

TUI TRAVEL PLC
(the "Company")

REMUNERATION COMMITTEE
TERMS OF REFERENCE
(the "Terms of Reference")

Constitution

- 1 It was resolved that a committee of the board of directors of the Company (the "Board") be established, to be known as the remuneration committee (the "Committee").

Membership

- 2 The members of the Committee shall be appointed by the Board in accordance with the Company's articles of association.
- 3 The Committee shall comprise at least three non-executive directors of the Company identified by the Board as independent in accordance with the requirements of the Combined Code (the "Independent Directors", each an "Independent Director") and up to two directors nominated by TUI AG pursuant to the terms of the relationship agreement entered into between the Company and TUI AG (the "Shareholder Directors", each a "Shareholder Director").
- 4 Each member shall hold office as a member of the Committee for a period of up to three years, which may be extended by no more than two additional three-year periods, provided that the majority of the Committee remain independent.
- 5 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed, and that reliance is not placed on particular individuals, should be taken into account.
- 6 The first members of the Committee shall be Tony Campbell, Clare Chapman, Bill Dalton, Dr Michael Frenzel and Rainer Feuerhake.
- 7 The chairman of the Committee shall be appointed by the Board from among the members of the Committee and shall be Clare Chapman at the date of approval of these Terms of Reference. The chairman of the Committee shall be an independent non-executive director and shall not be the chairman of the Company. In the absence of the chairman of the Committee (and/or an appointed alternate member), the members present at any meeting of the Committee should elect one of their number to chair the meeting.
- 8 If any member of the Committee is unable to act for any reason, the chairman of the Committee may appoint another independent non-executive director of the Company, with agreement by the other members of the Committee, to act as that member's alternate.
- 9 The chairman of the Committee and its members shall be listed each year in the annual report.
- 10 Each member of the Committee shall disclose to the Committee:
- 10.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
- 10.2 any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Committee.

Secretary

- 11 The Company secretary or his/her nominee shall act as secretary of the Committee and shall keep a record of any person or firm who provides advice or services to the Committee or materially assists the Committee on matters relating to directors' remuneration. If such a person or firm is not a director, the secretary shall keep a record of the nature of any other services provided by that person to the Company during the year.

Attendance at Meetings

- 12 No one other than the members and chairman of the Committee is entitled to be present at a meeting of the Committee. The members and chairman of the Committee shall, however, have the discretion to decide who else shall be invited to attend. The chairman of the Company shall be invited by the Committee to attend meetings to discuss the performance of the executive directors and to make proposals as necessary. The Committee may consult the other non-executive directors in its evaluation of the chief executive. No director shall be present when his own remuneration is being discussed. No director shall be involved in any decision as to his own remuneration.

Quorum

- 13 The quorum necessary for the transaction of business shall be two members, including one Shareholder Director and one Independent Director. A duly convened meeting of the Committee, at which a quorum is present, shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Notice of Meetings

- 14 Notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the Committee, and to each other person invited to attend, not less than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members and to arrange such meetings so that members are able to attend.

Meetings

- 15 The Committee shall meet at least twice per year and at such other times as the chairman of the Committee or the members of the Committee require. In any event, a meeting should be held each year prior to the Company's salary review date.
- 16 Unless varied by these Terms of Reference, meetings and proceedings of the Committee shall be governed by the Company's articles of association regulating the meetings and proceedings of directors.
- 17 A member of the Committee may participate in a meeting of the Committee by telephone.
- 18 In the event of equality of votes, the chairman of the Committee shall have a casting vote.

Minutes of Meetings

- 19 The secretary of the Committee shall prepare minutes of the proceedings and resolutions of all Committee meetings, including noting the names of those present and in attendance and any declarations of interest.

20 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, tabled for approval at the next subsequent meeting of the Board, unless a conflict of interests exists.

21 Following approval and signature by the chairman of the Committee, the secretary shall circulate them to all members of the Board and any invited attendees, if applicable.

Annual General Meeting

22 The chairman of the Committee shall attend the annual general meeting and be prepared to respond to any shareholder questions concerning the Committee's activities. All members of the Committee shall also attend the annual general meeting.

Duties

23 The duties of the Committee shall be:

23.1 to make recommendations to the Board on the framework and broad policy for the remuneration of the Company's chairman, chief executive, executive directors, the members of the Group Management Board ("GMB") and the Company secretary and to recommend and monitor the level and structure of remuneration for each senior executive, giving full consideration to the matters set out in Code provision B (headed "Remuneration") of, and Schedule A to, the Combined Code, including approving the following in respect of each executive director:

23.1.1 a service contract;

23.1.2 any benefit, pension and/or incentive scheme entitlement;

23.1.3 any other bonuses, fees and expenses; and

23.1.4 any compensation payable (including pension contributions) on the termination of a service contract;

The objective of such policy, **having at all times due regard to the interests of Shareholders**, shall be to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

23.2 on an annual basis, approve base salaries and, having regard to Schedule A of the Combined Code, determine targets for any performance-related bonus schemes and resulting payments for each executive director, the other members of the GMB and the Company secretary;

23.3 review the design of all share incentive plans for approval by the Board and (when appropriate) shareholders. For any such plans, determine each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to the executive directors and other senior executives and the performance targets to be used;

23.4 ensure that contractual terms on termination, including any termination payments in respect of any executive director and any other member of the GMB, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is recognised;

23.5 review and note annually the remuneration trends across the TUI Travel PLC Group of Companies (the "Group");

- 23.6 agree the procedure for authorising claims for expenses from the chief executive and chairman of the Company;
- 23.7 be exclusively responsible for establishing the selection criteria, selection, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help fulfil its obligations;
- 23.8 to appoint consultants in respect of executive director remuneration and agree appropriate terms of reference for such consultants, together with a statement of whether they have any other connection with the Company, and make such documents available for inspection on request;
- 23.9 in relation to each of the Company's bonus and equity incentive plans (the "Plans") to:
 - 23.9.1 determine policy for the grant of awards/options to executive directors and senior executives, to ensure that they are provided with appropriate incentives consistent with the Company's policy as stated in the report of the Board to shareholders on directors' remuneration for the Company's last audited financial year;
 - 23.9.2 approve all and any awards/options to executive directors and senior executives, including consideration of the quantum of grants and vesting schedules;
 - 23.9.3 set appropriate performance targets in connection with the awards and options;
 - 23.9.4 determine whether such performance targets have been satisfied;
 - 23.9.5 approve any amendments to the Plans prior to obtaining any necessary shareholder approval; and
 - 23.9.6 exercise any discretion specified in the rules of the Plans and generally oversee the administration of Plans offered to executive directors and/or other senior executives;
- 23.10 to consider and review the terms of any new equity plans;
- 23.11 to advise on any major changes in employee benefit structures throughout the Company or Group;
- 23.12 to liaise with the nomination committee to ensure that the remuneration packages of newly-appointed executive directors are within the Company's overall policy;
- 23.13 to assist the Board in preparing an annual "Report of the Board to Shareholders on Directors' Remuneration" incorporating remuneration policy and practices for the purposes of, and in accordance with, Schedule 7A of the Companies Act 1985, LR 9.8.8.R of the Listing Rules of the Financial Services Authority and the provisions of the Combined Code. The report will form part of, or be annexed to, the Company's annual report and accounts;
- 23.14 to ensure that the "Report of the Board to Shareholders on Directors' Remuneration" is presented to shareholders for approval at the annual general meeting of the Company;
- 23.15 to make available these Terms of Reference (by posting on the Company's website) and making them available on request;

23.16 to have regard, in the performance of the duties set out in this clause, to the Combined Code, the Listing Rules, and published guidelines or recommendations regarding the remuneration of directors of listed companies and the formation and operation of share option schemes (in particular the guidelines published by the Association of British Insurers and National Association of Pension Funds) and on corporate performance on environmental, social and governance issues (in particular the guidelines published by the Association of British Insurers) which the Committee considers relevant or appropriate; and

23.17 to consider any other matters as referred to the Committee by the Board.

Reporting Responsibilities

24 The chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

25 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.

26 The Committee shall consult the chairman of the Company about its proposals relating to the remuneration of other executive directors.

Other Responsibilities

27 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

Authority

28 The Committee is authorised by the Board:

28.1 to obtain inside and outside legal or other professional advice including the advice of independent remuneration consultants, as well as information about remuneration practices elsewhere. The Committee may, if it thinks fit, supply to others information about the Company's remuneration practices and secure the attendance at meetings of outsiders with relevant experience and expertise at the Company's expense;

28.2 to obtain, at the Company's expense and, where appropriate, in consultation with the Company secretary or the chairman of the Company, independent legal or other professional advice on any matters within its Terms of Reference; and

28.3 to investigate any activity within its Terms of Reference and to seek any information it requires from any employee of the Company or any of its subsidiaries in order to perform its duties. All employees are directed to co-operate with any request made by the Committee.

Revisions & Commencement

29 The Committee shall recommend to the Board such revisions of its Terms of Reference as from time to time the Committee considers appropriate.

30 These Terms of Reference were approved at a meeting of the Board held on 28 June 2007 and amended on 12 December 2007. With effect from 12 December 2007, any previous Terms of Reference are rescinded.

Dated: 12 December 2007