

policyAGENDA

October 2018 issue



TUI AG Group Works Council Chairman Frank Jakobi (left) and TUI Group CEO Friedrich Jousen

Shaping the future of work

What will the workplace of the future look like at TUI? How can we embrace the possibilities of digitalisation without exposing ourselves to risks? These and other questions have been addressed by the Group Works Council and Executive Board of TUI Group in their joint "newWork@TUI" paper.

Watch the video and read the article on page 2 for more information on this topic or visit www.tui-policylounge.com.



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»Anyone who has better ideas at home or in the café should work from there without a bad conscience.«

Friedrich Joussem, CEO TUI Group



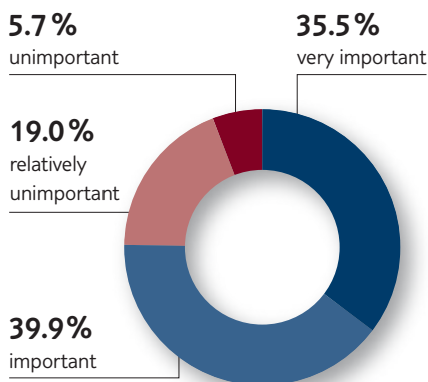
“newWork@TUI” video

Dr Elke Eller, HR Director at TUI Group, in dialogue with Frank Jakobi, Chairman of TUI AG Group Works Council



bit.ly/newworkattui

The importance of flextime work models in the choice of employer



Deviations due to rounding up to 100%
Source: Indeed

THE FUTURE OF WORK: TUI GROUP HAS A STRONG SOCIAL PARTNERSHIP

How can the corporate world meet the new challenges associated with the digital workplace? The TUI AG Group Works Council and Executive Board teamed up to develop a mission statement about the future world of work within the TUI organisation. It's proof that, even in the 21st century, the management/labour partnership is key to sustaining a company's viability and success.

The Group Works Council and Executive Board partners have jointly developed a vision paper entitled “newWork@TUI”. The main topics covered are:

- **Greater flexibility.** Digital technology is making workplaces at TUI more flexible with document sharing, video conferencing and storage in the cloud. Physical presence at the office is no longer essential. Results are what count, not the length of time a person spends sitting behind their desk. This new flexibility is only possible in the framework of a new culture of trust. The joint paper also states that TUI doesn't expect its employees to be constantly available. On the contrary, TUI is committed to facilitating digital-free spaces to protect its employees from (self-imposed) burn-out.
- **New work models.** Employees today attach greater importance to having the opportunity to take time out from work in certain life situations. TUI intends to address this need by integrating new elective options in employee remuneration systems that offer greater flexibility in choice between money and time off. The ability to structure our work and leisure schedules more flexibly is also important, and digital technologies are the key to more flexibility at work.
- **More learning.** The half-life of knowledge is declining rapidly. In less than ten years' time, the knowledge that people started their careers with today will be obsolete. In the past lifelong learning was an option. Today it's essential. TUI intends to ensure that its employees have the right learning opportunities available to them. However, the paper also makes it very clear that the onus is on the employee to take advantage of these opportunities.

newWork@TUI marks the beginning of a joint approach to dealing with the profound changes associated with the digital transformation. Trust – between the employer and the employees – is the key to a successful social partnership. TUI Group is impressive proof that this partnership is just as valuable today, in the digital age, as it has always been.



TUI Group has acquired the technology startup Musement to facilitate its own digital transformation. Musement will extend TUI's product portfolio at the destinations. It's an open online platform where SMEs that have undergone a quality audit can offer their services, from museum tickets to boat trips and excursions.



TUI cruise companies' investments

TUI Cruises has ordered another new ship from the Meyer Turku shipyard for the sixth year in succession. Construction will commence in 2019. This next addition to the growing fleet, Mein Schiff 7, will go into operation in 2023. Two LNG cruise ships have also been ordered from Italian shipbuilder Fincantieri – for delivery in 2024 and 2026. TUI's Hapag-Lloyd Cruises subsidiary is also modernising its fleet with two new 5-star expedition ships that will celebrate their naming ceremonies next year.

A wealth of job opportunities

There are people doing all kinds of jobs on cruise ships, from head chef Aboubacar Alhabbo and his crew on Mein Schiff 1 to captain of the entire Mein Schiff fleet, Kjell Holm.

TUI CRUISES: A GREAT ATMOSPHERE ABOVE AND BELOW DECK

Last year 2.2 million people in Germany set sail on a cruise – an almost 9 per cent increase over the previous year. This growing demand is good news for the labour market because it creates new jobs at the shipyards, their suppliers and on board the ships themselves. As a result of its investments in new, clean and efficient ships, TUI Cruises now has the most modern and lowest-emission fleets in the world. Protecting the environment is one of the company's priority objectives. Another is ensuring that the crews are happy in their jobs.

Cruise ships create jobs

A quarter of a million of people currently work on cruise ships around the world. According to forecasts, they will be joined by another 100,000 or so during the next decade as a result of new jobs on new ships. People in a wide range of occupations work on cruise ships, both skilled and unskilled, from officer and medical officer to jazz singer, chef, plumber and window cleaner. But what are the working conditions on board like?

ILO guarantees basic rights for ship crews

Maritime shipping is the only industry with global social security standards. The working and living conditions for crews are defined in the International Labour Organisation's (ILO) Maritime Labour Convention. Seamen and women have the right to a safe and secure workplace on board the ship, appropriate employment and living conditions and medical care. The convention entered into force in 2013 and guarantees both social standards for crews and fair competition between the shipping companies. Trade unions such as ver.di were instrumentally involved in the drafting of the convention. ▶





Arif Hendarto,
from Indonesia,
Housekeeping
Mein Schiff 6

» I love talking to guests and having fun with

them. And being part of this ship's crew is a great opportunity for me to learn German. I've been working in the cruise industry for 20 years; always in housekeeping. Moving to another fleet after 17 years was a good decision. I'm proud to be on the Mein Schiff crew. «



Enver Yildiz,
from Turkey,
Steward on
Mein Schiff 1

» I get to experience all kinds of things on board

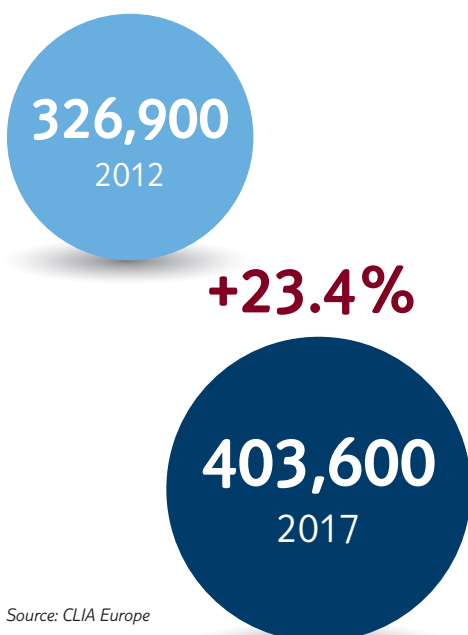
the ship and I see a lot of the world. One very important thing for me is that there are promotion opportunities for me here. I want to do great things! «

Good working conditions on the ships in the Mein Schiff fleet

TUI Cruises has around 6,000 crew from 45 different nations working for different employers on board its ships. They represent a real cross section of nationalities, cultures and religious values. Ensuring that they feel happy and secure in their jobs is one of TUI Cruises' top priorities because if the crew is happy, the guests are happy. The crew is absolutely essential to the smooth running of the ships and to the positive atmosphere on board. The employers often go out of their way to offer their crews excellent deals that far surpass statutory requirements:

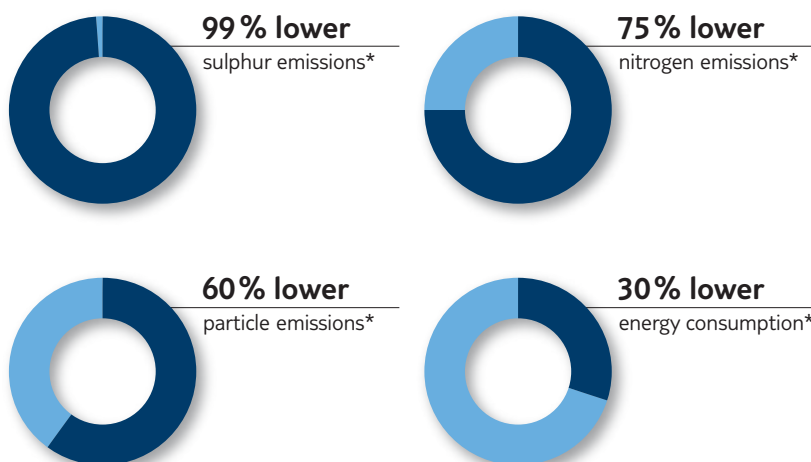
- **Above-average pay.** Crew salaries are much higher than the sector average. This means that people from emerging markets and developing nations can earn far more on board the cruise ship than they ever could in their home country.
- **Career opportunities.** The aim is to train and recruit management personnel from the ships' own ranks. Many of the employees in management positions started out in lower-level jobs. With the right development opportunities it's easy to move up the career ladder. That's why German courses and other training opportunities are provided and count as work time.
- **Leisure activities.** Leisure activities are a very important aspect of life on board for members of the crew, who often spend several months at sea. They have their own sun decks, free use of the gym and bars, as well as a book and DVD library. They can also disembark at the destinations.
- **Fringe benefits.** Crew members get their travel expenses to and from the ship, and their board and accommodation paid. Free medical services are also provided. Most crew members live in double or single cabins.

Development of jobs in the European cruise industry



Source: CLIA Europe

The new Mein Schiff ships are also environmental pioneers



* versus comparable cruise ships



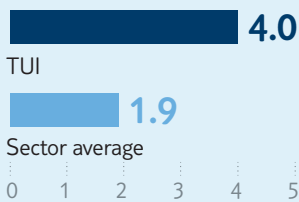
FTSE4Good

Sustainability index listing

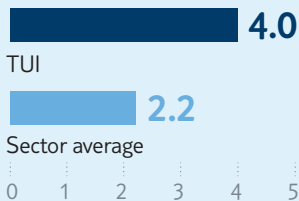
The FTSE4Good index measures the overall quality of a company's management of ESG issues. TUI Group's listing in this renowned sustainability index was reconfirmed in June 2018 for the thirteenth time after it achieved very good results in the audit.

TUI is a sector leader in ESG

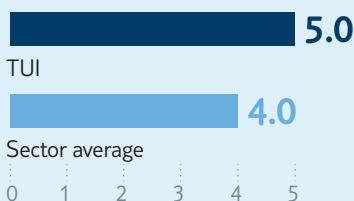
Climate protection activities



CSR/human rights



Corporate governance



Source: FTSE Russell

CLIMATE TARGETS: POSITIVE MID-TERM REVIEW

TUI Group is a sustainability pioneer in the tourism sector. Back in 2015 it launched its "Better Holidays, Better World" strategy, which set out the ambitious climate targets it plans to achieve by 2020. Let's catch up on the progress that's been made so far.

- Airlines.** TUI Airways and TUI fly are already the number-one and number-three most climate-friendly airlines in the world. The entire TUI fleet's CO₂ emissions are 27 percent below the average of the six largest European airlines. And that's not all. TUI Airlines have ordered 70 modern and extremely low-emission aircraft to replace the older models. This ten-digit investment is the most effective way of improving the aviation industry's carbon footprint.
- Cruises.** One of the sustainability strategy's objectives is another ten percent reduction in CO₂ emissions per guest and night by 2020. The TUI Cruise fleets have already made excellent progress in this area and a 5.5 percent saving has been achieved since 2015. All new TUI Cruises ships since 2014 have the very highest levels of energy efficiency, using around 30 percent less fuel than comparably sized vessels. State-of-the-art exhaust gas purification systems make the TUI Cruises ships the greenest fleet in the world. In July 2018 TUI Cruises ordered another two cruise liners that are operated with low-emission LNG, reducing particulate matter emissions to zero.
- Hotels.** By 2020 TUI Hotels will have reduced its CO₂ emissions per guest and night by ten percent. Emissions are currently 7.1 percent lower than they were in 2015. 80 percent of hotels also have Global Sustainable Tourism Council certification – and that number is rising all the time.

The mid-term review makes it clear that TUI Group is on track for achieving its ambitious climate targets. The TUI sustainability strategy makes a significant contribution to economic, ecological and social sustainability.

Support from the legislators

The legislators can also make a vital contribution to green tourism by reconsidering levies such as aviation tax so that the travel companies can step up their investments in environmentally friendly technologies. Aviation tax provides no environmental incentive and it is currently distorting competition to the detriment of German airlines. The government can also ensure that the ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) facilitates climate-neutral growth in aviation. The industry agrees that CORSIA should be the single measure to address CO₂ emissions in international aviation, but it is contradicted by the currently effective EU emissions trading scheme for the aviation industry, which should be completely replaced by CORSIA from 2021 onwards.

BRITISH TOURISTS: AN IMPORTANT ECONOMIC DRIVER FOR THE EU

Top 7 UK travel destinations in the EU

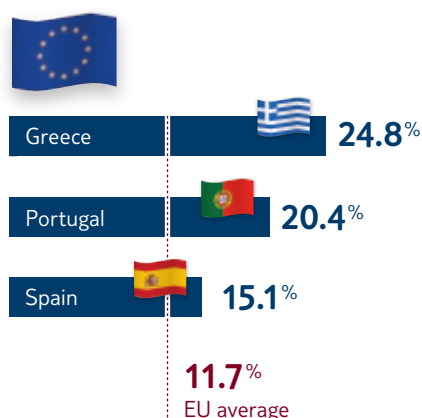
	Spain	14.3 million
	France	7.2 million
	Italy	3.1 million
	Portugal	2.4 million
	Netherlands	2.2 million
	Germany	2.1 million
	Greece	2.1 million

Source: UK Office for National Statistics, 2017

Employment through tourism

Tourism generates jobs, especially in the southern European Union Member States.

Share of total employment, direct, indirect and induced effects, 2017



Source: WTTC

British tourists spend five out of six of their foreign holidays in EU countries. Almost one in four holidaymakers in Spain and Portugal is from the United Kingdom source market. They're an important economic driver at the destinations. Brexit is causing a great deal of uncertainty in those countries, especially since it jeopardises the continuity and reliable forward planning that are absolutely essential to flight operations.

Tourism's major significance for the EU economy

Tourism is the third-largest sector of the EU economy after the trade and construction industries. Including the effects of tourism-related sectors, the travel industry accounts for ten percent of gross domestic product and twelve percent of employment. British tourists make an important contribution to that, accounting for more than one-fifth of foreign overnight stays in the EU. The countries in the southern part of the EU profit most from the EUR 58 billion that British holidaymakers spend every year. Investments in tourism in those countries create job opportunities, bring down the rate of youth unemployment and drive growth.

Brexit could well put a damper on those positive effects of tourism. Without a post-Brexit arrangement on air transport in the EU major flight connections could be affected with negative impacts, above all, on British tourists and their accommodation providers in the EU. According to a study, a reduction in air traffic due to Brexit could depress the EU's gross domestic product by up to EUR 210 billion, with the United Kingdom facing GDP shrinkage of 3.1 percent and the remaining EU (EU27) facing shrinkage of 0.8 percent. The ensuing decline in trade, investments and tourism could affect up to 1.3 million jobs in the UK and as many as 1.8 million jobs in the EU27.

Safeguarding mobility

The negotiation partners have to obtain clarification on a number of unresolved issues as quickly as possible in order to safeguard European flight operations and citizen mobility. The following issues are central to future air traffic between the United Kingdom and EU27:

- **Traffic rights.** Air carriers operating in the single market have unrestricted route and traffic rights throughout the EU. An arrangement that will apply to the United Kingdom after Brexit has to be negotiated before Brexit happens. The UK's participation in the internal aviation market is in the interest of the negotiation partners, the travel companies and their customers.
- **Aviation safety.** High standards guaranteeing aviation safety apply in the EU. The United Kingdom contributes its vast expertise in the European Aviation Safety Agency. This should be allowed to continue after Brexit in an appropriate form such as the bilateral recognition of standards and certifications.
- **Planning reliability and legal security.** Flight plans are often scheduled more than a year in advance in the tourism industry. We therefore have to urge the negotiation partners to reach the necessary agreements in good time to ensure planning reliability and legal security.



MALAYSIA: MORE PROSPERITY THROUGH TOURISM

Following the elections in May the new government continues to ensure that the population at large benefits from the economic boom. Tourism is a key industry providing the country with more jobs and better jobs, and TUI Group is a very important tourism partner. The travel group's global growth strategy will bring more holidaymakers to the southeast Asian country – and offer attractive travel products to more Malaysians.

Tourism generates jobs, growth and prosperity

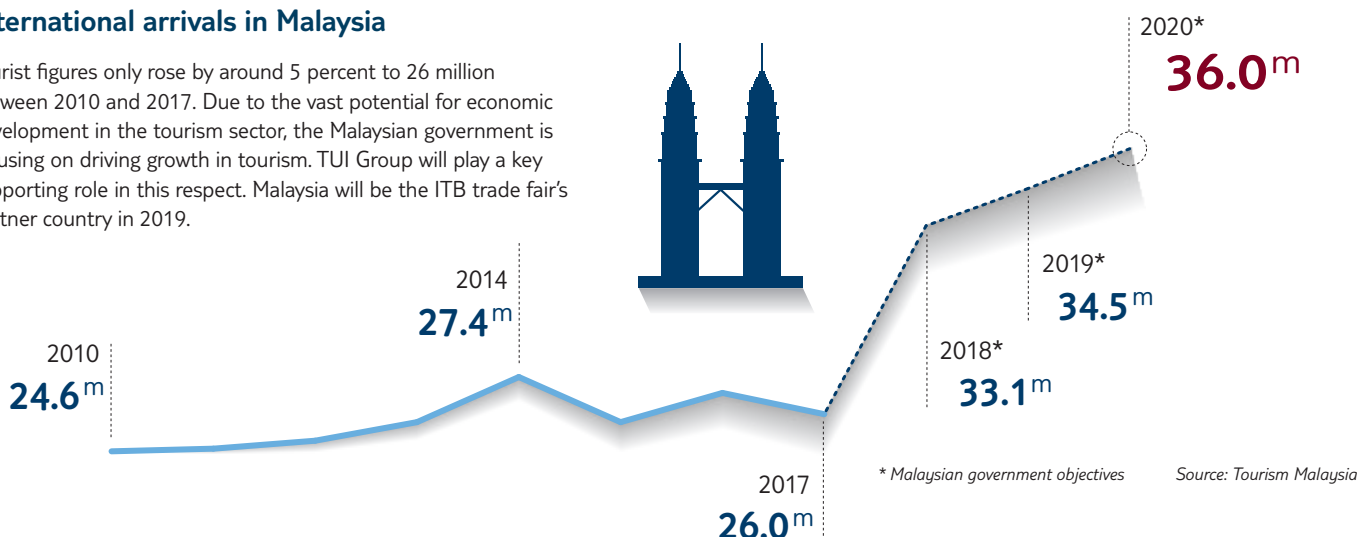
Malaysia is one of the most economically and politically stable countries in the southeast Asian region. Over recent decades it has evolved very successfully from an agricultural nation to an industrialised nation. The democratic transition of power in May 2018 is also a reflection of the country's mature and diverse society. Tourism has also had a stabilising effect on the country because, since the Asian crisis at the end of the 1990s, it has been a reliable source of income. Today, the travel industry accounts for around five percent of the country's GDP and makes an important contribution to employment. It also has considerable potential to generate more prosperity. According to the World Travel & Tourism Council, 250,000 new jobs could be created by growth in tourism over the next ten years, with an employment effect for the Malaysian economy as a whole of 650,000 jobs.

TUI is developing destinations

To make this happen Malaysia needs professional travel companies to develop attractive products and market the country as a holiday destination to the rest of the world. The TUI Group, one of Malaysia's travel partners, was named "Best European Tour Operator" by the Ministry for Tourism at the beginning of the year. As a result, TUI enjoys a very positive relationship with its Malaysian partners and was recently awarded the necessary licenses to develop Malaysia as both a destination and a source market. This involves the TUI Group setting up a larger domestic presence in Malaysia. ►

International arrivals in Malaysia

Tourist figures only rose by around 5 percent to 26 million between 2010 and 2017. Due to the vast potential for economic development in the tourism sector, the Malaysian government is focusing on driving growth in tourism. TUI Group will play a key supporting role in this respect. Malaysia will be the ITB trade fair's partner country in 2019.



TUI's contribution to tourism development:

- **Flights.** Langkawi is a tropical island paradise. TUI Airlines will be the first European airline to commence direct flight services to Langkawi in December. The Boeing 787 Dreamliners will be flying to the island from three UK airports.
- **Cruise routes.** Malaysia is on the routes of all three TUI cruise ship companies – TUI Cruises, Hapag Lloyd Cruises and Marella Cruises. The ships dock at a total of six ports.
- **Home port.** Langkawi is the Marella Discovery's winter-season home port. This means that passengers spend at least one night in Langkawi before they set sail on a cruise to destinations such as Singapore, Vietnam and Thailand. This boosts business for local restaurants, retailers and excursion providers.
- **Destination experiences.** TUI has recently acquired a majority share in Pacific World Destination East, a company specialised in professionally developing tourism programs in attractive destinations. Pacific World Malaysia is offering services to cruise ship operators, their guests and international tourists. The business is specialised in meetings & events and developing authentic customer experiences. TUI's new entity employs more than 50 highly dedicated staff at Kuala Lumpur, Penang and Langkawi.

Promoting outgoing tourism

On the other side of the coin, Malaysia has a growing middle class with an interest in exploring other regions of the world. The TUI Group has the expertise, as the world's leading travel company, to offer attractive holidays to Malaysian tourists. Today, 50 percent of the guests at the first Robinson Club on the Maldives are already Asians. TUI is proud to have launched TUI International (Malaysia) SDN.BHD in Kuala Lumpur in 2018 as its first tour operator in South East Asia under the global TUI brand.

Europe is also profiting from the rising number of tourists from Malaysia and it is TUI's objective to persuade a wider local target audience to travel to global destinations. This will also have a positive impact on local employees and the local economy.

My home town also benefits

» Promoting tourism will continue to be a policy priority after the democratic change in government – due to its great contribution to social progress and economic development. For example, the town of Melaka where I grew up used to be known as Sleepy Hollow. Since the 1980s, it has evolved into a booming tourist destination and is now known as the Historical City of Melaka. Tourism has generated employment opportunities, more income for businesses and helped to improve the livelihood of locals. It is great to see how infrastructure, public facilities and services, have improved over the years due to tourism.

Malaysia welcomes strong partnerships to stimulate tourism. That is why Malaysia has been working closely with TUI for 45 years. In the near future, we will take our relationship to an even higher level with closer collaboration, particularly through the establishment of a TUI office in Malaysia and the new licenses that have been granted to TUI. We look forward to more tourist arrivals from Europe to Malaysia and vice versa. This will encourage cultural exchange and benefit Malaysia, its people and economy. «



H.E. Sarah Albakri Devadason,
Ambassador of Malaysia to Germany



Malaysia: Official Partner Country of ITB Berlin 2019

UNESCO World Heritage Site

- 1 Kinabalu Park**
The national park on the island of Borneo is home to Malaysia's highest mountain, Mount Kinabalu, with a summit height of 4,095 metres, and one of the world's oldest rain forests with unique biodiversity.
- 2 Mulu Park**
The main attraction in Mulu Park is the Gunung Mulu, a 2,377 m-high sandstone pinnacle. The 52,864 ha park also contains a vast cave system that is home to millions of bats.
- 3 The historical towns of Malacca and George Town**
Malaysia is a country shaped by Malayan, Indian, Chinese and European influences. This rich and diverse cultural heritage is best experienced at the two former trading ports of Malacca and George Town.
- 4 Archaeological heritage of the Lenggong Valley**
The archaeological sites lie around 40 km north of Kuala Kangsar and the finds span almost two million years of human history.

Tourism's contribution to the economy

Direct GDP contribution
USD **15.2** bn (4.8%)

Total GDP contribution
USD **41.9** bn (13.4%)

Direct employment
670,000 (4.6%)

Total employment
1,705,000 (11.8%)

Source: WTTC

Find out more at www.malaysia.travel



CLIMATE CHANGE: SUPPORT FOR FAMILIES IN THE PHILIPPINES

Local prevention

Youngsters in Samar are planting mangrove seedlings to create a new coastal protection zone.



© Plan International

Developing nations are particularly affected by the negative impacts of climate change. The TUI Care Foundation provides direct support to the local residents in these countries around the globe. One of the “hot spots” is the Philippines, where know-how transfer and education are helping families in Samar Province to deal with natural disasters more effectively.

A collaborative crisis-prevention project

Natural disasters generally have particularly devastating effects on the Philippine population because it lacks the infrastructure to deal with them. The Filipinos lack both the knowledge and means to equip themselves against the forces of nature. In a collaborative project with the Federal Ministry for Economic Cooperation and Plan International, the TUI Care Foundation is helping them to improve their crisis prevention infrastructure. Measures are also being implemented to raise awareness about the significance of sustainability and climate protection.

Caring for a Better World

The TUI Care Foundation manages and coordinates the TUI Group's global corporate citizenship activities and it is involved in around 25 projects around the world. One of the foundation's goals is helping to improve the livelihoods of 10,000 people at the destinations until 2020. Find out more at www.tuicarefoundation.com and in the foundation's magazine at bit.ly/wecaremag.



TUI Care Foundation helps people to help themselves

The Foundation and its partners are supporting 2,200 families in Samar Province, which is in the eastern Philippines. The project covers the following areas:

- **Crisis response.** Every second counts in a crisis and the local residents have to be able to implement an emergency plan properly. That's why the project provides rescue and first-aid courses enabling the Filipinos to respond more effectively to future crises.
- **Reforestation.** Most villages in Samar are along the coastlines of the smaller islands. Deforestation there is associated with fatal consequences because, without the trees, the people who live there have less protection against flooding and tropical storms. By next year the project will have created 35 new tree schools. New forest and fruit trees have already been planted at 17 sites in the region. The reforestation activities will protect against further erosion of mountain slopes and provide the residents with fruit.
- **Sustainable development.** Education about sustainable agriculture and fishing helps the island population to supply their own food and earn a living. This involves the establishment of no-fishing zones so that the dwindling fish stock can replenish itself and provide the local fishermen with a long-term livelihood.

TUI GROUP – An overview



Global Group – Company headquarters in **Germany**



Turnover: **18.5 billion euros***



Adjusted EBITA **1.1 billion euros***



A **FTSE-100** company



Market capitalisation **9.4 billion euros****



67,000 employees in **130** countries



20 million customers travel to
180 destinations around the world



325 company-owned hotels with **239,000** beds



5 tour operator airlines with around **150** aircraft



16 cruise ships



1,600 travel agencies and leading online portals

* Numbers based on the 2016/17 business year ** Status 4 October 2018

TUI GROUP: YOUR CONTACTS



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