

UK Government
InvestmentsDepartment for
Business, Energy
& Industrial Strategy

Date: 16 October 2019
 Director General: Mark Russell
 Lead Official: Tom Aldred / Tom Cooper
 Lead Official Telephone: **GRO**

Recipient	To Note / Comment	To Approve / Decide
Kelly Tolhurst		X
Special Advisors	X	
Permanent Secretary	X	

OFFICIAL SENSITIVE
POST OFFICE: APPOINTMENT OF A NEW NON-EXECUTIVE DIRECTOR

Summary

- Following a selection process, Post Office Limited (POL) have identified two lead candidates, Zarin Patel and Lisa Harrington, to fill the Non-Executive Director (NED) posts on the POL Board. POL's Nomination Committee had delegated authority to run the recruitment process and seek ministerial consent for the final candidates. The candidates would bring valuable skills to the Board and enhance its diversity. This note seeks your approval for Zarin's appointment and will be followed by a separate piece of advice for Lisa's appointment once final checks have been completed.

Timing

- As soon as possible to mitigate the risk of gaps on the POL Board in the event of an election being called. We would like to have the new NEDs in post by the 29 October Board meeting.

Recommendation

- We recommend that you:
 - approve** the appointment of Zarin Patel.
 - note** the mitigations in place to manage potential issues and conflicts of interest.

Background

- POL have been seeking replacements for two independent NEDs, Tim Franklin and Shirine Khoury-Haq. Tim's second term was expiring and Shirine had to step down as a result of a conflict of interest issue. In order to safeguard against the prospect of a double-gap on the Board, you agreed to extend the term of Tim Franklin to 17 December. Tim will step down as soon as both NEDs are in post.
- A successful recruitment campaign, details of which can be found below, identified three lead candidates for the two open roles (all women, one BAME). After further deliberation the interview panel, chaired by Tim Parker (POL Chairman), initially recommended Zarin Patel and **IRRELEVANT** however **IRRELEVANT** decided to withdraw due to the potential for future conflicts of interest. The panel have therefore selected Lisa Harrington, who is regarded as a high-quality alternative for **IRRELEVANT** and who will be the subject of a separate written advice note.



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6. Tim has formally submitted a shareholder approval request outlining the request to approve Zarin's appointment with a biography and justification for her appointment. This can be seen in **Annex A**.
7. Zarin is a Chartered Accountant with a Non-Executive portfolio and a proven NED with extensive experience of finance, change management and technology within high-profile organisations. She is a strong fit for the role and will strengthen the POL Board.
8. The current Board has 6 men and 1 woman, with no BAME representation. If Zarin and Lisa were appointed, once in place, this would change to 5 men and 3 women, and one BAME.
9. As POL's sole shareholder, BEIS' Secretary of State has the right of approval over the appointment and remuneration of all board members, including NEDs. You can ask POL to reconsider these candidates however it is normal practice for BEIS Ministers to be presented with the candidates the Partner Organisation have put forward after an agreed recruitment campaign.
10. We can confirm that the due diligence undertaken by the external recruitment organisation for this NED post was completed and in-line with Cabinet Office guidelines. Details of this can be seen in **Annex E**.
11. Given Zarin's current role at HMT as an independent member of the Audit and Risk Committee, we have sought assurances from POL on the management of potential issues and conflicts of interest.
12. This note is specific for the appointment of Zarin Patel. A further note will be provided in due course for the appointment of Lisa Harrington when final checks have been completed.

Management of Potential Issues & Conflicts of Interest

13. Given Zarin's role at HMT, there is potential for conflict to be triggered in the event of a Board or sub-Committee discussion about executive remuneration or a potential litigation settlement, both of which can require HMT approval. However, the HMT Audit and Risk Committee is not a decision-making body, but provides an assurance function.
14. Conflicts of interest are not uncommon on Boards and do not necessarily require individuals to step down. However, it will be important for any conflict of interest to be managed, particularly since Shirine Khoury-Haq had to step down for this reason. Shirine's conflict arose subsequent to her becoming a POL Board member, when she took on a new executive role at the Co-op (who have post offices in 235 branches). In the event of a conflict arising, Directors should flag the potential conflict and the Board would consider whether a) the Director should participate in the discussion but not participate in any decision or vote or b) whether the Director should recuse themselves entirely from that discussion (and receiving papers pertaining to it).
15. We believe the conflict is manageable and should not prevent Zarin's appointment to the Board. The HMT Permanent Secretary has been made aware of the appointment and should Zarin accept the post HMT have proposed mitigations to manage any potential conflicts appropriately.



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Remuneration

16. Remuneration has been approved by BEIS ministers and the CST. As a NED, Zarin will be paid the base director's fee of £35,000, which has stayed constant since 2012 and is in the lower quartile of FTSE 250 companies of a similar turnover.

Outline of recruitment process

17. Here is a summary of the key aspects of the recruitment process followed by POL:

- The **indicative timeline** is at **Annex B**.
- The **job description** is at **Annex C** and the current **composition of the board and diversity characteristics** is at **Annex D**.
- POL used **head-hunters** to advertise and lead the search exercise, which is standard practice in appointments of this type.
- A five-person assessment panel comprised of Tim Parker (POL Chair), Ken McCall (POL Senior Independent Director), Tom Cooper (UKGI's Non-Executive Director), Carla Stent (current POL NED) and Xenia Fletcher (independent assessor, Director, Royal Mint).
- The **long-list** consisted of 19 candidates for consideration (11 female, 4 BAME).
- 8 candidates were **short-listed** for interview by the panel. 3 candidates considered for appointment (all female, 1 BAME).

Contributors

18. BEIS Partnerships Team and the Post Office Policy Team have been consulted on this submission.

19. This advice does not have financial or parliamentary handling implications.