

COMBINED NON-FINANCIAL REPORT

202 About this combined non-financial report

204 Environmental concerns

- 204 Climate protection
- 206 Active noise abatement

207 Employee concerns

- 207 Attractiveness as an employer
- 209 Health and safety at work

210 Fighting corruption and bribery

211 Respect for human rights

212 Social concerns

213 Sustainability in the supply chain

213 Summary

214 GRI references

215 Independent Practitioner's Report

This combined non-financial report is based on the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards 2016). This information relates to the disclosures displayed in the overview on [p. 214](#). Extensive reporting on non-financial subjects can also be found in the [Annual sustainability report "Balance"](#), which includes a GRI table of contents. www.lufthansagroup.com/en/responsibility.html

Combined non-financial report

Lufthansa Group intends to fulfil its role as a leading player in the aviation industry also in terms of sustainability. | Corporate responsibility is an integral part of the corporate culture. | The combined non-financial report focuses on the aspects of environmental concerns, employee concerns, anti-corruption and bribery, human rights and social concerns. | The report is based on the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards 2016).

About this combined non-financial report

In accordance with CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz – CSR-RUG) passed on 19 April 2017, Deutsche Lufthansa AG is publishing a separate combined non-financial report in accordance with Sections 315b and 315c German Commercial Code (HGB) in conjunction with Sections 289c to 289e HGB for the first time for the financial year 2017 and thereafter annually. Deutsche Lufthansa AG will publish a separate non-financial report at Company level and a separate non-financial Group report together as a combined non-financial report. It combines reporting on the following five key issues: environmental concerns, employee concerns, anti-corruption and bribery, human rights and social concerns. In addition, measures and initiatives taken by the Lufthansa Group that demonstrate the Company's wide-ranging engagement to corporate responsibility are described in the combined management report. References to these passages are made in this report.

The Lufthansa Group has extended its Group risk management system to cover the effects of non-financial aspects on external stakeholders. ➤ **Opportunities and risk report, p. 64ff.**

Taking into account the measures and concepts described and using the net method, there are currently no indications of risks that would have a severe negative impact on these aspects and that are highly likely to occur. This applies to the Lufthansa Group and also to its supply chain.

Unless otherwise stated, the disclosures made here relate to the group of consolidated companies referred to in the consolidated financial statements. Unless stated otherwise, the disclosures reflect the perspective of both the Group and Deutsche Lufthansa AG. This combined non-financial report was the subject of a voluntary limited assurance engagement in accordance with ISAE 3000 (revised). ➤ **Independent Practitioner's Report on a Limited Assurance Engagement on Non-Financial Reporting, p. 215f.**

References to disclosures outside the combined management report are additional information and do not form part of the combined non-financial report.

Disclosures on the business model

The Lufthansa Group is a global aviation group with a total of more than 550 subsidiaries and equity investments. The business model of the Lufthansa Group is described in detail in the combined management report. ➤ **Principles of the Group, p. 13ff.**

Sustainability strategy is firmly established within the Company

Responsible conduct in compliance with legislation is a key element of the Lufthansa Group's corporate culture and the principles of its day-to-day work. Since 2002, the Company has supported the principles of the UN Global Compact for sustainable and responsible corporate governance. In addition, it supports the Sustainable Development Goals (SDGs) of the Agenda 2030, as adopted by the UN member states in 2015.

A binding Code of Conduct was introduced in 2017 for all bodies, managers and employees of the Lufthansa Group in order to perpetuate the corporate culture of trust and integrity and to secure the Company's sustainable success.

<https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html>. The standards at its core are not only the basis for fair competition, but also seek to identify and avoid legal and reputational risks. The Lufthansa Group also expects compliance with these standards from its business partners and suppliers.

The highest monitoring body in the area of sustainable management is the Supervisory Board. Coordinating and developing activities related to sustainability is the task of the Corporate Responsibility Council (CRC). This was established at the senior management level and consists of the heads of Group Strategy, Policy, Environmental Concepts, Investor Relations, Controlling, Legal, Human Resources, Communications and Corporate Sourcing. Individual managers are responsible for implementing concrete activities and projects.

Definition of material aspects

Continuous dialogue with stakeholders delivers an important contribution to refining the sustainability strategy of the Lufthansa Group. A broad-based stakeholder survey was carried out in 2016 and its findings were used to draw up a comprehensive materiality analysis. ➔ **Sustainability report "Balance 2016"**.

In addition, the findings were analysed in terms of the materiality criteria defined in Section 289c (3) HGB, i.e. in terms of the extent to which they are material for understanding the course of business, the financial results and the position of the Lufthansa Group, as well as its effect on the five aspects of sustainability.

This forms the basis for selecting the aspects and examples described in this combined non-financial report.

Environmental concerns and employee concerns are particularly important for the business of the Lufthansa Group. Existing flight operations are not possible without kerosene and so without CO₂ and noise emissions. As a service company, the financial success of the Lufthansa Group also depends largely on the dedication and motivation of its employees. Furthermore, the fight against corruption and bribery, respect for human rights and the sustainability in the supply chain are of great relevance to the Lufthansa Group.

Value-based management is also an integral element of sustainable corporate governance for the Lufthansa Group. The concept and the associated performance indicators are described in detail in the chapter ➔ **Financial strategy and value-based management, p. 16ff.**

C30 ASPECTS, ISSUES AND PERFORMANCE INDICATORS

| Environmental concerns | Employee concerns | Fighting corruption and bribery | Respect for human rights | Social concerns ¹⁾ |
|---|---|---|---|---|
| Climate protection CO ₂ emissions | Attractiveness as an employer LH Engagement Index | Integral part of the Lufthansa Group Compliance Management System | Important part of the corporate culture – embedded in the Code of Conduct | Corporate citizenship help alliance gGmbH |
| Active noise abatement Percentage of aircraft that meet the 10dB criterion of ICAO Chapter 4 | Health and safety at work Health Index | | | |
| Sustainability in the supply chain: concerns multiple areas, qualitative representation with its own chapter in the non-financial report | | | | |

¹⁾ Immaterial as defined in Section 289c Paragraph 3 German Commercial Code (HGB), voluntary presentation at specific request of addressees.

Environmental concerns

Concepts

Climate protection and active noise abatement are cornerstones of the environmental strategy

Global aviation is a growth industry and for the foreseeable future, it will require the use of fossil fuels. The primary environmental impacts of flight operations are therefore primarily climate effects due to the CO₂ emissions produced by burning kerosene and the noise caused by aircraft taking off and landing.

For many years, the Lufthansa Group has taken steps to minimise the environmental impact of its business operations. This is consistent with its economic interests, since fuel consumption, the purchase of CO₂ emissions certificates and noise-related fees all represent costs for the Group.

This is another reason why the Lufthansa Group pursues a strategic environmental programme. Its core action areas are the reduction of emissions, active noise abatement, energy and resource management, research and the implementation of environmental management systems in line with ISO 14001 and EMAS (Eco-Management and Audit Scheme). The environmental strategy is thus applied in all areas of the Lufthansa Group – from operations and technical maintenance to purchasing, facility management and administration.

Environmental management is established across all Group companies

The Environmental Concepts department reports to the Chairman of the Executive Board and CEO and is responsible for defining, coordinating and determining overarching objectives and measures for the Lufthansa Group. In addition, all larger subsidiaries have their own environmental departments, an environmental officer or a coordinator. The environmental officers and coordinators meet at least once a year at the Group-wide Environmental Forum to coordinate strategies, activities and processes and to exchange experiences. New and planned legislation and its effects on the Lufthansa Group are also discussed here.

For many years, the Lufthansa Group has operated a central environmental database to collect and process relevant information, such as information on CO₂ emissions, and to use them as relevant factors in commercial decisions.

CLIMATE PROTECTION

Targets

Lufthansa Group supports climate protection goals of the aviation sector

According to the International Energy Agency (IEA), air traffic currently accounts for around 2.6 per cent of anthropogenic CO₂ emissions, making them one of the industry's principal effects on the environment. Given that demand for mobility is predicted to keep growing, air traffic and so emissions will continue to increase in the future. The aviation sector has responded to this and in 2009 agreed on the following global targets:

1. Fuel efficiency should be increased by 1.5 per cent per year until 2020.
2. Growth in air traffic should be CO₂ neutral from 2020 onwards.
3. By 2050, air traffic's net CO₂ emissions are to decline by 50 per cent compared with 2005.

The Lufthansa Group was highly involved in setting these targets and shares these industry goals. The Company took part in various working groups at the International Air Transport Association (IATA), such as the Environmental Committee and the Industry Affairs Committee, and has a seat on the Board of Governors.

Measures

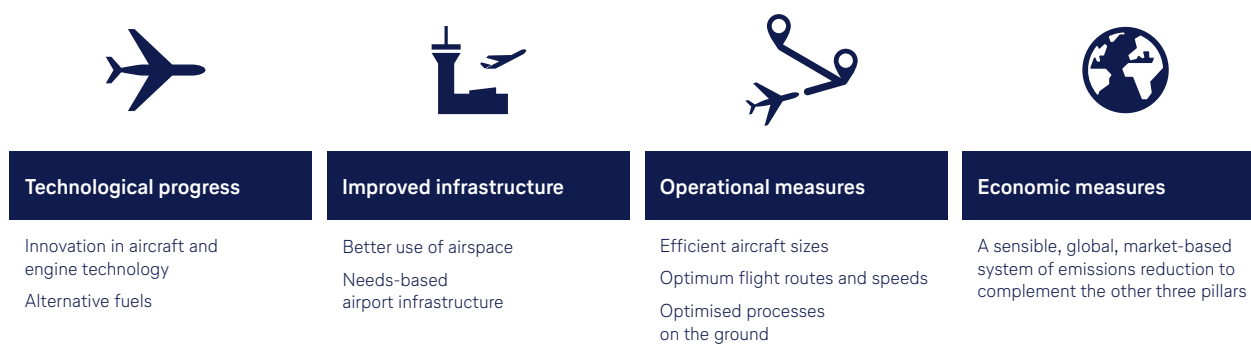
Four-pillar strategy defines climate protection measures

The targets mentioned above are to be met by combining various activities of different players (manufacturers, airports, air traffic control, airlines, politics). At the IATA General Meeting in 2007, they were formulated as the four-pillar climate protection strategy for the air transport industry. This strategy also forms the basis of the fuel efficiency activities at the Lufthansa Group.

1. TECHNOLOGICAL PROGRESS

The most important driver for reducing CO₂ emissions from flight operations is investing continuously in modern, particularly economical aircraft and engine technologies. In 2017, the airlines in the Lufthansa Group took delivery of 29 new aircraft. Five more Airbus A350-900s went into service, for instance, which emissions are around 25 per cent lower than those of comparable aircraft types.

C31 THE FOUR PILLARS FOR ENVIRONMENTAL PROTECTION



By the end of 2025, the Lufthansa Group shall receive 176 new aircraft, which are characterised primarily by their low fuel consumption and noise emissions. ➔ **Fleet, p. 20f.**

The Lufthansa Group has also been involved in researching and using alternative fuels in air transport for many years. This includes the research project airegEM, which investigated the properties of biofuels and was sponsored by the Federal Ministry of Economic Affairs and Energy.

2. IMPROVED INFRASTRUCTURE

According to data from Eurocontrol, improved organisation of European air traffic control systems and authorities, including the creation of a single European airspace, would enable airlines to make fuel savings of up to 10 per cent and reduce their CO₂ emissions accordingly. The Single European Sky EU project should achieve just this. The airlines of the Lufthansa Group clearly demonstrate the benefits of the Single European Sky and thus drive along the process of convergence. As an IT provider, Lufthansa Systems brings in its expertise in a number of research and demonstration projects as well as standardisation initiatives.

3. OPERATIONAL MEASURES

The Lufthansa Group's operational measures include the deployment of efficiently sized aircraft, improvements to load factors, testing and introduction of new flight procedures, as well as the determination of optimum flight routes and flight speeds. Additionally there are programmes to sustainably reduce weight and make greater use of flight operating data and software, as well as more efficient ground processes that contribute to reducing kerosene consumption. One example of this is the OMEGA IT system. In the future, it will support pilots in the Lufthansa Group's flight operations with better, digitally refined information. In addition, OMEGA enables data to be analysed systematically, which helps to increase efficiency and security.

Lufthansa implemented a total of 34 fuel-saving projects across the Group in 2017, which sustainably reduced CO₂ emissions by some 64.4 thousand tonnes. The quantity of kerosene saved amounted to 25.2 million litres – this is equivalent to approximately 250 return flights between Munich and New York with an Airbus A350-900. The positive financial impact of these measures came to EUR 7.7m.

4. ECONOMIC MEASURES

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) aims to offset growth-related CO₂ emissions in international air traffic using climate protection projects from 2020 onwards. This Scheme was agreed upon with the International Civil Aviation Organization (ICAO) in October 2016. If CO₂ emissions are not limited accordingly, from 2020, the Lufthansa Group will have to pay carbon offsetting costs for the increase in CO₂ emissions from international flights.

The EU Emissions Trading Scheme for air traffic has managed and limited CO₂ emissions by means of certificate trading since 2012. All flights carried out by the Lufthansa Group within Europe are subject to this scheme. They emit around 7.6 million tonnes of CO₂, of which 60 per cent is offset and neutralised by the purchase of certificates. Within Europe, the aim of carbon-neutral growth has therefore already been achieved. To recognise provisions associated with the obligation to submit CO₂ emissions certificates to the relevant authorities ➔ **Notes to the consolidated financial statements, Note 33, p. 147ff.**

In large parts of its operations, the Lufthansa Group already offers its customers the opportunity to offset their carbon emissions on a voluntary basis.

Performance indicator

CO₂ emissions up by 6.9 per cent

The Lufthansa Group determines the absolute amount of its CO₂ emissions every year. For the aircrafts of the Lufthansa Group airlines, they came to 30.4 million tonnes in 2017 (previous year: 28.5 million tonnes).

This increase is mainly due to the larger group of consolidated companies following the full acquisition of Brussels Airlines. It was offset by positive effects arising from the implementation of operational measures to reduce fuel consumption, as well as efficiency gains from the use of new aircraft types.

ACTIVE NOISE ABATEMENT

Targets

Flight noise to be reduced at its source

The Lufthansa Group has numerous ongoing activities and measures intended to achieve a noticeable reduction in flight noise. The primary goal is to reduce noise at its source sustainably and to develop optimised flight procedures together with system partners.

Measures

Active noise abatement comprises five dimensions

Since 2001, the Lufthansa Group has played an active and continuous role in research projects and noise abatement activities organised by discussion forums, such as the Noise Protection Alliance in Frankfurt. Members of the alliance include the Hesse state government, Fraport AG, Deutsche Lufthansa AG, the Airport and Region Forum (FFR), German

air traffic control and the airline association BARIG. Active noise abatement at the Lufthansa Group comprises the following five dimensions:

1. INVESTMENTS IN MORE MODERN AND THUS QUIETER AIRCRAFT

The most significant lever for reducing flight noise is the modernisation of the fleet. The Lufthansa Group modernises its fleet continuously. In 2017, 29 new aircraft went into service, including five more Airbus A320neos and eleven Bombardier C Series aircraft, which are powered by modern engines. The same applies to the Airbus A350-900, which is one of the most modern and environmentally friendly long-haul aircraft in the world and is much quieter than comparable aircraft types. A total of 36 older aircraft were removed from the Group fleet in exchange. ➔ **Fleet, p. 20f.**

2. RETROFITTING OF AIRCRAFT IN THE EXISTING FLEET

In addition to modernising the fleet, retrofitting existing aircraft can also result in measurable noise reduction. At the beginning of 2014, Lufthansa German Airlines became the first airline worldwide to start operations with an Airbus A320 equipped with noise-reducing vortex generators, thus setting an industry standard. Aircraft with vortex generators are up to four decibels quieter on their approach and so these aircraft are classified lower in accordance with the agreement on noise charges in Frankfurt than comparable aircraft without these components.

In the meantime, all A320 family aircraft at Lufthansa German Airlines and SWISS have now been fitted with these vortex generators. In autumn 2016, Austrian Airlines also launched the retrofit of its A320 aircraft with vortex generators and decided in 2017 to fit their A319 and A321 aircraft with this improved technology. The modification will be carried out in the course of routine technical maintenance cycles.

C32 ACTIVE NOISE ABATEMENT



3. PARTICIPATION IN NOISE RESEARCH

For many years, the Lufthansa Group has engaged in noise research via projects such as MODAL (models and data for the development of active aviation noise abatement measures) and EffFlug (efficiency gains in flight operations), which prepare the ground for successful active noise abatement. This intensive research and development work makes a major contribution to optimising the existing fleet.

4. DEVELOPMENT OF OPTIMISED FLIGHT PROCEDURES IN COOPERATION WITH SYSTEM PARTNERS

Optimising flight procedures and flight routes also helps to reduce noise. The Lufthansa Group is active in many ways in this area, with international partners such as Eurocontrol.

➤ **Environmental concerns/Climate protection, p. 204ff.**

5. DIALOGUE WITH RESIDENTS

In addition to technical and operating procedures, the Lufthansa Group also takes part in various discussion groups, including in Frankfurt and Vienna. The Lufthansa Group also works in some of the aircraft noise commissions required in Germany by the Air Traffic Act (Luftverkehrsgesetz – LuftVG).

Performance indicator

99.5 per cent of the operational Group fleet meets standard for aircraft noise

Improvements in noise abatement from modernising the operational Group fleet can be seen in the number of aircraft that meet or exceed the ten decibel criterion set by the ICAO Chapter 4 standard. This standard defines noise limits and stipulates that all aircraft newly licensed after 2006 must cumulatively fulfil the older Chapter 3 noise limits by a margin of at least ten decibels or more. Almost the entire operational Group fleet – 99.5 per cent – met this criterion in 2017.

Employee concerns

Concepts

Focus on employer attractiveness and employee health

The success of the Lufthansa Group depends largely on the ideas, the competence, the enthusiasm, the commitment and the health of its employees. It is therefore particularly important to strengthen the commitment of its employees, to have a modern human resources strategy, to offer tailor-made training courses and to take steps to increase employer attractiveness. The Lufthansa Group therefore places great importance on offering its employees an attractive working environment with transparent structures and processes in order to be able to meet future requirements and to help the Company become more innovative.

Reorganisation of the Lufthansa Group moves forward

Since January 2016, the Lufthansa Group has been successfully reorganising its business along process lines, in order to pool responsibilities and to streamline hierarchies. The number of management levels below the Executive Board has been reduced from four to three. In the reporting year, the number of management positions across the Group was reduced.

The aim is to manage the different units in the Lufthansa Group consistently and based on defined processes and to maintain aligned standards. In this context, binding common performance indicators such as the Engagement Index were

developed to increase transparency and enable precise management, and have since been compiled every year. The Executive Board is informed regularly by means of standardised reports and detailed analyses.

ATTRACTIVENESS AS AN EMPLOYER

Targets

The employees in the Lufthansa Group make a decisive contribution to customer satisfaction. The Lufthansa Group therefore aims to position itself over the long term as an attractive employer. Responsibilities in the areas of Corporate Cultural Transformation, Corporate HR Steering & Labour Relations and HR Management & People were reorganised along process lines in 2017 in order to support continuous employee development. They report directly to the Executive Board member for Corporate Human Resources and Legal Affairs.

Measures

A number of steps have been taken to further increase employee satisfaction and so to increase the Lufthansa Group's attractiveness as an employer.

Flexible working time models

For many years, the Lufthansa Group has supported its employees and managers by offering flexible working time models, including various arrangements for part-time and remote work. Modern working time models, sabbaticals and shared leadership programmes have also been offered and encouraged in a targeted manner for managers since 2016. A variety of communication methods were used to make the available options more transparent and increase demand for them.

Encouraging diversity

The Lufthansa Group pursues a comprehensive management approach that understands diversity also in the sense of versatility, variety of ideas, the blending of perspectives to strengthen competitiveness. Thus, there are collective agreements for new positions that support the promotion of women to leadership positions, for instance. Diversity and equal opportunities are key elements of the corporate strategy. They are also embedded in the current human resources strategy. Today, the Lufthansa Group already illustrates the core idea of diversity: Lufthansa's workforce around the world has 147 different nationalities. ➤ **Employees, p. 24ff.**

Talent management

In 2014, the Lufthansa Group implemented its talent management philosophy using the motto, "Everyone has talent!". This gives all employees the opportunity to shape their own career in the Group according to their individual talents and interests. A standardised potential identification process for the Group and subsequent training programmes help them to do so. This both increases transparency and brings talents to the fore.

Furthermore, the Lufthansa Group strives to become ever more attractive to external talent. Talent management is vital for finding and developing the right staff for all management and employee levels, both from inside and outside the Group. It enables the Company to address an increasing shortage of qualified staff and to secure sought-after competences.

Training courses and change management

Well-qualified, committed employees are indispensable for the sustainable success of the Lufthansa Group. Established in 2016, the Lufthansa Group CAMPUS continually offers formats for developing individual (leadership) competences as well as those for supporting team development and organisational change. It focuses on training courses that promote lifelong learning and enable employees to tackle the challenges of the modern working world successfully.

Ongoing development of social partnerships and remuneration strategy

The Lufthansa Group aims to conclude long-term, economically viable agreements with its social partners. These allow for sustainable success, as well as predictability and security for both the Company and its employees. Flexibility plays an increasingly important role in this.

As a result, the fundamental agreement with the Vereinigung Cockpit pilots' union, which was concluded in October 2017 and will apply for more than five years, represents an important milestone. ➤ **Lufthansa German Airlines, p. 46f.**

Performance indicator

Engagement Index creates transparency regarding attractiveness as an employer

The Engagement Index is the key performance indicator for employer attractiveness. It is measured by the annual employee survey, "involve me!", and enables a comparison with employers from many different sectors.

The Engagement Index measures the extent to which employees identify with the Company, as well as their commitment and willingness to recommend the Company to others. A standardised voluntary staff survey was conducted for the first time in 2015 and it was extended to the main companies in the Group in 2017 (excluding the LSG Group). The results are measured on a scale from 1 (best) to 5 (worst).

An Engagement Index of 2.3 was recorded for the reporting period. This is slightly below average in Germany but is an improvement of 0.1 points on the previous year, despite numerous strikes in the past years.

In the years ahead, the aim is to increase the Engagement Index every year and to reach the average level for comparable companies in Germany by 2020.

The results of the employee survey are also presented to the Supervisory Board and the Executive Board. The results are also communicated and discussed at management level and within each teams, in order to identify and implement strategic activities for the entire Lufthansa Group and individual organisational units.

HEALTH AND SAFETY AT WORK

Occupational health and safety has been a core action area at the Lufthansa Group for several decades; it is managed jointly by the Medical Services (including psychosocial counselling), health and safety officers and the health management function. These three areas report directly and regularly on current developments to the Executive Board member for Corporate Human Resources and Legal Affairs.

Targets

Health management to be further developed across the Group

One of the Medical Services' core tasks is to ensure that the employees of the Lufthansa Group are fit for work and so to safeguard its business activities and dependable flight operations.

A central steering body for all issues concerning health and safety in the Lufthansa Group is the Occupational Safety Committee (OSC), which meets regularly and monitors the implementation of all aspects of health and safety across the Group.

The programme Health Management@Lufthansa Group was successfully launched in 2016 to further develop health management for all the companies in the Group. It aims to maintain the long-term health and productivity of employees and to encourage them to take responsibility for their own wellbeing.

Measures

Numerous activities to promote employee health

The units involved have implemented various measures to promote the health of Lufthansa Group employees.

MEDICAL SERVICES

The Medical Services at Lufthansa German Airlines, SWISS and Austrian Airlines are holistic centres of excellence, offering permanently the full range of services for aviation and occupational medicine, vaccinations and travel medicine, outpatient care, a comprehensive social and medical advisory service and other preventive and healthcare treatments. Beyond these individual treatments, the Medical Services provide advice to decision-makers, committees and employee representatives concerning all issues of occupational health and safety.

Psychological and psychosocial factors have an important influence on health, safety and productivity at work. Since 1985, the Lufthansa Group has offered confidential individual advice to employees, teams and organisational units, referring individuals to other services or for other treatment as well as providing various psychosocial advisory services.

OCCUPATIONAL SAFETY

The occupational safety function has existed for many years; it consistently implements preventive measures to avoid accidents, health risks and occupational illnesses. By means of risk assessments and regular safety inspections, the Group's occupational safety experts check all professional activities in the Group companies in Germany.

HEALTH MANAGEMENT

The programme Health Management@Lufthansa Group creates a framework and structures that have a particular influence on the development of the organisation and the leadership skills of managers. They include advisory services and information events for employees and managers. Specific activities are partly derived from the results of the employee survey "involve me!".

Performance indicator

Health Index as key performance indicator for employee health

A Health Index was compiled for the first time in 2017, as the primary performance indicator for measuring the individual health levels of employees. It is based on the relevant questions in the "involve me!" survey.

At present, the Health Index is used as the key performance indicator for health management within the Lufthansa Group. The results serve to identify aspects of work that require adjustment and to develop focused measures to strengthen individual health resources and minimise the risk of occupational hazards. As with the Engagement Index, they are communicated to top management, team managers and the entire workforce, and will form the basis of the joint development of measures in the central steering committee, "Health", which was established in 2016. The Health Index uses a scale from 1 (best) to 5 (worst).

In 2017, the Health Index stood at 2.3, which corresponds exactly to the external benchmark for the Germany, Austria and Switzerland region and for each individual country in this region. Since the Health Index was compiled for the first time in 2017, targets and activities based on it will be devised and defined for the first time in 2018.

Fighting corruption and bribery

Concepts

Fighting corruption and bribery is an integral part of the Lufthansa Group Compliance Management System

The Lufthansa Group endeavours to manage the Company effectively, as required by the principles of good corporate governance. In particular, they imply integrity on the part of the employees as a prerequisite for the Company's sustainable success.

Its global operations mean that the Lufthansa Group is obliged to comply with national anti-corruption legislation around the world and in some cases with anti-corruption laws that have extraterritorial application. Infringements may not only result in criminal and civil penalties for the individuals and companies involved, but may also result in incalculable reputational damage. Combating and preventing corruption and bribery is also an integral part of the Lufthansa Code of Conduct and is essential for the business operations of the Lufthansa Group. <https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html>.

To ensure its effectiveness, the Lufthansa Group has a Compliance Management System, which prevents employees and the Company from violating laws and at the same time helps them to apply statutory regulations correctly. It consists of the following elements: Competition, Capital Markets, Integrity (Anti-Corruption), Embargo and Corporate Compliance. [Corporate Governance Report, p. 85ff.](#) The Group-wide implementation, development and communication of the Lufthansa Group Compliance Management System is within the responsibility of the Corporate Compliance Office, which is part of the central Legal department. The head of the Legal department and Chief Compliance Officer reports directly to the Executive Board member for Human Resources and Legal Affairs and presents two Compliance Reports a year to the Executive Board. The Corporate Compliance Office is supported by a worldwide network of compliance managers at the Group companies.

Targets

Compliance Management System aims to prevent unlawful conduct

The aim of the Compliance Management System is to ensure lawful conduct throughout the Group and so to avoid unlawful conduct that, in addition to reputational and financial risks, may also have consequences for the individual regarding criminal and labour law. [Opportunities and risk report, p. 64ff.](#)

Measures

Anti-corruption training raises awareness

All managers, team leaders and employees from relevant areas undergo mandatory IT-based anti-corruption training every two years to raise awareness of potential risks.

Ombudsman system enables confidential handling of suspicious incidents

The Lufthansa Group set up an ombudsman system in 2008 to enable information to be provided confidentially about suspected criminal offences, particularly potential breaches of anti-corruption legislation and regulations. An external, independent lawyer who is not an employee of the Lufthansa Group acts as the ombudsman. Whistle-blowers can provide information to the ombudsman by phone, in writing or in person. <https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/ombudsman-system.html>.

Risk-based, third-party due diligence aims to ensure integrity of suppliers and service providers

A risk-based, third-party due diligence process is intended to ensure the integrity of suppliers and service providers. In the course of the review, the employees in the Corporate Compliance Office carry out compliance screenings. First of all, this entails determining the identity of the business partner in order to then carry out a check against databases in the compliance, embargo, sanctions, PEP (politically exposed person) and watch lists categories, ensuring that there are no relevant entries. Depending on the result, various measures proposed jointly by the Corporate Compliance Office and Corporate Security may be necessary to deal with the business partner.

All Group companies worldwide are reviewed for corruption risks

In addition to the measures mentioned above, all companies in the Group are currently reviewed for corruption and antitrust risks by means of a compliance risk assessment. Final results with recommendations for further improvements will be available in 2018 for all reviewed units.

Respect for human rights

Concepts

Respect for human rights is embodied in the Code of Conduct

As a global company, respect for human rights is self-evident and forms an integral part of the corporate culture of the Lufthansa Group. This is also reflected in working conditions, the freedom of association and assembly, rules to ensure gender equality and the inclusion of minorities as a matter of course.

The Code of Conduct adopted in 2017 also expresses the importance of human rights for the Lufthansa Group.

📄 <https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html>.

Targets

Respect for human rights is the overarching goal

The overarching goal is to avoid human rights breaches by means of organisational and process-based measures. The Code of Conduct is binding for all bodies, managers and employees of the Lufthansa Group. The Group's procurement policy (📄 **Sustainability in the supply chain, p. 213**) also states that the Lufthansa Group expects its suppliers to respect human rights, too. Contracts should therefore include the possibility of penalties up to and including the immediate termination of the business relationship.

Measures

Working group ensures awareness

A Human Rights working group was established within the Human Resources and Legal Affairs board function in 2017 and comprises representatives of all relevant head office functions as well as Group companies that are potentially at risk. Based on an analysis carried out by Maplecroft, an advisory company, an overview was drawn up of all Group companies operating in high-risk and extreme-risk countries, i.e. where the risk of human rights violations is particularly high. Managers and Human Resources departments at these companies should be made aware of their duty of care to avoid human rights violations.

Processes for reporting human rights violations to be implemented

The companies concerned are called on to identify human rights risks and to report them centrally. Individual complaints may be addressed to managers or to the Human Resources department. The Executive Board is to be notified annually of the type and number of suspicious incidents.

An internal complaints procedure is already in place at the Lufthansa Group and is governed by a works agreement for employees in Germany. It is already used for many different kinds of complaints and is to be extended to complaints about human rights violations. Third parties will also be able to use the ombudsman system, as well as being able to report issues via a separate email address. 📄 <https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/ombudsman-system.html>.

Social concerns

Concepts

Lufthansa Group is committed to social issues

As an international aviation company, the Lufthansa Group also assumes responsibility for social concerns. Following a comprehensive analysis and valuation of its engagement portfolio to date, the Lufthansa Group will, in the future, focus its corporate citizenship activities on the core topics of education/enabling and life/health.

The focus of the corporate citizenship activities is on social and humanitarian projects around the world, which are pooled and managed under the umbrella of the help alliance, the Lufthansa Group's non-profit aid organisation. The help alliance was established in 1999 as a registered association funded by of Lufthansa employees. As of 1 January 2017, it was restructured as a non-profit limited liability company (gGmbH) with its headquarter in Frankfurt/Main and under the umbrella of the Lufthansa Group. Prior to this, the Lufthansa Group had provided both moral and financial support and sponsorship for the work of the employee initiative help alliance e.V. 📧 www.helpalliance.org.

The importance of the help alliance is emphasised by the fact that it belongs to the resort of the Chairman of the Executive Board and CEO.

Targets

To contribute to sustainable social development

The aim of the Group's charitable activities and projects is to make a contribution to the sustainable development of society that reflects the importance and size of the Lufthansa Group and is transparent, credible and verifiable all at the same time.

Measures

help alliance focuses on social and humanitarian projects

The help alliance acts as a catalyst for greater social engagement, combining proven projects initiated by employees with the power and network of the Lufthansa Group. Predefined criteria ensure that the supported projects are sustainable.

The decision to focus on social and humanitarian projects in the core areas of education/enabling and life/health has made it possible to harmonise the charitable initiatives of the companies in the Group. At the same time, it enables the efficient and targeted use of available funds. Fundraising models can be made more systematic and donations can be acquired more effectively.

The main objective in the field of education/enabling is to help disadvantaged people lead a successful, healthy and self-determined life. The help alliance particularly provides educational opportunities. In 2017, the help alliance was responsible for 37 aid projects with a total project volume of EUR 2.0m. One of its biggest projects was the iThemba project in South Africa, which enables children in the townships of Cape Town to receive a high-quality pre-school education.

Permanent monitoring and regular evaluation of the projects using a fixed catalogue of criteria ensure that the sponsored projects and programmes improve the living conditions of children, their families and the community sustainably and effectively and that the funding is used effectively and efficiently.

In the second field of life/health, the Group has for many years used its flights to provide fast and professional emergency relief during humanitarian crises and disasters. Lufthansa Cargo cooperates with well-known emergency aid organisations to provide quick, straightforward assistance in the logistics of initial relief.

For example, on 30 September 2017, Lufthansa Cargo carried out a relief flight from Frankfurt to Aguadilla in Puerto Rico. Some 80 tonnes of emergency aid, including drinking water, clothing and food, were distributed to the around 400 employees of Lufthansa Technik at this location and to the neighbouring communities who were struggling in the aftermath of Hurricane Maria.

Financing concept for help alliance gGmbH

In 2017 and 2018, the Lufthansa Group will cover all of the costs of administration, project assistance, fundraising and communication of the help alliance gGmbH. This ensures that 100 per cent of all other donations can be used to fund aid projects. This also applies to voluntary donations made via salary deduction by employees of the Lufthansa Group: In the initial phase, introduced in early 2017, some 80,000 employees and pensioners on the joint payroll accounting system of the Lufthansa Group can make use of the "payroll giving" option.

Sustainability in the supply chain

Concepts

Reorganisation supports sustainability in the supply chain

To meet the standards it sets for the sustainability of its own products, the Lufthansa Group relies on close collaboration with suppliers who share and implement these standards. This also forms part of the Lufthansa Group's Code of Conduct.

<https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html>. Since October 2017, the purchasing units in the Lufthansa Group have been organised within a single reporting line under the Chief Financial Officer. They inform the Executive Board about current developments on a regular basis. In some cases, the purchasing units are centralised, especially for airline-specific processes such as purchasing aircraft or kerosene, and in others, they are decentralised throughout the Group companies (for more specialised products). Reporting lines are based on responsibilities for different product groups and Group companies. Defining product groups optimises the purchasing function in the procurement markets. Reporting on the basis of Group companies ensures the security of the supply.

Building and expanding a sustainable supply chain is of strategic importance for the Lufthansa Group

The introduction of a process-based matrix organisation makes it easier to establish sustainability standards because it means that standardised processes and IT systems are increasingly used. The goal is also to improve the enforcement of sustainability standards. The restructuring of the organisation that came into effect on 1 October 2017 serves to increase efficiency, cut costs sustainably and avoid risks in the supply chain by means of strict process management.

Targets

The Lufthansa Group expects from its suppliers that they fully comply with current law, guidelines and regulations concerning fair competition, integrity and responsible practices.

Measures

The Group procurement policy includes the obligation to assume social and ecological responsibility. It is to be understood as an overriding specification for all procurement guidelines at the Group companies. In addition, it serves as a handbook for buyers and all employees with contacts in the procurement markets. Among other considerations, it requires that these obligations be included in contracts with suppliers:

- to comply with the ten principles of the UN Global Compact;
- to comply with the four basic principles of the International Labour Organisation (ILO);
- to consent to announced and unannounced audits by companies of the Lufthansa Group;
- to accept the termination of the contract in the event that these contractual obligations are breached.

By imposing these obligations, the Lufthansa Group endeavours to ensure responsible practices by its direct suppliers and so to meet its own standards for corporate responsibility.

Summary

In addition to the long-term financial stability it delivers, the responsible and sustainable treatment of resources, the environment and employees inside and outside of the Company ensures acceptance of its business model and makes the Lufthansa Group attractive for customers, employees, shareholders and partners.

With the activities and concepts described above, the Lufthansa Group underlines its intention to fulfil its role as a leading player in the aviation industry, including in terms of sustainability.

This combined non-financial report is based on the GRI Standards 2016. The information in this report relates to the following disclosures and management approaches.

GRI references

T194 GRI REFERENCES

| | Disclosures refer to | | Page |
|---|-------------------------|---|----------------------------|
| About this combined non-financial report | GRI 102-1 | Name of the organisation | ↗ p. 202 |
| | GRI 102-50 | Reporting period | ↗ p. 202 |
| | GRI 102-52 | Reporting cycle | ↗ p. 202 |
| | GRI 102-56 | External audit | ↗ p. 202 |
| | GRI 102-16 | Values, guidelines, standards and behavioural norms | ↗ p. 203 |
| | GRI 102-46 | Determination of reporting content and topic differentiation | ↗ p. 203 |
| Environmental concerns | | | |
| Climate protection | GRI 103-1, 103-2, 103-3 | Management approach | ↗ p. 204f. |
| | GRI 305-1 | Direct GHG emissions Scope 1 | ↗ p. 206 |
| | GRI 305-5 | Reducing GHG emissions | ↗ p. 205 |
| Active noise abatement | GRI 103-1, 103-2, 103-3 | Management approach | ↗ p. 206f. |
| Employee concerns | | | |
| Attractiveness as an employer | GRI 103-1, 103-2, 103-3 | Management approach | ↗ p. 207f. |
| Health and safety at work | GRI 103-1, 103-2, 103-3 | Management approach | ↗ p. 209 |
| Fighting corruption and bribery | | | |
| | GRI 103-1, 103-2, 103-3 | Management approach | ↗ p. 210 |
| | GRI 205-1 | Business locations reviewed for corruption risks | ↗ p. 210 |
| | GRI 205-2 | Information and training on anti-corruption strategies and activities | ↗ p. 210 |
| Respect for human rights | GRI 103-1, GRI 103-2 | Management approach | ↗ p. 211 |
| Social concerns | GRI 103-1, GRI 103-2 | Management approach | ↗ p. 212 |
| Sustainability in the supply chain | GRI 103-1, 103-2 | Management approach | ↗ p. 213 |

Independent Practitioner's Report on a Limited Assurance Engagement on Non-Financial Reporting¹⁾

To Deutsche Lufthansa AG, Cologne

We have performed a limited assurance engagement on the separate combined non-financial report pursuant to §§ (Articles) 289b Abs. (paragraph) 3 and 315b Abs. 3 HGB ("Handelsgesetzbuch": "German Commercial Code") of Deutsche Lufthansa AG, Cologne, (hereinafter the "Company") for the period from 1 January 2017 to 31 December 2017 (hereinafter the "Non-financial Report").

Responsibilities of the Executive Directors

The executive directors of the Company are responsible for the preparation of the Non-financial Report in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

This responsibility of Company's executive directors includes the selection and application of appropriate methods of non-financial reporting as well as making assumptions and estimates related to individual non-financial disclosures which are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as they have considered necessary to enable the preparation of a Non-financial Report that is free from material misstatement whether due to fraud or error.

Independence and Quality Control of the Audit Firm

We have complied with the German professional provisions regarding independence as well as other ethical requirements.

Our audit firm applies the national legal requirements and professional standards – in particular the Professional Code for German Public Auditors and German Chartered Auditors ("Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer": "BS WP/vBP") as well as the Standard on Quality Control 1 published by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany; IDW): Requirements to quality control for audit firms (IDW Qualitätssicherungs-

standard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis – IDW QS 1) – and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Non-financial Report based on the assurance engagement we have performed.

Within the scope of our engagement we did not perform an audit on external sources of information or expert opinions, referred to in the Non-financial Report.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the IAASB. This Standard requires that we plan and perform the assurance engagement to allow us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 December 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement, and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's judgment.

Within the scope of our assurance engagement, we performed amongst others the following assurance procedures and further activities:

- Obtaining an understanding of the structure of the sustainability organization, of the stakeholder engagement and of the conduction of the materiality analysis
- Inquiries of relevant personnel involved in the preparation of the Non-financial Report regarding the preparation process, the internal control system relating to this process and selected disclosures in the Non-financial Report
- Identification of the likely risks of material misstatement of the Non-financial Report
- Analytical evaluation of disclosures in the Non-financial Report
- Comparison of disclosures with corresponding data in the annual and consolidated financial statements and in the group management report
- Evaluation of the presentation of the non-financial information

Assurance Conclusion

Based on the assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the Company's Non-financial Report for the period from 1 January 2017 to 31 January 2017 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

Intended Use of the Assurance Report

We issue this report on the basis of the engagement agreed with the Company. The assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company about the results of the limited assurance engagement.

The report is not intended for any third parties to base any (financial) decision thereon. Our responsibility lies only with the Company. We do not assume any responsibility towards third parties.

Frankfurt am Main, 7 March 2018

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

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Wirtschaftsprüfer
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