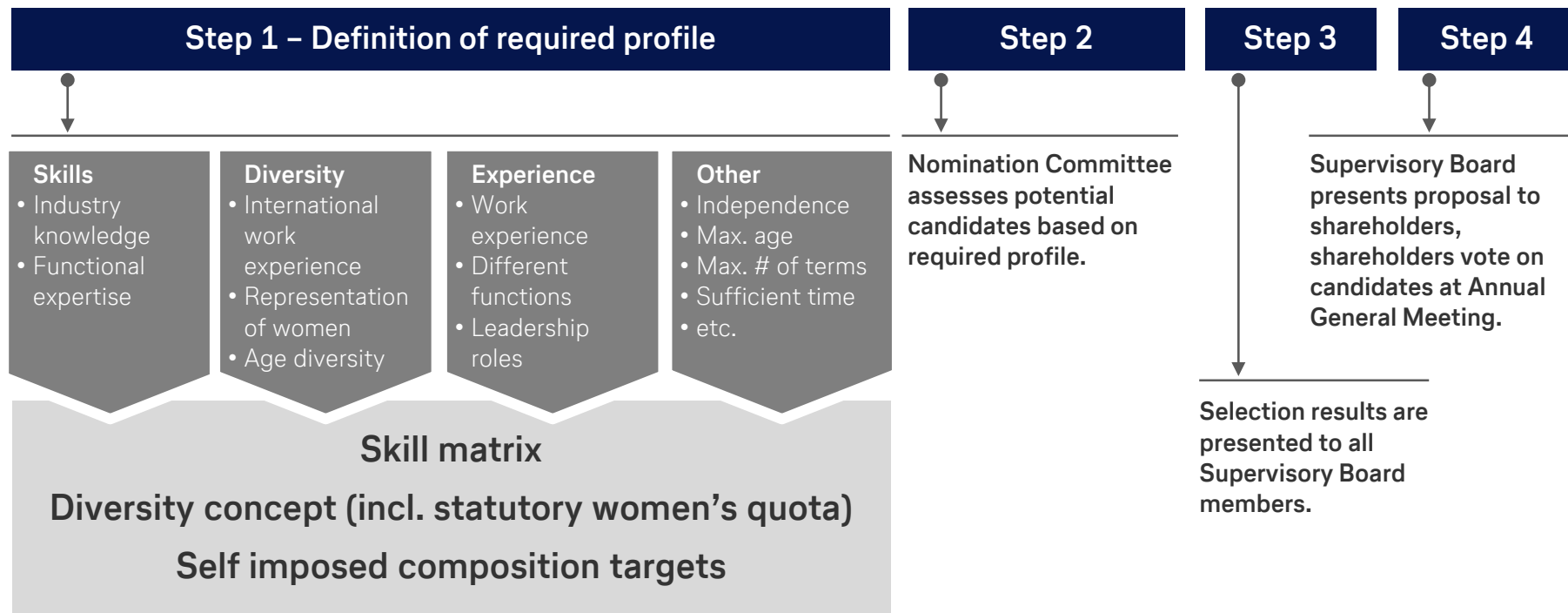
Professional experience^{1,2}



¹ Only Shareholder Representatives

² Other companies outside Lufthansa Group

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

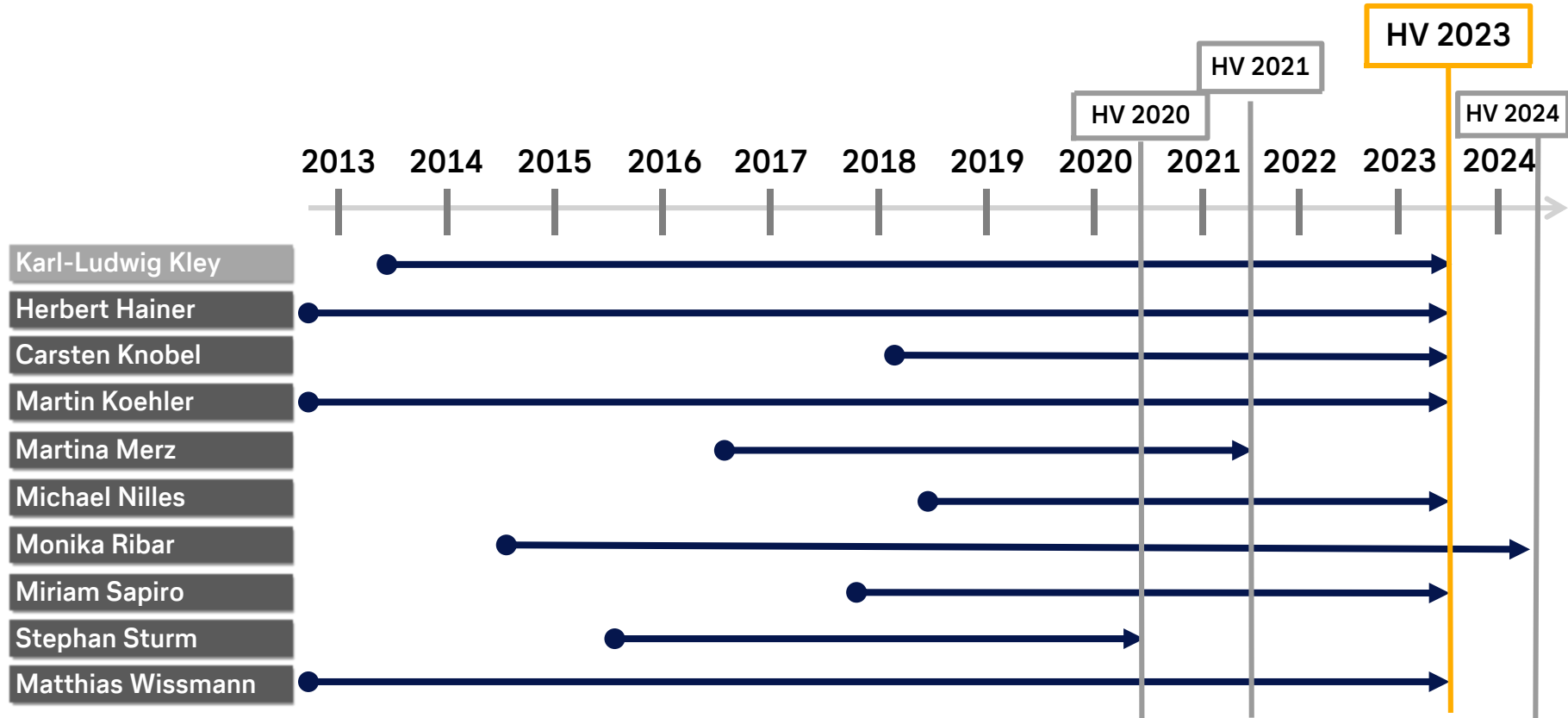
Supervisory Board Diversity

	Position			Competence in relevant sector / markets			Functional						Diversity criteria / Independence & mandates					
	Role in Board	Initial Election	End of term	Aviation	Marketing / Distribution / Customer	Politics / Association work / Science	GM / CEO	CFO / Capital market	Digital	Legal / Compliance	HR / Organisation	Sustainability	Age	Gender	Nationality	Work Stage	Independence	Number of other mandates* (thereof Chair)
Karl-Ludwig Kley Chairman of the Supervisory Board E.ON SE	Chair	2013	2023										68	m	German	Post	Yes	2 (1)
Herbert Hainer President FC Bayern München e.V.	Member	2010	2023										65	m	German	Post	Yes	3 (1)
Carsten Knobel CEO, Henkel AG & Co. KGaA	Member	2018	2023										51	m	German	Exec	Yes	0
Martin Koehler Independent business consultant	Member	2010	2023										62	m	German	Exec	Yes	3
Martina Merz CEO, thyssenkrupp AG	Member	2016	2021										56	f	German	Exec	Yes	3**
Michael Nilles CDIO, Henkel AG & Co. KGaA	Member	2018	2023										46	m	German	Exec	Yes	3
Monika Ribar President Board of Directors, SBB	Member	2014	2024										60	f	Swiss	Post	Yes	3 (1)
Miriam Sapiro Managing Director Sard Verbinen & Co.	Member	2017	2023										59	f	US	Exec	Yes	1
Stephan Sturm CEO, Fresenius Management SE	Member	2015	2020										56	m	German	Exec	Yes	1
Matthias Wissmann Senior International Counsel WilmerHale	Member	2008	2023										70	m	German	Post	Yes	0

* Does not include mandates held in group companies according to Section 100 Paragraph 2 Sentence 2 AktG and other group mandates.

** Mrs. Merz will resign from the Supervisory Board of Imerys S.A. with effect from the end of the Annual General Meeting of Imerys S.A. on 4 May 2020.

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

Deputy Chairwoman of the Federal Management
Board of the Union Ver.di
Extensive supervisory board experience



Alexander Behrens

Born 1974, German
Member since 2018

Flight attendant
Member of the Union UFO e.V.



Holger Benjamin Koch

Born 1976, German
Member since 2018

Senior Director Airport/Industry Charges &
Commercial Provider Management



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

Teamlead IT Application Management
Airport Services



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
Member of the Union Vereinigung Cockpit



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 Koehler

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 2019

Supervisory Board

4 Meetings in 2019

Steering Committee

+ 4 Meetings in 2019

Audit Committee

+ 5 Meetings in 2019

Nomination Committee

+ 4 Meetings in 2019

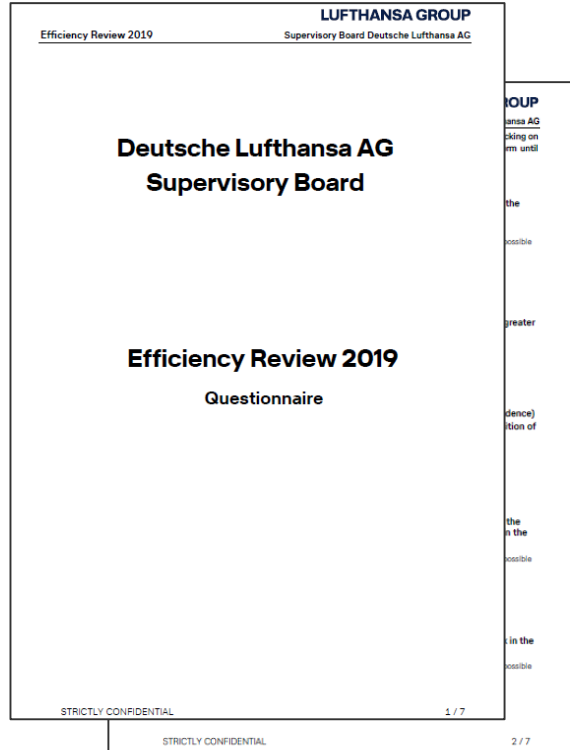
Executive Board:
25 Meetings in 2019

Attendance of Supervisory Board and committee meetings 2019

Supervisory Board Member	Board Meeting	Steering Committee	Audit Committee	Nomination Committee
Karl-Ludwig Kley	4 / 4	4 / 4		4 / 4
Christine Behle	3 / 4	4 / 4		
Alexander Behrens	4 / 4		5 / 5	
Jörg Cebulla	4 / 4		5 / 5	
Herbert Hainer	4 / 4	4 / 4		4 / 4
Christian Hirsch	4 / 4			
Carsten Knobel	4 / 4		5 / 5	
Holger Benjamin Koch	4 / 4			
Martin Koehler	4 / 4			4 / 4
Martina Merz	3 / 4			
Michael Nilles	4 / 4			
Monika Ribar	4 / 4		5 / 5	
Birgit Rohleder	4 / 4			
Miriam Sapiro	4 / 4			
Ilja Schulz	4 / 4	4 / 4		
Olivia Stelz	4 / 4			
Stephan Sturm	4 / 4		5 / 5	
Christina Weber	4 / 4		5 / 5	
Klaus Winkler	4 / 4			
Matthias Wissmann	4 / 4			

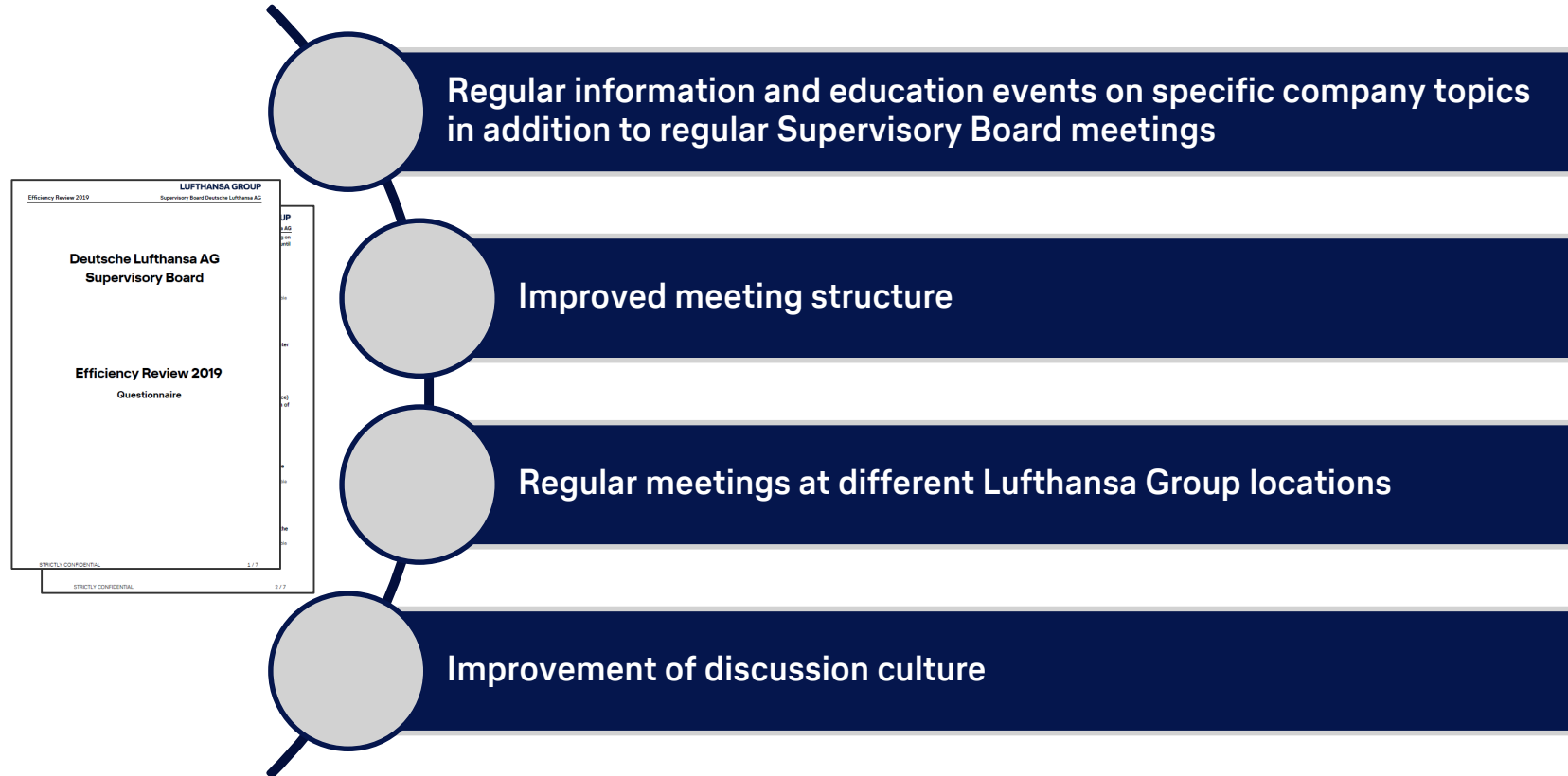
Overall attendance: **99 %**

Regular efficiency reviews support continuous improvement



- 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**
- 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**.

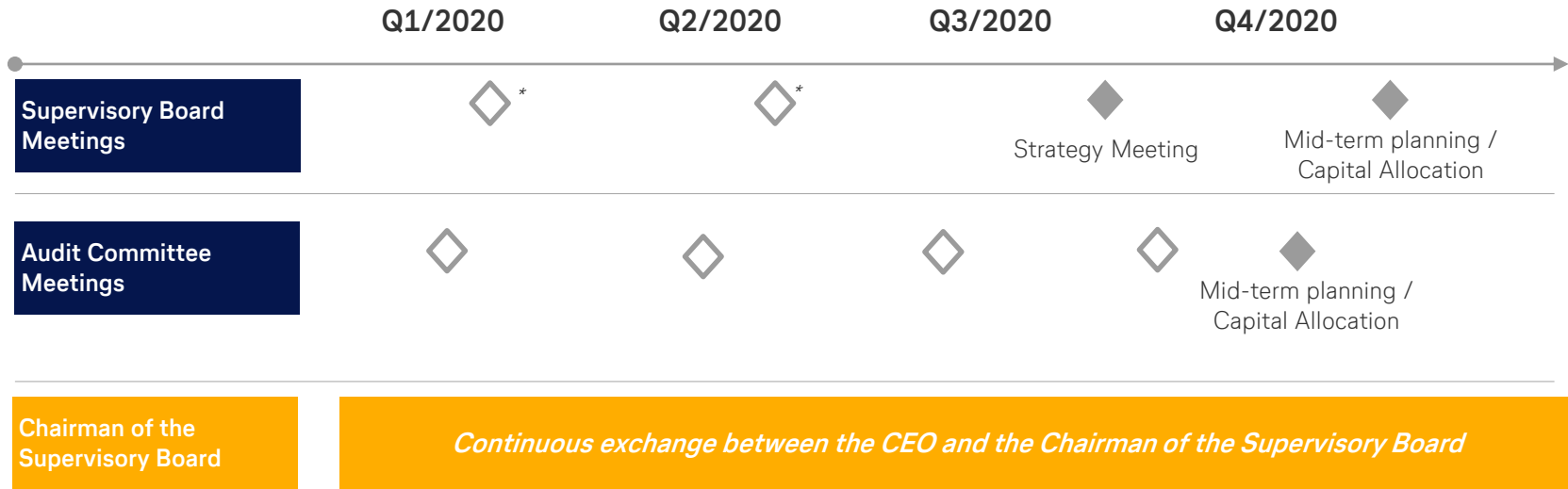
Results of efficiency review drove improvements of Supervisory Board work



The Supervisory Board is actively involved in the strategy process

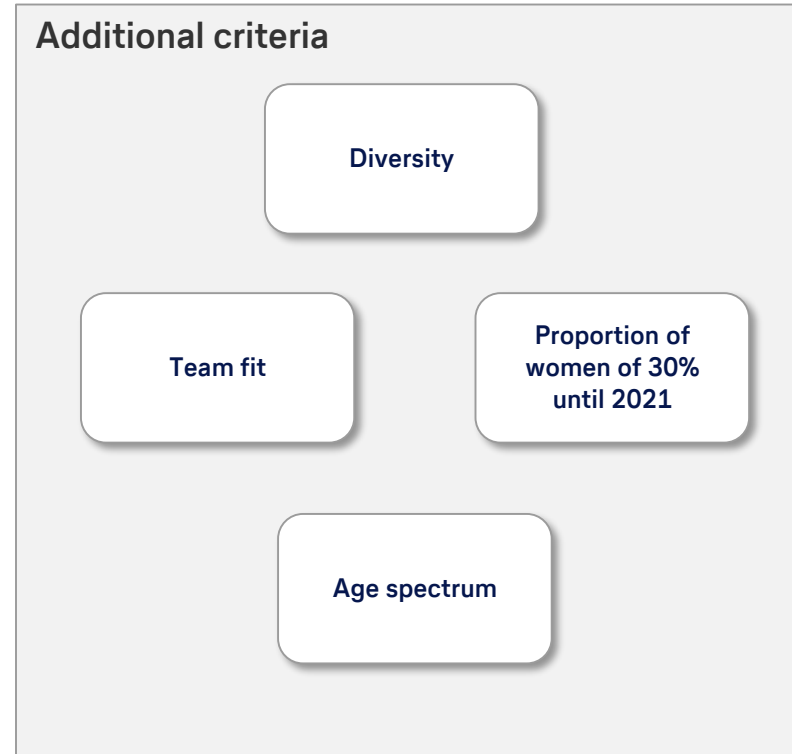
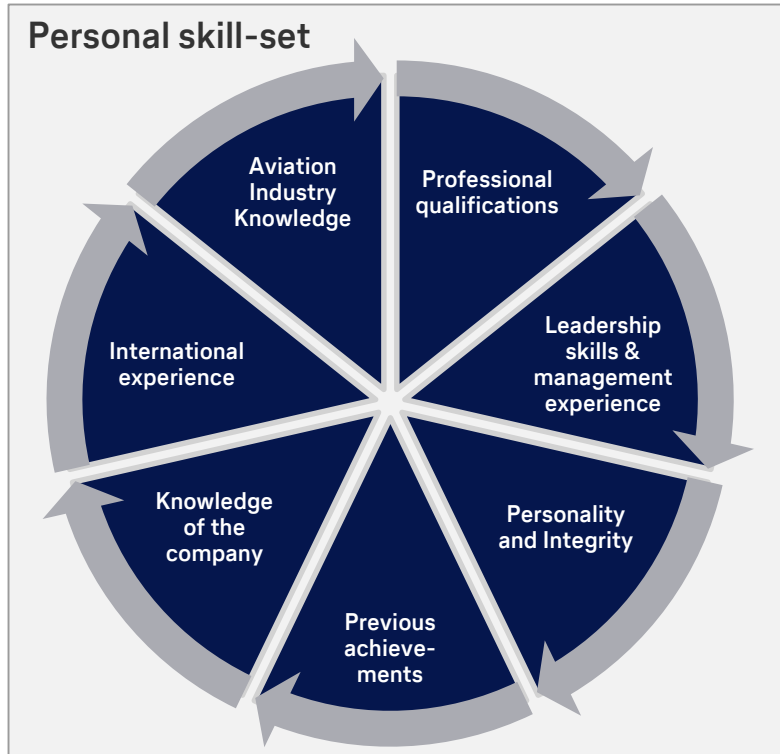
A special strategy meeting of the Supervisory Board is held in September.

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



* Additional strategy coverage if required.

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



Lufthansa Group realigns Executive Board

- ▶ New structure reflects the strategic development of Lufthansa from an aviation group to an airline group
- ▶ Executive Board now structured according to functional criteria



Bundling of the responsibility for **IT, Digital & Innovation** emphasizes increased focus

New board level position **Customer & Corporate Responsibility** emphasizes the increased focus on customers, the environment, climate and society

Commercial Passenger Airlines focuses on the commercial steering of all Passenger Airlines (incl. Eurowings)

The Supervisory Board effectively oversees the work of the Executive Board

Shareholders Deutsche Lufthansa AG

Supervisory Board

Chairman (Carsten Spohr)

Finance (Ulrik Svensson)

HR & Legal (Michael Niggemann)

**Airline Resources &
Operations Standards**
(Detlef Kayser)

**Commercial
Passenger Airlines**
(Harry Hohmeister)

**Customer & Corporate
Responsibility**
(Christina Foerster)

LHT

LCAG

LSG

Executive Board

LH FRA

LH MUC

LX

OS

SN

EW

IT, Digital & Innovation (Thorsten Dirks)

Sustainability is an integral part of the Group's strategy and management

- Supervisory Board regularly debates sustainability matters, three members have specific sustainability expertise
- Christina Foerster holds direct responsibility for Corporate Responsibility on Executive Board level since January 1, 2020
- Group Executive Committee (GEC) discussed sustainability topics at several meetings in 2019
- Sustainability KPIs are part of executive remuneration
- Sustainability reporting in accordance with GRI, considering SDGs

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.



Several large-scale sustainability initiatives launched in 2019



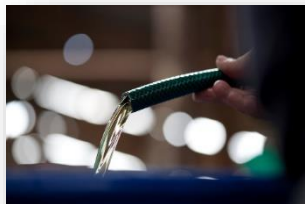
Fleet

- Continuous investments in modern fleet
- 25% CO₂ reduction per new aircraft generation



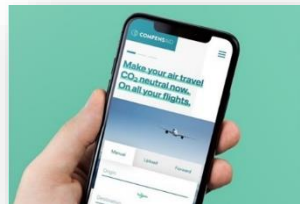
CO₂ Reduction

- Sole use of green electricity in home markets
- CO₂-neutral ground operations by 2030 in DACH



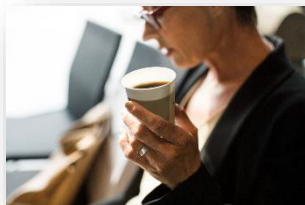
Alternative Fuel

- Cooperation with industry and academic research
- Usage of Sustainable Aviation Fuel



CO₂ Compensation

- „Corporate Value Fare“: carbon neutral corporate travel in Europe
- „Compensaid“ as a tool for CO₂ compensation incl. SAF



Reduction of Plastic

- Reduction/replacement 50% of disposable plastic by 2021



Employee Initiatives

- Fly Greener, #DoingMyBit
- Corporate Volunteering

Lufthansa Group outperforms peers in relevant sustainability rankings



- Robust carbon reduction efforts
- Labor disputes pose operational risk
- Punctuality below best-in-class levels despite improvements



- Emissions: strong in pollution prevention, climate protection, transport safety and biodiversity
- Corporate Governance: Foreign ownership limitations based on LuftNasiG

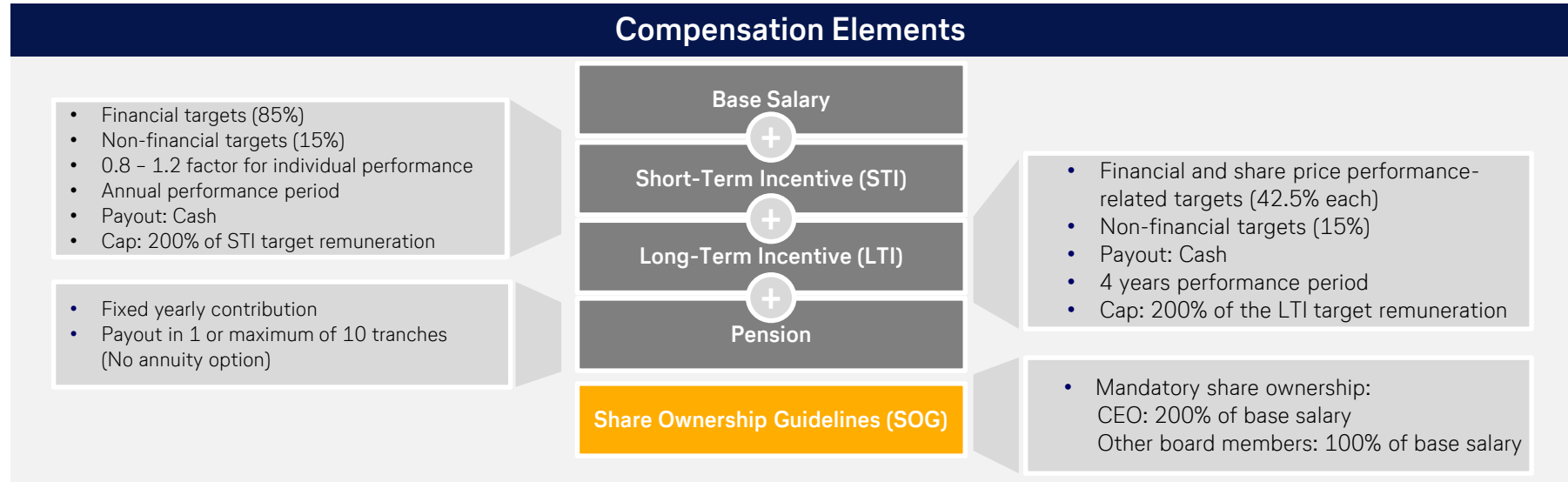


- Above-industry average management of carbon emissions
- Above-industry average of product governance (quality and safety)
- Medium exposure to human capital risk (large workforce, difficult labor relations, controversies)



- Lufthansa Group rating: B (2019)
- Industry average: B-, regional average: C

Introduction of new Executive Board compensation system in 2019



- Clear improvement compared to old system acknowledged by investors
- Absence of clawback clause and lack of target disclosure main points of criticism
- Compensation system received 57.4% approval rate at AGM 2019

Further improvements of compensation system and reporting planned

- ▶ Planned changes will further improve the incentive effect of the system
- ▶ System implements the legal regulations and new provisions of the German Corporate Governance Code

Change of **STI targets** to Adj. EBIT margin (previously: EBIT margin) and Adj. ROCE (previously: Adj. EBIT growth) to better reflect the Group's key performance indicators

Transfer of the LTI into a **Performance Share Plan** to further promote shareholder orientation

First-time retrospective **disclosure of remuneration targets** and target achievement in annual report 2019

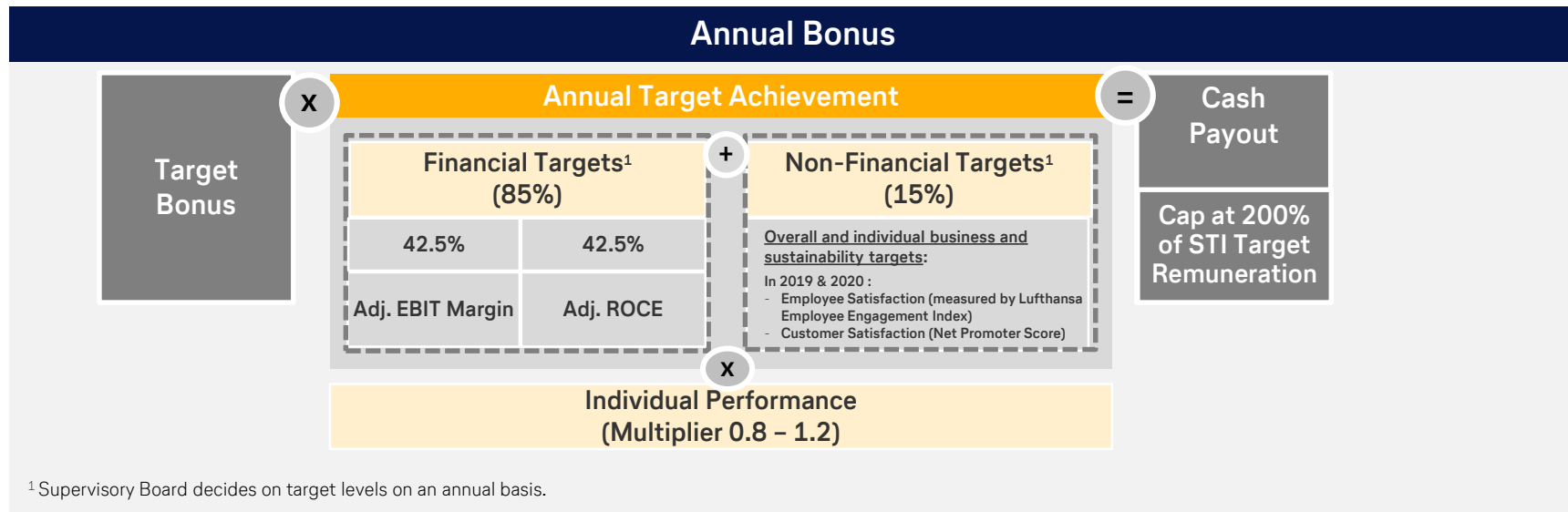
Implementation of a **maximum compensation** according to Shareholder Rights Directive II (incl. flight benefits)

Adjustment of **SOGs**:
- 4-year establishment period
- 4-year holding period after the end of the term of office

Introduction of a **Clawback Clause**

Short-Term Incentive (STI) paid out in cash

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



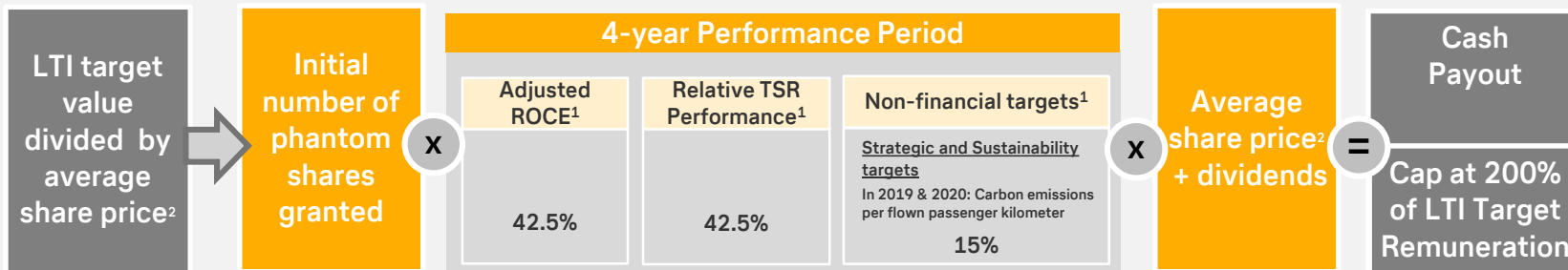
Rationale

- Adjusted EBIT Margin and Adjusted ROCE represent the key performance indicators of Lufthansa Group
- Adjusted ROCE incentivizes profitable capital expenditure
- Multiplier ensures flexibility to adjust payouts according to individual performance

Long-Term Incentive (LTI) aligns interests of management and shareholders

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

Performance Share Plan



¹ Supervisory Board sets target values on an annual basis.

² Average share price over 60 trading days.

Rationale

- The Performance Share Plan focuses on share price performance and dividends paid to promote a shareholder-oriented culture
- TSR relative to the DAX aligns management incentives with the interests of shareholders
- Integration of sustainability criteria in STI & LTI highlights the importance of sustainable management

Further refinement of Share Ownership Guidelines in 2020

- Share Ownership Guidelines (SOG) further strengthen the equity culture of the remuneration system and are in line with investor requirements

Share Ownership Guidelines	
SOG-Volume	<ul style="list-style-type: none"> • CEO: 200% of base remuneration • Other board members: 100% of base remuneration
Set-up period	The stock of Lufthansa shares must be built up after 4 years at the latest
Holding conditions	<ul style="list-style-type: none"> • Up to 4 years after leaving the Executive Board • Proportional reduction of required holding by 25% p.a.
Crediting of existing shares	Yes

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

in € thousands

	Compensation 2019		
	Fixed	Committee activities	Total
Karl-Ludwig Kley	240	60	300
Christine Behle	120	20	140
Nicoley Baublies (until 8.5.2018)	-	-	-
Alexander Behrens (since 8.5.2018)	80	30	110
Jörg Cebulla	80	30	110
Herbert Hainer	80	40	120
Christian Hirsch (since 8.5.2018)	80	-	80
Robert Kimmit (until 8.5.2018)	-	-	-
Carsten Knobel (since 9.1.2018)	80	30	110
Holger Benjamin Koch (since 8.5.2018)	80	-	80
Martin Koehler	80	20	100
Doris Krüger (until 8.5.2018)	-	-	-
Eckhard Lieb (until 8.5.2018)	-	-	-
Jan-Willem Marquardt (until 8.5.2018)	-	-	-
Martina Merz	80	-	80
Ralf Müller (until 8.5.2018)	-	-	-
Michael Nilles (since 8.5.2018)	80	-	80
Monika Ribar	80	30	110
Birgit Rohleder (since 8.5.2018)	80	-	80
Miriam Sapiro	80	-	80
Ilja Schulz (since 8.5.2018)	80	20	100
Olivia Stelz (since 8.5.2018)	80	-	80
Andreas Strache (until 8.5.2018)	-	-	-
Stephan Sturm	80	60	140
Christina Weber	80	30	110
Birgit Weinreich (until 8.5.2018)	-	-	-
Klaus Winkler (since 8.5.2018)	80	-	80
Matthias Wissmann	80	-	80
Total	1.800	370	2.170

Compensation 2018		
Fixed	Committee activities	Total
240	40	280
120	20	140
28	-	28
52	20	72
80	20	100
80	20	100
52	-	52
28	-	28
78	29	107
52	-	52
80	-	80
28	10	38
28	10	38
28	10	38
80	-	80
28	-	28
52	-	52
80	30	110
52	-	52
80	-	80
52	13	65
52	-	52
28	-	28
80	60	140
80	20	100
28	7	35
52	-	52
80	-	80
1.798	309	2.107

Appendix



Auditor and auditors' fees

Auditor for FY 2019

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.

47 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:

T190 AUDITORS' FEES

In €m	2018	2017
Annual audit	4.2	4.1
Other assurance services	0.4	0.3
Tax advisory services	0.6	0.7
Other services	0.3	0.4
Total	5.5	5.5

T191 ADDITIONAL AUDITORS' FEES

In €m	2018	2017
Annual audit	3.9	3.6
Other assurance services	0.2	0.2
Tax advisory services	0.4	0.4
Other services	0.2	0.5
Total	4.7	4.7

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 450m ~36.8% of share capital	Contribution in cash: max. 10% of share capital Sum of contribution in cash and in kind: max. 10% of share capital	May 7, 2019	May 6, 2024
Authorized Capital B	Share issuance to employees	In cash	EUR 22m ~1.8% of share capital		May 7, 2019	May 6, 2024
Conditional Capital	Issuance of convertible bonds or similar	-	EUR 238m ~19.4% of share capital		April 28, 2016	April 27, 2021