RISK REPORT

Successful management of existing and emerging risks is critical to the long-term success of our business and to the achievement of our strategic objectives. In order to seize market opportunities and leverage the potential for success, risk must be accepted to a reasonable degree. Risk management is therefore an integral component of the Group's Corporate Governance.

Risk Governance

TUI Group Risk Management Roles & Responsibilities

EXECUTIVE BOARD
Direct & Assure

- *Overall responsibility for risk management*
- *Determine strategic approach to risk*
- *Approve risk policy including risk appetite and set tone at the top*
- *Agree how principal risks are managed, mitigated and monitored*
- *Review the effectiveness of the risk management system*

RISK OVERSIGHT COMMITTEE (ROC)
Review & Communicate

- *Formulate risk strategy and policy*
- *Discuss and propose risk appetite*
- *Summarise principal risks*
- *Ensure effective monitoring*
- *Report back to Executive Board*

GROUP RISK TEAM
Support & Report

BUSINESS & FUNCTIONS
Identify & Assess

- *Understand key risks*
- *Review key risks and mitigation*
- *Manage and monitor risks*
- *Report on risk status*

RISK CHAMPION COMMUNITY

EXECUTIVE BOARD – DIRECT & ASSURE

With oversight by the Supervisory Board, the Executive Board determines the strategic direction of the Group and agrees the nature and extent of the risks it is willing to take to achieve its strategic objectives.

Ultimately, accountability for the Group's risk management rests with the Executive Board and therefore it has established and maintains a risk management system to identify, assess, manage and monitor risks which could threaten the existence of the company or have a significant impact on the achievement of its strategic objectives: these are referred to as the principal risks of the Group. This risk management system includes an internally-published risk management policy which helps to reinforce the tone set from the top on risk, by instilling an appropriate risk culture in the organization whereby employees are expected to be risk aware, control minded and 'do the right thing'. The policy provides a formal structure for risk management to embed it in the fabric of the business. Each principal risk has assigned to it a member of the Executive Committee as overall risk sponsor to ensure that there is clarity of responsibility and to ensure that each of the principal risks are understood fully and managed effectively.

The Executive Board reports to the Audit Committee of the Supervisory Board on the adherence to both the UK and German listing requirements, the overall risk position of the Group, on the individual principal risks and their management, and on the performance and effectiveness of the risk management system as a whole.

RISK OVERSIGHT COMMITTEE – REVIEW & COMMUNICATE

On behalf of the Executive Board, the Risk Oversight Committee (the 'ROC'), ensures that business risks are identified, assessed, managed and monitored across the businesses and functions of the Group. Meeting on a quarterly basis, the ROC's responsibilities include considering the principal risks to the Group's strategy and the risk appetite for each of those risks, assessing the operational effectiveness of the mitigation in place to manage those risks and any action plans to further mitigate them, as well as reviewing the bottom-up risk reporting from the businesses themselves to assess whether there are any heightened areas of concern.

Senior executives from the Group's major businesses are required to attend the ROC on a rotational basis and present on the risk and control framework in their business, so that the members of the ROC can ask questions on the processes in place, the risks present in each business and any new or evolving risks which may be on their horizon, and also to seek confirmation that an appropriate risk culture continues to be in place in each of the major businesses.

Chaired by the Chief Financial Officer, senior operational and finance management as well as all of management's second line functions are represented on the committee.

The ROC reports bi-annually to the Executive Board to ensure that it is kept abreast of changes in the risk landscape and developments in the management of principal risks, and to facilitate regular quality discussions on risk management at the Executive Board meetings.

GROUP RISK DEPARTMENT – SUPPORT & REPORT

The Executive Board has also established a Group Risk department to ensure that the risk management system functions effectively and that the risk management policy is implemented appropriately across the Group. The department supports the risk management process by providing guidance, support and challenge to management whilst acting as the central point for coordinating, monitoring and reporting on risk across the Group. It also supports the ROC in fulfilling it's duties and the reporting to both the Executive and Supervisory Boards. Additionally, Group Risk is responsible for the operation of the risk and control software that underpins the Group's risk reporting and risk management process.

BUSINESSES & FUNCTIONS – IDENTIFY & ASSESS

Every business and function in the Group is required to adopt the Group Risk Management policy. In order to do this, each either has their own risk committee or includes risk as a regular agenda item at their Board meetings to ensure that it receives the appropriate senior management attention within their business. In addition, the businesses each appoint a Risk Champion, who promotes the risk management policy within their business and ensures its effective application. The Risk Champions are in close contact with Group Risk and are critical both in ensuring that the risk management system functions effectively, and in implementing a culture of continuous awareness and improvement in risk management and reporting.

Risk Appetite

The Executive Board and Audit Committee, in conjunction with the Risk Oversight Committee has reviewed the Group's risk appetite. The results of the review indicate the board's risk appetite across three risk types:

Operational – moderate level to all operational risks where the board seeks to manage them responsibly to create unique holidays for our customers but recognizes as a matter of course we operate in a market environment characterized by external events.

Compliance – a low risk appetite to exposure of compliance related risks including adhering to regulatory requirements, protecting information in all forms as well as avoiding harm to customers, employees and all other stakeholders.

Financial – low risk appetite with exposure to financial risks. The Group seeks to achieve financial stability and certainty in particular during the pandemic as the scrutiny of costs and cash management has been heightened.

Our principal risks are aligned to these risk types.

Risk Reporting

The Group Risk department applies a consistent risk reporting methodology across the Group. This is underpinned by risk and control software which reinforces clarity of language, visibility of risks, mitigation and actions and accountability of ownership. Although the process of risk identification, assessment and response is continuous and embedded within the day-to-day operations of the businesses and functions, it is consolidated, reported and reviewed at varying levels throughout the Group on at least a quarterly basis.

Risk Identification: Management closest to the risks identify those that are relevant to the pursuit of the strategy within their business area.

A risk owner is assigned to each risk, who has the accountability and authority for ensuring that the risk is appropriately managed.

Risk Assessment: The methodology used is to initially assess the gross (or inherent) risk. This is essentially the downside, being the product of the impact together with the likelihood of the risk materializing if there is no mitigation in place to manage or monitor the risk. The key benefit of assessing the gross risk is that it highlights the potential risk exposure if mitigation were to fail completely or not be in place at all. Both impact and likelihood are scored using the criteria shown below:

Impact Assessment

MINOR	MODERATE	SIGNIFICANT	MAJOR	SERIOUS
Impact on	Impact on	Impact on	Impact on	Impact on
Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery	Financials (Sales and / or Costs) Reputation Technology reliability Compliance Health & Safety standards Programme Delivery

Likelihood Assessment

RARE	UNLIKELY	POSSIBLE	LIKELY	ALMOST CERTAIN
< 10 % Chance	10 – < 30 % Chance	30 – < 60 % Chance	60 – < 80 % Chance	≥ 80 %

The next step in the risk reporting process is to assess and document the mitigation currently in place to reduce the likelihood of the risk materializing and / or its impact if it does. Consideration of these then enables the current (or residual) risk score to be assessed, which is essentially the reasonably foreseeable scenario. This measures the impact and likelihood of the risk with the mitigation in place and effective. The key benefit of assessing the current risk score is that it provides an understanding of the current level of risk faced today and the reliance on the mitigation in place.

Risk Response: If management are comfortable that the current risk position is within the Group's appetite, the risk is accepted and no further action is required to further reduce it. The mitigation continues to be operated and management monitor the risk, the mitigation and the risk landscape to ensure that it remains at an acceptable level. If management assesses that the current risk score is too high, an action plan will be drawn up with the objective of introducing new or stronger mitigation that will further reduce the impact and / or likelihood of the risk to an acceptable level. This is known as the target risk score and is the parameter by which management can ensure the risk is being managed in line with their overall risk appetite. The risk owner will normally be the individual tasked with ensuring that this action plan is implemented within an agreed timetable.

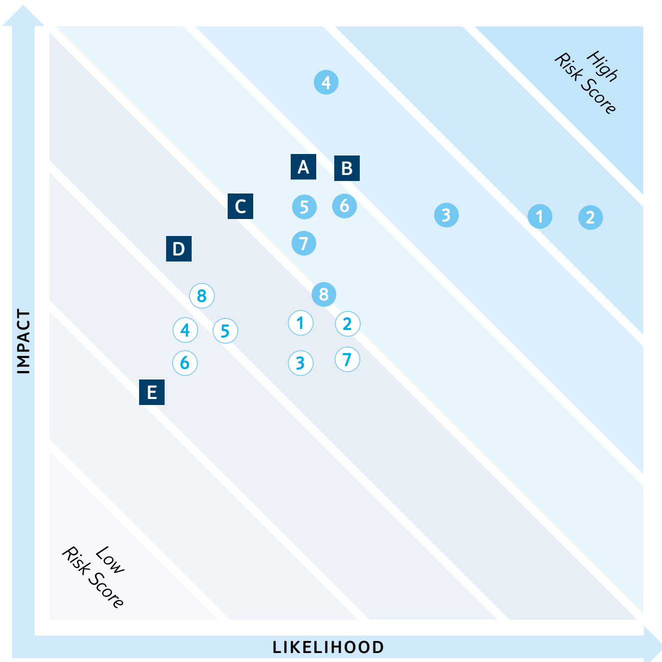
Each business and function will continue to review their risk register on an ongoing basis through the mechanism appropriate for their business e. g. local Risk Committee.

This bottom-up risk reporting is considered by the ROC alongside the Group's principal risks. New risks are added to the Group's principal risk register if deemed to be of a significant nature so that the ongoing status and the progression of key action plans can be managed in line with the Group's targets and expectations.

AD HOC RISK REPORTING

Whilst there is a formal process in place for reporting on risks on a quarterly basis, the process of risk identification, assessment and response is continuous and therefore if required, risks can be reported to the Executive Board outside of the quarterly process, should events dictate that this is necessary and appropriate. Ideally such ad hoc reporting is performed by the business or function which is closest to the risk, but it can be performed by the Group Risk department if necessary.

Principal Risk Heat Map



RISKS ABOVE APPETITE

CURRENT RISK POSITION

TARGET RISK POSITION

1 *Lack of integration & flexibility*
2 *Reduced customer demand*
3 *Inability to attract & retain talent*
4 *Insufficient cash flow*
5 *Volatility of input costs*
6 *Impact of Brexit*
7 *Disruption to IT Systems (Cyber attack)*
8 *Lack of sustainability improvements*

RISKS WITHIN APPETITE

CURRENT RISK POSITION

A *Disruption within our destinations*
B *Security Health & Safety breach*
C *Reliance on key suppliers*
D *Breach of regulatory requirements*
E *Management of joint venture partnerships*

CURRENT RISK POSITION

The level of risk faced today taking account of the mitigation already in place and operating effectively

TARGET RISK POSITION

The acceptable level of risk, in line with the overall risk appetite

EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM

The Executive Board regularly reports to the Audit Committee of the Supervisory Board on the performance, effectiveness and adherence to listing requirements of the risk management system, supported by the ROC and the Group Risk department. Additionally, the Audit Committee receives assurance from Group Audit through its audit plan over a selection of principal risks, processes and business transformation initiatives most critical to the Group's continued success.

The pandemic has continued to affect TUI's business operations during the financial year causing a significant reduction to the companies' operations, and therefore resulting in a reduction in operational risks. Therefore financial risks in terms of liquidity management were the primary focus during the reduced operations. Unchanged to the beginning of the pandemic the Executive Board has monitored and managed the associated principal risk to ensure that the low level of appetite is being exercised. The requirements for risk reporting that is coordinated by the Group Risk department and reported to the ROC could therefore be paused. Despite this, business areas and functions continued to ensure all risks are managed effectively.

The conclusion from all of the above assurance work is that the risk management system has functioned effectively throughout the year and there have been no significant failings or weaknesses identified. Of course there is always room for improvement, and the Risk Champions and the Group Risk department continue to work together to enhance the risk management and reporting processes, particularly in the next financial year where the formal requirements for risk reporting will be re-introduced in line with business as usual.

Finally, in accordance with Section 317 (4) HGB (German Commercial Code), the auditor of TUI AG has reviewed the Group's early detection system for risks in place as required by Section 91 (2) AktG (German Stock Corporation Act) to conclude, if the system can fulfill its duties.

Principal Risks

The principal risks to the Group are either considered to be 'Above' or 'Within' risk appetite.

Risks above the appetite are those that either require further mitigation in order to reduce them to an acceptable position or are heightened by external events beyond our control such as the COVID pandemic. We have action plans in place to increase or strengthen mitigation around each of these risks and reduce the current risk score to the target level indicated in the heat map diagram.

Risks within the appetite are those that considered to be at an acceptable level. For these, we have controls, processes and procedures in place as a matter of course that serve to mitigate each risk to either minimize the likelihood of the event occurring and / or minimize the impact if it does occur. These risks remain on our risk radar where we regularly monitor the risk, the mitigation and the risk landscape to ensure that the risk score stays stable and within our risk appetite in each case.

In the heat map diagram, the assessment criteria used are shown on page 37.

Financial year 2021 Principal Risks

Similarly to other external factors that have previously impacted our Group (e.g. the volcanic ash-cloud or grounding of the B737 Max fleet), we regard the COVID-19 pandemic as an event which has led to travel restrictions across the world, both within the Markets as well as in destination countries. This has led to several of our principal risks to materialise simultaneously, including: customer demand, input cost volatility, cashflow, destination disruption and security, health & safety. All of these principal risks continue to remain heightened throughout the pandemic.

Measures taken in order to react to this crisis have also heightened the principal risk profile. Therefore the lack of integration risk has increased, due to the volume and speed of transformation required within the Group in order to react to the impact; and the ability to attract and retain talent, due to the cost saving measures related to our employees.

The Executive Board believes that, despite the existing risks, the TUI Group currently has sufficient funds, and will continue to have sufficient funds in the future, resulting both from borrowing and from expected operating cash flows, to meet its payment obligations for the foreseeable future and to continue as a going concern. The Executive Board anticipates that, a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern no longer exists. The Executive Board no longer considers the remaining risk with regard to a further pandemic-related change in booking behaviour to be a threat to the Group's continued existence. In its assessment, the Executive Board assumes that the booking figures will gradually recover in the 2022 financial year and that the booking behaviour in the 2023 financial year will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants for which there is insufficient vaccination protection, thereby affecting the Company's performance.

→ *For further information please refer to the Viability Statement on page 47*

→ *See chapter Going Concern Reporting in accordance with UK Corporate Governance Code, page 155*

If the risk detail in the subsequent tables does not suggest otherwise, the risks shown below relate to all segments of the Group. The risks listed are the principal risks to which we are exposed but are not exhaustive and will evolve over time due to the dynamic nature of our business.

Principal Risks above risk appetite

Nature of Risk	Mitigating Factors
1. LACK OF INTEGRATION AND FLEXIBILITY WITHIN OPERATIONS AND IT SYSTEMS	
Our focus is on enhancing our operations and customer experience by providing engaging, intuitive, seamless and continuous customer service through delivery of digital solutions, core platform capabilities, underlying technical infrastructure and IT services required to support the Group's overall strategy for driving profitable topline growth. Although the Group's strategy has ensured that we are more vertically integrated, which has reduced impact of disruption by pure digital players, a lack of integration and flexibility within our systems and operations, particularly in the Markets & Airline businesses could impact on our cost base. This would therefore impact on our competitiveness, our ability to provide a superior customer experience as well as on quality and operational efficiency. The COVID-19 pandemic has heightened this risk due to the shorter timescales required to deliver the integration of our businesses and flexibility of the IT systems and therefore there are a number of transformation projects currently in place to mitigate this risk.	• Progressing with the implementation of TRIPS, our new common IT platform, which will be introduced to all of our Markets businesses. • Integration and development of Musement IT platform as technology driver for Customer Experience. • An established Global Transformation Office to monitor all initiatives to ensure they are on track as well as regularly provide status updates to the Executive Committee. • An established Asset Transformation Board, chaired by the Chief Strategy Officer that reviews the current asset portfolio within our airline, hotels and cruise businesses. • Strong project management structures exist for all of the major restructuring, acquisition and disposal programs, which are underway to ensure that they are managed effectively. • Project reporting tool ensures enhanced visibility of the progress of major projects as a matter of routine. • Centralised management structures to oversee the Markets and Airline businesses.
2. REDUCTION IN CUSTOMER DEMAND	
Spending on travel and tourism is discretionary and price sensitive as well as competitive. The economic outlook remains uncertain with different markets at different points in the economic cycle. Furthermore, in recent years there has been an emergence of successful substitute business models such as web-based travel and hotel portals which allow end users to combine the individual elements of a holiday trip on their own and book them separately. There is the risk that these external factors within our industry will impact on the spending power as well as the desire to travel of our customers. This could impact our short-term growth rates and lead to margin erosion. This risk has heightened due to customer demand being significantly impacted by the COVID-19 pandemic.	• Our market position as a globally operating tourism group, our brand and our integrated business model enables us to respond robustly to competitive threats. • The Group is characterised by the continuous development of new holiday experiences, developing new concepts and services which match the needs and preferences of our customers. Our strong and lasting relationships with our key hotel partners further reinforces our ability to develop new concepts exclusive to the Group. • Many customers prioritize their spending on holidays above other discretionary items. • Leveraging our scale to keep costs down and prices competitive. • Having a range of markets so that we are not over exposed to one particular economic cycle. • Promoting the benefits of travelling with a globally operating tour operator to increase customer confidence and peace of mind. This is particularly prominent during rhe pandemic where customers are seeking a higher level of security from reputable companies.

Nature of Risk	Mitigating Factors

3. INABILITY TO ATTRACT AND RETAIN TALENT

Our success depends on the ability to attract, retain, and develop our talent to ensure that we equip our employees to deliver our strategy as well as to also become our future leaders.

There is a risk that we are unable to attract and retain key talent, build future leadership capability and maintain the commitment and trust of our employees.

Challenges in managing and maintaining our talent pipeline in order to deliver against our strategy, drive competitiveness and maximize on our operating performance, may impact on our ability to future proof the Group and the associated potential for negative impact on shareholder confidence.

This risk has increased as a result of the cost saving measures related to our employees as well due to the tourism industry becoming a less attractive sector during the pandemic.

- Driving high performance and engagement through our performance review, development plans and career planning process.
- Promoting a working from anywhere culture, allows us to attract and retain a wider pool of talent that does not require to be located close to our base offices.
- Establishing and maintaining online professional academies to provide our employees with learning offerings in specific functional areas.
- A strategically aligned leadership programme for high performing management at all levels.

4. INSUFFICIENT CASH FLOW

Tourism is an inherently seasonal business with the majority of profits earned in the European summer months. Cash flows are similarly seasonal with the cash high occurring in the summer as advance payments and final balances are received from customers, with the cash low occurring in the winter as liabilities have to be settled with many suppliers after the end of the summer season.

There is the risk that if we do not adequately manage cash balances through the winter low period this could impact on the Group's liquidity and ability to settle liabilities as they fall due whilst ensuring that financial covenants are maintained.

As a result of the COVID-19 pandemic the Group has experienced increasing challenges to the cashflow profile. This is due to operational activity being significantly reduced during the summer months, which is the time when the majority of cash balances are received from customers. We are also experiencing a significantly shorter booking profile whereby customers are booking very close to departure and therefore cash deposits are received later than previous booking patterns and the cash balances are subject to higher short tem movements.

- The Executive Board has continued to place significant focus on the review of the Group's cash flow position during this crisis period.
- The partial resumption of holidays, particularly in mainland Europe source markets in the summer season has contributed towards stabilising the cash positon.
- With the customer deposits received for the coming seasons, the funds from the financing measures implemented in the year under review (capital increase in January 2021 and the convertible bond placed in April), the cash inflow from the sale of Riu Hotels S.A., the extension of the revolving credit facilities including the further suspension of the review of the financial covenants as well as the further capital increase in October 2021, which took place after the balance sheet date, the Executive Board believes that, despite the existing risks, the TUI Group currently has and will continue to have sufficient funds resulting both from the borrowing and from operating cash flows to meet its payment obligations and to continue as a going concern. The Executive Board no longer considers the remaining risk with regard to a further pandemic-related change in booking behaviour as a threat to the company as a going concern. In its assessment, the Executive Board assumes that the booking figures will gradually recover in the financial year 2022 and that the booking behaviour in the financial year 2023 will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants for which there is insufficient vaccination protection, thereby affecting the Company's performance.

Nature of Risk	Mitigating Factors
	• Our focus on holiday experiences is helping to reduce the seasonality risk, as hotels, cruises and destination experiences have a more evenly distributed profit and cash profile across the year. • As our business is spread across a number of markets, there are some counter-cyclical features e. g. winter is a more important season for the Nordic and Canadian markets. Some brands, such as the UK ski brand Crystal Ski, have a different seasonality profile which helps to counter-balance the overall profile. • The business regularly produces both short term and long term cash forecasts during the year – on a daily basis when needed – , which the Treasury department use to manage cash resources effectively. We continue to maintain high-quality relationships with the Group's key financiers. TUI AG's RCF and KfW credit line are subject to compliance with certain financial target values (covenants) for debt coverage and interest coverage, the review of which is carried out based on the last four reported quarters at the end of the financial year or the half-year of a financial year. Against the backdrop of the ongoing pressures from the COVID-19 pandemic, the review is currently suspended. On 9 June 2021 and again when the credit lines were extended, TUI AG's creditor banks agreed to a further suspension of the review of these covenants until the end of March 2022, so that the review will now only be resumed in September 2022. In addition, higher limits will be applied at the first two cut-off dates before normalised limits have to be complied with from September 2023. • Regularly reviewing ways how we can raise additional finance from the capital markets, should it be required, and how we can continue to improve our Free Cash Flow position. Please refer to the Viability Statement on page 47 for further details on the measures taken this year.

Nature of Risk	Mitigating Factors
5. VOLATILITY OF INPUT COSTS	
A significant proportion of operating expenses are in non-local currency and / or relate to aircraft and cruise fuel which therefore exposes the business to fluctuations in both exchange rates and fuel prices. There is the risk that if we do not manage adequately the volatility of exchange rates, fuel prices and other input costs, then this could result in increased costs and lead to margin erosion, impacting on our ability to achieve profit targets. As a result of the pandemic there is also a risk that there will be no lines available to put in place hedges to manage the volatility of future seasons. There is also the risk that if our hedging policy is too rigid. E. g. when the majority of the competitors in a source market do not hedge (a certain destination) we may find ourselves unable to respond to competitive pricing pressures during the season without it having a direct detrimental impact on our market position and / or profitability. Furthermore, changes in macroeconomic conditions, such as those currently being experienced as a result of the pandemic can have an impact on exchange rates which, particularly for the £ / € rate has a direct impact on the translation of non-euro market results into euros, the reporting currency of our Group.	• An established Hedging Committee that monitors the Group's hedging position. • Ensuring that the appropriate derivative financial instruments are used to provide hedging cover for the underlying transactions involving fuel and foreign currency. • Maintaining an appropriate hedging policy to ensure that this hedging cover is taken out ahead of the markets' customer booking profiles. This provides a degree of certainty over input costs when planning pricing and capacity, whilst also allowing some flexibility in prices so as to be able to respond to competitive pressures if necessary. • Tracking the foreign exchange and fuel markets to ensure the most up-to-date market intelligence and the ongoing appropriateness of our hedging policies. • Expressing our key profit growth target in constant currency terms so that short term performance can be assessed without the distortion caused by exchange rate fluctuations. We are currently unable to exercise all controls as our banking lines do not sufficiently cover the hedging needs. We regard this as a temporary topic and acceptable in the current business environment. Further information on currency and fuel hedges can be found in the Notes to the consolidated financial statements in the Financial instruments section.
6. IMPACT OF BREXIT	
Our main concern is whether or not all of our airlines will continue to have access to EU airspace as now. If we were unable to continue to fly intra-EU routes, such as from Germany to Spain, this would have a significant operational and financial impact on the Group. Other areas of uncertainty include the status of our UK employees working in the EU and vice versa and the potential for customer visa requirements for holidays from the UK to the EU.	• Established Brexit workstreams to coordinate suitable mitigation strategies where the UK exit from the European Union has an impact on our operations, particularly the airlines. • In addition we continue to lobby relevant UK and EU decision makers to stress the continued importance of a liberalised and deregulated aviation market across Europe to protect consumer choice in both regions.

Nature of Risk	Mitigating Factors
7. DISRUPTION TO IT SYSTEMS (CYBER ATTACKS)	
Our responsibility is to protect the confidentiality, integrity and availability of the data we process for our customers, employees, and businesses. This is an evolving risk due to increasing global cyber-crime activity and regulation (e.g. EU GDPR). At the same time our consolidation under the TUI brand and increasing dependence on online sales and customer care increases our exposure and susceptibility to cyber-attacks. If we do not ensure we have the appropriate level of security controls in place across the Group, this could have a significant negative impact on our key stakeholders, associated reputational damage and potential for financial implications.	• Continued commitment from the Executive Board in support of key initiatives to ensure existing and future IT systems are secure by design, that exposure to vulnerability is managed, user access is monitored, and colleagues are made aware of information security risks through appropriate training – Security first in everything we do. • Implementation of a Security Operations Centre and monitoring tools to anticipate, detect and respond to criminal attacks and resolve information security incidents. • Launch of a Security Engineering initiative to ensure controls are embedded in the application development pipeline as TUI's information technology is transformed. • Continuous improvement through lessons learned from real or simulated cyber incidents.
8. LACK OF SUSTAINABILITY IMPROVEMENTS	
For the Group, economic, environmental and social sustainability is a fundamental management principle and a cornerstone of our strategy for continually enhancing the value of our Company. This is the way we create the conditions for long-term economic success and assume responsibility for sustainable transformation in the tourism sector. Our focus is to reduce the environmental impact of our operations and promote responsible social policies and outcomes both directly through our own business and indirectly via our influence over our supply chain partners, thereby creating positive change. There is a risk that we are not successful in driving social and environmental improvements across our operations, that our suppliers do not uphold our corporate and social responsibility standards and we fail to influence destinations to manage tourism more sustainably. If we do not maximize our positive impact on destinations and minimize the negative impact to the extent that our stakeholders expect, this could result in a decline in stakeholder confidence, reputational damage and reduction in demand for our products and services.	• Implemented the 'Better Holidays, Better World' initiatives which included specific targets for key sustainability indicators. Furthermore, work is underway to rollout the newly developed TUI Sustainability Agenda. • A dedicated sustainability department to work closely with the business and external stakeholders. • Operating one of the most carbon efficient airlines in Europe with continued investment in new, more efficient aircraft and cruise ships. • Implemented an environmental management system with all TUI airlines having achieved ISO 14001 certification. • Increased measures to influence accommodation suppliers to achieve third-party sustainability certification recognised by the Global Sustainable Tourism Council (GSTC). • TUI Care Foundation expanded to focus for charitable donations and sustainability projects, with particular emphasis on maximizing the economic benefits of tourism in destinations.

Nature of Risk	Mitigating Factors

Principal Risks within appetite

A. DISRUPTION WITHIN OUR DESTINATIONS

Providers of holiday and travel services are exposed to the inherent risk of external events affecting destinations. This can include natural catastrophes such as hurricanes or tsunamis; outbreaks of disease such as the ongoing COVID-19 pandemic; political volatility as has been seen in Egypt, Turkey and Greece in recent years; the implications of war in countries close to our markets and destinations; and terrorist events such as the tragic incident in Tunisia in 2015.

There is the risk that if such an event occurs, impacting one or more of our destinations that we could potentially suffer significant operational disruption and costs. We may be required to repatriate our customers and / or the event could lead to a significant decline in demand for holidays to the affected destinations over an extended period of time.

This risk has heightened due to COVID-19 whereby the Group is experiencing more destination disruption due to constant changes in travel advice and corridors.

- Whilst we are unable to prevent such events from occurring, we have well defined crisis management procedures and emergency response plans, which are implemented when an event of this nature occurs, with the focus being on the welfare of our customers.
- Where the appropriate course of action is to bring customers home immediately, our significant fleet of aircraft allows us to do this smoothly and efficiently, as demonstrated in March 2020 when all customers had to be repatriated due to COVID-19.
- Our policy is to follow foreign office advice in each of our markets with regards to non-essential travel. This serves to minimize the exposure of our customers to turbulent regions.
- Due to our presence in all key holiday regions, when a specific destination has been impacted by an external event, we are able to offer alternative destinations to our customers and to remix our destination portfolio away from the affected area in future seasons if necessary.

B. SECURITY HEALTH & SAFETY BREACH

For all providers of holiday and travel services, ensuring the security, health and safety of customers is of paramount importance.

There is the risk of accidents or incidents occurring causing illness, injury or death to customers or colleagues whilst on a TUI holiday. This could result in reputational damage to the business and / or financial liabilities through legal action being taken by the affected parties. This is particularly important during the pandemic where health & safety is under more scrutiny and requirements from are continuously changing.

- An established Security Health & Safety function across the Group in order to ensure there is appropriate focus on health and safety processes as part of the normal course of business.
- The function ensures standardization as well as compliance with best practice standards.
- Appropriate insurance policies are in place for when incidents do occur.

C. RELIANCE ON KEY SUPPLIERS

Providers of holiday and travel services are exposed to the inherent risk of failure in their key suppliers, particularly for hotels, aircraft and cruise ships. This is heightened by the industry convention of paying hoteliers in advance ('prepayments') to secure a level of room allocation for the season as well as in areas where a single supplier is used to provide a product or service.

- Using reputable and financially stable suppliers, particularly in areas where a single supplier is used to provide a service.
- Regular monitoring of supplier performance against agreed terms and conditions.
- Strong working relationships with all key suppliers.
- Owned and joint venture partner hotels form a substantial part of our program which reduces our inherent risk in this area.

Nature of Risk	Mitigating Factors
There is the risk that we are unable to continue with our core operations in the event of a major service failure from our key suppliers.	• A robust prepayment authorization process is established and embedded to both limit the level of prepayments made and ensure that they are only paid to trusted, credit-worthy counterparties. • Prepayments are monitored on a timely and sufficiently granular basis to manage our financial exposure to justifiable levels.

D. BREACH OF REGULATORY REQUIREMENTS

Most providers of holiday and travel services operate across a number of economies and jurisdictions, which therefore exposes them to a range of legal, tax and other regulatory laws which must be complied with. As we are operating from multiple source markets and providing holidays in more than many destinations, we are exposed to a range of laws and regulations with which we must comply or else risk incurring fines or other sanctions from regulatory bodies.	• Communication and strong tone from the top concerning compliance with laws and regulations. • Regular reporting in different bodies (Group Executive Committee, Audit Committee, Group Works Council) in order to guarantee appropriate monitoring, supervision and implementation of action plans and to strengthen the Integrity & Compliance culture across the Group. • Embedded legal and tax expertise in all major businesses responsible for maintaining high quality relationships with the relevant regulators and authorities. • Ongoing implementation and review of Compliance Management System conducted by the Group Integrity & Compliance department to monitor compliance with regulations and provide expert advice to local teams on specific compliance areas.

E. MANAGEMENT OF JOINT VENTURE PARTNERSHIPS

It is common for tourism groups to use joint venture partnerships in some of their operations in order to reduce the risk of new ventures, to gain access to their expertise of the local market as well as to strengthen the balance sheet position in line with our less capital intensive 'asset-right' strategy (e. g. the transaction completed with Riu this financial year). There are three significant joint ventures within the Group – Riu, TUI Cruises and Sunwing. → *For details on our strategy refer to page 25* There is the risk that if we do not maintain good relations with our key partners that the ventures' objectives may not remain consistent with that of the Group which could lead to operational difficulties and jeopardize the achievement of financial targets.	• Good working relationships exist with all of our main joint venture partners and they are fully aligned with and committed to the growth strategy of the Group.

Viability Statement

In accordance with Rule 31 of the UK Corporate Governance Code, the Executive Board assesses the Company's future prospects for a period exceeding the twelve months required by the going concern premise. The Executive Board reviews the business development annually and on a rolling basis based on a three-year strategic plan. The current three-year plan was adopted in September 2021and covers the period until 30 September 2024. A three-year horizon is considered appropriate for a fast moving competitive environment such as tourism.

The global travel restrictions to contain COVID-19 had a strong negative impact on the Group's earnings and liquidity development from the end of March 2020 and also throughout financial year 2021. Due to the reasons described above, the TUI Group had a liquidity requirement in financial years 2020 and 2021 that was significantly higher than the cash inflows resulting from ongoing business operations and the existing credit lines not yet utilised, despite the cost-cutting measures initiated. In order to close these liquidity gaps, silent participations of € 1.1 bn and credit lines totalling € 4.8 bn were granted in addition to the cost-cutting and payment deferral measures initiated in the Group as well as regional support measures in various countries. As of 30 September 2021, silent participation I and II were fully paid in.The financing commitments available until 30 September 2021 were utilised in the amount of € 2.6 bn as at the balance sheet date. In addition, the Group carried out various financing measures in the reporting year, in particular a capital increase and the placement of a convertible bond. Further funds accrued to the Group from the sale of Riu Hotels S.A.. On 27 July 2021, TUI agreed with the bank consortium and KfW on an extension of TUI AG's revolving credit facility (RCF) and KfW credit line (both tranches) totalling € 4.7 bn to summer 2024. In this context, TUI AG's creditor banks agreed to a further suspension of the review of these covenants until the end of March 2022, so that the review will now only be resumed in September 2022. In addition, higher limits will be applied at the first two reporting dates before normalised limits have to be complied with as of September 2023.

Upon entry of the new shares in the commercial register on 28 October 2021 and final settlement with the banks involved on 2 November 2021, TUI AG successfully completed another capital increase. The gross issue proceeds amount to around € 1.1 bn.

The support and stabilisation package as well as the further financing measures are described in detail in the chapter 'Going concern reporting according to the UK Corporate Governance Code' in the notes.

→ *See chapter Going Concern Reporting in accordance with the UK Corporate Governance Code, page 155*

Currently, the TUI Group continues to be affected by the negative financial impact of the COVID-19 pandemic. After a significant decrease in the number of COVID-19 cases in the summer of 2021, many countries are currently recording a significant increase in infections again. As a result, contact restriction measures have been tightened again in the affected countries. At the time of preparation of this report (6 December 2021) due to ongoing changes in travel restrictions, it remains impossible to predict when we will be able to fully resume our travel programme. In particular, it is not possible at this time to reliably predict how quickly vaccination against the COVID-19 virus can be completed in each country, whether new variants of the virus will emerge, and when medications will be available to treat COVID-19 disease. However, it is now foreseeable that sufficient vaccines will be available in our key source markets and destinations to ensure a further recovery in travel in the financial year 2022.

With the customer deposits received for the coming seasons, the funds from the financing measures implemented in the year under review (capital increase in January 2021 and the convertible bond placed in April), the cash inflow from the sale of Riu Hotels S.A., the extension of the revolving credit facilities including the further suspension of the review of the financial covenants as well as the further capital increase in October 2021, which took place after the balance sheet date, the Executive Board believes that, despite the existing risks, the TUI Group currently has and will continue to have sufficient funds resulting both from the borrowing and from expected operating cash flows to meet its payment obligations and to continue in the foreseeable future as a going concern. In this context, the Executive Board assumes that the credit lines expiring in summer 2024 will be refinanced. Therefore, as at 30 September 2021, the Executive Board no longer identifies a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Executive Board has conducted a sound assessment of the company's main risks, including future events that would jeopardise the business model, future results, solvency or liquidity. A sensitivity analysis is used to determine the potential impact of the main risks, whereby they may occur individually or together. The going concern scenario used for the assessment assumes that booking figures will gradually recover in the 2022 financial year and that booking behaviour in the 2023 financial year will largely correspond to the pre-pandemic level. The Executive Board assumes that the booking figures will gradually recover in the financial year 2022 and volumes in the summer of 2022 will settle at approximately the normalised level of the summer of 2019. For the 2023 financial year, it is expected that the booking behaviour in the financial year 2023 will largely correspond to the pre-pandemic level. The Executive Board assumes that there will be no further long-term closures and lockdowns that could affect travel behaviour. Nevertheless, customer bookings may deteriorate due to new travel restrictions, insufficient vaccination coverage against the COVID-19 virus in individual countries, and virus variants such as the new Omicron virus variant, for which there may not be sufficient vaccination protection, thereby affecting TUI Group's performance.

Taking into account the current situation of the Group, the main risks and the above-mentioned sensitivity analysis, the Executive Board has a reasonable expectation that the Group will be able to continue operations and meet the obligations arising within the three-year period under review.

Key features of the internal control and risk management system in relation to the (Group) accounting process (sections 289 (4) and 315 (4) of the German Commercial Code HGB)

1. DEFINITION AND ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN THE TUI GROUP

The TUI Group's internal control system comprises all the principles, processes and measures that are applied to secure effective, efficient and accurate accounting which is compliant with the necessary legal requirements.

The internationally recognised framework of COSO (Committee of Sponsoring Organizations of the Treadway Commission) forms the conceptual basis for TUI Group's internal control system, consisting of internal controls and the internal monitoring system. The Executive Board of TUI AG, in exercising its function of managing business operations, has entrusted responsibility for the internal control system in the TUI Group to specific Group functions.

The elements of the internal monitoring system in the TUI Group comprise both measures integrated into processes and measures performed independently. Besides manual process controls, e.g. the 'four-eyes principle', another key element of the process-related measures are automated IT process controls. Process-related monitoring is also secured by bodies such as the Risk Oversight Committee of TUI AG and by specific Group functions.

The Supervisory Board of TUI AG, in particular its Audit Committee, as well as the Group Auditing department at TUI AG are incorporated into the TUI Group's internal monitoring system through their audit activities performed independently from business processes. On the basis of section 107 (3) of the German Stock Corporation Act, the Audit Committee of TUI AG deals primarily with the auditing of the annual financial statements, monitoring the accounting process and the effectiveness of the internal control and risk management system. In the Audit Committee Report the reliability of the financial reporting and the monitoring of the financial accounting process as well as the effectiveness of the internal control and risk management system are described.

Audit Committee Report see from page 20

The Group's auditors have oversight of the TUI Group's control environment. The audit of the consolidated financial statements by the Group auditor and the audit of the individual financial statements of Group companies included in the consolidated financial statements, in particular, constitute a key non-process-related monitoring measure with regard to Group accounting.

In relation to Group accounting, the risk management system, introduced as an Enterprise Risk Management System (ERM System) as a component of the internal control system, also addresses the risk of misstatements in Group bookkeeping and external reporting. Apart from operational risk management, which includes the transfer of risks to insurance companies by creating cover for damage and liability risks and also hedging transactions to limit foreign currency and fuel price risks, the TUI Group's risk management system embraces the systematic early detection, management and monitoring of risks across the Group. A more detailed explanation of the risk management system is provided in the section on the Risk Governance Framework in the Risk Report.

2. USE OF IT SYSTEMS

Bookkeeping transactions are captured in the individual financial statements of TUI AG and of the subsidiaries of TUI AG, through local accounting systems such as SAP or Oracle. As part of the process of preparing their individual financial statements, subsidiaries complete standardized reporting packages in the Group's Oracle Hyperion Financial Management 11.1.2.4 (HFM) reporting system. HFM is used as the uniform reporting and consolidation system throughout the Group so that no additional interfaces exist for the preparation of the consolidated financial statements.

Nearly all consolidation processes used to prepare the consolidated financial statements of TUI AG, e.g. capital consolidation, assets and liabilities consolidation and expenses and income elimination including at equity measurement, are generated and fully documented in HFM. Virtually all elements of TUI AG's consolidated financial statements, including the disclosures in the Notes, are developed from and validated by the HFM consolidation system. HFM also provides various modules for evaluation purposes in order to prepare complementary information to explain TUI AG's consolidated financial statements.

The HFM reporting and consolidation system has an in-built workflow process whereby when businesses promote their data within the system, to signal that their reporting package is complete, they are then locked out from making any further changes to that data. This ensures data integrity within the system and also facilitates a strong audit trail enabling changes to a reporting package to be identified. This feature of the HFM system has been checked and validated by the TUI AG Group Audit department on several occasions since the system was introduced.

At their own discretion, TUI AG's Group auditors select certain individual financial statements from the financial statements entered in the HFM reporting and consolidation system by the Group companies, which are then reviewed for the purposes of auditing the consolidated financial statements.

3. SPECIFIC RISKS RELATED TO (GROUP) ACCOUNTING

Specific risks related to (Group) accounting may arise, for example, from unusual or complex business transactions, in particular at critical times towards the end of the financial year. Business transactions not routinely processed also entail special risks. The discretion necessarily granted to employees for the recognition and measurement of assets and liabilities may result in further (Group) accounting-related risks. The outsourcing and transfer of accounting-specific tasks to service companies may also give rise to specific risks. Accounting-related risks from derivative financial instruments are outlined in the Notes to the consolidated financial statements.

4. KEY REGULATION AND CONTROL ACTIVITIES TO ENSURE PROPER AND RELIABLE (GROUP) ACCOUNTING

The internal control measures aimed at securing proper and reliable (Group) accounting ensure that business transactions are fully recorded in a timely manner in accordance with legal requirements and the Articles of Association. This also ensures that assets and liabilities are properly recognised, measured and presented in the financial statements and the consolidated financial statements. The control operations also ensure that bookkeeping records provide reliable and comprehensive information.

Controls implemented to secure proper and reliable accounting include, for instance, analysis of facts and developments on the basis of specific indicators. Separation of administrative, execution, settlement and authorisation functions and the implementation of these functions by different persons reduces the potential for fraudulent operations. Organisational measures also aim to capture any corporate or Group-wide restructuring or changes in sector business operations rapidly and appropriately in (Group) accounting. They also ensure, for instance, that bookkeeping transactions are correctly recognised in the period in which they occur in the event of changes in the IT systems used by the accounting departments of Group companies. The internal control system likewise ensures that changes in the TUI Group's economic or legal environment are mapped and that new or amended accounting standards are correctly applied.

The TUI Group's accounting policies together with the International Financial Reporting Standards (IFRS) in compliance with EU legislation, govern the uniform accounting and measurement principles for the German and foreign companies included in TUI's consolidated financial statements. They include general accounting principles and methods, policies concerning the statement of financial position, income statement, notes, management report and cash flow statement.

The TUI Group's accounting policies also govern specific formal requirements for the consolidated financial statements. Besides defining the group of consolidated companies, they include detailed guidance on the reporting of financial information by those companies via the group reporting system HFM on a monthly, quarterly and year end basis. TUI's accounting policies also include, for instance, specific instructions on the initiating, reconciling, accounting for and settlement of transactions between group companies or determination of the fair value of certain assets, especially goodwill. At Group level, specific controls to ensure proper and reliable (Group) accounting include the analysis and, where necessary, correction of the individual financial statements submitted by the Group companies, taking account of the reports prepared by the auditors and meetings to discuss the financial statements which involve both the auditors and local management. Any further content that requires adjusting can be isolated and processed downstream. The control mechanisms already established in the HFM consolidation system minimize the risk of processing erroneous financial statements. Certain parameters are determined at Group level and have to be applied by Group companies. This includes parameters applicable to the measurement of pension provisions or other provisions and the interest rates to be applied when cash flow models are used to calculate the fair value of certain assets. The central implementation of impairment tests for goodwill recognised in the financial statements secures the application of uniform and standardized evaluation criteria.

5. DISCLAIMER

With the organisational, control and monitoring structures established by the TUI Group, the internal control and risk management system enables company-specific facts to be captured, processed and recognised in full and properly presented in the Group's accounts.

However, it lies in the very nature of the matter that discretionary decision-making, faulty checks, criminal acts and other circumstances, in particular, cannot be ruled out and will restrict the efficiency and reliability of the internal control and risk management systems, so that even Group-wide application of the systems cannot guarantee with absolute certainty the accurate, complete and timely recording of facts in the Group's accounts.

Any statements made relate exclusively to TUI AG and to subsidiaries according to IFRS 10 included in TUI AG's consolidated financial statements.