



# Lufthansa Group Corporate Governance

Karl-Ludwig Kley,  
Chairman of the Supervisory Board

January 2021

# Agenda

**1** Supervisory Board and Committee Work

**2** Corporate Responsibility

**3** Management Remuneration

# Lufthansa Supervisory Board – Experienced, Diverse and Independent

## 20 Board Members



10

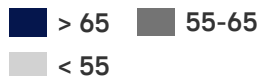
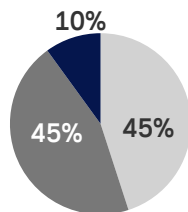
Shareholder Representatives



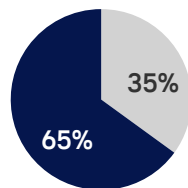
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Employee Representatives

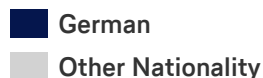
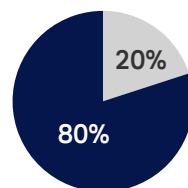
### Age



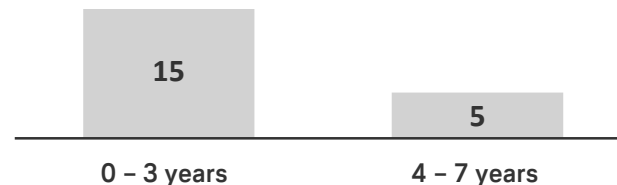
### Gender



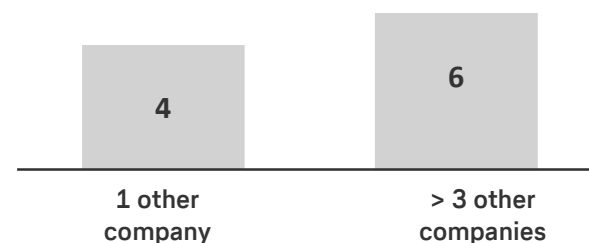
### Nationality<sup>1</sup>



## Lufthansa Supervisory Board tenure



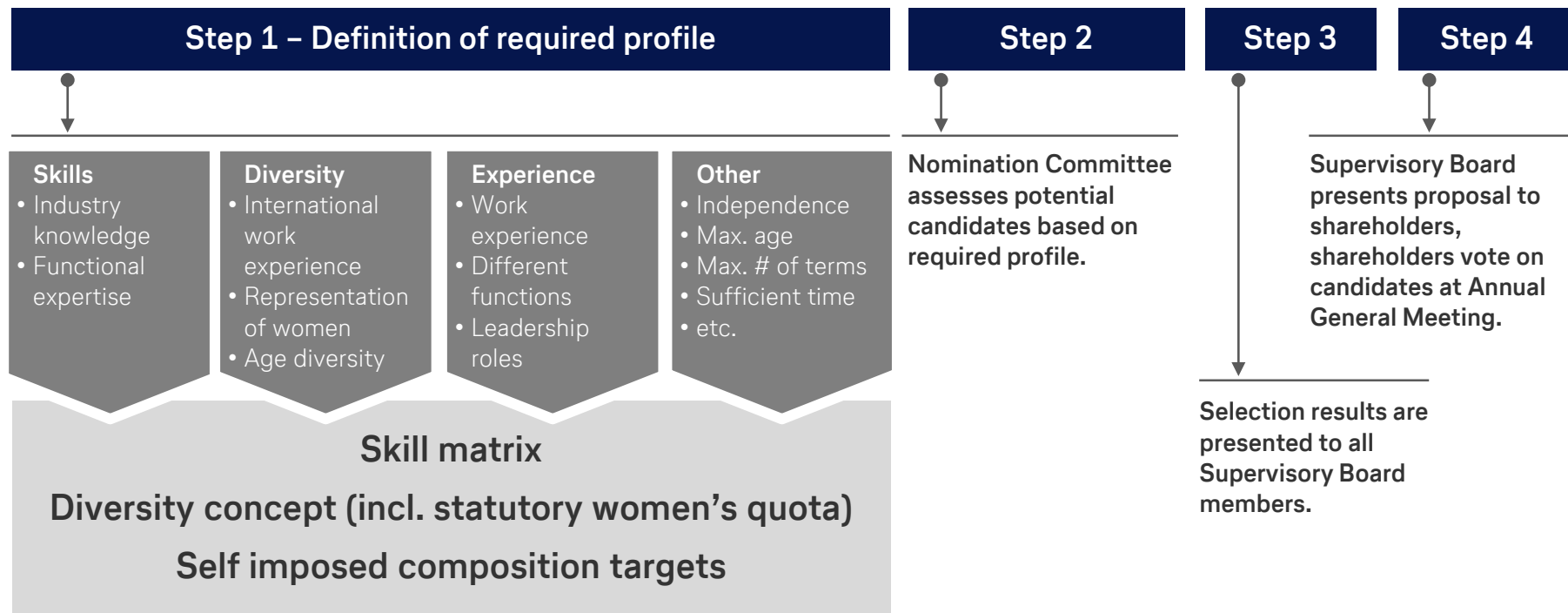
## Professional experience<sup>1,2</sup>



<sup>1</sup> Only Shareholder Representatives

<sup>2</sup> 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



**Erich Clementi**

Born 1958, Italian  
Member since 2020

Expert in digital  
transformation and strategy



**Carsten Knobel**

Born 1969, German  
Member since 2018

Particular expertise in financial analysis and  
capital markets  
Financial expert



**Astrid Stange**

Born 1965, German  
Member since 2020

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

Technical / Industrial expert and extensive  
board experience



**Stephan Sturm**

Born 1963, German  
Member since 2015

Particular expertise in financial analysis and  
capital markets  
Financial expert



**Michael Kerkloh**

Born 1953, German  
Member since 2020

Aviation expert with extensive leadership  
experience



**Miriam Sapiro**

Born 1960, US American  
Member since 2017

Leadership experience and international  
experience in government and business



**Angela Titzrath**

Born 1966, German  
Member since 2020

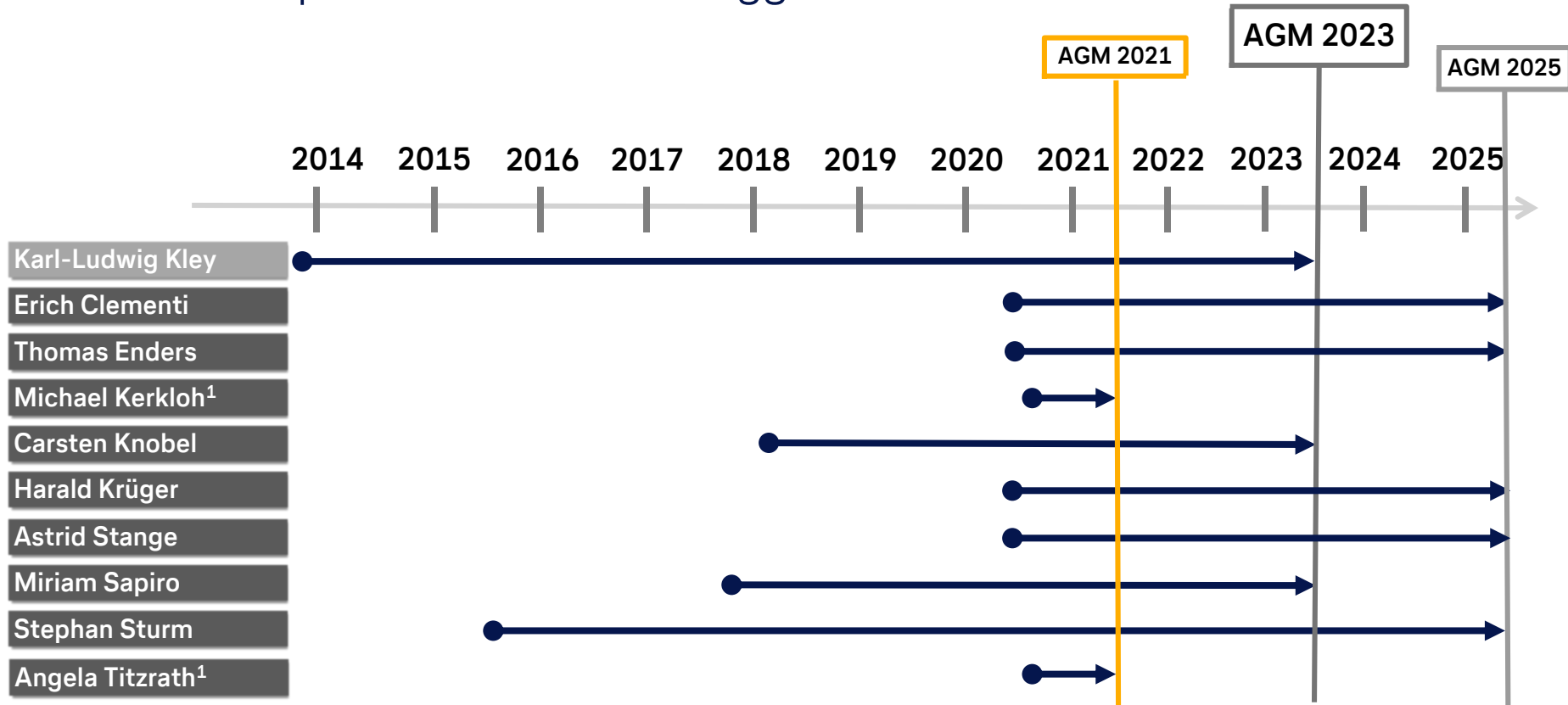
Logistics expert, extensive leadership  
experience

# Skills profile of Shareholder Representatives ensures governance & Committee Work

	Position			Competence in relevant sector / markets			Functional						Diversity criteria / Independence & mandates					
	Role in Board	Initial Election	End of term	Aviation / Transport / Logistics	Marketing / Distribution / Customer	Politics / Association work / Science	GM / CEO	Finance / CFO / Capital market	Digital	Legal / Compliance	HR / Organisation	Sustainability	Age	Gender	Nationality	Work Stage	Independence	Number of other mandates* (thereof Chair)
<b>Karl-Ludwig Kley</b> Chairman of the Supervisory Board E.ON SE	Chair	2013	2023										69	m	German	Post	Yes	2 (1)
<b>Erich Clementi</b> Vice Chairman of the Supervisory Board E.ON SE	Member	2020	2025										62	m	Italian/US	Post	Yes	1
<b>Thomas Enders</b> Member of the Board of Directors Linde plc	Member	2020	2025										62	m	German	Exec	Yes	2
<b>Michael Kerkloh</b> Former Chairman of the Management Board Flughafen München GmbH	Member	2020	2021										67	m	German	Exec	Yes	1
<b>Carsten Knobel</b> CEO, Henkel AG & Co. KGaA	Member	2018	2023										52	m	German	Exec	Yes	0
<b>Harald Krüger</b> Member of the Supervisory Board Deutsche Telekom AG	Member	2020	2025										55	m	German	Exec	Yes	1
<b>Miriam Sapiro</b> Managing Director Sard Verbinen & Co.	Member	2017	2023										60	f	US	Exec	Yes	1
<b>Astrid Stange</b> Group Chief Operating Officer AXA SA	Member	2020	2025										55	f	German	Exec	Yes	0
<b>Stephan Sturm</b> CEO Fresenius Management SE	Member	2015	2025										57	m	German	Exec	Yes	1
<b>Angela Titzrath</b> CEO Hamburger Hafen und Logistik AG	Member	2020	2021										54	f	German	Exec	Yes	2

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

# Shareholder representatives have staggered terms



<sup>1</sup> Designated by German *Wirtschaftsstabilisierungsfonds (WSF)*, appointed by court.

# 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



**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 Committee

Prepares the Supervisory Board's meetings and decisions

### Members

- **Karl-Ludwig Kley, Chairman**
- Christine Behle, Deputy Chairwoman
- Thomas Enders
- 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**
- Thomas Enders
- Harald Krüger

## 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
- Michael Kerkloh
- Carsten Knobel
- Klaus Winkler

- Shareholder Representatives
- Employee Representatives

# Adjusted Corporate Governance to meet the challenges during the crisis

## Crisis Governance



# Supervisory and Executive Boards increased frequency of meetings during crisis in 2020

## Supervisory Board

**10 Meetings in 2020**

## Steering Committee

**+ 16 Meetings in 2020**

## Audit Committee

**+ 6 Meetings in 2020**

## Nomination Committee

**+ 1 Meeting in 2020**

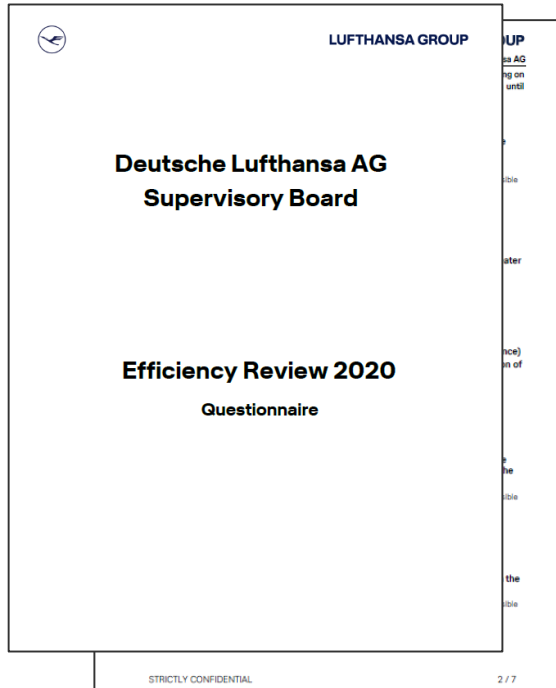
**Executive Board:  
49 Meetings in 2020**

## Attendance of Supervisory Board and committee meetings 2020

Supervisory Board Member	Board Meeting	Steering Committee	Audit Committee	Nomination Committee
Karl-Ludwig Kley	10 / 10	16 / 16		1 / 1
Christine Behle	10 / 10	16 / 16		
Alexander Behrens	10 / 10		6 / 6	
Jörg Cebulla	10 / 10		6 / 6	
Erich Clementi	6 / 6			
Thomas Enders	6 / 6	9 / 9		
Herbert Hainer	4 / 4	6 / 7		1 / 1
Christian Hirsch	10 / 10			
Michael Kerkloh	3 / 3		2 / 2	
Carsten Knobel	9 / 10		6 / 6	
Holger Benjamin Koch	10 / 10			
Martin Koehler	7 / 7			1 / 1
Harald Krüger	6 / 6			
Martina Merz	4 / 4			
Michael Nilles	4 / 4			
Monika Ribar	7 / 7		4 / 4	
Birgit Rohleder	10 / 10			
Miriam Sapiro	10 / 10			
Ilja Schulz	10 / 10	16 / 16		
Astrid Stange	6 / 6			
Olivia Stelz	10 / 10			
Stephan Sturm	9 / 10		6 / 6	
Angela Titzrath	3 / 3			
Christina Weber	9 / 9		6 / 6	
Klaus Winkler	10 / 10			
Matthias Wissmann	3 / 4			

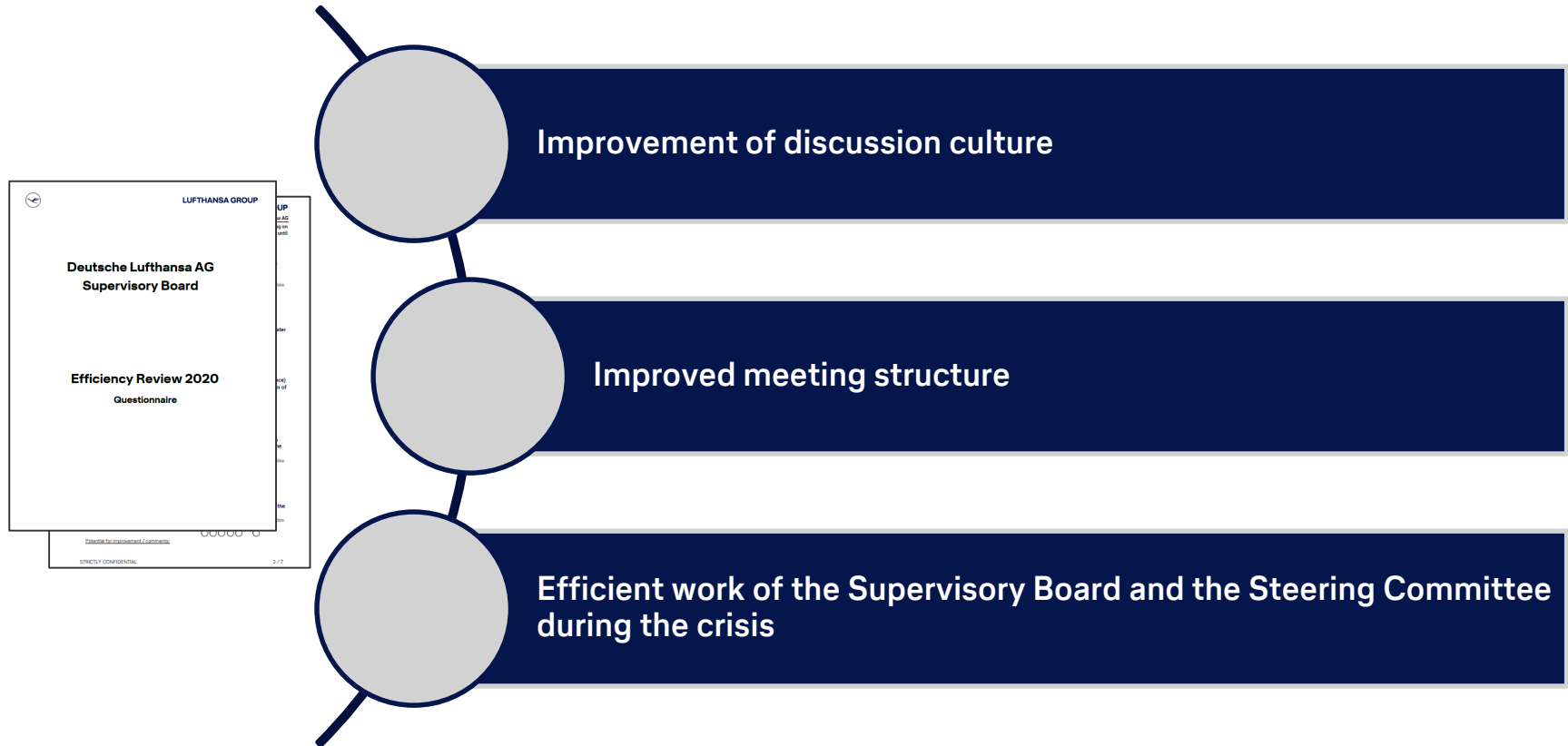
Overall attendance: **99 %**

# 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**.

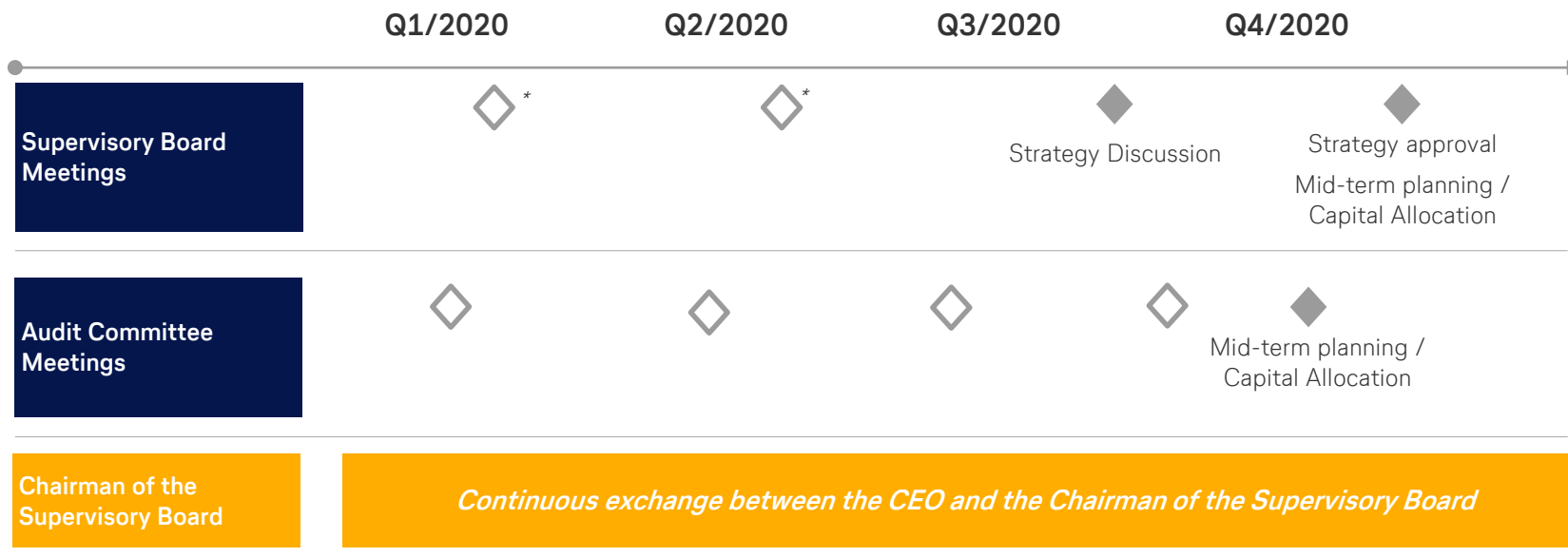
# Results of efficiency review drove improvements of Supervisory Board work



# The Supervisory Board is actively involved in the strategy process

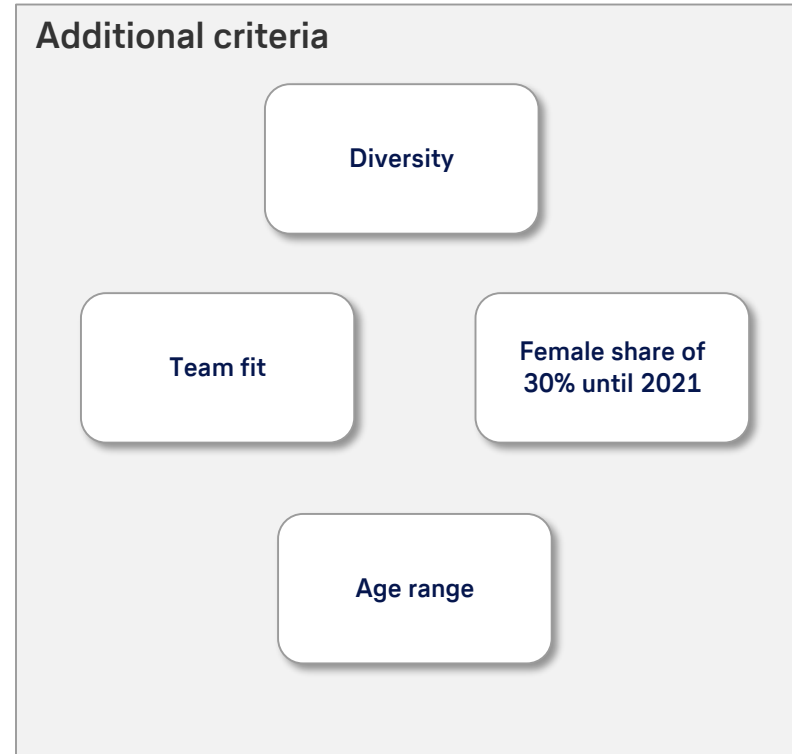
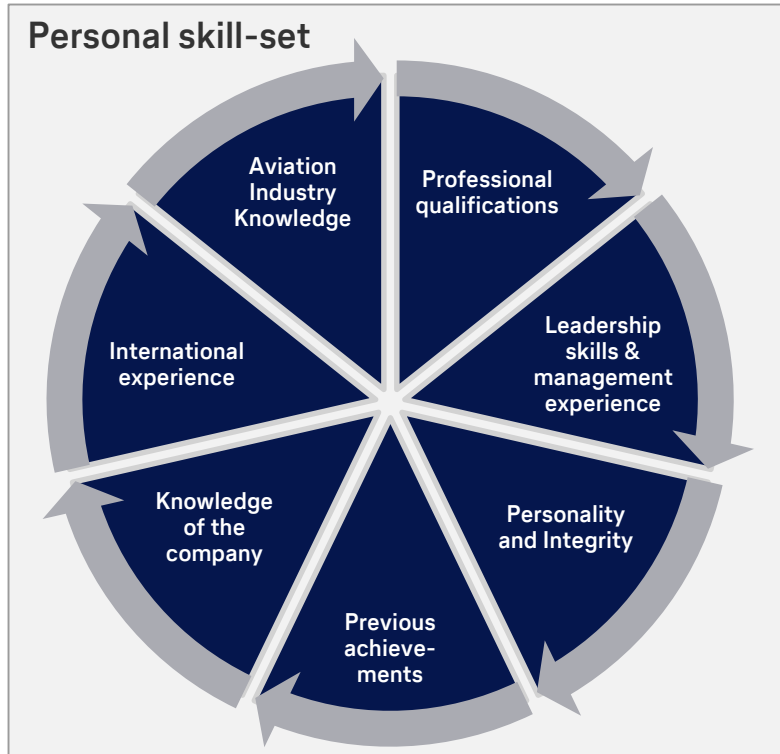
The Supervisory Board discussed the strategy with the Executive Board in its meeting in September and approved the strategy in its meeting in December.

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



# The Supervisory Board effectively oversees the work of the Executive Board









## Shareholders Deutsche Lufthansa AG

### Supervisory Board

**Carsten Spohr** Chief Executive Officer

**Remco J. Steenbergen** Chief Financial Officer

**Michael Niggemann** Chief HR & Legal Officer

	<b>Christina Foerster</b> Chief Customer Officer	<b>Detlef Kayser</b> Chief Operation Officer	<b>Harry Hohmeister</b> Chief Commercial Officer	
 <b>Lufthansa</b> Frankfurt	•	•	•	 <b>Lufthansa Technik</b>
 <b>Lufthansa</b> München	•	•	•	
 <b>SWISS</b> Zürich	•	•	•	 <b>Lufthansa Cargo</b>
<b>Austrian</b>  Wien	•	•	•	
 <b>brussels airlines</b>	•	•	•	
<b>Eurowings</b> 	•	•	•	<b>LSG</b> group



# 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
- Sustainability KPIs are part of executive remuneration
- Sustainability reporting in accordance with GRI, considering SDGs
- Addition of selected TCFD and SASB disclosures planned for Spring 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.



# Lufthansa Group committed to sustainability and CO2 reduction



## CO2 balance

- Target: **CO2-neutral** aviation until **2050**, **50% reduction of** net emissions versus 2019 **until 2030**
- **Key levers:**
  - **Emission compensation**
  - **Fleet renewal**
  - Optimized **intermodal traffic**
  - Targeted **implementation of SAFs**



## Customer and sustainability

- Sustainability increasingly influences customers' buying decisions – reflection in **product- and service offer:**
  - **Emission compensation**  
(LH Group platform **Compensaid**)
  - **Sustainable use of resources**  
(„reduce-recycle-reuse-replace“)
  - Significant **reduction of plastic**



## Further ESG aspects

- **Active noise reduction**
- Commitment to **equal opportunities globally**, e.g. through **helpalliance**
- Part of **Executive Board remuneration**
- **Audited disclosure**
- LH Group expects entire supply chain to comply with **Code of Conduct**

# Lufthansa Group's sustainability performance is recognized in relevant ratings



- Robust carbon reduction efforts



- Labor management: unions protests, lay-offs
- Product safety and quality: lawsuits refunds and criticism, Germanwings



- Emissions: strong in pollution prevention, climate protection, transport safety and biodiversity



- Corporate Governance: Foreign ownership limitations based on LuftNasiG



- Above-industry average (outperforms SQ, IAG)
- Noted for its strong corporate governance performance, which is reducing its overall risk



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



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



- Value Chain Engagement
- Emission reduction initiatives compared to competitors need to be ramped up

# Executive Board remuneration system

- Compensation system received 88.2% approval rate at AGM 2020
- Adjustment of variable remuneration to reduce complexity, strengthen shareholder orientation and sustainable management
- Introduction of Share Ownership Guidelines and Clawback-Clause

## Compensation Elements

- Financial targets (85%)
- Non-financial targets (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)

Base Salary



Short-Term Incentive (STI)



Long-Term Incentive (LTI)



Pension

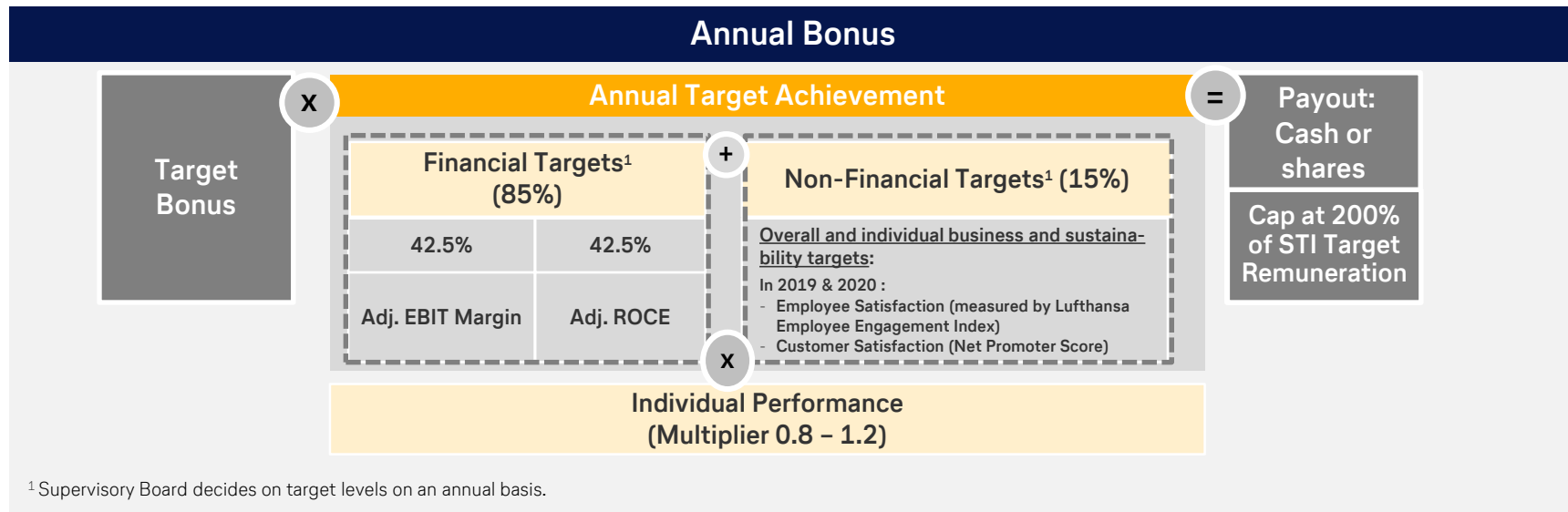
Share Ownership Guidelines (SOG)

- Financial and share price performance-related targets (42.5% each)
- Non-financial targets (15%)
- Payout: Cash
- 4 years performance period
- Cap: 200% of the LTI target remuneration

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

# Short-Term Incentive (STI)

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



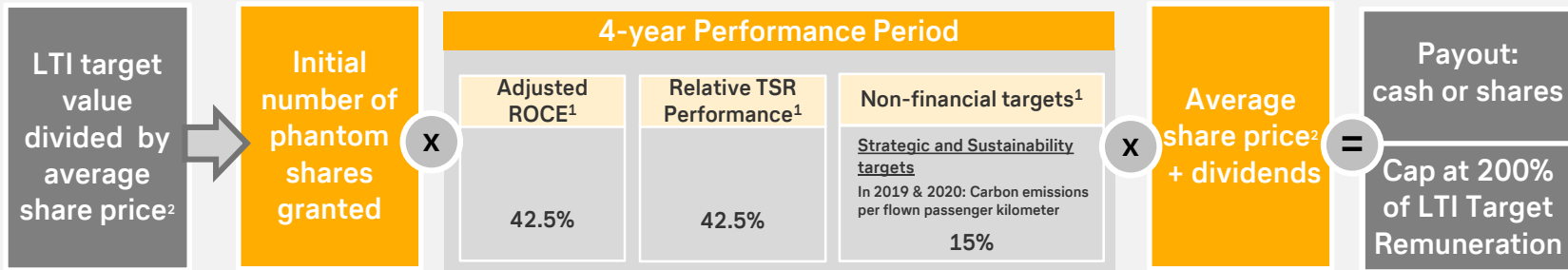
## Rationale

- 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



<sup>1</sup> Supervisory Board sets target values on an annual basis.

<sup>2</sup> 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

## Restrictions to Executive Board remuneration during the WSF stabilization measures

- ▶ According to the framework agreement between Lufthansa and the *Wirtschaftsstabilisierungsfonds* (WSF) no bonuses, other variable or comparable remuneration components may be paid to members of the Executive Board during the period of the stabilization measures.
- ▶ Compensation components granted before 21 June 2020 can be paid out according to the program conditions depending on target achievement. The current Executive Board members have declared that the payment of the variable remuneration from the 2018 financial year will be deferred until further notice.
- ▶ Share Ownership Guidelines: Suspension of the build-up until variable remuneration is granted again.
- ▶ Executive Board Members waived 20% of their base salary for the period April to September 2020.

# 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 2020			Compensation 2019		
	Fixed	Committee activities	Total	Fixed	Committee activities	Total
Karl-Ludwig Kley	210	53	263	240	60	300
Christine Behle	105	18	123	120	20	140
Alexander Behrens	70	26	96	80	30	110
Jörg Cebulla	70	26	96	80	30	110
Erich Clementi (seit 05.05.2020)	44	-	44	-	-	-
Thomas Enders (seit 05.05.2020)	44	11	56	-	-	-
Herbert Hainer (bis 05.05.2020)	26	13	39	80	40	120
Christian Hirsch (bis 31.12.2020)	70	-	70	80	-	80
Jürgen Jennerke (seit 08.12.2020)	5	-	5	-	-	-
Michael Kerkloh (seit 02.09.2020)	25	8	33	-	-	-
Carsten Knobel	70	26	96	80	30	110
Holger Benjamin Koch	70	-	70	80	-	80
Martin Koehler (bis 31.08.2020)	45	11	56	80	20	100
Harald Krüger (seit 05.05.2020)	44	-	44	-	-	-
Martina Merz (bis 05.05.2020)	26	-	26	80	-	80
Michael Nilles (bis 05.05.2020)	26	-	26	80	-	80
Monika Ribar (bis 31.08.2020)	45	17	62	80	30	110
Birgit Rohleder	70	-	70	80	-	80
Miriam Sapiro	70	-	70	80	-	80
Ilja Schulz	70	18	88	80	20	100
Astrid Stange (seit 05.05.2020)	44	-	44	-	-	-
Olivia Stelz	70	-	70	80	-	80
Stephan Sturm	70	53	123	80	60	140
Angela Titzrath (seit 02.09.2020)	25	-	25	-	-	-
Christina Weber (bis 02.12.2020)	74	24	97	80	30	110
Klaus Winkler	70	-	70	80	-	80
Matthias Wissmann (bis 05.05.2020)	26	-	26	80	-	80
<b>Total</b>	<b>1.583</b>	<b>303</b>	<b>1.887</b>	<b>1.800</b>	<b>370</b>	<b>2.170</b>

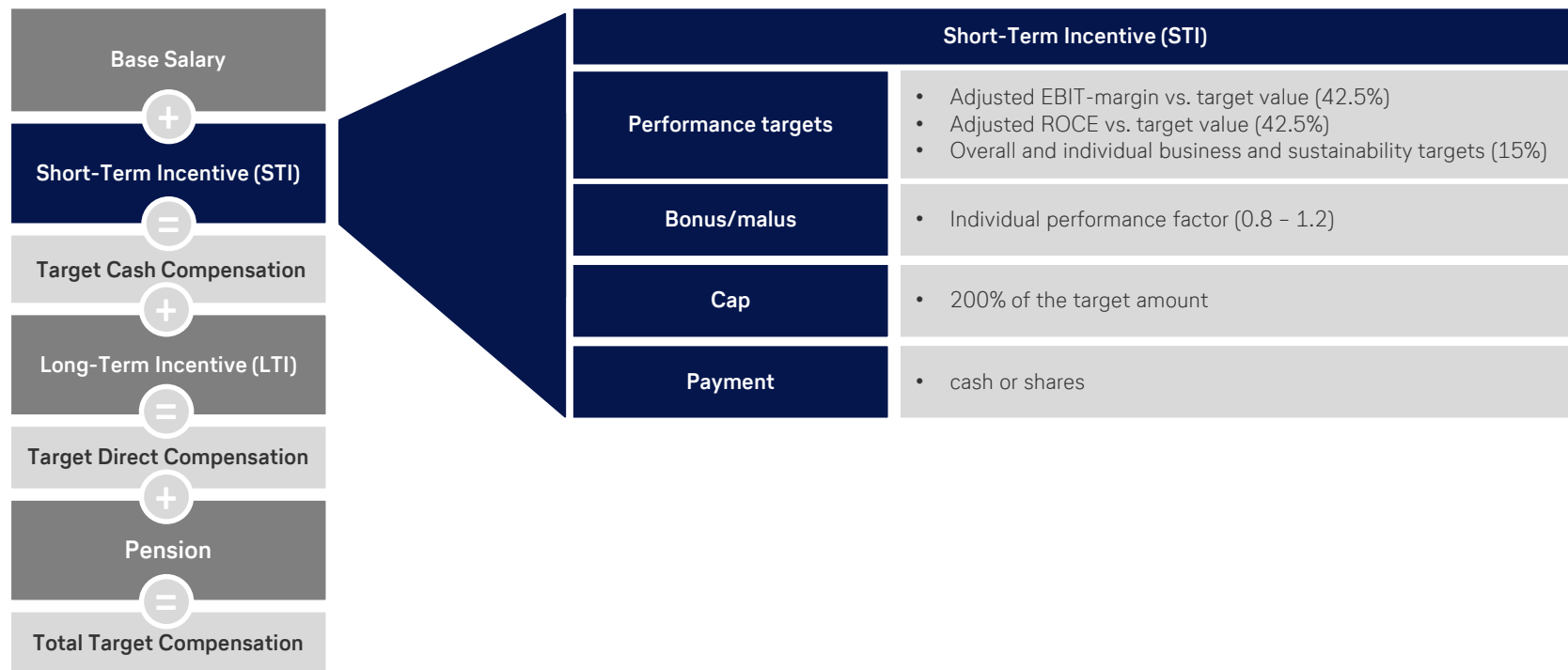
- All Supervisory Board Members waived 25% of their remuneration and attendance fees for the period April to September 2020.



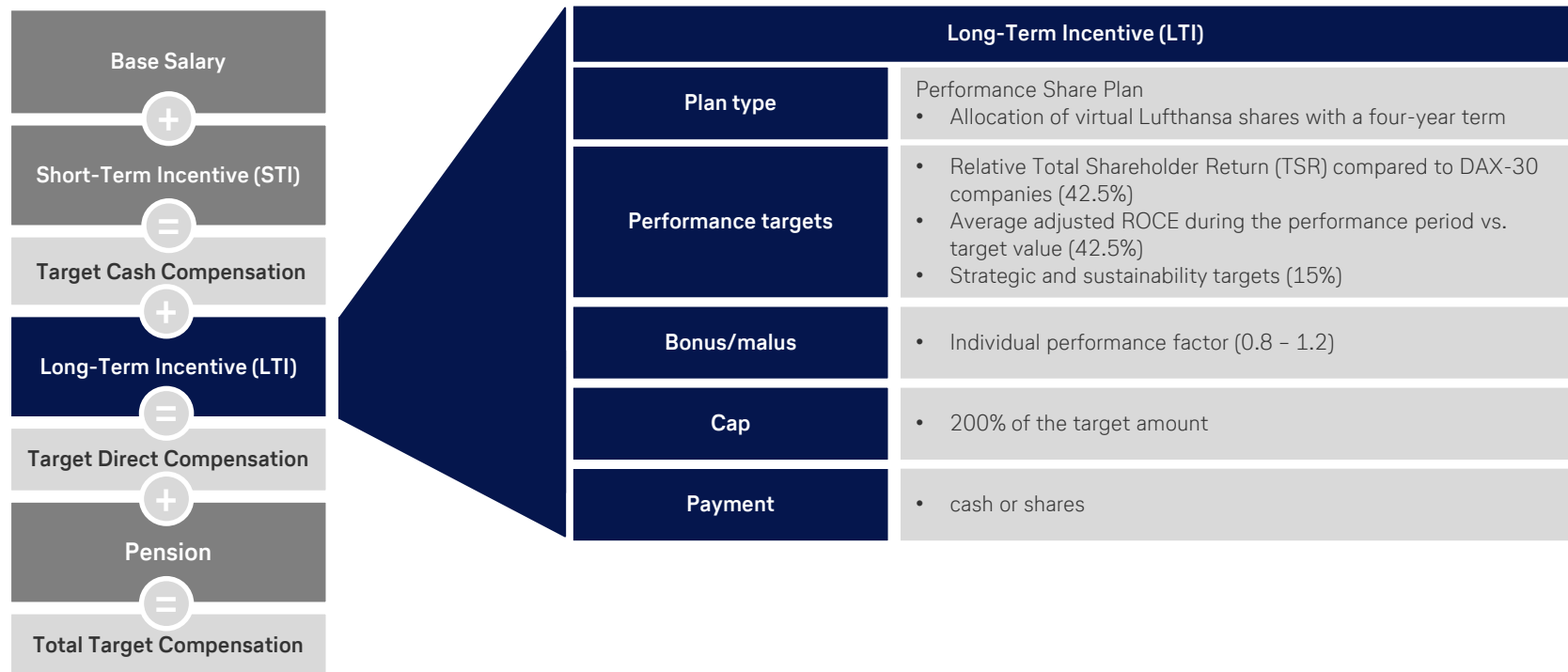
# Appendix



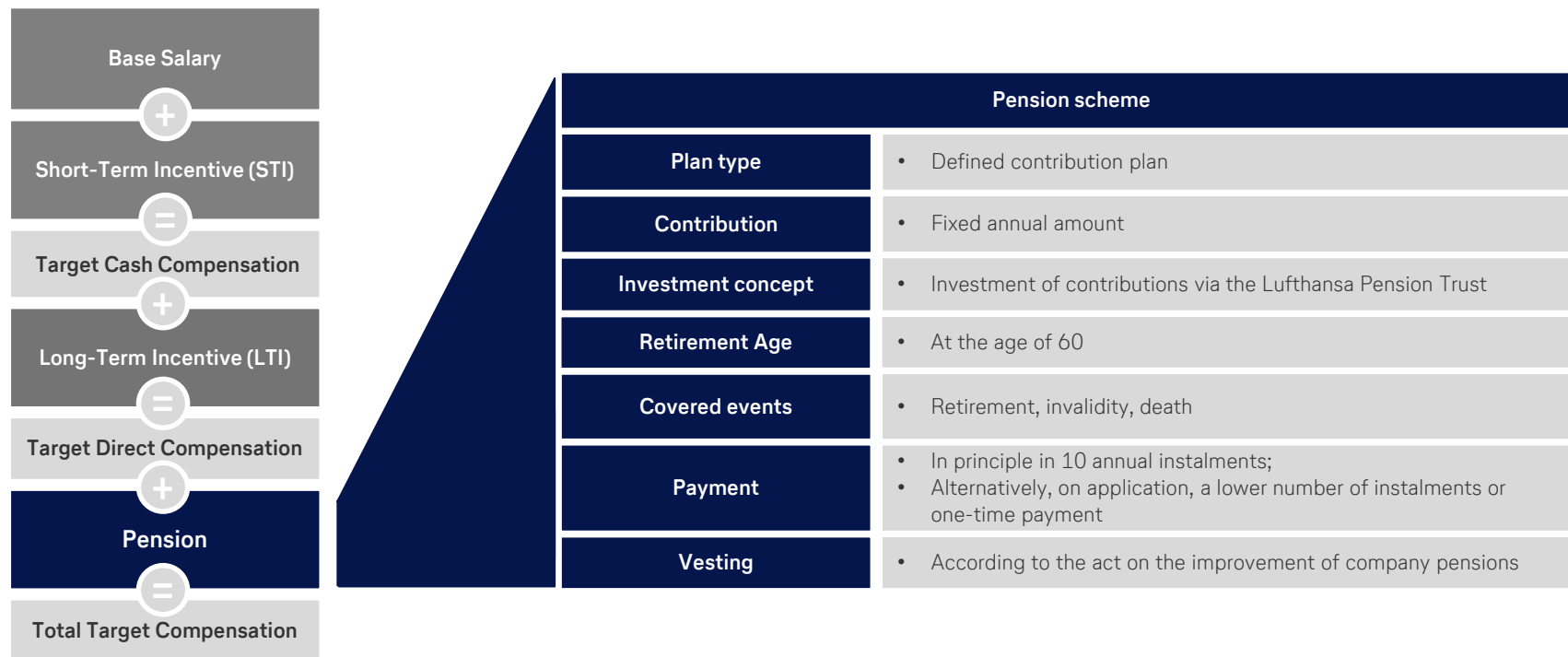
# Executive Board Remuneration System – Short-Term Incentive (STI)



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



# Executive Board Remuneration System – Pension



# Executive Board Remuneration System – End-of-service benefits

## Termination by mutual consent

In accordance with recommendation of the German Corporate Governance Code (Code) no more than 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 from the variable remuneration.

## Change of Control

- Contracts signed before 1 January 2020: 150% of the maximum severance payment
- New-appointments and re-appointments since 1 January 2020: 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 basically 4 years
  - CEO: 200% of base salary
  - Ordinary Board member: 100 % of base salary
- Retention obligation for the period of the Executive Board's activities; 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 financial year is exceeded:

- CEO: EUR 9.5 million
- Ordinary Board member: EUR 5.0 million

# Auditor and auditors' fees

## Auditor for FY 2020

Ernst & Young (since 2020)

## Lead auditors

Siegfried Keller (since 2020)

Dr. Sven Hayn (since 2020)

## 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.

### 46 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:

#### T192 AUDITORS' FEES

in €m	2019	2018
Annual audit	4.4	4.2
Other assurance services	1.0	0.4
Tax advisory services	0.9	0.6
Other services	1.9	0.3
<b>Total</b>	<b>8.2</b>	<b>5.5</b>

#### T193 ADDITIONAL AUDITORS' FEES

in €m	2019	2018
Annual audit	3.8	3.9
Other assurance services	0.1	0.2
Tax advisory services	0.3	0.4
Other services	0.2	0.2
<b>Total</b>	<b>4.4</b>	<b>4.7</b>

# 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 ~29,4% of share capital	<p>Contribution in cash: <b>max. 10% of share capital</b></p> <p>Sum of contribution in cash and in kind: <b>max. 10% of share capital</b></p>	May 7, 2019	May 6, 2024
Authorized Capital B	Share issuance to employees	In cash	EUR 22m ~1.5% of share capital		May 7, 2019	May 6, 2024
Conditional Capital 2020/I	Issuance of convertible bonds or similar	-	EUR 122m ~8% of share capital		May 5, 2020	May 4, 2025
Conditional Capital 2020/II	Granting of shares upon exercise of WSF conversion rights	-	EUR 102m ~6,7% of share capital		Extraordinary General Meeting June 25, 2020	
Conditional Capital 2020/III	Granting of shares upon exercise of WSF conversion rights	-	EUR 898m ~58,7% of share capital		Extraordinary General Meeting June 25, 2020	