

Responsibility

➤ Lufthansa has refined its previous set-up and incorporated it within a structure under the title of “Responsibility”. ➤ The Corporate Responsibility Council is to be integrated even more closely with Group strategy and management. ➤ Lufthansa is represented in various sustainability indices. ➤ Sustainable business forms the basis for our activities in the interests of all stakeholders. ➤ For many years we have been involved worldwide with the environment, social affairs, education, sport and culture.

The principles of corporate responsibility are firmly anchored in the mission statement, the corporate values and the management principles of the Lufthansa Group. In the reporting year we refined our existing set-up and have now embedded all aspects of this topic in one structure under the heading of “responsibility”. In addition to sustainability, and therefore economy, ecology and social welfare, this also covers our corporate governance and corporate citizenship activities.

In order to make the management of all activities relating to corporate responsibility and sustainable business in the Lufthansa Group even more effective, the Sustainability Board responsible to date has been expanded and dovetailed more closely with the Group strategy. This gave rise to the Corporate Responsibility

Council, which remains interdisciplinary and inter-segmental and is coordinated by the Head of Group Strategy. The council is made up of the heads of the Group departments Policy, Environmental Concepts, Executive Personnel, Legal Affairs, Communications, Investor Relations and Group Controlling. The involvement of Controlling ensures that the sustainability goals are more closely dovetailed with the Group-wide management and reporting processes. The Group department Corporate Sourcing is included in an advisory capacity in order to guarantee that the criteria of our responsibility are met in the supply chain as well. We attach great importance to making all these aspects highly relevant – and so the council reports directly to the Executive Board, which bears overall responsibility.

Corporate responsibility at Lufthansa

Economic sustainability	Long-term and sustainable value creation, opportunities and risk management, supply chain management/sourcing, investor dialogue
Responsibility for the climate and the environment	Emissions reduction, environmental management systems, resource management, environmental protection, Green IT, environmental conservation (biodiversity), travel management
Social responsibility	Employment and pay conditions, freedom of association/collective bargaining, job-security policy, recruiting policy, benefits, leadership principles/culture, staff training/development, diversity management/anti-discrimination, health and safety at work, work-life balance, human rights/international social standards, internal stakeholder dialogues
Corporate governance and compliance	Corporate governance, corporate compliance, legal, taxes, Executive and Supervisory Board remuneration, data protection
Corporate citizenship	Politics, external stakeholder dialogues, memberships, sponsoring, aid projects, support for education projects, donations

Great outside interest in the subject of responsibility

As in previous years, Lufthansa's activities relating to responsible conduct were evaluated and acknowledged by outside experts and rating agencies again in 2010. Lufthansa is still represented in numerous sustainability indices, for example FTSE4Good, ASPI (Advanced Sustainable Performance Index) and ESI (Ethibel Sustainability Index).

However, despite making great efforts, Lufthansa, like other DAX companies, was for the first time since 2005 not able to meet the tougher criteria for membership of the Dow Jones Sustainability Index. The analysts saw room for improvement in the areas of social commitment, terms for suppliers and the Company's engagement with external stakeholders. On the other hand, the rating was very positive in terms of climate strategy, noise abatement and local air quality.

The Executive Board and the Corporate Responsibility Council take the evaluations and recommendations very seriously. The areas for improvement are being examined together with the Company's experts and the necessary steps will be taken.

Lufthansa is committed to the principles of the UN Global Compact and supports its activities. Since 2002 Lufthansa had also complied with all recommendations of the Corporate Governance Code and followed most of its facultative suggestions as well. The declaration of compliance was updated with a small number of reservations in the Supervisory Board meeting held on 6 December 2010. Further information can be found in the "Corporate Governance" chapter on [p. 42](#).

Our environmental protection strategy and its 15 principles underlie environmental conduct

The strategic environmental programme has been in existence at Lufthansa since 2008 and consists of 15 principles. It reflects the high priority assigned to environmental protection in the Company's goals. Our main priority is to make further tangible progress and attain qualitative targets in environmental protection by 2020.

As one of the decision-making criteria, environmentally compatible conduct is to be more deeply integrated in everyday decision-making process than it is at present. Our principles and an overview of our current environmental targets – including their current status, progress made, targets that have not yet been met and the steps we intend to take to help us reach these – can all be found on our website www.lufthansa.com/responsibility.

With the help of a comprehensive environmental database all operating processes and activities in the Lufthansa Group that effect the environment are systematically identified, documented and evaluated. This enables us to measure our performance and the success of our efforts to protect the climate and the environment by using a variety of key indicators. They include for example energy and kerosene consumption, emissions, noise, refuse, water and waste water. These performance indicators help our environmental experts to improve environmental protection in and by the Group continuously. In the medium term this should also make it possible to implement a certifiable environmental management system in all major Group companies.

The top priority is to reduce CO₂ emissions. The concrete target is to cut CO₂ emissions per passenger-kilometre (pkm) by 25 per cent by 2020 in comparison with 2006 (110.5 g/pkm). This would result in reduced CO₂ emissions of approximately 84 g/pkm. In the financial year 2010 just ended, the corresponding figure was 105.8 g/pkm, compared with 108.4 g/pkm the previous year – an improvement of 2.4 per cent.

Measuring the absolute amount of CO₂ emitted, transport services provided by the Lufthansa Group in 2010 released a total of 26.6 million tonnes of CO₂. The increase of 10.1 per cent compared with the previous year was clearly below the rise of 15.6 per cent in transport performance. The unfolding fleet modernisation programme and thus the new aircraft with modern, fuel-efficient engines mean that CO₂ emissions are increasingly being decoupled from traffic levels. In addition, the programme leads to further optimisation of the specific fuel consumption, which is measured in litres per 100 passenger-kilometres.

Key environmental performance indicators for the Lufthansa Group's operating fleet

		2010	Change in %	2009	Change in %	2008
Fuel consumption	in litres / 100 pkm	4.20	-2.3	4.30	-0.9	4.34
CO ₂ emissions (direct)	in gramme / pkm	105.8	-2.4	108.4	-0.8	109.3

At 4.20 litres for 2010 this figure was again lower than the previous year (4.30 l/100 pkm) and the year before that (4.34 l/100 pkm). Additional and more detailed environmental performance indicators for the financial year 2010 can be downloaded at www.lufthansa.com/responsibility from the middle of the year.

Alongside the ecological effects on the climate and the environment, fuel savings also bring economic benefits. They reduce fuel costs, which next to staff costs are always one of the biggest cost items in Lufthansa's income statement. Under current European Union regulations this is aggravated by the fact that air traffic is to be included in the European emissions trading scheme from 2012. The adverse effects this will have are mitigated by a fuel-efficient fleet. See also "Regulatory and other factors" on [p. 58](#) for more details.

Cutting-edge research projects

As a service company Lufthansa does not run its own research and development department in a classical sense. Instead we take part in numerous research projects, providing them with active support. They are described in detail in Balance, our sustainability report. One example is the EU research project CARIBIC, which is aimed at investigating the complex chemical and physical processes that take place in the atmosphere. A measurement laboratory installed on board a wide-bodied Airbus jet delivers detailed and precise data on various trace elements and the concentration and size distribution of aerosols. In spring 2010 the equipment was also used to reliably measure ash concentrations in the air-space over Europe following the eruption of the Icelandic volcano Eyjafjallajökull.

In November 2010 Lufthansa, together with the federal government's aerospace coordinator and the German Aerospace Center, presented a biofuel project on sustainable air travel sponsored under the government's aviation research programme. Following approval, for six months starting most likely in spring 2011 Lufthansa will deploy an Airbus A321 in regular flight operations on the Hamburg–Frankfurt–Hamburg route, which uses a blended fuel containing 50 per cent biosynthetic kerosene in one of its engines.

The main aim of the project is to investigate the effects of biofuels on an engine's servicing and life cycle in the course of a long-term experiment. The six-month trial alone will save around 1,500 tonnes of CO₂. This will make Lufthansa the first airline in the world to use biofuels in flight operations over a longer test period. The project is named BurnFAIR and is part of a larger project funded by the federal government known as FAIR (Future Aircraft Research), in which other topics including new propulsion and aircraft concepts or other fuels, such as liquid gas, are investigated in addition to the compatibility of biofuels. As procurement and execution are expensive, we have calculated Lufthansa's total costs for carrying out the BurnFAIR project at around EUR 4.1m.

The use of biosynthetic kerosene is one element of the four-pillar climate protection strategy for the air transport sector, which is recognised by the UN's civil aviation organisation ICAO and offers airlines an effective way of reducing carbon emissions. Only by combining a range of different measures, for example continuous fleet renewal, operating activities such as engine washes or the use of lighter materials, and an improved infrastructure, will it be possible to reach the ambitious environmental targets. Research projects corresponding to these subjects are also already underway as part of the aviation research programme.

Furthermore, we are intensifying our involvement in the field of noise research. Lufthansa is investing in active noise-protection measures by updating the entire Boeing 737 fleet stationed in Frankfurt by the end of 2011 and making technical adjustments to the engines on the Boeing 737-300s and 737-500s. Around one fifth of Lufthansa's flights in Frankfurt will take place with these aircraft models in the future. The adjustments will reduce noise emissions on take-off and landing by up to 2.4 decibels, which is also a measure of our responsibility in respect of those living near the airport.

You can find further explanations of the four-pillar strategy for air transport in our [sustainability report Balance](#).

Exercising our responsibilities as an employer

For a service company like Lufthansa, having motivated employees is extremely important, as is the development and preservation of specialist knowledge. The lengths that the Lufthansa Group goes to in order to ensure its attractiveness as an employer for existing and future staff are described in detail in the chapter “Employees” on [p. 124](#).

Manifold activities in corporate citizenship

As an international aviation group Lufthansa is well aware of its role as a corporate citizen and has for many years been closely involved in culture, the environment, social affairs, education and sport.

In the cultural sphere the Lufthansa Festival of Baroque Music, which has taken place annually in London for the past 26 years, has become an internationally recognised festival. Since 2010 we have been sponsoring the Gürzenich orchestra in Cologne with an amount of EUR 250,000 a year as a First Global Partner. The orchestra is one of Germany’s leading ensembles for concerts and operas. It intends to use the annual sponsoring revenue to strengthen its teaching programme for children and young people Open Your Ears! with joint visits to rehearsals and concerts, music projects, workshops and meetings with musicians.

In the field of nature and the environment Lufthansa works with more than ten national and international nature conservation and environmental associations on projects to preserve biodiversity. The projects focus on the protection of endangered species. Lufthansa is particularly involved in cross-border activities to protect migratory species and their habitats. Traditionally our work has put a strong emphasis on steps to protect endangered species of crane. In 2010 Lufthansa and the sustainability foundation Nature-Life-International also curated the travelling exhibition World Champions of Nature, which is being shown in major cities in Germany. It is meant as a concrete contribution to greater knowledge of the natural world and awareness of nature conservation. Another element is a short film about protecting endangered species entitled Life’s Diversity – Nature’s Fascination, which is shown on board our aircraft.

An outstanding example of the Lufthansa Group’s social commitment is the HelpAlliance. It was founded in 1999 by staff from all divisions of the Lufthansa Group. The association operates as a charity and has no political or religious allegiances. Projects

organised by HelpAlliance include schools, training centres, orphanages, projects for street children, business start-up help and bush hospitals in Africa, Asia, Europe and Latin America. Since its foundation we have provided HelpAlliance with financial, logistics and communications support. Lufthansa doubled the total amount donated by its staff in 2010, to a HelpAlliance project in Pakistan to help those affected by the catastrophic floods for instance.

In 2004 staff at Lufthansa Cargo and a number of German doctors also jointly established the charity Cargo Human Care. The basic idea behind this humanitarian aid project is to provide uncomplicated, professional medical assistance for those in need among the population of Nairobi. Lufthansa Cargo provides the doctors with free flight tickets and free transport capacities on board its cargo aircraft. In the event of catastrophes such as the earthquake in Haiti or the flooding in Pakistan, Lufthansa Cargo also provides rapid, direct aid, for example by transporting emergency equipment for providing medical treatment for children.

SWISS has also supported the charity SOS-Kinderdörfer for many years. The SWISS House is one of 13 family houses in the SOS-Kinderdorf children’s village in Daressalam in Tanzania. Its construction was made possible by donations from SWISS passengers and employees. The strong sense of commitment to the African continent is also expressed in the support shown by group member Brussels Airlines for numerous humanitarian projects there. In order to deliver its contribution as effectively as possible, Brussels Airlines also works closely with two Belgian non-governmental aid organisations.

Education is another topic which has traditionally enjoyed a high priority at Lufthansa. The innovative educational exhibition Lufthansa Erlebnis Wissen presents the wide variety of occupations and professions on offer in the Lufthansa Group in order to inform children and young people about air transport. It also gives the school children some initial career ideas. Since 2008 Lufthansa has supported the charitable initiative Teach First Deutschland, which campaigns for more equality of opportunity for school children on their way into the job market. The aim of business@school, an initiative launched in 1998 by Boston Consulting Group, is to familiarise older pupils with practical economic topics in their final school years. We have supported this educational initiative since 2002 and it now extends to more than 70 schools in Germany, Austria, Switzerland, Singapore, Italy and Norway.

The Company also sees the preservation of traditions as part of doing responsible business. It is in this spirit that we sponsor the Deutsche Lufthansa Berlin-Stiftung. The foundation has dedicated much thorough work and great expertise to a beacon project carried out jointly with colleagues from Lufthansa Technik and external specialists – the rebuilding of an aircraft from the legendary Lockheed Super Constellation series. The plane is to be made airworthy again, cockpit staff trained and the necessary licences obtained. Another great favourite is the Junkers Ju 52 (“Auntie Ju”) bearing the name Berlin-Tempelhof, which offers pleasure flights in many towns.

For many years the Company has also been a partner at sporting events. Its involvement in sports represents a commitment to competitive performance as well as a commitment to the Company’s social responsibility. This involvement includes its partnership with the Deutsche Sporthilfe foundation, its support as a National Sponsor for Munich in its bid to host the 2018 Winter Olympics, and its partnership with the German Olympic Sports Federation and the German Disabled Sports Association to support German athletes at the Olympic Games and the Paralympics.

Procurement processes are being professionalised throughout the Group

In early 2009 we launched the Procurement Leadership project in order to continuously make purchasing procedures throughout the Group more professional. The focus is on introducing strategic category management, with which the purchasing units are expected to contribute around EUR 300m per year to the operating result by 2011. The strategy development is accompanied by intensive work on fundamental topics. They include new IT systems and various process alterations as well as a fundamental rethink of supplier management, with which we are underscoring our call for responsibility in our purchasing function and throughout the entire supply chain.

In the same context Lufthansa will no longer simply appeal for compliance with binding criteria of responsibility on a decentralised basis via its companies, but as a “procurement leader” will make them mandatory in all contracts and internal guidelines for the whole Group by means of a purchasing handbook. We are guided by internationally recognised conventions on environmental protection and health and safety at work, statutory regulations on fighting corruption, and security guidelines for data processing.

Ongoing focus on sustainable business

The basis for all activities in the Lufthansa Group and the fundamental condition for responsible behaviour is to increase the Company value for the long term by means of sustainable business. To do so, we manage the Company by value-based principles and measure performance using cash value added (CVA), see “Value-based management and targets” from [p. 48](#). The variable remuneration components for managers and Executive Board members are also based on CVA. This ensures that Company management has a direct stake in the sustainable development of the Group. At the same time, it minimises the danger that decisions which promise short-term gain but no long-term benefits should be considered attractive.

Risk management, including management of financial risks, also contributes towards securing the Company’s long-term success. A detailed description of methodologies and instruments is provided in the “Risk and opportunities report” from [p. 132](#).

German company law, co-determination law and capital market law along with our Articles of Association and company-specific implementation of the Corporate Governance Code form the basis of the Group’s management and supervisory structure. These regulations also include that the rules on competition compliance and integrity compliance are binding for all Lufthansa employees.

Open, transparent communications are paramount in the process of regular dialogue with all our stakeholders. Through this we create the trust that Lufthansa enjoys with its shareholders and lenders, employees and the general public.