

*The Cape Verde Islands deep in the Atlantic Ocean are
a perfect place to relax with about 350 days of
sunshine a year. TUI is extending its presence on the isle of
Sal, where the Robinson Club Cabo Verde will open
in late 2019.*

»

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ARTICLE 'SUN SOAKED'.**





CORPORATE GOVERNANCE

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EXECUTIVE BOARD AND SUPERVISORY BOARD

Supervisory Board

Name	Function/Occupation	Location	
Prof. Klaus Mangold	Chairman of the Supervisory Board of TUI AG	Stuttgart	
	Chairman of the Supervisory Board of Rothschild GmbH		
	Chairman of the Supervisory Board of Knorr-Bremse AG		
Frank Jakobi¹	Deputy Chairman of the Supervisory Board of TUI AG	Hamburg	
	Travel Agent		
Sir Michael Hodgkinson	Deputy Chairman of the Supervisory Board of TUI AG	London	
Andreas Barczewski¹	Aircraft Captain	Hanover	
Peter Bremme¹	Regional Head of the Special Services Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Hamburg	
Prof. Edgar Ernst	President of Deutsche Prüfstelle für Rechnungslegung (DPR)	Bonn	
Wolfgang Flintermann¹	Group Director Financial Accounting & Reporting, TUI AG	Großburgwedel	
Angelika Gifford	Supervisory Board Member and Technology Executive	Kranzburg	
Valerie Frances Gooding	Member of supervisory bodies in different companies	Weybridge	
Dr Dierk Hirschel¹	Business unit manager of the trade-union ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Janis Kong	Member of supervisory bodies in different companies	London	
Peter Long	Chairman Countrywide PLC	London	
Coline McConville	Member of supervisory bodies in different companies	London	
Alexey Mordashov	Chairman Board of Directors of PAO Severstal	Moscow	
Michael Pönipp¹	Hotel Manager	Hanover	
Carmen Riu Güell	Managing Director RIUSA II S.A.	Palma de Mallorca	
Carola Schwirn¹	Department Coordinator in the Transportation Division of ver.di – Vereinte Dienstleistungsgewerkschaft	Berlin	
Anette Stempel¹	Travel Agent	Hemmingen	
Ortwin Strubel¹	Travel Agent	Hamburg	
Stefan Weinhofer¹	International Employee Relations Coordinator at TUI AG	Vienna	
Dr Dieter Zetsche	Chairman of the Board of Management Daimler AG	Stuttgart	

¹ Representative of the employees

² Information refers to 30 September 2018 or date of resignation from the Supervisory Board of TUI AG in FY 2018.

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 (direkt und indirekt) ²
7 Jan 2010	2021	a) Continental AG Knorr-Bremse AG ³	b) Alstom S.A. Baiterek Holding JSC Rothschild GmbH ³	0
15 Aug 2007	2021			600
11 Dec 2014	13 Feb 2018	b) Keolis (UK) Limited ³ Keolis Amey Docklands Ltd. World Airport Partners GmbH		7,980
10 May 2006	2021	a) TUIfly GmbH ⁴		0
2 Jul 2014	2021	a) TÜV Nord AG		0
9 Feb 2011	2021	a) Metro AG VONOVIA SE ⁴		0
13 Jun 2016	2021	a) Deutscher Reisepreis- Sicherungsverein VVaG		382
26 Mar 2012	2021	a) ProSiebenSat1 Media SE	b) Rothschild & Co	4,100
11 Dec 2014	2020	b) Vodafone Group PLC Aviva Insurance Ltd. Aviva Life Holdings		994
16 Jan 2015	2021	a) DZ-Bank AG		0
11 Dec 2014	2020	b) Bristol Airport Ltd. Copenhagen Airport Portmeirion Group PLC	South West Airports Ltd. Roadis Transportation Holding S.L.U.	5,985
9 Feb 2016	2021	b) Countrywide PLC ³		10,317
11 Dec 2014	2020	b) Fevertree Drinks PLC Inchape PLC	Travis Perkins PLC	0
9 Feb 2016	2021	b) AO 'Severstal Management' ³ PJSC 'Power Machines' ³	Nord Gold S.E.	146,963,612
17 Apr 2013	2021	a) TUI Deutschland GmbH MER-Pensionskasse VVaG		469
14 Feb 2005	2021	b) Hotel San Francisco S.A. Productores Hoteleros Reunidos S.A.	RIU Hotels S.A. RIUSA II S.A.	19,854,616
1 Aug 2014	2021			0
2 Jan 2009	2021			1,729
3 Apr 2009	2021			2,228
9 Feb 2016	2021	b) TUI Austria Holding GmbH		0
13 Feb 2018	2023	b) Vita Health LLC		0

Executive Board

Name	Department	Other Board Memberships ¹		Number of TUI AG shares (direct and indirect) ¹
Friedrich Jousen (Age 55) 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 TUI Deutschland GmbH ² TUIfly GmbH ²	328,081
Horst Baier (Age 61) Member of the Executive Board since November 2007 Current appointment until 30 September 2018	CFO	b)	RIUSA II S.A. ² TUI Canada Holdings Inc. Sunwing Travel Group Inc.	40,717
David Burling (Age 50) Member of the Executive Board since June 2015 Current appointment until May 2021	CEO Markets & Airlines	a)	TUI Deutschland GmbH TUIfly GmbH	16,300
		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 Holdings Sweden ABThomson 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.	
Birgit Conix (Age 53) Member of the Executive Board since July 2018 Current appointment until July 2021	CFO			0
Sebastian Ebel (Age 55) Member of the Executive Board since December 2014 Current appointment until November 2020	CEO Hotels & Resorts, Cruises, Destination Experiences	a)	TUI Cruises GmbH BRW Beteiligungs AG Eintracht Braunschweig GmbH & Co KG ² Eves Information Technology AG ²	250
Dr Elke Eller (Age 56) Member of the Executive Board since October 2015 Current appointment until October 2021	HR, Labour Director	a)	K+S AG TUI Deutschland GmbH TUIfly GmbH	12,545
Frank Rosenberger (Age 50) Member of the Executive Board since January 2017 Current appointment until December 2019	CIO and New Markets	a)	TUI Deutschland GmbH Peakwork AG	0

¹ Information refers to 30 September 2018 or date of resignation from the Executive Board in FY 2018.

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 FY 2018. 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 (DCGK) 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 DCGK pursuant to section 161 of the German Stock Corporation Act.

⊕ www.dcgk.de/en/code.html

WORDING OF THE DECLARATION OF COMPLIANCE FOR 2018

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

Since the last annual declaration of compliance was submitted in December 2017, the recommendations of the German Corporate Governance Code in the version dated 7 February 2017 have been and will be fully observed.'

Place of publication:

⊕ www.tuigroup.com/en-en/investors/corporate-governance

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

As an overseas company with a premium listing on the London Stock Exchange, TUI AG's Executive Board and Supervisory Board are obliged pursuant to No. 7.2 DTR and LR 9.8.7R to make a statement on the application of the UK Corporate Governance Code (UK CGC).

At the time of the merger TUI AG had announced it would comply with 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 DCGK and the UK Code are similar. However, there are certain aspects which are not compatible (in some cases due to the different legal regimes in Germany and the UK). Therefore some deviations from Code requirements and 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 120). 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.

WORDING OF THE UK CORPORATE GOVERNANCE

STATEMENT 2018

“Executive Board and Supervisory Board declare pursuant to DTR 7.2 and LR 9.8.7R:

‘Throughout the reporting period, TUI AG has complied with the provisions of the UK Code in the version of April 2016, including its main principles, except as set out and explained below.’

Place of publication:

⊕ www.tuigroup.com/en-en/investors/corporate-governance

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). After Sir Michael Hodgkinson resigned from the Supervisory Board at the end of the Annual General Meeting on 13 February 2018, the Supervisory Board elected Peter Long to replace him as additional Deputy Chairman at its meeting on 13 February 2018 following the Annual General Meeting.

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 representatives (the Chairman is not taken into account according to the UK Code) are independent for the purposes of the UK Code. The shareholder representatives considered to be independent are: Prof. Edgar Ernst, Valerie Gooding, Janis Kong, Coline McConville, Angelika Gifford and Sir Michael Hodgkinson (until 13 February 2018), resp. Dr Dieter Zetsche (since 13 February 2018). Additionally, the Chairman was independent on election in 2011 and re-election in February 2016 and is still considered independent (Prof. Klaus 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. 24,998% 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 108 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 DIRECTORS (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. Until 13 February 2018 the remaining two members, Sir Michael Hodgkinson and Prof. Klaus Mangold (Chairman) were both independent. Since 13 February 2018, Peter Long has replaced Sir Michael Hodgkinson as a member of the Nomination Committee, so that only Prof. Klaus Mangold is independent under the UK Code. 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 19 which is part of the Chairman's letter to shareholders.

Succession planning for management levels below Executive Board 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 Director Legal, Compliance & Board Office and via 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. Most recently, the Supervisory Board dealt with an update on the efficiency review and with measures derived from the results of the efficiency review at its meeting on 8 February 2016. An internal efficiency review was conducted at the end of 2018. It is planned to conduct an efficiency review with external support in the course of 2019.

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 112. 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 are not yet widespread in Germany and, depending on their design, are difficult to enforce. 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 128 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 128

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 no use of this option in FY 2018.

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

Dialogue with shareholders

Date	Meeting	Participants
October 2017	Roadshow Brussels	HB
	Roadshow Paris	HB
November 2017	J.P. Morgan Best of British FTSE 100 Conference	HB
	Roadshow UK	FJ, HB
December 2017	Roadshow UK	
January 2018	Commerzbank German Investment Seminar	HB
	Roadshow US	HB
	UniCredit / Kepler Cheuvreux German Corporate Conference	HB
	Roadshow UK	HB
	Berenberg IR Forum	HB
	Roadshow Tokyo	HB
	Roadshow Dublin	HB
February 2018	Barclays Select Leisure & Transport Corporate Day	HB
	Barclays Select UK Conference	HB
	Roadshow US	HB
	Morgan Stanley Roundtable	HB
March 2018	Roadshow UK	FJ, HB
	Roadshow Frankfurt	FJ, HB
	Roadshow Paris	HB
	Roadshow Amsterdam	HB
	Roadshow Zurich	HB
	Roadshow Copenhagen	HB
	Roadshow Oslo	HB
	dbAccess German, Swiss and Austrian Conference	HB
	Roadshow US	HB
April 2018	Credit Suisse Leisure Sector Conference	HB
	MainFirst Travel and Transport Days	HB
	Commerzbank Sector Conference	HB, BC
May 2018	BAML – Travel & Leisure Field Trip	HB
	Citi Growth Conference 2018 – Travel & Leisure Day	HB, BC
	Berenberg & Goldman Sachs GCC Conference	HB, BC
	Bernstein Strategic Decisions Conference	FJ, BC
June 2018		
August 2018		
September 2018		

Key: Friedrich Joussen (FJ), Horst Baier (HB), Birgit Conix (BC)

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 of the shareholder structure as well as purchases and sales of shares 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 2018 and it is not intended to do so at the AGM in 2019. 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 2018 AGM of TUI AG was held on 13 February 2018. As required by German law, the notice convening TUI AG's 2018 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 2018. 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 18 January 2018, 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 2018. 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 2017 was published on 13 December 2017, significantly more than 20 working days before the 2018 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 2019 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 seven members as at the closing date 30 September 2018. 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 112 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 2018. 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 2018, the Supervisory Board of TUI AG comprised 20 members. The composition of the Supervisory Board in FY 2018 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 123 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). The seven independent members were Prof. Edgar Ernst, Ms Angelika Gifford, Ms Valerie Gooding, Sir Michael Hodgkinson (until February 13, 2018), Dr Dieter Zetsche (from February 13, 2018), Ms Janis Kong, Ms Coline McConville and Prof. Klaus Mangold.

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, February 2018). 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 2018, 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, in accordance with section 27 (3) of the German Co-Determination Act, the Mediation Committee was furthermore established.

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 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 FY 2018, 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 and was exceeded since 15 July 2018 with the appointment of Ms Birgit Conix.

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 are to be achieved by 30 September 2020. For this reason, TUI AG has implemented various measures over the past 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. In addition, at least one woman should always be on the shortlist in the recruitment process for positions in the Senior Leadership Team. As a result of these measures, the proportion of women at TUI AG at the first management level below the Executive Board increased from 18 % to 24 % and thus exceeded the target of 20 %. The proportion of women at TUI AG at the second management level below the Executive Board was kept constant at 24 %. At these levels, however, staff turnover is generally very low. As a result, the proportion of women can only be increased slowly. Despite all the measures taken, the suitability and qualification of candidates for filling vacant positions are still of primary importance.

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 manage-

ment 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 40*

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 Unifirm Ltd.), Friedrich Joussen and Ortwin Strubelt of notifiable purchase and sale transactions of TUI AG shares or related financial instruments by directors (directors' dealings or managers' transactions) concerning FY 2018. Details are provided on the Company's website.

Purchase and sales transactions by members of the boards are governed by the Group Manual Share Dealings by Restricted Persons, approved by the Executive Board and the Supervisory Board, alongside corresponding statutory provisions. The Group Manual Share Dealings by Restricted Persons stipulates above all an obligation to receive a clearance to deal 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 2018 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. A review pursuant to Listing Rule 9.8.10R was carried out.

➔ See audit opinion by the auditors on page 260

The condensed consolidated interim financial statement and management report as at 31 March 2018 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 FY 2018.

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 FY 2018

With effect from 15. July 2018, Ms Birgit Conix was appointed member of the Executive Board. The target set by the Supervisory Board that at least one woman should be a member of the Executive Board has thus been exceeded. 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 114). It is the view of the Supervisory Board that Ms Conix, Dr Eller and Mr Burling among other things through their professional careers, their wide-ranging international experience and 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 DCGK. 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 2018

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.

Since his election to the Supervisory Board at the 2018 Annual General Meeting, Dr Dieter Zetsche has made a very valuable contribution to the diversity of the Supervisory Board thanks to his extensive international experience and his extensive experience in the management of a major global corporation. 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.

Compliance / Anti-corruption and anti-bribery

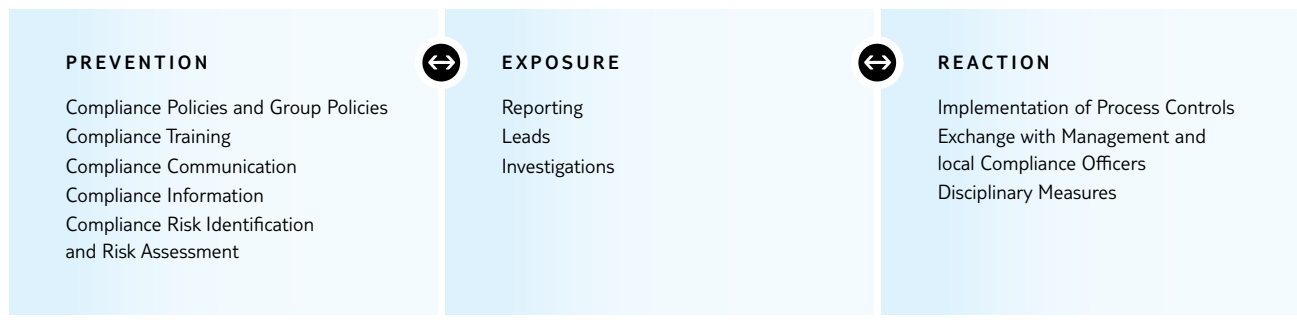
TUI Group's Compliance Management System is a fundamental component in our commitment to entrepreneurial, environmental and socially responsible operations and management. It forms an indispensable part of TUI Group's corporate culture and our corporate governance activities.

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



TUI Group's Compliance Management System focuses on the legal sub-areas anti-corruption, competition and anti-trust law, data protection and export controls. 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 ('managed Group companies'). Implementation of the Compliance Management System is recom-

mended for investments not controlled by TUI AG ('non-managed Group companies'). The Compliance Management System has been designed to meet the requirements of Auditing Standard PS 980 of the German Institute of Auditors.

COMPLIANCE STRUCTURE

TUI Group's Compliance structure supports those responsible in their task of communicating 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 works 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 plans for national and international legislation
- 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, the 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 for our employees to follow in their everyday work and 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, all 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 and 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 data protection, protecting free and fair competition, anti-corruption measures and the handling of trade sanctions. A software is used, in particular 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 1,189 legal representatives and executives of TUI Group to identify potential conflicts of interest. Through 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 100 % of the respondents. No indications were found suggesting that there were any conflicts of interests.

EU GENERAL DATA PROTECTION REGULATION (GDPR)

With the EU GDPR taking effect on 25 May 2018, data protection, which was already a key priority for TUI Group, was stepped up in the financial year under review. Many measures were initiated both at Group level and in local companies, e.g. the structured coordination of all specialist data protection functions within the Company and the appointment of Data Protection Officers in nearly all relevant TUI Group companies (data protection governance). One of the key measures was the roll-out of online training on data protection in TUI Group companies from June 2018. By the end of FY 2018, 78 % of the target employees had completed the training. The training is still being carried out in some parts of the organisation.

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 training programme for new employees and risk groups was extended to include new concepts and allow for harmonisation. In addition, TUI companies and sectors offered training schemes with their own specific focus, e.g. anti-corruption, competition law or the 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 laws or 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 53 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. In FY 2018, a communication campaign was carried out to remind employees of the existing whistleblower system. 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 70 reports were received through the SpeakUp Line. Apart from the SpeakUp Line, employees also used the opportunity to directly report infringements to their

line managers, the Compliance contact in charge or the Compliance Mailbox. A further 13 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 83 reports submitted in total, 24 cases initially presented prima facie indications of a Compliance infringement, leading to further investigations which in four cases resulted in disciplinary measures, culminating where appropriate in 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.

BUSINESS PARTNER SCREENING (DUE DILIGENCE)

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 listing cannot be ruled out.

Group Legal Compliance therefore performs software-based screenings of selected business partners at regular intervals. The process involves checking the names of 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 FY 2018, we used this process to check 11,286 business partners against Compliance criteria. The screening software initially flagged 9,697 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. In nine cases, the business organisation cooperating with the business partners in question were briefed about the results of the review, enabling them to implement further security measures.

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. SHAREHOLDERS' APPROVAL OF THE REMUNERATION SYSTEM

In FY 2018 a new remuneration system for the members of the Executive Board has been established and approved with retroactive effect from the beginning of FY 2018 by the shareholders at the Annual General Meeting on 13 February 2018. With the exception of Mr Baier the new remuneration system is applicable to all members of the Executive Board. Due to Mr Baier's resignation from the Executive Board of TUI AG, which was originally planned for 8 November 2018 in accordance with the service agreement concluded between him and the company and which was brought forward to the end of FY 2018 by mutual agreement, Mr Baier was not migrated to the new remuneration system.

Although the previous remuneration system meets all legal requirements and results in appropriate remuneration, the Supervisory Board felt that the time has come to make the next step after the successful completion of the integration of former TUI Travel PLC into TUI AG. The new remuneration system contains improvements that follow best practice standards which are relevant to TUI AG as well as the Executive Board's strategy for sustainable growth. The recommendations of the UK-Code as well as a diverging UK market practice are included respectively in the position described. Considering that and in view of the latest developments of the arrangement of the remuneration in Germany it has been decided to establish a remuneration system that takes into account both perspectives. The defined performance indicators aim to take into account the interests of all stakeholders and to create value for our providers of equity and external funding.

Thereby the new remuneration system completely waives the previous possibility of the Supervisory Board of granting an additional bonus subject to its discretion and not linked to any targets or financial indicators. In fact, the variable remuneration components are subject of specific target sets which are closely oriented towards the forecast for the financial markets, which has been published within the Annual Report and Accounts and is if necessary, updated during the year.

Even though it is common practice in many companies applying the UK-Code, the shareholders of TUI AG do not vote annually on the remuneration system. This corresponds to the practice in most of the German stock companies and is in conformity with the German Stock Corporation Act. Nevertheless the targets to be achieved for FY 2018 are being retroactively clarified in the remuneration report in order to enable stakeholders to gain an understanding of the underlying target achievements in the framework of the new remuneration system.

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 system for the Executive Board.

➔ *For further details of the Presiding Committee, please see the report of the Supervisory Board page 14*

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 144)

The remuneration system does not contain malus or clawback clauses. From the perspective of the Supervisory Board malus and clawback clauses which allow for a retroactive correction of variable remuneration are first of all an understandable request of stakeholders. However, in the German jurisdiction such clauses are still widely uncommon. Only for certain financial institutes they have recently become legally binding. It has thus not yet been clarified by the highest court, on which principles (eg. Transparency and appropriateness of malus and clawback) malus and clawback clauses are based in order to be effective and enforceable. Consequently, the Supervisory Board has abstained to include malus and clawback clauses in the service agreements of the members of the Executive Board in the course of the revision of the remuneration system. However, it has to be expressively stressed that the German law, especially the German Stock Corporation Act, does provide sufficient possibilities to enforce compensation claims towards members of the Executive Board who disregard their duties of acting in good faith.

III. REMUNERATION OF THE EXECUTIVE BOARD IN FY 2018

In FY 2018, 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 and (5) pension entitlements.

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 and aforementioned 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 base of three group performance indicators and the individual performance of the member of the Executive Board. The performance 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 2018 the performance targets are Earnings Before Taxes (EBT) at constant currency, Return on Invested Capital (ROIC) and the Cash flow to the firm (Cash flow). The target values for the one-year performance period for the EBT, ROIC and Cash flow are set by Supervisory Board at the beginning of each financial year for the respective financial year.

The target achievement is calculated as follows:

2.1 EARNINGS BEFORE TAXES (EBT)

The previous group performance indicator Group EBITA was 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.

- 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.
- The achievement of an earnings target of 100 % equals a target achievement of 100 %.
- Anything in excess of 110 % (on a constant currency basis) of the earnings target (corresponds to a target achievement of 180 %) is not included.

In the event of a quotient between 90 % and 100 %, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a quotient between 100 % and 110 %, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

2.2 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 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. The average invested interest-bearing capital is calculated as the average value based on the invested capital balance at the beginning and end of the year. The invested capital is calculated as the equity (including non-controlling interests) plus interest-bearing liabilities, minus interest-bearing assets, plus a seasonal adjustment. 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.

- 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 %).
- If the return on investment corresponds to the defined target, the target achievement is 100 %.
- In order to reach maximum target achievement of 180 % the target must be exceeded by 3 % points or more.

In the event of a deviation between –3 % points and 0 % points, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a deviation between 0 % points and 3 % points, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

2.3 CASH FLOW AS 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 is calculated based on the unadjusted earnings before interest, taxes and amortisation of goodwill reported in the approved and audited consolidated accounts of the TUI Group (EBITA according to the approved and audited consolidated accounts of the TUI Group) on a constant currency basis plus the difference between amortisations and write-backs, plus the change to the so-called Working Capital, minus the earnings from companies measured

according to the equity method, plus the dividends received by TUI AG from participating interests and minus net capex and investments. Working Capital includes short-term assets and liabilities that are not cash or cash equivalents ('cash'), income tax receivables or liabilities or derivative financial instruments. Furthermore, interest-bearing assets and liabilities as well as short-term provisions for pensions are not included.

- 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.
- The achievement of a liquidity target of 100 % equals a target achievement of 100 %.
- Anything in excess of 110 % of the liquidity target (corresponds to a target achievement of 180 %) is not included.

In the event of a quotient between 90 % and 100 %, linear interpolation will be used to determine the target achievement between 50 % and 100 %, and in the event of a quotient between 100 % and 110 %, linear interpolation will be used to determine the target achievement between 100 % and 180 %. The target achievement will be rounded to two decimal figures, as is customary in commercial practice.

As before, the JEV depends on an individual performance factor in addition to the target achievements of the aforementioned group performance indicators. Under the new remuneration system the Supervisory Board shall determine the individual performance factor for the JEV (0.8 to 1.2) for each Executive Board member 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.

The value resulting from the multiplication of the target amount by the degree of target achievement for the EBT, the ROIC, the Cash flow and the individual performance factor will be paid out in the month of the approval and audit of the consolidated accounts of the TUI Group for the relevant 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 will be capped at 180 % prior to the consideration of the individual performance factor. As a result, there is an annual cap for the JEV and an individual cap for each member of the Executive Board, which is shown in the table on page 136.

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. ANNUAL PERFORMANCE-BASED REMUNERATION ACCORDING TO PREVIOUS REMUNERATION SYSTEM (ONLY APPLICABLE TO MR BAIER)

Due to his retirement from the Executive Board Mr Baier's remuneration has not been migrated to the new system in FY 2018. Thus, the provisions for the JEV of the previous remuneration system continue to be applicable for Mr Baier in FY 2018 and are set out as follows:

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 Mr Baier in his service agreement. Since 1 October 2010 the performance target has been the reported earnings before interest, tax and amortisation of goodwill (Group EBITA). The target value for the one-year performance reference period for the 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 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 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.

As in the past, the JEV depends on an individual performance factor in addition to the achievement of the above Group key performance indicator. The Supervisory Board now determines this individual

JEV performance factor (0.8 to 1.2) for Mr Baier based on the achievement of three target categories: In addition to individual performance targets, performance targets for the entire Executive Board and the stakeholder targets are also included in the determination. The Supervisory Board defined the targets from these three categories and their relative weighting for Mr Baier as well as for the other members of the Executive Board for FY 2018 at the beginning of the financial year.

The amount resulting from the multiplication of the target amount by the degree of target achievement for the Group EBITA and the individual performance factor 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.

Cap

There is an annual and individual cap for Mr Baier's JEV, which is shown on page 136.

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).

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

4.1 FUNCTIONING OF THE NEW LONG-TERM INCENTIVE PLAN (LTIP)

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.

4.1.1 TOTAL SHAREHOLDER RETURN (TSR)

The relevant performance target for determining the amount of the payout after the performance reference period is the development of the Total Shareholder Return (TSR) of TUI AG in relation to the development of the TSR of the STOXX Europe 600 Travel & Leisure Index (Index). The relative TSR is being considered with a weighting of 50 %. The degree of target achievement is being determined depending on the TSR-value of TUI AG compared to the TSR-value of the companies belonging to the Index over the performance reference period. To determine the relative TSR of TUI AG the respective established TSR-value and those of the comparable companies are sorted in descending order. The relative TSR of TUI AG is expressed as a percentile (percentile rank).

Thereby the TSR is the aggregate of all share price increases plus the gross dividends paid over the performance reference period. The Data for the observation of the development of the TSR-values of TUI AG and the Index is provided by a reputable data provider (eg. Bloomberg, Thomson Reuters). The reference to determine the ranking is the composition of the Index on the last day of the respective 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 (in percent) for the relative TSR of TUI AG based on the percentile is calculated as follows:

- A percentile below the median corresponds, unlike the remuneration system removed with effect from 1 October 2017, to a target achievement of 0 %
- A percentile equivalent to the median corresponds to a target achievement of 100 %.
- A percentile equivalent to the maximum value corresponds to a target achievement of 175 %.

In the event of a percentile between the median and the maximum value, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded to two decimal figures as is customary in commercial practice.

4.1.2 EARNINGS PER SHARE (EPS) AS ADDITIONAL GROUP PERFORMANCE INDICATOR

Furthermore the average development of the Earnings per Share (EPS) p.a. as additional group performance indicator with a weighting of 50 % is taken into account for the LTIP. The average over the four years performance reference period is based on a pro forma underlying earnings per share from continuing operations as they are being published in the Annual Report and Accounts already.

The target achievement for the average development of the EPS p.a. based on the annual amounts is calculated as follows:

- An average increase p.a. of less than 3 % corresponds to a target achievement of 0 %.
- An average increase p.a. of 3 % corresponds to a target achievement of 25 %.
- An average increase p.a. of 5 % corresponds to a target achievement of 100 %.
- An average increase p.a. of 10 % or more corresponds to a target achievement of 175 %.

In the event of an average increase p.a. between 3 % and 5 % linear interpolation will be used to determine the target achievement between 25 % and 100 % and in the event of an average increase p.a. between 5 % and 10 % or more, linear interpolation will be used to determine the target achievement between 100 % and 175 %. The target achievement will be rounded as well to two decimal figures as is customary in commercial practice.

If the previous year's EPS is below €0.50 the Supervisory Board will, for each subsequent financial year, redefine absolute target values for the EPS as well as minimum and maximum values for determining the percentage target achievement.

The degree of target achievement (in percent) is calculated as the average of the respective target achievements for the performance targets relative TSR of TUI AG and EPS. To determine the final number of virtual shares the degree of target achievement at the date of the expiry of the performance reference period is being multiplied with the provisional number of virtual shares. The payout is obtained by the multiplication of the final number of virtual shares with the average XETRA price of TUI AG shares over the last 20 trading days in the respective performance reference period (until 30 September of every year). The amount will be paid out in the month of the approval and audit of the consolidated accounts of the TUI Group. If the service agreement begins or ends during the financial year relevant for the granting of the LTIP the claim to payout of the LTIP is in general calculated on a pro rata basis.

Cap

The maximum LTIP-payout is capped at 240 % of the individual target amount for each performance reference period. As a result, there is an annual cap for the LTIP and an individual cap for each member of the Executive Board, which is shown in the table on page 136.

4.2 LONG TERM INCENTIVE PLAN ACCORDING TO PREVIOUS REMUNERATION SYSTEM

For those members of the Executive Board whose service agreements already existed prior to FY 2018, the replaced remuneration system will initially continue to apply in part in parallel. This relates only to the LTIP tranches granted before FY 2018 but not yet included in the remuneration paid due to the performance period. In addition, Mr Baier did not migrate to the new remuneration system due to his aforementioned retirement from the Executive Board. Accordingly, the LTIP provisions of the former remuneration system continue to apply to Mr Baier for FY 2018, as described below:

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 STOXX Europe 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 member of the Executive Board; for the figures, see the table on page 136.

4.3 DEVELOPMENT OF AGGREGATE VIRTUAL SHARES OF CURRENT EXECUTIVE BOARD MEMBERS IN FY 2018

	Number
Granting in FY 2018	
Friedrich Joussen	125,342
Horst Baier	56,507
David Burling	63,014
Birgit Conix	13,303
Sebastian Ebel	54,012
Dr Elke Eller	52,740
Frank Rosenberger	52,397
Decrease in FY 2018*	
Friedrich Joussen	129,484
Horst Baier	59,055
David Burling	14,582
Sebastian Ebel	35,186

* Decrease corresponds to amounts paid for LTIP-tranches that ended in FY 2018 (see DCGK-table on remuneration paid).

4.4 EXPENDITURE OF AWARDING VIRTUAL SHARES FOR THE LTIP IN FY 2018 TO CURRENT EXECUTIVE BOARD MEMBERS ACCORDING TO IFRS 2

Expenditure for granting of virtual shares in FY 2018 acc. to IFRS 2

€ '000	Part of total expenditure FY 2018	Part of total expenditure FY 2017
Friedrich Jousсен	2,815.0	1,830.0
Horst Baier	1,090.3	495.1
David Burling	1,139.0	296.2
Birgit Conix	313.4	0.0
Sebastian Ebel	1,161.7	381.3
Dr Elke Eller	897.5	252.4
Frank Rosenberger	502.5	238.3
Total	7,919.4	3,493.2

The table shows the individual amounts of the total expenditure arising from the addition to the provisions to be formed pro rata according to IFRS 2 for all of the LTIP tranches to be granted during the term of the respective service agreements. According to IFRS 2, there are provisions totaling €16,504.4 k (previous year: €8,585.0 k) to cover entitlements under TUI AG's LTIP for current Executive Board members.

According to the German Commercial Code, there are provisions totaling €10,709.8 k (previous year: €4,625.8 k) for LTIP tranches currently in the lock-up period.

There are liabilities in accordance with IFRS and the German Commercial Code totaling €4,079.0 k (previous year: €1,604.6 k).

5. 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 general business travel guidelines; if applicable.
- Twice each financial year, the reimbursement of substantiated (e.g. by invoices) costs of a trip or individual components of a trip that take place at essentially the same time (flight, transfer in destination area, accommodation including holiday houses and apartments, cruise, rental car, round trip), from the ranges of a provider in which TUI AG holds a majority participation (section 16 German Stock Corporation Act), without any limitation

as to type of holiday, category or price. Accompanying spouses/partners shall be granted a 50 % discount for these benefits, whereas accompanying own children and accompanying children of spouses/partners shall be granted a 100 % discount on the regular price of the aforementioned vacations until they no longer have a claim to a child allowance or a comparable state benefit pursuant to a foreign legal order. A discount of 75 % (50 % for accompanying spouses/partners, accompanying children meeting the requirements mentioned before) will be granted for flights (seat-only business of an airline in which TUI AG holds a majority participation pursuant to section 16 German Stock Corporation Act) that are not part of a trip.

- A suitable company car with driver or alternatively a car allowance of €1.5 k 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 an accident insurance for Mr Jousсен, Mr Baier, Ms Conix, Mr Ebel, Dr Eller and Mr Rosenberger to the customary extend and pays the respective insurance contributions for the term of the service agreements. The coverage amounts to €1,500 k for death and €3,000 k for full disablement. Furthermore TUI AG pays an allowance towards health and long-term care insurance in the amount that would be payable for an employee but no more than half of the respective insurance premium for Mr Jousсен, Mr Baier, Ms Conix, Mr Ebel, Dr Eller and Mr Rosenberger.

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

TUI AG also takes out criminal law protection insurance that provides cover for the Executive Board members regarding criminal and misdemeanor 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 which every member of the Executive Board receives annually is taken into account within the scope of the maximum remuneration listed on page 136 as fringe benefits.

6. PENSION BENEFITS

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 Mrs Conix and Mr Burling on the other hand due to the legacy systems in Germany, Belgium 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 % p.a. 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 k per year. Mr Joussen becomes eligible for payment of the pension upon reaching the age of 62.
- Dr Eller: €230.0 k per year. Dr Eller becomes eligible for payment of the pension upon reaching the age of 63.
- Mr Baier: €267.75 k per year. Mr Baier becomes eligible for payment of the pension upon reaching the age of 60.
- Mr Ebel: €207.0 k per year. Mr Ebel becomes eligible for payment of the pension upon reaching the age of 62.
- Mr Rosenberger: €230.0 k per year. 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 k paid out in cash for his pension.

Ms Conix receives a fixed annual amount of €230.0 k paid out in cash for her pension.

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

At 30 September 2018, pension obligations for current Executive Board members totaled €22,061.9 k (previous year balance sheet date: €19,731.2 k) according to IAS 19. This includes €4,624.3 k (previous year balance sheet date: €4,501.3 k) 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

€ '000	Addition to/reversal from pension provision		Net present value	
	2018	2017	30 Sep 2018	30 Sep 2017
Friedrich Joussen	343.5	200.0	3,550.3	3,206.9
Horst Baier	1,080.9	89.7	10,190.7	9,109.8
Sebastian Ebel	164.3	118.7	1,558.4	1,394.1
Dr Elke Eller	313.5	277.6	1,026.7	713.2
Frank Rosenberger	305.6	805.9	1,111.5	805.9
Total	2,207.8	1,491.9	17,437.6	15,229.9

According to commercial law provisions, the pension obligations for current Executive Board members amounted to €18,508.4 k (previous year balance sheet date: €15,738.4 k); this includes €3,263.2 k (previous year balance sheet date: €2,925.0 k) 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.

8. 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	Maximum total remuneration ³
Friedrich Joussen	1,100.0	2,743.2	4,392.0	7,500.0
Horst Baier	740.0	1,687.5	2,475.0	4,200.0
David Burling	680.0	1,080.0	2,208.0	3,500.0
Birgit Conix ¹	680.0	1,188.0	2,208.0	3,500.0
Sebastian Ebel ¹	680.0	1,080.0	2,208.0	3,500.0
Dr Elke Eller	680.0	961.2	1,848.0	3,500.0
Frank Rosenberger	600.0	1,004.4	1,836.0	3,500.0

¹ Full-year values (12 months), possibly pro rated caps: see table on page 138

² Fixed amount, no cap applied

³ Contractually agreed cap for total remuneration (incl. fixed remuneration, JEV, LTIP, pension, additional remuneration and fringe benefits). In case the cap of total remuneration is exceeded, the LTIP is reduced accordingly.

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

The payments to be made to a member of the Executive Board on the premature termination of his or her service agreement without good cause are in principle limited in the service agreements of Mr Joussen und Mr Baier to an amount equal twice their annual remuneration. In the service agreements of Ms Conix and Mr Rosenberger it has been agreed that payments in the event of premature termination without good cause may not – in case of premature termination during the first year after the coming into force of the service agreement – exceed the amount equal twice their annual remuneration and – in case of premature termination after the end of the first year of the service agreement – exceed the amount on an annual remuneration (severance pay cap). In the service agreements of Mr Burling, Mr Ebel and Dr Eller is has

been agreed that payments due to premature termination of the respective service agreement without good cause shall not exceed the amount of an annual remuneration (severance pay cap).

For any member of the Executive Board, payments upon premature termination shall not cover more than the remaining term of the service agreement. The severance payment is calculated based on the target direct remuneration (fixed remuneration, target amount for JEV and target amount for LTIP) of the expired financial year and, if relevant, the expected target remuneration for the current financial year, provided that the application of the GCGC does not result in a lesser sum. If the service agreement is terminated extraordinarily without notice no payments will be made to the members of the Executive Board.

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.

In connection with a termination of an Executive Board Member's service agreement, in particular subsequent to a termination of the service agreement, regardless of by which party, or the conclusion of a termination agreement, TUI AG shall be entitled to release the respective Executive Board Member in full or in part from his or her obligation to perform work subject to continued payment of the remuneration. Such release shall initially be irrevocable for the period of any still outstanding holiday entitlement, which shall hereby be deemed exhausted. The release shall subsequently be maintained until the service agreement ends. The release shall be revocable in the event that questions exist in connection with the winding-up of the service relationship or temporary work becomes necessary for business reasons. This shall not affect the remainder of the service agreement.

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

10. OTHER PAYMENTS / BENEFITS FOR EXECUTIVE BOARD MEMBERS WHO LEFT THE BOARD IN FY 2018

The Chief Financial Officer of TUI AG, Mr Horst Baier, has retired from the Executive Board at the end of FY 2018. The service agreement of Mr Baier stipulated an appointment until 8 November 2018. Given Mr Baier's request to not further extend his appointment in view of his impending retirement and following the succession planning process, on 15 July 2018 a successor, Ms Conix, has been introduced to this position. This way an orderly hand-over process has been ensured whereby the Supervisory Board and Mr Baier could mutually agree on the termination of his activity as of the expiry of 30 September 2018. For the remaining term of his service agreement Mr Baier received – due to the premature termination – a severance payment in the amount of €234,689.50 (gross). Moreover, Mr Baier will be at the company's disposal as an advisor for one year wherefore he receives a fixed fee of €10k (net) per month. For the time until 8 November 2018 this salary has been deducted from his severance payment. Subjects of counseling as well as place and time are stipulated by contract.

11. PENSION PAYMENTS MADE TO PAST EXECUTIVE BOARD MEMBERS

In FY 2018, the pension payments to former Executive Board members and their surviving dependents totaled €4,963.6k (previous year: €13,497.1k).

Pension provisions for former members of the Executive Board and their dependents amounted as at the balance sheet date to €63,738.2k (previous year: €64,683.5k) as measured according to IAS 19, not including Mr Ebel's claims in the amount of €4,624.3k (previous year: €4,501.3k) 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 dependents amounted to €56,021.4k (previous year: €55,074.1k), not including Mr Ebel's claims in the amount of €3,263.2k (previous year: €2,925.0k) which he earned before 31 August 2006 during the course of his work for the TUI Group.

IV. OVERVIEW: INDIVIDUAL REMUNERATION OF EXECUTIVE BOARD MEMBERS

1. INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD MEMBERS FOR FY 2018 (PURSUANT TO SECTION 314(1), NO. 6(A) GERMAN COMMERCIAL CODE)

The amount for the LTIP shown in the following table corresponds to the fair value of the LTIP tranches of the respective member of the Executive Board at the grant date in accordance with the provisions of the German Commercial Code (HGB) covering the entire term of the respective service agreement. The values of the fixed remuneration and the JEV, on the other hand, reflect the remuneration paid for FY 2018.

Remuneration of individual Executive Board members granted by TUI AG for FY 2018 (acc. to section 314, paragraph 6 lit a of the German Commercial Code)

€ '000	Fixed remuneration ¹	JEV	Additional remuneration	LTIP ²	Total 2018	Total 2017
Friedrich Joussen	1,191.6	2,078.1	0.0	3,915.7	7,185.4	3,248.3
Horst Baier	795.0	965.3	0.0	935.8	2,696.1	1,746.1
David Burling	688.5	892.5	0.0	3,496.9	5,077.9	1,584.4
Birgt Conix ³	143.6	190.0	0.0	2,786.1	3,119.7	0.0
Sebastian Ebel ⁴	582.9	701.3	0.0	2,887.8	4,172.0	2,899.2
Dr Elke Eller	715.5	794.3	0.0	4,036.1	5,545.9	1,371.6
Frank Rosenberger	619.5	657.1	0.0	2,397.7	3,674.3	2,266.0
Total	4,736.6	6,278.6	0.0	20,456.1	31,471.3	
Previous year	4,528.8	3,097.4	2,600.0	2,889.5	13,115.7	

¹ Incl. fringe benefits (without insurances under Group coverage).

² Based on the price of TUI AG share this corresponds for Mr Joussen to a number of 269,674 virtual shares, for Mr Baier to a number of 64,446 virtual shares, for Mr Burling to a number of 240,829 virtual shares, for Ms Conix to a number of 191,878 virtual shares, for Mr Ebel to a number of 198,882 virtual shares, for Dr Eller to a number of 240,829 virtual shares and for Mr Rosenberger to a number of 165,131 virtual shares.

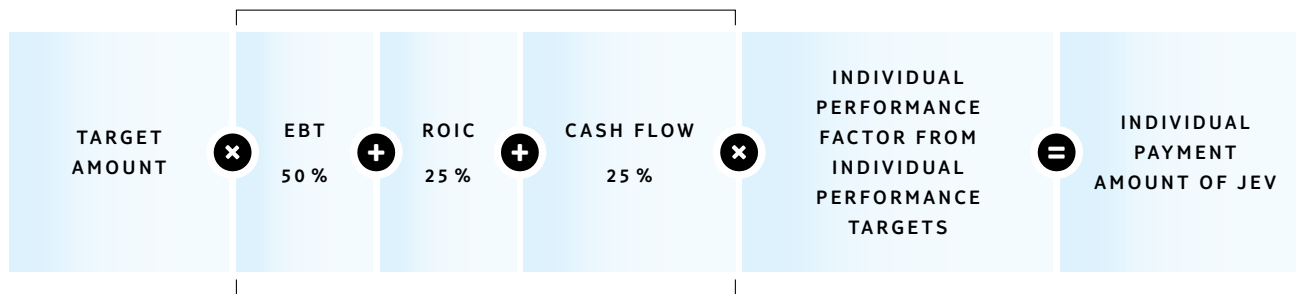
³ Pro-rated disclosure of all remuneration components as of 15 July 2018.

⁴ Reduction due to his sababatical from 26 April 2018 to 15 June 2018.

2. TARGET ACHIEVEMENT

The multiplication of the target amounts by the weighted degrees of target achievement for EBT, ROIC, Cash flow and the individual

performance factor results in the amount paid to member of the Executive Board as JEV.

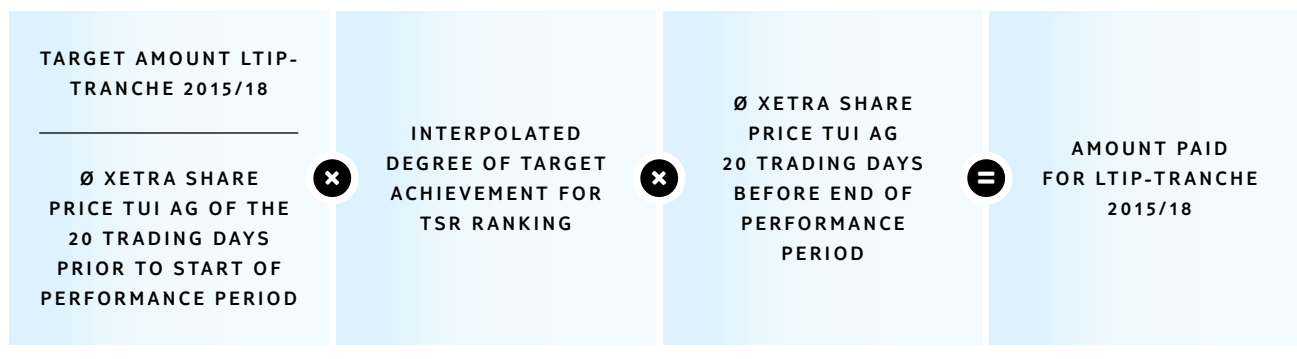


The targets set by the Supervisory Board for EBT, ROIC and Cash flow are based on the annual operating plan and are in line with the financial communication. The achieved EBT of €1,059.5k and the achieved Cash flow of €759.8k each lead to a degree of target achievement of more than 100 %. At 22.8 %, the target value for the ROIC could not be achieved in full, which was taken into account accordingly in the calculation of the JEV with a partial target achievement. All in all, the three key figures result in an excess amount of the defined target values of 48.8 %. Mr Baier is not taken into account in this consideration, as he was not migrated to the new remuneration system.

In addition, the Supervisory Board set ambitious targets for FY 2018 both for the individual performance of the members of the Executive Board and for the performance of the Executive Board as a whole as well as for stakeholder targets. These targets, like the individual performance criteria, were largely based on the Company's current strategic planning. During the definition phase, care is taken to ensure that these targets are precisely defined, contain measurability criteria or can be verified, have both a challenging and a positive, motivating dimension, and include a specific point in time at which the targets should be met.

Taking these prerequisites into account, the Supervisory Board's decision on setting the individual performance factors was based not only on strategic goals in the individual areas of responsibility of the respective members of the Executive Board but also on the development of a corporate, management and work culture that optimally supports digital innovations in our tourism business, the establishment of a reporting process on and the implementation of measures for gender diversity below Executive Board level and the implementation of measures to maintain or increase high customer satisfaction. After intensive deliberation and detailed discussion by the Supervisory Board, an individual performance factor was determined for each member of the Executive Board. Overall, the multiplication of the target amounts by the weighted degree of target achievement for EBT, ROIC and Cash flow as well as the individual performance factor leads to a JEV for the members of the Executive Board that is in reasonable proportion to the results of the financial year.

The target achievement was also determined for the LTIP. The payment of the LTIP tranche 2015/18 is based on the provisions of the remuneration system applicable before 1 October 2017.



The LTIP tranche was granted on the basis of an average stock market price of TUI AG of €11.43. At the end of the performance period, TUI AG's average share price was €15.46. Taking these figures into account, the level of target achievement was determined on the basis of TUI AG's TSR ranking compared with the TSR values of the STOXX Europe 600 Travel & Leisure companies over the performance period, resulting due to interpolation in a level of target achievement of 110.7 %.

3. ADDITIONAL INFORMATION

As in the previous year, no loans or advances were granted to the members of the Executive Board in FY 2018.

For her activities – which were approved by the Supervisory Board of TUI AG – in supervisory boards or comparable domestic and foreign supervisory bodies of companies to be set up in accordance with section 125 of the German Stock Corporation Act (AktG) which are not carried out on the basis of a shareholding of TUI AG in the companies concerned Dr Eller received €3.1 k from Nord / LB.

Additionally, she acquired a claim of €3.0 k from Nord / LB, which is due for payment in December 2018. Furthermore, Dr Eller received €0.8 k from K+S AG and acquired a claim there amounting to €44.8 k. For his mandate on the Supervisory Board of SIXT SE, Mr Jousen received €25.2 k in FY 2018 and acquired a claim of €74.8 k, due for payment after the end of SIXT SE's financial year. This remuneration was not offset against the Executive Board remuneration paid by TUI AG.

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. The table of remuneration awarded' in accordance with the GCGC shows the amount awarded in each financial year. The table 'remuneration paid' for the financial year under review shows the actual cash payment from the LTIP for the performance period 'LTIP 2015 – 2018' for Mr Jousen, Mr Baier, Mr Burling and Mr Ebel. The other members of the Executive Board are not entitled to LTIP-payments, yet due to their length of membership in the Executive Board.

4. REMUNERATION AWARDED

Remuneration awarded

	Friedrich Jousen CEO, since 14 February 2013 ¹				Horst Baier CFO, since 8 November 2007			
	2017	2018	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
€ '000								
Fixed remuneration	1,100.0	1,100.0	1,100.0	1,100.0	740.0	740.0	740.0	740.0
Fringe benefits	132.3	91.6	91.6	91.6	20.0	55.0	55.0	55.0
Total	1,232.3	1,191.6	1,191.6	1,191.6	760.0	795.0	795.0	795.0
JEV	920.0	1,270.0	–	2,743.2	450.0	750.0	–	1,687.5
Additional remuneration	920.0	–	–	–	450.0	–	–	–
LTIP								
LTIP (2017 – 2020)	1,494.8				681.8			
LTIP (2018 – 2021)		1,729.0	–	4,392.0		644.2	–	2,475.0
Total	4,567.1	4,190.6	1,191.6	8,326.8	2,341.8	2,189.2	795.0	4,957.5
Pension/service costs ⁵	625.7	563.5	563.5	563.5	–	–	–	–
Total remuneration⁶	5,192.8	4,754.1	1,755.1	7,500.0	2,341.8	2,189.2	795.0	4,200.0

Remuneration awarded

David Burling					Birgit Conix			
Member of the Executive Board, since 1 June 2015					Member of the Executive Board, since 15 July 2018			
€ '000	2017	2018	2018 (min.)	2018 (max.)	2017	2018 ²	2018 (min.)	2018 (max.)
Fixed remuneration	600.0	680.0	680.0	680.0	–	143.6	143.6	143.6
Fringe benefits	107.9	8.5	8.5	8.5	–	–	–	–
Total	707.9	688.5	688.5	688.5	–	143.6	143.6	143.6
JEV	400.0	500.0	–	1,080.0	–	116.1	–	250.8
Additional remuneration	400.0	–	–	–	–	–	–	–
LTIP								
LTIP (2017–2020)	505.0	–	–	–	–	–	–	–
LTIP (2018–2021)		869.2	–	2,208.0	–	183.3	–	466.1
Total	2,012.9	2,057.7	688.5	3,976.5	–	443.0	143.6	860.5
Pension/service costs ⁵	225.0	225.0	225.0	225.0	–	47.9	47.9	47.9
Total remuneration⁶	2,237.9	2,282.7	913.5	3,500.0	–	490.9	191.5	738.9

Remuneration awarded

Sebastian Ebel					Dr Elke Eller			
Member of the Executive Board, since 12 December 2014					Member of the Executive Board/Labour Director, since 15 October 2015			
€ '000	2017	2018 ³	2018 (min.)	2018 (max.)	2017	2018	2018 (min.)	2018 (max.)
Fixed remuneration	680.0	582.9	582.9	582.9	680.0	680.0	680.0	680.0
Fringe benefits	18.0	–	–	–	34.3	35.5	35.5	35.5
Total	698.0	582.9	582.9	582.9	714.3	715.5	715.5	715.5
JEV	320.0	428.6	–	1,080.0	300.0	445.0	–	961.2
Additional remuneration	320.0	–	–	–	300.0	–	–	–
LTIP								
LTIP (2017–2020)	505.0	–	–	–	424.2	–	–	–
LTIP (2018–2021)		745.1	–	2,208.0		727.5	–	1,848.0
Total	1,843.0	1,756.6	582.9	3,870.9	1,738.5	1,888.0	715.5	3,524.7
Pension/service costs ⁵	286.1	259.2	259.2	259.2	345.1	323.7	323.7	323.7
Total remuneration⁶	2,129.1	2,015.8	842.1	3,500.0	2,083.6	2,211.7	1,039.2	3,500.0

Remuneration awarded

Frank Rosenberger
Member of the Executive Board,
since 1 January 2017

€ '000	2017 ⁴	2018	2018 (min.)	2018 (max.)
Fixed remuneration	375.0	600.0	600.0	600.0
Fringe benefits	41.4	19.5	19.5	19.5
Total	416.4	619.5	619.5	619.5
JEV	210.0	465.0	–	1,004.4
Additional remuneration	210.0	–	–	–
LTIP				
LTIP (2017–2020)	227.3			
LTIP (2018–2021)		722.8	–	1,836.0
Total	1,063.7	1,807.3	619.5	3,459.9
Pension/service costs ⁵	382.6	342.1	342.1	342.1
Total remuneration⁶	1,446.3	2,149.4	961.6	3,500.0

¹ Joint-CEO until 09.02.2016; member of the Executive Board since 15 October 2012.

² Pro-rated disclosure of all remuneration components as of 15 July 2018.

³ Reduction due to his sabbatical from 26 April 2018 until 15 June 2018.

⁴ Pro-rated disclosure of all remuneration components as of 1 January 2017.

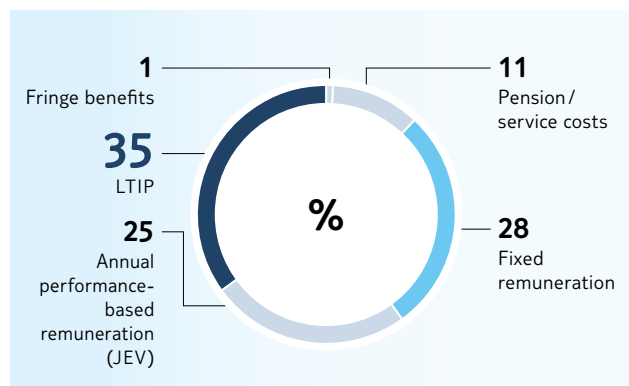
⁵ For Mr Joussem, Mr Baier, Mr Ebel, Dr Eller and Mr Rosenberger service costs aa. to IAS19; for Mr Burling and Ms Conix payments for pension contribution.

⁶ When contractually agreed cap for total remuneration to be paid is exceeded, LTIP is reduced proportionally.

The following overview of the total remuneration awarded to the members of the Executive Board in FY 2018 illustrates the distribution of the individual remuneration components in relation to each other. It has to be emphasized that the share of variable components of the total remuneration awarded is quite considerable: The LTIP accounts for 35 % of the total remuneration awarded, the JEV accounts for 25 %. It can be stated that variable components account for 60 % of the total remuneration awarded to the members of the Executive Board.

Composition of total remuneration awarded 2018

in %



5. REMUNERATION PAID

Remuneration paid

	Friedrich Joussem 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	2017	2018	2017	2018	2017	2018
Fixed remuneration	1,100.0	1,100.0	740.0	740.0	600.0	680.0
Fringe benefits	132.3	91.6	20.0	55.0	107.9	8.5
Total	1,232.3	1,191.6	760.0	795.0	707.9	688.5
JEV	1,096.0	2,078.1	536.1	965.3	476.5	892.5
Additional remuneration	920.0	–	450.0	–	400.0	–
LTIP						
LTIP (2014–2017)	820.0		784.6			
LTIP (2015–2018)		2,216.2		1,010.8		249.6
Others	–	–	–	–	–	–
Total	4,068.3	5,485.9	2,530.7	2,771.1	1,584.4	1,830.6
Pension/service costs ⁵	625.7	563.5	–	–	225.0	225.0
Total remuneration	4,694.0	6,049.4	2,530.7	2,771.1	1,809.4	2,055.6

Remuneration paid

	Birgit Conix Member of the Executive Board, since 15 July 2018		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	
€ '000	2017	2018 ²	2017	2018 ³	2017	2018
Fixed remuneration	–	143.6	680.0	582.9	680.0	680.0
Fringe benefits	–	–	18.0	–	34.3	35.5
Total	–	143.6	698.0	582.9	714.3	715.5
JEV	–	190.0	381.2	701.3	357.4	794.3
Additional remuneration	–	–	320.0	–	300.0	–
LTIP						
LTIP (2014–2017)						
LTIP (2015–2018)				602.2		
Others	–	–	–	–	–	–
Total	–	333.6	1,399.2	1,886.4	1,371.7	1,509.8
Pension/service costs ⁵	–	47.9	286.1	259.2	345.1	323.7
Total remuneration	–	381.5	1,685.3	2,145.6	1,716.8	1,833.5

Remuneration paid

Frank Rosenberger

Member of the Executive Board,
since 1 January 2017

€ '000	2017 ⁴	2018
Fixed remuneration	375,0	600,0
Fringe benefits	41,4	19,5
Total	416,4	619,5
JEV	250,2	657,1
Additional remuneration	210,0	–
LTIP		
LTIP (2014–2017)		
LTIP (2015–2018)		
Others	–	–
Total	876,6	1.276,6
Pension/service costs ⁵	382,6	342,1
Total remuneration	1.259,1	1.618,7

¹ Joint-CEO until 9 February 2016; member of the Executive Board since 15 October 2012. Mr Jousen received a prepayment for the LTIP-tranche in the amount of € 1,280 k and consequently in FY 2017 only a remaining payment in the amount of € 820 k.

² Pro-rated disclosure of all remuneration components as of 15 July 2018.

³ Reduction due to his sabbatical from 26 April 2018 until 15 June 2018.

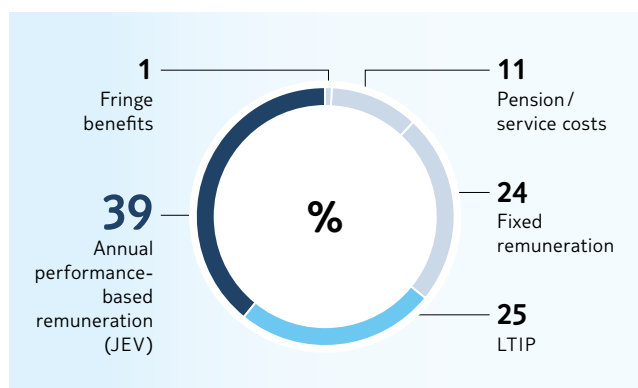
⁴ Pro-rated disclosure of all remuneration components as of 1 January 2017.

⁵ For Mr Jousen, Mr Baier, Mr Ebel, Dr Eller and Mr Rosenberger service costs aa. to IAS19; for Mr Burling and Ms Conix payments for pension contribution.orge.

An examination of the total remuneration paid also clearly shows that the majority of payments made to the members of the Executive Board consist of variable components: The LTIP accounts for 25 % of the total amount paid, while JEV accounts for 39 %. It can be stated that 64 % of the total remuneration paid to the members of the Executive Board consists of variable components.

Composition of total remuneration paid 2018

in %



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

Following the end of FY 2018, the Supervisory Board carried out the annual review of the remuneration and pensions of Executive Board members for FY 2018. 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 assessing 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) from an outside perspective. 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 based on the position of TUI AG in a peer market consisting 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 FY 2018, the Supervisory Board commissioned the consultancy company hkp Deutschland GmbH to prepare an expert report on the appropriateness of the remuneration level for Executive Board members. The partner of hkp Deutschland GmbH 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 supports 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.

VI. REMUNERATION OF THE SUPERVISORY BOARD

The provisions and remuneration of members of the Supervisory Board are derived 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, which include the turnover tax due on their emoluments, the members of the Supervisory Board receive a fixed remuneration of €90.0k 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 k is paid for membership of committees (e.g. the presiding committee, the audit committee and the strategy committee, but not the nomination committee). As a result of the successful completion of the integration of TUI AG and the former TUI Travel PLC, the integration committee was dissolved as planned in December 2016, which has already been described in the Annual Report 2017. 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 k per meeting, regardless of the form the meeting takes.

Moreover, the members of the Supervisory Board are included in a 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 variable remuneration component granted in FY 2014, it was found that, upon the close of the Annual General Meeting 2017, the actual EPS value of FY 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. As a result of an incorrect formula, the gross settlement amount had been included in the credit entry as a net figure. This led to VAT being calculated a second time on the gross settlement amount so that an excessive overall amount had been paid out. A correction was made for simplified processing by offsetting it against the payment of the fixed Supervisory Board remuneration for the 2018 financial year. The correction is shown in the tables below.

Offsetting of too high / too low variable remuneration of the Executive Board for FY 2014 and FY 2015

Name	Invoicing / Payment FY 2017		
	Net	VAT 19 %	Gross / Amount paid
Andreas Barczewski	15,390.67	2,924.23	18,314.90
Peter Bremme	11,514.50	2,187.75	13,702.25
Prof. Edgar Ernst	15,390.67	2,924.23	18,314.90
Frank Jakobi	21,482.81	4,081.73	25,564.54
Prof. Klaus Mangold	46,172.00	8,772.68	54,944.68
Michael Pönipp	15,390.67	2,924.23	18,314.90
Carola Schwirn	11,101.22	2,109.23	13,210.45
Anette Stempel	15,390.67	2,924.23	18,314.90
Ortwin Strubelt	15,390.67	2,924.23	18,314.90
Total	167,223.88	31,772.54	198,996.42

Offsetting of too high / too low variable remuneration of the Executive Board for FY 2014 and FY 2015

Name	Invoicing / Payment FY 2017		
	Gross	30 % withheld tax	Net / Amount paid
Carmen Riu Güell	8,839.93	–2,651.98	6,042.09
Total	8,839.93	–2,651.98	6,042.09

The invoices for Mr Shemetov, Mr Strenger and Mr Witt were not subject to an incorrect formula.

Correction FY 2018			Set off		
Net corrected	VAT 19% corrected	Gross/ Amount paid corrected	differential amount net	differential amount VAT 19%	differential amount gross
12,933.33	2,457.33	15,390.67	-2,457.34	-466.90	-2,924.23
9,676.05	1,838.45	11,514.50	-1,838.45	-349.30	-2,187.75
12,933.33	2,457.33	15,390.67	-2,457.34	-466.90	-2,924.23
18,052.78	3,430.03	21,482.81	-3,430.03	-651.70	-4,081.73
38,800.00	7,372.00	46,172.00	-7,372.00	-1,400.68	-8,772.68
12,933.33	2,457.33	15,390.67	-2,457.34	-466.90	-2,924.23
9,328.77	1,772.47	11,101.22	-1,772.45	-336.76	-2,109.23
12,933.33	2,457.33	15,390.67	-2,457.34	-466.90	-2,924.23
12,933.33	2,457.33	15,390.67	-2,457.34	-466.90	-2,924.23
140,524.25	26,699.60	167,223.88	-26,699.63	-5,072.94	-31,772.54

Correction FY 2018			Set off		
Gross	30 % withheld tax	Net/ Amount paid	differential amount gross	differnetial amount 30 % withheld tax	differential amount net
12,933.33	-3,880.00	8,839.93	4,093.40	-1,228.02	2,797.84
12,933.33	-3,880.00	8,839.93	4,093.40	-1,228.02	2,797.84

For the remuneration component granted in FY 2015, it was found that, upon the close of the Annual General Meeting 2018, the actual EPS value of FY 2017, € 1.17, was above the planned EPS value of € 0.85 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.

In addition, regarding the remuneration granted in FY 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. 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.

VII. REMUNERATION OF THE SUPERVISORY BOARD AS A WHOLE

Remuneration of the Supervisory Board

€ '000	2018	2017
Fixed remuneration	2,160.1	2,160.0
Long-term variable remuneration	225.1	176.1*
Remuneration for committee memberships	1,050.0	1,096.2
Attendance fee	323.0	321.0
Remuneration for TUI AG Supervisory Board mandate	3,758.2	3,753.3
Remuneration for Supervisory Board mandates in the Group	35.6	41.4
Total	3,793.8	3,794.7

* The 'Long-term variable remuneration' of the Supervisory Board reported in the 2017 Annual Report was subject to a correction in FY 2018, see page 146.

In addition, travel and other expenses totaling € 529.0 k (previous year: € 507.6 k) were reimbursed. Total remuneration of the Supervisory Board members, including reimbursement of travel and other expenses, thus amounted to € 4,321.8 k (previous year: € 4,302.2 k).

VIII. REMUNERATION OF INDIVIDUAL SUPERVISORY BOARD MEMBERS FOR FY 2018

Individual remuneration of Supervisory Board in FY 2018

€ '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. Klaus Mangold (Chairman)	270.0	38.4	126.0	33.0		467.4
Frank Jakobi (Deputy Chairman)	180.0	19.2	84.0	22.0		305.2
Sir Michael Hodgkinson ¹ (Deputy Chairman until 13 Feb 2018)	66.5	17.6	15.5	11.0		110.6
Peter Long ² (Deputy Chairman)	146.8		110.5	18.0		275.3
Andreas Barczewski	90.0	12.8	42.0	15.0	17.5	177.3
Peter Bremme	90.0	12.8	42.0	16.0		160.8
Prof. Edgar Ernst	90.0	12.8	126.0	15.0		243.8
Wolfgang Flintermann	90.0		0.0	9.0		99.0
Angelika Gifford	90.0		42.0	13.0		145.0
Valerie Gooding	90.0	12.0	42.0	11.0		155.0
Dr Dierk Hirschel	90.0	11.5	42.0	16.0		159.5
Janis Kong	90.0	12.0	42.0	16.0		160.0
Coline McConville	90.0	12.0	42.0	16.0		160.0
Alexey Mordashov	90.0		84.0	13.0		187.0
Michael Pönipp	90.0	12.8	42.0	16.0	18.1	178.9
Carmen Riu Güell	90.0	12.8	42.0	16.0		160.8
Carola Schwirn	90.0	12.8	0.0	9.0		111.8
Anette Stempel	90.0	12.8	42.0	19.0		163.8
Ortwin Strubelt	90.0	12.8	84.0	25.0		211.8
Stefan Weinhofer	90.0		0.0	9.0		99.0
Dr Dieter Zetsche ³	56.8		0.0	5.0		61.8
Total	2,160.1	225.1	1,050.0	323.0	35.6	3,793.8

¹ Pro-rated disclosure of all remuneration components until 13 February 2018.

² Pro-rated disclosure of remuneration for committee memberships.

³ Pro-rated disclosure of all remuneration components as of 13 February 2018.

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 FY 2018 and thus did not receive any additional remuneration arising out of this.