UK Corporate Governance Statement

"Throughout the reporting period, the Company has complied with the provisions of the UK Code, including its main principles, except in respect of the departures set out and explained below.

TUI AG confirmed in the documentation for the merger of TUI AG and TUI Travel PLC sent to shareholders before the merger that it intended to adhere to both the UK Code and the German Corporate Governance Code (German Code) to the extent practicable. During the year, compliance with both the UK and German Codes was reviewed, taking into account that TUI is a German company subject to German law. In many respects, the requirements of the two Codes are similar, but there are certain aspects which are not compatible (in some cases due to the different legal regimes for German and UK companies) and so some deviations from best practice in the UK have been necessary.

It is important to understand that (as explained in the merger documentation) under the German Stock Corporation Act, the legislation applicable to TUI AG, a two-tier board system is mandatory. This means that two separate boards must be established by law:

- The Executive Board (Vorstand), which is responsible for running the Company. It is headed by the CEO (or in case of TUI AG currently by two Joint CEOs). The Executive Board members can broadly be compared to the Executive Directors in a UK company.
- The Supervisory Board (Aufsichtsrat), which is responsible for the supervision of the Executive Board, and is headed by its Chairman. The Supervisory Board members can broadly be compared to the non-executive directors in a UK company.

This two-tier board structure is different to the UK unitary board structure on which the UK Code is based. Some of the principal structures and procedures of the boards of a German company are also different to a UK company (for example, there is no Company Secretary). For this reason the Company has explained below circumstances where it considers not to comply. Furthermore the Company has explained where it considers not to be compliant in the legal sense, but with the spirit of the UK Code. In these cases the Company has explained its considerations for a better understanding of investors. Sub-headings refer to sections of the UK Code for ease of reference for investors.

IDENTIFICATION OF SENIOR INDEPENDENT DIRECTOR (A1.2)

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, with respect to certain matters, the Chairman are available to address any issues and are legally obliged to provide adequate responses.

Outside the AGM, and where contact through the normal channels of the Executive Board and in particular with the Chief Executive and the Chief Financial Officer has failed to resolve an issue or where such contact is deemed inappropriate, the Chairman or any of his Deputies may be approached. Sir Michael Hodgkinson, who was the Deputy Chairman and Senior Independent Director of TUI Travel PLC before the merger, was appointed Second Deputy Chairman of the Company in February 2015 alongside Frank Jakobi (First Deputy Chairman who, according to the German Co-Determination Act, must be an Employee Representative). The role of Second Deputy Chairman was introduced following the merger and will remain for the foreseeable future.

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

The separation of the roles of the Chairman of the Supervisory Board (Prof. Klaus Mangold) and the two Co-Chief Executives (Friedrich Joussen and Peter Long) 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 the Company complies with the spirit 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. As explained above, all members of the Supervisory Board are considered to be non-executive directors for the purposes of the UK Code. Under the UK Code, "independent" means that the relevant individual is independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could appear to affect, the individual's judgement.

In the UK there is no concept of Employee Representatives and the UK Code only envisages shareholder representatives on the Board as Non Executive Direstors. Therefore, the Company's approach is to exclude Employee Representatives from its independence disclosures (for a detailed explanation of Shareholder and Employee Representations, please see below).

The Supervisory Board has determined that seven of its nine members from the shareholder representatives (excluding the Chairman as required by the UK Code) are independent for the purposes of the UK Code and that the Chairman was independent on appointment in 2011 and is still considered independent (Prof. Mangold also was independent when he became member of the Supervisory Board in January 2010). The shareholder representatives of the Supervisory Board considered to be independent are: Prof. Edgar Ernst, Val Gooding, Sir Michael Hodgkinson, Janis Kong, Coline McConville, Minnow Powell and Prof. Christian Strenger.

The members of the Supervisory Board not considered to be independent for the purposes of the UK Code are Carmen Riu Güell and Maxim Shemetov.

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

PERFORMANCE-RELATED PAY

All Supervisory Board members currently receive a performance-related pay element in addition to their fixed pay. This variable element was resolved upon by shareholders at the 2013 AGM and was in line with a specific recommendation of the German Code at that time. In practice, the variable element is not substantial when compared to the level of fixed compensation (for further details see page 70 of the Directors' Remuneration Report). In these circumstances, the Supervisory Board considers that the variable pay element does not affect its members' independence for the purposes of the UK Code.

Moreover, as the recommendation in the German Code has now been withdrawn, and there is a tendency of German companies for Supervisory Board members to receive fixed remuneration only, it is intended to propose a resolution at the 2016 AGM to replace the performance-related pay element with a fixed fee only and thereby to comply with the UK standards of good corporate governance.

SHAREHOLDER AND EMPLOYEE REPRESENTATIVES

The Supervisory Board of TUI AG consists of ten members who are elected by shareholders at AGMs (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 Carmen Riu Güell and Maxim Shemetov are connected to significant shareholders, namely Riu Hotels (circa 3.4 %) and Alexey Mordashov (circa 15.0 %) respectively. It should also be noted that joint ventures exist between TUI AG and both Riu Hotels and TUI Russia (its majority is controlled by Mr Mordashov) (for further details page 157 of the Annual Report). Therefore, neither Ms Riu Güell nor Mr Shemetov is considered "independent" for the purposes of the UK Code.

Sir Michael Hodgkinson was a Non-Executive Director of TUI Travel PLC before the merger with TUI AG. He had also been on the Board of First Choice Holidays PLC since 2004 (which merged with the Tourism Division of TUI AG to form TUI Travel PLC in 2007). However, these appointments were to legally different Boards responsible for only part of the current Group and are therefore not included when considering his length of service on the TUI AG Supervisory Board. It is also noted that Sir Michael Hodgkinson was elected to the Supervisory Board by Shareholders in connection with the merger.

The Employee Representatives of the Supervisory Board are elected by TUI AG's workforce. Three Employee Representatives are nominated by a German workers' union (the ver.di).

Under the UK Code, directors who are or have been an employee 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. In addition, their employment agreement may be terminated while they are Employee Representatives only in exceptional circumstances.

The Employee Representatives may also participate in Group pension schemes as is normal for employees and in their capacities as employees.

Union representatives are nominated, and employed by, the Union but are still classified as Employee Representatives. The Union representatives are nominated, and may 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)

Considering for the purpose of the UK Code only the Shareholder Representatives on the Supervisory Board, more than half of its members are independent.

NOMINATION COMMITTEE – COMPOSITION AND RESPONSIBILITIES (B2.1)

The role of the Nomination Committee in a typical UK company is fulfilled in the Company 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 in the UK) the Nomination Committee considers and proposes suitable candidates for election as Shareholder Representatives of the Supervisory Board. 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 this basis the Supervisory Board appoints Executive Board members. This is different from the UK where all director apointments 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. At the AGM 2015, the first following the merger, the Company changed its procedure to allow a separate vote on each individual Executive Board and Supervisory Board member, in the light of UK practice. The Company intends to continue this practice.

Accordingly, the Supervisory Board considers that the Company complies with the spirit of the UK Code to the extent practicable.

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

The Rules of Procedure for the Supervisory Board and its Committees are currently under revision and will be finalised within H1 of the financial year 2015 / 16. Afterwards the Supervisory Board will decide whether they will be made available for the public. Therefore the Company is currently not compliant with this part of the Code provision (and part C3.3 as far as the public availability of the Rules of Procedure for the Audit Committee is concerned).

LENGTH OF TENURE FOR NON-EXECUTIVE DIRECTORS (B2.3)

In accordance with German law and common practice, Shareholder Representatives are generally elected for five-year terms. Employee Representatives are also generally elected for five years. Therefore, neither Executive nor Supervisory Board Members are re-appointed annually by shareholders and so TUI AG does not comply with this provision of the UK Code.

Under the UK Code, any term beyond six years should be subject to rigorous review and a term extending beyond nine years could affect the independence of a Non-Executive Director. However, in the German Corporate Governance context, a longer length of service is quite normal as Supervisory Board members are usually elected for five years and regular re-election is common.

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 practice, the Company voluntarily puts individual resolutions approving the actions of each Executive and Supervisory Board member in the previous financial year to the last AGM and intends to continue this practice.

Supervisory Board member´s appointments expiring at the AGM 2016 are disclosed in the table following the Chairman´s letter on page 36. In respect of the Shareholder Representatives, the Supervisory Board proposes the re-election of Prof. Dr Klaus Mangold, Sir Michael Hodgkinson, Carmen Riu Güell and Prof. Dr Edgar Ernst. Peter Long and Angelika Gifford will also be proposed for election by the shareholders. Maxim Shemetov has confirmed his intention to resign from the Supervisory Board provided that Alexey Mordashov is elected at the AGM 2016.

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

See page 30 for the activities of the Nomination Committee which forms part of the Chairman's letter to shareholders.

During the year, neither a search consultancy nor external advertisements were used for any Supervisory Board appointments. The proposals for the new members were part of the merger terms designed to ensure a balance of interests and knowledge for the new combined group and appropriate diversity.

Succession planning for management below Executive Board level is driven by the Executive Board. The Presiding Committee is responsible for succession planning for the Executive Board only and a presentation on talent management and succession planning was given to the Presiding Committee during the year.

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 the Company. The Articles are available on the website www.tuigroup.com/en-en/investors/corporate-governance.

EXTERNAL NON-EXECUTIVE/CHAIRMAN ROLES (B3.3)

Peter Long was appointed as a non-executive director and Chairman-designate of Royal Mail PLC with effect from 8 June 2015 and the appointment was approved at its Annual General Meeting on 23 July 2015. He took over the role of Chairman with effect from 1 September 2015. This appointment overlaps with his position of Joint CEO of TUI AG for a short period which is a point of non-compliance with the UK Code. However, Peter Long intends to step down as Joint CEO as of the end of the AGM in February 2016, and his proposed appointment to the Supervisory Board will be put to a shareholder resolution at the AGM for approval.

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 (with team members in Germany and the UK) if they need any advice or services. The Board Office acts as an interface for 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). The Board Office also supports the Chairman, the Joint CEOs, the CFO and the Chairman of the Audit Committee. Executive and Supervisory Board members also have access to legal advice via the Group Legal Director and the Board Office generally. 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 the Company complies with the spirit of the UK Code.

BOARD PERFORMANCE EVALUATION (B6)

The individual Executive Board member's performance is evaluated annually by the Supervisory Board for the annual variable bonus. In this context, the Supervisory Board also reviews the individual's overall performance as part of the Executive Board. However, no external performance evaluation is done for the Executive Board and this would be highly unusual in Germany.

In respect of the Supervisory Board's performance, it is not customary to conduct annual reviews of effectiveness. 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 is limited to Supervisory Board members and is performed by means of individual interviews and anonymous reviews. Consolidated results are shared with the entire Supervisory Board and appropriate actions suggested and discussed as appropriate. The last external review of the Supervisory Board was undertaken during 2013 by Board Consultants International and the current external review commenced in September 2015. Board Consultants International has no other connection with the Company.

The appraisal of the Chairman of the Supervisory Board is covered during the external evaluation process and Executive Board members are invited to contribute to the process.

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 S. 243 para. 2 of the German Commercial Law (Handelsgesetzbuch) the ARA must be clearly arranged and should mirror 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 assessement has not been delegated to the Audit Committee (C3.4) – and the Executive Board is comfortable 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 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 and Committee remuneration is governed by the Articles of Association as resolved upon by the shareholders at the AGM.

There are no clawback or malus provisions which work in exactly the same way they would in the UK in the service contracts of Executive Board members and this would be unusual in Germany. However, there are different contractual and statutory provisions that may allow for a reduction or forfeiture of remuneration components or allow the company to recollect damages from Executive Board members. First, the service contracts of Executive Board members provide for forfeiture of the annual performance-based remuneration and the LTIP if the company terminates the service contract for cause without notice before the end of the one year performance period in case of the annual performance-based remuneration or before the end of the respective performance reference period regarding the LTIP. Second, the Supervisory Board may, under certain exceptional circumstances, reduce Executive Board compensation in case of a deterioration of the economic situation of the company. Third, Executive Board members may be liable for damages under German Corporate Law in case of a breach of duties of care and fiduciary duties.

See page 50 et seqq. of the Directors' Remuneration Report for full details on Executive and Supervisory Board member´s remuneration.

COMPENSATION COMMITMENTS IN EXECUTIVE DIRECTORS' SERVICE CONTRACTS (D1.4)

The principles that apply for departing Executive Directors are detailed in the Directors´ Remuneration Report (see page 62). The terms are already agreed in the Executive Directors' contracts of employment as approved by the Supervisory Board taking into account the various circumstances in which a director may leave. These include maximum limits on the amounts payable on termination. Given that in Germany contracts are issued for a fixed term, termination payments may be greater than the one year recommended in the UK Code.

However, taking into account (among other things) the UK Code, for all appointments made on completion of or following the merger, termination payments are subject to a cap of two years' remuneration. For Executive Board members other than Mr Joussen and Mr Baier the cap reduces to one year's remuneration after the first year´s service. In any event, if the outstanding term of the service contract at the time of termination is shorter, then the relevant cap is reduced to the remaining term.

NOTICE PERIODS FOR EXECUTIVE DIRECTORS (D1.5)

Executive Board appointments are normally for a fixed term of three to five years and therefore do not comply with the UK Code 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 the Directors´ Remuneration Report from page 57).

DIALOGUE WITH SHAREHOLDERS (E1.1)

The Supervisory Board receives feedback from the Chairman and Deputy Chairman (Shareholder Representative) and Executive Board Members following meetings with major shareholders.

The following meetings between management and investors (attended by the Chief Executive Officers and / or the Chief Financial Officer and members of the Investor Relations team where appropriate) took place during the year ended 30 September 2015:

DIALOGUE WITH SHAREHOLDERS

Date	Event	Attendees
October 2014	TUI AG German investor roadshow	FJ, HB
	TUI Travel US investor roadshow	PJL
	Investor roundtable	PJL, FJ, HB,
January 2015	Commerzbank German investment seminar	HB
	German corporates conference	HB
March 2015	Investor dinner	PJL
May 2015	London investor roadshow	FJ, PJL, HB
	Frankfurt investor roadshow	FJ, PJL, HB
	BAML conference	FJ, PJL, HB
June 2015	Paris investor roadshow	HB
	Scandinavia investor roadshow	HB
	Zurich investor roadshow	HB
	US investor roadshow	FJ, PJL, HB
	Deutsche Bank conference	HB
September 2015	121 with Standard Life	FJ, PJL, HB

Key: Friedrich Joussen (FJ), Peter Long (PJL), Horst Baier (HB)

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

- Updates on the merger of TUI Travel and TUI AG.
- Strategic themes outlined at the Capital Markets Day Update in May 2015 including the growth roadmap and capital requirements / allocation to achieve growth.

The following additional meetings also took place between Sir Michael Hodgkinson and the top five former TUI Travel investors to discuss corporate governance, in particular in the context of the merger, mainly around alignment of UK and German Corporate Governance requirements. These meetings were also attended by members of the Investor Relations Department of TUI AG:

- December 2014 – L&G
- January 2015 – Blackrock, Artemis, JO Hambro, M&G
- June 2015 – Standard Life

Additional communications:

- The Investor Relations report is circulated each month to the Executive Board and a report is also prepared for the Supervisory Board. This includes updates on share price performances, sell-side analyst research and investor feedback.
- The IR team monitors detailed investor feedback (obtained via the Company brokers) following management roadshows and results announcements / trading updates.

It is not common practice in German companies for Supervisory Board members to make themselves available for meetings with major shareholders. This preserves the separation of duties between the Supervisory and Executive Boards and prevents unequal dissemination of information. The AGM is considered the appropriate forum for shareholders to raise any topics for discussion. However, see page 40 above in relation to the role of Sir Michael Hodgkinson as Second Deputy Chairman. Accordingly, the Supervisory Board considers that the Company complies with the spirit of the UK Code.

NON-EXECUTIVE DIRECTORS' UNDERSTANDING OF SHAREHOLDER VIEWS (E1.2)

Regular updates on meetings between Executive Board members and shareholders are circulated to the Supervisory Board to keep them informed of market and industry views. The updates also include analysts' views of TUI AG's position in the market.

An Investor Relations Report and Broker Notes are provided electronically to Executive and Supervisory Board Members and, where relevant, reports are circulated separately to Supervisory Board Members.

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

It is not German practice to pass a resolution at the AGM to receive and approve the financial statements and consolidated financial statements. Therefore, this was not done at the AGM in 2015 and it is not intended to do so at the AGM in 2016. However, the first item on the agenda of the Company's AGM is the presentation of the financial statements and consolidated financial statements to the AGM as required by German law. 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 corporate governance statement). Shareholders will have the opportunity to raise any questions that they wish to put. 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 receive the Annual Report & Accounts is not in compliance with the UK Code, the Company 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 the Company complies with the spirit of the UK Code to the extent practicable.

CIRCULATION OF AGM DOCUMENTATION TO SHAREHOLDERS (E.2.4)

The 2015 AGM of the Company was held on 10 February 2015. As required by German law, the Invitation to the Company's 2015 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 30 December 2014. Shareholders then had rights under German law to requisition additional agenda items at any time up to 30 days before the AGM. Therefore, in accordance with German practice, the combined Invitation and explanatory notes relating to the AGM was sent to shareholders on 19 January 2015 once this deadline had expired, which was less than the 20 business 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 the company's website on 30 December 2014. As no agenda items were requisitioned by shareholders, this was in the same form as the final combined Invitation and explanatory notes relating to the AGM later sent to shareholders. Further, the Company's Annual Report and Accounts for the Financial Year to 30 September 2014 was published on 10 December 2014, significantly more than 20 business days before the 2015 AGM. Accordingly, the Company considers that it complied with the spirit of the UK Code requirements to the extent practicable. A similar timetable will be followed in relation to the 2016 AGM."