



Environment & People update September 2008



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Welcome

Welcome to the TUI Travel PLC Environment & People 2007 update.

TUI Travel PLC is Europe's leading tour operator, carrying around 30 million passengers annually to over 180 destinations. We offer experiences as diverse as family time at our flagship resort properties, five-star long-haul holidays, skiing or yachting experiences, and adventures to Antarctica or the Masai Mara. We also provide flight-only or room-only options for those travelling independently.

TUI Travel PLC was formed in September 2007, following the merger of First Choice Holidays PLC with the Tourism Division of TUI AG.

The company is recognised for its commitment to sustainable development and is listed in the FTSE4Good index.

About this update

Please note that this report is split into two sections:

- Section 1 is an update on TUI Travel PLC's approach to sustainable development, and an outline of the process we are following to develop our first sustainable development strategy.
- Section 2 contains data, targets and commitments for the former First Choice Holidays PLC, measured within its financial year 1 November 2006 to 31 October 2007.

We're keen to hear what you have to say about this update. Please email your feedback to tui.sustainability@tuitravel.com.

We intend to produce our first full sustainable development report for TUI Travel PLC – with data and targets for the whole Group – in early 2009.

Image on front page

TUI UK & Ireland's Head of Trading & Retail Operations, Helen Deegan, on a trip to the Zengamina Hydro project in Zambia, in May 2008. The development of the hydro is being funded by UK customers' donations to the World Care Fund, through TUI UK & Ireland's partners ClimateCare. See page 20 for further details of the fund.

Message from our Chief Executive

"I'm very proud to introduce the first Environment & People update for TUI Travel PLC.

This year has been one of transition for the company. The merger of First Choice Holidays PLC and the Tourism Division of TUI AG in September 2007 has provided a challenge to our progress in sustainable development – but it has also given us a great opportunity to share the learning from two leaders in the field and incorporate sustainable development into the values and structure of the new company.

As a FTSE100 company, we recognise that we have a responsibility to monitor and manage our negative impacts on the environment and people, and to maximise our positive impacts. We aspire to lead in sustainable development within the leisure travel industry and beyond, and by the end of this year we plan to communicate more about our Group-wide sustainable development strategy.

We seek to make sustainable development central to the way we run and manage TUI Travel PLC. In early 2008, the Managing Directors of all Group businesses were asked to take into consideration sustainable development issues – with particular reference to climate change – when developing their business strategies.

This year, we have established a new governance structure for sustainable development at TUI Travel PLC. Johan Lundgren, Managing Director of TUI Northern Europe, is responsible for reporting on sustainable development to the PLC Board.

Our senior-level Steering Committee, chaired by Dermot Blastland, Managing Director of TUI UK & Ireland, sets the overarching strategy and targets for the Group in conjunction with the Group Sustainable Development team. I am delighted that during the year Dermot Blastland was recognised with a special award for services to Sustainable Tourism at the Telegraph Travel Awards.

Finally, our Sector Coordinators manage sustainable development within their areas of the business with a remit to promote and embed environmental and social issues throughout the company.

We have a long way to go on our sustainable development journey, but I believe that the steps we have taken in the last year have set us on course to make a real contribution to a more sustainable world."

A handwritten signature in black ink that reads "Peter". The signature is written in a cursive style with a large, sweeping initial 'P'.

Section 1: TUI Travel PLC

About TUI Travel PLC

TUI Travel PLC was formed in September 2007, following the merger of First Choice Holidays PLC with the Tourism Division of TUI AG. The company is incorporated in England and Wales and is listed on the London Stock Exchange.

Key facts about TUI Travel PLC, September 2008

Total revenue	£12.8 billion
Workforce	48,000
Operating countries	180
Customers	30 million
Source markets	20

TUI Travel's vision is to make travel experiences special. Through 200+ products and brands it provides customers with a wide choice of differentiated and flexible travel experiences to meet their changing needs. To find out more, visit www.tuitravelplc.com

Our company reports as four sectors:

- **Mainstream** – Our largest sector in the Group, servicing over 24 million customers each year. Mainstream comprises a number of vertically integrated businesses which have tour operations, retail and airline activities across Europe. We have a fleet of 156 aircraft and approximately 3,500 retail shops in this sector.
- **Specialist and Emerging Markets** – Operating in North America, UK & Ireland, Europe and a number of emerging markets including China and Russia. This sector includes over 40 specialist travel companies.
- **Online Destination Services** – This sector has market-leading experts in the supply and distribution of accommodation and destination services worldwide.
- **Activity** – Our activity lifestyle travel companies and premium brands operate in the market segments of Adventure, Marine, Ski, Student and Sports.
- **Joint Venture** – Island Cruises is our joint venture with Royal Caribbean Cruise Lines.

Our values

At TUI Travel PLC we aspire to live by four values and these, together with associated behaviours, enable each of us to have the highest level of engagement in our business helping us to reach our vision – making travel experiences special.

- **Customer obsessed** – We respect our customers and never forget that they choose to spend their leisure time with us. We share a duty to maintain their loyalty and trust. We anticipate customer's desires and everything we do is with them in mind. We believe there is no such thing as a mass market but a huge market of individuals.
- **Playing to win** – We are passionate about being the best and about winning with integrity. We seek the ideas and trends that change leisure-time markets for the better and move quickly to action them. We thrive on teamwork. We are not afraid of making brave decisions. We want to do something new every day and we love what we do.
- **Value driven** – We share an infectious entrepreneurial streak and a clear focus on the need for profitability. We look for opportunities that have a commercial advantage for us and add value to our customer's experience. We predict, translate and bring to market new leisure-time products based on their genuine appeal to customers.
- **Responsible leadership** – We are committed to sustainable development and to making a positive impact on society. We know leadership has to be earned and we never take it for granted. We communicate openly and easily and help each other develop and grow. We celebrate local differences and actively seek to contribute to a better world.

TUI Travel PLC's approach

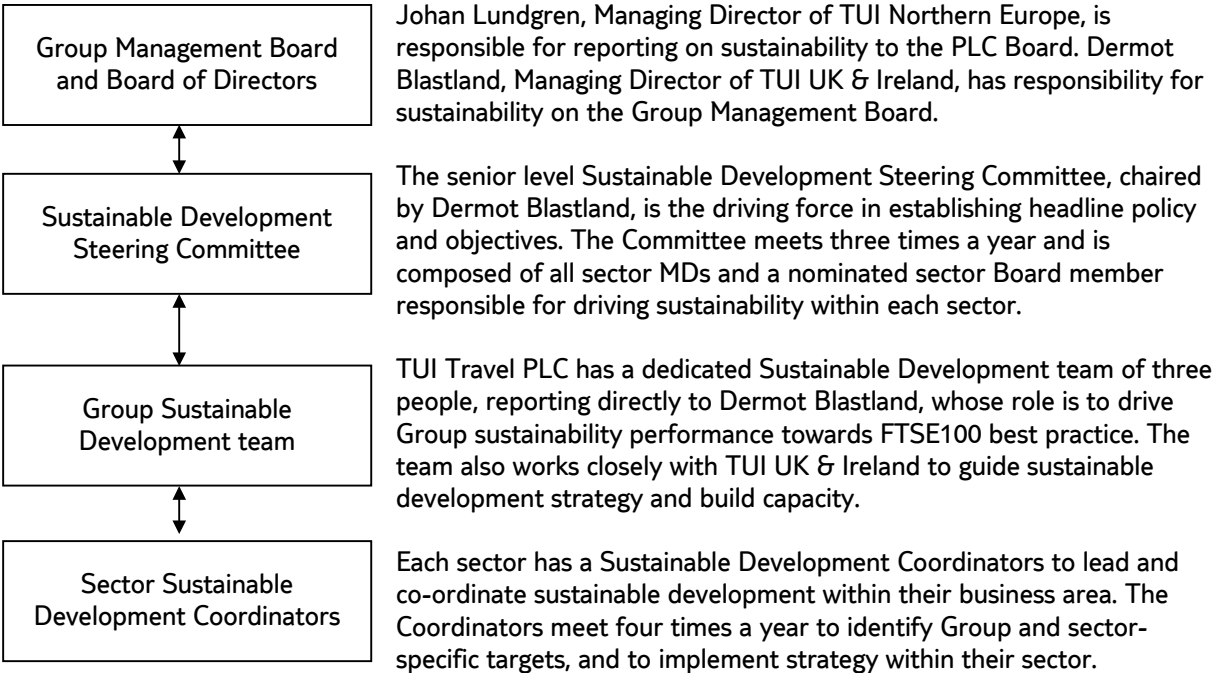
We know that a healthy environment makes for a better holiday, and that happy colleagues and prosperous local communities enhance the holiday experience. We also know that we have an impact on the environment and people, through our operations in our source markets and destinations.

- Climate change is one of our biggest challenges as a sector. According to the UN World Tourism Organization, travel and tourism contributes around 5% of total global carbon emissions¹. Along with many other industries, the leisure travel sector is feeling the effects of climate change, and in the future we expect to see changes in the quality of tourist seasons, an increase in the intensity of tropical storms and rainfall, and more severe droughts.
- Tourism is known as a 'thirsty industry', due to the amount of water required for tourism activities such as golf courses, swimming pools and washing of linen. Water scarcity is likely to be an issue for our business in the medium to long-term, with pressure on water resources set to increase in some of our destinations.
- However, our sector also has a significant positive impact on the people who live and work in our destinations. Tourism is one of the world's largest industries, contributing around 11% to global GDP. It is particularly important for developing economies, and is a top five export in 80% of developing countries.²

Our challenge is to maximise the positive impacts of our business on people in developing countries while minimising the negative environmental impacts of our flights and operations in our destinations.

Governance

Commitment from the most senior level is vital to us achieving our goal of leading the leisure travel sector in sustainable development. In the last year, our focus has been on developing our capacity and governance structures for sustainable development.



¹ *Climate Change and Tourism*, UN WTO, October 2007
² *Tourism and the Poor*, Overseas Development Institute, March 2004

The Group Sustainable Development Survey in April/May 2008 showed that, in addition to the Coordinators and the Group Sustainable Development team, there are 18 full-time equivalent (FTE) people working on sustainable tourism issues throughout the Group, and 78% of TUI Travel PLC colleagues can contact an individual with responsibility for sustainable development within their business.

Strategy development

The development of TUI Travel PLC's first sustainable development strategy is a great opportunity to build on the experience of all our businesses to address our material sustainability impacts.

The steps we have taken to develop the new strategy are outlined below. The actions in italics are those we are planning for the rest of the year, up to the publication of the first full sustainable development report for TUI Travel PLC in early 2009.

Strategy development process 2008

February 2008	We carried out a SWOT (strengths, weaknesses, opportunities and threats) analysis for TUI Travel PLC.
April 2008	The first meeting of the Sector Sustainable Development Coordinators was held on 1 April 2008. The Sector Coordinators fed back on and extended our SWOT analysis, and made recommendations to the Steering Committee on the areas of focus for the Group.
May 2008	The first meeting of the Sustainable Development Steering Committee was held on 8 May 2008, chaired by Jonathon Porritt of Forum for the Future. The Committee set out TUI Travel PLC's key strategy areas and drafted long-term targets for the Group.
	During April and May, we carried out a Group Sustainable Development Survey, which was distributed to all TUI Travel PLC tour operators (excluding airlines and hotels).
June 2008	At a meeting on 27 June 2008, the Sector Coordinators reviewed the key areas for engagement against the results of the Sustainable Development Survey and their knowledge of their sectors.
Autumn 2008	<i>The team will develop an implementation plan for the new strategy and create a sector-specific plan with each sector MD and Coordinator.</i>
	<i>We will also test our long-term targets and implementation plan with key Group stakeholders (both internal and external).</i>
Winter 2008/09	<i>Our long-term goals for the Group will be communicated internally and externally.</i>
	<i>The first full sustainable development report for TUI Travel PLC, containing data for the financial year 2007-08, will be published.</i>

Targets for 2007-08

Our sustainable development targets for the financial year 2007-08 are focused around three themes:

Governance

1. Establish a Group sustainable development function
2. Develop Group-wide sustainable development strategy and test with key stakeholders
3. Develop sector-specific sustainable development strategies

Embedding at Group level

4. Conduct an internal audit of all Group businesses against sustainable development KPIs
5. Embed sustainable development in Group values
6. Embed sustainable development content in Group training initiatives
7. Raise colleague awareness of sustainability at Group level
8. Facilitate the consideration of sustainable development issues in business strategy processes
9. Input into Group risk management framework

Guiding Group businesses

10. Develop carbon offsetting and supplier sustainability guidelines for Group businesses without existing schemes
11. Develop Group charity policy

Policy

Our businesses from both First Choice Holidays PLC and the Tourism Division of TUI AG have shown their commitment to sustainable development through their policies. The Group Sustainable Development Survey in April/May 2008 showed that over 70% of our colleagues worked for a TUI Travel PLC business with a sustainable development policy.³

Examples of current TUI Travel PLC sustainable development policies

Mainstream	First Choice Holidays PLC	www.tuitravelplc.com/tuitravel/environment
	TUI Deutschland	www.tui-deutschland.de/umwelt
	TUI Nederland	www.tuinederland.nl/duurzaamtoerisme
	TUI Nordic	www.fritidsresor.se/tui.aspx?id=11763
	Gebeco	www.gebeco.de/verantwortung
	Signature Vacations	www.signaturevacations.com/svec/jsp_en/AboutHome_portal.jsp?Content=Signature%20Cares&langCode=1
Activity	Exodus	www.exodus.co.uk/responsible-travel/responsible-tourism-policy
	Headwater	www.headwater.com/all/about/carbon.htm
	iExplore	www.iexplore.com/about/about_ihtml
	Mountain Activity Group	www.crystalholidays.co.uk/html/sustainable-tourism/
	TrekAmerica	www.trekamerica.com/RTP/index.html
Specialist & Emerging Markets	Country Walkers	www.countrywalkers.com/About+Us/Giving+Back
	Caradonna Dive Adventures	www.caradonna.com/GreenPolicy.aspx
Online Destination Services	Laterooms	www.tuitravelplc.com/tuitravel/environment
	Hotelbeds Scotland	www.tuitravelplc.com/tuitravel/environment

Sustainable development is reflected in the Group's recently launched values, the TUI Spirit, within our commitment to Responsible Leadership.

Partners

We are committed not only to addressing our own sustainability impacts, but also to influencing the wider leisure travel industry to become more sustainable. In order to achieve this, we work in partnership with a number of organisations in our source markets and destinations. This approach helps us to understand the range of views held by stakeholders in destinations, and to influence change more effectively.

The Travel Foundation

Founded in 2003 through a collaboration between the UK Government and the outbound tourism industry, The Travel Foundation is a charity that exists to educate customers, develop business tools for change and establish projects on the ground in destinations. Dermot Blastland, the Group Management Board Director with responsibility for sustainable development, is a trustee of the Travel Foundation and Jane Ashton, Head of Sustainable Development, sits on the Activities Committee. TUI UK & Ireland supports the organisation financially, by facilitating customer donations at the time of booking, and we are actively involved in planning and implementing projects. Since its launch, First Choice's customers have raised over £1,000,000 for the charity. For more information, visit www.thetravelfoundation.org.uk

Tour Operators' Initiative

The Tour Operators' Initiative (TOI) is a voluntary, non-profit association, open to all tour operators, regardless of their size and geographical location. Within this Initiative, tour operators are moving towards sustainable tourism by committing themselves to the concept of sustainable development. The Initiative has been developed by tour operators for tour operators with the support of the World Tourism

³ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

Organization (UNWTO), the United Nations Environment Programme (UNEP) and the United Nations Educational, Scientific and Cultural Organization (UNESCO). First Choice has been an active member of the TOI since 2001 and supports its projects. For more information, visit www.toinitiative.org
Forum for the Future

Forum for the Future, a sustainable development charity, works in partnership with leading organisations in business and the public sector. First Choice has been working with the Forum since 2003 to develop sustainable development strategy, and will continue to do so as TUI Travel PLC. For more information, visit www.forumforthefuture.org.uk

Other partners

TUI Travel PLC businesses work with relevant partners on sustainable development issues. For example:

- Tim Williamson, TUI UK & Ireland Customer Director, is Chair of the UK Federation of Tour Operators’ Responsible Tourism Committee
- Many TUI Travel PLC businesses have signed a commitment with End Child Prostitution and Trafficking (ECPAT)
- TUI Nederland (Mainstream) is a member of IDUT, the Dutch national network for sustainable development of outbound tourism, and chairs the sustainable development committee of the Dutch Association of Travel Agents and Tour Operators (AVNR)
- Quark Expeditions (Activity) is a member of IAATO and AECO, organisations which promote safe and environmentally responsible tourism in Antarctica and the Arctic respectively
- Adventure Center (Activity) and Travcoa (Online Destinations Services) are sponsors of Sustainable Travel International (STI)
- Country Walkers (Specialist) partners with The International Ecotourism Society (TIES)
- TrekAmerica (Activity) is a partner of Tourism Cares, a charity that organises volunteer programmes to restore historic sites

Stakeholder engagement

We define stakeholders as those individuals or groups who either affect, or are affected by, our activities. Talking to the groups with an interest in our company and its activities helps us to develop as a business and incorporate respect for the environment and people into the way we work.

Colleagues	Since 2004, First Choice has surveyed colleagues on its performance on responsibility towards the environment, the community, each other, and other external stakeholders. Going forward, TUI Travel PLC’s annual leadership survey will ask two questions on sustainability, covering the company’s responsibility to the environment and the people in our destinations. In addition, many of the individual TUI Travel PLC businesses will also be conducting their own opinion surveys, aimed at colleagues in their area.
Shareholders	First Choice included a section on the environment and sustainable tourism in its Annual Report and Accounts since 2002, recognising the calls for transparency in this area from investors. TUI AG’s Annual Report also contains key social and environmental data. This year’s TUI Travel PLC Annual Report will contain an extended section on sustainability in line with the new requirements of the Operating and Financial Review (OFR). TUI Travel PLC is listed within the FTSE4Good Index in recognition of the standards we have met in transparency, disclosure and in meeting strict social, environmental and governance standards. We liaise regularly with institutional investors on our performance and management of sustainability risks.
Customers	Our Group Sustainable Development Survey showed that 99% of businesses across the Group request feedback from customers regularly, and some (10%) specifically offer an opportunity to comment on the environmentally and socially responsible aspects of their holiday. ⁴

⁴ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

	We commission and review research on customer attitudes to sustainable tourism – for example, research carried out for TUI Deutschland showed that a growing number of customers in the German market are willing to pay a premium for a certified and trusted sustainable product.
Industry partners	In the UK, we are working closely with other large UK tour operators through the Federation of Tour Operators' Responsible Tourism Committee to influence the overseas supplier base. Across the Group we are active members of a wide range of industry forums on sustainability – for example, TUI Nederland chairs the sustainable development committee of the Dutch Association of Travel Agents and Tour Operators (AVNR).
Communities in source markets	Many business units across the Group work with charities in the local community. See page 7 for details.
Stakeholders in destinations	The Travel Foundation consults local community representatives in destinations where they run projects by convening a committee with the local community. The committee also includes representatives from government, small suppliers, community associations and trade associations, as well as the hotel and tour operating sector locally. Independently of the Travel Foundation, our destination managers work with local authorities, communities and NGOs on relevant issues.
Governments in source markets	In the UK and Germany, we have open lines of communication with the government departments that have an interest in the leisure travel industry. In the UK, we meet regularly with the Department for Transport, and work closely with the Department on issues such as the Code of Practice for Disabled Passengers, and on issues related to aviation and the environment. We work with the Foreign and Commonwealth Office through our close association with The Travel Foundation, and with the Department for Environment, Food and Rural Affairs on issues such as sustainable consumption and carbon offsetting. We are members of the International Federation of Tour Operators (IFTO) and the European Travel Agents' and Tour Operators' Associations (ECTAA) through our membership of the Association of British Travel Agents (ABTA) and the UK Federation of Tour Operators (FTO), and we interact with the EU and source market governments through these trade associations. We also use our relationship with destination tourism boards to ensure that we can engage directly with source market governments.
Suppliers	Across the Group, many of our businesses have schemes to help suppliers improve their environmental and social performance. Our Group Sustainable Development Survey showed that 76% of TUI Travel PLC businesses engage with their suppliers on sustainable development issues ⁵ . For example, in the UK we have worked with the Federation of Tour Operators to develop the Travelife system and an associated preferred code of practice on environmental and social issues. In Germany, TUI Environmental Champion awards are given to the top 100 environmentally sound hotels each year.
Non-governmental organisations (NGOs)	Across the Group we engage with specialist NGOs where relevant. To take just one example, Caradonna Dive Adventures supports non-profit organisations such as Project Aware Foundation, the CORAL reef alliance, the Blue Ocean Institute and the Ocean Conservancy. At Group level, we have regular contact with NGOs such as End Child Prostitution and Trafficking (ECPAT), WWF and Blue Flag.
Experts in sustainable tourism	We work regularly with experts from outside the company. For example, Exodus and The Adventure Company – two of our Activity companies – have worked with the International Centre for Responsible Tourism based at Leeds University.

⁵ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

Destinations

The environment and people in destinations are what our holidays are all about. We know that the leisure travel industry can have both positive and negative impacts on communities and the natural environment where we travel. We are committed to finding out how our holidays can benefit local communities and protect the environment as much as possible – and putting this into practice.

Across the Group, the different holidays we provide affect the environment and people in destinations in different ways. The potential impacts listed below illustrate the range of issues we are aware of and are working on. A number of these impacts can have either a positive or a negative affect on the local environment and community, depending on how they are managed.

How holidays affect the environment

Waste	Waste and waste water from accommodation or boats can pollute
	Litter can threaten wildlife and spoil the landscape
Transport	Coaches and other transport can create pollution and contribute to congestion on local roads. (For details of the impacts of flights, see page 11.)
Water	Water used in accommodation can exacerbate scarce supplies
Energy use	Power for accommodation often comes from non-renewable sources
Construction	Building a new hotel can disrupt the landscape and damage or put pressure on natural resources
Animal welfare	Excursions to zoos, parks and at sea can threaten or exploit animals and marine life

How holidays affect the local community

Local products and services	Buying local products for hotels and using local excursion suppliers can increase wealth
	Using local restaurants or crafts can promote custom for local people
Local culture	The contrast in culture of customers on holiday can disturb or offend local people
Local economy	Operating to a destination can bring wealth and opportunities for employment, as well as stimulating local enterprise
	Withdrawing from a destination can have a negative effect on the local economy
Local employment	Employing local people in hotels and as representatives can provide jobs and training
	Poor employment standards in hotels can exploit local people

Our Group Sustainable Development Survey in April/May 2008 showed that 80% of TUI Travel PLC colleagues work for a business that makes an effort to minimise its environmental impact and/or maximise benefits to destination communities⁶.

Accommodation

Accommodation is a key part of the holiday experience. TUI Travel PLC contracts the majority of its hotel requirements via third parties, owns and manages three hotel chains via TUI Travel Hotels, and has relationships with third party suppliers through our tour operations and Online Destination Services. This means that a key element in managing our impact on the environment and people in our destinations is influencing our accommodation suppliers to take these impacts into account.

Our Group Sustainable Development Survey in April/May 2008 showed that 76% of TUI Travel PLC colleagues work for a business that monitors and/or influences the social and environmental impacts of its suppliers in destination (9% work in businesses for which the question was not relevant).⁶ Of these, 12% have embedded minimum sustainable development standards in their supplier contracts. Following the merger in September 2007, we are reviewing the various supplier management systems used to track and improve the sustainability of our accommodation.

⁶ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

New build projects

Although the majority of our hotels are owned and managed by third parties, we often have the opportunity to influence the sustainability of significant new builds and refurbished properties. The potential for minimising our negative environmental impact through these hotels is much greater than for existing properties. To take just one example, the siting of a hotel can significantly decrease its need for air conditioning in the late afternoon – a change that cannot be made to an existing property.

Our goal is for all new accommodation built in partnership with a TUI Travel PLC business to incorporate sustainable design and construction best practice. The first steps toward this will be to share best practice across the Group, and to determine the best way of integrating sustainable design considerations into the construction of new hotels. For example, TUI Nordic's goal is to certify all its Blue Village Hotels against the EU Flower Eco-label, and make them carbon neutral by 2012.

Excursions

We are currently reviewing the sustainable excursion guidelines that exist across the Group, and will take them forward with our Mainstream and Online Destination Services businesses. Animals often feature in attractions and as part of excursions in destinations. It is part of our responsibility as a company to ensure that any animals involved in the excursions we offer are treated in accordance with animal welfare guidelines. Following the merger, we will be reviewing the animal and marine guidelines that exist across TUI Travel PLC and determining the best way to take them forward.

Local communities & environment

We know that one of the reasons our customers come back year after year to holiday with us is the natural environment in our destinations. It makes good business sense for us to work with destination governments and local communities to protect the local environments of our destinations.

Tourism is a huge global industry, often regarded as the world's largest. This is due to the many individuals and small businesses that support the tourism industry, for example our local colleagues in hotels and the crafts and catering businesses we rely on. We recognise that these people and enterprises are critical to the product we offer. That is why we are working to support them, particularly in developing countries.

We have begun to try to measure and increase local destination employment across TUI Travel PLC. Our Group Sustainable Development Survey showed a great range of local colleagues employed in destinations, some up to 100%.⁷

Charitable giving

Across the Group our customers and colleagues make donations of time and money to hundreds of good causes, both in destinations and at home in our various source markets. Some of these charities are large national organisations, others are very small, based in the destinations we visit.

Our Group Sustainable Development Survey showed that 87% of TUI Travel PLC colleagues work for a company that makes donations of time or money to charity.⁷ Below are just three examples:

- The Adventure Company and i-to-i (UK) both have their own Foundations for local projects
- TUI Deutschland donated money to Hilfe-für-hungernde-Kinder ('Help for starving children')
- Trek Escapes (Canada) sponsors several foster children around the world

We are developing charity guidelines for the Group, and looking into the best way of gathering robust data on the total amount of money donated.

⁷ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

People

TUI Travel PLC employs around 48,000 people across the Group, based in our 20 source markets and more than 180 destinations. We are a global portfolio of businesses at various stages of development and maturity: this brings challenges of developing and promoting our people in a way that is right for them in their environment.

We continue to be proud of the commitment and dedication of everyone in achieving the levels of service and efficiency that make TUI Travel PLC stand out from our competitors. It is important that we continue to ensure that every effort is made to encourage and develop all colleagues to realise their maximum potential. We are committed to using the most effective recruitment methods in all the countries in which we operate and to build skills and knowledge in ways that suit both the business and our people.

TUI Travel PLC approach

The five key drivers below will enable us to engage with our people across TUI Travel PLC.

Reward and recognition

Our goal is to have a total reward strategy that underpins business objectives within Group-wide principles, and that these principles provide a framework for local environments. Recognising and rewarding our people in ways that are attractive and relevant to them is a key driver for engagement and high performance.

Our reward strategy takes into account base pay, competency pay, incentives, benefits, non-cash based rewards and longer-term incentives for key senior leaders. We make every effort to measure the input and results of both individuals and teams.

TUI work experience

We believe that positive people deliver positive results and this starts with a supportive working environment. Our business units operate around the world and our local managers take responsibility for creating a positive workplace through communication, coaching and clear performance targets.

In our Group, we continue to operate in diverse cultures and understand the need to rule out discrimination on any grounds including ethnicity, gender, disability and age. If applicable and possible, alternative suitable employment would be found for any colleague who becomes disabled during the course of employment provided that they can be employed in a safe working environment.

We continue to develop policies on non-discrimination and inclusiveness in line with best practice and these are incorporated into training for line managers as a key part of introduction programmes.

Opportunity to develop

Retaining colleagues is critical to our continued business success. Group-wide talent is reviewed on a regular basis at Board level and our focus is to retain and develop individuals to take the business forward. We actively move people to career opportunities across the Group to enhance the mix of innovative, entrepreneurial and general management skills, and the enlarged Group provides even more opportunities for this.

In order to meet seasonal demands we continue to move many of our frontline colleagues between retail, overseas representation and airline cabin crew roles in businesses where this is possible. This develops a multi-skilled workforce that has year-round experience of working with our customers.

Leadership capability

We continue to invest in our leadership capability. For example, we are developing TUI Horizons, a leadership development programme to build the skills and capability of those with the greatest responsibility for leadership and strategy. Investment in the capability of our people is a priority and many colleagues have had the opportunity to provide feedback on their training needs for the coming year.

Involvement and communication

It's important to our Group that everyone works towards the same vision and is involved in matters that impact them. People work with us in many countries around the world, a significant number on a seasonal basis. We start by hiring people we believe share our passion for our customers and products and build engagement through communication, involvement, learning and development opportunities, work experience and reward practices. We provide regular communications in ways that suit our colleagues' working environment and culture, and is relevant to them.

Many TUI Travel PLC businesses conduct internal surveys to get the views and opinions of our colleagues on the things which matter to them. Where possible, key questions are aligned Group-wide so that we can measure our colleagues' opinions on the most important matters to the Group in its entirety. A Group-wide survey, Leadership Voice, has been launched to key leaders, enabling them to give their views on a range of topics which are of importance to TUI Travel PLC and our leadership team.

Sustainable development training and engagement

Our people are key to delivering our sustainable development commitments. Engaging our colleagues is therefore one of the most important actions we can take to progress our aims. Our internal communications teams recognise that sustainable development stories can bring people together, help us attract, motivate and retain the best people, and encourage more colleagues to get involved.

The Group Sustainable Development Survey in April/May 2008 showed that:

- 90% of TUI Travel PLC colleagues receive communications on sustainable development issues from their business⁸
- 62% of colleagues work for businesses in which at least some colleagues are trained on sustainable development. Customer-facing colleagues are most likely to receive training
- 4% of colleagues work for businesses which have formal objectives on sustainable development in place for key colleagues

Training and engagement of colleagues will be a key part of TUI Travel PLC's sustainable development strategy. We are working to extend the inclusion of sustainable development into the personal objective-setting process, and to share best practice on internal communications between Group businesses. In addition, sustainability issues will be embedded into TUI Horizons, the Group's leadership development programme.

⁸ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

Customers

Our customers have a wide range of needs from their leisure travel company. They come from markets across the world, and from all age groups and sectors of society.

Customer feedback

Across the Group we aim to understand what our customers want from their holiday so we can adapt to meet their needs. We listen to our customers' feedback via four main channels: listening to our frontline colleagues, customer focus groups, customer feedback questionnaires and by conducting mystery shopping, where a third party acts as a customer and feeds back on the quality of service they receive.

Health & safety

The health and safety of our customers and colleagues continues to be of paramount importance to us. The recent changes within the business have allowed us to review the way in which we manage the health and safety of our customers and colleagues.

Our dedicated department dealing with customer health and safety, which previously primarily focused on the Mainstream Holidays sector, has been brought into the Group Risk Management department allowing the whole Group to benefit from their expertise. An increase in the number of dedicated health and safety representatives in resort will potentially allow all businesses operating within a resort to benefit.

Managing Health & Safety

Our priority is to assist the individual businesses that make up the TUI Travel PLC group to develop and maintain robust safety management systems that ensure the health and safety of both customers and colleagues. We are working towards a more co-ordinated approach, allowing all business within the Group to benefit from the expertise and information that has been brought together within the Group function.

We continue to strive to identify risks that may affect both customers and colleagues. Sharing health and safety information among all the businesses continues to be a priority, with our internal web-based due diligence tool 'Sure2Care' and 'fcrisk' handling an ever-increasing volume of users. There continues to be a steady growth in use of these tools by all of the businesses.

Training and communications

The health and safety message continues to be spread to both customers and colleagues. For example, an in-flight video, shown on First Choice Airways flights highlights potential risks to customers, while the Welcome Get Together gives customers an opportunity to discuss local issues with our knowledgeable 'Reps'. The increasing diversity of the holidays that we offer means that this is an increasingly important aspect of how we manage the risks to our customers.

Our people receive health and safety training, with an increasing number now completing our e-learning programme 'Safety in your Workplace'. This gives a basic introduction to health, safety and risk and allows us to give a consistent message to our colleagues.

Responding to incidents

The changes to the business are also reflected in the reorganisation of TUI UK & Ireland's Customer Operations, into which incidents are reported. Where appropriate, incidents are referred to the specialised team who undertake further investigation and implement whatever action needs to be taken.

Engaging our customers in sustainable development

TUI Travel PLC is committed to continuing to inform our customers about sustainability, and to make it as easy as possible for them to make more sustainable choices. We believe that customers are increasingly expecting their holiday company to have good environmental and social practices in place, and we want to make sure that we are the company that can meet this demand.

Environment

Our business depends on environmental resources to operate and we recognise that we operate within environmental limits. We affect the environment where we work in our source markets, whether that is in an office, shop, call centre, or at an airport.

TUI Travel PLC's main 'direct' environmental impacts

Aviation and climate change	Our 156 aircraft emit carbon dioxide, which contributes to climate change. Other pollutants can affect local air quality, and noise around airports can disturb residents.
Natural resource use and disposal	We use water for drinking and sanitation, and energy for heating, lighting and cooling across our offices and shops. We use paper for offices, ticketing, customer documentation and our brochures. Ultimately we dispose of the paper, along with engineering and in-flight catering waste from our airline.
Commuting and business travel	Many of our employees commute to work by car and often need to drive or fly between offices, shops and resorts as part of their job. Car use contributes to congestion on the roads and affects local air quality.
Responsible purchasing	Our approach to procuring goods and services at home and in destinations can have a significant environmental and social impact. We have the opportunity to positively influence our suppliers and their products to minimise their impact.

Aviation and climate change

In June 2007, TUI Travel PLC completed its first submission to the Carbon Disclosure Project. To read the submission, visit www.tuitravelplc.com/tuitravel/environment

Our Group Sustainable Development Survey in April/May 2008 showed that 70% of TUI Travel PLC businesses offer their customers the opportunity to fully or partially offset their carbon emissions.⁹

There are currently limits to the alternative technologies available for air travel. However, TUI Travel PLC will be the UK launch customer for the Boeing 787 Dreamliner (B787), being the first European airline to order the super-efficient aircraft, with 23 aircraft scheduled for delivery from 2010 to 2015.

Boeing has outlined the following information regarding the fuel and emission saving features of the B787:

- 20% less fuel burn than a comparably sized aircraft operating today
- Emissions per RPK range from 61-95g carbon dioxide (dependent on the seating density used)
- 28% less NOx (oxides of nitrogen) than 2008 industry regulatory limit
- Smooth wing technology (7% better aerodynamically) and state-of-the-art raked tip
- 60% lower noise levels than a comparably sized aircraft operating today

Environmental Management System

Our Group Sustainable Development Survey showed that 70% of TUI Travel PLC employees work in an office or shop with targets in place to manage its environmental impact, and that 4% of employees worked in an office or shop with a third party-certified Environmental Management System (EMS).⁹ The current aim is to investigate and share the good environmental practice that exists in TUI Travel PLC's businesses.

Commuting and business travel

We continue to promote greener travel options to our employees to benefit their health and wellbeing as well as their personal finances. For example all new starters in our Crawley offices receive information prior to joining of the alternatives to travel by car. Playing our part to reduce local traffic is good for the local environment as well as our people.

⁹ Please note that the Group Sustainable Development Survey was carried out with key contacts for each business, and the results were weighted by employee numbers

Section 2: First Choice Holidays PLC

Data and achievements

About this section

This update, published in September 2008, follows on from the series of annual Environment and People reports released by First Choice Holidays PLC in 2005, 2006 and 2007. To read the previous reports, visit www.tuitravelplc.com/tuitravel/environment

The data, targets and commitments in this update pertain to First Choice Holidays PLC and are measured within financial year 2006-2007, from 1 November 2006 to 31 October 2007. Where data in the report is not for this period, it is stated clearly with the data. Appendix A shows where you can find information relating to the indicators set out by the Global Reporting Initiative (GRI), an international network of stakeholders to guide sustainability reporting.

Also published this year is TUI AG's Sustainability Reporting, which contains details of the progress made by former TUI AG Tourism Division businesses in the period 2004 to 2007. To read this report, visit www.tui-group.com/en/nachhaltigkeit

This reporting year has been one of transition. The changes in the structure of the company – and consequent integration of our operations – mean that many of our internal teams have had to focus on business-critical actions this year. We believe that the integration will provide an opportunity to embed sustainable development further into the company.

We will produce our first full report for TUI Travel PLC by the beginning of 2009. In line with best practice, the report will measure progress against the commitments made for FY0708, but will also set out a new strategy and suite of commitments for the Group.

Overview of progress

In the First Choice Holidays PLC financial year 2006-2007, we have:

- Reduced carbon dioxide emissions per RPK (revenue passenger kilometre) from 79.22g to 77.5g at First Choice Airways
- Reduced water use by 62% in our Walsall office
- Reduced energy use by 38.72% in our Salford office
- Reduced the number of brochure pages we print by 10%
- Rolled out Awareness to Action, a comprehensive sustainability training package for key departments, across First Choice
- Enabled seven colleagues to visit and contribute to overseas sustainability projects as part of Project Discovery, our overseas volunteering scheme
- Developed criteria for sustainable excursions
- Donated £377,000 to overseas projects run by The Travel Foundation, through customer and company donations
- Offset over 50,000 tonnes of CO₂ in Gold Standard carbon offset projects via ClimateCare
- Donated £48,804 to the NSPCC through Charity Days in our resorts

Our achievements in this area have been recognised with a number of awards in 2007:

- First Choice Holidays won Most Environmentally Responsible Travel Company (large tour operator) and First Choice Airways was awarded Most Environmentally Responsible Airline – for the second year running – at the British Travel Awards 2007.
- Dermot Blastland, Managing Director of TUI UK & Ireland, received a special award for services to Sustainable Tourism at the Telegraph Travel Awards for First Choice's achievements in this field.
- Gecko's Adventures won Best Responsible Tour Operator, Imaginative Traveller was highly commended in the same category, and Peregrine Adventures was highly commended in the Best in a Mountain Environment category at the Responsible Tourism Awards 2007.

Materiality

We recognise that we must play our role in sustaining the communities and the environment that we depend on. Our contribution needs to be relevant to the impacts and expertise of our business.

In June 2006, the First Choice Holidays PLC Group Management Board worked with Forum for the Future to articulate the company's business case for sustainable development. We identified four main drivers for a sustainability programme, which we have adopted for TUI Travel PLC:

- Aviation and climate change
- Protecting destinations from the impact of climate change
- Protecting destinations from the impact of tourism
- Shifting demographics and consumer trends

To read the full business case, visit www.tuitravelplc.com/tuitravel/environment

We aim to ensure that the content of our Environment & People reports is relevant to our stakeholders, both internal and external to the company. We regularly review the material impacts of our activities as a company, and the information that our stakeholders expect to see in our Environment & People reports. In determining the contents of this update, we took into account feedback on our strategy and previous reports from colleagues, investors and other stakeholders.

Assurance

We commissioned Bureau Veritas to conduct an independent external verification of our 2006-07 environmental performance data. Bureau Veritas was satisfied that First Choice's data collection mechanisms ensure that the environmental performance data reported is accurate and reliable.

To read the full Bureau Veritas verification statement, visit www.tuitravelplc.com/tuitravel/environment

Partner statement

First Choice Holidays PLC has been working with Forum for the Future, a sustainable development charity, since 2003. Their work helps to guide our sustainable development thinking and strategy.

"Forum for the Future has worked in partnership with First Choice PLC for over 6 years, and we continue to work with the newly formed TUI Travel PLC helping the organisation to develop its sustainability vision and strategy. The timeframe covered by this report, Nov 06-Oct 07, was a time of great change for the organisation and the tourism sector as a whole. Rollercoaster oil prices, climate change and the global credit crunch combined with the merger continue to create a challenging operating environment for the sector.

TUI Travel's unswerving commitment to sustainability despite these challenges demonstrates its true leadership credentials. We have been impressed by the organisation's ability to use sustainability as a unifying factor during the merger, translating this into the core of the new organisation from the start. Organisations that lead on sustainability, that we call Leader Businesses, do this. They see sustainability as a way to become stronger and more profitable and deal with the big global challenges that they face. TUI Travel PLC must remain resolute in this regard.

TUI Travel has now laid the groundwork to continue to drive leadership on sustainability throughout the sector and beyond. This is not an easy path. Issues like climate change continue to present challenges, as do impacts on the local community and water is emerging as an issue to manage proactively. TUI Travel are well placed to respond. They have developed a clear sustainability governance structure at all levels of the organisation, a new sustainability strategy is imminent. From there they plan to drive real sustainability improvements throughout the business. There is a way to go to be truly sustainable, but we look forward to seeing TUI Travel continue on that journey."

Stephanie Draper, Acting Director, Business Programme, Forum for the Future

Destinations

Accommodation

Over financial year 2006-07, First Choice began to implement a supplier management system for sustainable development across our most popular hotels.

The Travelife Sustainability System has been developed by the Federation of Tour Operators (FTO) and its partners with the support of EU funding. Suppliers who work with the scheme must submit to auditing of their performance across a wide range of sustainability criteria, which include the use of natural resources, employment issues and involvement with local communities.

In March 2007, over 80 specialist auditing colleagues were trained in the Travelife system. The team has conducted audits of First Choice's 250 most used hotels, which covers the accommodation of 60% of First Choice customers annually.

The best performing hotels are highlighted in First Choice brochures, for the Summer 2008 season onwards, using a gold, silver or bronze Travelife award logo. First Choice brochures now highlight 29 hotels with Travelife awards. To find out more about Travelife, visit www.its4travel.com

In addition, key hotels were visited by a sustainability expert to identify priority areas for improvement – many of which also bring significant cost savings for the hotel.

New build projects

In financial year 2006-07r, First Choice continued to incorporate sustainable construction principles into our new build process. During the construction of Sunsail's Club Javelin in Turkey, the building contractors took into account green design principles including energy saving features in rooms and a grass-covered roof to encourage biodiversity.

Excursions

In summer 2007, First Choice Area Managers were tasked with making excursions more sustainable. We worked with the Travel Foundation to develop a set of criteria for excursions to be as environmentally responsible as possible, and also to bring as many benefits as possible to local communities. 11 gateways developed 'sustainable' excursions, helping to raise awareness of sustainability among our overseas colleagues and our customers.

In 2006-07, First Choice also developed guidelines for marine excursion suppliers and animal excursion suppliers in partnership with the Federation of Tour Operators (FTO), animal welfare experts (e.g. Born Free) and marine environment experts (such as the Whale and Dolphin Conservation Society). In addition, Exodus has a Code of Conduct for visiting wild mountain gorillas, which it publishes on its website and provides to customers travelling to see them.

Charitable giving

In financial year 2006-07, First Choice Holidays PLC supported the Family Holiday Association (www.fhaonline.org.uk) the only national charity that specialises in providing holidays to disadvantaged children and their families.

Every year the charity helps over 1,000 families struggling to cope with difficult circumstances to have a holiday, referred by social services, health authority staff and voluntary organisations such as Home-Start, family centres and women's refuges. These families have not had a holiday for at least four years and many have never been away.

For the First Choice Mainstream Holidays sector, whose colleagues and customers support a combination of local charities, such as orphanages and hospices, and the UK's National Society for the Prevention of Cruelty to Children (NSPCC) (www.nspcc.org.uk), donations are processed centrally so we are able to report our charitable giving. All of the funds raised in developing countries go directly to local charities.

Charitable giving: First Choice Holidays PLC, financial year 2006-07

Family Holiday Association	£114,990
NSPCC	£48,804
Local charities overseas	£38,372

Local communities & environment

Where possible, First Choice hotels work with local businesses. For example, our Holiday Villages invite local tradespeople inside the hotel to sell their crafts to customers.

Through our World Care Fund, First Choice customers donated £377,000 to The Travel Foundation and £290,000 to ClimateCare in financial year 2006-07. Below are some examples of the projects we have funded:

- In partnership with ClimateCare, the World Care Fund supports the Zengamina Hydro, a 700KW hydro-electricity plant in the northwestern region of Zambia. People in the area now have access to clean, reliable electricity on demand, many for the first time. The Hydro is expected to offset approximately 15,000 tonnes of carbon dioxide over 7 years. The project is accredited by Gold Standard, a not-for-profit organisation that certifies schemes based on their sustainable development credentials.
- In Tobago and Turkey, The Travel Foundation has been using money from World Care Fund donations to train hotel staff, local guides and customers on how to protect nesting turtles. Training sessions have been developed, leaflets have been distributed, and turtle-watching tours have been organised to raise awareness of the species. Locals report a 20% increase in the number of hatchlings coming up onto the beaches since the project began.
- In Kenya, The Travel Foundation works with villagers from the western Maasai game reserve to develop sustainable and marketable excursions. In late 2007, the project had successfully overturned years of exploitation of the Maasai by driver guides, putting in place a new ticketing and payment system to ensure local people received a fair proportion of excursion fees. Customer satisfaction has increased, and income to the village of Enkereri has increased by 800%.

Since 2000, First Choice has supported the Blue Flag campaign (www.blueflag.org), run by the Federation for Environmental Education. The organisation awards a Blue Flag to beaches that meet its high standards of hygiene and cleanliness, to encourage good practice. We support the campaign financially, facilitate beach inspection visits and publicise the location of Blue Flag beaches in First Choice brochures.

People

Sustainable development training and engagement

In financial year 2006-07, we carried out a series of sustainable development workshops – Awareness to Action – in partnership with The Travel Foundation. Key departments across Mainstream were selected for the training: Marketing, Overseas, Product, Publishing and Retail. At the end of the full-day training session, each department had a tailored action plan to carry out. The workshops formed the basis of The Travel Foundation's Training for Change pack, which has been distributed to UK tour operators to encourage them to emulate the scheme.

We continued the development of Project Discovery, our overseas volunteering scheme. Several First Choice people spent time working on a sustainable tourism project in partnership with The Travel Foundation, in Cyprus, Sri Lanka, Mexico, Egypt and Brazil.

In 2006-07, First Choice overseas colleagues were trained in environmental responsibility and awareness of local cultures and communities at the start of every season, using a training module developed with The Travel Foundation. Many Activity companies provide in-depth training to expedition leaders, specific to the locations they are travelling to.

In addition, the Sustainable Development team delivered a module at First Choice Holidays corporate inductions, and ad hoc training was carried out with departments requesting a deeper understanding of sustainable development, including HR Direct and First Choice Airways engineers.

Health & Safety

First Choice Holidays PLC: Colleague health & safety data, Mainstream Holidays sector

	Nov 06 – Oct 07	Nov 05 – Oct 06	Nov 04 – Oct 05	Nov 03 – Oct 04	Nov 02 – Oct 03
Number of fatalities	0	0	0	0	0
Number of accidents reported	330	249 (Retail not available)	350	328 (Retail not available)	491
Number of accidents reported under RIDDOR (i.e. a major injury or 'over 3 day' injury)	16	0 (Retail not Available)	5	10	12

Environment

At First Choice we have an established Environmental Management System, which aims to systematically reduce our impact on the environment. Bureau Veritas independently audited our 2006-07 environmental data in March 2008. To read the full verification statement, visit www.tuitravelplc.com/tuitravel/environment

We have completed Business in the Community's Environment Index for four of the past five years, and achieved an improved score year on year when we have taken part. We did not take part in 2007 due to the integration activity taking place within the business.

Business in the Community Environment Index: First Choice Holidays PLC

Year	Score	Position on the index
2003	51%	167
2004	69%	132
2005	76%	107
2006	84%	69

Aviation and climate change

First Choice Airways emits approximately 1.284 million tonnes of carbon dioxide a year, as well as other greenhouse gases that build up in the atmosphere and contribute towards global warming. Please note that the climate change impacts of the energy used in our source market operations (e.g. our offices, shops and other places of work) is outlined on page 18 onwards.

We have developed a carbon strategy that aims to ensure we play our role in addressing climate change. This strategy is under constant review. In summary, our strategy, in order of priority, is to:

- Reduce the amount of carbon dioxide emitted by our operations
- Replace our consumption of energy with lower carbon sources
- Offset the remainder of carbon that we emit

First Choice is a member of the Sustainable Aviation Group, a collaboration between UK airlines, airport operators, aircraft and engine manufacturers. For further details, visit www.sustainableaviation.co.uk

Fuel efficiency

In financial year 2006-07, the airline maintained its efforts to improve its fuel efficiency through a wide range of actions. All of these reduce the amount of fuel that is needed, which in turn reduces greenhouse gas – good for the local and global environment:

- flying at slightly slower speeds
- reducing unnecessary use of the aircraft's Auxiliary Power Unit where local conditions allow
- taxiing the aircraft on one engine (arrivals only)
- reducing unnecessary weight from our aircraft, particularly engineering and catering equipment
- retrofitting our B757 and B767 aircraft with winglets, increasing their fuel efficiency by 3-4%

First Choice Airways: Carbon dioxide emissions

	2006-07	2005-06	2004-05	2003-04
CO ₂ in 1,000 tonnes	1,284	1,272.8	1,202.8	1,144.2
CO ₂ /RPK in grammes	77.5	79.22	75.5	75.5

In this reporting year there was a marginal increase in the total amount of CO₂ emitted by our airline. However, there was a decrease in CO₂ emitted per passenger over the same period: from 79.22 to 77.5g CO₂/RPK (carbon dioxide per revenue passenger kilometre), representing a 2.2% improvement in efficiency across the fleet.

Aircraft noise

Working with our main departure and arrival UK airports, we continued to make good progress on noise performance in financial year 2006-07.

- 97% of First Choice Airways departures were defined as on-track at Gatwick, Manchester, East Midlands and Birmingham airports, exceeding the target of 95%.
- 91% of First Choice Airways arrivals were defined as Continuous Descent Approaches (CDA) compliant at Gatwick, Manchester and East Midlands airports, exceeding the target of 85%. CDA arrivals make for quieter arrivals, with fewer emissions by between 150-600kg of carbon dioxide.

We continue to work with airports across the UK to gather more complete arrival and departure data and maintain our already high standards.

Carbon offsetting

Carbon offsetting is a key element of our climate change strategy. Alongside our work on fuel efficiency, we believe that customers should be able to take a small, positive action to help mitigate the effect of their holiday on the climate.

In March 2007, First Choice launched the World Care Fund, a customer donation scheme aiming to raise funds for community and environment projects overseas, and engage customers in sustainable tourism issues. Customers are encouraged to make a small donation on an opt-out basis, which is split between The Travel Foundation (see page 3 for details) and ClimateCare, a leading carbon offset provider. For further details on the World Care Fund, see page 20.

In financial year 2006-07, First Choice customers donated £377,000 to The Travel Foundation and £290,000 to ClimateCare. (NB: Donations relevant to financial year 2006-7 commenced for The Travel Foundation in spring 2006 and for ClimateCare in March 2007.)

Environmental Management System

The First Choice Environmental Management System (EMS) has been developed in line with best practice using the international standard ISO14001, though it is not certified. The EMS covers the First Choice Mainstream sector, which represented approximately 50% of First Choice Holidays PLC by turnover and 54% by employee numbers.

First Choice Holidays PLC: Environmental management data

	Metric	2006-07	2005-06	2004-05	2003-04
Water	Water consumption in m ³	43,006	53,960	57,653	13,874
	Water consumption per employee in m ³	Not calculated	11.65	11.3	8.5
Energy	Energy consumption in kW/h	26,881,920	27,287,060	29,610,981	21,594,447
Paper	Total paper consumption in tonnes	299	263	256	166
	Office paper in tonnes	228	184	183	99
	Customer documentation paper in tonnes	71	79	73	67
Waste	Office waste in tonnes	2,423	406	373	570
	% office waste to landfill	2,326	72	77	88
	% office waste recycled	838	28	23	12
	Engineering waste in tonnes	84	78	78	55
	% engineering waste recycled	43	69	68	8
	% engineering waste to landfill	41	31	32	92

In financial year 2006-07, water usage rose by 2.3% at First Choice's four main office sites in Crawley, partially attributable to a significant leak that occurred during the year. However, at our Walsall Head Office we made a substantial water saving of 62% compared to the previous year.

By tasking various parts of the business with energy reduction targets, First Choice made an overall reduction of more than 400,000 kWh in 2006/07 versus 2005/06, equating to a reduction in 1.5% overall.

There was overall increase in white office paper by 24% despite some parts of the business achieving good reductions. For example, our Ireland Head Office increased its paper usage substantially due to an increase in in-house marketing activity. In addition, there was a significant increase in paper usage within First Choice Retail, largely due to the opening of 40 new Travel Shops, including four new Holiday Hypermarkets. The relative increase in paper usage is therefore much lower than the absolute increase.

For the first time, data was available from First Choice Travel Shops in this financial year. This was aggregated with the other premises waste data, accounting for the sudden increase in waste to landfill.

Commuting and business travel

In 2006-07, First Choice set up a car-sharing scheme for our Crawley offices in partnership with Liftshare, a nationally recognised supplier leading this area. Our scheme went live in June 2007 and by the end of 2007, approximately 10% of all Crawley based employees had registered on the bespoke First Choice site with a journey match-rate of 35%.

Responsible purchasing

During financial year 2006-07, First Choice Airways switched to 'one-use' equipment for some of its on-board catering products. Environmental considerations were a key part of the decision-making process: taking into account the whole life cost of the options available, 'one-use' equipment was considered the most environmentally friendly option.

First Choice Airways also carried out some innovative work with its new catering partner for the Winter 2007 season onwards. Packaging used for on-board meals is compostable and biodegradable, and meals served to customers with special dietary requirements are in even greener packaging, making use of wooden cutlery. This has dramatically reduced the amount of water, detergent and energy used for drying required at the catering bases. New products offered on board from Winter 2007 include fair trade coffee, cookies and flapjacks, and mineral water that supports access to cleaner drinking water in the developing world.

The airline was keen to use alternative fuels for its ground transport vehicles. However, following investigation and discussions with the vehicle lease management company, the fuels were found to be incompatible with the diesel particulate filters on the vehicles.

Finally, as part of a commitment to ensure that all new printers came with a double-sided printing capability, multi-functional devices became the standard issue equipment for our head offices. These allow users to scan, print, copy and fax, reducing the need for multiple items of equipment and helping to save paper and energy when printing is necessary.

Customers

Customer feedback

In financial year 2006-07, within the First Choice Mainstream sector we asked customers to feed back their comments both in resort and on their return flight. This feedback was turned around within a week and given to overseas managers so they can work with suppliers to rectify problems where scores are low. Each hotel or self-catering apartment had to meet a minimum satisfaction score each season. If it did not meet this score, an improvement plan was put in place with the accommodation manager.

Customer feedback scores were used to monitor and manage our overseas representatives' performance. Our representatives' average annual satisfaction scores consistently increased year on year since 1999 to an overall average of 80% in 2004. In 2005 the score was 78.5%, in Summer 2006 the score was 76%, and in Summer 2007 the score increased again to 79%.

In 2006-07 at First Choice, we used focus groups to understand more about our customers and how to design our products and services, such as how customers use brochures and the processes customers go through when booking a holiday.

Engaging our customers in sustainable development

In financial year 2006-07, First Choice continued to feature messages, achievements and stories on sustainable development in our communications with customers. The channels included:

- Brochures – a double-page spread on key sustainability messages
- Website – dedicated sustainable development pages
- Ticketbooks – tips on sustainable tourism
- In-flight magazine – an article on the World Care Fund-backed project in Kenya
- In-resort magazines – details of sustainable activities in the hotel and local area
- Kids' Clubs – a module based on Hatch the turtle, teaching children about conservation

In March 2007, First Choice launched the World Care Fund, our customer donation scheme. Customers were invited to make a small contribution on an opt-out basis, which went to projects delivered by ClimateCare and The Travel Foundation. For more details of the World Care Fund projects, see pages 14-15.

In April 2007, all of our First Choice shops featured sustainable development as their main post of sale message, with a series of posters and other collateral to raise customer awareness and encourage contributions to the World Care Fund. In the 12 months since its launch, more than one third of First Choice customers contributed to the scheme, compared to 'traditional' full offsetting schemes which have a far lower uptake.

In November 2007, People UK carried out an analysis of our World Care Fund donations. They found that people who donated to the scheme were more likely to be young families, and that less well-off families were more likely to contribute than their more affluent counterparts.

The World Care Fund has since been rolled out to all TUI UK & Ireland brands, and customers are expected to raise up to £2.5 million in the next year. Many other TUI Travel PLC businesses operate similar schemes.

Appendix A: First Choice Holidays PLC sustainable development commitments 2006-07

Theme	Commitment 06-07	Sector	Progress made in financial year 2006-07
Business ethics	Develop a business ethics policy for the Group (rolled over from 05-06)	Group	Partially achieved. Some progress was made in partnership with the First Choice Business Assurance team. A TUI Group Code of Ethics is in draft form and is currently being reviewed.
Measurement	Conduct an internal audit of all Group businesses against KPIs and test Group KPIs with key stakeholders	Group	Partially achieved. Around 80% of First Choice Holidays PLC companies were audited against internal KPIs. However, the KPIs were not tested with stakeholders.
Management	Establish governance structure for sustainability	Group	Partially achieved. Due to merger, the Group governance structure was finalised in FY0708, outside the timeframe specified.
Sector Management	Assign an overall Activity sector Sustainable Development co-ordinator to develop strategy, and one person within each business with the remit to drive Sustainable Development activity – including management of business units' direct environmental impact and staff volunteering initiatives	Activity	Partially achieved. The Activity sector appointed a director for Risk & Environment, but did not appoint one person within each business. This structure has now been superseded by the new TUI Travel PLC sustainable development governance system.
Sector Management	Signature, Hayes & Jarvis and Citalia businesses to lead the Specialist sector on raising employee and customer awareness of SD issues, developing more sustainable holiday product and reducing their environmental impact	Specialist	Partially achieved. Citalia appointed a colleague to create a strategic sustainability plan, raising awareness among colleagues and incorporating sustainable options into products. Signature set up an 'academy' pilot scheme sending key directors to assist businesses in the developing world, which will be piloted this year. This structure has now been superseded by the new TUI Travel PLC sustainable development governance system.
Sector Management	Raise employee awareness of tourism and sustainability issues in ODS and introduce processes to identify and develop sustainably-operated hotels and excursions	ODS	Achieved. Key colleagues in ODS worked to raise colleagues' awareness of tourism and sustainability issues throughout the year. Their supplier database Sure2Care helps identify suppliers that work to minimise their impact on the environment, and most ODS destinations now have sustainably-operated hotels and excursions available within their portfolio.
Impact of hotel new builds	Ensure all new build projects in which First Choice is a partner include environmental guidelines (rolled over from 05-06)	Group	Partially achieved. First Choice engaged with its suppliers and colleagues to ensure that contract negotiations included discussions about the sustainability of new builds, and raised awareness of First Choice's environmental guidelines.

Management	Incorporate sustainable development into the remit and objectives of the Overseas and Purchasing teams	Mainstream	Partially achieved. Sustainable development was incorporated into the remit and objectives of the Overseas team, but has not yet been achieved with the Purchasing team.
Climate change	Test carbon management strategy with key stakeholders	Mainstream	Achieved. A carbon strategy meeting was held in May 2007 with stakeholders including Forum for the Future and Climate Care.
Carbon emissions data	Start to collect carbon emissions data from across the Group	Group	Achieved. First Choice made a submission to the Carbon Disclosure Project in 2007.
Communications	Pilot overseas employee volunteer scheme	Group	Achieved. The first Project Discovery volunteers visited projects in late 2006.
Training	Roll out sustainable tourism training to the Marketing department	Mainstream	Partially achieved. Training was delivered with the Publishing team, one of the key audiences within Marketing, but not to the whole department.
Supply chain	Raise sustainability performance of top 250 hotels	Mainstream	Partially achieved. The top 250 hotels were audited against Travelife guidelines and a baseline was established. Information on sustainability issues was also distributed to hotels.
All inclusive properties	Conduct research involving independent third parties to establish the proportion of the tourist £ that remains in destination for All Inclusive packages (Rolled over from 05-06)	Mainstream	Not achieved. This research did not go ahead in the financial year 2006-07.
Sustainable product - excursions	Develop one new sustainable excursion by gateway	Mainstream	Partially achieved. 11 of First Choice's 52 gateways developed and marketed a sustainable excursion for sale in Summer 07. Since then, more sustainable excursions have been developed.
Destination communities	Create and test process to engage the local community at one Holiday Village with plan to roll out across other Holiday Villages in future years	Mainstream	Not achieved. The merger meant that plans for this project were delayed. The project will go ahead in financial year 2008-09.
HR Strategy	Develop an approach to manage change and ensure managers are skilled in dealing with change and uncertainty and in supporting their teams – measured by feedback, Work in Partnerships and sample surveys	Mainstream	Achieved. A series of workshops was delivered to all managers at First Choice, from Board-level to Grade H, and an e-learning module was provided to reinforce learning. WiP meetings were held every month, and more regularly where required.
Pay and reward	Continue to review and benchmark pay and reward	Mainstream	Achieved. We introduced more robust processes to benchmark salary scales and overall reward, including the use of external benchmarking data. The process is ongoing and has been accelerated by the merger.
Diversity	Evaluate diversity data of applicants to jobs to enable us to target the strategy appropriately	Mainstream	Achieved. Data were collected from First Choice applicants on a voluntary basis, and is currently being reviewed.

Employee well-being	Launch well-being guidance and continue to monitor through surveys	Mainstream	Partially achieved. A well-being booklet was produced for First Choice. However, the merger meant that the use of the booklet was not monitored through surveys at First Choice.
Environmental management system	Formal procedure documents to be circulated	Mainstream	Not achieved. The merger meant that plans for the circulation of this document were delayed.
Aviation and climate change	Reduce overall aircraft weight by 0.5% for each type within the First Choice Airways fleet	Mainstream	Partially achieved. First Choice Airways continued to research and implement weight-saving initiatives, addressing the engineering and catering elements of weight carried on-board. It was not possible to achieve the full 0.5% aircraft weight saving per aircraft.
Aviation and climate change	<ul style="list-style-type: none"> - First Choice Airways to record Auxiliary Power Usage, Ground Power Usage and Single Engine Taxi usage across the fleet's aircraft - Achieve a target of 65% ground power usage (Fixed electrical ground power or Ground Power) at Manchester & London Gatwick when available 	Mainstream	Not achieved. A new First Choice Airways Operations Return (completed at the end of each flight) was produced and disseminated in August 2007. However, measures were not recorded due to the merger in September 2007.
Aviation and climate change	<ul style="list-style-type: none"> - Document First Choice Airways track keeping (aircraft departures) from all participating UK airports and achieve an average of 95% on-track compliance. - Document First Choice Airways continuous descent approach (aircraft departures) at all participating UK airports and achieve an average of 85% compliance rate at London Gatwick, Stansted, Manchester and East Midlands airports. 	Mainstream	Achieved. Overall on-track compliance was 98% and continuous descent approach compliance was 91% at participating airports.
Natural resource use	Reduce water consumption by 5% at all head office buildings (rolled over from 05-06)	Mainstream	Partially achieved. Water usage rose by 2.3% at First Choice's four main office sites in Crawley, partially attributable to a significant leak that occurred during the year. However, at our Walsall Head Office we made substantial water savings of 62% compared to the previous year.
Natural resource use	<ul style="list-style-type: none"> - Achieve a 5% reduction in energy consumption at Crawley and Salford Head Office buildings against the 05-06 baseline (normalised by head count). - Achieve a 3% saving in energy used in offices and shops in N. Ireland and the Republic of Ireland against the 05/06 baseline, normalised by head count. 	Mainstream	Achieved. A 7.63% reduction in energy was made across the Crawley sites and a 38.72% energy saving was made at the two Salford sites between 2005/06 and 2006/07. Within the Ireland Head Office Buildings, a 3.96% energy reduction was achieved.

Natural resource use	Reduce paper consumption across Tour Operating, First Choice Airways, Retail & First Choice Ireland by 40%	Mainstream	Not achieved. Paper consumption increased by 24% in absolute terms across the business, due in part to the opening of 40 new shops and four Holiday Hypermarkets.
Natural resource use	Investigate the feasibility of sourcing greener paper products used for customer literature & make recommendations	Mainstream	Achieved. A variety of publications were printed on greener papers, including ticketbooks, in-resort magazines and the First Choice Airways in-flight magazine.
Natural resource use	Implement a scheme to recycle print/copier toner cartridges, paper, cardboard and Point of Sale materials at all FC Retail Shops and Hypermarkets in the UK	Mainstream	Partially achieved. Progress was made on this target during 2006-07 with point of sale materials. We aim to work with the new waste management contractor for our shops to boost recycling rates.
Natural resource use	Reduce the number of brochure pages printed by 5% (normalised against the 05-06 baseline by shop numbers to take account of additional shop openings)	Mainstream	Achieved. The print run of First Choice brochures decreased by 16%. 210 million fewer brochure pages were printed, equating to a decrease of 10% in brochure pages.
Natural resource use	Trial and implement a can recycling scheme on-board First Choice Airways aircraft for flights from UK to Spain (i.e. 50% of all outbound flights)	Mainstream	Achieved. Can recycling was operational for inbound and outbound aircraft journeys to major gateways in UK and Spain (islands and mainland) for the Summer 2007 season.
Natural resource use	Reduce waste to landfill from First Choice Airways operations on the ground by 10%	Mainstream	Achieved. The percentage of waste recycled at principal UK Line Stations increased from 49% to 61%.
Commuting and business travel	Develop and communicate a car sharing scheme at First Choice's Crawley office locations and record a baseline (rolled over from 05-06)	Mainstream	Achieved. First Choice worked in partnership with Liftshare to launch a car-sharing scheme in June 2007. Approximately 10% of employees based in Crawley registered on the bespoke First Choice site, with a journey match-rate of 35%.
Responsible purchasing	Continue to review and address as appropriate First Choice supplier sustainability issues using a Supplier Scorecard	Mainstream	Partially achieved. Limited progress was made throughout the year with using a Supplier Scorecard. However, there were some individual successes, such as the design and rollout of greener materials for on-board customer catering.
Responsible purchasing	Incorporate environmental impact assessments within the First Choice IT business case documentation	Mainstream	Achieved. Environmental impact assessments were included within First Choice IT business case documentation.
Customer child protection	Incorporate sustainable development educational materials into kids' clubs	Mainstream	Achieved. First Choice Kids' Cubs include a module on sustainable development using Hatch, a cartoon turtle.
Customer communications	Provide destination-specific guidance to customers	Mainstream	Achieved. Destination-specific guidance was provided to customers in ticketbooks and resort magazines.
Customer communications	Expand the content and prominence of First Choice's approach to the Environment and People within Summer 08 brochures	Mainstream	Achieved. Summer 08 brochures featured a page on First Choice's approach to the environment and people.

Appendix B: GRI Indicators table

Indicator	Details	Where to find this information
EN3	Direct energy consumption by primary energy source.	Page 22
EN5	[Energy saved due to conservation and efficiency improvements.]	Pages 21-23
EN8	Total water withdrawal by source.	Page 22
EN16	Total direct and indirect greenhouse gas emissions by weight.	Carbon Disclosure Project submission www.tuitravelplc.com/tuitravel/environment
EN18	[Initiatives to reduce greenhouse gas emissions and reductions achieved.]	Pages 21-23
EN22	Total weight of waste by type and disposal method.	Page 22
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement.	Page 14
PR5	[Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.]	Page 24
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Carbon Disclosure Project submission www.tuitravelplc.com/tuitravel/environment