

UK Government
InvestmentsDepartment for
Business, Energy
& Industrial Strategy

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Director General: Mark Russell

Lead Official: Tom Aldred / Tom Cooper

Lead Official Telephone: /

Recipient	To Note / Comment	To Approve / Decide
Kelly Tolhurst		X
Secretary of State	X	
Permanent Secretary	X	

Post Office Limited (POL): Appointment of Al Cameron as Interim CEO**Summary**

- 1) Post Office Limited (POL) would like to appoint Al Cameron as interim CEO prior to the appointment of a permanent replacement. Al is currently Chief Financial and Operating Officer and we believe he is the best placed candidate for the job and recommend approving his appointment. We have provided detail of his proposed remuneration, although this will need to go through a separate clearance procedure.

Timing - Urgent

- 2) POL want to announce the departure of the current CEO and the appointment of an interim CEO as soon as possible, to provide certainty to the business. They have been waiting since before Christmas, pending approval of Paula Vennells' exit terms.

Recommendation

- 3) That you approve the appointment of Alisdair Cameron as interim CEO noting the proposed remuneration, which will be subject to further clearance.

Background

- 4) POL's current CEO Paula Vennells is leaving the company to take up a new part-time position as non-executive Chair of the Imperial Healthcare NHS Trust, and you have separately approved her exit terms.
- 5) The recruitment of a new CEO will take time and a successor is unlikely to be in place before the Autumn. As a consequence, POL need to appoint an interim CEO to ensure an orderly handover of responsibilities at an important time for the company. Announcing the interim at the same time as Paula's departure will enable them to minimise uncertainty for the workforce.
- 6) POL's Board has discussed possible internal candidates and recommend Alisdair (Al) Cameron for the role. Al has been with the Post Office for 4 years, having joined as Chief Finance Officer in January 2015. Since his appointment, Al has taken on a number of additional responsibilities and currently serves as Chief Finance and Operating Officer. He leads an overall team of 1500 people and has instrumental in the management of many key stakeholder relationships. He has also been instrumental in returning the Post Office to profitability.

- 7) We believe that AI is the best available candidate given his experience and understanding of POL's wide-ranging business. When AI becomes interim CEO, his existing responsibilities will be taken on by others. POL plan to appoint an interim CFO (not at board level), while his COO responsibilities will pass to another member of the Executive Team.

Remuneration

- 8) Post Office propose to adjust AI's remuneration to reflect his new responsibilities. BEIS procedures require this be approved by an official-level panel before coming to you – and then subsequently be approved by the Chief Secretary. Furthermore, his final remuneration package will include an LTIP payment that cannot be finalised until the company's three-year targets have been set in the company's annual strategy, to be agreed at the end of March.
- 9) We believe further delays to POL's ability to announce these critical changes would be unhelpful for the business and undermine our credibility with the company. We recommend you approve AI's appointment.
- 10) If you are unhappy with the proposed remuneration (below) we would urge you to agree to AI's appointment but come back to his pay. Both POL and AI are content to go ahead with the appointment without agreement on pay, not least since POL has historically experienced significant delays in having pay agreed.
- 11) POL propose that AI's base pay is increased to the level of the current CEO, which means an increase from £244,800 to £255,000. By way of background, the CEO's base pay has only increased once – by 2% – since Paul's appointment in 2012. This would also feed through to a higher pension payments since this is calculated as a percentage of base pay. The potential STIP payment would also rise. Details are set out in table 1.
- 12) The LTIP for 2019/20 would remain unchanged, since this is based on AI's salary at the commencement of the scheme in 2017/18. The potential LTIP payable in 2021/22 would increase in line with the uplift in base in this financial year. Details are set out in table 2.

Table 1 – Proposed pay in 2019/20 against actual and potential pay in 2017/18 and 2018/19

	Base salary	Benefits (1)	Cash in lieu of Pension	STIP 19/20 (2)	LTIP 19/20 (3)
2017-18	£243,600	£16,400	£54,700	£147,900	133,300
2018-19	£244,800	£16,400	£54,700	Up to £161,568	Up to £168,000
2019-20	£255,000	£16,400	£57,250	Up to £168,300	Up to £168,000

- (1) The benefits figure includes £6,500 company contributions to a Defined Contribution pension.
- (2) STIP payment is subject to meeting business targets and is calculated as % of base pay in the current financial year.



- (3) LTIP payment is subject to meeting business targets and is calculated as % of base pay in 3 years previously

Table 2 - Proposed increase to LTIP in 2021/22

	Base salary	Maximum percentage	Maximum LTIP payment
Current	244,800	70%	Up to 170,520
Proposed	255,000	70%	Up to 178,500

The maximum percentage is payable only if the stretch target is reached. The stretch targets have not yet been finalised because targets for the business are being agreed as part of the Annual Budget, due to be finalised at the end of March.

- 13) The maximum potential increase in total remuneration is £26,622. It is unlikely that this maximum will be reached since the increase in remuneration will apply only for the period in which AI serves as Interim CEO. POL will seek approval to cover the entire financial year, so that they do not need to return for further approval should the CEO recruitment take longer than expected.

Retention payment

- 14) POL also propose putting in place a retention payment to ensure that AI remains with the business during the transition to a new CEO, in the event that he is not successful in securing the permanent position. We believe that a payment is appropriate. After Paula's departure, AI will know the business better than anyone else and it is critical that his knowledge is not lost while a new CEO gets up to speed. The retention payment of £50,000 would be payable six months after the commencement date of a new CEO, subject to the AI being in post at that time and a successful handover taking place. This would be a non-pensionable allowance so it would not feed through to higher pension or other payments.

- 15) This package will require approval from the Chief Secretary. Initial discussions with HMT officials indicate that they are content with it.

Do you agree to the appointment of AI Cameron as interim CEO of Post Office Limited, with the remuneration package to be approved separately?