Robinson Club Noonu in the Maldives is a new addition to the TUI hotel portfolio. As we expand our hotel business in the Indian Ocean and South-East Asia, we are catering for both European and Asian target groups. In China especially, the travel-loving middle classes are growing fast.

READ MORE ABOUT THE CHINESE GROWTH MARKET IN THE MAGAZINE UNDER 'NEW DEPARTURES'

Corporate Governance

EXECUTIVE BOARD AND SUPERVISORY BOARD

Supervisory Board

Name	Function / Occupation	Location
Prof. Dr Klaus Mangold	Chairman of the Supervisory Board of TUI AG	Stuttgart
	Chairman of the Supervisory Board of Rothschild GmbH	
Frank Jakobi[1]	Deputy Chairman of the Supervisory Board of TUI AG	Hamburg
	Travel Agent	
Sir Michael Hodgkinson	Deputy Chairman fo the Supervisory Board of TUI AG	London
Andreas Barczewski[1]	Aircraft Captain	Hanover
Peter Bremme[1]	Regional Head of the Special Services Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Hamburg
Prof. Dr Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung (DPR)	Bonn
Wolfgang Flintermann[1]	Director Group Financial Accounting & Reporting, TUI AG	Großburgwedel
Angelika Gifford	Vice President and General Manager DACH Microfocus GmbH	Kranzberg
Valerie Frances Gooding	Member of supervisory bodies in different companies	Weybridge
Dr Dierk Hirschel[1]	Business unit manager of the trade-unition ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Janis Kong	Member of supervisory bodies in different companies	London
Peter Long	Chairman Royal Mail Group PLC	London
Coline McConville	Member of supervisory bodies in different companies	London
Alexey Mordashov	Chairman Board of Directors of PAO Severstal	Moscow
Michael Pönipp[1]	Hotel Manager	Hanover
Carmen Riu Güell	Managing Director RIUSA II S.A.	Palma de Mallorca
Carola Schwirn[1]	Department Coordinator in the Transportation Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin
Anette Strempel[1]	Travel Agent	Hemmingen
Ortwin Strubelt[1]	Travel Agent	Hamburg
Stefan Weinhofer[1]	International Employee Relations Coordinator at TUI AG	Vienna

[1] Representative of the employees
[2] Information refers to 30 September 2017 or date of resignation from the Supervisory Board of TUI AG in financial year 2017.
[3] Chairman
[4] Deputy Chairman

a) Membership in supervisory boards within the meaning of section 125 of the German Stock Corporation Act (AktG)
b) Membership in comparable German and non-German bodies of companies within the meaning of section 125 of the German Stock Corporation Act (AktG)

Initial Appointment	Appointed until AGM	Other Board Memberships[2]		Number of TUI AG shares (direct and indirect)[2]
7 Jan 2010	2021	a) Continental AG	b) Alstom S.A.	0
			Baiterek Holding JSC	
			Ernst & Young Global Ltd.	
			Rothschild GmbH[3]	
15 Aug 2007	2021			590
11 Dec 2014	2021	b) Keolis (UK) Limited[3]		7,980
		Keolis Amey Docklands Ltd.		
		World Airport Partners GmbH		
10 May 2006	2021	a) TUIfly GmbH[4]		0
2 Jul 2014	2021	a) TÜV Nord AG		0
9 Feb 2011	2021	a) Deutsche Postbank AG		0
		Metro AG		
		VONOVIA SE[3] (interim)		
13 Jun 2016	2021	a) Deutscher Reisepreis-Sicherungsverein VVaG		188
26 Mar 2012	2021	a) ProSiebenSat1 Media SE	b) Rothschild & Co	4,100
11 Dec 2014	2020	b) Vodafone Group PLC		994
16 Jan 2015	2021	a) DZ-Bank AG		0
11 Dec 2014	2020	b) Bristol Airport Ltd.	South West Airports Ltd.	5,985
		Copenhagen Airport	Roadis Transportation Holding S.L.U.	
		Portmeirion Group PLC		
9 Feb 2016	2021	b) Royal Mail Group PLC[3]	Parques Reunidos Servicios Centrales S.A.	10,317
		Countrywide PLC		
11 Dec 2014	2020	b) Fevertree Drinks PLC	Travis Perkins PLC	0
		Inchape PLC		
9 Feb 2016	2021	b) AO "Severstal Management"[3]	Nordgold S.E.	135,018,584
		OAO "Power Machines"[3]		
17 Apr 2013	2021	a) TUI Deutschland GmbH		292
		MER-Pensionskasse VVaG.		
14 Feb 2005	2021	b) Hotel San Francisco S.A.	Riu Hotels S.A.	19,854,616
		Productores Hoteleros Reunidos S.A.	RIUSA II S.A.	
1 Aug 2014	2021			0
2 Jan 2009	2021			1,468
3 Apr 2009	2021			4,131
9 Feb 2016	2021		b) TUI Austria Holding GmbH	0

Executive Board

Name	Department	Other Board Memberships[1]		Number of TUI AG shares (direct and indirect)[1]
Friedrich Joussen (Age 54) Member of the Executive Board since October 2012 CEO of the Executive Board from February 2013 Joint-CEO since December 2014 CEO since February 2016 Current appointment until October 2020	CEO	a) Sixt SE[2]		278,081
Horst Baier (Age 60) Member of the Executive Board since November 2007 Current appointment until November 2018	Finance		b) RIUSA II S.A.[2] TUI Canada Holdings Inc. Sunwing Travel Group Inc.	40,717
David Burling (Age 49) Member of the Executive Board since June 2015 Current appointment until May 2021	Northern Region Airlines Hotel Purchasing	b) TUI Travel Holdings Ltd. TUI Travel Ltd. First Choice Holidays Ltd. First Choice Holidays & Flights Ltd. Sunwing Travel Group Inc. First Choice Olympic Ltd. TUI Sverige AB TUI Travel Holdings Sweden AB TUI Nordic Holding AB	Thomson Travel Group (Holdings) Ltd TUI Travel Overseas Holdings Ltd. TUI Canada Holdings Inc. TUI Northern Europe Ltd. TUI Travel Group Management Services Ltd. TUI UK Transport Ltd.	16,300
Sebastian Ebel (Age 54) Member of the Executive Board since December 2014 Current appointment until November 2020	Central Region Hotels Cruises TUI Destination Services	a) TUI Deutschland GmbH[2] TUI Cruises GmbH TUIfly GmbH[2] BRW Beteiligungs AG Eintracht Braunschweig GmbH & Co KG[2] Eves Information Technology AG[2]	b) RIUSA II S.A. TUI Spain S.A. TUI Suisse Ltd.[2]	250
Dr Elke Eller (Age 55) Member of the Executive Board since October 2015 Current appointment until October 2021	HR, Labour Director	a) Nord LB TUI Deutschland GmbH TUIfly GmbH	b) TUI Nederland N.V. TUI Belgium N.V.	12,545
Frank Rosenberger (Age 49) Member of the Executive Board since January 2017 Current appointment until December 2019	IT and New Markets	a) TUI Deutschland GmbH peakwork AG		

[1] Information refers to 30 September 2017 or date of resignation from the Excecutive Board in financial year 2017.
[2] Chairman

a) Membership in Supervisory Boards required by law within the meaning of section 125 of the German Stock Corporation Act (AktG)
b) Membership in comparable Boards of domestic and foreign companies within the meaning of section 125 of the German Stock Corporation Act (AktG)

CORPORATE GOVERNANCE REPORT

Statement on Corporate Governance (as part of the Management Report)

The actions of TUI AG´s management and oversight bodies are determined by the principles of good and responsible corporate governance.

The Executive Board and the Supervisory Board comprehensively discussed Corporate Governance issues in financial year 2017. In this chapter, the Executive Board and the Supervisory Board provide their report on Corporate Governance in the Company pursuant to sub-section 3.10 of the German Corporate Governance Code and section 289a of the German Commercial Code (HGB) as well as Disclosure and Transparency Rule (DTR) 7.2 and Listing Rule (LR) 9.8.7R.

1. Declaration of Compliance pursuant to section 161 of the German Stock Corporation Act (AktG)

As a stock corporation company under German law, TUI AG's Executive Board and Supervisory Board are obliged to submit a declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act.

⊕ *www.dcgk.de/en/code.html*

In December 2017, the Executive Board and the Supervisory Board jointly submitted the declaration of compliance for 2017 pursuant to section 161 of the German Stock Corporation Act. The declaration was made permanently accessible to the general public on TUI AG's website in December 2017.

⊕ *www.tuigroup.com/de-de/investoren/corporate-governance*

WORDING OF THE DECLARATION OF COMPLIANCE FOR 2017

'In accordance with section 161 of the German Stock Corporation Act, the Executive Board and Supervisory Board of TUI AG hereby declare:

Since the last annual declaration of compliance was submitted in December 2016, the recommendations of the German Corporate Governance Code in the version dated 5 May 2015 have been fully observed. The recommendations of the Code in the version dated 7 February 2017 have been and will be fully observed since its entry into force.'

2. Declaration of Compliance pursuant to DTR 7.2 and LR 9.8.7R

At the time of the merger TUI AG had announced it would comply with the UK Corporate Governance Code (the UK Code)

⊕ *https://www.frc.org.uk/getattachment/ca7e94c4-b9a9-49e2-a824-ad76a322873c/UK-Corporate-Governance-Code-April-2016.pdf*

to the extent practicable. In many respects, the requirements of the German Code and the UK Code are similar. However, there are certain aspects which are not compatible (in some cases due to the different legal regimes for German and UK companies). Therefore some deviations from best practice in the UK have been necessary.

Under the German Stock Corporation Act, the legislation applicable to TUI AG, a two-tier board system is mandatory (see below section 'Functioning of the Executive and Supervisory Board' on page 108). The two-tier board structure is different to the UK unitary board structure on which the UK Code is based. Some of the principles of composition and operation of the boards of a German stock corporation also differ from those of a UK company (for example, there is no Company Secretary). For this reason, the Executive Board and the Supervisory Board have set out below in which areas the UK Code is not complied with and explained the reasons for the deviations. In addition, the Executive Board and the Supervisory Board have also explained those instances where they consider TUI AG not to be compliant with the UK Code in the literal sense but where it lives up to the spirit and meaning of the respective regulation.

Sub-headings refer to sections of the UK Code for ease of reference for investors.

Pursuant to DTR 7.2 and LR 9.8.7R, the Executive Board and the Supervisory Board therefore declare as follows:

WORDING OF THE UK CORPORATE GOVERNANCE STATEMENT

'Throughout the reporting period, TUI AG has complied with the provisions of the UK Code, including its main principles, except as set out and explained below.

IDENTIFICATION OF SENIOR INDEPENDENT DIRECTOR (A1.2, A4.1)

Under German law and the German Code, there is no concept of a 'Senior Independent Director'. Instead, shareholders may raise any issues at the Annual General Meeting (AGM). In this forum, the Executive Board and the Chairman of the Supervisory Board are available to address any issues and are legally obliged to provide adequate responses.

Outside the AGM, shareholders may approach the Executive Board, in particular the CEO or the CFO, or, for topics relating to Supervisory Board matters, the Chairman of the Supervisory Board or any of his Deputies. Sir Michael Hodgkinson, who was the Deputy Chairman and Senior Independent Director of TUI Travel PLC before the merger, was re-elected as additional Deputy Chairman of the Supervisory Board of TUI AG in February 2016 alongside Frank Jakobi (First Deputy Chairman who, under the German Co-Determination Act, must be an Employee Representative).

DIVISION OF RESPONSIBILITIES – CHAIRMAN & CHIEF EXECUTIVE (A2.1)

The separation of the roles of the Chairman of the Supervisory Board (Prof. Klaus Mangold) and the CEO (Friedrich Joussen) is clearly defined under German law as part of the two-tier board structure. Therefore, no further division of responsibilities is required and both the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

INDEPENDENCE OF SUPERVISORY BOARD MEMBERS (B1.1)

Under the UK Code, the Board must identify in the annual report each non-executive director it considers to be 'independent' for the purposes of the UK Code. Based on the responsibilities assigned to the Supervisory Board by the German Stock Corporation Act, the members of the Supervisory Board are considered to be non-executive directors for the purposes of the UK Code. Under the UK Code, persons are 'independent' if they are independent in character and judgement and if there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. TUI AG does not, however, extend its independence disclosures to employee representatives on the Supervisory Board (for a detailed explanation of shareholder and employee representatives and the underlying considerations, please see below).

The Supervisory Board has determined that six of its nine shareholder representative members (excluding the Chairman, as required by the UK Code) are independent for the purposes of the UK Code. The shareholder representatives of the Supervisory Board considered to be independent are: Prof. Edgar Ernst, Valerie Gooding, Sir Michael Hodgkinson, Janis Kong, Coline McConville and Angelika Gifford. The Chairman was independent on election in 2011 and re-election in February 2016 and is still considered independent (Prof. Mangold also was independent when he was elected to the Supervisory Board in January 2010).

The members of the Supervisory Board not considered to be independent for the purposes of the UK Code are Carmen Riu Güell, Alexey Mordashov and Peter Long.

In reaching its determination, the Supervisory Board has considered, in particular, the factors set out below.

SHAREHOLDER AND EMPLOYEE REPRESENTATIVES

The Supervisory Board of TUI AG consists of ten members who are elected by shareholders at AGM (the 'Shareholder Representatives') and ten members who represent the employees of TUI AG (the 'Employee Representatives'). This differs from UK practice where only those board members representing major shareholders are typically referred to as 'Shareholder Representatives' and are not considered independent under the UK Code because of their link to a significant shareholder.

In TUI AG, only the shareholder representatives Carmen Riu Güell (Riu Hotels, approx. 3.4 % of the voting rights) and Alexey Mordashov (approx. 23 % of the voting rights via Unifirm Ltd., majority controlled by himself) are connected to significant shareholders or are shareholders themselves. It should also be noted that joint ventures exist between TUI AG and both Riu Hotels S. A. and TUI Russia & CIS (in which a majority controlling interest is held by Mr Mordashov) (for further details see page 96 of the Annual Report). Until his election to the Supervisory Board in February 2016, Peter Long was Joint-CEO of TUI AG from December 2014 to February 2016. Prior to that, he was a member of the Executive Board of TUI AG from 2007 and CEO of TUI Travel PLC. Therefore, neither Ms Riu Güell nor Mr Mordashov nor Mr Long are considered independent for the purposes of the UK Code.

Seven of the ten employee representatives of the Supervisory Board are elected by the employees of TUI Group entitled to vote. Three employee representatives are nominated by a German trade union (ver.di).

Under the UK Code, directors who are or have been employees of the Group in the last five years or who participate in the Group's pension arrangements would generally not be considered independent. In the UK, directors with an employment relationship are normally current or former executives. By contrast, under German law, employee representatives of the Supervisory Board must be employees of the Group, and must be elected by the employees without any involvement of the Executive or Supervisory Boards. Furthermore, the employment contract of employee representatives may only be terminated in exceptional cases.

The employee representatives may also participate in Group pension schemes as is normal for employees and in their capacity as employees.

Trade union representatives are nominated, and employed by, the trade union but are still classified as employee representatives. They can only be removed from the Supervisory Board by their respective union and neither the Executive nor the Supervisory Board has any role in their appointment or removal.

HALF THE BOARD SHOULD BE INDEPENDENT NON-EXECUTIVE DIREC TORS (B1.2)

Since, for the purpose of the UK Code, only the shareholder representatives on the Supervisory Board are taken into account, with six independent members (excluding the Chairman of the Supervisory Board) more than half of its members are considered independent.

NOMINATION COMMITTEE – COMPOSITION AND RESPONSIBILITIES (B2.1)

The role of the Nomination Committee in a typical UK company is fulfilled in TUI AG by two Committees of the Supervisory Board:

Under the Rules of Procedure for the Supervisory Board and its Committees (which are equivalent to the Terms of Reference of a British corporation) the Nomination Committee considers and proposes suitable candidates as shareholder representatives to the Supervisory Board for its election proposals to the AGM. The Presiding Committee determines the requirements and remuneration for any new appointments to the Executive Board and recommends suitable candidates to the Supervisory Board. On that basis, the Supervisory Board appoints Executive Board members. This approach is different from the UK where all director appointments are approved by shareholders at the AGM.

However, as is common practice in Germany, at each AGM shareholders are asked to decide whether they approve the actions of the Executive Board and Supervisory Board members during the past financial year. Since the AGM 2015, in the light of UK practice, TUI AG has changed its procedure to allow a separate vote on each individual Executive Board and Supervisory Board member, as it is customary in the UK. TUI AG intends to continue this practice. Accordingly, the Supervisory Board considers that TUI AG lives up to the spirit and meaning of the UK Code to the extent practicable.

There is no requirement under German law or the German Corporate Governance Code for the majority of the Nomination Committee members to be independent. Of the four members of the Nomination Committee, two are either significant shareholders themselves or associated with significant shareholders (Carmen Riu Güell and Alexey Mordashov) and therefore not independent for the purposes of the UK Code. The remaining two members are Sir Michael Hodgkinson and Prof. Klaus Mangold (Chairman) who are both independent. Therefore TUI AG is not compliant with the UK Code which requires a majority of the Nomination Committee to be independent. However, TUI AG considers that the current membership of the Nomination Committee provides a strong and experienced pre-selection of Supervisory Board shareholder representation members, while keeping the Committee to a manageable size.

A publication of the Rules of Procedure for the Supervisory Board, its committees (including the Audit Committee) and for the Executive Board is not provided for under German law and the German Corporate Governance Code. Therefore TUI AG is not compliant with this provision of the UK Code.

NOMINATION COMMITTEE SECTION IN THE ANNUAL REPORT & ACCOUNTS (B2.4)

For the activities of the Nomination Committee, see page 13 which is part of the Chairman's letter to shareholders.

During the year, a personnel consultancy (Spencer Stuart) has been used to search a Supervisory Board member as successor to the chairman of the Supervisory Board. This personnel consultancy has no further connection to the company. Succession planning for management members below Executive Board level is carried out by the Executive Board. The Presiding Committee is responsible for succession planning for the Executive Board.

TERMS & CONDITIONS OF APPOINTMENTS OF NON-EXECUTIVE DIRECTORS (B3.2)

The terms and conditions of Supervisory Board members' appointments follow the provisions of the German Stock Corporation Act and the Articles of Association of TUI AG. The Articles of Association are available on the website at www.tuigroup.com/en-en/investors/corporate-governance.

ADVICE AND SERVICES OF THE COMPANY SECRETARY (B5.2)

There is no specific role of Company Secretary in German companies. However, Executive and Supervisory Board members have access to the Board Office of TUI AG if they need any advice or services. The Board Office acts as an interface in corporate matters for the Executive and Supervisory Board members and is responsible for ensuring that the requisite processes and procedures are in place governing all Executive and Supervisory Board meetings (i.e. preparation of agendas, minuting of meetings and ensuring compliance with German and UK law, as appropriate, and with recommendations for corporate governance). The Board Office also supports the Chairman, the CEO, the CFO and the Chairmen of the Audit Committee and the Strategy Committee. Executive and Supervisory Board members also have access to legal advice via the Group Legal Director and the Board Office. The Supervisory Board can also approach the Executive Board directly for specific advice on any matters. Accordingly, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

BOARD PERFORMANCE EVALUATION (B6)

The performance of each individual Executive Board member is evaluated annually by the Supervisory Board for the annual performance-based remuneration. In this context, the Supervisory Board also reviews the individual member's overall performance as part of the Executive Board. However, no external performance evaluation is done for the Executive Board.

It is not customary to conduct annual reviews of the Supervisory Board's efficiency. Each Supervisory Board member can give feedback to the Chairman, the Deputy Chairmen or the Supervisory Board as a whole as and when appropriate or required.

External evaluation, which includes the work of the Chairman of the Supervisory Board, is performed by means of individual interviews and anonymous reviews. Executive Board members are invited to contribute to the process. Consolidated results are shared with the entire Supervisory Board and appropriate actions are suggested and discussed as appropriate. The last external review of the Supervisory Board was undertaken in 2015 by Board Consultants International. Board Consultants International has no other connection with TUI AG.

ANNUAL RE-ELECTION BY SHAREHOLDERS AT THE AGM (B7.1)

None of the Executive or Supervisory Board members is re-elected annually. However, as noted above, in light of the UK Code and UK best practice, TUI AG voluntarily puts individual resolutions approving the actions of each Executive and Supervisory Board member to the AGM resolving on the annual financial statements for the previous year. TUI AG intends to continue this practice.

The end of appointment periods for Supervisory Board members are disclosed in the table from page 100. Current curricula vitae of all Executive and Supervisory Board members are published at www.tuigroup.com/en-en/investors/corporate-governance.

FAIR, BALANCED AND UNDERSTANDABLE ANNUAL REPORT AND ACCOUNTS (C1.1)

In a German stock corporation the Executive Board is responsible for drafting the Annual Report & Accounts (ARA). According to section 243 (2) of the German Commercial Act (HGB) the ARA must be clearly arranged and should present a realistic picture of the Company's economic situation. This is equivalent to the UK Code requirement for the ARA to be fair, balanced and understandable. Although this assessment has not been delegated to the Audit Committee (C3.4), the Executive Board is convinced that this ARA satisfies both requirements.

ESTABLISHMENT AND OPERATION OF REMUNERATION COMMITTEE (D2), REMUNERATION (D1)

In the German governance structure there is no separate Remuneration Committee. The remuneration of the Executive Board is under involvement of the employee representatives monitored and agreed by the Supervisory Board based on recommendations from the Presiding Committee, which is governed by the Supervisory Board Rules of Procedure, as referred to above.

Supervisory Board remuneration and the remuneration of Board Committee members is governed by the Articles of Association as resolved on by the shareholders at the AGM.

There are no clawback or malus provisions in the service contracts of Executive Board members. Such provisions would be unusual (and probably unenforceable) in Germany. However, there are different contractual and statutory provisions that may allow for a reduction or forfeiture of remuneration components or allow TUI AG to claim damages from Executive Board members. First, the service contracts of Executive Board members provide for forfeiture of the annual bonus and the LTIP if TUI AG terminates the service contract for cause without notice before the end of the one year performance period in the case of the annual bonus or before the end of the respective performance period of the LTIP. Second, according to section 87 (2) German Stock Corporation Act (AktG) the Supervisory Board may, under certain exceptional circumstances, reduce Executive Board compensation in case of a deterioration of the economic situation of TUI AG. Third, Executive Board members may be liable for damages under the German Stock Corporation Act in case of a breach of their duties of care or fiduciary duties.

See the Directors' Remuneration Report from page 116 for full details on Executive and Supervisory Board member´s remuneration.

NOTICE PERIODS FOR EXECUTIVE DIRECTORS (D1.5)

In accordance with the customary practice in Germany members of the Executive Board are appointed for a term of three to five years. This does not comply with the UK Code recommendation which stipulates that notice or contract periods should be set at one year or less. However, the contracts include maximum limits on the amounts payable on termination.

See Remuneration Report from page 116

DIALOGUE WITH SHAREHOLDERS (E1)

It was not common practice in German companies for Supervisory Board members to make themselves available for meetings with major shareholders. However, the German Corporate Governance Code in the version dated 7 February 2017 now stipulates in section 5.2 that the Chairman of the Supervisory Board should be willing to meet with investors in an appropriate manner to discuss Supervisory Board matters. Shareholders made use of this option in financial year 2017.

The table below provides an overview of all meetings with shareholders, in some of which also employees of Investor Relations participated.

Dialogue with shareholders

Date	Meeting	Participants
October 2016	Roadshow Brussels	HB
	Roadshow Paris	HB
December 2016	Roadshow UK	FJ, HB
January 2017	Commerzbank German Investment Seminar	HB
	Roadshow US	HB
	UniCredit/Kepler Cheuvreux German Corporate Conference	HB
February 2017	Roadshow Paris	HB
March 2017	Barclays Select Leisure & Transport Corporate Day	HB
April 2017	Morgan Stanley Roundtable	HB
May 2017	BAML Investor Dinner London	FJ, HB
	Roadshow UK	FJ, HB
	Roadshow Frankfurt	FJ, HB
	Berenberg European Conference USA	HB
	Roadshow US	HB
	Roadshow Copenhagen	HB
June 2017	Roadshow Oslo	HB
	Roadshow Zurich	HB
	Roadshow Netherlands	HB
	dbAccess German, Swiss and Austrian Conference	HB
	Goldman Sachs Travel & Leisure Symposium	HB
	Credit Suisse Leisure Sector Conference	HB
Juli 2017	Governance Meetings	KM, SMH
August 2017	MainFirst Travel and Transport Days	HB
September 2017	Bernstein Strategic Decisions Conference	HB
	Berenberg & Goldman Sachs GCC Conference	HB

Key: Prof. Dr Klaus Mangold (KM), Sir Michael Hodgkinson (SMH), Friedrich Joussen (FJ), Horst Baier (HB)

Key topics discussed at meetings between shareholders and Executive Board members included:

- Exogenous impacts on the business model
- Growth strategy of the integrated tourism group
- Business development in the individual company sectors

The Supervisory Board receives feedback from the Chairman and Deputy Chairman (shareholder representative) and Executive Board members following meetings with major shareholders or investors. Additionally, a monthly Investor Relations Report and event-driven assessments of brokers are forwarded to the Executive Board and the Supervisory Board. They contain updates on the share price development, analyses by sellers and feedback and assessments from investors.

The Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code.

AGM RESOLUTION ON FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS (E2.1)

It is not common practice in Germany to pass a resolution at the AGM to approve the financial statements and consolidated financial statements. Therefore, this was not done at the AGM in 2017 and it is not intended to do so at the AGM in 2018. However, as required by German law, the first item on the agenda of TUI AG's AGM is the presentation of the financial statements and consolidated financial statements to the AGM. Under this item, the Executive Board will explain the financial statements and consolidated financial statements and the Chairman will explain, in particular, the report of the Supervisory Board (including this UK Corporate Governance Statement). Shareholders will have the opportunity to raise questions. Questions are typically raised, as is normal in the AGMs of German companies, and, as a general rule, answers must be provided under German law.

This is the standard practice for a German company and is in full compliance with the German Code. While the lack of a resolution to approve the Annual Report & Accounts is not in compliance with the UK Code, TUI AG considers that the arrangements afford shareholders with sufficient opportunity to raise any questions or concerns that they may have in relation to the Annual Report & Accounts, and to receive answers, in the AGM. Accordingly, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code to the extent practicable.

CIRCULATION OF AGM DOCUMENTATION TO SHAREHOLDERS (E2.4)

The 2017 AGM of TUI AG was held on 14 February 2017. As required by German law, the notice convening TUI AG's 2017 AGM (including the agenda and the voting proposals of the Executive Board and the Supervisory Board) was published in the Federal Gazette in Germany on 4 January 2017. Shareholders then had the right under German law to request additional agenda items at any time up to 30 days before the AGM. In accordance with German practice, once this deadline had expired the combined invitation and explanatory notes relating to the AGM were sent to shareholders on 19 January 2017, which was less than the 20 working days before the AGM recommended in the UK Code (but more than the 21 days' notice required by German law). However, in addition to the original publication of the Invitation in the Federal Gazette in Germany, the combined invitation and explanatory notes relating to the AGM was published on TUI AG's website on 4 January 2017. As no additional agenda items were requested by shareholders, this was in the same form as the final combined invitation and explanatory notes relating to the AGM later sent to shareholders. Furthermore, TUI AG´s Annual Report and Accounts for the financial year ending 30 September 2016 was published on 8 December 2016, significantly more than 20 working days before the 2017 AGM. Accordingly, the Executive Board and the Supervisory Board consider that TUI AG lives up to the spirit and meaning of the UK Code requirements. A similar timetable will be followed in relation to the 2018 AGM."

3. Further information on Corporate Governance

FUNCTIONING OF THE EXECUTIVE AND SUPERVISORY BOARDS

TUI AG is a company under German law. One of the fundamental principles of German stock corporation law is the dual management system involving two bodies, the Executive Board in charge of managing the company and the Supervisory Board in charge of monitoring the company. TUI AG's Executive Board and Supervisory Board cooperate closely and in a spirit of trust in managing and overseeing the Company, with strict separation between the two bodies in terms of their membership and competences. Both bodies are obliged to ensure the continued existence of the Company and sustainable creation of added value in harmony with the principles of the social market economy.

TUI AG's Executive Board comprised six members as at the closing date 30 September 2017. The Executive Board is responsible for managing the Company's business operations in the interests of the Company. The allocation of functions and responsibilities to individual Board members is presented in a separate section.

→ *For functions, see tables 'Supervisory Board and Executive Board' on page 100 et seq.*

In accordance with the law and the Articles of Association, the Supervisory Board had 20 members at the balance sheet date, i. e. 30 September 2017. The Supervisory Board advises and oversees the Executive Board in the management of the Company. It is involved in strategic and planning decisions and all decisions of fundamental importance to the Company. When the Executive Board takes decisions on major transactions, such as the annual budget, major acquisitions or divestments, it is required by its terms of reference to seek the approval of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, chairs its meetings and represents the concerns of the body externally. The Supervisory Board and the Audit Committee have adopted terms of reference for their own work. In the run-up to the Supervisory Board meetings, the representatives of shareholders and employees meet separately.

The Executive Board provides the Supervisory Board at regular meetings and in writing with comprehensive, up-to-date information about the strategy, the budget, business performance and the situation of the Group, including risk management and compliance. The Executive Board works on the basis of terms of reference issued by the Supervisory Board.

TUI AG has taken out a D&O insurance policy with an appropriate deductible for all members of the Executive Board and Supervisory Board. The deductible amounts to 10 % of the loss up to the amount of one and a half times the fixed annual compensation.

COMPOSITION OF THE SUPERVISORY BOARD

As at the balance sheet date, 30 September 2017, the Supervisory Board of TUI AG comprised 20 members. The composition of the Supervisory Board in financial year 2017 ensured that its members as a group had the knowledge, ability and expert experience required to properly complete their tasks. The goals set by the Supervisory Board itself for its composition include in particular comprehensive industry knowledge, at least five independent shareholder representatives, at least five members with international experience, and diversity (see also the diversity concepts for the Supervisory Board and the Executive Board from page 110 of this report).

Twelve members of the Supervisory Board had considerable international experience. Due to the different professional experiences of its members, the composition of the Supervisory Board overall reflects a great diversity of relevant experience, ability and industry knowhow. None of the shareholder representatives on the Supervisory Board had any commercial or personal relationship with the Company, its Executive Board or third parties that might cause a material clash of interests. Seven shareholder representatives are independent (including the Chairman of the Supervisory Board, who can be included in the count according to the German Corporate Governance Code).

In accordance with the recommendations of the German Corporate Governance Code, the original shareholder representatives were individually elected for five-year terms of office during elections to the Supervisory Board at the relevant General Meetings (October 2014, February 2016). Only Prof. Klaus Mangold and Sir Michael Hodgkinson were older than 68 years when they were elected as members of the Supervisory Board. In both cases, the Supervisory Board deemed it appropriate to deviate from the regular age limit in order for the Company to benefit from Prof. Klaus Mangold's and Sir Michael Hodgkinson's extensive experience in order to complete the integration process and in order to ensure continuity. With Peter Long, a former member of the Executive Board has been a Supervisory Board member since the Annual General Meeting 2016 held on 9 February 2016.

COMMITTEES OF THE SUPERVISORY BOARD AND THEIR COMPOSITION

At 30 September 2017, the balance sheet date, the Supervisory Board had established four committees from among its members to support its work: the Presiding Committee, the Audit Committee, the Nomination Committee and the Strategy Committee. In addition, the Integration Committee existed until December 2016.

A Mediation Committee was furthermore established in accordance with section 27 (3) of the German Co-Determination Act.

The Presiding Committee and Audit Committee have eight members each, with an equal number of shareholder representatives (including the respective chairpersons of the committees) and employee representatives. The Presiding Committee prepares, in particular, the appointment of Executive Board members, including the terms and conditions of service contracts and remuneration proposals. The Audit Committee's task is to support the Supervisory Board in exercising its oversight function. The Chairman of the Audit Committee is an independent financial expert and has particular knowledge and experience in the application of accounting principles and internal control methods from his own professional practice.

The Nomination Committee consists exclusively of shareholder representatives, in keeping with the recommendation in the German Corporate Governance Code. The task of its four members is to suggest suitable candidates for the Supervisory Board to propose to the Annual General Meeting.

The Integration Committee was set up following the merger for two years. Its responsibilities were to advise and supervise the Executive Board during the integration process following the completion of the merger. The Integration Committee drafted recommendations for resolutions for the Supervisory Board, but had no authority to make decisions on behalf of the Supervisory Board. It consisted of five shareholder representatives and one employee representative. As planned, the Integration Committee had its last meeting in December 2016.

The Strategy Committee began its work after the Annual General Meeting 2016. Its task is to comprehensively advise and oversee the Executive Board in developing and implementing the corporate strategy. It prepares the annual strategy offsite meeting for the Supervisory Board, but does not have a mandate to take any decisions on behalf of the Supervisory Board. It comprises five shareholder representatives and one employee representative.

CONFLICTS OF INTEREST

Executive and Supervisory Board members have a duty to act in TUI AG's best interests. In the completed financial year 2017, there were no conflicts of interest requiring disclosure to the Supervisory Board. None of the Executive Board or Supervisory Board members has a board role or a consultancy contract with one of TUI's competitors.

SPECIFICATIONS PURSUANT TO SECTIONS 76 (4), 111 (5) OF THE GERMAN STOCK CORPORATION ACT

At least 30 % of the Supervisory Board members were women and at least 30 % were men at the balance sheet date. The Supervisory Board was therefore compliant with section 96 (2) sentence 1 of the German Stock Corporation Act. Neither the shareholder nor the employee representatives on the Supervisory Board objected to overall compliance in accordance with section 96 (2) sentence 2 of the German Stock Corporation Act.

The Supervisory Board resolved, in keeping with section 111 (5) of the German Stock Corporation Act, that until 31 October 2020 one woman is required to be a member of the Executive Board. This goal was achieved in the reporting period with Dr Elke Eller's membership in the Executive Board.

In turn, the Executive Board resolved, in keeping with section 76 (4) of the German Stock Corporation Act, that women should account for 20 % of executives at the level immediately below the Executive Board and 30 % at the level below this. Both targets were to be achieved by 30 June 2017. For this reason, TUI AG has implemented various measures over the past two years aimed at increasing the proportion of women on a long-term and sustainable basis. This includes, among other things, the promotion of women in talent programmes and specifically addressing them in the recruitment process. As a result of these measures, the proportion of women at TUI AG increased from 13 % to 19 % at the first management level below the Executive Board and from 20 % to 24 % at the second management level below the Executive Board as of 30 June 2017. At these levels, however, staff turnover is very low. As a result, the proportion of women could only be increased slowly. Despite all the measures taken, the suitability and qualification of candidates for filling vacant positions are still of primary importance. In accordance with section 76 (4) of the German Stock Corporation Act (AktG), the Executive Board confirmed the target figures for the proportion of women of 20 % at the first management level below the Executive Board and 30 % at the second management level below the Executive Board, and decided that both targets should be achieved by 30 September 2020.

SHAREHOLDERS AND ANNUAL GENERAL MEETING

TUI AG shareholders exercise their co-determination and monitoring rights at the Annual General Meeting, which takes place at least once a year. The AGM takes decisions on all statutory matters, and these are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due time are entitled to participate in the Annual General Meeting. Shareholders who are not able to attend the AGM in person are entitled to have their voting rights exercised by a bank, a shareholder association, one of the representatives provided by TUI AG and acting on the shareholders' behalf in accordance with their instructions, or some other proxy of their own choosing. Shareholders also have the opportunity of authorising the representative provided by TUI AG via the web in the run-up to the AGM. Shareholders can, moreover, register for electronic dispatch of the AGM documents.

The invitation to the AGM and the reports and information required for voting are published in accordance with the provisions of the German Stock Corporation Act and provided in German and English on TUI AG's website. During the AGM, the presentations by the chairman of the Supervisory Board and the Executive Board members can be followed live over the Internet.

RISK MANAGEMENT

Good corporate governance entails the responsible handling of commercial risks. The Executive Board of TUI AG and the management of the

TUI Group have comprehensive general and company-specific reporting and monitoring systems available to identify, assess and manage these risks. These systems are continually developed, adjusted to match changes in overall conditions and reviewed by the auditors. The Executive Board regularly informs the Supervisory Board about existing risks and changes to these risks. The Audit Committee deals in particular with monitoring the accounting process, including reporting, the effectiveness of the internal control and risk management systems and the internal auditing system, compliance and audit of the annual financial statements.

More detailed information about risk management in the TUI Group is presented in the Risk Report. It also contains the report on the accounting-related internal control and risk management system required in accordance with the German Commercial Code (sections 289 (5), 315 (2) no. 5 HGB).

Risk Report see page 30

TRANSPARENCY

TUI provides immediate, regular and up-to-date information about the Group's economic situation and new developments to capital market participants and the interested public. The Annual Report and the Interim Reports are published within the applicable timeframes. The Company publishes press releases and ad hoc announcements, if required, on topical events and any new developments. Moreover, the company website at www.tuigroup.com provides comprehensive information on TUI Group and the TUI share.

The scheduled dates for the principal regular events and publications – such as the AGM, Annual Report and Interim Reports – are set out in a financial calendar. The calendar is published well in advance and made permanently accessible to the public on TUI AG's website.

DIRECTORS' DEALINGS

The Company was informed by Alexey Mordashov (via Sungrebe Ltd. and Unifirm Ltd.), Peter Long and David Burling of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings or managers' transactions) concerning financial year 2017. Details are provided on the Company's website.

Purchase and sales transactions by members of the boards were governed by the TUI Share Dealing Code, adopted by the Executive Board, alongside corresponding statutory provisions. The TUI Share Dealing Code stipulates above all an obligation to receive a permission for transactions with TUI AG's financial instruments.

ACCOUNTING AND AUDITING

TUI AG prepares its consolidated financial statements and consolidated interim financial statements in accordance with the provisions of the International Financial Reporting Standards (IFRS) as applicable in the European Union. The statutory annual financial statements of TUI AG, which form the basis for the dividend payment, are prepared in accordance with the German Commercial Code (HGB). The consolidated financial statements are prepared by the Executive Board, audited by the auditors and approved by the Supervisory Board. The interim report is discussed between the Audit Committee and the Executive Board prior to publication. The consolidated financial statements and the financial statements of TUI AG were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Hannover, the auditors elected by the 2017 Annual General Meeting. The audit was based on German auditing rules, taking account of the generally accepted auditing standards issued by the German Auditors' Institute as well as the International Standards on Auditing. It also covered the risk detection system and the compliance with reporting requirements on corporate governance pursuant to section 161 of the German Stock Corporation Act and Listing Rule 9.8.10.

See audit opinion by the auditors on page 242

The condensed consolidated interim financial statement and management report as at 31 March 2017 was reviewed by the auditors.

In addition, a contractual agreement was concluded with the auditors to the effect that the auditors will immediately inform the Supervisory Board of any grounds for disqualification or partiality as well as of all findings and events of importance arising during the performance of the audit. There were no grounds to provide such information in the framework of the audit of financial year 2017.

Diversity concepts for the composition of the Executive Board and Supervisory Boards

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

The diversity concept for the composition of the Executive Board takes into account the following diversity aspects:

(a) Age
As a rule, the employment contracts of members of the Executive Board end once the standard retirement age for statutory retirement insurance has been reached (currently 67).

(b) Gender
The Executive Board should include one woman.

(c) Educational / professional background
The necessity for a variety of educational and professional backgrounds already arises from the obligation to manage the company in accordance with the law, the company's articles of association and its terms of reference. In addition, the Executive Board as a whole, through its individual members, should possess the following essential background qualities:

- management experience, some of which ideally has been acquired abroad, and intercultural competence for successful management and motivation of global teams

- in-depth practical experience in stakeholder dialogue (i.e. with managers and employees, including their representative bodies, with shareholders and the public)
- experience in IT management and an understanding of digitalisation of vertically integrated value chains
- profound experience in value-driven, KPI-based strategy development and implementation and corporate governance
- profound knowledge of the intricacies and requirements of the capital market (shareholder management)
- knowledge of accounting and financial management (controlling, financing)
- in-depth understanding of and experience with change management.

GOALS OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

The standard retirement age on the one hand enables incumbent members of the Executive Board to contribute their professional and life experience for the good of the company for as long a time as possible. On the other hand, adherence to the standard retirement age is intended to promote regular rejuvenation of the board.

Inclusion of both genders in Executive Board work is on the one hand an expression of the conviction of the Supervisory Board that mixed-gender teams lead to the same or better outcomes as teams with representation from only one gender. But it is also the logical continuation of the gender diversity measures implemented by the Executive Board within the wider company, which aim to increase the proportion of women in leadership roles. These measures are only to be applied and implemented in a credible manner if the Executive Board does not consist solely of male members ('proof of concept').

A variety of professional and educational backgrounds is necessary on the one hand to properly address the tasks and obligations of the law, the company's articles of association and its terms of reference. In addition, it is the view of the Supervisory Board that they are a guarantee of ensuring diverse perspectives on the challenges and associated approaches to overcoming them that are faced in the day-to-day work of the company. International management experience is of particular importance. Without such skill and experience with integrating, leading and motivating global teams, it is impossible to take into consideration the different cultural backgrounds of managerial staff and the workforce as a whole.

METHOD OF IMPLEMENTATION OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE EXECUTIVE BOARD

A key aspect of applying the diversity concept to the composition of the Executive Board is inclusion of the Supervisory Board within the corporate organisation, as is prescribed by law, the company's articles of association and its terms of reference. This ensures the Supervisory Board is familiar with the strategic, economic and actual situation of the company.

In its role as overseer of the management of the Executive Board, the Supervisory Board of TUI AG makes decisions on the allocation of business responsibilities within the Executive Board, appointments to the Executive Board and thus also workforce and succession planning within the Executive Board. As part of that workforce and succession planning, the Presiding Committee or the Supervisory Board itself regularly meets with the Executive Board or its members to discuss suitable internal succession candidates for Executive Board positions (emergency, medium-term and long-term scenarios). As part of these Supervisory Board and Committee meetings, or in preparation for them, members of the Supervisory Board have the opportunity to meet up with so-called high potentials within the Group in a professional and personal setting. The Presiding Committee and Supervisory Board make their own deliberations about these matters and also discuss them in the absence of the Executive Board. This includes evaluation and possible inclusion of external candidates for Executive Board positions in the selection process. In all of these deliberations, the above-mentioned diversity aspects of Executive Board appointments play a part in the decision-making of the Supervisory Board. The Supervisory Board also asks the Executive Board to report twice a year on current progress and implementation of family-friendly concepts (e.g. flexible work times and locations via, for instance, video- conferencing, part-time options, cultural change) and concrete measures for promotion of women (e.g. at least one woman on the final shortlist for any new or replacement appointments to roles within the senior leadership team).

RESULTS ACHIEVED IN FINANCIAL YEAR 2017

With effect from 1 January 2017, Mr Frank Rosenberger was appointed (deputy) member of the Executive Board. The Supervisory Board resolved on 12 May 2017 a three-year extension of the appointment of Mr Sebastian Ebel. In addition, the appointments of Dr Elke Eller and Mr David Burling were extended for a further three years each by the respective Supervisory Board resolutions and the signing of the corresponding contracts in December 2017 (see overview of the Executive Board on page 102). It is the view of the Supervisory Board that Mr Rosenberger, Mr Ebel, Mr Burling and Dr Eller, by virtue of their diverse professional histories and individual backgrounds, will contribute to the diversity of the Executive Board. For anyone interested in further information, the CVs of these and all other members of the Executive Board are available on the company website, as well as further details communicated about the appointment decisions of the Supervisory Board.

DIVERSITY CONCEPT FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The diversity concept for the composition of the Supervisory Board takes into account the following diversity aspects: The terms of reference of the Supervisory Board of TUI AG stipulate a standard age limit of 68 for elections to the Supervisory Board. Furthermore, the Supervisory Board has determined a standard limit for membership of the Supervisory Board in accordance with the recommendation in point 5.4.1.(3) of the German Corporate Governance Code. As well as the statutory gender quota (section 96(2)(1) of the German Stock Corporation Act, (AktG) the Supervisory Board has set itself further goals in relation to its composition. These include e. g. the kind of international character and sector experience that diverse educational and professional backgrounds provide. Application of the law about the codetermination rights of employees also contributes greatly to ensuring diverse educational and professional backgrounds within the Supervisory Board of TUI AG.

GOALS OF THE DIVERSITY CONCEPT FOR THE COMPOSITION OF THE SUPERVISORY BOARD

The Supervisory Board is convinced that the diversity of its own composition sends an important signal both inside and outside the company. The age limit and standard membership term have the goal on the one hand of finding and retaining suitable candidates. Members of the board must possess sufficient professional experience and personal suitability for the position and have the necessary time available to perform the role. After familiarisation with the business model and the peculiarities of a vertically integrated company, the Supervisory Board considers the stability of board composition in the sense of continuity of corporate development to be equally important. On the other hand, the Supervisory Board should be looking at new approaches and new ideas on a regular basis, in order to further the continual development of the company and the business model. The Supervisory Board considers the age limit and standard membership term to be worthwhile instruments for achieving both goals.

Other goals in relation to composition (including international character and sector experience) reflect the demands placed on the advisory and oversight body and its role within a globally active Group of companies operating in a challenging competitive environment. Multicultural and international experience of corporate integration is equally as important for this as knowledge of the value drivers and success levers of the sector. In all of this, the effect and cultural features of the so-called stakeholder approach of a social market economy must be taken into account, which is also ensured on the Supervisory Board by the codetermination of employee representatives.

METHOD OF IMPLEMENTATION OF THE DIVERSITY CONCEPT FOR THE SUPERVISORY BOARD

Implementation of the goals pursued by the diversity concept is assured by the anchoring of its key components in law and in the company's terms of reference as well as the requirement for a Declaration of Compliance in accordance with section 161 of the German Stock Corporation Act (AktG) on Corporate Governance within the company. As far as the shareholder side of the Supervisory Board is concerned, the Nomination Committee ensures that the binding and voluntary targets for the composition of the Supervisory Board are met. As part of regularly conducted efficiency audits, the Supervisory Board also undertakes a self-evaluation process, which includes aspects of its composition.

RESULTS ACHIEVED IN FINANCIAL YEAR 2017

In the current financial year, no changes have been made to the diversity concept or the composition of the Supervisory Board. In accordance with the recommendation in point 5.4.1 (2) of the German Corporate Governance Code (version dated 7 February 2017) the Supervisory Board in its resolution of 14 September 2017 issued a competency profile for the composition of the board as a whole.

From the point of view of the Supervisory Board, there is currently no further need for action in relation to diversity. On the shareholder side, both genders are equally represented, (50:50), and in terms of the board as whole, the proportion of women of 35 % is in excess of the statutory quota. With six different nationalities represented on the Supervisory Board, its composition can be described as international. The diversity of professional and educational backgrounds of the individual members of the board is also evident from the yearly updated CVs of Supervisory Board members published on the corporate website.

Anti-corruption and anti-bribery / Compliance

TUI Group's Compliance Management System is a fundamental component in our commitment to entrepreneurial, environmental and socially responsible operations and management. It is underlined by our membership in the UN Global Compact and therefore forms an indispensable part of TUI Group's corporate culture and our corporate governance activities.

The strategic goal of TUI Group's Compliance Management System is to prevent misconduct and avoid liability risks for the Company, its legal representatives, executives and employees and protect the reputation of the Company.

COMPLIANCE MANAGEMENT SYSTEM

TUI Group's Compliance Management System is based on a risk management approach and is built around three pillars: prevention, discovery and response, which, in turn, comprise a large number of internal measures and processes.

Compliance Management Processes

PREVENTION	EXPOSURE	REACTION
• *Compliance Policies and Group Policies* • *Compliance Training* • *Compliance Communication* • *Compliance Information* • *Compliance Risk Identification and Risk Assessment*	• *Reporting* • *Leads* • *Investigations*	• *Implementation of Process Controls* • *Exchange with Management and local Compliance Officers* • *Disciplinary Measures*

TUI Group's Compliance Management System focuses on the legal sub-areas anti-corruption, competition and anti-trust law, data protection, export controls and anti-money laundering. It defines the related pilot and standard operation of the Compliance Management System and the documentation of the roles, responsibilities and processes in these areas.

The Compliance Management System applies to TUI AG and all German and foreign companies in which TUI AG directly or indirectly holds an interest of more than 50 % as well as other stakes directly or indirectly controlled by TUI AG (so-called 'managed Group companies'). Implementation of the Compliance Management System is recommended for investments not controlled by TUI AG (so-called 'non-managed Group companies').

In financial year 2016, TUI Group's Compliance Management System was subjected to a design audit by a leading auditing firm in accordance with auditing standard PS 980 published by the German Institute of Auditors. The audit confirmed that TUI Group's Compliance Management System has been designed to meet the requirements of that certification standard. In the run-up to the audit, the Group-wide Compliance Management System had been readjusted and compliance processes had been harmonised across the Group.

COMPLIANCE STRUCTURE

TUI Group's Compliance structure supports those responsible in the task of communicating the values and rules and anchoring them in the Group. It ensures that Compliance requirements are implemented throughout the Group in different countries and cultures. TUI Group's decentralised Compliance structure includes Head Compliance Officers whose role is to implement and support the requirements of Group Legal Compliance. Under the aegis of the Chief Legal Compliance Officer, Group Legal Compliance work with the decentralised Compliance Officers to perform the following tasks at different management levels:

- Raising awareness of Compliance and the technical issues allocated to Legal Compliance
- Achieving the goals of the Code of Conduct and the Compliance Rules
- Providing training
- Advising managers and employees
- Securing the necessary exchange of information
- Monitoring national and international legislative initiatives
- Providing regular quarterly reports to the Board and annual reports to the Audit Committee of the Supervisory Board

In addition, the Group has a Compliance Committee headed by the CFO and consisting of the HR Director, the Heads of Group External Affairs and Communications, Chief Legal Compliance Officer, Group Audit and representatives of the Group Works Council and the TUI Europe Forum. The committee meets on a regular basis as well as ad hoc in order to monitor implementation of the Compliance Management System and obtain reports about key indicators in this area.

COMPLIANCE CULTURE

The Compliance culture forms the basis for an appropriate, effective Compliance Management System. It reflects management's fundamental attitude and conduct and the role of the supervisory body. It is expressed in our corporate value 'Trusted', appealing to our employees' personal responsibility and their honesty and sincerity in handling customers, stakeholders and employees.

CODE OF CONDUCT/SUPPLIERS' CODE OF CONDUCT

The Code of Conduct, drawn up for the entire TUI Group, is a further embodiment of our Compliance culture and enshrines guiding principles for everyone to follow, from the Board members, executives and senior management to every Group employee. It defines minimum standards aimed at assisting our employees in their everyday work and providing orientation in conflict situations. TUI's Code of Conduct covers anti-corruption, avoiding conflicts of interest and handling invitations and gifts appropriately.

The Suppliers' Code of Conduct forms the counterpart to TUI's Code of Conduct. It details our ethical, social and legal expectations of our business partners.

Moreover, business partners are required by contract to observe all national and international anti-corruption laws applicable to the supplier relationship. This places our business relationship with our partners on a solid legal and social basis.

COMPLIANCE RULES

In addition, the principles set out in the Code of Conduct are detailed in various policies and rules reflecting the legal requirements. This is supported by our Group-wide policy management, developing the standards for Group-wide policies and coordinating incorporation of the relevant internal stakeholder groups, e. g. other departments or the works council. This approach is designed to provide TUI Group with a set of policies which are as complete and comprehensible as possible without seeking overregulation. TUI Group's Compliance Rules offer guidance on appropriate conduct regarding gifts and invitations, data protection and compliance with trade sanctions. All groups of employees have thus been acquainted with policies of relevance to their everyday work.

COMPLIANCE RISK ANALYSIS

In the financial year under review, the Compliance Programme focused on various issues including anti-corruption measures, protecting free and fair competition, data protection and the handling of trade sanctions including anti-money laundering. A software is used, above all for the above topics, to facilitate risk identification based on self-disclosure by TUI Group companies, with risks evaluated according to likelihood of occurrence and potential damage (including reputational damage). The results of the self-assessment are discussed with the companies affected and are included in a Group-wide risk evaluation process. The results of the compliance risk identification process are used to derive corresponding risk-minimising measures, which are included in the annual plan of Group Legal Compliance and agreed with the relevant bodies. Monitoring of the implementation of the measures is automated.

Risk analysis and prevention also includes the annual survey among 1,570 legal representatives and executives of TUI Group to identify potential clashes of interests. In the framework of the survey, they have to provide information on any interests held in TUI Group competitors or key business partners as well as other issues of relevance to Compliance. The survey carried out in the financial year under review was completed by 98.3 % of the respondents. No indications were found suggesting that there were any conflicts of interests.

PREPARATIONS FOR THE EU GENERAL DATA PROTECTION REGULATION (GDPR)

In the run-up to the EU GDPR, data protection, which was already a key priority for TUI Group, was intensified further in the financial year under review. Many measures were initiated, e. g. the structured coordination of all data protection specialist functions within the Company and the appointment of Data Protection Officers in nearly all relevant TUI Group companies (data protection governance).

COMPLIANCE TRAINING

Compliance training is a key element of TUI's Compliance Management System, with its focus on preventing misconduct, and a crucial component of TUI Group's Compliance culture. It is carried out according to a graded concept: managers and staff at TUI have all benefited from face-to-face teaching and online programmes. This enables all our executives and employees to acquaint themselves with Compliance and the underlying corporate values, regardless of their position in the company hierarchy and their geographical location. In the completed financial year, the online training programme was extended to include a refresher course on TUI's Code of Conduct, which has since been rolled out in the Group companies. In addition, TUI companies and sectors offered training schemes with their own specific focus, e. g. anti-corruption or appropriate handling of gifts and invitations, to raise awareness of the challenges they might face.

WHISTLEBLOWER SYSTEM

In agreement with various stakeholder groups TUI offers its managers and employees a Group-wide whistleblower system to enable serious infringements of the corporate values anchored in TUI's Code of Conduct to be reported anonymously and without reprisals. This whistleblowing system is currently available to staff in 47 countries. All reports are followed up in the interests of all stakeholders and the Company. Our top priority is to ensure confidentiality and handle information discreetly. Any incidents resulting from the use of the whistleblower system are reviewed by Group Legal Compliance in conjunction with Group Audit. Infringements are fully investigated in the interests of all our staff and the Company itself.

In the completed financial year, a total of 57 reports were received through the SpeakUp Line. Apart from the SpeakUp Line, employees also used the opportuity to directly report infringements to their line managers or the Compliance contact in charge. A further 33 reports were received through these channels. They were followed up whenever there were any indications suggesting potential infringements of internal policies or the law. Out of the 90 reports submitted in total, 49 cases initially involved a suspected Compliance infringement, causing further investigations which in 16 cases resulted in disciplinary measures all the way to terminations of employment contracts.

In the financial year under review, there were no infringements of a severe nature that would have given rise to a publication of such infringement.

BUSINESS PARTNER REVIEW (DUE DILIGENCE PROCESSES)

The risk analysis carried out by Compliance shows that there is a risk of active and passive corruption because we operate in countries with a high corruption index. Moreover, the risk of TUI business partners being subject to trade sanctions or similar sanctions lists cannot be ruled out.

TUI Group therefore carries out software-based screenings of selected business partners at regular intervals. The process involves checking the names of the business partners against international sanctions, terrorist and wanted persons lists. In the event of a match, we launch a range of measures, in extreme cases terminating the business relationship.

In financial year 2017, we used this process to check around 26,500 business partners against Compliance criteria. The screening software initially flagged 1,258 of these business partners as potential 'hits' as their names were identical with or similar to names included in sanctions lists. These potential 'hits' were then further investigated. Ultimately, the business organisation cooperating with the corresponding business associates was informed in two cases, and in one case the business relationship was terminated.

Remuneration Report

A. Introduction

The remuneration report outlines the remuneration of the members of the Executive Board of TUI AG as well as the remuneration of the members of its Supervisory Board in accordance with the articles of association. The remuneration report is based, in particular, on the recommendations of the German Corporate Governance Code (GCGC), the requirements of the German Commercial Code (Handelsgesetzbuch) and the German Stock Corporation Act (Aktiengesetz) and, to the extent practicable, the requirements of the UK Corporate Governance Code (UK-CGC).

TUI AG is a German stock corporation that is also listed on the London Stock Exchange (LSE). Where mandatory provisions regarding the governance of or legal requirements for a German stock corporation are affected, these are disclosed in this report and placed in context with the UK-CGC, as required.

B. Remuneration of the Executive Board

I. APPROVAL OF THE REMUNERATION SCHEME BY SHAREHOLDERS

A new remuneration scheme was proposed for Executive Board members in financial year 2010 and approved by the shareholders of TUI AG at the Annual General Meeting on 17 February 2010. The scheme is designed to create incentives for sustained growth and robust financial performance in the TUI Group.

Although common practice at many of the companies applying the UK-CGC, the shareholders of TUI AG do not vote on the remuneration policy on an annual basis. This also reflects the practice at most German stock corporations and is in compliance with the German Stock Corporation Act.

II. GENERAL PRINCIPLES

Following a recommendation from the Presiding Committee, the Supervisory Board determines in accordance with section 87(1) sentence 1 German Stock Corporation Act the remuneration of the individual Executive Board members. It also regularly reviews the remuneration scheme for the Executive Board.

For further remits of the Presiding Committee, please see the report of the Supervisory Board from page 12

The following principles, in particular, are taken into account in this regard:

- Clarity and transparency
- Economic position, performance and sustainable development of the company
- Tying shareholder interest to value increase and distribution of profits (e.g. total shareholder return indicator) with corresponding incentives for Executive Board members
- Ability to be competitive on the market for highly qualified Executive Board members
- Appropriateness and conformity with tasks, responsibilities and success of each individual Executive Board member, including in the relevant environment of comparable international firms, and taking into account standard practice at other major German companies
- Tying a material portion of total remuneration to the achievement of ambitious, long-term performance targets
- Appropriate correlation between the levels of fixed remuneration and performance-based remuneration
- Appropriateness in horizontal and vertical comparison (see page 126)

The remuneration scheme does not contain any malus or clawback terms. This position will continue to be monitored.

III. REMUNERATION OF THE EXECUTIVE BOARD IN FINANCIAL YEAR 2017

In financial year 2017, the remuneration for the members of the Executive Board comprises: (1) a fixed remuneration; (2) an annual performance-based remuneration (Jahreserfolgsvergütung – JEV); (3) virtual shares of TUI AG in accordance with the Long-Term Incentive Plan (LTIP); (4) fringe benefits; (5) pension entitlements; and (6) a potential additional remuneration in cash or in virtual shares (additional remuneration).

Details are set out below:

1. FIXED REMUNERATION

Purpose and link to company strategy

Highly-qualified Executive Board members who are needed to develop and implement company strategy are to be attracted and retained.

The remuneration should be commensurate with the abilities, experience and tasks of the individual Executive Board member.

Procedure

In determining the fixed remuneration the Supervisory Board takes into account, in particular, the relevant general principles.

The fixed remuneration is paid in twelve equal instalments at the end of each month. If the service agreement begins or ends in the course of the financial year relevant for payment of the remuneration, the fixed annual remuneration will be paid pro rata for that year.

The remuneration is generally reviewed when service agreements of Executive Board members are extended, and can be adjusted or revised for the term of the new service agreement. A review of the remuneration can also take place during the term of a service agreement in particular if there is a change with respect to the tasks or responsibility of an Executive Board member.

2. ANNUAL PERFORMANCE-BASED REMUNERATION (JEV)

Purpose and link to company strategy

The JEV is intended to motivate Executive Board members to achieve ambitious and challenging financial, operational and strategic targets throughout the financial year. The targets are reflective of the company strategy and aimed at increasing corporate value.

Procedure

The JEV is calculated on the basis of a group performance indicator and the individual performance of the Executive Board member. The performance reference period is the financial year of TUI AG.

An individual target amount (Target Amount) is agreed for each Executive Board member in their service agreement. Since 1 October 2010 the performance target has been the reported earnings before interest, tax and amortisation of goodwill (Reported Group EBITA). The target value for the one-year performance reference period for the reported group EBITA performance target is set each year by the Supervisory Board.

To measure performance, the target value will be compared with the corresponding actual value of the reported group EBITA as reported in the audited consolidated accounts of TUI AG to be prepared in accordance with the accounting rules in force at the time. The degree of target achievement is determined as follows:

- If the actual value of the reported group EBITA achieved is below the target value by 50 % or more, this is equivalent to a target achievement of 0 %
- If the value achieved corresponds to the target value, this is equivalent to a target achievement of 100 %
- If the value achieved exceeds the target value by 50 % or more, this is equivalent to a target achievement of 187.5 %

Between 50 % below target value and target value, linear interpolation between 0 % and 100 % will be used to determine the degree of target achievement. Between target value and 50 % above target value, linear interpolation between 100 % and 187.5 % will be used to determine the degree of target achievement. The degree of target achievement will be rounded to two decimal places, as is customary in commercial practice.

At the discretion of the Supervisory Board, the degree of target achievement for the performance target can be multiplied by a factor of between 0.8 and 1.2, based on the Executive Board member's achievement of individual performance targets and other performance indicators such as customer satisfaction and / or employee satisfaction metrics.

The value resulting from the multiplication of the target amount by the degree of target achievement for the reported group EBITA and the discretionary multiplier will be paid out in cash in the month in which the Supervisory Board approves the annual accounts of TUI AG for the respective financial year. If the service agreement begins or ends in the course of the relevant financial year, the claims for payment of the JEV will generally be pro rata.

Cap

The JEV is capped annually and individually for each Executive Board member; for the figures, see the table on page 121.

In accordance with section 87(1) sentence 3 German Stock Corporation Act, the Supervisory Board is entitled to limit the amount of the JEV to allow for extraordinary circumstances (e. g. takeover of the company, sale of parts of the company, uncovering of hidden reserves, external influences).

3. VIRTUAL SHARES ACCORDING TO THE LONG-TERM INCENTIVE PLAN (LTIP)

3.1 CALCULATION METHOD

Purpose and link to company strategy

The long-term objective is to increase corporate and shareholder value by defining ambitious goals that are closely linked to the company's earnings, share price performance and dividends.

Procedure

The LTIP is a performance share plan based on virtual shares and is assessed over a period of four years (Performance Reference Period). Virtual shares are granted in annual tranches,

For Executive Board members, an individual target amount (Target Amount) is agreed in the service agreement. At the beginning of each financial year a provisional number of virtual shares, commensurate with the target amount, will be set. This will constitute the basis for the determination of the final performance-based payment for the tranche in question at the end of the respective performance reference period. To set this number, the target amount will be divided by the average Xetra price of TUI AG shares over the 20 trading days prior to the beginning of the performance reference period (1 October of each year). The claim to a payment only arises upon expiry of the performance reference period and depends on whether or not the respective performance target is achieved.

The performance target for determining the amount of the final payout at the end of the performance reference period is the development of the total shareholder return (TSR) of TUI AG relative to the development of the TSR of the Dow Jones Stoxx 600 Travel & Leisure (Index), whereby the ranking of the TUI AG TSR in relation to the index companies will be monitored over the entire performance reference period. The TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. Data from a reputable data provider (e. g. Bloomberg, Thomson Reuters) will be used for the purpose of establishing the TSR values for TUI AG and the index. The reference for the purpose of determining the rankings is the composition of the index on the last day of the performance reference period. The values for companies that were not listed over the entire performance reference period will be factored in on a pro rata basis. The level of target achievement is established as follows depending on the ranking of the TSR of TUI AG relative to the TSR values of the index companies over the performance reference period:

- a TSR value of TUI AG equivalent to the bottom and second to bottom value of the index corresponds to a target achievement of 0 %
- a TSR value of TUI AG equivalent to the third to bottom value of the index corresponds to a target achievement of 25 %
- a TSR value of TUI AG equivalent to the median of the index corresponds to a target achievement of 100 %
- a TSR value of TUI AG equivalent to the third to top, second to top or top value of the index corresponds to a target achievement of 175 %

For performance between the third to bottom and the third to top rank, linear interpolation will be used to determine the level of target achievement at between 25 % and 175 %. The degree of target achievement will be rounded to two decimal places, as is customary in commercial practice.

To determine the final number of virtual shares, the degree of target achievement will be multiplied by the provisional number of virtual shares on the final day of the performance reference period. The payout is determined by multiplying the final number of virtual shares by the average Xetra price of TUI AG shares over the 20 trading days prior to the end of the performance reference period (30 September of each year). The payout which is calculated in this way will be due in the month of the approval of the annual accounts of TUI AG for the fourth financial year of the performance reference period and is paid out in cash. If the service agreement begins or ends in the course of the financial year relevant for the grant of the LTIP, the claims for payment of the same will generally be pro rata.

Cap

The LTIP is capped annually and individually for each Executive Board member; for the figures, see the table on page 121.

3.2 DEVELOPMENT OF AGGREGATE VIRTUAL SHARES OF CURRENT EXECUTIVE BOARD MEMBERS IN FINANCIAL YEAR 2017

On 30 September 2017, former Executive Board members held no virtual shares in TUI AG (previous year: no virtual shares) that were granted after the merger of TUI AG and TUI Travel PLC (TUI Travel) in December 2014 (the Merger).

	Number
Granting in financial year 2017	
Friedrich Joussen	119,741
Horst Baier	54,612
David Burling	40,453
Sebastian Ebel	40,453
Dr Elke Eller	33,981
Frank Rosenberger	18,204
Decrease in financial year 2017*	
Friedrich Joussen	56,164
Horst Baier	53,743

* Decrease corresponds to amounts paid for LTIP-tranches that ended in financial year 2017 (see table on remuneration paid acc. to DCGK)

3.3 EXPENDITURE FOR THE LTIP OF CURRENT EXECUTIVE BOARD MEMBERS ACC. TO IFRS 2

Expenditure for granting of virtual shares in financial year 2017 acc. to IFRS 2

€ '000	**Part of total expenditure FY 2017**	Part of total expenditure FY 2016
Friedrich Joussen	1,830.0	4,364.9
Horst Baier	495.1	2,954.4
David Burling	296.2	418.2
Sebastian Ebel	381.3	608.8
Dr Elke Eller	252.4	242.8
Frank Rosenberger	238.3	
Total	**3,493.2**	**8,589.1**

The table shows the individual amounts of the total expenditure arising from the addition to the provisions to be formed pro rata acc. to IFRS 2 for all of the LTIP tranches to be granted during the term of the respective service agreements. Acc. to IFRS 2, there are provisions totalling € 8,585.0 thousand (previous year: € 6,693.1 thousand) to cover entitlements under TUI AG's LTIP for current Executive Board members.

Acc. to the German Commercial Code, there are provisions totalling € 4,625.8 thousand (previous year: € 3,299.2 thousand) for LTIP tranches currently in the lock-up period.

There are liabilities in accordance with IFRS and the German Commercial Code totalling € 1,604.6 thousand (previous year: € 1,896.0 thousand).

4. FRINGE BENEFITS

Purpose and link to company strategy

Fringe benefits offered should be competitive on the market for highly qualified Executive Board members.

Procedure

Executive Board members receive the following fringe benefits:

- Reimbursement of business travel expenses in accordance with TUI AG's applicable general business travel guidelines
- Twice a year, free of charge, a holiday from within the World of TUI range, without any limitation as to tour operator, type of holiday, category or price. Spouses / partners are granted a 50 % discount on the catalogue price for the aforementioned vacations, and children still in education or training a 100 % discount. Apart from that, a reduction of 75 % (spouses / partners children still in education or training 50 %) is granted for flights
- A suitable company car with driver or alternatively a car allowance of € 1.5 thousand gross per month
- Insurance cover is provided in line with the agreements applicable in Germany and the United Kingdom. This is offered as follows:

TUI AG provides insurance cover for accidents to the customary extent for Mr Joussen, Dr Eller, Mr Baier, Mr Ebel and Mr Rosenberger and will pay the corresponding insurance contributions for the terms of their service agreements. The coverage amounts to € 1,500.0 thousand for death and € 3,000.0 thousand for disablement. Furthermore, Mr Joussen, Dr Eller, Mr Baier, Mr Ebel and Mr Rosenberger receive an allowance towards health and long-term care insurance in the amount payable if the respective Executive Board member were an employee, but no more than half of each insurance premium.

Insofar as this is permitted by law, Mr Burling will remain a beneficiary, at the expense of TUI AG, of the UK term life, vocational disability and health insurance programmes.

TUI AG also takes out criminal law protection insurance that provides cover for the Executive Board members regarding criminal and misdemeanour proceedings, if these proceedings are based on an act or a failure to act in the exercise of their duties for TUI AG. TUI AG also takes out a suitable financial liability insurance policy (D&O insurance) coverage for the Executive Board members to cover possible claims brought under private law on the basis of statutory liability provisions against one or more of the Executive Board members by a third party or the company for damages for a breach of duty committed in the exercise of their duties. The D&O insurance provides for a deductible of 10 % of the damage up to 150 % of the fixed annual remuneration.

Amount

The value of the company car, free holidays and insurance benefits received annually by an individual Executive Board member normally does not exceed € 150.0 thousand. The fringe benefits are taken into account within the scope of the maximum remuneration listed on page 121.

5. PENSION BENEFITS

5.1 OPERATING PRINCIPLES

Purpose and link to company strategy

Highly-qualified Executive Board members who are needed to develop and implement company strategy are to be acquired and retained.

The pension benefits should be competitive on the market for highly qualified Executive Board members and should provide them with a corresponding level of benefits in their retirement.

Procedure

Benefits in the form of pensions are paid to former Executive Board members if they reach the predefined age limit or are permanently incapacitated. The Executive Board members are not entitled to receive transition payments upon leaving the Executive Board, with the exception of Mr Ebel who has an acquired right to receive transition payments under a legacy contract.

With regard to pension entitlements, different principles apply to Mr Joussen, Dr Eller, Mr Baier, Mr Ebel and Mr Rosenberger on the one hand and Mr Burling on the other hand due to the legacy systems in Germany and the UK.

Mr Joussen, Dr Eller, Mr Baier, Mr Ebel and Mr Rosenberger are entitled to pensions according to the pension commitments granted to Executive Board members of TUI AG (TUI AG Pension Scheme). These Executive Board members receive, on an annual basis, a contractually agreed amount that is paid into an existing pension account for the respective Executive Board member. The contributions to the company pension scheme of Mr Joussen, Dr Eller, Mr Baier and Mr Ebel carry an interest rate established in the pension commitment. The interest rate stands at 5 % p.a. The annual interest for Mr Rosenberger's contributions to the company pension scheme is established by the company at its reasonable discretion in such a way that it does not exceed 5 %. The beneficiary may choose between a one-off payment, payment by instalments or pension payments. The amounts agreed on in the service agreements of the aforementioned Executive Board members are:

- Mr Joussen: € 454.5 thousand per year. Mr Joussen becomes eligible for payment of the pension upon reaching the age of 62
- Dr Eller: € 230.0 thousand per year. Dr Eller becomes eligible for payment of the pension upon reaching the age of 63
- Mr Baier: € 267.75 thousand per year. Mr Baier becomes eligible for payment of the pension upon reaching the age of 60
- Mr Ebel: € 207.0 thousand per year. Mr Ebel becomes eligible for payment of the pension upon reaching the age of 62
- Mr Rosenberger: € 112.5 thousand per year in financial year 2017. This amount takes into account Mr Rosenberger having taken up office on 1 January 2017. Mr Rosenberger becomes eligible for payment of the pension upon reaching the age of 63

Should Mr Joussen, Dr Eller, Mr Baier, Mr Ebel and Mr Rosenberger retire from TUI AG before the normal retirement date due to an ongoing occupational disability, they will receive an occupational disability pension until they are able to work again, but at most until they reach the normal retirement date.

Under certain circumstances, spouses, partners or cohabitants of the Executive Board members will, should the respective Executive Board member die, receive a survivor's pension worth 60 % of the pension for their lifetime or until remarriage. Children of Executive Board members will, should the respective Executive Board member die, receive an orphan's pension, paid no longer than until they reach the age of 27 at the latest. Children who have lost one parent will receive 20 % of the pension, and those who have lost both parents will receive 25 %. This claim is subject to the prerequisite that the child meets the requirements set out in section 32(3), (4), sentence 1 nos. 1 to 3 and (5) German Income Tax Act (Einkommensteuergesetz).

Mr Burling receives a fixed annual amount of € 225.0 thousand paid out in cash for his pension.

5.2 PENSION PROVISIONS FOR THE CURRENT EXECUTIVE BOARD MEMBERS UNDER THE TUI AG PENSION COMMITMENTS

At 30 September 2017, pension obligations for current Executive Board members totalled € 19,731.2 thousand (previous year balance sheet date: € 19,055.8 thousand) according to IAS 19. This includes € 4,501.3 thousand (previous year balance sheet date: € 5,317.8 thousand) for claims earned by Mr Ebel during the course of his work for the TUI Group up until 31 August 2006. The remaining claims can be broken down as follows:

Pension of current Executive Board members below TUI AG Pension scheme

	Addition to / reversal from pension provision		Net present value	
€ '000	**2017**	2016	**30 Sep 2017**	30 Sep 2016
Friedrich Joussen	200.0	1,130.2	3,206.9	3,006.9
Horst Baier	89.7	966.8	9,109.8	9,020.1
Sebastian Ebel	118.7	490.7	1,394.1	1,275.4
Dr Elke Eller	277.6	435.6	713.2	435.6
Frank Rosenberger	805.9	0.0	805.9	0.0
Total	**1,491.9**	**3,023.3**	**15,229.9**	**13,738.0**

According to commercial law provisions, the pension obligations for current Executive Board members amounted to € 15,738.4 thousand (previous year balance sheet date: € 13,404.8 thousand); this includes € 2,925.0 thousand (previous year balance sheet date: € 2,659.6 thousand) for claims earned by Mr Ebel during the course of his work for the TUI Group up until 31 August 2006.

Where the above table shows a corresponding amount, the pension obligations for beneficiaries are funded via the conclusion of pledged reinsurance policies.

6. POTENTIAL ADDITIONAL REMUNERATION IN CASH OR IN VIRTUAL SHARES (ADDITIONAL REMUNERATION)

Purpose and link to company strategy

The additional remuneration is intended to compensate exceptional performance by Executive Board members.

Procedure

The Supervisory Board may grant additional remuneration in cash or in virtual shares in the case of special circumstances or exceptional performance such as an extraordinarily heavy workload due to major projects like transactions or the long-term takeover of other Executive Board departments, in the case of special successes in connection with the strategic further development of the business model as well as successful crisis management. The Supervisory Board determines whether and in what amount such additional remuneration will be paid.

Cap

The additional remuneration is capped annually and individually for each Executive Board member; for the figures, see table below.

7. REMUNERATION CAPS

The following caps apply to the remuneration (remuneration components and total remuneration) payable to Executive Board members for a financial year:

Remuneration caps

€ '000	Fixed remuneration[2]	JEV	LTIP	Additional remuneration	Maximum total remuneration[3]
Friedrich Joussen	1,100.0	2,070.0	4,440.0	920.0	7,500.0
Horst Baier	740.0	1,012.5	2,025.0	450.0	4,200.0
David Burling	600.0	900.0	1,500.0	400.0	3,450.0
Sebastian Ebel	680.0	720.0	1,500.0	320.0	3,380.0
Dr Elke Eller	680.0	675.0	1,260.0	300.0	3,100.0
Frank Rosenberger[1]	500.0	630.0	900.0	280.0	1,875.0

1 Full-year values (12 months), possibly pro rated caps: see table on p. 123
2 Fixed amount, no cap applied
3 Contractually agreed cap for total remuneration (incl. fixed remuneration, JEV, LTIP, pension, additional remuneration and fringe benefits)

IV. PAYMENTS IN CASE OF PREMATURE DEPARTURE OF AN EXECUTIVE BOARD MEMBER

The payments to be made to an Executive Board member on the premature termination of his service agreement without good cause have in principle been limited in the service agreements of Messrs. Joussen and Baier to an amount equal to twice their annual remuneration. It has been agreed in the service agreements of Dr Eller, Mr Ebel, Mr Burling and Mr Rosenberger that payments to be made on the premature termination of their Executive Board membership without good cause may not – in the case of premature termination during the first year after the coming into force of the service agreement – exceed an amount equal to twice their annual remuneration and – in the case of premature termination after the end of the first year of the service agreement – an amount equal to their annual remuneration (severance pay cap). Payments upon premature termination shall not cover more than the remaining term of the service agreement for any member of the Executive Board. The severance pay cap is calculated on the basis of the target direct remuneration (fixed remuneration, target JEV and target LTIP) for the last expired financial year and, if relevant, the expected target direct compensation for the current financial year. If the service agreement is terminated extraordinarily without notice, no payments will be made to Executive Board members.

In cases of premature termination of the service agreement, the annual performance-based remuneration (JEV) and payments according to the LTIP will be managed as follows:

- JEV
  - If the company terminates the service agreement without notice before the end of the one-year performance reference period for good cause attributable to the beneficiary or if the beneficiary terminates the service agreement without good cause, the claim to the JEV for the performance reference period in question will be forfeited and no alternative remuneration or compensation will be paid.
  - In all other cases of premature termination of the service agreement before the end of the one-year performance reference period, the JEV will be paid on a pro rata basis.

- LTIP:
  - If the company terminates the service agreement without notice before the end of the respective performance reference period for good cause attributable to the Executive Board member, or if the Executive Board member terminates the service agreement without good cause, all claims under the LTIP will lapse for all tranches not yet paid and no alternative remuneration or compensation will be paid.
  - If the service agreement ends before the expiry of the performance reference period for other reasons, the claims under the LTIP will be maintained for tranches not yet paid. The tranche of the current financial year will be reduced on a pro rata basis. The payout will be calculated in the same way as in the case of a continuation of the service agreement.

The service agreements of the Executive Board members do not contain change of control clauses.

V. OTHER PAYMENTS/BENEFITS FOR EXECUTIVE BOARD MEMBERS WHO LEFT THE BOARD IN FINANCIAL YEAR 2017

No members left the Executive Board of TUI AG in financial year 2017, so no benefits were granted or paid out.

VI. PENSION PAYMENTS MADE TO PAST EXECUTIVE BOARD MEMBERS

In financial year 2017, the pension payments to former Executive Board members and their surviving dependants totaled €13,497.1 thousand (previous year: €4,933.2 thousand).

Pension provisions for former members of the Executive Board and their dependants amounted as at the balance sheet date to €64,683.5 thousand (previous year: €78,976.5 thousand) as measured according to IAS 19, not including Mr Ebel's claims in the amount of €4,501.3 thousand (previous year: €5,317.7 thousand) which he earned before 31 August 2006 during the course of his work for the TUI Group.

According to commercial law provisions, the pension obligations for former members of the Executive Board and their dependants amounted to €55,074.1 thousand (previous year: €62,846.3 thousand), not including Mr Ebel's claims in the amount of €2,925.0 thousand (previous year: €2,659.6 thousand) which he earned before 31 August 2006 during the course of his work for the TUI Group.

VII. OVERVIEW: INDIVIDUAL REMUNERATION OF EXECUTIVE BOARD MEMBERS

1. INDIVIDUAL REMUNERATION OF EXECUTIVE BOARD MEMBERS FOR FINANCIAL YEAR 2017 (PURSUANT TO SECTION 314(1), NO. 6(A) GERMAN COMMERCIAL CODE)

Remuneration of individual Executive Board members granted by TUI AG for financial year 2017 (acc. to section 314, paragraph 6 lit a of the German Commercial Code)

€ '000	Fixed remuneration[1]	JEV	Additional remuneration	LTIP[5]	**Total 2017**	Total 2016
Friedrich Joussen	1,232.3	1,096.0	920.0	0.0	3,248.3	3,035.6
Horst Baier	760.0	536.1	450.0	0.0	1,746.1	1,890.5
David Burling	707.9	476.5	400.0	0.0	1,584.4	1,463.9
Sebastian Ebel[2]	698.0	381.2	320.0	1,500.0	2,899.2	1,355.5
Dr Elke Eller	714.3	357.4	300.0	0.0	1,371.6	2,552.3
Frank Rosenberger[3]	416.4	250.2	210.0	1,389.5	2,266.0	0.0
Total	**4,528.8**	**3,097.4**	**2,600.0**	**2,889.5**	**13,115.7**	
Previous year[4]	4,942.8	3,319.2	2,569.6	1,269.9	12,101.5	

1 Incl. fringe benefits (without insurances under Group coverage).
2 Disclosure of LTIP due to prolongation of service agreement until 30 November 2020
3 Pro rated disclosure of all remuneration components from 1 January 2017
4 Previous year's values include remuneration of Peter Long and William Waggott
5 Based on share price of the TUI AG share as at 4 October 2016 this corresponds for Mr Ebel to 116,369 virtual shares and for Mr Rosenberger to 107,797 virtual shares.

For the purpose of setting the discretionary multiplier of between 0.8 and 1.2 used to calculate the JEV (procedure description see page 117) and the additional remuneration (procedure description see page 120) the Supervisory Board exercises its discretion within the framework of the service agreements of the members of the Executive Board.

The basis for the Supervisory Board's decision regarding the discretionary multiplier for calculating the JEV was, among other things, the level of employee satisfaction (engagement index on Group level) determined as part of the TUIgether employee survey for the financial year 2017, which, compared with the previous financial year, remained at a consistently high level with a higher response rate. This outcome can be attributed to the fact that the members of the Executive Board have consistently implemented and achieved their own packages of measures defined on the basis of the results from the previous year, and have also steadily advanced the implementation of the measures through the management level below the Executive Board. In addition to that, the Supervisory Board also took into account, among other things, the successful introduction of the Global 60 Initiative that encourages employees to follow an international career, the huge progress in delivering a Group airline platform, and the promising efforts to initiate a solution for the German airline. The successful completion of the cultural integration as well as the realisation of synergies as a result of the merger were taken into account in the Supervisory Board's decision to set the discretionary multiplier at 1.1 when calculating the JEV for each member of the Executive Board.

In terms of the additional remuneration, the Supervisory Board considered the exceptional achievements of each and every member of the Executive Board, especially in light of the geopolitical challenges. The successful management of the shift in demand from the eastern to the western Mediterranean due to, inter alia, the consistently low level of bookings for Turkey and coupled with a significant increase in hotel prices there, is the result of an excellent board performance. Moreover, management succeeded in compensating the Brexit-related slowdown in bookings and the price hike resulting from the depreciation of the British pound in the UK source market by means of extraordinarily good results in other source markets and in particular the hotels and resorts, and cruise business units. Last but not least, the Supervisory Board's decision recognizes the clear rise in the stock price in the period under review which is the result of, among other things, the perception in the capital markets of TUI AG's business model as being stable and robust owing to the consistent and highly successful expansion of its content portal as well as the sound financing.

The LTIP amount disclosed in the table headed 'Individual Remuneration of Executive Board members for the financial year 2017' corresponds to the fair value at grant date (acc. to IFRS 2). This amount takes into account all allocations accumulated over the entire contract period. The table of the 'remuneration awarded' according to the GCGC shows the amount allocated in the respective financial year.

As in the prior year, the members of the Executive Board did not receive any loans or advances in financial year 2017.

Dr Eller received € 12.1 thousand from Nord/LB for her activities – which were approved by the Supervisory Board during her Executive Board membership in financial year 2017 – in supervisory boards or comparable domestic and foreign corporate supervisory bodies to be set up in accordance with section 125 German Stock Corporation Act, which activities were not carried out on the basis of a shareholding of TUI AG in the companies concerned. Mr Joussen acquired a claim for € 27.9 thousand for his seat on the supervisory board of SIXT SE in financial year 2017 that will become due and payable following the end of SIXT SE's financial year. This remuneration was not counted towards the remuneration paid to her by TUI AG as an Executive Board member.

Pursuant to 4.2.5, attachment tables 1 and 2 GCGC, the two tables below (remuneration awarded and remuneration paid) show the benefits granted by TUI AG and the payments received.

2. REMUNERATION AWARDED

Remuneration awarded

	Friedrich Joussen CEO, since 14 February 2013[1]				Horst Baier CFO, since 8 November 2007			
€ '000	2016	**2017**	2017 (min.)	2017 (max.)	2016	**2017**	2017 (min.)	2017 (max.)
Fixed remuneration	1,100.0	1,100.0	1,100.0	1,100.0	803.0	740.0	740.0	740.0
Fringe benefits	45.4	132.3	132.3	132.3	18.7	20.0	20.0	20.0
Total	**1,145.4**	**1,232.3**	**1,232.3**	**1,232.3**	**821.7**	**760.0**	**760.0**	**760.0**
JEV	920.0	920.0	–	2,070.0	450.0	450.0	–	1,012.5
Additional remuneration	920.0	920.0	–	920.0	450.0	450.0	–	450.0
LTIP	1,494.8	1,494.8	–	4,440.0	681.8	681.8	–	2,025.0
LTIP (2016–2019)	1,494.8				681.8			
LTIP (2017–2020)		1,494.8	–	4,440.0	–	681.8	–	2,025.0
Total	**4,480.2**	**4,567.1**	**1,232.3**	**8,662.3**	**2,403.5**	**2,341.8**	**760.0**	**4,247.5**
Pension/service costs[2]	726.0	625.7	625.7	625.7	22.3	–	–	–
Total remuneration[3]	**5,206.2**	**5,192.8**	**1,858.0**	**7,500.0**	**2,425.8**	**2,341.8**	**760.0**	**4,200.0**

Remuneration awarded

	David Burling Member of the Executive Board, since 1 June 2015				Sebastian Ebel Member of the Executive Board, since 12 December 2014			
€ '000	2016	**2017**	2017 (min.)	2017 (max.)	2016	**2017**	2017 (min.)	2017 (max.)
Fixed remuneration	600.0	600.0	600.0	600.0	680.0	680.0	680.0	680.0
Fringe benefits	42.1	107.9	107.9	107.9	18.0	18.0	18.0	18.0
Total	**642.1**	**707.9**	**707.9**	**707.9**	**698.0**	**698.0**	**698.0**	**698.0**
JEV	400.0	400.0	–	900.0	320.0	320.0	–	720.0
Additional remuneration	400.0	400.0	–	400.0	320.0	320.0	–	320.0
LTIP	505.0	505.0	–	1,500.0	505.0	505.0	–	1,500.0
LTIP (2016–2019)	505.0				505.0			
LTIP (2017–2020)	–	505.0	–	1,500.0	–	505.0	–	1,500.0
Total	**1,947.1**	**2,012.9**	**707.9**	**3,507.9**	**1,843.0**	**1,843.0**	**698.0**	**3,238.0**
Pension/service costs[2]	225.0	225.0	225.0	225.0	328.5	286.1	286.1	286.1
Total remuneration[3]	**2,172.1**	**2,237.9**	**932.9**	**3,450.0**	**2,171.5**	**2,129.1**	**984.1**	**3,380.0**

Remuneration awarded

	Dr Elke Eller Member of the Executive Board/Labour Director, since 15 October 2015				Frank Rosenberger Deputy member of the Executive Board, since 1 January 2017			
€ '000	2016	**2017**	2017 (min.)	2017 (max.)	2016	**2017**	2017 (min.)	2017 (max.)
Fixed remuneration	654.2	680.0	680.0	680.0		375.0	375.0	375.0
Fringe benefits	23.8	34.3	34.3	34.3		41.4	41.4	41.4
Total	**678.0**	**714.3**	**714.3**	**714.3**		**416.4**	**416.4**	**416.4**
JEV	288.6	300.0	–	675.0		210.0		472.5
Additional remuneration	300.0	300.0	–	300.0		210.0		210.0
LTIP	408.1	424.2	–	1,260.0		227.3		675.0
LTIP (2016–2019)	408.1							
LTIP (2017–2020)	–	424.2	–	1,260.0		227.3	–	675.0
Total	**1,674.8**	**1,738.5**	**714.3**	**2,949.3**		**1,063.6**	**416.4**	**1,773.9**
Pension/service costs[2]	405.0	345.1	345.1	345.1		382.6	382.6	382.6
Total remuneration[3]	**2,079.8**	**2,083.6**	**1,059.4**	**3,100.0**		**1,446.2**	**799.0**	**1,406.3**

1 Joint-CEO until 9 February 2016; member of the Executive Board since 15 October 2012
2 For Mr Joussen, Mr Baier, Mr Ebel, Mrs Dr Eller and Mr Rosenberger service acosts acc. to IAS19; for Mr Burling payment for pension contribution
3 When contractually agreed cap for total remuneration to be paid is exceeded, LTIP is reduced proportionally.

3. REMUNERATION PAID

Remuneration paid

	Friedrich Joussen CEO, since 14 February 2013[1]		Horst Baier CFO, since 8 November 2007		David Burling Member of the Executive Board, since 1 June 2015	
€ '000	2016	**2017**	2016	**2017**	2016	**2017**
Fixed remuneration	1,100.0	1,100.0	803.0	740.0	600.0	600.0
Fringe benefits	45.4	132.3	18.7	20.0	42.1	107.9
Total	**1,145.4**	**1,232.3**	**821.7**	**760.0**	**642.1**	**707.9**
JEV	970.2	1,096.0	474.6	536.1	421.8	476.5
Additional remuneration	920.0	920.0	450.0	450.0	400.0	400.0
LTIP	820.0	820.0	1,220.2	784.6		
Cash deferral (FY 2014)			144.2			
LTIP (2013–2016)	820.0		1,076.0			
LTIP (2014–2017)		820.0		784.6		
Others	–	–				
Total	**3,855.6**	**4,068.3**	**2,966.5**	**2,530.7**	**1,463.9**	**1,584.4**
Pension/service costs[2]	726.0	625.7	22.3	–	225.0	225.0
Total remuneration	**4,581.6**	**4,694.0**	**2,988.8**	**2,530.7**	**1,688.9**	**1,809.4**

Remuneration paid

	Sebastian Ebel Member of the Executive Board, since 12 December 2014		Dr Elke Eller Member of the Executive Board/ Labour Director, since 15 October 2015		Frank Rosenberger Deputy member of the Executive Board, since 1 January 2017	
€ '000	2016	**2017**	2016	**2017**	2016	**2017**
Fixed remuneration	680.0	680.0	654.2	680.0		375.0
Fringe benefits	18.0	18.0	23.8	34.3		41.4
Total	**698.0**	**698.0**	**678.0**	**714.3**		**416.4**
JEV	337.5	381.2	304.4	357.4		250.2
Additional remuneration	320.0	320.0	300.0	300.0		210.0
LTIP						
Cash deferral (FY 2014)						
LTIP (2013–2016)						
LTIP (2014–2017)						
Others						
Total	**1,355.5**	**1,399.2**	**1,282.4**	**1,371.6**		**876.5**
Pension/service costs[2]	328.5	286.1	405.0	345.1		382.6
Total remuneration	**1,684.0**	**1,685.3**	**1,687.4**	**1,716.7**		**1,259.1**

[1] Joint CEO until 9 February 2016; member of the Executive Board since 15 October 2012

[2] For Mr Joussen, Mr Baier, Mr Ebel, Mrs Dr Eller and Mr Rosenberger service costs acc. to IAS19; for Mr Burling payments for pension contribution

The remuneration paid for the last expired financial year shows the LTIP cash payment for the performance reference period 'LTIP 2014–2017' for Mr Joussen and Mr Baier.

In his service agreement of 30 July 2012, a contractual advance payment of € 1,280.0 thousand was agreed with and paid to Mr Joussen for the performance reference period 'LTIP 2014–2017'. The payment was deducted from the entitlement for the entire performance reference period 'LTIP 2014–2017' that actually arose upon expiry of financial year 2017. In this respect, only the remaining difference of € 820 thousand is shown in the aforementioned table as remuneration paid.

VII. REVIEW OF APPROPRIATENESS OF THE REMUNERATION AND PENSIONS OF EXECUTIVE BOARD MEMBERS

Following the end of financial year 2017, the Supervisory Board carried out the annual review of the remuneration and pensions of Executive Board members for financial year 2017. It concluded that these are appropriate in accordance with section 87(1) German Stock Corporation Act.

The Supervisory Board also regularly makes use of external advisors when assessing the appropriateness of the remuneration and pensions of Executive Board members. This involves, firstly, assessing from an outside perspective the level and structure of the remuneration of Executive Board members in relation to the remuneration of senior management and the workforce as a whole (vertical comparison). In addition to a status quo review, the vertical comparison also takes into account how this relationship changes over time. Secondly, the remuneration level and structure are assessed on the basis of a positioning of TUI AG in a peer market made up of a combination of DAX and MDAX companies that are similar to TUI AG in terms of size and complexity of business (horizontal comparison). In addition to the fixed remuneration, the horizontal comparison also covers the short- and long-term remuneration components as well as the amount of company pension. For financial year 2017, the Supervisory Board commissioned the consultancy company hkp Group AG to prepare an expert report on the appropriateness of the remuneration level for Executive Board members. The partner of hkp Group AG commissioned by the Supervisory Board and responsible for carrying out the assessment is independent of the Executive Board of TUI AG and the company. The finding of the external advisor supported the judgment of the Supervisory Board that the level of remuneration of Executive Board members complies with section 87(1) German Stock Corporation Act as well as the recommendations of the GCGC.

VIII. REMUNERATION OF THE SUPERVISORY BOARD

The provisions and remuneration of members of the Supervisory Board follow from section 18 of TUI AG's Articles of Association, which have been made permanently accessible to the public on the internet. The remuneration of the Supervisory Board is reviewed at appropriate intervals. In this regard the expected time required for the relevant duties and experience in companies of a similar size, industry and complexity are taken into account.

Purpose and link to company strategy

Highly-qualified Supervisory Board members are to be acquired and retained.

Procedure

Besides reimbursement of their expenses, the members of the Supervisory Board receive a fixed remuneration of € 90.0 thousand per financial year, payable upon completion of the financial year. The chairman shall receive three times, and his deputies twice, the fixed remuneration of a Supervisory Board member.

An additional fixed remuneration of € 42.0 thousand is paid for membership of committees (e. g. the presiding committee, the audit committee, the strategy committee and the integration committee that was dissolved in December 2016, but not the nomination committee). The chairman of the audit committee shall receive three times, and the chairman of the strategy committee twice, this remuneration. This remuneration is also paid out at the end of the respective financial year.

The members of the Supervisory Board receive no further remuneration components and no fringe benefits. In all cases the remuneration relates to a full financial year. For parts of a financial year and for short financial years the remuneration shall be paid on a pro rata basis.

The members of the Supervisory Board and the committees receive an attendance fee of € 1.0 thousand per meeting, regardless of the form the meeting takes.

Moreover, the members of the Supervisory Board are included in any financial liability insurance policy (D&O insurance) taken out in an appropriate amount by the company in its own interests. The relevant insurance premiums are paid by the company. In line with the recommendation of the GCGC, there is a deductible for which the Supervisory Board members can take out their own private insurance.

Cap

There is no need to set a cap because the remuneration for the Supervisory Board members consists solely of fixed components.

On 9 February 2016 the Annual General Meeting of TUI AG passed a resolution to change the remuneration of the Supervisory Board to fixed remuneration only as well as to adjust the amount of the fixed remuneration components. The new remuneration model applied retroactively as of 1 October 2015, which meant that the variable remuneration granted in accordance with the provisions of the articles of association applicable until 9 February 2016 and based on the long-term success of the company was no longer paid. This variable remuneration was based on the average undiluted earnings per share (EPS) carried in the consolidated financial statements for the respective last three financial years. At the time of redemption, the members of the Supervisory Board were still entitled to the long-term remuneration granted in financial years 2014 and 2015 because of the three-year vesting period. These entitlements were redeemed on the basis of EPS planned values for financial years 2016 and 2017. Reducing the remuneration of the members of the Supervisory Board for past and current financial years is not permitted under stock corporation law. For this reason it needed / needs to be checked, also upon completion of financial years 2016 and 2017, whether this has taken place with the change to the remuneration model by taking the EPS planned value for the relevant financial years as a basis. If using the EPS values actually achieved were to lead to higher long-term incentives than taking into account the planned values, the corresponding difference is to be paid to the relevant members of the Supervisory Board upon the close of the Annual General Meeting that will vote on the ratification of the acts of the Supervisory Board for the respective financial year.

For the remuneration component granted in financial year 2014, it was found that, upon the close of the Annual General Meeting 2017, the actual EPS value of financial year 2016, € 1.78, was above the EPS planned value of € 0.81 taken as a basis for the redemption. The resulting difference was paid to the relevant members of the Supervisory Board accordingly and is shown in the following tables. Upon the close of the Annual General Meeting 2018 it will be determined whether, for the variable remuneration component granted in financial year 2015, a difference will have to be paid to the relevant members of the Supervisory Board based on the comparison of EPS planned values and actual EPS values of financial years 2016 and 2017.

In addition, regarding the remuneration granted in financial year 2016, it will be reviewed – upon the close of the Annual General Meeting 2019 – whether applying the remuneration model valid until 9 February 2016 would have resulted in higher remuneration than applying the new model did. If this is the case, the corresponding difference has to be paid to the members of the Supervisory Board upon the close of the Annual General Meeting 2019.

IX. REMUNERATION OF THE SUPERVISORY BOARD AS A WHOLE

Remuneration of the Supervisory Board

€ '000	**2017**	2016
Fixed remuneration	2,160.0	2,141.8
Long-term variable remuneration	176.1	1,108.7
Remuneration for committee memberships	1,096.2	1,166.6
Attendance fee	321.0	283.0
Remuneration for TUI AG Supervisory Board mandate	3,753.3	4,700.1
Remuneration for Supervisory Board mandates in the Group	41.4	20.5
Total	**3,794.7**	**4,720.6**

In addition, travel and other expenses totalling € 507.6 thousand (previous year: € 461.0 thousand) were reimbursed. Total remuneration of the Supervisory Board members, including reimbursement of travel and other expenses, thus amounted to € 4,302.2 thousand (previous year: € 5,181.6 thousand).

X. REMUNERATION OF INDIVIDUAL SUPERVISORY BOARD MEMBERS FOR FINANCIAL YEAR 2017

Remuneration of individual Supervisory Board members for financial year 2017

€ '000	Fixed remuneration	Ex-post adjustment of long-term variable remuneration	Remuneration for committee memberships	Attendance fee	Remuneration for Supervisory Board mandates in the Group	**Total**
Prof. Dr Klaus Mangold (Chairman)	270.0	46.2	133.7	33.0		482.9
Frank Jakobi (Deputy Chairman)	180.0	21.5	91.7	23.0		316.2
Sir Michael Hodgkinson (Deputy Chairman)	180.0		49.7	18.0		247.7
Andreas Barczewski	90.0	15.4	42.0	16.0	23.0	186.3
Peter Bremme	90.0	11.5	42.0	14.0		157.5
Prof. Dr Edgar Ernst	90.0	15.4	133.7	17.0		256.1
Wolfgang Flintermann	90.0		0.0	8.0		98.0
Angelika Gifford	90.0		42.0	13.0		145.0
Valerie Gooding	90.0		49.7	13.0		152.7
Dr Dierk Hirschel	90.0		42.0	15.0		147.0
Janis Kong	90.0		42.0	15.0		147.0
Peter Long	90.0		84.0	13.0		187.0
Coline McConville	90.0		49.7	15.0		154.7
Alexey Mordashov	90.0		84.0	20.0		194.0
Michael Pönipp	90.0	15.4	42.0	16.0	18.4	181.8
Carmen Riu Güell	90.0	8.8	42.0	17.0		157.8
Carola Schwirn	90.0	11.1	0.0	8.0		109.1
Anette Strempel	90.0	15.4	42.0	16.0		163.4
Ortwin Strubelt	90.0	15.4	84.0	24.0		213.4
Stefan Weinhofer	90.0		0.0	7.0		97.0
Total	**2,160.0**	**176.1**	**1,096.2**	**321.0**	**41.4**	**3,794.7**

Apart from the work performed by the employees' representatives pursuant to their contracts, none of the members of the Supervisory Board provided any personal services such as consultation or agency services for TUI AG or its subsidiaries in financial year 2017 and thus did not receive any additional remuneration arising out of this.

The new remuneration scheme for the Executive Board as from financial year 2018

A. Background

Over recent years shareholders and proxy advisors – in particular from the UK – have repeatedly commented on the existing remuneration scheme for the Executive Board of TUI AG (existing remuneration scheme). They expressed the view, inter alia, that the target achievement corridors for variable remuneration (JEV and LTIP) were not ambitious enough. The discretionary elements and decisions anchored in the existing remuneration scheme allegedly lacked traceability and transparency.

Although the existing remuneration scheme meets all statutory requirements and also results in appropriate compensation, the Supervisory Board believes, following the successful integration of TUI AG and former TUI Travel PLC, that the time has come to take the next step. The comments and requests from our – in some cases longstanding – UK shareholders and proxy advisors to revise the existing remuneration scheme are largely shaped by the environment of the Anglo-Saxon judicial area. As a result, the aforementioned positions reflect the recommendations of the UK-CGK and a different market practice as applied in the UK. Against this background and in view of current developments in how remuneration is structured in Germany, the Supervisory Board of TUI AG has unanimously adopted a new remuneration scheme for the Executive Board of TUI AG (new remuneration scheme), which it believes takes both perspectives into account. It shall apply retroactively with effect from the beginning of financial year 2018 to all Executive Board members with whom a new service agreement has been concluded on account of the changes to the remuneration scheme.

B. Key remuneration components and changes

In the following the key components of the new remuneration scheme and the changes to the existing remuneration scheme will be described.

I. MORE TRANSPARENT DESIGN OF DISCRETIONARY DECISIONS AND NO MORE DISCRETIONARY BONUSES

The new remuneration scheme does away entirely with the Supervisory Board's previous option of granting additional remuneration on a discretionary basis (re. the option under the existing remuneration scheme: see p. 120 of the Annual Report).

As before, the JEV depends on an individual performance factor in addition to target achievement in respect to group performance indicators (see below [B. III. 1. and IV. 1.]). Under the new remuneration scheme; the Supervisory Board shall determine the individual performance factor for the JEV for each Executive Board member (0.8 to 1:2) based on the achievement of three target categories: In addition to individual performance targets, this includes targets for the overall performance of the Executive Board and stakeholder targets. The Supervisory Board will establish the targets from these three categories and their relative weighting for each Executive Board member and financial year.

II. FIXED REMUNERATION

The structure of fixed remuneration will remain unchanged.

III. NEW GROUP PERFORMANCE INDICATORS FOR VARIABLE REMUNERATION

The annual variable remuneration (JEV) and multi-annual variable remuneration (LTIP) will take additional stakeholder relevant group performance indicators into account and there will be changes to performance criteria used so far.

1. JEV

The JEV will remain a variable remuneration related to the respective financial year. In future, the JEV will include three group performance indicators as opposed to previously one (Reported Group EBITA).

1.1 EARNINGS BEFORE TAXES (EBT) REPLACES REPORTED GROUP EBITA

The previous group performance indicator Reported Group EBITA will be replaced by EBT on a constant currency basis with a weighting of 50 %. This change in group performance indicators permits inclusion of the net financial result in the calculation. The adjustment for currency effects makes it possible to measure the actual management performance without distortion from currency-induced translation effects.

1.2 RETURN ON INVESTED CAPITAL (ROIC) AS ADDITIONAL GROUP PERFORMANCE INDICATOR

The newly introduced group performance indicator ROIC will be included in the JEV with a weighting of 25 %. The Reported Group EBITA and the average invested interest-bearing capital for the financial year will be weighed against each other to establish the ROIC of the TUI Group used to calculate the JEV. By applying the average assessment previously used in the Annual Report, seasonal fluctuations and differences in capital intensity of the business model specific segments of TUI AG can be taken into account and a return on equity target can be included in the annual variable remuneration.

1.3 CASH FLOW AS AN ADDITIONAL GROUP PERFORMANCE INDICATOR

A cash flow component will also be included in the calculation as a third group performance indicator with a weighting of 25 %. For this purpose the cash flow will be determined using a simplified method, which is based on the management cash flow calculation and covers the liquidity parameters directly controlled by the Executive Board (depreciation, Working Capital, income from investments and dividends, net investments) on the basis of Reported Group EBITA, which will also be adjusted for foreign exchange effects for this purpose.

2. LTIP

The LTIP shall remain a multi-annual variable remuneration on the basis of virtual shares of TUI AG with a four-year performance reference period.

2.1 EARNINGS PER SHARE (EPS) AS AN ADDITIONAL GROUP PERFORMANCE INDICATOR

In future the LTIP will take into account average EPS development p. a. as an additional group performance indicator, which will be included with a weighting of 50 %. Average assessment over the four-year performance reference period is based on pro forma underlying earnings per share from continuing operations, as already reported in the Annual Report.

2.2 RELATIVE TOTAL SHAREHOLDER RETURN (TSR) WITH ALTERED RANKING

In future, a percentile ranking will be applied to the TSR which has already been relevant so far. The relative TSR will be included with a weighting of 50 %.

IV. AMBITIOUS TARGET ACHIEVEMENT STRUCTURE FOR VARIABLE REMUNERATION (JEV AND LTIP)/CAPPING MAXIMUM TARGET ACHIEVEMENT

The target achievement corridors for the group performance indicators in the variable remuneration components JEV and LTIP will be more ambitious than before.

1. JEV

1.1 EBT

The EBT component of the JEV must reach a threshold of at least 90 % of the earnings target (on a constant currency basis) (equals target achievement of 50 %), in order to be relevant for bonus purposes. Anything in excess of 110 % (on a constant currency basis) of the earnings target (corresponds to a target achievement of 180 %) is not included.

1.2 ROIC

The ROIC component of the JEV will only be included in the JEV where the return on investment is no more than 3 % points below the defined target (corresponds to a target achievement of 50 %). In order to reach maximum target achievement of 180 % the target must be exceeded by 3 % points or more.

1.3 CASH FLOW

The cash flow component of the JEV must reach a threshold of at least 90 % of the liquidity target (adjusted for foreign exchange effects) (corresponds to a target achievement of 50 %), in order to be relevant for bonus purposes. Anything in excess of 110 % of the liquidity target (corresponds to a target achievement of 180 %) is not included.

1.4 CAP

The annual JEV is limited to 180 % (before taking the individual performance factor into account).

2. LTIP

2.1 RELATIVE TSR

Where TUI AG achieves a percentile below the median value of the relevant benchmark group, the TSR target shall be factored into the LTIP at 0 %. A percentile on the median shall be deemed to correspond to a target achievement of 100 %. Where the percentile is equivalent to the maximum value 175 % of the TSR target is deemed to be achieved.

2.2 EPS

If, during the four-year performance reference period, the EPS increases by less than 3 % p.a. in relation to the value of the last financial year before commencement of the performance reference period, this shall correspond to a target achievement of 0 %. An average increase p. a. of 3 % corresponds to a target achievement of 25 %. The maximum target achievement of 175 % is reached in the event of an average increase p. a. of 10 %.

2.3 CAP

The maximum LTIP payment is limited to 240 % of the individual target amount per performance reference period (previously 300 %).

V. FRINGE BENEFITS AND COMPANY CAR

The fringe benefits granted so far as well as the provisions on company cars shall essentially remain unchanged.

VI. PAYMENTS IN CASE OF PREMATURE TERMINATION OF EXECUTIVE BOARD MEMBERSHIP

The provisions governing payments to Executive Board members in case of premature termination of Executive Board membership shall remain unchanged.

VII. PENSION BENEFITS

Previous pension commitments shall be continued unchanged.

C. Suggestions not implemented in the new remuneration scheme

I. CLAWBACK OR MALUS PROVISIONS

The Supervisory Board generally acknowledges stakeholders’ desire to introduce clawback or malus provisions that permit an adjustment of variable remuneration.

However, such provisions are still largely uncommon within the German judicial area. They only recently became mandatory for certain financial institutions. So far it has yet to be clarified at the highest judicial level which principles (e. g. transparency and appropriateness of clawback / malus criteria) need to be satisfied by clawback and malus provisions in order for them to be valid and enforceable.

The Supervisory Board has therefore refrained from introducing clawback and malus clauses under the new remuneration scheme. It will also review in future whether clawback and malus clauses are to be included in the remuneration scheme for the Executive Board.

II. SHARE OWNERSHIP REQUIREMENTS

The new remuneration scheme does not provide for any obligation to acquire company shares. Not least due to the limited time frame for trading in TUI financial instruments, the Supervisory Board believes voluntary solutions to be preferable. In order to protect the capital market but also its corporate bodies and staff, TUI AG is bound by trading bans that are far stricter than those prescribed by law (e. g. four regular closed periods of up to 60 days, application of a restrictive TUI Share Dealing Manual). Recent cases demonstrate how difficult it is to determine a legally permissible and economically viable time for the acquisition of shares. Many Executive Board members of TUI AG voluntarily hold a relevant number of company shares.

D. Procedure

The Chairman of the Supervisory Board of TUI AG guided and managed drafting of the new remuneration scheme. The many stakeholder interests were incorporated into the process in a number of ways. The Supervisory Board Chairman and his Deputy Chairman (Sir Michael Hodgkinson) discussed suggestions from shareholders with large institutional investors at numerous meetings over the course of recent years. Members of the Supervisory Board with longstanding expertise as chairpersons or members of remuneration committees and / or non-executive directors in companies in the UK and other English-speaking countries played an important part in designing the new remuneration scheme. The chairman of the audit committee, with his expertise in performance indicators, and employee representatives on the Supervisory Board's executive committee were also involved. External remuneration and legal advisors introduced their suggestions into the process and reviewed the scheme. The external remuneration advisors conducted simulations of remuneration scenarios for the past and the future. Proposals from Executive Board members on the new remuneration scheme were intensely debated and appropriately considered by the Supervisory Board. The new service agreements will be concluded on 12 December 2017 and retroactively take effect on 1 October 2017. They were the subject of intense discussion with the Executive Board members.

The Supervisory Board and the Executive Board will present the new remuneration scheme to the Annual General Meeting 2018 for approval. The new remuneration scheme will also be described in the invitation to the Annual General Meeting 2018 in detail.