

Responsible leadership



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The Sustainable Development Report contains forward-looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in countries and Sectors in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ from those currently anticipated.

Sources of further information:

To download our latest Annual Report, visit:
www.tuitravelplc.com

Tell us what you think:

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

Welcome to TUI Travel PLC's first full Sustainable Development Report. The data included covers the financial year 1 October 2007 to 30 September 2008 (referred to throughout this report as 2007/08), except where otherwise stated.

This PDF report was published in July 2009. A web-based version is available at www.tuitravelplc.com/sustainabledevelopment

Our previous report was an interim update, outlining TUI Travel's approach to creating a sustainable development strategy. In this report, we aim to provide information on our progress in sustainable development, principally for investors, academics, policy-makers, non-governmental organisations, TUI Travel management and other interested parties.

We rely on each TUI Travel business to communicate sustainable development news to their colleagues and customers in ways that will interest them. The Group's sustainable development strategy incorporates specific workstreams to help them do this (see page 5).

About TUI Travel PLC

TUI Travel PLC (referred to in this report as 'TUI Travel' and 'the Group') is a FTSE 100 leisure travel company listed on the London Stock Exchange. It was formed on 3 September 2007 by the merger of First Choice Holidays PLC and the Tourism Division of TUI AG.

£2.5 billion

Market capitalisation circa £2.5 billion.

30+ million

30+ million customers from over 25 source markets.

180 countries

Operating in over 180 countries.

200+ businesses

200+ products and brands.

TUI Travel is recognised for its commitment to sustainable development by its listing in the FTSE4Good Index.

150+ aircraft

150+ aircraft and around 3,500 retail shops in Europe.

50,000 colleagues

50,000 colleagues operating across six continents.

£13.9 billion

In the financial year ended 30 September 2008, TUI Travel had revenues of £13.9 billion and an underlying profit before tax of £320 million.

TUI Travel is structured in four sectors covering over 200 leading products and brands.

Mainstream Sector

65%

Percentage of Group underlying operating profit*

Mainstream Sector

Mainstream is our largest sector in terms of size, underlying operating profit and employee numbers. It serves over 25 million customers each year and comprises a number of the leading tour operators across Europe, operating a fleet of over 150 aircraft

and around 3,500 retail shops. This sector serves customers seeking package or self-package sun and beach holidays. It includes differentiated products – for example, Holiday Villages, Sensatori, Robinson Clubs, Blue Villages and Sensimar.

Specialist Sectors

35%

Percentage of Group underlying operating profit*

Specialist & Emerging Markets

Operating in North America, Europe and a number of emerging markets including China and Russia, this sector comprises over 40 specialist companies primarily selling direct to a loyal customer base. Specialist travel experiences include escorted tours to the Galapagos, student spring-break trips to Acapulco and tailor-made trips to Australia.

Activity

The activity lifestyle travel companies and premium brands operate in the market segments of Marine, Adventure, Ski, Student and Sport. Its customers seek unique travel experiences including hiking Kilimanjaro, Polar cruise expeditions, chartering yachts in the Caribbean, skiing the Peak 2 Peak at Whistler and touring with the 2011 Rugby World Cup.

Accommodation & Destinations

The Accommodation & Destinations Sector combines three divisions. The B2B Division is a global integrated supplier of accommodation and destination services, offering a wide product range and superior service to a diverse customer base. The A&D Specialist Division is a portfolio of destination management companies (DMCs) and minority shareholdings in niche destination specialists. Our B2C Division comprises online accommodation retailers with commissionable sales models and leadership positions in their regions and includes Hotelopia, LateRooms.com and AsiaRooms.com.

* Data from TUI Travel PLC 2008 Annual Report & Accounts

Welcome



Welcome to TUI Travel's first full Sustainable Development Report, covering the financial year 2007/08.

This year has been one of great financial upheaval in global markets. TUI Travel is in a strong position to withstand this current economic crisis, due to our robust business model, the diversity of our businesses, our market-leading brands and the synergies we are achieving following our merger in September 2007.

We cannot control the effect that the economic crisis will have on other businesses throughout the world – but we can ensure that our own response includes making all aspects of our business more sustainable. We recognise that it is our responsibility to monitor and manage our negative impacts on the environment and society and to maximise our positive impacts.

In terms of sustainability, our vision is to make travel experiences special by providing holidays that cause minimal environmental impact, respect the culture and people of destinations, and offer real economic benefit to local communities. We aspire to lead in sustainable development within the leisure travel industry and want to develop this in the wider marketplace. In the long term, we believe this goal will help build shareholder value for TUI Travel and contribute to us operating a strong business now and in the future.

This report highlights the progress we have made in sustainable development over the past year. This includes reducing our airlines' carbon footprint, developing a Groupwide approach to managing suppliers' sustainability and motivating our customers, colleagues and suppliers to get involved. The report also outlines the many challenges we still face.

What does the future hold for TUI Travel's sustainable development strategy? During this year we took a significant step towards creating a leading leisure travel group in Russia and CIS, and we will be working to understand the sustainable development issues within these markets and to build them into our strategy. We will continue the excellent start we made in 2007/08, making sustainability the standard across the Group where possible, and enabling our sectors to tailor our Group goals to their specific circumstances.

Peter Long
Chief Executive, TUI Travel PLC



Over the past few years, the business community has begun to understand and embrace its responsibilities towards the environment and society. Given some commentary of the current economic crisis, however, you'd be forgiven for thinking that businesses were returning to focus narrowly on purely financial goals.

The current situation may be difficult, but I believe sustainable development remains an imperative for all businesses. If anything, the current 'perfect storm' of social, economic and environmental challenges helps us to see more clearly the need for action – and the benefits that this will bring us all in the long term. I believe TUI Travel is in an excellent position to build on our positive contribution to a more sustainable world, articulated through the sustainable development strategy we formed throughout 2007/08.

As a Company, we strive to minimise our negative impacts on the environment, especially our carbon footprint. Our airlines, which account for 90% of this carbon footprint, saved 57,000 tonnes of carbon dioxide in 2007/08, through our Groupwide fuel conservation programme. This year, we have set up additional programmes to monitor and reduce carbon emissions from water transport, ground transport, major premises and our flagship accommodations.

As well as managing our own impact on the environment and society, we recognise the importance of encouraging our suppliers to do the same. We are working to define minimum standards for suppliers across the Group, and giving particular support to the properties to which we send high volumes of customers.

The next few years will be exciting and challenging for sustainable development in the leisure tourism industry. We need to prepare for the advent of a low-carbon society by further reducing our impact on climate change, while ensuring we preserve the social and economic benefits of tourism – both for the traveller and the host community. I firmly believe that TUI Travel is equal to this challenge, and I look forward to keeping you updated on our progress in the years to come.

Johan Lundgren
Managing Director, TUI Northern Region
PLC Board representative for sustainable development

Our approach

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Our Strategy

Travel and tourism is the world's largest industry, fuelling growth and employment to the extent that it has become a critical component of the world economy. Tourism is also a growing industry: in 1995, there were 565 million international tourist arrivals, and this number is predicted to grow to over 1 billion by 2010 and 1.6 billion by 2020 (UNWTO World Tourism Barometer).

Our challenge

Our industry's activities account (directly or indirectly) for 11% of the world's GDP and 12% of its exports⁽⁹⁾. Around 50 of the world's least developed countries rely largely on this activity for economic development and recent studies suggest that in these locations a significant proportion of tourist spending reaches the poor⁽⁶⁾. In these countries in particular, our industry has the potential to make a considerable contribution to raising living standards and alleviating poverty.

The UN World Tourism Organization estimates that travel and tourism emits around 5% of global carbon emissions, of which 2% are from aviation and the remainder are mostly from accommodation and other transport⁽⁹⁾. We know we need to play our part in reducing our carbon emissions, limiting the amount of water we use (directly or indirectly) and to protect biodiversity as this forms an integral part of our product which our customers experience when on holiday.

Therein lies the challenge for TUI Travel – to understand how we can balance the impact of our activities to arrive at the optimum social, economic and environmental benefits for all concerned. Our goal in this respect is to make travel experiences special by providing holidays that cause minimal environmental impact, respect the culture and people of destinations and offer real economic benefit to local communities.

We appreciate the journey towards this goal will be a long one, but we aspire to lead the travel and tourism industry throughout it. Below are some of the ways that we can use TUI Travel's influence to do this.

Embedding into our core business

Ensure our business decisions take into account sustainable development principles.

Operational impacts

Minimise the negative sustainability impacts (particularly on climate change) of our day-to-day operations.

Supply chain management

Support our supply chain in managing their sustainability impacts.

Choice editing

'Edit out' the holiday options that do not meet our minimum sustainability standards.

Choice influencing

Make it easy for customers to choose a more sustainable holiday.

Awareness raising

Help customers appreciate the sustainability impacts of tourism, driving demand for more sustainable holidays.



Making a positive impact

50 of the world's least developed countries rely largely on tourism for economic development.

Changing behaviour

Encourage customers to change their actions in a way that maximises the positive and minimises the negative impacts of their holiday.

Innovation and product development

Develop new, more sustainable experiences in response to demand.

Collaborating with our industry

Share best practice with others in the tourism industry where our competitiveness is not affected.

Advocacy

Use our influence responsibly and in line with our commitment to sustainable development.

Putting something back

Put something back into the environment or community wherever we cannot avoid a negative impact.

Strategy development

TUI Travel's sustainable development strategy is based on consideration of the key issues affecting the Company, now and in the future. It has been developed in consultation with internal and external stakeholders (see pages 6-7). Please see page 10 for details of the sustainable development Steering Committee and Sector Coordinators.

We review our sustainable development priorities continuously, and will use our Steering Committee meetings to readjust the goals of our workstreams to reflect any changes in our priorities.

Strategy development process 2007/08

Research and mapping

- Fact base of key sustainable development issues.
- SWOT (strengths, weaknesses, opportunities and threats) analysis.



Prioritisation of issues

- Sector Coordinators prioritised key issues for TUI Travel.



Assessment of current practice

- Group Sustainable Development Survey (see page 38 for details).



Definition of strategic priorities

- Steering Committee agreed strategic priorities.
- Sector Coordinators planned Groupwide workstreams.
- Key stakeholders consulted (see pages 6-7).



Initiation of workstreams and strategies

- Steering Committee signed off the strategic priorities.
- Nine Groupwide workstreams launched.
- Sector Coordinators are developing sustainable development strategies.

Our Strategy
continued



Tourism's climate challenge

The UNWTO estimates that travel and tourism emits around 5% of global carbon dioxide emissions.

Our strategic priorities

Climate Change

Reduce the amount of carbon dioxide emitted by our operations – focusing on the most carbon-intensive – and where possible, replace our existing energy supplies with those containing less carbon.

Workstream 1: **Airlines**

Workstream 2: **Water Transport**

Workstream 3: **Major Premises**

Workstream 4: **Ground Transport**

Workstream 5: **Flagship Hotel Properties**

See pages 14-15 for further details.



Destinations

Achieve measurable improvements to local livelihoods and environmental protection in key destinations, ensuring our suppliers adhere to sustainability principles.

Workstream 6: **Supplier Management**

Workstream 7: **Destination Projects**

See pages 16-17 for further details.



Embedding

Integrating sustainable development into the way TUI Travel does business.

See pages 10-11 for further details.



Our People

Support our businesses in engaging their people in sustainable development issues, through internal communications and learning & development plans.

Workstream 8: **Our People**

See pages 18-19 for further details.

Our Customers

Drive demand for sustainable holidays by ensuring our businesses are leading their markets in sustainability communications and avoiding 'greenwash'.

Workstream 9: **Our Customers**

See pages 20-21 for further details.

Stakeholder Engagement

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

We aspire to lead the travel and tourism sector and to lobby for sustainability to be embraced as a business issue on which the future health of the industry depends. TUI Travel's senior management are regular public advocates for more sustainable tourism, in the media, at industry and governmental events, and with other audiences.

Colleagues

TUI Travel carries out an annual survey of our senior leaders which measures engagement and alignment with our vision and values, and contains two questions on sustainable development. See page 18 for survey results from 2007/08. Many TUI Travel businesses conduct internal surveys on topics that matter to our people. Where possible, key questions – including those on sustainable development – are aligned Groupwide so we can measure our colleagues' opinions in their entirety.

Customers

TUI Travel businesses request feedback from customers regularly, and some offer the opportunity to comment on the environmentally and socially responsible aspects of their holiday (see page 20 for details). In 2007/08, we commissioned research into attitudes to sustainable development issues in both the UK and Germany, which informed our customer communications in both markets.

Investors

TUI Travel's 2008 Annual Report & Accounts at www.tuitravelplc.com contains an extended section on sustainability in line with the new requirements of the Operating and Financial Review (OFR).

TUI Travel is listed on the FTSE4Good Index in recognition of its transparency, and for meeting strict social, environmental and governance standards. We liaise regularly with institutional investors on our performance and our management of sustainability risks.

FTSE4Good

TUI Travel is listed on the FTSE4Good Index.

TUI Travel makes an annual submission to the Carbon Disclosure Project, an investor coalition representing 385 signatory investors and combined assets of \$57 trillion (£36 trillion). Each participating company's submission is scored and benchmarked with respect to its approach to managing climate change risk and opportunity. www.cdproject.net

Industry partners

Across the Group we are active members of industry forums on sustainability. For example, TUI Travel in the UK chairs the Federation of Tour Operators' (FTO) Responsible Tourism Committee, responsible for pioneering the Travelife Sustainability System, and is a core partner in the Tourism 2023 initiative, through which we are working to create a robust, inspiring and realistic vision and strategy for the UK outbound leisure industry.



Spreading the word
Dermot Blastland, Managing Director of TUI UK & Ireland, delivers a presentation to colleagues on the Company's sustainable development activities.

TUI Travel in The Netherlands 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 (ANVR). TUI Travel in Germany, Austria and Switzerland is working in partnership with Deutscher ReiseVerband (DRV), the German travel industry association, on the creation of Futouris, a new platform for sustainable tourism (see page 29 for details).

Suppliers

Across TUI Travel, many of our businesses have schemes to help suppliers improve their environmental and social performance. The Sustainable Development department and Sector Coordinators are working with purchasers across the Group to advance this work (see page 16 for details).

Stakeholders in destinations

All our businesses work with local authorities, communities and NGOs on relevant issues and provide in-kind and financial support to a range of charities and community organisations in destinations.

We aim to consult with communities wherever we are involved in sustainability-related destination projects. For example, TUI UK & Ireland's project partner The Travel Foundation (see page 7) does this in a number of destinations by convening a committee with the local community, including representatives from government, small suppliers, community and trade associations, the hotel industry and local tour operators.

We are advocates for sustainable management of destinations. For example:

- The Managing Director of TUI UK & Ireland presented on the industry's climate change challenge to 90 Ministers of Tourism at the World Travel Market in November 2007.
- TUI Travel's Chief Executive presented on sustainability at the Switzerland Vacation Day conference in April 2009.
- The TUI Nordic Product Director presented on social responsibility at the Bangkok Travel Fair in June 2009.
- TUI Travel's Head of Sustainable Development took part in the sustainability-related Pacific Asia Travel Association (PATA) CEO Challenge in April 2008.
- TUI Deutschland is working with the Environment Ministry of the Balearics Government to deliver several projects that will protect the natural environment of the islands (see page 28).

Government

In all our source markets, we have open lines of communication with government departments that have an interest in the leisure travel industry. We also use our relationship with destination tourism boards to influence destination governments on sustainability issues.

TUI Travel deals with the EU and source market governments at Company level and through national and international travel trade associations and is a member of the International Federation of Tour Operators (IFTO) and the European Travel Agents' and Tour Operators' Associations (ECTAA). TUI Travel's Director of European Affairs represents the Group in Brussels.

Stakeholder Engagement
continued

Each source market has a person responsible for external affairs at a national level. For example, in Germany we work with the Federal Agency of Aviation (LBA). In the UK, we meet regularly with government departments on issues such as consumer financial protection, the Code of Practice for Disabled Passengers, aviation and the environment.

TUI Travel is an active participant in initiatives to promote sustainable development within travel and tourism. Some examples include:

- We were consulted by the World Economic Forum for its report 'Towards a Low Carbon Travel & Tourism Sector' presented in May 2009 at the World Business Summit in Copenhagen in preparation for the UNFCCC Copenhagen conference in December 2009.
- TUI Travel is a member of The Tour Operators' Initiative (TOI), a non-profit association working closely with UNWTO and UNEP to promote best practice in sustainable development among tour operators.

Non-governmental organisations (NGOs)

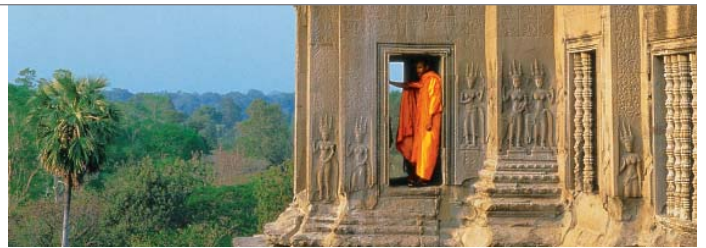
Across the Group we work with specialist NGOs where relevant. For example, TUI Travel in the UK works closely with The Travel Foundation, an NGO founded through collaboration between the UK Government and the outbound tourism industry. TUI UK & Ireland's Managing Director is a trustee of the charity, which exists to educate customers, develop business tools for change and establish practical sustainable tourism projects in destinations. Several UK-based TUI Travel businesses support the charity through matched customer donations, and have raised over £1.5 million since its launch in 2003.

£1.5 million

The total amount of money raised for The Travel Foundation by TUI Travel and its customers since its launch in 2003.

A number of TUI Travel businesses have signed the Child-Protection Code (www.thecode.org), developed by UNICEF, UNWTO and ECPAT (End Child Prostitution and Trafficking).

At Group level, we have regular contact with NGOs such as the Born Free Foundation and with TUI Travel's nominated charity, the Family Holiday Association.



UNESCO World Heritage

TUI Travel is working with UNESCO to improve the sustainable management of World Heritage Sites, including Angkor in South East Asia.

Experts in sustainable development

We work regularly with experts from outside the Company. For example, Quark Expeditions logistically and financially supports a University of Alberta polar bear radio collar study, which tracks the bears' range changes, breeding habits and interactions with humans.

Strategy development in 2007/08

We created our sustainable development strategy during 2007/08 in consultation with key stakeholders. Most of these stakeholders were UK-based and had good knowledge of TUI Travel's business model and previous sustainable development activities. In future years, our stakeholder engagement will take into account the international nature of our Group.

Internal stakeholders

- Senior management, Sector Coordinators and key contacts in Corporate Communications, HR, Learning & Development, Marketing, Purchasing, Airlines, Premises, Legal and Finance.
- Our strategy was also shaped by the feedback of colleagues at the TUI Travel Group Management Conference in February 2008.

External stakeholders

- ABTA – the UK travel association, representing over 5,300 travel agencies and nearly 1,000 tour operators. ABTA and the Federation of Tour Operators (FTO) were amalgamated in July 2008.
- Forum for the Future – a charity that advises TUI Travel on sustainable development strategy (see page 9).
- International Centre for Responsible Tourism, Leeds Metropolitan University.
- Overseas Development Institute.
- The Travel Foundation – a sustainable tourism charity.
- Tourism Concern – an NGO campaigning for fairer tourism.

Where possible, we have incorporated their feedback into our sustainable development strategy. See page 42 for details of the comments we received, and where they have been incorporated.

Targets for 2008/09

- Organise one or more stakeholder engagement events to formally seek the views of our international stakeholder groups on TUI Travel's sustainable development strategy.

Our Performance



Sustainable tourism in Ecuador
Sawadee Reizen runs sustainable tourism projects in Ecuador, working with UNORCAC, an organisation of rural and indigenous people.

Our targets for financial year 2007/08 (1 October 2007 to 30 September 2008) were published in our last report and centred on the development of our Group sustainable development strategy. To read the last report, visit www.tuitravel.com/sustainabledevelopment

We made good progress against these targets: although three of them were not completed by the end of the financial year, all of the targets have since been met. The statements of progress below have been assured by Bureau Veritas (see page 38 for details).

Target 2007/08		Progress 2007/08
Establish a Group sustainable development function.	✓	In 2007/08 we developed a best practice governance structure, establishing a Group Sustainable Development department and appointing a Board-level Steering Committee and Sector Coordinators for sustainable development (see page 10 for details).
Develop Groupwide sustainable development strategy and test with key stakeholders.	✓	Our focus in 2007/08 was on developing a Groupwide sustainable development strategy in consultation with Sector Coordinators, senior management and key external stakeholders (see pages 6-7 for details).
Develop sector-specific sustainable development strategies.	✓	The majority of Sector Coordinators developed a sustainable development strategy within 2007/08. Those who did not will develop theirs within 2008/09.
Conduct an internal audit of all Group businesses against sustainable development indicators.	✓	We conducted the first Group Sustainable Development Survey – which performed the same function as an audit – in April/May 2008 (see page 38 for details).
Embed sustainable development in Group values.	✓	We included Responsible Leadership as a Company value in 2007/08, articulating our commitment to sustainable development (see page 11 for details).
Embed sustainable development content in Group training initiatives.	✓	We integrated sustainable development principles into the senior management leadership programme in Costa Rica in 2007/08 (see pages 18-19 for details). The inclusion of Responsible Leadership as a Company value means that all TUI Travel colleagues were asked to actively consider how sustainable development issues affect them (see page 11 for details).
Facilitate the consideration of sustainable development issues in business strategy processes.	✓	We developed a fact base of sustainable development issues for consideration by the managing directors of all Group businesses when defining their business strategies (see page 11 for details). We integrated sustainable development principles into our senior management leadership programme, allowing them to experience sustainable development challenges in a business context (see pages 18-19 for details).
Raise colleague awareness of sustainability at Group level.	✓	Sustainable development was a key topic at the inaugural Group Management Conference in 2008. We prepared a sustainable development section for Discover, the Groupwide intranet, and sustainable development-related news items appear around once a month (see page 19 for details).
Input into Group risk management framework.	✓	We defined key sustainable development risks for TUI Travel, but did not achieve this target within 2007/08 due to the Group schedule for defining risks (see page 11 for details).
Develop carbon offsetting and supplier sustainability guidelines for Group businesses without existing schemes.	✓	We developed Group carbon offsetting guidance and communicated it to contacts with responsibility for sustainable development or customer donation schemes through the Sector Coordinators (see pages 20-21 for details). We developed Group guidance on the Travelife Sustainability System (see page 16 for details) and communicated it to the Sector Coordinators for consideration within their markets.
Develop Group charity policy.	✓	We created a Group charity policy, but this was not achieved within 2007/08 due to our focus on the Group sustainable development strategy (see page 17 for details).

Achieved ✓ Partially achieved ✓

Our Performance
continued

What others say about us

During 2007/08, TUI Travel and its businesses were recognised through industry awards and placement on sustainable development indices.

FTSE4Good

TUI Travel is listed on the FTSE4Good Index in recognition of its transparency and for meeting strict social, environmental and governance standards.

The Observer Good Companies Guide

TUI Travel is the top-placed travel company, at 16, in the 2008 Good Companies Guide, The Observer's annual ethical ranking of FTSE350 companies.

Carbon Disclosure Project

TUI Travel completed its first submission to the Carbon Disclosure Project in July 2008. We were ranked second out of 72 companies in the Hospitality, Leisure & Business Services sector for the quality of our submission and were incorporated in the Carbon Disclosure Leaders Index.

Awards

British Travel Awards

First Choice was awarded Most Environmentally Responsible Large Tour Operator (2007 and 2008) and First Choice Airways was named Most Environmentally Responsible Airline (2006, 2007 and 2008).

Travel Feather Awards

TUI Nederland was awarded the Green Feather in 2009 for its sustainable tourism activities.

Co-operative Travel Star Awards

TUI UK & Ireland was recognised for its work on sustainable tourism in 2008.

TTG Travel Awards

TUI Travel was Highly Commended by the judges of the Scream If You're Green Award in 2008.

Responsible Tourism Awards

- First Choice was Highly Commended by the judges of the Best Tour Operator award for the second year running in 2008.
- Gecko's Adventures was named Best Tour Operator in 2007 and The Imaginative Traveller was Highly Commended for the same award.
- Peregrine Adventures was Highly Commended by the judges of the Best in a Mountain Environment in 2007.

Les Trophées du Tourisme Responsable

Nouvelles Frontières was given an award for their company strategy in 2007.



Carbon offsetting

Many TUI Travel companies support carbon offsetting projects, including wind farms in Turkey and India.

Partner statement

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 a sustainable development strategy and continues to do so as TUI Travel. www.forumforthefuture.org

'We're greatly encouraged that in the current economic climate TUI Travel has strengthened its commitment to sustainable tourism. Challenges like climate change and resource constraints will define the sector in the next decade so taking serious action to address them remains critical strategically.'

This first full Sustainable Development Report is an important milestone on TUI Travel's leadership journey. It shows they have a good understanding of the challenges that lie ahead. They have a strong business case for sustainable tourism (including cost savings and a better experience for customers) and the business imperative for reducing carbon emissions and protecting their product. There is demonstrable senior level engagement across TUI Travel's sectors and an ongoing commitment to leadership in sustainable tourism.

This past year has been an important year for consolidation. We have seen first hand that bringing together a large global business with a shared set of sustainability objectives is difficult and they have achieved that through their workstreams and strong governance. To build on this, 2009 will be a critical year for embedding sustainability across the Group and, importantly, to translate this strategy into significant change within the business.

TUI Travel's leadership on sustainable tourism is increasingly critical as the challenges become ever more urgent. We congratulate them on what they have done so far and urge them to respond to this urgency and keep their foot on the accelerator towards a sustainable future.'



Stephanie Draper
Director, Change Strategies,
Forum for the Future

Embedding



Helping families to take a break
The Family Holiday Association (FHA) is the Group's nominated charity. FHA provides holidays for disadvantaged children and their families. In 2007/08, TUI Travel raised a total of £71,363 for the charity.

The merger of First Choice Holidays PLC and the Tourism Division of TUI AG in September 2007 created an opportunity to combine the experience of two leaders in the field and incorporate sustainable development into the values, structure and business agenda of one of the world's largest leisure travel companies.

Corporate governance

The Company is controlled through its Board of Directors which meets regularly, including away days, to review the strategy of the Group. The Board has delegated authority to the Committees of the Board on specific matters. The executive management is delegated to the Chief Executive, Executive Directors and certain other senior managers who, together, form the Group Management Board (GMB).

Please see the latest TUI Travel Annual Report & Accounts at www.tuitravelplc.com for further details of our corporate governance structure and membership of the Nomination, Audit and Remuneration Committees.

Management of sustainable development

The first Group Sustainable Development Survey (see page 38 for details) showed that there are approximately 23 FTE (full-time equivalent) people working on sustainable development at TUI Travel, including the Group Sustainable Development department, Sector Coordinators and business-level champions.

23

The number of full-time equivalent people working on sustainable development at TUI Travel.

Commitment from the most senior level is vital to us achieving our goal of leading the leisure travel sector in sustainable development. Following the creation of TUI Travel PLC in September 2007, a new governance structure was established for sustainable development:



PLC Board

Johan Lundgren (Managing Director, TUI Northern Region) is responsible for reporting on key sustainable development issues to the PLC Board.

Group Management Board (GMB)

Dermot Blastland (Managing Director, TUI UK & Ireland) is responsible for reporting on key sustainable development issues to the GMB. He receives monthly reports on progress from the Group Sustainable Development department.

Steering Committee

The Steering Committee, chaired by Dermot Blastland, is composed of Sector managing directors and meets at least once a year. The Steering Committee oversees sustainable development at TUI Travel, setting the strategic direction and long-term objectives.

On 8 May 2008, the Board-level Steering Committee had its inaugural meeting, chaired by Jonathon Porritt of Forum for the Future (see page 9). The Steering Committee discussed the sustainable development issues facing TUI Travel, set out the Group's priorities and drafted long-term objectives.

Since their inaugural meeting, the Steering Committee members have been engaged on the development of the strategy through the Mainstream managing directors' Board and individually by Sector Coordinators.

Group Sustainable Development

During 2007/08, we established a Group Sustainable Development department of four members, reporting directly to Dermot Blastland. It is responsible for driving TUI Travel's sustainable development performance towards FTSE100 best practice and forging industry leadership in key sustainability issues.

Group Sustainable Development works closely with other Group departments and our network of Sector Coordinators. It has a particular remit to guide TUI UK & Ireland's sustainable development strategy and activities.

Sector Coordinators

Each TUI Travel sector has a Sustainable Development Coordinator, reporting on these issues directly to the Sector Managing Director. Mainstream businesses have a Sector Coordinator in each major geographical region.

Sector Coordinators are responsible for identifying Group and sector-specific targets, collating performance data and developing and implementing sustainable development strategy within their sector. Some have a full-time role in sustainable development and others take on the role in addition to other responsibilities.

During 2008, the Sector Coordinators met three times and contributed to our strategy development process (see page 4 for details). Since creating our Group strategy on sustainable development, the Sector Coordinator meetings have had an operational focus.

Champions Network

Sector Coordinators are responsible for appointing champions in each TUI Travel business, to support them in the delivery of their Sector's sustainable development strategy. See the Our People section (pages 18-19) for more details on communications and training for champions.

Embedding
continued

Our values

One of our key priorities has been to ensure a common set of values our colleagues can identify with and incorporate into working life, which align with the Group’s vision and strategy: we call this the TUI Spirit. Over 5,000 colleagues took part in developing the TUI Spirit values, including members of the PLC Board and Group Management Board.

5,000

The number of colleagues who took part in developing the TUI Spirit values.

Along with Customer Obsessed, Playing to Win and Value Driven, Responsible Leadership is one of the Group’s four core values: ‘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’s sectors have used TUI Spirit as best suits the needs of their businesses and aligns with their strategies. They are beginning to integrate TUI Spirit into processes such as personal development, reward and benefit, policies and procedures. TUI Spirit has been a key topic in leadership development and communications (see Our People, pages 18-19). We are working towards promoting how colleagues are demonstrating the ethos of TUI Spirit.

Evaluating sustainable development

To understand our sustainability performance and to measure progress, we have incorporated sustainable development questions into regular internal surveys at sector and Group level (see page 19) and launched an annual Sustainable Development Survey of TUI Travel tour operating businesses, as well as specific surveys of hotels and water transport operations (see page 38 for details).

Business strategy

We are making sure sustainable development aligns closely with our business’s key strategic priorities. In 2008, we commissioned Forum for the Future (see page 9) to develop a fact base of sustainable development issues for consideration by the managing directors of all Group businesses when developing their business strategies.

We are experiencing greater consumer awareness of sustainability, and believe that creating more sustainable holidays will deliver product differentiation and help us achieve brand loyalty and competitive advantage. We have already seen how sustainable development strategies can deliver considerable efficiency savings, engage our colleagues and attract new recruits.

Our five strategic priorities for sustainable development – Embedding, Climate Change, Destinations, Our People and Our Customers – build on this experience to ensure our sustainability performance continues to benefit the business.



Network of champions

Sector Coordinators have set up champion networks to support them in the delivery of their sector’s sustainable development strategy. In Montreal, the Specialist Student companies looked at a new paper supplier with the lowest carbon footprint in the US.

Risk management

A dedicated Group Risk Management department has been established and is developing the appropriate policies and procedures to ensure that a risk management framework is embedded throughout the organisation on a consistent basis and in accordance with Turnbull Guidance on corporate behaviour and conduct.

Certain common risks, including those related to sustainability, exist across the Group and therefore benefit from a Group approach to mitigation. Policy and mitigation for such Groupwide risks are facilitated and supported by the Group Risk Management and Sustainable Development departments, with responsibility for managing such risks also shared by the businesses themselves.

TUI Travel has not been prosecuted for infringement of environmental or social legislation.

Policies

The Group Code of Conduct covers a wide range of issues including human rights, conflicts of interest, business ethics, transparency and fair competition, and commits TUI Travel to uphold the principles of the UN Global Compact. It will be communicated to TUI Travel colleagues during 2009 and brought to the attention of Legal and Finance Directors in particular. The Code has also been adopted by TUI AG.

We developed our Sustainable Development Policy in conjunction with key colleagues across the Group, including our Sector Coordinators. Its aim is to articulate our vision and approach to sustainable development. Please see page 12 for the policy in full.

Targets for 2008/09

- Convene the Sustainable Development Steering Committee at least once.
- Hold at least two meetings of the Sector Coordinators.
- Showcase how the TUI Spirit values are being demonstrated by colleagues and recognised by external audiences.
- Extend the reach of our annual Group Sustainable Development Survey to all TUI Travel businesses and flagship hotel properties.
- Communicate the Sustainable Development Policy across the Group.
- Launch the Code of Conduct to TUI Travel colleagues.

Embedding
continued



TUI Marine Headquarters receives LEED certification
The TUI Marine Headquarters, located in Clearwater, Florida, received a Leadership in Energy and Environmental Design (LEED) Gold certification in January 2009. The building is made of 40% recycled materials and 84% of the waste produced during construction was recycled. It now uses 24% less energy and 40% less water than the LEED baseline.

Group Sustainable Development Policy

Vision

To make travel experiences special by providing holidays that cause minimal environmental impact, respect the culture and people of destinations and offer real economic benefit to local communities.

Policy

As a leading leisure travel company, we recognise that the environment, communities and cultures within which we operate are vital to the success of our business. Responsible Leadership is one of the Company's core values, and underlines our commitment to sustainable development and to making a positive impact on society.

We therefore commit in the long term to:

- Embed sustainable development principles into core business practices throughout TUI Travel.
- Use the collective influence of TUI Travel to drive sustainability within the leisure travel industry.
- Understand and respect the needs of our stakeholders, including customers, colleagues, shareholders, suppliers, industry partners and local communities.
- Comply with all relevant legislation, act in advance of it where possible, and keep pace with best practice.
- Deliver long-term strategic benefit and shareholder value by maximising the opportunities that sustainable development presents.

In support of the above, we will work to:

- Prevent pollution wherever possible, and continually improve our environmental performance, specifically by reducing our carbon emissions through work programmes with our aircraft, water transport, hotels, ground transport and office premises.
- Optimise our holidays' environmental, economic and social impact, by embedding sustainability into our supply chain and initiating activities that protect and restore the natural environment and enhance local livelihoods.
- Provide information, training and support to colleagues, gaining their commitment to taking action on sustainable development issues.
- Encourage our customers to choose more sustainable leisure travel options, and to take action to reduce their negative impacts and maximise their positive impacts in destinations.

Responsibility for ensuring that each operating business complies with the Group's policy on sustainable development is with the Managing Director of each business.

Johan Lundgren
Managing Director, TUI Northern Region
PLC Board representative for sustainable development
16 June 2009

Workstreams

In this section:

- 14 Climate Change
- 16 Destinations
- 18 Our People
- 20 Our Customers

Climate Change



Saving fuel with winglets

In 2009, TUIfly Nordic will be one of the first airlines in the world to fit 'winglets' to the Boeing 767s in its fleet. Aircraft with winglets – wing-ends that curve upwards – can use up to 5% less fuel, depending on flight distance. Many TUI Travel airlines are planning to fit winglets to their aircraft over the next few years.

Reducing carbon emissions across our operations

Climate change is recognised as the greatest environmental challenge facing the world today and is a very important issue for TUI Travel. Climate change affects our destinations and therefore our product, and we acknowledge that our business's greenhouse gas emissions contribute to global warming.

In June 2009, TUI Travel completed its second submission to the Carbon Disclosure Project (CDP) detailing our carbon impact, risk and opportunity, and our approach to carbon management. Please visit www.tuitravelplc.com/sustainabledevelopment to read our submission.

Regulatory impacts on tourism

For a carbon-dependent industry like leisure tourism, climate change poses significant challenges. Increasingly, business and consumers will be charged for emitting carbon as more climate change legislation comes into force whether at a national or international level. TUI Travel is monitoring and preparing for regulatory proposals on climate change that could have a fiscal impact. By addressing our carbon impacts and putting measures in place to reduce current and future carbon emissions, we are in a good position to respond to carbon legislation.

The European Union Emissions Trading Scheme (EU ETS) aims to reduce carbon emissions and combat climate change. From 2012, aviation will be incorporated into the scheme, covering all flights arriving and departing the European Union. TUI Travel supports the inclusion of aviation in an EU ETS and our airlines are preparing the required monitoring and reporting methodology documentation for the regulatory body in each Member State.

National governments are also beginning to take steps to reduce carbon emissions. The UK Government has passed legislation which introduces the world's first long-term, legally binding framework to tackle climate change. The Climate Change Bill became law on 26 November 2008. We are monitoring the next steps of this legislation with regard to the Government's five-year carbon budgets to determine how it applies to our UK businesses.

The UK Government plans to introduce the Carbon Reduction Commitment (CRC), a mandatory 'cap and trade' scheme aimed at reducing the energy usage of large, non-energy intensive organisations, from April 2010. TUI Travel anticipates that it will be included in the CRC and is preparing to meet its obligations under the scheme.

Physical impacts on tourism

With its close connection to the environment, tourism is sensitive to the varied impacts of a changing climate that are already becoming evident in destinations. These impacts include changes in weather patterns, such as an increase in the intensity of tropical storms and rainfall, and periods of drought which put pressure on water availability.

Sustainable biofuels

TUI Travel is a member of SAFUG (Sustainable Aviation Fuel Users Group), an initiative comprising a number of global airlines, founded by Boeing and UOP Honeywell in collaboration with WWF and the Natural Resources Defence Council. SAFUG aims to research and commercialise new 'second generation' sustainable aviation fuels with a view to reducing aviation's greenhouse gas emissions.

Carbon strategy

We are committed to reducing our impact on climate change and have a carbon management strategy in place to address it. The key elements are:

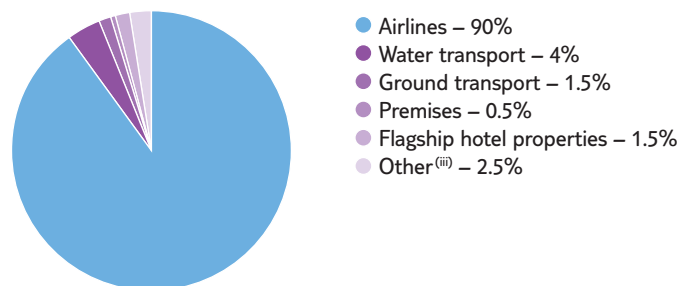
- Reducing the carbon dioxide emitted by our operations.
- Investing in new technology.
- Substituting fossil fuels with lower-carbon sources where feasible.
- Offsetting by investment in significant renewable energy projects in developing countries to which we operate.

TUI Travel's carbon footprint in 2006/07 and 2007/08

	2006/07	2007/08
Scope 1 emissions (tonnes of carbon dioxide equivalent)	7,173,814	6,564,026
Scope 2 emissions (tonnes of carbon dioxide equivalent)	95,021	53,475
Scope 3 emissions (tonnes of carbon dioxide equivalent)	Not available	70,597
Total	7,268,835	6,688,097

TUI Travel's carbon footprint decreased by 8% between 2006/07 and 2007/08. The majority of this significant reduction is attributable to aircraft fleet consolidation following the September 2007 merger of First Choice Holidays PLC and the Tourism Division of TUI AG, as well as fuel conservation measures across the TUI Travel airlines.

Breakdown of TUI Travel's carbon footprint 2007/08



Carbon offsetting

Alongside our work on reducing our carbon footprint, we believe customers should be able to take a small, positive action to help mitigate the effect of their holiday on the climate. In 2007/08 TUI Travel and our customers funded 300,000 tonnes of carbon offsets, of which 270,000 tonnes are from Gold Standard-certified projects. Gold Standard (www.cdmgoldstandard.org) is an independent body that ensures carbon offsets meet social as well as environmental criteria. See the Our Customers pages for further information on our Groupwide actions on carbon offsetting.

Climate change and aviation

Aviation accounts for over 90% of TUI Travel's carbon footprint. We aim to reduce the climate impact of our fleet of aircraft by replacing older aircraft with new, more fuel-efficient models and by pursuing a fuel conservation programme to ensure that our airlines are as fuel efficient as possible.

In 2007/08, TUI Travel airlines' fleet average emissions were 77.9g of carbon dioxide per revenue passenger kilometre (CO₂/RPK). Our analysis of other airline data in the public domain showed leading global scheduled airlines

Climate Change
continued



Reducing carbon from water transport

Quark Expeditions has a comprehensive programme to reduce carbon emissions, including adopting new and cleaner technologies as they become available, upgrading equipment and strengthening their standard operating procedures to mitigate the impact of their expeditions. See page 34 for further details.

have a range of emissions from 98-133g CO₂/RPK, and low-cost airlines in the UK and Ireland perform at around 88-96g CO₂/RPK. TUI Travel airlines therefore compare very favourably to both scheduled and low-cost airlines.

During the same period, the TUI Travel airlines saved a total of 57,000 tonnes of carbon dioxide by embedding a wide range of fuel saving operational procedures, stimulated by our Groupwide fuel conservation programme.

Boeing 787 Dreamliner

TUI Travel is scheduled to be the European launch customer for the Boeing 787 Dreamliner (B787). Boeing has communicated the following information about the fuel-saving features of the B787 aircraft:

- 20% lower fuel burn than a comparably-sized aircraft operating today.
- Carbon dioxide emissions per revenue passenger kilometre range from 61-95g (depending on configuration and density).

- 28% less NO_x (oxides of nitrogen) than 2008 industry regulatory limit.
- Smooth wing technology (7% better aerodynamically) and state-of-the-art raked tip for greater fuel efficiency.
- 60% lower noise levels than a comparably sized aircraft operating today.

Workstreams 1-5: Climate Change

Our sustainable development strategy includes five workstreams designed to reduce TUI Travel's carbon footprint and hence reduce our contribution to climate change.

Goal: To reduce TUI Travel's direct carbon emissions by 6% by 2013/14 (against a baseline of 2007/08) in terms of total carbon emissions as well as relative (per passenger) carbon emissions, based on current operational structure and plans.

Board sponsor: Dermot Blastland, Managing Director, TUI UK & Ireland.

Climate Change objectives		
Workstream objective	Performance indicators ^(iv)	Targets for 2008/09
<p>Workstream 1: Airlines Reduce carbon emissions from our fleet of aircraft by 6% by 2013/14 (against a baseline of 2007/08).</p>	<p>TUI Travel airlines emitted 6,016,083 tonnes of carbon dioxide in 2007/08.</p> <p>TUI Travel airlines emitted on average 77.9g of carbon dioxide per revenue passenger kilometre (CO₂/RPK) in 2007/08.</p> <p>57,000 tonnes of carbon dioxide through our Groupwide fuel conservation programme in 2007/08.</p>	<p>Set carbon reduction targets for each airline.</p>
<p>Workstream 2: Water Transport Reduce carbon emissions from our cruise operations (those we operate or where we control fuel use).</p>	<p>TUI Travel cruise operations emitted 265,528 tonnes of carbon dioxide in 2007/08.</p> <p>TUI Travel cruise operations emitted an average of 360g carbon dioxide per passenger kilometre in 2007/08.</p>	<p>Set carbon reduction target for cruise operations.</p> <p>Develop best practice guidelines and distribute to cruise businesses.</p>
<p>Workstream 3: Major Premises Reduce carbon emissions from TUI Travel's major premises (those we own or where we control energy use).</p>	<p>TUI Travel's premises emitted 33,686 tonnes of carbon dioxide in 2007/08.</p>	<p>Identify major premises and calculate baseline carbon emissions.</p> <p>Develop best practice guidelines and distribute to key contacts.</p>
<p>Workstream 4: Ground Transport Reduce carbon emissions from our ground transport operations (those we own and our ground transport suppliers).</p>	<p>TUI Travel ground transport operations emitted 100,299 tonnes of carbon dioxide in 2007/08.</p>	<p>Set carbon reduction target for ground transport.</p> <p>Develop best practice guidelines and distribute to ground transport businesses.</p>
<p>Workstream 5: Flagship Hotel Properties Reduce carbon emissions from TUI Travel's flagship hotel properties.</p>	<p>TUI Travel flagship hotel properties emitted 100,572 tonnes of carbon dioxide in 2007/08.</p>	<p>Identify flagship hotel properties and calculate baseline carbon emissions.</p>

Destinations



Flagship hotel savings

As part of First Choice's commitment to supporting suppliers, an environmental expert visited seven Holiday Village properties in 2007/08 to conduct in-depth environmental audits. The audits identified that improved environmental management – particularly of water and energy – could potentially deliver cost savings in excess of £1 million per year.

Optimising our holidays' environmental, economic and social impacts

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, depending on how these impacts are managed.

The environmental impacts of our industry are wide-ranging. Waste and waste water can pollute, as can ground and air transport. Water used in accommodation can exacerbate often scarce supplies and the issue of water availability will grow as climate change takes greater effect in water-stretched destinations. Tourist activities can impact biodiversity, animals and marine life and new hotel developments can disrupt the landscape and put pressure on natural resources. From a social perspective, the contrast in culture between tourists and local communities can disturb or offend.

When managed well, tourism supports conservation and preserves natural heritage. The tourism value chain – accommodation, catering, retail, excursions, transfer and airport services – provides employment and training opportunities, and stimulates local enterprise, to the extent that in 2007 tourism accounted for 30% of the world's exports of services (UNWTO World Tourism Barometer).

We are committed to learning more about how our holidays can benefit local livelihoods and protect the environment – and putting this into practice. This is fundamental to preserving the quality of our product in years to come and is therefore the focus of the two Groupwide Destination workstreams, Supplier Management and Destination Projects.

Board sponsor: Richard Prosser, Managing Director, Specialist & Emerging Markets

Workstream 6: Supplier Management

Our sustainability impact in destinations is largely indirect, particularly through our accommodation suppliers. We therefore assume a level of responsibility for encouraging them to improve in this area and are working closely with the Group Purchasing Director and sector purchasing directors on strategies to address this.

Goal: Ensure all suppliers in our destinations adhere to our supplier sustainability policies and have continuous improvement programmes in place.

We aim to achieve this goal by defining policies and processes and communicating best sustainability practice for accommodation suppliers, working with them to improve their performance. To this end, we have our own 95-strong team of destination supplier auditors. They have all had external training to enable them to audit accommodation against best practice environmental, employee management and community support standards, using the Travelife Sustainability System (www.its4travel.com).

We know from experience that effective management of environmental and social impacts not only saves money, but provides a better customer experience – the significant correlation between our customers' holiday satisfaction scores and the best-performing hotels in the sustainability audit programme is evidence of this. We believe customer demand for more sustainable holidays will grow. In fact, the majority of the respondents to our Group Sustainable Development Survey (see page 38 for details) indicated that they believe there is demand for 'green' holidays within their source market.

Supplier Management objectives

Workstream objective	Performance indicators	Targets for 2008/09
TUI Travel suppliers adhere to contractual environmental and social standards.	TUI Travel businesses incorporating environmental and social standards in contracting process (no data available for 2007/08).	Develop TUI Travel environmental and social contractual standards for accommodation suppliers.
TUI Travel flagship hotel properties operate to exemplary sustainability standards.	TUI Travel flagship hotel properties actively using these standards (no data available for 2007/08).	Draft TUI Travel best practice environmental and social standards for flagship property operations.
TUI Travel new-build flagship hotel properties are built to best practice sustainability guidelines for siting, design and construction.	TUI Travel new hotel builds meeting these specifications (no data available for 2007/08).	Draft TUI Travel new-build best practice sustainability guidelines for siting, design and construction.
Support the improvement of supplier performance on sustainable development.	TUI Travel businesses promoting and using the Travelife Supplier Sustainability system (no data available for 2007/08). 88 TUI Travel suppliers have achieved Travelife awards.	Extend adoption of Travelife Sustainability System across TUI Travel businesses and suppliers as appropriate.
Increase the proportion of 'sustainable' products available to customers.	'Sustainable' products as percentage of sales (no data available for 2007/08).	Launch initiatives to market 'sustainable' products in key markets.

Destinations
continued

Workstream 7: Destination Projects

TUI Travel is involved in hundreds of projects all designed to improve livelihoods of local people, many in collaboration with The Travel Foundation (see page 7). In addition, our Group Sustainable Development Survey (see page 38 for details) last year indicated that 87% of our businesses support charitable programmes, the majority in destinations.

Goal: TUI Travel, along with partners in our destinations, will have made measurable improvements to local livelihoods and environmental protection in those destinations.

This workstream focuses on initiating programmes and policies which help us understand and address issues relating to the wider environmental, social and economic impact of tourism. The landscape, biodiversity, wildlife, beaches and marine life, together with thriving enterprises and communities, are part and parcel of the quality of our customers' holiday experience. Looking after them therefore makes good business sense.

Tourism's indirect economic impacts – food supplies, skills training, hotel furnishings, construction, crafts and so on – are believed to outweigh its direct impacts⁽⁹⁾. A specific challenge for us is to gain a better understanding



Bedsonline sponsors 1,500 trees

Colleges, schools and local people will plant 1,500 trees in the Malaga National Park thanks to Bedsonline's electronic invoicing project in Spain, in partnership with the Almjara Environmental Group. Over 20 years, the trees are expected to take in 30 to 50 tonnes of carbon dioxide.

of the socio-economic impacts of our own business in developing destinations, particularly in relation to the growing all-inclusive holiday market. To address other tourism 'hot topics', we have developed a common policy across the Group on animal welfare in excursion locations and are working on a Groupwide policy on child protection in tourist areas.

30%

The percentage of the world's exports of services for which the tourism industry is responsible.

Our colleagues have a history of supporting local charities and community organisations in destinations. We have developed a Groupwide charity policy and guidelines to ensure transparency in our charitable activities and to enable us to report annually on TUI Travel's charitable giving. The guidelines are designed to help our businesses identify a charity partner and manage the relationship to bring the greatest benefits to both the charity and our business.

Destination Projects objectives		
Workstream objective	Performance indicators	Targets for 2008/09
Support destination initiatives to stimulate increased local involvement in tourism supply chain.	Evidence that local livelihoods have been enhanced by TUI Travel's destination initiatives (no data available for 2007/08).	Communicate opportunities for taking part in current projects across TUI Travel business and generate increased support.
	Funds raised for destination charities by TUI Travel businesses (no Group data available for 2007/08 – see page 24 for TUI UK & Ireland total).	Finalise and communicate Groupwide charity policy (see below).
Implement the principles of the Child-Protection Code across TUI Travel businesses.	TUI Travel businesses implementing the principles of the Child-Protection Code (no data available for 2007/08).	Develop policy and guidance for the protection of children in tourist areas.
Improve captive animal welfare in excursion venues used by TUI Travel.	TUI Travel businesses implementing animal welfare guidelines (no data available for 2007/08).	Develop captive animal welfare guidelines and communicate to key contacts.
Increase economic benefits to local communities in TUI Travel flagship all-inclusive properties.	Flagship hotel properties with measures in place (no data available for 2007/08).	Initiate a project to measure and improve the socio-economic impact of TUI Travel hotels.
Influence improvements in the sustainable management of key destinations.	Evidence of improvements made.	Pilot destination audits to better understand specific sustainability issues in key destinations.

Our People



Costa Rica Leadership Programme

Fifty senior managers have attended our leadership programme, currently in Costa Rica. The four-day programme creates a unique learning experience by providing business expertise and resources to a local eco-tourism business, combining leadership and teamworking skills with hands-on construction work.

Involving and empowering our colleagues to take action for sustainability

TUI Travel operates a global portfolio of businesses, employing approximately 50,000 people across the Group. We're proud of the commitment and dedication of our colleagues in delivering the levels of service and efficiency which make us stand out from our competitors.

Valuing our people

Our aim is to have the most capable and engaged teams achieving optimum business performance and supporting the goals of delivering high performance and creating superior shareholder value. Everyone is valued for their skills and talents and we make every effort to help people achieve their full potential.

Reward and recognition

We aim for a reward strategy that underpins business objectives within Groupwide principles and for these principles to provide a framework for local environments. Recognising and rewarding our people in ways that are attractive and relevant to them is key to performance.

Work environment

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

Opportunity to develop

Retaining people is critical to our continuing business success. We review skills levels across the Group regularly at Board level, with the aim of retaining and developing individuals who are able to take the business forward. We actively move people to career opportunities across the Group, so we can enhance our mix of innovative, entrepreneurial and management skills.

Leadership capability

We continue to invest in our leadership capability with key Groupwide leadership programmes to build the skills and capability of those with the greatest responsibility for leadership and strategy.

Involvement and communication

It's important that everyone works towards the same vision and is involved in matters that affect them. We hire people we believe share our passion for our products and serving our customers, communicate regularly in ways that suit our colleagues' working environment and culture, and listen to what they have to say.

Supporting diversity

Our Code of Conduct (see page 11) states clearly the approach we expect at work in operating with integrity, openness, tolerance and, of course, within the national law of the countries in which we operate.

We support diversity in the workplace and do not tolerate discrimination on the basis of nationality, gender, race, skin colour, disability, origin, beliefs, age or sexuality. It is part of working life at TUI Travel to respect different views, individuals' personal dignity and their personal rights.

The 2008 Leadership Voice survey (see below) confirmed that 80% of our leaders think the management of TUI Travel supports diversity in the workplace. It is our aim to continue to measure perception of diversity so that we continue to improve in this important area.

80%

The percentage of leaders who think TUI Travel supports diversity in the workplace.

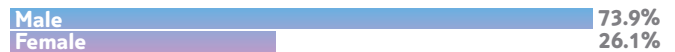
TUI Travel gender profile



Core workforce



Core workforce management



Core workforce executive

(Source: TUI Travel Financial HFM system, September 2008)

Where appropriate and possible, businesses record details of ethnicity and disability at a local level.

Engaging our colleagues

It's our goal that TUI Travel is a great place to work and a company our colleagues connect with. Key to this goal is the development of TUI Spirit, our Company values (see page 11). We look to measure how we are doing in creating such an environment and to ensure continuous improvement by comparing ourselves to other successful global organisations.

In August 2008, we launched Leadership Voice, a survey of our senior leaders, which aims to measure engagement among this important group of people, and how well they understand our vision and values. We then compare this with the norms of other global and national senior management. The survey confirmed 94% of our leaders are proud to work for TUI Travel, an excellent result just one year into our merger.

94%

The percentage of leaders who are proud to work for TUI Travel.

There are two questions relating to sustainable development in the Leadership Voice survey. The first survey, carried out in August 2008, confirmed that:

- 73% of leaders agreed that 'my business acts responsibly on environmental matters'.
- 66% of leaders agreed that 'my business acts responsibly in the local communities in which we operate'.

Our People
continued

In 2009, we will amend the questions to allow comparison with senior management norms, and monitor over time the opinions of our senior leaders on sustainable development at TUI Travel.

Leadership development

At Group level, we aim to ensure that our learning & development programmes help their participants understand how sustainable development affects their role. Our Groupwide leadership programme was launched in July 2008 and, by February 2009, 50 senior managers had attended.

The programme currently works with a community running an eco-lodge in Heliconias, Costa Rica and aims to boost the commercial performance of the local business by upgrading and extending facilities at the site and providing access to business expertise and advice from TUI Travel.

Sustainable development was a key topic at the inaugural Group Management Conference, held in Paris in February 2008. The conference incorporated workshops where senior leaders brainstormed what TUI Travel could do to establish and fulfil our company values (see page 11), including sustainable development issues.

Sector-level engagement

Many TUI Travel businesses conduct internal surveys on topics that matter to our people. Where possible, key questions – including those on sustainable development – are aligned Groupwide so we can measure our colleagues’ opinions in their entirety. In 2007/08, the following business areas carried out internal surveys that included questions on sustainable development: TUI UK & Ireland, TUI Nordic, TUI Canada, Activity and Specialist & Emerging Markets. See the Sector pages for details of the results.



Green Days

Since 2004, TUI Deutschland has held an annual Green Day, providing presentations and activities for colleagues and promoting engagement and enthusiasm on sustainable development issues. In 2007, scientists and specialists spoke on the risks and opportunities that climate change presents to the leisure tourism industry.

73%

The percentage of leaders who agree that their business acts responsibly on environmental matters.

66%

The percentage of leaders who agree that their business acts responsibly in the community.

Workstream 8: Our People

Our people are vital to achieving our sustainable development goals. Responses to our internal surveys show us that our colleagues are motivated by knowledge of our commitment to sustainable development and that our record in this area is becoming increasingly important to recruitment and retention.

Goal: All our colleagues – especially those with direct responsibility for sustainability – will understand the basics of sustainable development, be internal and external ambassadors for TUI Travel’s activities, and have the capacity to play their part.

Board sponsor: Bill Logan, Group HR Director.

Our People objectives		
Workstream objective	Performance indicators	Targets for 2008/09
Embed sustainable development into existing learning & development and internal communications strategies at Group, sector and business level.	Results of sector internal surveys (see above). 90% of businesses communicate with colleagues about sustainable development ^(vi) . 62% of businesses have formal sustainable development training for at least some colleagues ^(vi) .	Share best practice on internal communications and training for sustainable development. Include sustainable development into business inductions (where they exist). Include sustainable development in Groupwide communications channels.
Develop and provide support for colleagues with direct responsibility for sustainable development.	78% of colleagues can call on a specific person in their business with responsibility for sustainable development ^(vi) . 5% of businesses have personal objectives for those with direct responsibility for sustainable development ^(vi) .	Create network of champions with clear job descriptions and personal objectives where appropriate.
Develop and provide sustainable development training for specific Groupwide audiences (senior managers, future leaders and International Management Trainees).	73% of leaders agree that ‘my business acts responsibly on environmental matters’ ^(vii) . 66% of leaders agree that ‘my business acts responsibly in the local communities in which we operate’ ^(vii) . 50 senior managers have attended our leadership programme, currently in Costa Rica (see above) ^(viii) .	Continue with Groupwide leadership programme. Include sustainable development in TUI Horizons training for future leaders.

Our Customers



Green blogging

EasyMarket, a specialist online retailer in Italy, has developed a 'green' thread on its online blog to engage customers in sustainable development issues. Since June 2008, the blog has featured Earth Day, carbon offsetting, and how to save energy.

Creating and satisfying demand for more sustainable holidays

Our customers are at the heart of everything we do at TUI Travel. Our vision is making travel experiences special, and to achieve that we've chosen Customer Obsessed as one of our Company values (see page 11 for further details).

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 through 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 tells us about the quality of service they receive.

In addition, the Group Marketing department conducts an annual Brand Positioning Survey to support the development of the TUI Travel brand portfolio. The focus of the survey is on the biggest brands in each sector and their main competitors. The survey measures customer satisfaction among a cross section of people who have taken a holiday with a TUI Travel brand within the last two years and also calculates the Net Promoter Score (NPS) for each brand. The NPS score is based on respondents' willingness to recommend a brand to a friend or colleagues and is fast becoming the most-used measurement for customer loyalty and retention in global companies.

Customer Health & Safety

The health & safety of our customers continues to be of paramount importance to TUI Travel. Our Group Health & Safety department sets a clear direction for the Group to follow, founded on the TUI Travel Health & Safety policy statement. The department actively directs and supports all sectors in the design and implementation of comprehensive safety management systems.

We continue to invest in systems to manage and disseminate health & safety information across the Group, benefiting all sectors. Our online due diligence tool, Sure2Care.com, is unique in the industry and is now widely recognised outside TUI Travel. Our health & safety resource library, FCRisk.com, is available to all colleagues, as well as our employee occupational safety e-learning module Safety In Your Workplace. The rollout of RiskConsole, our new online reporting system for incidents, accidents and illness, is ongoing. The reporting and monitoring mechanisms within RiskConsole enable us to react swiftly and effectively to any situation affecting our customers. We also analyse letters received from customers to record any health & safety concerns raised and to ensure we can take appropriate action.

Our UK and overseas teams undertake regular inspections of accommodation, transport and excursion suppliers to assess not just health & safety, but also quality and sustainability. We work with our suppliers on a cycle of continuous improvement and if suppliers fall below our expectations, we remove them from our programmes.

Customers and sustainable development

Our customers are becoming increasingly aware of sustainable development issues and expect businesses – including their holiday company – to be tackling the issues that matter to them.

87%

The percentage of TUI Travel businesses that communicate with customers on sustainable development.

The diversity of our businesses means that our customers often have different attitudes and approaches to sustainable development. TUI Travel reviews and often commissions research into customer attitudes to sustainable development in our source markets.

Raising awareness

Communicating with customers on the sustainable development impacts of tourism and telling them what we are doing to make their holiday more sustainable.

Influencing choice

Making it easy for customers to choose a more sustainable holiday.

Changing behaviour

Showing customers how their actions can help maximise the positive and minimise the negative impacts of their holiday.

Developing and promoting new products

Responding to customer demand for new and more sustainable experiences.

We want to ensure our businesses are leading their source markets in sustainable development communications, driving demand for sustainable holidays while avoiding the pitfall of using 'greenwash' (where environmental claims are false or overinflated).

Workstream 9: Our Customers

The focus of the Our Customers workstream is on making improvements at the business level, working in partnership with the people who understand their customers best.

Goal: All TUI Travel businesses will deliver good quality communications on sustainable development at each stage of the customer journey, based on robust customer research.

Board sponsor: Johan Lundgren, Managing Director, TUI Northern Region.

We aim to achieve the workstream objectives by sharing best practice among TUI Travel businesses and developing a grading system to show businesses how they are doing compared to their peers. We will identify one person in each TUI Travel business to manage customer communications for sustainable development.

71%

The percentage of TUI Travel businesses that offer a carbon offset to customers.

Our Customers
continued



Hands on Adventures

The Adventure Company introduced 'Hands on Adventures' in 2008 to involve customers in increasing the local benefits of tourism. The company offers 14 holidays that include an element of hands on involvement, from monitoring bears in Slovakia to living with the San Bushmen of northern Namibia.

We will also develop and communicate Groupwide guidance on customer communications for sustainable development. This will be aimed at businesses which are not yet communicating with customers on sustainable development issues and will also act as a reminder for businesses that have recently started.

For some issues, particularly those that are sensitive or where 'greenwash' is a high risk, our businesses will require more direction. We will develop and communicate Groupwide guidance on these issues, beginning with carbon offsetting.

Our Customers objectives		
Workstream objective	Performance indicators	Targets for 2008/09
Extend and improve TUI Travel businesses' customer communications on sustainable development.	87% of businesses are communicating with customers on sustainable development issues ^(vi) .	Ensure that all of TUI Travel's consumer-facing businesses are communicating with their customers on sustainable development issues. Develop a grading system for customer communications and assess all TUI Travel businesses against it, to drive improvements in future years.
Share customer research on sustainable development from all our source markets.	10% of TUI Travel businesses collect customer feedback on sustainable development issues ^(vi) .	No specific target for 2008/09.
Establish Groupwide guidance on specific customer engagement issues.	71% of TUI Travel businesses offer a carbon offset to customers ^(vi) .	Develop and communicate Groupwide guidance on carbon offsetting schemes. Identify additional customer engagement issues requiring Groupwide guidance.

Sectors

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TUI Northern Region

"Sustainable development is about changing our society for the better, and it is a change in which we will all need to play our part. For TUI Northern Region, implementing sustainability principles into our work is a real priority. My fellow Group Management Board member Dermot Blastland is a driving force in ensuring TUI Travel understands its role and takes sustainable development seriously."

Johan Lundgren

TUI Northern Region

PLC Board representative for sustainable development



"Sustainable tourism is central to my goals for the future success of our business. In five years' time, I'd like to think that we won't be discussing sustainable tourism at all – it will just be part of the way we do business."

Dermot Blastland

TUI UK & Ireland

GMB representative for sustainable development

The Northern Region comprises the distribution and tour operating businesses in the source markets of the UK & Ireland, Canada and the four Nordic countries Sweden, Norway, Finland and Denmark. Brands include Star Tour, Fritidsresor and Finnmatkat, the Nordic tour operators and retailers, First Choice and Thomson, the leading UK high street brands and Signature Vacations, the tour operator in Canada.

TUI Northern Region has developed a supplier sustainable development contract addendum, containing minimum social and environmental standards, which will be incorporated into the contract cycles of all these brands.



Helping customers make a difference

In 2007/08, TUI UK & Ireland and its customers donated £1.7 million to the World Care Fund, helping to fund sustainable tourism projects through The Travel Foundation and approximately 250,000 tonnes of Gold Standard carbon offsets through ClimateCare.

TUI UK & Ireland

TUI UK & Ireland – best known for the brands Thomson and First Choice – aims to be at the forefront of finding ways to improve and sustain all the markets and destinations we operate in. Over the past few years, we've been delighted to win some of the most sought-after sustainable tourism awards in the UK (please see page 9 for details).

Embedding

One of the key strategic goals of TUI UK & Ireland is to be a 'high performance company', striving for operational excellence in all we do. Our sustainable development performance is a critical success factor in helping us achieve this goal, and the TUI UK & Ireland Board measures performance against key sustainability indicators monthly. These indicators include carbon emissions measures for our airline and our premises, and customer, supplier and colleague engagement with our sustainability strategy.

Many colleagues in the business have formal sustainable development objectives in support of achieving our strategic goals, and in 2007/08 we assigned additional resource to embed sustainability in our airline, retail and commercial divisions.

Examples of our management's involvement in sustainability include:

- Public advocacy for a more sustainable tourism industry – TUI UK & Ireland managers presented their views at 10 UK conferences or academic institutions during the 2007/08 financial year.
- A focus on sustainable development at TUI UK & Ireland management conferences.

Climate Change

Thomson Airways

Thomson Airways was formed from the merger of Thomsonfly and First Choice Airways on 1 November 2008. Because of its impact on climate change, the airline's sustainability focus is on reducing its fuel consumption. In 2007/08, the airline emitted 75.7g of carbon dioxide per revenue passenger kilometre (CO₂/RPK) – comparing very favourably with other scheduled and low-cost airlines – and saved a total of 34,000 tonnes of carbon dioxide through fuel efficiency activities.

34,000 tonnes

The total amount of carbon saved by Thomson Airways' fuel reduction activities in 2007/08.

During 2009, Thomson Airways appointed an Airline Environment Manager. In 2009/10, a priority will be to develop and implement an Environmental Management System (EMS) for aircraft maintenance activities, in line with ISO14001. In the longer term, Thomson Airways is scheduled to be the European launch customer for the Boeing 787 Dreamliner, which promises a reduction in carbon emissions of up to 20% and a 60% noise reduction compared to our existing fleet.

TUI Northern Region
continued

Premises

Our Facilities and IT teams have developed a series of initiatives to address the environmental impacts of our office, retail and call centre premises. For example:

- 231 First Choice shops are on green energy contracts, which equates to 28% of the total energy used by the TUI UK & Ireland retail estate.
- Head offices have invested in energy efficient motion-sensor lighting, improved air conditioning controls and energy efficient hand driers.
- Retail refurbishments have benefited from low energy lighting and air conditioning controls.
- An enhanced recycling programme has been introduced to our retail estate.
- We are implementing an automatic overnight PC shutdown for head office and retail estates, which is expected to save over 2,500 tonnes of carbon per year.
- We have introduced FollowMe printing, where colleagues are required to present their security card at a printer before their work will print, reducing paper waste.
- In June 2008 we launched a car-sharing scheme for colleagues. By June 2009, 295 of them had signed up to use it.
- In 2009, we commissioned experts to conduct carbon audits in key retail, airline and head office locations to identify potential areas where we can make further energy savings.

2,500 tonnes

The expected annual carbon saving from TUI UK's automatic overnight PC shutdown.

Destinations

We recognise that we share responsibility with our hosts and suppliers for protecting the environment and supporting local communities in our destinations.

During 2009, our Resort Team Managers were given responsibility for promoting sustainable excursions and hotels, implementing 'green office' guidelines in destination offices and ensuring we provide sustainable tourism training to all overseas teams.

Supplier management

In 2007/08, we appointed a Sustainable Product Manager to oversee the implementation of sustainable development principles throughout our supply chain in destinations. We are working with Atlantica Hotels on the development of First Choice's Holiday Village in Rhodes to ensure that sustainable design and construction considerations are integrated into the new property.

We are actively encouraging all our suppliers to use the Travelife Sustainability System. Our focus in 2008/09 is our top 400 hotels by customer numbers, which together provide accommodation for over 50% of our customers. In 2009, we commissioned an external expert and recruited an environment specialist to work closely with our top 60 hotels, which together provide accommodation for over 20% of our customers. Together, they are undertaking in-depth audits of these hotels' environmental management and following up on performance improvements.

Sustainable excursions

We want all our customers to be able to experience excursions that have minimal environmental impacts, celebrate authentic local culture and ensure economic benefits are fairly distributed locally. We have distributed guidance to all of our destination offices and will have drafted minimum sustainability criteria for all excursions by the end of Summer 2009.



Greener Holidays e-brochure

In April 2009, First Choice published Greener Holidays, the first brochure in the UK market to promote more sustainable mainstream holidays. The online brochure features only Travelife-awarded hotels, providing an easy way for customers to make a more sustainable choice. www.firstchoice.co.uk/greener-holidays

Flagship resort community programmes

At each of our 10 main 'flagship' resorts worldwide – First Choice's Holiday Villages and Thomson's Sensatori properties – we aim to introduce a project that ensures increased benefit to local communities from our operations. The first project is now well underway in Chumpon, Mexico, where we're helping a Mayan community preserve their traditional ways by helping finance the production of jams that will be used by our hotels on the Riviera Maya.

Charitable giving

In 2007/08, First Choice Airways raised money through in-flight collections for the Family Holiday Association and local charities in the UK. First Choice resorts held charity days benefiting the NSPCC children's charity (www.nspcc.org.uk) and local charities in the destination. In developing countries, all the money raised went to local charities. During the same period, Thomsonsonly raised money for the Born Free Foundation (www.bornfree.org.uk) and Thomson resorts held events benefiting Macmillan Cancer Support (www.macmillan.org.uk) and local charities.

Charitable giving: TUI UK & Ireland

Thomson Airways	Family Holiday Association	£71,363*
	Born Free Foundation	£229,483**
Overseas teams***	NSPCC	£36,732
	Macmillan Cancer Support	£18,320
	Local charities overseas	£30,554

* Total raised in 2007/08 by TUI Travel PLC

** Total raised in 2007/08 by TUI UK & Ireland

*** Total raised from May 2008 to April 2009 (majority of funds raised before September 2008)

Our People

Our people are key to the success of TUI UK & Ireland's sustainable development strategy. In order to engage our colleagues, our Internal Communications team provides regular news, newsletters, events and programmes for colleagues based in the UK and overseas.

In October 2008, we carried out a survey of senior managers within the business. The results of our internal survey revealed that 64% of colleagues agreed that 'TUI UK acts responsibly on environmental matters' and 38% agreed that 'TUI UK acts responsibly in the local communities in which we operate'. Our goal for 2008/09 is to increase these results to 70% and 50% respectively.

64%

The percentage of colleagues who agree that TUI UK & Ireland acts responsibly on environmental matters.

During 2007/08, a Be Green campaign was launched across head offices, call centres and shops, to encourage colleagues to reduce their use of energy, water and paper, and increase recycling. To support the campaign, in January 2009, all Thomson and First Choice retail shops received an environmental charter outlining key actions our colleagues can take which focused on brochures and printing, energy and waste and recycling.

TUI Northern Region
continued

Project Discovery

TUI UK's volunteering scheme, Project Discovery, was in its second year in 2007/08. Ten people from Product, Marketing, Health & Safety and Retail visited sustainable tourism projects run by The Travel Foundation in Cyprus, Sri Lanka, Mexico, Egypt and Brazil. Colleagues used their skills from their everyday roles to contribute to these projects for up to two weeks. In 2008/09, we aim to build on the success of this scheme.

Learning & development

Key departments within TUI UK & Ireland are trained on sustainability issues specific to their roles.

- We have an ongoing programme of training for retail teams on sustainable tourism and how to encourage customers to contribute to the World Care Fund (see below).
- We have run training sessions for customer-facing airline colleagues and for our airline engineers.
- Sustainable tourism and child protection guidelines were distributed to overseas managers to train their teams.
- In December 2008, we started a new series of face-to-face inductions at head offices which all include a workshop on sustainable tourism.
- In April 2009, we developed a short film on our sustainable tourism activities for the TUI UK & Ireland Management Conference and have now shown it to all colleagues.

Our Customers

TUI UK & Ireland is committed to involving our customers in sustainable tourism and to making it as easy as possible for them to make more sustainable choices.

World Care Fund

In April 2008, we extended First Choice's World Care Fund to all TUI UK & Ireland brands for departures from May 2009 onwards. At the point of sale, we ask customers to donate £1 per adult (50p per child) to carbon reduction and sustainable tourism projects overseas, and TUI UK & Ireland matches their contribution in full.

Around a third of customers contributed to the World Care Fund between November 2007 and October 2008, raising £1.7 million together with TUI UK & Ireland's matched funding. For further information, visit www.firstchoice.co.uk/worldcarefund or www.thomson.co.uk/worldcarefund

£1.7 million

The amount raised by TUI UK & Ireland and its customers for the World Care Fund in one year.

Customer communications

In 2007/08, TUI UK & Ireland extended its sustainable development messages in communications throughout the customer journey, including in brochures, websites, point of sale communications, ticketbooks, in-flight magazine and kids' clubs activity programmes.



Climate neutral hotels

TUI Nordic has set up a joint venture with Atlantica Hotels for the new-build project, Atlantica Aegean Blue Village in Rhodes. The hotel opened in April 2009 and aims to reduce the use of fossil fuels within the hotel to zero, reduce electricity and water consumption to a minimum, and buy green electricity as soon it becomes available.

Eco-Traveller

In autumn 2008, eight First Choice shops began a sustainable tourism education trial with 15 local schools. The Eco-Traveller programme, developed with the National Schools Partnership and The Travel Foundation, gives schools access to downloadable activity sheets on environmental issues in the UK and overseas, to complement Key Stage 2 learning for seven- to eleven-year-olds.

Targets for 2008/09

- Achieve an average of 35% customer contribution to the World Care Fund across Thomson and First Choice shops.
- Reduce energy use in offices and shops by 5% (relative to 2007/08).
- Reduce paper use in offices and shops by 10% (relative to 2007/08).
- Incorporate sustainable development addendum into accommodation supplier contracting process.
- Audit 400 top hotels against Travelife Sustainability System.
- Draft minimum sustainability criteria for excursions by the end of Summer 2009.
- Increase scores on internal colleague survey to 70% (responsibility on environmental matters) and 50% (responsibility in the local community).
- Organise a Green Day to engage our colleagues.
- Increase promotion of Travelife hotels.
- Increase financial and in-kind support for Family Holiday Association.

TUI Nordic

At TUI Nordic, it is our goal for sustainable development to be embedded into our core business. In 2007/08, our focus was to create a team with responsibility for environment and corporate social responsibility (CSR).

Climate Change

TUIfly Nordic

Key performance indicator: Reduce fuel consumption per revenue passenger kilometre by 5% by 2010/11 and by 10% by 2014/15 (compared to the 2007/08 figure of 66g CO₂/RPK).

In 2007/08, we assessed TUIfly Nordic's air traffic programme to identify fuel savings and removed the relatively fuel inefficient Boeing 747 from our fleet. TUIfly Nordic is the most fuel efficient fleet within the TUI Travel airlines.

In 2008/09, we aim to fit 'winglets' to all Boeing 767s in the fleet. We fitted the first of these in May 2009 and will fit more before the Winter season. Boeing estimates that the winglets will result in a fuel saving of up to 6% for each aircraft. We also aim to certify TUIfly Nordic's Environmental Management System (EMS) to ISO14001 standard. Our certification inspection is due in September 2009.

TUI Northern Region
continued

In the longer term, TUIfly Nordic will be the first airline in the Scandinavian region to launch the Boeing 787 Dreamliner, which promises a reduction in carbon emissions of up to 20% compared to the Boeing 767.

External carriers

Alongside our work to make TUIfly Nordic more efficient, TUI Nordic prioritises external carriers with low fuel consumption and certified Environmental Management Systems. We have also started to require the disclosure of average fuel consumption in all carrier contracts.

Premises

Key performance indicator: Reduce energy consumption at TUI Nordic offices and shops by 15% by 2012/2013. In 2007/08, TUI Nordic's energy consumption from offices and shops generated a total of 1,504 tonnes of carbon dioxide.

Nearly all TUI Nordic offices and shops are on green energy contracts. In addition, all TUI Nordic catalogues and brochures are printed on environmentally-friendly paper.

Blue Train

TUI Nordic has developed a train charter holiday package which is less carbon intensive than flying, reducing the environmental impact of customers' travel to their holiday destination. The 'Blue Train' experience takes customers on an overnight train from Malmo in Sweden to many resorts across Europe.

In 2008/09, we aim to develop this product further, shortening the journey time, increasing comfort and offering more points of departure and destinations.

Destinations

Key performance indicator: Reduce carbon emissions in all Blue Villages (TUI Nordic's flagship hotel properties) from 1.5 kg/guest night to 1.35 kg/guest night by 2010/2011.

TUI Nordic has a joint venture with Atlantica Hotels for the new-build project Atlantica Aegean Blue Village in Rhodes. The hotel opened in April 2009 and aims to be climate neutral and environmentally sustainable through a number of measures, including no use of fossil fuels within the hotel, reducing electricity and water consumption per guest night to a minimum, and buying carbon-free electricity from renewable energy sources as soon as this is available in Rhodes.

In 2008/09, our focus is the ISO14001 certification of all Blue Village properties in Europe and Turkey, which is due to be completed in January 2010. We will also investigate a proposal to make all Blue Village resorts in Europe climate neutral.

Our People

Key performance indicator: 90% of TUI Nordic colleagues will agree that TUI Nordic is taking responsibility for the environment by 2012/2013.



Blue Train holiday experience

TUI Nordic has developed a train charter holiday package which is less carbon intensive than flying, reducing the environmental impact of customers' travel to their holiday destination. The 'Blue Train' experience takes customers on an overnight train from Malmo in Sweden to many resorts across Europe.

Our internal survey in March 2008 showed that 84% of our colleagues currently agree with this statement. In 2008/09, we will launch new internal training on environmental issues and will continue our regular communications with colleagues and Blue Village partners.

84%

The percentage of colleagues who agree that TUI Nordic is taking responsibility for the environment.

Our Customers

Key performance indicator: TUI Nordic's brands, Fritidsresor, Star Tour and Finnmatkat, will be perceived as the most environmentally conscious tour operators by consumers. To achieve this, the brands will need to be the top-rated tour operator for environment in an external survey in at least three out of the four Nordic countries.

In 2008/09, we plan to involve our customers in environmental awareness and behaviour change initiatives. We are looking into including environmental facts about destinations and hotels on our websites, starting with the Blue Village resorts.

January 2010

The target date for the ISO14001 certification of all Blue Village properties in Europe and Turkey.

We also aim to inform travellers how they can reduce their carbon emissions on holiday and encourage them to choose a bus transfer over a taxi from the airport to their hotel.

Targets for 2008/09

- Achieve ISO14001-certified EMS in TUIfly Nordic.
- Develop the Blue Train by adding routes, shortening journey time and increasing comfort.
- Incorporate sustainable development contract addendum into accommodation supplier contracting process.
- Define strategy for making Blue Village resorts climate neutral.

TUI Canada

TUI Canada consists of the brands First Choice Canada and Signature Vacations. Our Sustainable Development Committee was set up in 2006 to work closely with colleagues, consumers and partners on sustainable development. The committee initially consisted of directors and managers, but will be extended to customer-facing staff with an interest in sustainable development.

Climate Change

We have been working to mitigate the environmental impact of our offices by launching a Green Office guide, starting a recycling programme (with all proceeds benefiting the Hospital for Sick Children), putting lighting sensors and timers in common areas, installing double-sided printing as standard, and starting a carpooling incentive, now used by approximately 5-6% of colleagues.

Destinations

In conjunction with TUI UK & Ireland, we are encouraging all suppliers to sign up to the Travelife Sustainability System and incorporating the sustainable development contract addendum.

Colleagues participated in extra 'casual dress days' for charitable partners and donated to various charitable drives including food and clothing. Charities have included Second Harvest, Breakfast for Learning, CURE Foundation and Dress Your Best. To date, TUI Canada has raised over \$8,000, 150 pounds of food and 15 bags of clothing for charitable partners.

Our People

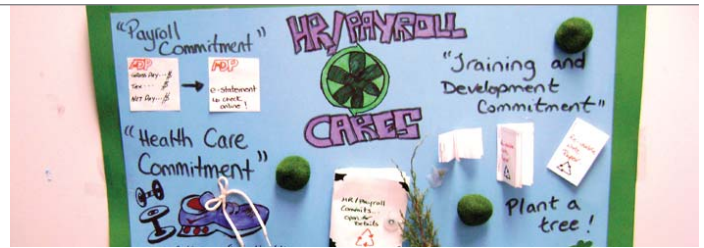
In September 2008, the results of our internal survey revealed that 85% of colleagues agreed that 'TUI Canada acts responsibly on environmental matters' and 80% agreed that 'TUI Canada acts responsibly in the local communities in which we operate'.

85%

The percentage of colleagues who agree that TUI Canada acts responsibly on environmental matters.

80%

The percentage of colleagues who agree that TUI Canada acts responsibly in the community.



First Choice Canada Cares Day

Departments were involved in sustainable development workshops where they created posters showcasing sustainability ideas. The posters were created using recycled materials and detailed the average amount of resources used and ways this could be reduced.

On 20 August 2008, approximately 175 colleagues participated in First Choice Canada Cares Day. The day educated colleagues on the achievements of the Sustainable Development Committee and we held seminars on how everyone can make a difference within the office and at home.

\$8,000

The total amount raised by TUI Canada for charitable partners.

Our Customers

TUI Canada involves customers in sustainable development issues in a number of ways. In our Summer 2008 Tropical Sun Brochure, we highlighted First Choice Canada's sustainable development achievements as one of the key marketing messages, and we added a volunteer holiday tour in Costa Rica to our products. The Signature Vacations website features a section on Responsible Travel Partners, highlighting resort partners with good sustainability standards.

Targets for 2008/09

- Expand and revitalise the Sustainable Development Committee.
- Expand the Responsible Travel Partners section of the website and include this information in Winter 09/10 brochures.
- Work with our destination teams to provide customers with responsible travel tips.
- Communicate the efforts and achievements of our destination teams both internally and to consumers.
- Promote sustainable hotels to customers, enabling them to make an informed choice.

TUI Central Europe



"We are the market leader in quality. Today, a commitment to environment and sustainability is part of our customers' expectations. This is why our goal is to be the market leader in this important field as well."

Dr Volker Böttcher

Managing Director, TUI Central Europe

TUI Central Europe comprises the distribution, tour operating and airline businesses in Germany, Switzerland, Austria and the Eastern European markets.

In Central Europe, our stakeholders have shown a great interest for many years in environmental management and 'green' products. Our focus is on encouraging our suppliers to become more sustainable – hotels, transfer buses and aircraft – as well as protecting nature in our destinations. Expectations of the environmental performance of hotels are particularly high. For several years now there has been a growing interest not only in climate change, but also in the social aspects of sustainable development. Various topics, such as the protection of children, fair working conditions and the economic participation of destinations in the success of tourism, are gaining importance.

We have appointed environmental champions to manage sustainability activities in all the major businesses in TUI Central Europe. They meet regularly to exchange ideas on the latest developments and coordinate how they should proceed.

Climate Change

We established the TUI Klimainitiative ('Climate Initiative') in 2007/08, aiming to offset the carbon emissions of aircraft. In partnership with the Swiss carbon offset provider myclimate, passengers flying with TUIfly and customers travelling with TUI Travel tour operators from Germany, Austria and Switzerland have the opportunity to offset the carbon emissions caused by their flight or package holiday when they book their holiday.

In this way, they have already invested more than €600,000 in climate projects in Eritrea, Turkey and in the Peruvian Andes, to save more than 30,000 tonnes of carbon. Along with a reduction in carbon emissions, the projects contribute to long-term economic and social development in these regions, reducing air pollution, creating jobs and increasing quality of life. All the projects are set up as VER (Verified Emission Reductions) projects and are certified to the internationally recognised Gold Standard for climate protection initiatives.

30,000 tonnes

The total amount of carbon offset through the TUI Klimainitiative.



TUI Deutschland's environmental certification

For the past 20 years, TUI Deutschland has been committed to protecting the environment. In 2003, the TUI Deutschland environmental management system was certified according to the international standard ISO14001.

Destinations

The businesses of TUI Central Europe participate in projects worldwide which benefit either the local population or nature in the destination and ensure that the destination remains attractive and prosperous. These businesses provide support in various ways: by making donations to organisations such as the 'Association pour le Développement de l'Energie Solaire', which produces solar cookers in Madagascar, or by supporting the Marine Biology Institute of the University of Vienna in their research projects on coral protection and turtles. The businesses also sponsor school projects in Ecuador and take part in projects such as the Year of the Dolphin 2007/08 in partnership with the United Nations Environment Programme (UNEP) and the Convention on the Conservation of Migratory Species of Wild Animals (CMS).

Balearics strategic partnership

The Balearics are a major holiday destination for TUI Central Europe. TUI Deutschland is working with the Environment Ministry of the Balearics Government to deliver several projects that will protect the natural environment of the islands.

For example, TUI Deutschland and OSRAM, one of the world's leading light bulb manufacturers, jointly promote energy efficient lighting in the Balearics. TUI hotel partners in Spain, Germany and Austria can request advice on energy efficient lighting and take advantage of TUI's low-price offer on light bulbs.

In October 2009, TUI Deutschland will start to plant the first TUI forest in east Majorca. In the Llevant nature reserve, 57,600 wild olive and pine trees will be planted over a number of years on a 48-hectare site. The aim is to stop the continuing ground erosion of the coastal slopes and to raise awareness of environmental issues among our customers.

TUI Environmental Champion

In 1996, TUI Deutschland began to monitor its hotels on environmental criteria, and now assesses them every year. This monitoring has prompted a significant increase in the environmental activities of hotels associated with package tourism in recent years.

The most environmentally-friendly hotels receive the TUI Umwelt Champion ('Environmental Champion') award, which has been successfully highlighting the environmental commitment of TUI hotels for 14 years. As only the 100 best hotels are named Environmental Champions, an effective competition has developed over the years. Thanks to the TUI Environmental Champion label, customers who value environmentally-friendly accommodation can quickly find a hotel that offers high environmental standards in our brochures.

14 years

The number of years that the TUI Umwelt Champion awards have been highlighting more sustainable hotels.

TUI Central Europe
continued

Futouris

The tourism industry is traditionally closely connected with the environmental and cultural background of our host countries. To support this connection, Futouris: Die Nachhaltigkeitsinitiative ('the sustainability initiative') was launched in January 2009. The aim of this association is to pool resources throughout the industry and maximise its impact. In addition to the original members – TUI Deutschland, TUI AG, Gebeco, airtours, TUI Suisse, TUI Austria and TUI Leisure Travel – several other tour operators have announced their intention to join. The initiative started under the patronage of the Deutscher ReiseVerband (DRV), the German travel industry association and is intended to be a platform for sustainable commitment in tourism and to be open to all companies.

Futouris emphasises dialogue with the local population and promotes projects for improving living conditions, supporting education, protecting nature and the environment, and preserving biodiversity. www.futouris.org

Our People

The enthusiasm of our people for sustainable development has a strong influence on our corporate development. For this reason, we integrate sustainability issues into our training so our young colleagues become aware of the subject at an early stage. As education is a permanent process, we provide regular training for travel agency staff, tour representatives and hotel contract managers.

In the offices of TUI Deutschland in Hanover, 10 colleagues manage the coordination of environmental activities and try to minimise the environmental effects of our headquarters and beyond. They have brought about the use of fairtrade coffee in the café, certified organic food on the canteen menu and the free availability of business bicycles.

Green Days

TUI Green Days are enthusiastically received. They are regular events to inform our colleagues of the latest environmental themes and we have held them annually since 2004. In 2007, we invited scientists and other specialists to give talks on the risks and opportunities that climate change presents to tourism, to increase awareness of the situation among our colleagues.

Our Customers

Our customers are the basis of our economic success and our inspiration to continually improve our service. Market research has uncovered a new customer trend which is spreading to all areas of life in our source market: 16% of Germans would like consumption of goods and services to be responsible and ethical.⁽⁶⁾ In the opinion of many marketing experts, this hails the beginning of a long-term change in consumer behaviour.



Futouris

In January 2009, TUI Central Europe launched Futouris, a new initiative that aims to use the resources of several tour operators in the region. The initiative will promote projects for improving living conditions, supporting education, protecting nature and the environment, and preserving biodiversity. www.futouris.org

TUI Grüne Welten

To address the target group in an appropriate way, in Winter 2008 TUI Deutschland and TUI Suisse set up TUI Grüne Welten ('TUI Green Worlds'). For the first time, we put an online 'green' world of experience and adventure on the market, offering environmentally-friendly hotels, climate-neutral holidays, nature experiences and volunteering holidays. These products attract the growing group of customers who are looking for more sustainable holidays.

Reef Check

In Egypt, we offer our customers the opportunity to take part in a practical sustainability project. Here TUI, working with Robinson Club Soma Bay, supports the worldwide reef protection initiative Reef Check. Under the guidance of a marine scientist from Reef Check, we not only offer divers and snorkellers a completely new insight into the colourful underwater world, but also sound scientific information about the biodiversity of the coral reefs.

Targets for 2008/09

- Scope a project to offset all carbon emissions from TUI Deutschland's work-related flights. If the plans are a success, the project will begin in October 2009.
- Start to plant the first TUI forest in east Majorca.
- Consult and train our travel agents on raising customer awareness of our carbon offset programme.
- Organise a conference on sustainability for Balearic hoteliers.

TUI Western Europe



"This year, TUI Western Europe took its first steps as a region on the long road of sustainable development. As market leaders, it is our responsibility to give guidance to our respective markets and to safeguard our product and business of tomorrow."

Bart Brackx
Managing Director, TUI Western Europe

TUI Western Europe comprises the countries France (Marmara and Groupe Nouvelles Frontières), Belgium (TUI Belgium) and The Netherlands (TUI Nederland). Through the different brands, each source market has its own airline and retail operation, and sales are driven through third party retail and direct selling. TUI Western Europe is the market leader in each of these markets.

Embedding

The businesses of TUI Western Europe embrace sustainable development and have worked to embed sustainable development into their business strategies, even though they are all at different stages of their journey. In our businesses in France, Belgium and The Netherlands we integrate sustainable management in different ways, and all have appointed a person or a team responsible for this.

TUI Nederland has been working on sustainable development since 1998, and Nouvelles Frontières since 2004. The sustainability efforts did not go unnoticed. In 2009, TUI Nederland won the 'Green Feather' for its sustainable tourism activities. First Choice Netherlands is a member of the sustainable development steering committee of the Dutch tour operator association, which TUI Nederland has chaired since 2008.

1998

The year that TUI Nederland began working on sustainable development.

In January 2008, Marmara established the foundation Equilibre pour un Tourisme Durable ('balance for sustainable tourism'). The main objectives of the foundation are to guide the Marmara hotels towards improved environmental management and to support environmental projects in the hotel destinations.

Jetair signed the West Flanders Charter for Sustainable Development in 2007, committing them to continuous improvement of environmental achievements, including actions that go beyond the national environmental laws and regulations.



Environmental audits

In 2008, Marmara's foundation Equilibre pour un Tourisme Durable financed environmental audits for two Marmara Clubs in Tunisia, Hammamet Beach Club and Tropicana Club. The audits looked at the Clubs' environmental impacts and identified measures to improve environmental performance.

Climate Change

The businesses of TUI Western Europe have started to combat climate change by reducing waste, as well as their use of water, energy and paper.

Five Paladien hotels (Nouvelles Frontières) are ISO14001-certified, and TUI Belgium and TUI Nederland headquarters have a management system in place to monitor waste, water and energy. The headquarters of Nouvelles Frontières, First Choice Netherlands and Marmara also have their own procedures in place to reduce water, energy and paper.

In 2009, TUI Nederland began a pilot of the Milieubarometer ('environmental barometer') system and Belgium works according to the guidelines of West Flanders Charter for Sustainable Development.

Airlines

TUI Western Europe has three airlines, each working to reduce emissions:

- Corsairfly (France) has a fuel efficiency programme.
- Jetairfly (Belgium) has a proactive fuel conservation policy and recently renewed its fleet to include more fuel-efficient aircraft which also make less noise.
- ArkeFly (The Netherlands) has a sustainable development policy and action plan to reduce emissions.

Carbon offsetting

TUI Belgium, TUI Nederland and First Choice Netherlands take part in the climate offset programme GreenSeat, available to customers when they book their holiday. In 2008, approximately 19% of First Choice Netherlands customers chose to offset their flight through the opt-out carbon offset option in the booking system, offsetting more than 8,500 tonnes of carbon. First Choice Netherlands also offset its carbon emissions from business travel.

19%

The percentage of First Choice Netherlands customers who chose to offset their flight.

TUI Nederland offers holidays to TUI's Robinson Clubs, in which carbon offset costs are integrated into the price of the holiday package. These costs are based on actual kilometres flown and driven to the Clubs, and Robinson offsets this carbon by investing in Gold Standard projects managed by ClimateCare.

Destinations

The businesses of TUI Western Europe acknowledge the importance of protecting nature and culture, and the contribution to economic development they can make through improving their supply chain and initiating projects in destinations.

Travelife

TUI Nederland and TUI Belgium have adopted the Travelife Sustainability System, encouraging their suppliers to manage their social and environmental impacts.

TUI Western Europe
continued

Sustainable development clauses

The supplier contracts of Nouvelles Frontières, TUI Belgium and TUI Nederland contain clauses with guidelines on sustainable development management. Marmara has integrated recommendations into the contracts of incoming agents, excursion suppliers and other partners.

Sustainable excursions

Nouvelles Frontières, TUI Nederland and First Choice Netherlands offer sustainable activities to their customers. Nouvelles Frontières has developed the excursions labelled Nouvelles Rencontres ('New Encounters'). These give customers opportunity to meet local people and contribute to the welfare of local communities. In 2008, TUI Nederland developed a fair trade Chocolate Tour in the Dominican Republic (see case study above). First Choice Netherlands and TUI Nederland sell the excursion Insight the Gambia, and First Choice Netherlands has developed a capoeira excursion in Brazil helping street children.

Our People

The businesses of TUI Western Europe have started to create awareness among their people through communication and training, to involve them in sustainable development.

All businesses communicate sustainability issues to colleagues, with the intranet as the most popular way. TUI Belgium and TUI Nederland both use an internal magazine, and in The Netherlands each edition has a green column. First Choice Netherlands and TUI Nederland also use product presentations to inform their colleagues.

Training

TUI Nederland has developed e-learning for its retail colleagues, on sustainable tourism, sustainable winter sports and the protection of children. In addition, tour operators, customer services, flight personnel and travel representatives have received training. The five ISO14001-certified Paladien hotels of Nouvelles Frontières have formal training for their people, fulfilling the ISO requirements and working towards annual environmental improvement targets.



Fair trade chocolate excursion

In 2009, TUI Nederland began to sell a fair trade chocolate excursion in the Dominican Republic, developed in partnership with the Dutch development organisations Cordaid and PASEO to generate additional income for the local cacao farmers. Ten farmers and more than 30 women have been trained as guides on the tour.

Our Customers

The businesses of Western Europe are aware that their customers are key to the success of the businesses in sustainable development.

Customer communications

All our businesses use the internet to communicate sustainability issues to customers and make efforts to get their customers involved through a variety of initiatives:

- Nouvelles Frontières states its sustainable development policy on two pages in all brochures and uses flyers, welcome meetings and events to highlight sustainability in the Paladien hotels owned by Nouvelles Frontières.
- Marmara communicates its green message through the foundation Equilibre pour un Tourisme Durable as well as a Marmara blog.
- TUI Belgium uses its brochures to inform customers of its sustainability initiatives.
- TUI Nederland communicates the green message at every stage of the holiday experience: websites, brochures, travel vouchers, in-flight video and magazine, and other magazines.

All businesses of Western Europe collect customer feedback, and some have included a sustainability question in the customer satisfaction questionnaire.

Targets for 2008/09

- Prepare a conference of the sustainable development champions in TUI Western Europe, to develop strategy for the sector.
- Draft a sustainable development strategy for TUI Western Europe and the individual companies in line with TUI Travel's sustainable development policy and strategy.

Specialist & Emerging Markets



"We are fortunate in our specialist portfolio to have sustainability well established in the philosophy of many of our businesses, which creates a great platform on which to build a clearly visible long-term strategy. Our aim is to ensure that customers trust us to do the right thing."

Richard Prosser

Managing Director, Specialist & Emerging Markets

Operating in North America, Europe and a number of emerging markets including Russia, this sector comprises over 40 specialist travel companies. Our specialist businesses focus on specific destinations, premium travel experiences or particular customer demographic segments, often with differentiated and exclusive products. Our brands include TCS, Starquest Expeditions, Sovereign, Hayes & Jarvis, I Viaggi del Turchese and Ambassador Tours.

The Specialist & Emerging Markets Sector has a diverse mix of colleagues and our customers have varying degrees of awareness of, and involvement in, sustainable development. However, we are fortunate that many of our businesses have a good understanding of sustainability and customers who trust them to be as good as their word.

Sector strategy and network

We appointed our Sector Coordinator in June 2008, and she spent three months visiting and conducting research to gain a complete picture of best practice across the sector. With such a varied portfolio of businesses, relationship building and gaining buy-in from senior management were key to this process.

Our sustainable development strategy is based on recognising where each of our businesses is on its sustainability journey, showing sensitivity to them as a unique business, and working with them at the appropriate stage of implementation.

To engage our colleagues, who are in seven source markets across three continents and who speak five languages, we have created a network of champions across the sector, in four main divisions:

- North America Student businesses.
- North America Leisure businesses.
- European businesses.
- UK & Ireland Specialist Division (UKISD).

The Sector Coordinator organised 'train the trainer' workshops for all champions, building their ability to promote sustainable development within their businesses. Within each workshop was a practical, sustainable development-related activity to motivate the champions.



Piedibus

In 2007/08, I Viaggi del Turchese promoted a 'walk to school' scheme, reducing the need for vehicle use, strengthening its ties with the local community and educating future customers on environmental issues. In the 2008 school year, 156 children used the service, saving a total of 423 kg of carbon.

Climate Change

Businesses in the Specialist & Emerging Markets Sector do not usually have direct influence over reducing the carbon footprint of the airlines they use. The sector strategy therefore focuses on reducing carbon emissions from office premises, offsetting carbon emissions from holidays and running pilot projects of more efficient ground transport operations. Below are some recent achievements in reducing carbon.

Travel Green

As part of their Travel Green programme, our Toronto student office (the head office of Educatours, Impact Educational Tours, Jumpstreet Tours, School Voyageurs and Young Explorers) offset 2,440 tonnes of carbon with Zerofootprint, a carbon offset provider specialising in the youth market. The cost of this offset was automatically included in the cost of their group coach tours. The programme also involves customers in environmental issues.

Starquest carbon offsets

Starquest has joined their largest customer, National Geographic Expeditions, in offsetting the emissions of their journeys. In the first half of 2008, they offset 8,000 tonnes of carbon through providers Clean Air, Cool Planet and Native Energy.

8,000 tonnes

The amount of carbon offset by Starquest in the first half of 2008.

Carbon template

In the UK & Ireland Specialist Division, climate change champions have developed a template to measure the cost savings and environmental benefits of energy-saving initiatives. Once this template has been piloted in the UK, we will introduce it to the other divisions.

Destinations

Supplier management

Our goal is for all businesses in the Specialist & Emerging Markets Sector to use the Travelife Sustainability System with their suppliers. This year, our long haul UK brands were the first in the world to bring Travelife to Thai hoteliers. By December 2009, all directly contracted hotels will have registered on the system and undertaken the self assessment. This first step will create a baseline for supplier sustainability in the sector, which will enable us to set improvement targets.

Community programmes

Many businesses in our sector work hard to ensure their operations benefit local communities in their destinations. For example, Country Walkers supports the community and elementary school of Patacancha, Peru. In partnership with Travelers' Philanthropy (www.travelersphilanthropy.org), the Company has funded two 'good farming' projects in small villages that form part of their Nepal and Egypt tours. In 2009, Country Walkers was awarded the National Geographic Adventure Best Companies on Earth award for the second year running.

Specialist & Emerging Markets
continued

Our People

In a sector where people are so passionate about travel, engaging our colleagues in sustainable development issues is vital, and we circulate a quarterly sustainable development newsletter to keep our colleagues informed of news from across the Group. The Specialist & Emerging Markets survey of September 2008 revealed:

- 64% of colleagues agreed that 'my business acts responsibly on environmental matters'.
- 60% of colleagues agreed that 'my business acts responsibly in the local communities in which we operate'.

64%

The percentage of Specialist & Emerging Markets colleagues who agree that their business acts responsibly on environmental matters.

60%

The percentage of Specialist & Emerging Markets colleagues who agree that their business acts responsibly in the community.

Premises refurbishment

Our experience in the North American Student division shows that when colleagues are truly supportive, they begin to influence suppliers and customers. Eager to begin the move towards sustainability, in 2007 the Montreal student companies Jumpstreet Tours and Educatours came together under one roof. They chose a refurbished biscuit factory that was undergoing LEED (Leadership in Energy and Environmental Design) Silver certification. Its main innovative green features are:

- Large windows that allow natural light and ventilation, using 50% less air conditioning than traditional new-buildings.
- 80% of the materials used in the development were recycled from the original building.
- Siting close to public transport links and equipped with a secure bicycle hangar.
- Efficient plumbing fixtures, offering a 30% reduction in water consumption.

This open-loft workspace inspired our colleagues to do more for sustainability, and the team has now produced a Sustainable Tourism Training Guide for tour leaders, helping motivate the rest of our Student division. For example, following this development, Educational Tours now uses 100% recycled white copier paper.

Our Customers

Our businesses often communicate their sustainability efforts to customers, through normal communications channels, specific campaigns and new sustainable products.

Helping children in Cambodia

In Spain, Ambassador Tours and Royal Vacaciones support a project aimed at fighting the sexual exploitation of children. In collaboration with Intervida, a Spanish NGO, they are funding a 'safe house' for abused children in Cambodia, helping to give them an opportunity to improve their lives.



Green Highways award

In 2007/08, YMT Vacations in California switched to an environmentally-friendly bus fleet through MTR Western which was awarded the United Motorcoach Association's inaugural Green Highways award.

World Care Fund

In the UK, Thomson Tailormade and Hayes & Jarvis offer their customers the opportunity to donate to the World Care Fund (see page 25 for details). We have trained customer-facing colleagues in how to talk about the donation, and details of the scheme are featured in brochures.

Volunteering holidays

In 2008, International Expeditions (IE) built trial water treatment plants for two villages in the Peruvian Amazon, funded a transportation system of school supplies to 70 villages and held educational workshops for teachers and parents. A pilot programme of environmental education is now also underway in Iquitos, a city in the Amazon rainforest where schoolchildren know little or nothing about the importance of the rainforest to the planet. Customers can visit the school, joining tours conducted by students. In September 2009, customers will be offered a new 'voluntourism' option where they will spend time volunteering in the schools.

80%

The percentage of recycled materials used in the refurbishment of the new North American Student premises.

Emerging markets

We are increasingly focusing on the emerging markets in Russia and CIS. Our UK project team is incorporating sustainability principles into business strategy development. We have outlined fuel efficiency criteria for aircraft and provided input into the hotel selection process to favour properties that meet the social and environmental criteria of the Travelife Sustainability System.

Targets for 2008/09

- Set up a network of communicators within each division and run a capacity-building workshop for each network.
- All businesses will develop a communications plan to engage their colleagues in sustainable development issues and to change behaviour.
- Encourage suppliers to self-assess their sustainability performance using the Travelife Sustainability System, with a view to all suppliers completing the self-assessment within 12 months.
- All businesses will adopt a sustainability-related destination project.
- Develop and pilot a template for measuring the cost savings and environmental benefits from energy-saving activities in offices.
- All businesses will be communicating with customers on sustainability issues, updating brochures and websites and initiating one campaign each.
- UK companies will join the World Care Fund customer donation scheme.

Activity



"Sustainable development is the cornerstone of our business. Our customers presume, and we demand of ourselves, the very highest standards and take our responsibilities very seriously. We have a long track record of supporting destination communities and we intend to build on it."

John Wimbleton
Managing Director, Activity

The Activity Sector has over 60 companies operating in the market segments of Marine, Adventure, Ski, Student and Sport (new for 2008). Its customers enjoy unique travel experiences such as hiking Kilimanjaro, Polar cruising, chartering yachts in the Caribbean, skiing the Peak 2 Peak at Whistler or touring with national cricket, rugby or football teams. Brands include Quark Expeditions, the world's largest and most diverse Polar travel company, Sunsail and The Moorings, leading yacht chartering and beach club brands and Crystal, Europe's biggest ski operator.

We will introduce the Activity Sector Sustainable Development strategy across the sector in 2009 and increase management resource on sustainability. The sector strategy will reflect the five Groupwide sustainable development priorities: Embedding, Climate Change, Destinations, Our People and Our Customers.

19%

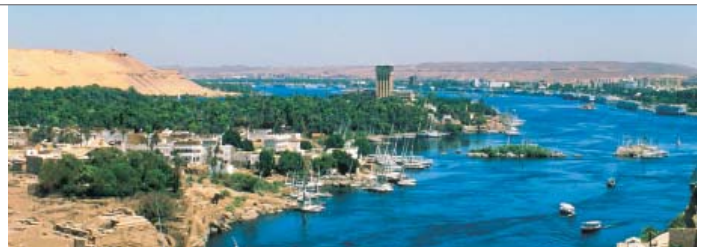
The reduction in carbon emissions by some Quark Expeditions voyages, resulting from their fuel saving programme.

Climate Change

To ensure we develop a more sustainable business, we intend to measure the carbon footprint of our expedition ships, ground transport fleets and major premises. We will then put performance indicators in place to reduce our carbon emissions from these operations and increase our offsetting with a view to working towards carbon neutrality. We will also set a target to reduce our paper brochures significantly and ensure they are produced from sustainable sources.

Quark Expeditions

Quark Expeditions has a commitment to environmentally responsible tourism in the pristine areas in which it operates. On all expeditions to the Arctic and Antarctic, the company follows strict environmental guidelines drawn up by the Association of Arctic Expedition Cruise Operators (AECO) and the International Association of Antarctica Tour Operators (IAATO), which Quark Expeditions helped to develop. Across its operations, the company has implemented a comprehensive fuel-saving programme with management and crew specifically targeted to minimise fuel usage without compromise to safety or customer satisfaction. In the Arctic, the company is using a lighter fuel for expedition ships, reducing carbon emissions by up to 19% on some voyages.



Animal welfare in Egypt

Imaginative Traveller supports the Animal Welfare of Luxor (AWOL) charity in Egypt. The charity provides care for working donkeys throughout the poor farming communities of El Marise on the West Bank of the River Nile. A new clinic is being built and Imaginative Traveller is sponsoring the stable area with £2,500.

The company also launched the Polar Ambassador programme on Earth Day, 22 April 2008, encouraging Quark Expeditions' travellers who have been inspired by their voyage to become involved in the conservation and protection of the Arctic and Antarctic. www.quarkexpeditions.com/polar-ambassador.

TUI Marine

The new TUI Moorings Marina in Tortola, British Virgin Islands, opened in early 2008. The Marina worked closely with the local sustainable tourism ministry to carefully replant rare species of coral and install a new system of water circulation in the marina, which has helped wildlife to flourish. A new laundry water recycling facility has also been installed to reduce its impact on the environment.

Carbon offsetting

Many Activity companies offer their customers the opportunity to offset their carbon emissions, while others have built it into the tour cost. Sawadee Reizen has worked with GreenSeat to build a full carbon offset into Galapagos and Polar expedition tours. Peregrine Adventures and Gecko's Adventures work with Climate Friendly to build carbon offsetting costs from accommodation, transportation and flights into the cost of their holidays. All three companies also offset work-related flights.

Destinations

In 2009, we will review the policies and processes we use to manage suppliers on sustainable development issues, and then define minimum sustainable development supplier management standards applicable to all companies within the sector. In our destinations, we support community and development projects that address destination environmental and economic sustainability. In particular, we focus on projects in the areas most affected by our business. We plan to set specific sustainability goals with regard to community development, environmental conservation and wildlife protection.

Making snow sports greener and more accessible

The Travel Foundation, a sustainable tourism charity, launched the 'Make Snow Sports Greener' website in 2008 for snow sports operators and accommodation providers. It shows businesses how they can take action on reducing carbon emissions and communicate effectively with customers. TUI Ski worked with the Travel Foundation to distribute the resource to its suppliers. Additionally, TUI Ski supports Disability Snowsport UK so that everyone can take part in and enjoy the thrill of snowsport.

Travelbound

Travelbound has adopted the Travelife Sustainability System and audited their Chateau du Molay in Normandy. They now have a list of objectives to continue to improve the sustainability practice and aim for a Gold Travelife award in 2010.

Trek America

Trek America is working with its local partners in Machu Picchu. In April 2009, they sponsored an environmental training programme for four local Peruvian wranglers and their local ground agent. Once they have completed the training, the wranglers will have developed new skills that will prepare them for a career in tourism and also enable them to earn a decent wage to better support their families.

450

The number of locally-run projects that i-to-i works with in 23 countries throughout the world.

Activity
continued

i-to-i

i-to-i works with over 450 locally-run projects in 23 countries throughout the world. The company is behind the creation of over 25 local independent businesses in the developing world to support our customers. In the 12 months to July 2009, i-to-i has:

- Financially supported over 150 families throughout the developing world by the use of homestays for travellers.
- Provided hands-on support and care for children with HIV/AIDS in Kenya.
- Sent over 800 travellers working on hands-on projects developing and supporting wildlife and the environment in Asia, Africa and Latin America.
- Taught English to over 5,000 children in the developing world.
- Enabled customers to contribute over 10,000 hours of labour on rural house-building programmes in Costa Rica, Honduras, Vietnam and Kenya.
- Been involved in several reforestation projects in sub Saharan Africa.

Community-based tourism

Exodus and The Adventure Company are offering holidays developed by Thailand's Community-based Tourism Institute (CBT-I), with funding from The Travel Foundation. Exodus and The Adventure Company worked closely with local communities to plan holidays based on special elements of local life that community members feel proud of. Customers can learn about the community and environment through fun, hands-on activities including jungle trekking, traditional fishing, natural dyeing and learning to cook local dishes.

Working in partnership

- Imaginative Traveller and Sawadee Reizen are working with the Rainforest Alliance. They have signed an agreement demonstrating their commitment to sustainable tourism throughout Latin America, and giving the Alliance access to their local operators to introduce environmental issues to the supply chain.
- Sawadee Reizen works with Fair Trade in Tourism South Africa (FTTSA), including as many FTTSA certified hotels and excursions as possible in their holidays to the region.

Charitable giving

All Activity companies support local charities and two have set up charitable foundations. In 2007/08, The Adventure Company Foundation raised £6,000 for several projects including the Betalghat School in India and the David Sheldrick Wildlife Trust in Kenya. Between its launch in 2007 to June 2009, The Peregrine & Gecko's Community Trust raised over \$100,000 for projects including the Chitwan Electric Fence project in Nepal and the Galapagos Conservancy.

\$100,000

The Peregrine & Gecko's Community Trust raised over \$100,000 for projects including the Chitwan Electric Fence project in Nepal and the Galapagos Conservancy.

Exodus worldwide projects

Exodus has entered into a partnership with Friends of Conservation to support and run several projects worldwide. In the Himalayas, Exodus supports the Nava Kiran Orphanage in Kathmandu. Funds have been raised to build an entirely new home for the orphans, fund their education and supply solar cookers and a bio-gas unit to meet their energy needs.



Promoting education and employment

Peregrine & Gecko's Community Trust provides funds for local community projects and initiatives that promote sustainable tourism in the destinations in which we operate. The Trust particularly supports projects that advance education and employment within the tourism and hospitality industry.

In the Bandhavgarh National Park in India, tigers face a precarious future. Exodus customers, colleagues and suppliers have donated nearly £35,000 to rebuild the secondary school in the nearby village of Tala. One of the main aims of the project is to use education to explain how the communities' welfare can improve through tourism, with the goal of ending poaching.

Our People

Our people are pivotal to our success in developing a more sustainable business. Our goal, therefore, is to ensure that sustainable development topics are part of induction and training so that each colleague can play their part in sustainable development. We circulate a regular Activity Sector sustainable development newsletter and the sector intranet includes an area on responsible tourism.

We train specific colleagues on sustainable development issues where appropriate. Recent training includes a full-day session for UK-based responsible tourism champions (April 2009) and sessions at TUI Ski (December 2007) and the Activity Commercial programme (November 2008 and May 2009).

Every year, each of the 4,000 colleagues in the Activity Sector is given a day to work in local community projects. In the last year, one UK-based team used this time to renovate a homeless shelter in Brighton.

Trek America

Trek America supports the annual Tourism Cares project. In April 2009, it sponsored five colleagues to volunteer to help a restoration project in Gettysburg, Pennsylvania.

Our Customers

The feedback we get from customers is crucial to our success. We aim, therefore, to extend customer feedback collections on sustainable development issues.

The Adventure Company

We introduced the 'Hands on Adventures' initiative in 2008 to support the business focus on responsible tourism and involve customers more in creating tangible benefits locally. It includes 14 trips which offer an element of working within a project as part of their itinerary or as an extension. This might be anything from monitoring and tracking bears in Slovakia to spending time living and working with the San Bushmen of northern Namibia. In June 2009, a total of 52 customers had booked a 'Hands on Adventure'.

Targets for 2008/09

- Appoint sustainable development champions for each division within the sector – Adventure, Sport, Student, Marine and Ski.
- Measure the carbon footprint of our expedition ships, ground transport fleets and major premises, and set reduction targets.
- Define minimum sustainable development supplier management standards applicable to all companies within the sector.
- Extend customer feedback collection on sustainable development issues.

Accommodation & Destinations



"The year ahead is one of interesting challenges and great opportunities to promote and support sustainable development within our sector. We look forward to expanding the role we play in sustaining the communities and environment that we depend on."

Joan Vilà

Managing Director, Accommodation & Destinations

The Accommodation & Destinations Sector combines three divisions. The B2B Division is a global integrated supplier of accommodation and destination services, offering a wide product range and superior service to a diverse customer base. The A&D Specialist Division is a portfolio of destination management companies (DMCs) and minority shareholdings in niche destination specialists. Our B2C Division comprises online accommodation retailers with commissionable sales models and leadership positions in their regions and includes Hotelopia, LateRooms.com and AsiaRooms.com.

We recognise we must play a role in sustaining the communities and the environment that we so depend on. The B2B Division and the A&D Specialist Division have different approaches to many areas within sustainable development and are tackling their responsibilities in different ways.

This year we carried out a sector survey worldwide with all our business units and destination offices. As a result, we have learned more about the sustainability-related activities taking place within Accommodation & Destinations. We have also confirmed what we already knew: that we need to lay the foundations for a sector strategy on sustainable development that will define our policy principles, objectives and actions, unifying our lines of work.

Our main aim for the year 2008/09 is to have a common sector sustainable development strategy in line with the Groupwide priorities, which will help us maximise our efforts towards common goals, making sure we share best practice and learn from each other.

Climate Change

As a provider of ground transport services to TUI Travel tour operators and other companies, the Accommodation & Destinations Sector is a key contributor to the Ground Transport workstream within the Groupwide Climate Change priority.

Destinations

Accommodation

As the name of our sector suggests, providing accommodation is a big part of our business. We have a health & safety management system in place that not only helps us check the health & safety standards of our suppliers, but also whether the hotels we work with are participants in a sustainable tourism certification programme.



ARP Travel Group

ARP Travel Group is committed to sustainable development, and is a member of Ecotourism Kenya and the Wildlife Conservation Society in Tanzania. ARP Travel Group has a dedicated environmental committee, conducts awareness schemes for customers and provides environmental responsibility training for colleagues and drivers.

Excursions

Another important part of our business is excursions. All our destination offices try to offer sustainable excursions, including a fair trade chocolate tour in the Dominican Republic and a sea turtle project in Limón, Costa Rica.

Destination projects

TUI España maintains institutional contacts with the Spanish local governments, councils and tourist municipalities, reaching many collaborative agreements.

Hotelbeds Costa Rica recently signed the Child-Protection Code (www.thecode.org).

It would be impossible to list all the examples of how our offices collaborate with different associations and charities locally. Some examples include: Kenya Wildlife Service, MEAK UK, Children for Children's Future (CCF) in Kenya, Macassar Haven in Namibia, the Boys Home Maharagama in Sri Lanka, Mauritius Wildlife Foundation (MWF), Crèche Coeur Immaculée de Marie in Quatre Bornes in Mauritius, Mare Nostrum in Romania, SOS Kinderdorf in Bulgaria, and the Vicente Ferrer Foundation in Spain.

Our People

Engaging our people will be a key element of our sector sustainable development strategy. Our sector newsletter currently has a dedicated sustainable development section.

Our Customers

The main role of the Accommodation & Destinations Sector in involving customers in sustainable development issues is to promote more sustainable accommodation to our customers, both B2B and B2C. As part of our sector sustainable development strategy, we aim to identify and promote sustainable products from TUI Travel tour operators and others.

Targets for 2008/09

- Define and develop Accommodation & Destinations' sustainable development strategy, embracing and supporting the sustainable development policy of TUI Travel.

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Data and Materiality

This update, published in July 2009, is TUI Travel PLC's first full Sustainable Development Report. We intend to publish annual Sustainable Development Reports, with the next due in the first half of 2010.

It follows on from our interim Environment & People Update, published in September 2008 which contained data from the former First Choice Holidays PLC. You can find this, and First Choice reports from 2005 onwards, at www.tuitravelpc.com/sustainabledevelopment

Scope

The scope of this report includes data and progress on sustainable development activities from all businesses owned by TUI Travel, for the financial year 2007/08, running from 1 October 2007 to 30 September 2008.

Our interim Environment & People Update included data for First Choice's UK operations only. The data in this report covers TUI Travel's international operations and is therefore more wide-ranging than previous reports.

We have indicated where data refers to joint ventures or Company suppliers. Since September 2008, TUI Travel has acquired new businesses for which key data has not yet been gathered. Data and progress for these businesses will be included in the 2008/09 Sustainable Development Report.

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:

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

For a summary of the business case, visit www.tuitravelpc.com/sustainabledevelopment

This report outlines our performance on key sustainable development issues that we consider to be material to our company. We aim to ensure that the content of our Sustainable Development Report is relevant to our stakeholders, both internal and external. We review the material impacts of our activities regularly as a Company and the information that our stakeholders expect to see in our reports (see page 4 for details). In determining the contents of this update, we took into account feedback on our strategy and previous reports from colleagues, investors and other stakeholders (see page 42 for details).

Data sources

The descriptions of our progress and strategy in this report are current at the date of publication, July 2009. Where practical, however, data is for the 2007/08 financial year. Where data in the report is not for this period, it is stated clearly alongside the data.

We gather data for our performance indicators from two main sources: the 2008 Group Sustainable Development Survey and our 2009 submission to the Carbon Disclosure Project.

Group Sustainable Development Survey

The 2008 Group Sustainable Development Survey aimed to identify priorities for TUI Travel's sustainable development strategies (at Group and sector level) and to provide a baseline for sustainability performance indicators. It consisted of 29 straightforward questions on issues such as supplier management, customer engagement, investing in people and environmental targets.

In April/May 2008, the survey was sent to the managing directors of TUI Travel tour operating businesses, and nearly all responded. Their responses were used as a starting point for Sector Coordinators to talk to the businesses in their sector, some for the first time. To ensure the responses reflected the size of the businesses that responded, we weighted them by employee numbers.

In December 2008, we sent an amended version of the Group Sustainable Development Survey to TUI Travel's hotels and cruise ship operations. We tailored the survey questions to the recipients, focusing on their carbon emissions and environmental management. The survey was sent to the environmental managers of Atlantica Hotels, Gran Resort, Nordotel and Paladien Hotels and the operations directors of Thomson Cruises, Island Cruises and Quark Expeditions, TUI Travel's most significant cruise businesses.

The results of this survey were presented in our interim Environment & People Update and are re-stated in this report. The survey took place within the 2007/08 financial year and is therefore relevant to this report. The strategy development that has been carried out since our interim update has enabled us to put these results into context. The next Group Sustainable Development Survey is planned for after the 2008/09 financial year.

Carbon Disclosure Project

TUI Travel makes an annual submission to the Carbon Disclosure Project, an investor coalition representing 385 signatory investors and combined assets of \$57 trillion (£36 trillion). Each participating company's submission is scored and benchmarked with respect to its approach to managing climate change risk and opportunity. www.cdproject.net

TUI Travel's Carbon Disclosure Project submissions for 2008 and 2009 can be found at www.tuitravelpc.com/sustainabledevelopment

Please note that 2006/07 carbon emission data is based on a pro forma financial year ending 30 September 2007 for TUI Travel PLC. Where the data was not available from First Choice Holidays PLC or the Tourism Division of TUI AG for that period (1 October 2006 to 30 September 2007), the nearest full 12 months of data was used.

Assurance

Our progress against the 2007/08 targets we published in our last Environment & People Update is subject to external assurance by Bureau Veritas. See page 44 for their statement. TUI Travel will review the recommendations in this statement and build them into our strategy.

Targets for 2008/09

- Align questions in Group Sustainable Development Survey with workstream data needs.
- Review carbon data management processes.

Data and Materiality
continued

Global Reporting Initiative (GRI)

We have benchmarked this report against the Global Reporting Initiative (GRI) reporting framework. We assess our application of the GRI framework to be at level C.

The 2008 TUI Travel Annual Report & Accounts and our 2009 submission to the Carbon Disclosure project can be found at www.tuitravelplc.com/sustainabledevelopment

Global Reporting Initiative (GRI) reporting framework		
GRI Indicator	Details	Where to find this information
1	Strategy and Analysis	
1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	Page 2
1.2	Description of key impacts, risks, and opportunities.	Page 4
2	Organisation Profile	
2.1	Name of organisation.	Page 1
2.2	Primary Brands, products and services.	Annual Report & Accounts 2008, pages 14-25
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Annual Report & Accounts 2008, pages 14-25
2.4	Location of organisation's headquarters.	Annual Report & Accounts 2008, page 64
2.5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Annual Report & Accounts 2008, page 3
2.6	Nature of ownership and legal form.	Annual Report & Accounts 2008, page 64
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Annual Report & Accounts 2008, page 3
2.8	Scale of the reporting organisation	Annual Report & Accounts 2008, page 38
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Page 38
2.10	Awards received in the reporting period.	Page 9
3	Report parameters	
3.1	Reporting period.	Page 38
3.2	Date of most recent previous report.	Page 38
3.3	Reporting cycle.	Page 38
3.4	Contact point for questions regarding the report or its contents.	Inside front cover
3.5	Process for defining report content, including: Determining materiality; Prioritizing topics within the report; and identifying stakeholders the organization expects to use the report.	Page 38
3.6	Boundary of the report.	Page 38
3.7	State any specific limitations on the scope or boundary of the report	Page 38
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	Page 38
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Page 38
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Page 38
3.12	Table identifying the location of the Standard Disclosures in the report. Identify the page numbers or web links where the following can be found.	Page 39-41
3.13	Policy and current practice with regard to seeking external assurance for the report.	Page 38

Data and Materiality
continued

GRI Indicator	Details	Where to find this information
4	Governance	
4.1	Governance structure of the organisation.	Annual Report & Accounts 2008, pages 44-48
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Annual Report & Accounts 2008, page 44
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. State how the organisation defines 'independent' and 'non-executive'.	Annual Report & Accounts 2008, page 44
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Annual Report & Accounts 2008, page 48
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Annual Report & Accounts 2008, pages 49-59
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Page 11
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. Include frequency with which the highest governance body assesses sustainability performance.	Page 10
4.12	Externally developed economic, environmental, and social charters to which the organisation subscribes or endorses.	Page 9
4.13	Membership in associations.	Pages 6-7
4.14	List of stakeholder groups engaged by the organisation.	Pages 6-7
4.15	Basis for identification and selection of stakeholders with whom to engage.	Pages 6-7
4.16	Approaches to stakeholder engagement.	Pages 6-7
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Pages 6-7, 42

Data and Materiality
continued

GRI Indicator	Details	Where to find this information
5	Economic performance indicators	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	Annual Report & Accounts 2008, pages 38-41
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Page 14 Carbon Disclosure Project submission 2009
6	Environmental performance indicators	
EN3	Direct energy consumption by primary energy source.	Carbon Disclosure Project submission 2009
EN5	[Energy saved due to conservation and efficiency improvements.]	Carbon Disclosure Project submission 2009
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Page 14 Carbon Disclosure Project submission 2009
EN16	Total direct and indirect greenhouse gas emissions by weight.	Carbon Disclosure Project submission 2009
EN17	Other relevant indirect greenhouse gas emissions by weight	Carbon Disclosure Project submission 2009
EN18	[Initiatives to reduce greenhouse gas emissions and reductions achieved.]	Page 14 Carbon Disclosure Project submission 2009
7	Labour practices and decent work performance indicators	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Page 18
9	Society performance indicators	
SO5	Public policy positions and participation in public policy development and lobbying.	Pages 6-7
10	Product responsibility performance indicators	
PR1	Life cycle stages in which health & safety impacts of products and services are assessed for improvement.	Page 20
PR5	[Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.]	Page 20

Stakeholder Feedback

Our Group sustainable development strategy was created with the input of key stakeholders. For details of the stakeholders we consulted, see page 7. The table below gives a summary of their views and how they were incorporated into our strategy.

Our stakeholders praised TUI Travel's leadership of the leisure tourism industry on sustainable development issues, while acknowledging that leisure tourism is not as advanced in this area as other industries, such as retail. They were particularly pleased at the dedication of our senior management to sustainable development issues over a number of years.

Strategic priority	Stakeholder feedback	Our response
Embedding	How is TUI Travel rolling out its sustainable development strategy to new acquisitions?	Newly acquired companies are receiving a presentation and follow-up from their Sector Coordinator. Acquisitions in emerging markets will be a key focus for the Specialist & Emerging Markets Sector in 2009/10 (see page 33).
	The new strategy should not reduce focus on embedding sustainable development in TUI Travel's core business and informing the strategic direction of the Group.	Embedding sustainable development into our business is one of our five strategic priorities for sustainable development (see page 5).
	TUI Travel has previously been successful in influencing the travel industry to become more sustainable – this should appear within the strategy.	Our aspiration is to lead our sector in sustainable development and this will involve continuing to use our influence to achieve this goal.
Climate Change	Carbon should be a priority.	Climate Change is one of our priorities for sustainable development at TUI Travel (see page 5).
	Carbon offsets should not be reported as contributions towards a carbon reduction target.	We calculate our carbon reductions using data from our operations only, and do not include carbon offsets.
Destinations	The economic effect of tourism on destinations should be a priority.	Measuring and increasing our positive economic effect on local communities forms a key part of the Destinations workstream (see page 17).
	Labour audits, especially in hotels, should be a priority.	The Travelife Sustainability System has a focus on employment policies (see page 16).
	Part of TUI Travel's supplier management should be to stop using hotels that do not comply – balancing this, of course, with the impact of the loss of business to the hotel.	Our focus in the first instance is on working with suppliers to improve their sustainability performance (see page 16).
	TUI Travel should be creating exemplar hotels and destinations on the ground, working more closely with destinations that are actively embracing the sustainability challenge.	The development of exemplary flagship hotel properties and working with key destinations both form part of the Destinations workstream (see pages 16-17).
Our People	Getting the message across to your people is a key challenge.	This is one of our priorities for sustainable development at TUI Travel (see page 5).
Our Customers	TUI Travel should be leading the way in communicating with customers about the fuel efficiency of flights.	We will encourage our businesses to tell customers about this issue through the Our Customers workstream (see pages 20-21).
	Communicating key issues to customers in destinations should be a priority – water and waste are directly affected by customer actions.	We will encourage our businesses to do this through the Our Customers workstream (see pages 20-21).
	Volunteering holidays should be a priority – there is rapid growth in this sector and a lack of regulation.	i-to-i is working to address this issue.

Glossary

A&D

Accommodation & Destinations, formerly Online Destination Services

B2B

Business-to-Business

B2C

Business-to-Consumer

Carbon Disclosure Project

An independent organisation that holds a database of corporate climate change information www.cdproject.net

Carbon offsetting

Carbon offset donations fund the removal of an equivalent amount of carbon dioxide to that emitted, through energy efficiency or renewable energy projects

Child-Protection Code

The Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism www.thecode.org

CIS

Commonwealth of Independent States

CO₂/RPK

Carbon dioxide emissions per revenue passenger kilometre, a measure of the relative carbon efficiency of aircraft

Core workforce

Total headcount at TUI Travel

Core workforce management

Management levels (TUI Travel Grade H or equivalent and above)

Core workforce executive

GMB and direct reports to GMB

ECPAT

End Child Prostitution, Child Pornography and the Trafficking of Children www.ecpat.org.uk

EU ETS

European Union Emissions Trading Scheme

Flagship hotel properties

Hotel properties owned or controlled by TUI Travel, or in which we have long-term commercial interests and exclusive branding

FTE

Full-time equivalent

FTSE100

A share index of the 100 most highly capitalised UK companies listed on the London Stock Exchange

FTSE4Good

An index series for socially responsible investment, based on the FTSE100

GDP

Gross Domestic Product

Global Compact

A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies www.unglobalcompact.org

GMB

Group Management Board

Gold Standard

Best practice methodology and high quality carbon credit label www.cdmgoldstandard.org

Greenhouse Gas (GHG) Protocol

An internationally recognised reporting framework for greenhouse gas reporting

Greenwash

When environmental claims are false or overinflated

GRI

Global Reporting Initiative www.globalreporting.org

Group Sustainable Development Survey

Data gathering survey for TUI Travel tour operating businesses

ISO14001

Standard for environmental management systems

LEED

Leadership in Energy and Environmental Design

Leadership Voice

Survey of TUI Travel senior leaders

NGO

Non-governmental organisation

PLC Board

TUI Travel PLC Board of Directors

Sector Coordinator

Coordinator for sustainable development activities in each TUI Travel Sector and/or major geographical region

Scope 1 emissions

Direct greenhouse gas emissions from diesel, gas, kerosene and petrol www.ghgprotocol.org

Scope 2 emissions

Indirect greenhouse gas emissions from purchased electricity, heat, cooling or steam www.ghgprotocol.org

Scope 3 emissions

Indirect greenhouse gas emissions other than those covered in scope 2, such as business travel by air or emissions from the supply chain www.ghgprotocol.org

Stakeholder

Individuals or groups who affect, or are affected by, TUI Travel's activities

Summer season

May to October

The Group

The TUI Travel PLC Group of companies

Travelife Sustainability System

An industry tool used to audit tourism businesses on social and environmental criteria www.its4travel.com

TUI AG

TUI Travel's majority shareholder www.tui-group.com

Turnbull Guidance

Best practice guidance on internal control for UK listed companies www.frc.org.uk/corporate/internalcontrol.cfm

UKISD

UK & Ireland Specialist Division

UNEP

United Nations Environment Programme www.unep.org

UNICEF

United Nations International Children's Emergency Fund www.unicef.org

UNWTO

United Nations World Tourism Organization www.unwto.org

VERs

Verified Emission Reductions

Winter season

November to April

WWF

Formerly the World Wildlife Fund www.wwf.org

Assurance Statement

Introduction and scope

Bureau Veritas UK was commissioned by TUI Travel PLC to provide independent assurance of the following activities reported within its 2007/08 Sustainable Development Report:

- A review of TUI Travel PLC's process for the setting of its sustainable development ambitions and targets, and whether these address the organisation's material issues, are challenging and promote performance improvement; and
- A review of TUI Travel PLC's progress against its 2007/08 sustainable development targets (for the period 1 October 2007 to 30 September 2008 as reported in the table on page 8 of the Sustainable Development Report).

Methodology

Bureau Veritas used a range of standards and guidelines to undertake this assurance exercise. These included the AA1000 Assurance Standard (2003); the International Standard on Assurance Engagements 3000 (ISAE3000); and the criteria within the Global Reporting Initiative (GRI).

Our conclusions and overall opinion have been made on the basis of supporting objective evidence and review of TUI Travel documentation. We were in attendance at the externally facilitated Sector Coordinators meeting in June 2009, which set TUI Travel's sustainable development ambitions and targets, and we reviewed the outcomes and associated strategy documentation. However, we did not attend or undertake any external stakeholder dialogue sessions directly.

Opinion

Based on the assessment described above, it is our opinion that:

- TUI Travel has a good understanding of its direct and indirect, global and local impacts across all aspects of its operations. It has a range of mechanisms for engaging with internal and external stakeholders. TUI Travel's ambitions and targets were formed on the basis of an inclusive process and do address its material issues;
- TUI Travel continues to strive to be a leader in sustainable development and identify innovative solutions to complex sustainable development challenges for the industry. This is reflected in TUI Travel's ambitions and targets, which are challenging, address issues at a strategic level, and should promote long-term performance improvement; and
- Progress against the 2007/08 targets is accurately described in TUI Travel's Sustainable Development Report. There has been a focus on the development of TUI Travel's vision, strategy and associated policies and governance processes that demonstrate Board-level commitment. Good practice has also been demonstrated in a number of specific initiatives such as the development of carbon management and offsetting guidance and sustainable destinations projects, e.g. the leadership development project in Costa Rica.

Summary Recommendation

- TUI Travel should continue to focus upon putting processes in place for embedding and implementing its Sustainable Development Policy and associated ambitions and targets. TUI Travel should ensure that it has adequate processes to measure, monitor and report performance against its targets and key performance indicators in a timely manner;
- TUI Travel's targets should continue to evolve to be less management focused and more performance based to allow stakeholders to determine its overall impacts, trends in performance and areas of strengths and weaknesses; and
- TUI Travel should further formalise its external stakeholder engagement processes to better capture and report the specific outcomes of its stakeholder engagement processes and consider how it can continue to work with its stakeholders and partners to find solutions to its sustainable development challenges.

Limitations

The scope of the assurance was limited to the above and Bureau Veritas did not check the accuracy of any other sustainable development information, statements and performance metrics or data reported.

The opinion above has been formed on the basis of, and is subject to, the inherent limitations outlined below in this independent assurance statement. The assurance work was planned and carried out to provide reasonable, rather than absolute, assurance and we believe it provides a reasonable basis for our conclusions.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report.

Statement by Bureau Veritas of Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 180 years history in providing independent assurance services, and an annual turnover in 2008 of €2.55 billion.

Our assurance team has extensive experience in conducting assurance over environmental, social, ethical and health & safety information, systems and processes in accordance with best practice. Bureau Veritas has implemented a Code of Ethics across its business which ensures that all of its staff maintain high ethical standards in their day to day business activities.



London, July 2009

References

Page	Footnote
4	(i) United Nations World Tourism Organisation (UNWTO) Tourism Satellite Accounts (TSA)
4	(ii) United Nations World Tourism Organisation (UNWTO) United Nations Environment Programme (UNEP) and World Meteorological Organization (WMO) (October 2007) Climate Change and Tourism: Responding to Global Challenges.
14	(iii) 'Other' carbon dioxide emissions are from aircraft operated by suppliers on our behalf, marine liquid fuel usage and emissions classed as Scope 3 under the GHG Protocol (e.g. business travel by air)
15	(iv) TUI Travel Carbon Disclosure Project submission 2009 www.tuitravel.com/sustainabledevelopment
4	(v) Can tourism offer pro-poor pathways to prosperity? Overseas Development Institute Briefing Paper, June 2007
19, 21	(vi) TUI Travel Group Sustainable Development Survey, April/May 2008
19	(vii) TUI Travel Leadership Voice, August 2008
19	(viii) Between July 2008 and February 2009
29	(ix) Zukunftsinstitut GmbH: Dr. Wenzel, Ch. Rauch, A. Kirig (2007) Target Group LOHAS: How the green lifestyle conquers the markets
17	(x) Pathways to Prosperity, How can tourism reduce poverty? Overseas Development Institute, March 2008



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