

14 October 2019

Rachel Reeves MP
Chair – Business, Energy and Industrial Strategy Select Committee
House of Commons
Westminster
London
SW1A 0AA

Dear Ms Reeves

Thomas Cook

We write in response to your letter of 8 October regarding our role as external advisers to the Thomas Cook Remuneration Committee (“the RemCo”). We were appointed as RemCo advisers in June 2012 and ceased this appointment in May 2017, in each case following competitive tenders.

We have provided an overview of our role as advisers to the Thomas Cook Remuneration Committee (“RemCo Advisers”) as well as responses to your specific questions below.

Role of a Remuneration Adviser

1. Our role as RemCo Advisers was similar in nature to that typically seen at other FTSE 350 listed companies. For context, we felt it would be useful to set out some background on the role that remuneration advisers typically play in advising FTSE 350 listed companies.
2. Remuneration advisers are appointed by a company’s remuneration committee, being a subcommittee of the main Board and which typically consists of independent non-executive Directors. The role of the remuneration adviser is to provide the remuneration committee with advice on relevant matters including market trends and practice, investor sentiment, legislative change and the effective design of remuneration policies.
3. Remuneration advisers do not make decisions on remuneration arrangements for executive directors. This responsibility lies with the remuneration committee and their proposals in developing remuneration arrangements are ultimately subject to the approval of the shareholders.
4. Remuneration advisers, including Deloitte, adhere to the Remuneration Consultants Group Code of Conduct¹ which seeks to clarify the scope and role of executive remuneration advisers when advising UK listed companies.

Q. What were your fees for the period from June 2012 to August 2017?

5. Our fees in relation to advising the RemCo during the period June 2012 to May 2017 are set out below.

¹ <http://www.remunerationconsultantsgroup.com>

6. Our fees included both those relating to advice that “materially assisted” the RemCo, which are required under Section 22 of the 2013 Director’s Remuneration Report Regulations² to be disclosed in the annual report, together with additional fees for broader work related to executive remuneration matters but did not “materially assist” the RemCo. Such broader work included advice on pay frameworks for members of the management team who are not executive directors.

Financial Year Ended	Fees related to advice that “materially assisted” the RemCo	Fees related to broader remuneration advice that did not “materially assist” the RemCo
30 September 2012	£57,976	-
30 September 2013	£65,559	-
30 September 2014	£76,050	£43,365
30 September 2015	£179,650	£50,650
30 September 2016	£166,500	£17,500
30 September 2017	£79,500	-

Q. What was the remit of your work, aside from advising on remuneration? Were you asked to provide advice on market incentives, job evaluation, tax affairs, internal audit, pensions and insured benefits?

7. Our role as remuneration advisers was in line with the description set out (in paragraphs 1-4) above. We provided updates on market trends (for example, legislative changes that impacted executive remuneration or changes in guidance issued by investors or the proxy voting agencies) on an annual basis and more frequently as market developments dictated. As regards other matters, we took instruction from the RemCo on an ‘as requested’ basis.
8. In your letter you have asked us about some specific areas and we comment as follows:

8.1. Market Incentives

If by “market incentives” you are referring to cash and share plan arrangements for executive directors, then we confirm we provided advice relating to such matters to the RemCo to assist their decision making. We also provided benchmarking exercises comparing executive remuneration practice across listed companies.

8.2. Job evaluation

We did not provide advice on job evaluation. This is not within the role of an adviser to a remuneration committee.

8.3. Tax affairs and Pensions

Tax affairs and pensions feature as a consideration within any remuneration package. For example, we advised on typical market practice relating to the amount of employer pension contributions in FTSE 350 companies and on the tax implications of share awards received by executive directors.

In our role as RemCo Advisers we did not provide advice on the personal tax affairs or pension arrangements of individual executive directors.

² [The Large and Medium-sized Companies and Groups \(Accounts and Reports\) \(Amendment\) Regulations 2013 – Section 22\(b\)](#)

8.4. Internal Audit

As remuneration advisers we do not typically provide advice in relation to internal audit matters and we did not provide internal audit services in relation to matters within the remit of the RemCo.

8.5. Insured Benefits

While executives typically receive benefits such as life insurance or health insurance within their remuneration packages, we did not provide any advice to the RemCo about these matters.

9. Separate from our work as RemCo Advisers, Deloitte provided other services to Thomas Cook - these services are referenced in the relevant annual reports and included consulting services relating to systems and organisational design, advice on international mobility and general tax, ad hoc internal audit projects and corporate finance advice.

Q. How often were you asked to provide updates to the Remuneration Committee and through which format? Could you provide my Committee with a list of your recommendations to the Thomas Cook Remuneration Committee?

10. We had regular dialogue with the RemCo (primarily through the RemCo Chair) throughout our tenure as external advisers. We attended RemCo meetings at the request of the RemCo Chair.
11. In addition to attending the RemCo meetings, we provided advice on an ongoing basis, including annual presentations covering corporate governance updates, more regular updates on market trends (for example, director pay arrangements at comparable companies), investor expectations and sentiment around executive pay, as well as advice on RemCo reporting requirements.
12. We summarise below the focus of our work, beyond those regular outputs listed above, in each of the periods we were engaged as remuneration advisers.

FY12 period from June 2012 (formal appointment) to 30 September 2012

- We provided advice to the RemCo in their determination of the remuneration package for the CEO and share awards (granted under the Performance Share Plan ('PSP')) to the senior team.

FY13 year ended 30 September 2013

- We provided advice in respect of Thomas Cook's proposals to a) introduce an executive shareholding policy b) increase annual bonus deferral (from one quarter of the bonus deferred in shares for one year to one third of the bonus deferred in shares for two years) and c) introduce 'malus' (ability to stop payment of the shares in certain scenarios).

FY14 year ended 30 September 2014

- We provided market data analysis relating to levels of CEO benefits and how these compared across listed companies.
- We prepared an analysis of market practice and investor expectations around developing new features, such as malus and clawback provisions within annual bonus and share plans and post-vesting holding periods in relation to long-term incentive plans.

FY15 year ended 30 September 2015

- We modelled various scenarios to assist the RemCo in its determination of the exit package for the outgoing CEO.
- We provided market data and an update on investor expectations to inform the RemCo's decision-making process in respect of the remuneration package for the incoming CEO and advice around his pension arrangements from a UK corporate governance perspective.

- We provided advice around typical market practice and investor expectations in respect of timing of the disclosure of annual bonus targets.
- We provided advice around likely investor reaction and approach for FY15 bonus disclosure in the context of the commercial judgement exercised by the RemCo to increase bonus outcomes.

FY16 year ended 30 September 2016

- We provided advice in respect of Thomas Cook's updated Directors Remuneration Policy (which was approved by shareholders at the February 2017 Annual General Meeting – see below).
- As this was a remuneration policy renewal year, there was a significant amount of work in advising the RemCo. Our work included conducting interviews with executive and non-executive directors and assisting the RemCo with the design and development of the updated remuneration policy.

FY 17 period ended 31 May 2017

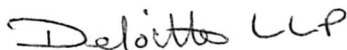
- We provided advice around typical market practice and investor expectations in respect of timing of the disclosure of performance targets for PSP awards.
- Continued advice in respect of Thomas Cook's updated Directors Remuneration Policy which was approved by shareholders at the February 2017 Annual General Meeting.
- We advised the RemCo on reducing FY17 PSP award levels.

Q. Was there anything unusual in what you were asked to do?

13. We do not believe that the scope of our role or the advice that we were asked to provide to the RemCo was unusual. The scope of our role and advice provided was similar in nature and extent to that which we have, and continue to provide to other FTSE 350 companies.

We hope that these responses are of use to the Committee as they conduct this inquiry.

Yours sincerely



Deloitte LLP