



Lufthansa Group Corporate Governance

Karl-Ludwig Kley,
Chairman of the Supervisory Board

January 2023

Agenda

- | | | |
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| 3 | Corporate Responsibility | Pages 15-19 |
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Lufthansa Group leaves crisis behind in 2022



Return to around EUR 1.5bn of operating profit

Logistics and MRO generate record results

Fast and steep operational ramp-up

Cost inflation mitigated successfully

Repayment of all stabilization measures

Significant debt reduction

The Group's transformation will drive the achievement of its 2024 targets



Lufthansa Supervisory Board – Experienced, Diverse and Independent

20 Board Members



10

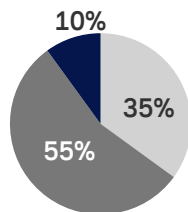
Shareholder Representatives



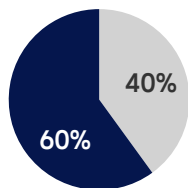
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Employee Representatives

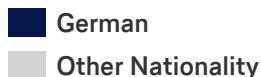
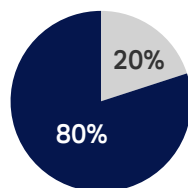
Age



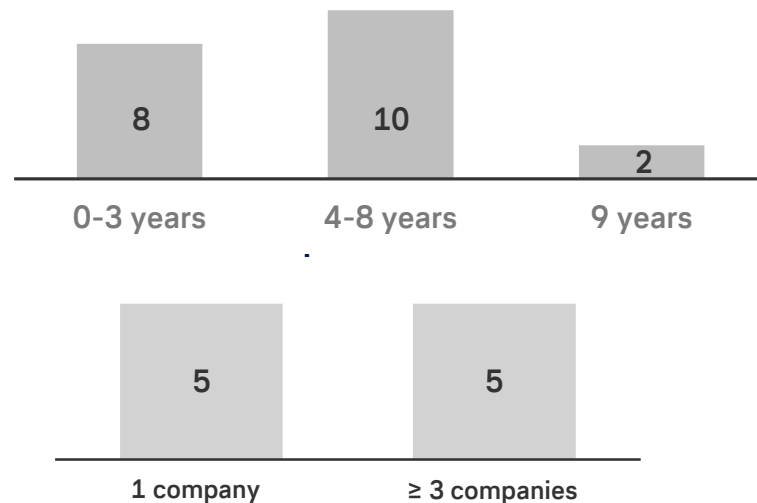
Gender



Nationality¹



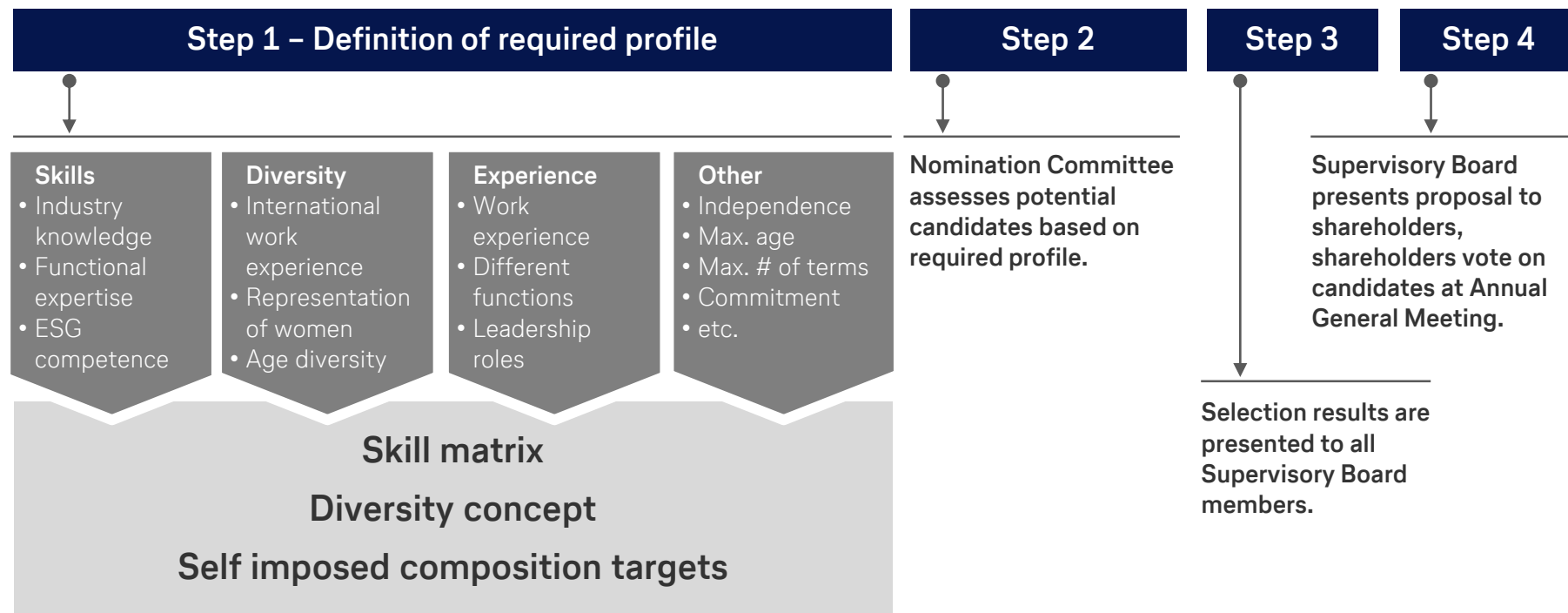
Lufthansa Supervisory Board tenure



¹ Shareholder representatives only

² Other companies outside Lufthansa Group

Clearly defined Supervisory Board nomination process¹



¹ Shareholder representatives only

Shareholder representatives cover the targeted skill set and diversity criteria



Karl-Ludwig Kley
Chairman of the Supervisory Board

Born 1951, German
 Member since 2013

Extensive leadership and supervisory board experience
 Financial expert



Erich Clementi
 Born 1958, Italian
 Member since 2020

Expert in digital transformation and strategy
 ESG expert



Carsten Knobel
 Born 1969, German
 Member since 2018

Financial expert



Britta Seeger
 Born 1969, German
 Member since 2021

Marketing and Sales expert, comprehensive
 international leadership experience



Thomas Enders
 Born 1958, German
 Member since 2020

Aviation expert with extensive leadership
 experience



Harald Krüger
 Born 1965, German
 Member since 2020

Extensive leadership and board experience
 Financial expert



Astrid Stange
 Born 1965, German
 Member since 2020

IT/digital expert, comprehensive
 international leadership experience



Michael Kerkloh
 Born 1953, German
 Member since 2020

Aviation expert



Miriam Sapiro
 Born 1960, US American
 Member since 2017

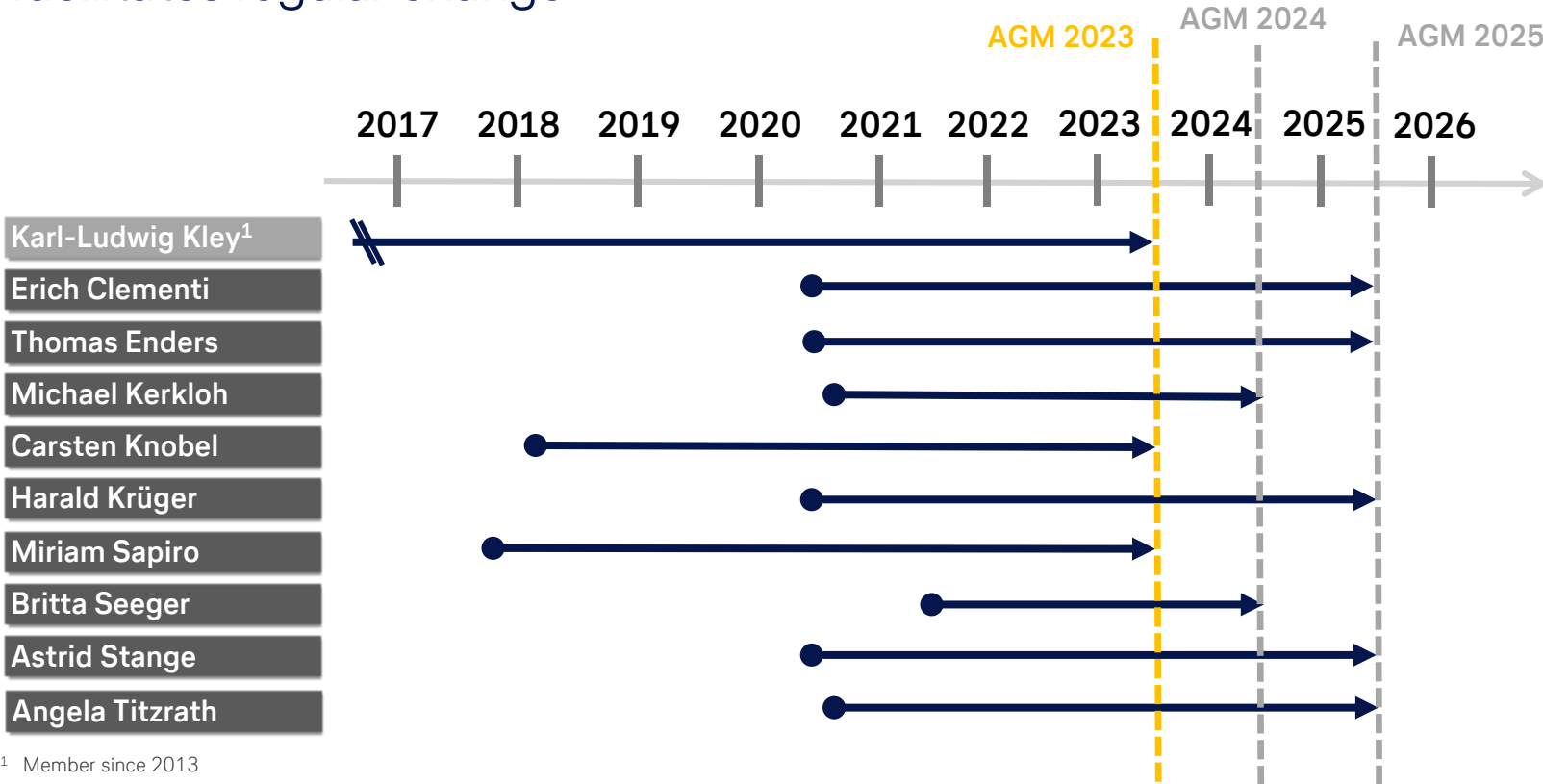
International expert in government affairs
 and strategy
 ESG expert



Angela Titzrath
 Born 1966, German
 Member since 2020

Logistics expert, extensive leadership
 experience
 ESG expert

Staggered Board and introduction of three year term for all new members facilitates regular change



¹ Member since 2013

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



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



Birgit Spineux
 Born 1965, German
 Member since 2021

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



Olivia Stelz
 Born 1971, German
 Member since 2018

Purser



Jürgen Jennerke
 Born 1964, German
 Member since 2020

Cargo handler



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 and Remuneration Committee

Prepares the Supervisory Board's meetings and decisions, among other things with regard to Executive Board appointments and remuneration

Members

- **Karl-Ludwig Kley, Chair**
- Christine Behle, Deputy Chair
- Thomas Enders
- Ilja Schulz

Audit Committee

Monitors the financial accounting including the non-financial reporting on corporate social responsibility, the internal control, compliance and risk management systems as well as the external auditing.

Members

- **Harald Krüger, Chair**
- Alexander Behrens
- Jörg Cebulla
- Michael Kerkloh
- Carsten Knobel
- Klaus Winkler

Nomination Committee

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

Members

- **Karl-Ludwig Kley, Chair**
- Thomas Enders
- Harald Krüger

ESG Committee

Advises the Supervisory Board, its committees and the Executive Board on issues relating to sustainable corporate governance and the integration of ESG into the company's strategy and business activities.

New as of
1 January 2023

Members

- **Erich Clementi, Chair**
- Holger Benjamin Koch
- Ilja Schulz
- Angela Titzrath

Supervisory and Executive Board met on a regular basis also in 2022

Supervisory Board

5 Meetings in 2022

Steering and Remuneration Committee

+

6 Meetings in 2022

Audit Committee

+

5 Meetings in 2022

Nomination Committee

+

1 Meeting in 2022

**Executive Board:
33 Meetings in 2022**

i

**4 Information events for
Supervisory Board members
(incl. IT & Digitization, EU Taxonomy,
other Lufthansa-specific topics)**

Attendance of Supervisory Board and committee meetings 2022

Supervisory Board Member	Board Meeting	Steering & Remuneration Committee	Audit Committee	Nomination Committee
Karl-Ludwig Kley	5 / 5	6 / 6		1 / 1
Christine Behle	5 / 5	6 / 6		
Alexander Behrens	5 / 5		5 / 5	
Jörg Cebulla	5 / 5		5 / 5	
Erich Clementi	5 / 5			
Thomas Enders	5 / 5	6 / 6		1 / 1
Jürgen Jennerke	5 / 5			
Michael Kerkloh	5 / 5		5 / 5	
Carsten Knobel	5 / 5		5 / 5	
Holger Benjamin Koch	4 / 5			
Harald Krüger	5 / 5		5 / 5	1 / 1
Birgit Rohleder	5 / 5			
Miriam Sapiro	5 / 5			
Ilja Schulz	5 / 5	6 / 6		
Britta Seeger	5 / 5			
Birgit Spineux	5 / 5			
Astrid Stange	5 / 5			
Olivia Stelz	5 / 5			
Angela Titzrath	5 / 5			
Klaus Winkler	5 / 5		5 / 5	

Overall attendance: **99 %**

Regular self-evaluation is the basis for continuous improvements



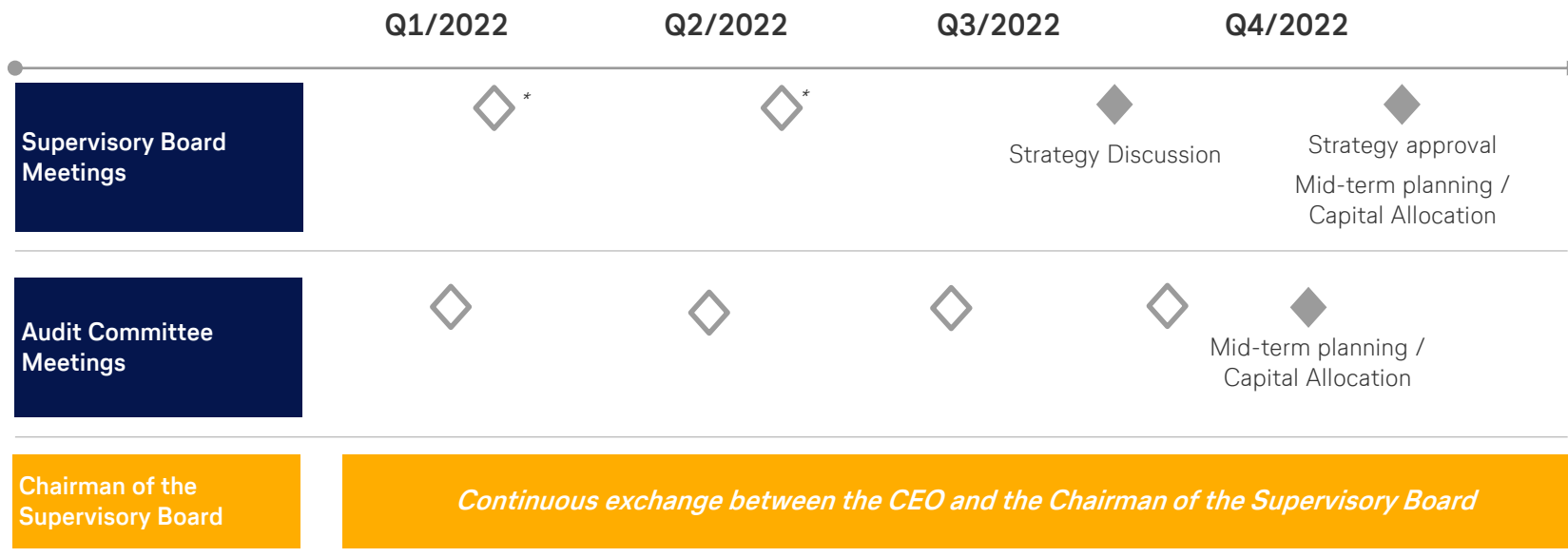
- The **Supervisory Board** conducts **annual self-evaluations**
- All Supervisory Members provide feedback based on a **detailed questionnaire**
- Includes a **360° feedback from the Executive Board** every two years
- The Chairman conducts **bilateral meetings** with each Supervisory Board **Member** every **two years**
- The results are presented to and discussed by the Supervisory Board



- New Supervisory Board Committee with focus on ESG topics formed as of January 1, 2023
- Improved information flow to the whole Supervisory Board between the meetings
- Improved onboarding process for new Supervisory Board members
- The work of the Supervisory Board is perceived to be at a consistently high level overall

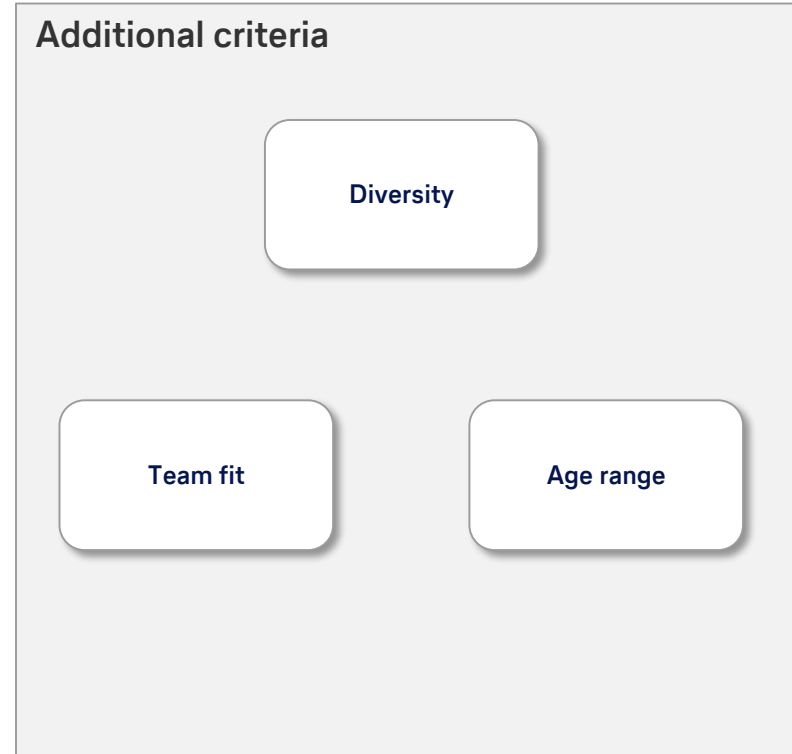
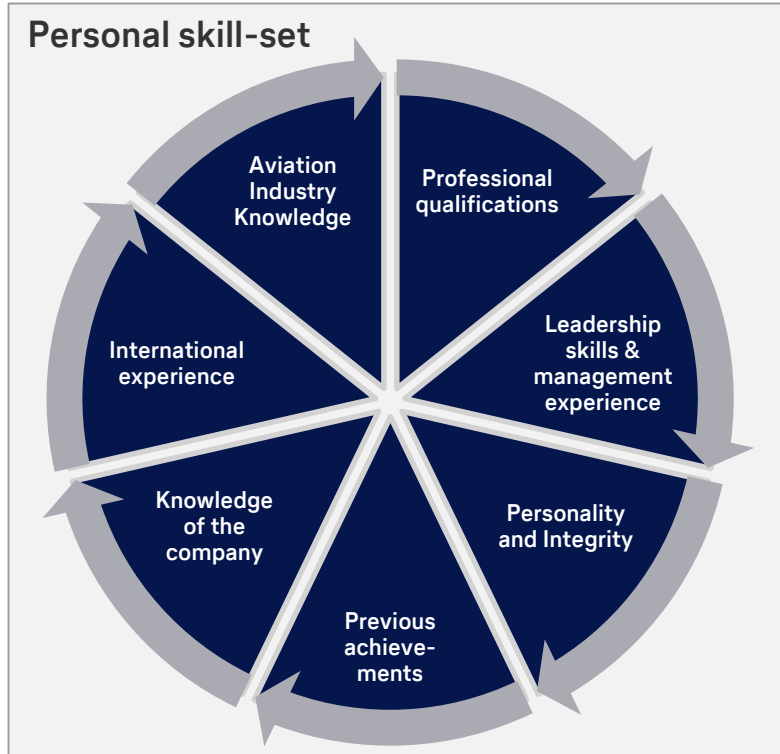
The Supervisory Board is actively involved in the strategy process

Two Board meetings per annum focused on strategy: In September, the Supervisory Board discusses the strategy with the Executive Board, in December it approves the strategy, the budget and mid-term planning



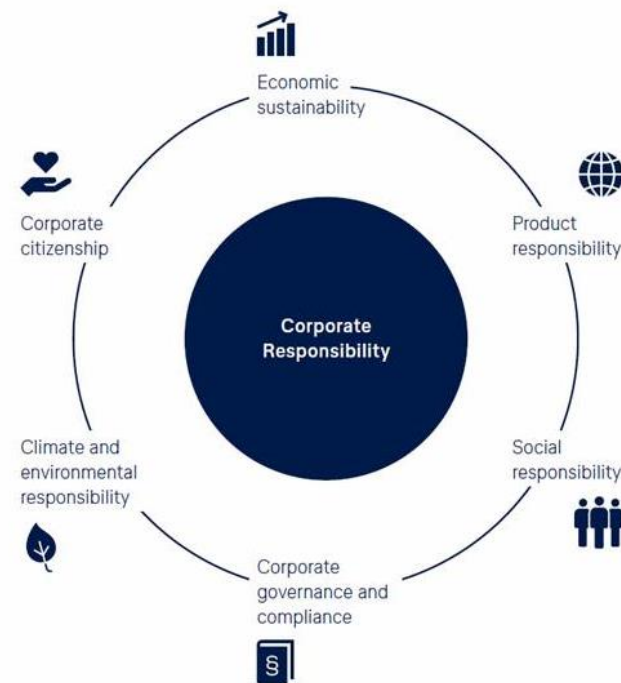
* Additional strategy coverage if required.

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



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

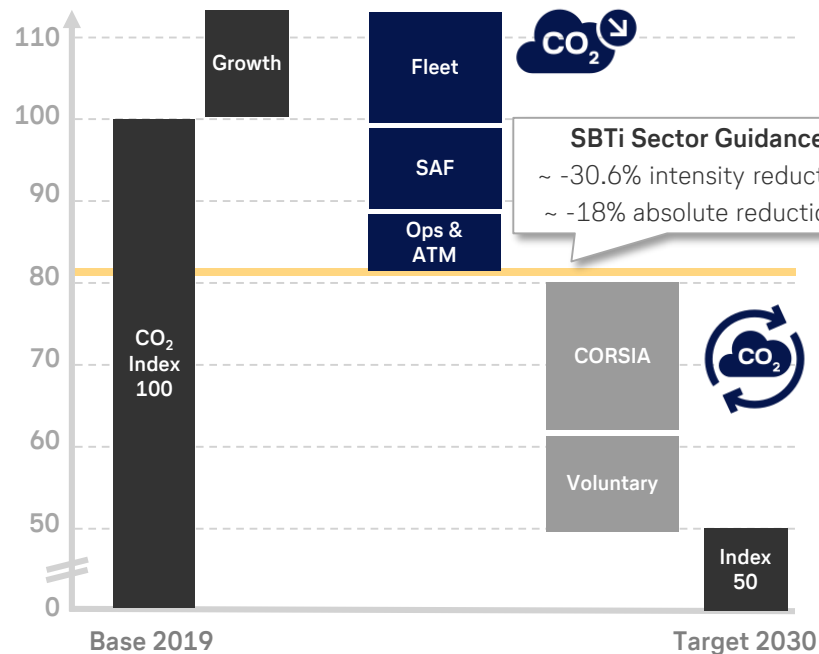
- New ESG Committee of the Supervisory Board as of January 1, 2023
- Christina Foerster holds direct responsibility for Corporate Responsibility on Executive Board level since 2020
- Sustainability KPIs are part of executive remuneration
- Annual sustainability reporting in accordance with GRI, considering SDGs
- TCFD and SASB disclosures added in 2021



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.

Group's emission reduction targets successfully validated by Science Based Targets initiative (SBTi)

Index LHG CO₂ Emissions (not to scale)



¹ Based on current industry growth assumptions

SAFs will play a key role in reducing the Group's emissions

Sustainable Aviation Fuels (SAF)

Biogenic SAF

~x5 cost of fossil fuel



- Oils, Sugars, Starch
- Forest & Farming Residues

Current focus

Non-Biogenic SAF

x10-x50 cost of fossil fuel



- Municipal Waste

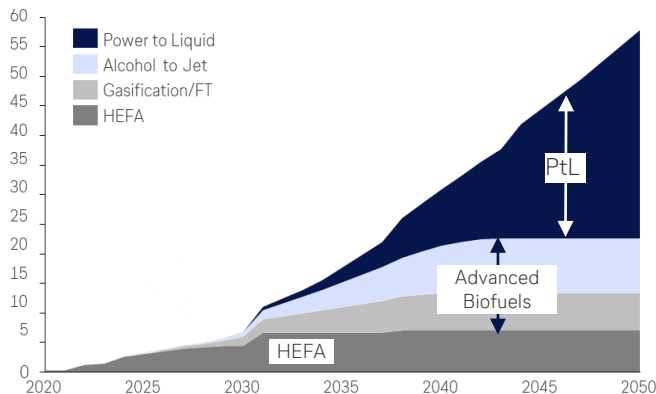


- Power-to-Liquid (PtL)
- Sun-to-Liquid

Long-term focus

Predicted SAF production ramp-up¹

in mt



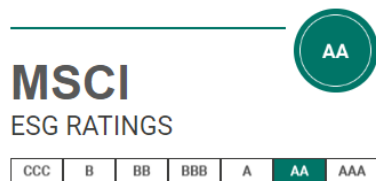
The availability of SAFs is projected to increase significantly, costs are expected to moderate

Various partnerships to support research and development, pilot customer for the first industrially produced PtL fuel in Germany

Group is the largest buyer of SAFs in Europe, commitment to invest USD 250m until 2024 in response to growing customer demand

¹ Source: WEF Clean Skies for Tomorrow, McKinsey

Lufthansa Group scores well in relevant sustainability rankings



- Improvement from BBB (2017-2020) to AA (2022) due to strong business ethics practices
- Leader among 16 companies in the airline industry
- Robust carbon reduction efforts



- Labor management: unions protest
- Product safety and quality: lawsuits refunds and criticism



- Above-industry average
- Strong corporate governance performance



- Medium exposure to human capital risk (large workforce, difficult labor relations , controversies)
- High exposure on own carbon emissions



B



- Above average disclosure of CO₂ footprint (A rating), Corporate Governance



- Value chain engagement
- Lack of progress in reducing emissions



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Score on 100



- In top half in the sector
- Particularly good environmental management



- Local pollution, health & safety, management of social risks in value chain
- Transparency in tax payments

Further increased focus on cyber security to protect the business and our customers

Cyber Resilient Organization				 Major Achievements 2022
Technical security baseline <ul style="list-style-type: none">▪ Definition of standards▪ Implementation support▪ Solution portfolio▪ Assuring implementation	Cyber defense (detection and response) <ul style="list-style-type: none">▪ Extended system monitoring▪ Efficient incident response	Usability, culture and simplification <ul style="list-style-type: none">▪ Improved usability and simplicity▪ Solution portfolio▪ Awareness and skill training	Future focus <ul style="list-style-type: none">▪ Enabling security by design for ongoing and future transformations	<ul style="list-style-type: none">▪ Log-file analysis of aircraft IT-components contribute to the “entry into service” of the e-enabled aircraft types B7X7▪ Cyber Defence Centre (CDC) increased range of LHG IT-platforms to cover predictive analysis and incident handling.▪ Powerful solution protects administrative access rights, which would enable attackers to take control over IT platforms (PAM)▪ Improved Cyber Security resiliency index (730/900)¹▪ Secure Software Development: 740+ IT-Security trainings per month▪ 12 AOCs enabled to fulfil the major requirement of Aviation Cyber Regulation EU DVO 2019/1583
Organization	▪ empowering people & building skills			
Governance	▪ support and control through group-wide cascaded governance			
Partnering	▪ providing resources – internal and from partners			

¹ 250 – 900 index range: higher index indicates better security performance

¹ 250 – 900 index range: higher index indicates better security performance

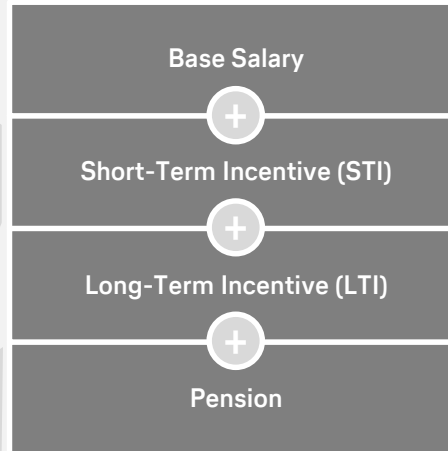
AGM to resolve on changes to the Executive Board compensation system

- ▶ Remuneration system reinstated after the end of the stabilization measures
- ▶ Adjustment of variable remuneration to set growth incentives and strengthen sustainable management
- ▶ Annual General Meeting 2023 will resolve on all material changes to the compensation system

Overview of compensation elements & proposed changes

- Financial targets **80%** (previously: 85%)
 - Adjusted EBIT, 40%** (previously: Adjusted EBIT-margin, 42.5%)
 - Adjusted Free Cash Flow, 40%** (previously: Adjusted ROCE 42.5%)
- Non-financial targets, **20%** (previously: 15%)
- 0.8 – 1.2 factor for individual performance
- Annual performance period
- Payout: Cash
- Cap: 200% of STI target remuneration

- Fixed yearly contribution
- Payout in 1 or maximum of 10 tranches (No annuity option)



Share Ownership Guidelines (SOG)

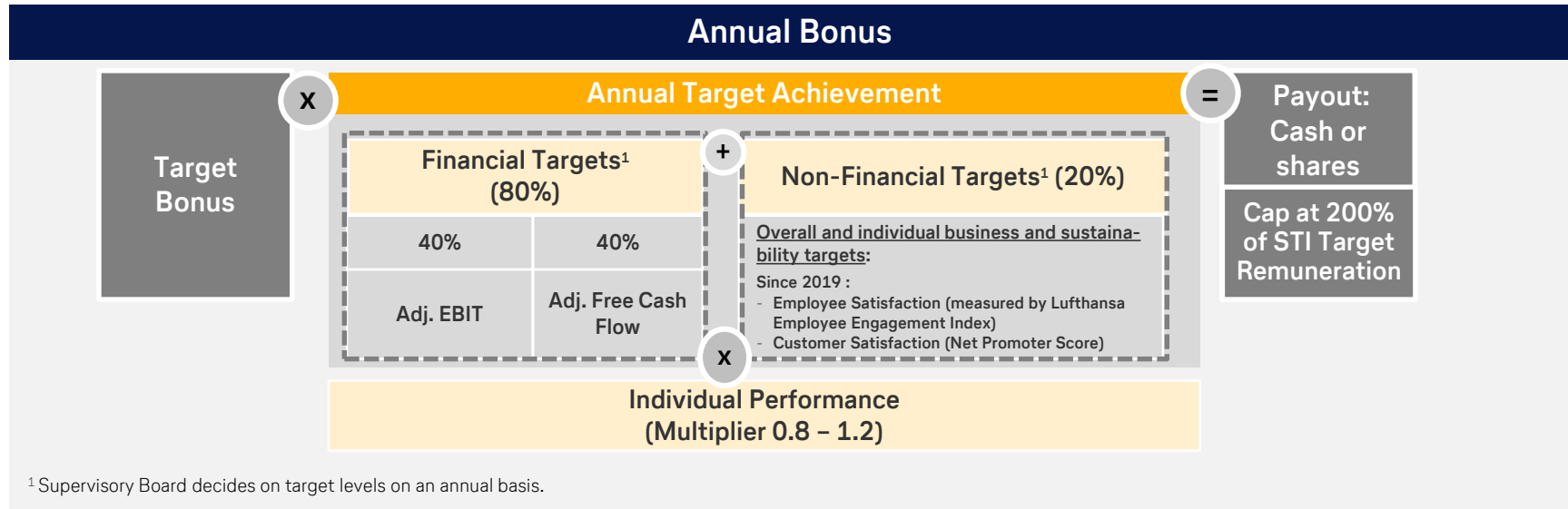
- Differentiation between CEO and ordinary members increased to **2.2** (previously: 1.9), between CFO and ordinary members to **1.3** (previously: 1.0)

- Performance Share Plan
- Financial and share price performance-related targets **80%** (previously: 85%):
 - Adjusted ROCE **50%** (previously: 42.5%)
 - Relative TSR to **NYSE Arca Global Airlines Index 30%** (previously: 42.5%, to DAX)
- Non-financial targets **20%** (previously: 15%)
- Payout: Cash
- 4 years performance period
- Cap: 200% of the LTI target remuneration

- Mandatory share ownership: CEO 200%, other board members 100% of base salary
- Build-up period: 4 years
- Holding conditions: Up to 4 years after leaving the Executive Board

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

Subject to AGM resolution



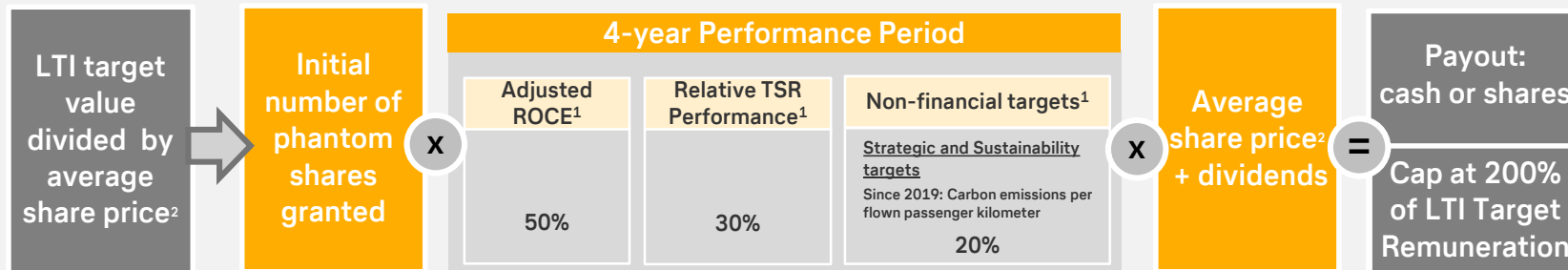
Rationale

- Adjusted EBIT and Adjusted Free Cash Flow are the key performance indicators of Lufthansa Group
- Adjusted Free Cash Flow essential to further reduce remaining crisis-related debt
- Multiplier enables differentiation of payouts according to individual performance

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

Subject to AGM resolution

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 NYSE Arca Global Airlines Index aligns management incentives with the interests of shareholders
- Integration of sustainability criteria in STI & LTI with a weighting of 20% underlines the importance of sustainable management

Supervisory Board remuneration is fixed and based on committee work

■ Base compensation:

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

■ Committee chair:

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

■ Committee member:

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

in € thousands	Compensation 2022		
	Fixed	Committee activities	Total
Karl-Ludwig Kley	240	60	300
Christine Behle	120	20	140
Alexander Behrens	80	30	110
Jörg Cebulla	80	30	110
Erich Clementi	80	-	80
Thomas Enders	80	40	120
Jürgen Jennerke	80	-	80
Michael Kerkloh	80	30	110
Carsten Knobel	80	30	110
Holger Benjamin Koch	80	-	80
Harald Krüger	80	80	160
Birgit Rohleder	80	-	80
Miriam Sapiro	80	-	80
Ilija Schulz	80	20	100
Britta Seeger (seit 04.05.2021)	80	-	80
Birgit Spineux	80	-	80
Astrid Stange	80	-	80
Olivia Stelz	80	-	80
Stephan Sturm (bis 04.05.2021)	-	-	-
Angela Titzrath	80	-	80
Klaus Winkler	80	30	110
Total	1.800	370	2.170

Compensation 2021		
Fixed	Committee activities	Total
240	60	300
120	20	140
80	30	110
80	30	110
80	-	80
80	40	120
80	-	80
80	30	110
80	30	110
80	-	80
80	-	80
80	60	140
80	-	80
80	-	80
80	20	100
53	-	53
80	-	80
80	-	80
80	-	80
27	20	47
80	-	80
80	30	110
1.800	370	2.170

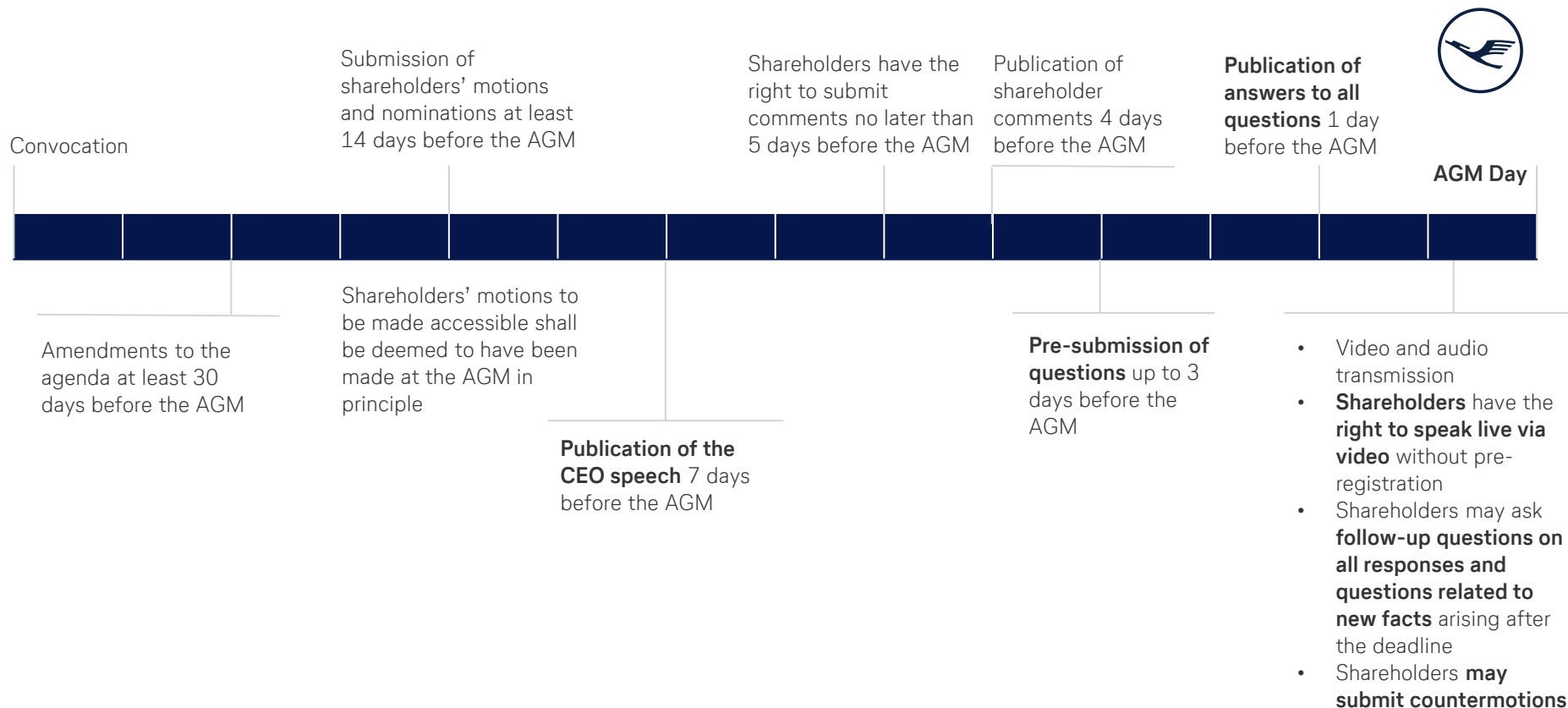


Supervisory Board remuneration system currently under review

Virtual format of AGM on May 9, 2023 will preserve all shareholder rights

- ▶ German Stock Corporation Act (AktG) has established a new legal framework for virtual AGMs, ensuring that all shareholder rights are safeguarded
- ▶ Modern and future-oriented format creates additional opportunities for shareholders to participate, in particular for international investors
- ▶ Virtual format increases number of participants at the same time lowers emissions
- ▶ The amendment to the Articles of Association to introduce the virtual AGM will be limited to a period of two years
- ▶ Other key agenda items: Approval of the remuneration report and the Executive and Supervisory Board remuneration systems, election of three Supervisory Board members

AGM format ensures a high-quality dialogue with our shareholders

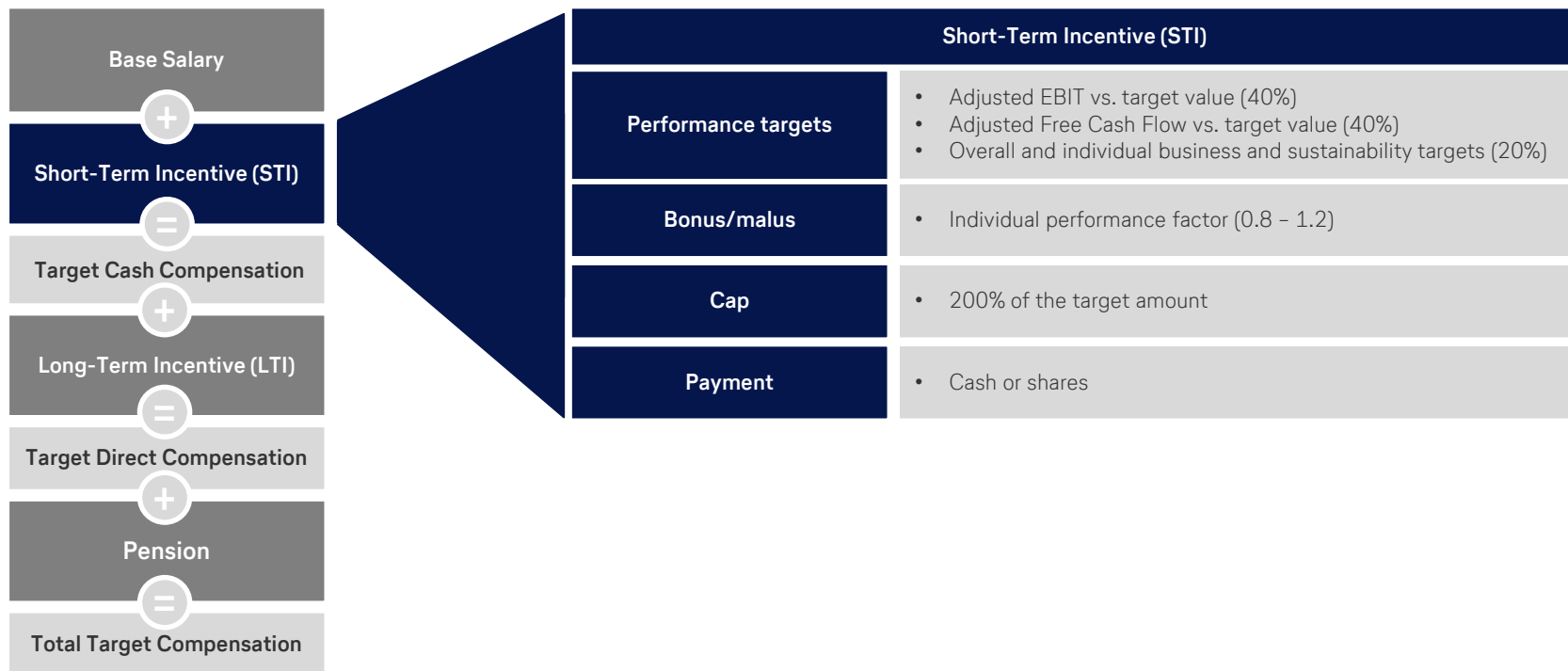


Appendix



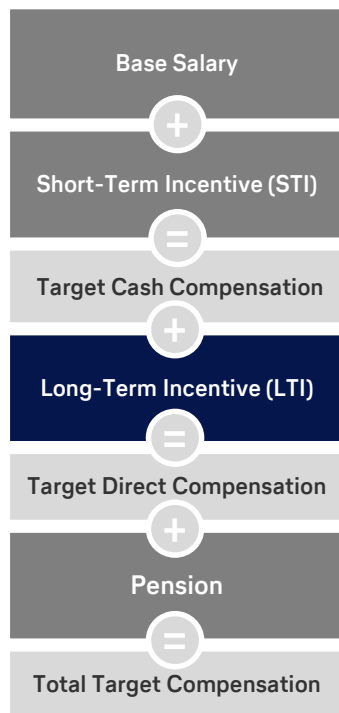
Executive Board Remuneration System – Short-Term Incentive (STI)

Subject to AGM resolution



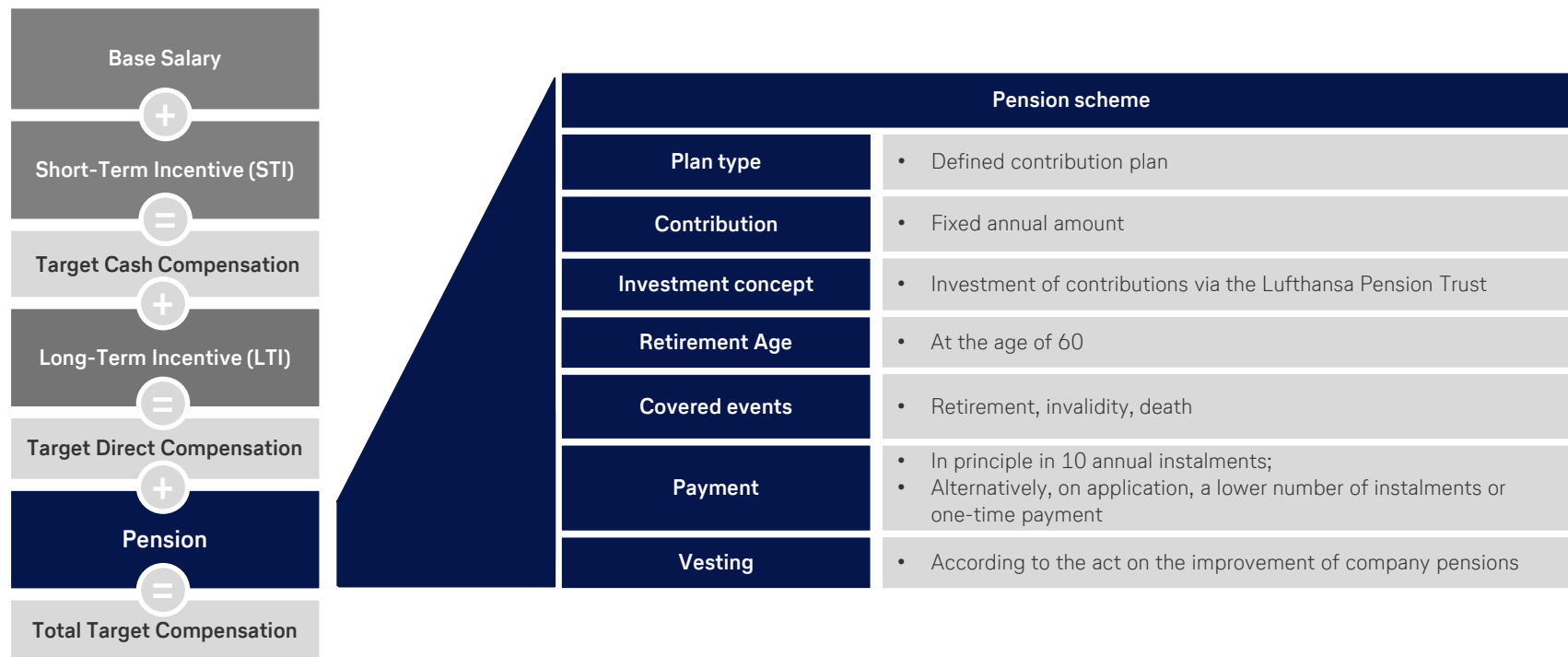
Executive Board Remuneration System – Long-Term Incentive (LTI)

Subject to AGM resolution



Long-Term Incentive (LTI)	
Plan type	Performance Share Plan <ul style="list-style-type: none"> Allocation of virtual Lufthansa shares with a four-year term
Performance targets	<ul style="list-style-type: none"> Relative Total Shareholder Return (TSR) compared to NYSE Arca Global Airlines Index (30%) Average adjusted ROCE during the performance period vs. target value (50%) Strategic and sustainability targets (20%)
Cap	<ul style="list-style-type: none"> 200% of the target amount
Payment	<ul style="list-style-type: none"> Cash or shares

Executive Board Remuneration System – Pension



Executive Board Remuneration System – End-of-service benefits

Termination by mutual consent

In accordance with the recommendation of the German Corporate Governance Code (Code), no more than the value of the entitlements for the remainder of the contract and maximum two years' compensation (maximum severance payment).

Early termination at request of Executive Board member without good reason or good cause for termination by the company

No entitlement to severance payment or other payments related to variable remuneration.

Change of Control

Maximum severance payment

Non-competition clause

- One-year non competition clause
- Compensation payment: half of the annual base salary
- Waiver of non-competition by company possible

Executive Board Remuneration System – Other contractual terms

Fringe benefits

- Company car incl. driver
- Industry standard flight allowances for private air travel
- Insurance premiums

Share Ownership Guidelines

- Obligation to invest in Lufthansa shares over a period of 4 years
 - CEO: 200% of base salary
 - Ordinary Board member: 100 % of base salary
- Retention obligation for the time of the Executive Board membership; gradual reduction of the share portfolio by 25% p.a. after leaving the Executive Board

Compliance & Performance Clawback

Possibility for the Supervisory Board to withhold STI and LTI or to reclaim remuneration already paid

Maximum remuneration

Reduction of variable remuneration if the maximum limit for the respective financial year is exceeded:

- CEO: EUR 11.0 million
- CFO: EUR 6.5 million
- Ordinary Board member: EUR 5.0 million

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 1.000m ~32.7% 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 10, 2022	May 9, 2025
Authorized Capital B	Share issuance to employees	In cash	EUR 22m ~0.7% of share capital		May 7, 2019	May 6, 2024
Conditional Capital	Issuance of convertible bonds or similar	-	EUR 306m ~10.0% of share capital		May 10, 2022	May 9, 2027

Auditor and auditors' fees

Auditor for FY 2022

Ernst & Young (since 2020)

Lead auditors

Siegfried Keller (since 2020)
Joerg Boesser (since 2022)

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.

48 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:

T173 AUDITORS' FEES

in €m	2021	2020
Annual audit	4.6	3.2
Other assurance services	1.6	0.2
Tax advisory services	0.1	0.1
Other services	-	1.6
Total	6.3	5.1

T174 ADDITIONAL AUDITORS' FEES

in €m	2021	2020
Annual audit	2.4	2.3
Other assurance services	0.1	-
Tax advisory services	0.3	0.5
Other services	-	0.1
Total	2.8	2.9