

COMBINED NON-FINANCIAL REPORT

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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. 226](#). 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, customer concerns, employee concerns, anti-corruption and bribery, human rights, social concerns and sustainability in the supply chain as an interdisciplinary topic. | Report is based on the 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 again publishing a separate combined non-financial report for the financial year 2018 in accordance with Sections 315b and 315c German Commercial Code (HGB) in conjunction with Sections 289b to 289e HGB. Deutsche Lufthansa AG publishes a separate non-financial report at Company level and a separate non-financial Group report together as a combined non-financial report. It combines aspects and reporting on the following key issues: environmental concerns, customer concerns, employee concerns, anti-corruption and bribery, human rights, social concerns and sustainability in the supply chain as an interdisciplinary topic. In addition, measures and initiatives taken by the Lufthansa Group that demonstrate the Company's wide-ranging commitment to corporate responsibility are described in the combined management report. References to these passages are made in this report.

In its Group risk management system, the Lufthansa Group takes into consideration impacts from non-financial factors and circumstances. ➤ **Opportunities and risk report, p. 61ff.**

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. In the reporting year, the Audit

Committee looked at the combined non-financial report in great detail and conducted a preliminary review of the report. Furthermore, the Audit Committee commissioned an independent auditor to review the report. This combined non-financial report was 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. 227f.**

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 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 applied 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 and refined in 2018 for all bodies, managers and employees of the Lufthansa Group in order to perpetuate the corporate culture of trust and integrity. The Code of Conduct was implemented and improved upon in order 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 responsible conduct and 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 Lufthansa Group’s commitment to sustainability is demonstrated by its climate score of “B” from the international non-profit rating organisation CDP (previous year: “A-”) and so is in the management band.

Since 2015, the Group has also been part of the MSCI Global Sustainability Index prepared by MSCI, a US index provider. It tracks companies that are particularly committed to environmental, social and governance (ESG) issues.

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), which is chaired by the Head of Group Strategy and reports to the Chairman of the Executive Board. The CRC was established at senior management level and consists of the heads of the Group’s Strategy, Policy (Environmental Concepts), Investor Relations, Controlling, Legal, HR, Communications and Corporate Sourcing departments. Individual managers are responsible for implementing concrete activities and projects.

Materiality analysis forms basis for identifying material aspects

Continuous dialogue with stakeholders delivers an important contribution to refining the sustainability strategy of the Lufthansa Group. In October 2018, another wide-ranging stakeholder survey was carried out among customers,

employee, neighbours, investors, business partners, policymakers and representatives of NGOs. In addition to approaching approximately 10,000 external individuals personally, the survey was made available to a broad public by means of postings on the Company website and social media channels.

The findings of the stakeholder survey were analysed by management particularly in terms of the materiality criteria defined in Section 289c Paragraph 3 HGB, i.e. to determine which aspects are material for understanding the course of business, the financial results and the position of the Lufthansa Group, as well as their effects on the aspects of sustainability. The result of this materiality analysis forms the basis for selecting the aspects and circumstances described in this combined non-financial report.

Environmental concerns, customer 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 satisfaction of its customers and on the dedication and motivation of its employees. Furthermore, the materiality analysis shows that the fight against corruption and bribery, respect for human rights and a sustainable 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.**

C29 ASPECTS, ISSUES AND PERFORMANCE INDICATORS

Environmental concerns	Customer concerns	Employee concerns	Fighting corruption and bribery	Respect for human rights	Social concerns ¹⁾
Climate protection CO ₂ emissions	Operational stability Departure punctuality	Attractiveness as an employer 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	Product and services Customer satisfaction level	Transformation capacity Health and safety at work Health Index			

Sustainability in the supply chain: interdisciplinary topic, 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 protection are cornerstones of the environmental strategy

Global aviation is a growth industry and for the foreseeable future, it will continue to require the use of fossil fuels and alternative liquid fuels with a corresponding energy density. The material 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 certificates and noise-related fees all represent costs for the Company.

The Lufthansa Group therefore has a strategic environmental programme that is applied in all areas of the Group – from operations and technical maintenance to purchasing, facility management and administration.

Its main fields of action are the reduction of emissions, active noise abatement, energy and resource management, investment in research and the successive establishment of environmental management systems.

In the reporting year, the environmental management system at Deutsche Lufthansa AG in Munich was validated in accordance with EMAS and certified compliant with ISO 14001 for the first time. The Lufthansa Technik sites in Tulsa/Oklahoma, Frankfurt/Osthafen and London/Hayes, also had their environmental management systems certified compliant with ISO 14001 for the first time. The engine overhaul plants being established in Wroclaw (XEOS) and Jasionka (EME Aero) are preparing for certification in 2019 and 2020 respectively. Lufthansa Cargo, Lufthansa CityLine and one LSG group site have a certified environmental management system. This demonstrates that they voluntarily undertake to work systematically to improve their own environmental performance and to document it credibly to external stakeholders.

Environmental activities are coordinated and managed

The Environmental Issues 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 regarding the environment. In addition, all larger subsidiaries have

their own environmental departments, an environmental officer or a coordinator. The environmental officers and coordinators meet once a year for the Group Environmental Forum. This platform offers the environmental experts in the Lufthansa Group an opportunity to identify potential synergies and to discuss and evaluate new ideas, activities and projects concerned with environmental protection. New and planned legislation and its effects on the Lufthansa Group are also discussed.

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 it as a relevant factor 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 2.7% 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 (i.e. fuel consumption per revenue tonne-kilometre) is to be improved by 1.5% 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% compared with 2005.

The Lufthansa Group was closely involved in this and shares the industry's aims of improving fuel efficiency (in terms of cargo tonne kilometres) by 1.5% per year until 2020, to make its transport growth CO₂ neutral from 2020 and to reduce its net CO₂ emissions by 50% compared with 2005 by the year 2050. The steps that the Lufthansa Group has taken in this context and directly implemented in 2018 are described below. The Lufthansa Group also 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, such as manufacturers, airports, air traffic control, airlines and policymakers. 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 fuel-efficient aircraft and engine technologies. In 2018, the airlines in the Lufthansa Group took delivery of 29 new aircraft. Six more Airbus A350-900 went into service, for instance, whose emissions are around 25% lower than those of comparable aircraft types.

By the end of 2025, the Lufthansa Group should receive 193 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 aims to reduce emissions of particulate matter and is sponsored by the Federal Ministry of Economics and Energy. In this context, the project burnt biofuel free from aromatic compounds (ATJ-SPK), which had not previously been mixed with the fossil fuel kerosene, in an engine taken out of normal flight operations and measured the resulting emissions. For particulate matter under ground conditions, the mass of the particles was reduced by up to 50% when a complete flight mission was calculated. In 2018, the Lufthansa Group took part in another cross-sector initiative. It aims to launch and build an international alliance to develop the future strategic importance of synthetic renewable energy sources (PtL – power to liquid), to jointly advance a global market for these energy sources and to accelerate their market development.

2. IMPROVED INFRASTRUCTURE

According to figures from EUROCONTROL, better organisation of European air traffic control systems and authorities, with the aim of creating a single European airspace, would enable airlines to make fuel savings of up to 10% in the European airspace and reduce their CO₂ emissions accordingly. The EU Single European Sky (SES) initiative is intended to realise this. Several legislative packages have already been adopted within this framework. The Lufthansa Group explicitly supports the efforts of the EU and campaigns via the European airline association Airlines for Europe (A4E) for the creation of a dependable and efficient European airspace.

A key milestone for achieving a Single European Sky is the harmonisation and modernisation of the European aviation infrastructure, for which the European Commission has set up the SESAR programme (Single European Sky ATM Research).

SESAR is to develop, test and implement Europe-wide new technologies, procedures and standards that contribute to harmonising and optimising European air traffic management. The Lufthansa Group supports SESAR with the clear expectation that measurable operational improvements in air traffic management are implemented. The aim is to generate direct benefits for customers and the environment and to sustainably reduce air traffic control costs. The implementation of these technologies in daily operations is jointly coordinated by the members of the industry consortium SESAR Deployment Manager (SDM). The Lufthansa Group is a member of this consortium and provides local experts.

Across Europe, the SDM currently coordinates 349 projects. The various airlines in the Lufthansa Group and Lufthansa Systems are also actively involved as IT providers for SESAR research and demonstration projects.

C30 THE FOUR PILLARS FOR ENVIRONMENTAL PROTECTION



Technological progress	Improved infrastructure	Operational measures	Economic measures
Innovation in aircraft and engine technology Alternative fuels	Better use of airspace Needs-based airport infrastructure	Efficient aircraft sizes Optimum flight routes and speeds Optimised processes on the ground	A sensible, global, market-based system of emissions reduction to complement the other three pillars

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 optimal flight routes and flight speeds. In the SESAR demonstration "Augmented Approaches to Land-2" (AAL2), current navigation methods are optimised to achieve more efficient approaches with lower emissions. Then 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.

A systemic approach is increasingly taken to realise further efficiency gains at the interfaces to system partners such as airports or air traffic control, which includes the system partners in the analysis and definition of activities.

So, in the reporting year, the project EMAS 1 (Early Morning Arrival Stream Frankfurt), in cooperation with DFS Deutsche Flugsicherung GmbH, achieved a more predictable, even and so more efficient arrival stream into Frankfurt Airport in the period from 5.00 a.m. to 6.00 a.m.

The efficiency gains that this delivered also led to a reduction in CO₂ emissions. In EMAS Phase 2, a second demonstration is due to take place in 2019 as part of the European SESAR project xStream, which will be highly automated and include more airlines in Frankfurt.

In financial year 2018, 21 fuel-saving projects were under way across the Group. These projects comprise activities relating to performance and procedures, weight reduction, flight route optimisation and technical developments. In addition to the reductions achieved in 2017, they made it possible to permanently avoid another 24.3 thousand tonnes of CO₂ emissions in the reporting year. The quantity of kerosene saved amounted to around 9.6 million litres – this is equivalent to approximately 90 return flights between Munich and New York with an A350-900 aircraft.

4. ECONOMIC MEASURES

The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which was concluded with the International Civil Aviation Organization (ICAO) in October 2016, seeks to offset growth-related CO₂ emissions in international air traffic using climate protection projects from 2021 onwards. From 2021, the Lufthansa Group will therefore have to pay carbon offsetting costs for the increase in CO₂ emissions from international flights, to the extent that it is not possible to limit these emissions to the required extent.

The EU Emissions Trading Scheme for air traffic has managed and limited CO₂ emissions by way of certificate trading since 2012. All flights carried out by the Lufthansa Group within the European Economic Area (EEA) are subject to this system. They emitted around 8.5 million tonnes of CO₂ in 2018, of which 62% is offset and neutralised by the purchase of certificates. For further information on the provisions recognised in connection with the obligation to submit CO₂ emissions certificates to the competent authorities, we refer to [Notes to the consolidated financial statements, Note 34, p. 149ff.](#)

In large parts of its operations, the Lufthansa Group already offers a lot of its customers the opportunity to offset their carbon emissions on a voluntary basis. In cooperation with myclimate, customers can calculate online the emissions of their flight with the airlines in the Lufthansa Group and offset them by making a donation to two climate projects chosen by Lufthansa.

Performance indicator

CO₂ emissions up by 7%

The Lufthansa Group calculates the absolute amount of its CO₂ emissions every year. For the aircraft at the Lufthansa Group airlines, they came to 32.6 million tonnes in 2018 (previous year: 30.4 million tonnes). Growth in revenue seat-kilometres and cargo tonne-kilometres in the financial year was 9% and 1% respectively. [T001, front cover.](#) CO₂ emissions were offset by positive effects arising from the implementation of operational measures to reduce fuel consumption, as well as further efficiency improvements from the use of new aircraft types and higher average load factors for the aircraft.

ACTIVE NOISE ABATEMENT

Targets

Aircraft noise to be reduced at source

The Lufthansa Group has numerous ongoing activities and measures intended to achieve a noticeable reduction in flight noise. The primary goal is to sustainably reduce aircraft noise at its source (measures 1 and 2) and to develop optimised flight procedures with system partners (measures 4 and 5).

Measures

Active noise abatement comprises five dimensions

Since 2001, the Lufthansa Group has played an active and continuous role in research projects (measure 3) and noise abatement activities organised by dialogue forums, such as the Noise Protection Alliance in Frankfurt. Its members include the Hesse state government, Fraport AG, Deutsche Lufthansa AG representing the Lufthansa Group, the Airport and Region Forum, German air traffic control and the airline association BARIG. Active noise abatement at the Lufthansa Group comprises the following five dimensions.

1. INVESTMENTS IN MODERN AND THUS QUIETER AIRCRAFT

The best method of reducing aircraft noise at the source is the modernisation of the fleet. The Lufthansa Group modernises its fleet continuously. In 2018, 29 new aircraft went into service, including six additional A320neo, six A350 and 13 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 eleven 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 also results in measurable noise reduction. At the beginning of 2014, Lufthansa German Airlines became the first airline worldwide to start operations with a new 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 the Company pays lower noise fees in Frankfurt than for comparable aircraft without these components.

In the meantime, all aircraft in the A320 family at Lufthansa German Airlines and SWISS have now been fitted with these vortex generators. By early 2019, all the aircraft in the A320 family at Austrian Airlines at the start of the reporting year had been fitted with this technical improvement. Retrofits are planned for the aircraft delivered in 2018. The modification will be carried out in the course of routine technical maintenance cycles. A large amount of the Eurowings A320 fleet also already has the vortex generators to reduce noise. All the A320 aircraft in the Eurowings Group that do not yet have vortex generators, including aircraft from the former Air Berlin, will be successively retrofitted.

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 noise abatement measures) and EffFlug (efficiency gains in flight operations), which lay the foundations for successful active noise abatement. This intensive research and development work makes a major contribution to optimising the existing fleet.

The EMAS 1 project (Early Morning Arrival Stream Frankfurt; see also the chapter "Climate protection/Operational measures"), supported and funded by the Environmental and Neighbourhood House (UNH) in Kelsterbach as part of the Forum Flughafen und Region in Frankfurt (FFR), was also able to reduce the time during which approaching aircraft are in the vicinity of the airport by up to 20%.

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. 209ff.](#)

C31 ACTIVE NOISE ABATEMENT



Investments in quieter aircraft

Introduction of the latest aircraft, such as the Airbus A320neo and A350-900
Retirement of older models



Noise-reducing technologies for the existing fleet

Retrofitting of noise-reducing vortex generators to the existing fleet



Participation in noise research

Continuous collaboration and exchange with partners from research and industry
Development and analysis of new noise-reduction measures



Optimisation of approach and departure procedures

Cooperation with system partners
Development and testing of new methods
Use of new navigation technology



Dialogue with residents near airports and other stakeholders

Continuous exchange with residents, as in the Airport and Regional Forum (FFR)
Active participation to aircraft noise commissions

5. DIALOGUE WITH RESIDENTS

In addition to technical and operating procedures, the Lufthansa Group also takes part in various dialogue forums with residents, including in Frankfurt and Vienna. The focus of these activities is on optimising flight procedures. The Lufthansa Group also works in some of the aircraft noise commissions required in Germany by the Air Traffic Act (Luftverkehrsgesetz).

Performance indicator

99.6% of the operational Group fleet meets standard for aircraft noise

Improvements in noise protection 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 civil aircraft newly licensed after 2006 must cumulatively fulfil the older Chapter 3 noise limits by a margin of ten decibels or more. Almost the entire operational Group fleet – 99.6% – met this criterion in 2018.

Customer concerns

Concepts

High customer satisfaction is a key success factor for the Lufthansa Group

A clear focus on customers, innovative products and services and a focus on quality are essential for a service provider like the Lufthansa Group. Flight safety always has top priority. In order to meet this elementary requirement, all airlines in the Lufthansa Group have a comprehensive safety management system (SMS). Every two years, independent experts audit the safety standards applied Group-wide in an IATA Operational Safety Audit (IOSA).

All the airlines in the Lufthansa Group endeavour to offer passengers perfect service at all times and to make all facets of flying a lasting and positive experience. This includes completing flights punctually and safely, as well as first-class products and services on the ground and in the air. Capital expenditure on a modern Group fleet, greater comfort on board, numerous innovative products and digital services ensure that flying becomes more and more attractive for the customers of the Lufthansa Group. Regular surveys of passengers help to find out as much as possible about their needs and to include them in the development of innovative new products.

Allocating the airlines in the Lufthansa Group to the Network Airlines and Eurowings segments also represents a customer-centric, differentiated and transparent product and service strategy.

The visible results of this quality strategy include the award from Skytrax, an aviation consultancy company, of the first five-star rating for a European airline to Lufthansa German Airlines for its premium service and top-flight comfort, as well as the Traveller Trust Award given to Eurowings by Skyscanner, a leading global travel search engine.

OPERATIONAL STABILITY

In the reporting year, the passengers of the Lufthansa Group were also subject to a large number of changes to flight timetables, flight cancellations and delays. The causes included bottlenecks at many airports, staff shortages, the challenges connected with rapid growth at Eurowings, strikes by air traffic control and bad weather, which caused many flights to take off late or to be cancelled altogether.

Targets

Ensuring operational stability is a prerequisite for high customer satisfaction

The top priority at all airlines in the Lufthansa Group is safe, punctual and dependable flight operations. Since this cannot be guaranteed by the airlines in the Lufthansa Group alone, however, solutions for further improvements in operational stability are sought with industry representatives and system partners.

Measures

Executive Board position created for Airlines Resources & Operations Standards

Adding a new Executive Board position for Airline Resources & Operations Standards means that from January 2019 onwards, key functions will be pooled at Executive Board level, thus creating the conditions for increasing the operating stability and quality of the Lufthansa Group airlines.

Various measures were introduced to ensure operational stability

The Lufthansa Group has initiated programmes and projects at various levels to analyse airline-specific and Group-wide topics and develop and implement measures accordingly.

So, to improve its operational stability, the Lufthansa Group has bought additional A320neos to make up for the currently lower productivity of A320neos at Lufthansa German Airlines, which is due to above-average maintenance work, and to compensate for delayed deliveries of A320neos. Following the successive delivery of these aircraft and an increase in the number of reserve aircraft, the Lufthansa Group expects an improvement in punctuality and dependability in 2019. To ensure operational quality, 600 employees were newly recruited and some 500 pilots were trained to increase the number of reserve crews.

The programme “Operational Excellence 2019” was also launched in the reporting year under the lead of the Executive Vice President Strategy & Fleet, with the aim of making structural improvements to the operational stability of all the airlines in the Lufthansa Group. This programme will report to the new Executive Board position Airline Resources & Operations Standards in the future.

In addition, the Network Airlines in the Lufthansa Group have set up individual projects to optimise their operations at the respective hubs. They are based on an analysis of big data, which enabled specific causes of delays and flight cancellations to be found by combing through millions of data points from recent years. Specific projects were initiated in response, such as adjusting the crew rostering process at Lufthansa German Airlines.

The flight operations of the Network Airlines are steered from their respective traffic centres in Frankfurt, Munich, Zurich and Vienna. Regular reports about the current situation and any unusual events are prepared here and provided to management. At the monthly Operations Board meetings, the CEOs of the airlines discuss the results and activities along with the responsible heads of flight operations, ground operations and technical fleet management.

Eurowings is also steered by way of such traffic centres and has also adopted a wide-ranging package of measures to increase the reliability and punctuality of its flight operations. They include greater reserves, additional buffer time when turning aircraft around by increasing ground times and the separate planning of flight turnarounds within Germany, in order to shield them from turnarounds in other European countries that are more likely to experience delays. The successive roll over of older aircraft, detailed technical analyses and a corresponding increase in maintenance activities also contribute to improving operational stability.

Wide-ranging initiatives were launched with system partners

The airlines in the Lufthansa Group work closely with system partners, such as airport operators and German air traffic control, to find solutions for significantly reducing existing bottlenecks, particularly involving staff at the security gates, ground services and air traffic control centres. As a result, at the Hamburg Aviation Summit in October, attended by the Lufthansa Group, representatives of the German aviation industry and policymakers, a wide range of measures were adopted to improve the reliability and quality of air traffic in Germany.

A package comprising around two dozen individual measures was adopted, which is intended to prevent massive disruption to air traffic in the future. They include eliminating bottlenecks at state air traffic controls and border controls at the major airports, as well as recruiting additional staff for ground handling.

This is also the goal of the industry initiative Airlines for Europe, in which the Lufthansa Group and other well-known European airlines campaign for better infrastructure at airports and European air traffic control (EUROCONTROL). Numerous steps have already been taken with the airports and German air traffic control, such as optimising control logic for air traffic in Germany.

Performance indicator

Punctuality of Lufthansa Group airlines declined in the reporting year

The core performance indicator for judging operational stability is the airlines' punctuality of departures. Flights are defined as punctual if they are taxiing to the runway no later than 15 minutes after the planned departure time. This performance indicator is monitored continuously by top management. In addition to daily reports from the hub control centres, weekly conference calls take place with Executive Board members to analyse the current situation and decide on the action to be taken.

The punctuality of the Lufthansa Group airlines fell significantly in 2018 following the start of the summer flight timetable in April. The measures taken only resulted in slightly improved punctuality in August. A significant improvement only came in October 2018 with the transition to the winter flight timetable, which has significantly fewer flights in Germany and so reduced pressure on German airspace. On average over the year, the punctuality of the Passenger Airlines in the Lufthansa Group fell to 72% (previous year: 77%).

PRODUCT AND SERVICES

Strict focus on the customer is vital for a service company like the Lufthansa Group. For this reason, all the products and services along the travel chain are continuously reviewed and new, innovative in-flight and ground products and services are developed that put the customer at their core.

Digitalisation and sustainability aspects play an important role in better meeting differentiated customer needs. The travel experience for the customer should become even more convenient, especially through greater personalisation of the products and services along the entire travel chain.

The Lufthansa Group invests continuously in its employees, products and systems in order to offer every customer the appropriate product.

Targets

Raising customer satisfaction is an integral part of airline strategy

Customer needs play a vital role for ensuring the long-term success of the Lufthansa Group. The Lufthansa Group therefore takes a systematic approach to a better understanding of customer needs. Their needs along the travel chain are identified by means of customer surveys. The results form the basis for strategic decisions.

Measures

New products and services continuously improve the travel experience

In the reporting year, the Lufthansa Group introduced new aircraft, products and services intended to further improve the travel experience. For example, the new A350-900 at Lufthansa German Airlines has a wider cabin and an innovative lighting concept that offers passengers greater comfort.

SWISS expanded its flagship fleet in the reporting year by two more Boeing 777-300s to a total of ten and is also planning to complete five A340-300 aircraft with a new cabin product in all three travel classes. Austrian Airlines completed the integration of the new Premium Economy Class in its entire long-haul fleet for the start of the summer flight timetable 2018 and added another B777-200. Lufthansa German Airlines is also planning to introduce a completely new Business Class with the new Boeing 777-9X from 2020, which will offer customers optimal sleeping conditions and a high degree of privacy, as well as more individual seating arrangements.

The Network Airlines are focussing on the strategic vision of "New Premium" to fulfil customer needs along the entire travel chain and to improve weak points. In the reporting year, focus initiatives were launched for customer-centric process improvement in the event of flight irregularities and of baggage handling processes.

Eurowings became the first low-cost airline to introduce a "BIZclass" on selected long-haul routes in the reporting year, which includes classic Business Class product components such as a fully flat seat that opens to 180 degrees, lounge access, fast-tracked security checks and other amenities. These services are supplemented by new, up-to-date in-flight catering trends, partly in cooperation with innovative start-ups. Eurowings also offers fast broadband internet access on more and more short- and medium-haul flights.

Employees at all levels made aware of customer satisfaction

Development and training courses for employees on increasing customer satisfaction are continuously updated and expanded. They include the Management in Practice programme that encourages managers to work for one day in operational, customer-facing areas of the Lufthansa Group once a year. In competition with other traditional full-service carriers, on the one hand, and low-cost airlines, on the other hand, the Network Airlines must develop an understanding of premium that meets customer requirements and that enables them to differentiate themselves further. Various customer profiles were drawn up with the help of "Personas" to clarify the structure of their requirements. Work started in the financial year on training employees at the Network Airlines on customer-centric methods as part of the "New Premium" initiatives. In training courses and on the job, they learnt, for example, the main concepts for analysing, designing and sustainably improving customer experiences using the innovative method of Design Thinking. Along with the Personas, these can be used in the future to develop tailor-made products and services for individual customer needs.

Customers are involved early

Customers are included at a very early stage in the development process, in order to decide faster whether the new concepts meet their needs; the new Business Class seat was tested by 200 customers during the development process, for example. Customer panels have been set up in Frankfurt, Munich, Zurich and Geneva: a panel in Vienna will be set up next year. With the help of these customer panels, the airlines are able to get very rapid feedback from customers for specific lines of enquiry, understand customers' expectations and needs better and faster, and proactively fulfil the "New Premium" approach by actively involving customers in the process of product and service optimisation.

By measuring customer satisfaction, in surveys for instance, the airlines in the Lufthansa Group evaluate the acceptance of product enhancements as well as of new products and services.

Digitalisation and innovation support the development of new products and services

Digitalisation and innovation initiatives help the Lufthansa Group to keep developing customer-centric new products and services. By 2020, the Lufthansa Group plans to invest EUR 500m in the development and enhancement of personalised and digital services at its airlines.

At the Lufthansa Innovation Hub, the Company drives the systematic use of the innovative online business model for the airlines in the Lufthansa Group and develops digital solutions along the travel chain for passengers and tour operators.

All flight attendants at Lufthansa German Airlines are equipped with mobile devices that enable them to report on passenger satisfaction even faster. Furthermore, broadband internet was installed on 69 short- and medium-haul aircraft in the reporting year alone; by the end of the reporting year, this brought the total figure to 238 short- and medium-haul aircraft.

Establishing Eurowings Digital GmbH in 2018 pooled all customer-facing digital activities at Eurowings under one roof. This will advance the development of innovative products and services for travellers, particularly in the form of software solutions and mobile applications. The focus is on refining the digital customer interface eurowings.com and turning it into a growing travel platform that acts as a digital travel companion, going beyond the flight to offer personalised services such as tailor-made hotel bookings, car rentals and tickets to events.

Data protection and data security play an increasingly important role

The secure handling of data in accordance with data protection legislation forms the basis for a trust-based relationship with our customers and is an increasingly important success factor for the Group. The new EU General Data Protection Regulation came into effect in the EU on 25 May 2018. The Lufthansa Group has adapted its existing data protection management system to this harmonised European data protection legislation and has completed projects to implement it in the Group companies concerned.

The Group has established an organisational structure for data protection that is dedicated to ensuring compliance with the rights of data subjects and the duties of controllers. This entailed creating easily reachable points of contact, both internally and externally, and establishing processes to fulfil information requests by data subjects within the required period, for example. Current information about the processing of personal data is also provided on the Group companies' websites.

The increasing digitalisation of business processes in the Lufthansa Group also makes it more necessary to avert cyber-risks. At the Group level, it is the responsibility of the IT Security function to meet IT security requirements. This includes the development of appropriate concepts and measures such as email encryption, a cybercrime awareness campaign and protection from criminal activity over the internet. The risk and security management systems and other selected measures are regularly reviewed by the internal audit function to ensure their effectiveness. ➤ **Opportunities and risk report, p. 61ff.**

Increasing demand for sustainable products and services

The Lufthansa Group is responding in various ways to customers' wishes for sustainability aspects to play a greater role in products and services. As a result of this wish, passengers on flights with the Lufthansa Group airlines are increasingly offered organic and fair trade food and drink, and the recycling of in-flight waste is being expanded. At the LSG subsidiary SPIRIANT, a leading global provider of in-flight service products and equipment, the range of reusable and recycled or low-waste products for airlines is also expanded continuously.

Pooled responsibility for customer concerns ensures fast and effective implementation

Responsibility for products and services for all the Network Airlines in the Lufthansa Group is pooled centrally and reports are addressed to the Executive Board member for Hub Management. This ensures effective, efficient implementation in the airlines by using synergies and continuously improving products and services for customers.

Responsibility for the in-flight and ground products for all the airlines in the Eurowings Group lies with the Customer Experience & Product department, which reports to the Commercial Director.

Performance indicator

Customer satisfaction is at a high level

The Network Airlines in the Lufthansa Group track customer satisfaction on a regular basis and use in-depth surveys to obtain information about the travel experience of their passengers that is as granular as possible. Customer satisfaction levels are made available to the responsible departments and managers on a monthly basis in various reports, so that they can be taken into account when carrying out new measures.

Since 2018, Lufthansa German Airlines, SWISS and Austrian Airlines have harmonised their methods and processes for measuring customer satisfaction in terms of both content

and methodology. Customer satisfaction data is tracked separately for different service aspects along the entire travel chain (in-flight and ground products).

The main performance indicator for measuring satisfaction at the Network Airlines is overall satisfaction with products and services. This is the percentage of customers surveyed who said that they were satisfied or very satisfied with the quality of the in-flight and ground products and services offered by the Network Airlines.

This performance indicator is derived from the Passenger Satisfaction Tracking (PST) study and is shown for all three Network Airlines.

In the reporting year, the Network Airlines had a customer satisfaction figure of 74, which is at a high level, even if the level declined over the course of the year due to the challenges described above.

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 reinforce the commitment of its employees, to have a modern human resources strategy and to take steps to make Lufthansa even more attractive as an employer. 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 innovate and put new ideas into practice.

Ability to transform requires continuous training of staff competencies

Continuous change in market conditions makes it necessary for employees to keep their knowledge and skills, which they have learnt in their vocational training and career up to date. The Lufthansa Group has offered a wide range of digital and non-digital training opportunities for many years.

Reorganisation of the Lufthansa Group moves forward

The process-based reorganisation of the Lufthansa Group, which pools responsibilities and streamlines hierarchies, should be completed by the end of 2019. This allows the different units in the Lufthansa Group to be managed consistently and based on defined processes by maintaining uniform standards.

ATTRACTIVENESS AS AN EMPLOYER

Targets

The Lufthansa Group positions itself as an attractive long-term employer

The employees in the Lufthansa Group make a decisive contribution to customer satisfaction and thus to the success of the Company. Since many business areas are still very staff-intensive and since demand for qualified staff is increasing, especially in the newly created roles, the Lufthansa Group aims to establish itself permanently as an attractive employer.

Measures

A number of steps have been taken to further increase staff satisfaction and so to increase the Lufthansa Group's attractiveness as an employer. With a total of 162 nationalities in its global workforce, the Lufthansa Group has represented the core principle of diversity for a long time. With the combination of administrative employees and very different operating employee groups, this means that expectations of what makes an attractive employer can differ greatly.

➤ **Employees, p. 21ff.**

Flexible working conditions and employment terms

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. For the cabin crew at Lufthansa German Airlines alone there are more than 100 different models for part-time work. Sabbaticals and shared leadership models are also offered and encouraged for managers.

Retaining and promoting talent

To ensure that all employees have the opportunity to shape their career within the Group in line with their individual talents and interests, there is a standard process for potential identification for most of the administrative staff; regular, standardised potential identification and feedback processes are also established for other groups of professionals.

New programmes also help to identify employees showing particular promise. For example, a recently initiated programme used a Group-wide platform to enable employees to propose and assess colleagues for a "Makers of Tomorrow" campaign, identifying them as talents with abilities that are particularly valuable for the future. Other activities aim to promote female managers, with the objective of also securing a balance between men and women in leadership positions.

These measures increase the visibility of talented staff. By encouraging people to change jobs between different companies in the Lufthansa Group, it is also possible to strengthen their loyalty to the Company. Transparency about job vacancies plays a key part in enabling staff to switch.

Talent retention is also supported by having sufficient management positions for them to develop into. This requires a fluctuation rate of 9%, which is achieved by consistent application of a rotation policy for managers and the offer of early retirement packages for managers. The aim is to have the potential to fill all lower management positions with talents from within the Company. The Lufthansa Group is on track to achieve this goal.

Making the employer brand stronger and more visible

By fundamentally reworking its digital presence as an employer, the Lufthansa Group is able to make its employer brand significantly more visible. Activities in social media and career development networks are generating increasing interest. To avoid staff shortages, the Lufthansa Group practises an active sourcing approach for certain professional groups and addresses potential candidates directly. Additional advertising for the employer brand is also carried out ahead of potential applications in various formats, for example at universities. Internship experiences help to strengthen the employer brand and there are programmes in place to retain interns once they have completed their internship with the Lufthansa Group.

Performance indicator

Engagement Index creates transparency regarding attractiveness as an employer

The Engagement Index also provides information about the Company's attractiveness as an employer. It is measured by the annual employee survey, "involve me!", and enables a comparison with employers in many different sectors. It 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 2018 (excluding the foreign sites of the LSG group). The results are measured on a scale from 1 (best) to 5 (worst).

An Engagement Index of 2.2 was recorded for the reporting period. Compared to the previous year, this was a further improvement of 0.1 points, so achieving the target for 2020 a full two years earlier than planned. The index is now at the average level for similar companies in Germany. While the staff survey in 2018 only asked a reduced set of questions, a comprehensive staff survey will be conducted again in 2019. This alternation between comprehensive and shorter surveys corresponds to past practice.

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 individual teams, in order to identify and implement corresponding measures.

Employer ranking shows Lufthansa's attractiveness for potential applicants

The ranking of German employers is done through a representative analysis of more than 200 companies carried out by the renowned market research institute YouGov. The Lufthansa Group aims always to be among the five most popular employers in Germany. During the reporting year 2018, the Lufthansa Group found itself in 2nd place (previous year: 3rd place).

TRANSFORMATION CAPABILITY

Targets

Continuous change requires the capacity for transformation from employees and the Company

A market that undergoes permanent and ever faster changes requires continuous adjustments from companies. This in turn means that employees must be given the corresponding competencies and must always be willing and able to transform themselves. Initiatives aimed at achieving this are managed by the relevant process owners and by process domain owners at the next level, and are closely coordinated with the Executive Board member for Human Resources and the HR Strategy department. A separate process domain owner is responsible for cultural aspects of the transformation, who reports directly to the Executive Board member for Corporate Human Resources and Legal Affairs and is in charge of a department of several process owners.

Measures

Expand professional training opportunities

Well-qualified, committed employees are indispensable for the sustainable success of the Lufthansa Group. Because it is not possible to simply draw on knowledge acquired at one point in time to sustain an entire career, employees have to expand their knowledge and abilities continuously and keep them up to date at all times. Apart from regular training courses, especially in safety-related areas, a committee consisting of HR staff from the top management of large Group companies meets regularly to discuss in a structured process the effects of the current transformation on the competence profiles required of existing employee groups.

In this context, a process is established that is intended to enable administrative staff in particular to analyse their own competencies and compare them with current and future requirements of their role. Any gaps can be closed through innovative learning opportunities on the in-house learning platform, which supplements the existing range of training courses.

The Lufthansa Group CAMPUS is also open to all employees and offers various strategic measures for cultural and organisational development. Qualification courses for managers and top management support a modern corporate culture of collaboration and assist with team development and organisational change.

Developing working environments

Mobile, flexible working basics are the foundation for the future of work. For this reason, and with the active involvement of employees, the Lufthansa Group started to roll out the Microsoft Office 365 software – which enables transparent and efficient collaboration – in the reporting year, with a focus on the administrative areas. Communication is networked and made more transparent across hierarchical levels and the Group by the introduction of a social network. These innovations benefit 45,000 employees and should be completed in 2019. They are accompanied by the distribution of new mobile devices. Operational employees who work at least some of the time on a computer will also benefit from the new software.

Detailed survey seeks to provide comprehensive information about capacity for transformation

In the future, the comprehensive employee survey that is conducted every two years allows us to draw conclusions on the capacity for transformation of the Company. The next survey is planned for 2019.

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 responsible for Corporate Human Resources and Legal Affairs. In addition to individual meetings, this takes place as part of the regular "Health" steering committee.

Targets

Health management to be further developed across the Group

The core responsibility of the Medical Services is to maintain and improve the health and working capacity of the Lufthansa Group's employees and so to safeguard its business activities and reliable flight operations. Occupational health and safety continues to have the absolute goal of preventing accidents at work and, if they should still occur, of drawing the necessary conclusions from accidents to prevent them, as far as possible, from happening again.

Its activities and initiatives are closely coordinated with the individual business units and aim to protect the workforce. In particular, this means avoiding and reducing incidents relating to occupational health and safety.

The programme Health Management@Lufthansa Group was established 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 well-being. To make responsibility for health and well-being clearer and more visible, over 35 occupational health officers were nominated in the major Group companies to act as a permanent contact person in their own company and to liaise with Group health management.

Measures

Medical Services managed as holistic centres of excellence

The Medical Services at Lufthansa German Airlines, SWISS and Austrian Airlines are permanent holistic centres of excellence, offering 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. Thus, for more than thirty years, 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.

Following comprehensive preparations and the training of employees as quality management officers, all the sites and areas were successfully recertified in accordance with the quality management system DIN ISO 9001:2015 (previously 2008) in August 2018.

The revised German Air Traffic Control Act required a flight medicine database to be set up on a central server at the German Federal Aviation Office. In autumn 2018, the Medical Centres of Deutsche Lufthansa AG completed all the work necessary to comply with this revised legislation.

Preventive measures taken to safeguard occupational health and 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 review all professional activities in the Group companies in Germany.

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.

Managers' awareness of their responsibility for health and safety was reinforced by concrete and repeated mandatory training sessions, which will be promoted by special campaigns in the year ahead.

The Group health and safety function also prepared a global survey in 2018 to improve the transparency of occupational health and safety in the entire Lufthansa Group. It is due to be conducted in 2019.

Health management helps to deal with health challenges

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.

For example, courses are offered on the Group-wide focus topics of stress management and recuperation, as well as seminars and learning modules corresponding with individual aspects of the health index. In addition, a central eHealth platform was introduced with internal and external health services in January 2019. These activities were derived partly from the results of the employee survey "involve me!".

Performance indicator

Health Index is now the key performance indicator for employee health

A Health Index was compiled for the first time in 2017 (excluding the foreign sites of the LSG group), as the primary performance indicator for measuring the individual health levels of all employees. It is based on the relevant questions in the “involve me!” employee survey. The results serve to identify aspects of work that require adjustment and to develop focused measures to strengthen individual health resources and to minimise the risk of occupational hazards. As with the Engagement Index, they are communicated to top management, team managers and the entire workforce, and also 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 2018, the Health Index, which is also recorded as part of the short version of the employee survey every other year, declined slightly across the Group by 0.1 to 2.4, which is not a significant change from the previous year’s figure of 2.3, however. The activities served initially to make employees aware of health topics; positive effects on the Health Index are expected when they have been running for longer. The comprehensive survey, which takes place every two years, is planned for 2019.

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, the employees’ integrity is 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 as much as with extraterritorially applicable 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>.

A compliance management system prevents employees and the Company from breaking the law and helps them to apply statutory regulations correctly. It is made up of the following elements: Competition Compliance, Capital Market Compliance, Integrity (Anti-Corruption) Compliance and Embargo Compliance. [Corporate Governance report, p. 82ff.](#)

The Group-wide implementation, development and communication of the Lufthansa Group Compliance Management System is 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 Corporate Human Resources and Legal Affairs and presents two Compliance Reports per year to the Executive Board and Supervisory 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 personal consequences regarding criminal and labour law. [Opportunities and risk report, p. 61ff.](#)

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/ombudssystem.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 for dealings with the business partner.

All Group companies worldwide are assessed for corruption risks All Group

All Group companies worldwide were reviewed for corruption and antitrust risks by means of a compliance risk assessment. A report with recommended measures was prepared for every company in the reporting year. These recommendations will be implemented in the respective companies on the basis of a structured plan. In addition to the risk areas identified here, Group-wide risk assessments are conducted regularly in all Group companies to identify areas which are potentially critical for integrity and competition compliance and to take preventive measures aimed at mitigating potential vulnerabilities. The risk assessments consist of interviews with managers and written self-assessments.

Respect for human rights

Concepts

Respect for human rights is embodied in the Code of Conduct

As a company that acts with integrity and responsibility, respect for human rights is self-evident for the Lufthansa Group. As a signatory of the UN Global Compact, Lufthansa attaches great importance to conducting its business in line with internationally acknowledged principles and commitments and embedded respect for human rights as an integral element of its corporate culture. 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.

Consequently, the Code of Conduct stipulates that the Group always acts in compliance with human rights, the principles of the UN Global Compact and acknowledged international labour and social standards. 📄 <https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html>.

In the reporting year, the Lufthansa Group also signed the Resolution against Trafficking in Persons from the International Air Transport Association (IATA). It supports this industry initiative, in particular by making operational staff, cabin crew and ground staff at the stations aware of the issue of human trafficking.

C32 CORE ELEMENTS OF THE GERMAN NATION ACTION PLAN FOR BUSINESS AND HUMAN RIGHTS



Targets

Respect for human rights is the overarching goal

The overarching goal is to avoid human rights breaches in the Company and the supply chain by means of organisational and process-based measures. The Code of Conduct is binding for all bodies, managers and employees of the Lufthansa Group. With regard to protecting human rights, the Lufthansa Group is guided by the recommendations of the National Action Plan for Business and Human Rights (NAP) adopted by the federal government in late 2016. With regard to corporate respect for human rights, the Federal Government expects all enterprises to comply with human rights due diligence and to respect human rights along their supply and value chains. The National Action Plan describes five core elements of due diligence in the field of human rights. These core elements comprise a policy statement, procedure for identifying actual or potential adverse impacts on human rights, measures and effectiveness audits, reporting and a grievance mechanism.

All the measures listed below can be attributed to one of these core elements.

The Group's procurement policy ([↗ Sustainability in the supply chain, p. 225](#)) also states that the Lufthansa Group expects its suppliers to respect human rights. Contracts should therefore include the possibility of penalties up to and including the immediate termination of the business relationship.

Measures

Human rights working group acts as a point of contact and influencer

The human rights working group, established in 2017 in the Human Resources and Legal Affairs Division of the Executive Board, continued its work in the reporting year and includes representatives of all relevant head office functions and Group companies potentially at risk. Its regular meetings serve to communicate information and develop a uniform, Group-wide position and strategy. In the future, the development of a structured media monitoring process is planned. In addition, selected contacts advise, support and follow up on the topic at the main companies in the Lufthansa Group.

International reporting obligations are also dealt with by the working group. The Lufthansa Group will publish a mandatory declaration for the financial year 2018 as required by the UK Modern Slavery Act 2015.

Targeted group-specific awareness campaigns for managers and employees

Based on an analysis carried out by Verisk 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 violation is particularly high. The country overview is regularly updated. Managers and Human Resources departments at Group companies in these countries should be made aware of their duty of care to avoid human rights abuses. From this year onwards, a specific annex will successively be added to the employment contracts with these managers.

In addition, awareness is heightened by means of focused intranet communications to all the employees in the Group. This includes a statement by the Executive Board member for Corporate Human Resources and Legal Affairs emphasising the responsibility of the Lufthansa Group as a global company to respect human rights. Further information on this topic is available to all employees.

Processes for reporting human rights violation implemented

The companies are obliged to identify human rights risks and report the type and number of suspicious incidents. Individual complaints can be made also by third parties to the external ombudsman – confidentially if so desired. [↗ https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/ombudssystem.html](https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/ombudssystem.html).

Employees of the Lufthansa Group can also report to their manager, Human Resources management or the employee representative. A works agreement with regard to procedures for grievances is already in place for all employees in Germany. It is already used for many different kinds of complaints and can also be used for to complaints regarding human rights violations.

“Zero tolerance” for cases of sexual harassment

Respect for one another is particularly important to the Lufthansa Group. This includes ensuring a working environment for all employees that is free of discrimination, harassment and unequal treatment. The Lufthansa Group expects that this principle is reflected globally in the conduct of all employees towards one another. A corresponding clause was added to the Code of Conduct in 2018 and an extensive communications campaign to raise awareness was carried out using various internal and external communications channels. [↗ https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html](https://investor-relations.lufthansagroup.com/en/corporate-governance/compliance/code-of-conduct.html). For those employees affected, the Lufthansa Group also expanded its range of options for providing support.

Social concerns

Concepts

Lufthansa Group expands social responsibility

As an international aviation business, the Lufthansa Group also assumes responsibility for social concerns. Since 2016, the Company has increasingly based its activities on the Sustainable Development Goals (SDGs) defined in the United Nations Agenda 2030, particularly concentrating on the core topics of Education/Enabling and Life/Health (for immediate humanitarian aid missions).

The focus of the corporate citizenship activities is in social and humanitarian projects around the world, pooled and managed by the help alliance, the Lufthansa Group's aid organisation. The help alliance is a non-profit entity (gGmbH) held by the Lufthansa Group and based in Frankfurt am Main. www.helpalliance.org. Its importance is emphasised by the fact that the company reports to the Chairman of the Executive Board and CEO.

In 2018, the Lufthansa Group began to refine its concept for social commitments at the hubs of the Network Airlines. It essentially consists of establishing or building on local help alliance projects and sponsoring other regional projects with a link to the Lufthansa Group that focus on the core topic of Education/Enabling. Implementation is to take place in 2019.

Targets

A contribution 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. Defined criteria ensure that the supported projects are sustainable.

The focus on social and humanitarian projects in the field of Education/Enabling makes it possible to deploy the available funding in an efficient and targeted way. The main objective is to help disadvantaged people lead a successful, healthy and self-sufficient life. This help primarily takes the form of educational opportunities. In the reporting year, the help alliance was responsible for 41 aid projects with a volume of EUR 2m and helped some 23,000 people around the world. Focus was once again on the biggest help alliance project so far, the "iThemba" project in South Africa, which enables children in the Capricorn township of Cape Town to receive a high-quality primary education. The iThemba primary school was opened in January 2018 and teaches more than 100 children in three classes.

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 aid organisations to provide quick, straightforward assistance in the logistics of initial relief.

Other donations used fully for aid projects

In 2018, the Lufthansa Group covered all of the costs of administration, project assistance, fundraising and communication at help alliance gGmbH. This ensures that 100% 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.

Sustainability in the supply chain

Concepts

Sustainability in the supply chain is bolstered by organisational structure

To meet the standards the Lufthansa Group 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 actions 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 supply.

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

The process-based matrix organisation makes it easier to establish sustainability standards because standardised processes and IT systems are increasingly used. Defining responsibilities within the Group also ensures efficient collaboration. The goal is also to improve the enforcement of sustainability standards.

Targets

Compliance is expected from suppliers

The Lufthansa Group demands of 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

To identify the type and level of supplier risks, the procurement units responsible for product groups carried out a risk assessment for the suppliers. The outcome is included in the result of Group risk management.

The Group procurement policy also 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.

Lufthansa Group's sustainability commitments are confirmed by EcoVadis

In order to demonstrate its sustainability and responsibility towards its customers, the Lufthansa Group participates in EcoVadis, a sustainability assessment platform for global supply chains. In the reporting year, EcoVadis once again confirmed the commitment of the Lufthansa Group with its "Silver Status".

Summary

The responsible and sustainable treatment of resources, the environment, customers, employees and suppliers is a prerequisite for the long-term financial stability and attractiveness of the Lufthansa Group for its customers, employees, investors and partners.

With the activities and concepts described above, the Lufthansa Group aims to consolidate its position as a leading player in the airline industry, including in terms of corporate responsibility.

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.

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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 combined separate 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 2018 to 31 December 2018 (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 289b 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 controls 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 Qualitätssicherungsstandard 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 2018 to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b 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.

¹⁾ PricewaterhouseCoopers GmbH has performed a limited assurance engagement on the German version of the combined separate non-financial report and issued an independent assurance report in German language, which is authoritative. The following text is a translation of the independent assurance report.

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 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 which is combined with the Company's management report
- Evaluation of the presentation of the 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 2018 to 31 December 2018 has not been prepared, in all material aspects, in accordance with §§ 315b and 315c in conjunction with 289b 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/Main, 5 March 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Nicolette Behncke ppa. Mirjam Kolmar
Wirtschaftsprüfer
[German public auditor]