

UK Government
InvestmentsDepartment for
Business, Energy
& Industrial Strategy

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Director General: Mark Russell

Lead Official: Richard Callard / Nick Parker

Lead Official Telephone: GRO

Recipient	To Note / Comment	To Approve / Decide
Secretary of State		X
Permanent Secretary	X	
Special Advisers	X	

Post Office, Appointment of Non-Executive Directors**Summary**

- 1) There are two proposed changes to the non-executive director (NED) roles on Post Office's Board that require Secretary of State approval:
 - Independent NED Virginia Holmes will be stepping down from the Board as the end of her second three-year term expires April 2018. POL is seeking a replacement. Independent NED roles are delegated to the Nominations Committee of POL (only the Chair is a ministerial appointment), but ministerial and CST approval is required for the salary of NEDs
 - Shareholder Representative NED Richard Callard will be stepping down from the Board in March. UKGI proposes to replace him with a new UKGI Director Tom Cooper. This role is unremunerated, but requires Secretary of State consent as Special Shareholder.

Timing

- 2) POL is keen to issue its advert for a replacement NED within the next 10 days, to ensure a replacement for Virginia Holmes can be found in time

Recommendations

- 3) That you write to the CST setting out your approval of the proposed salary for POL's replacement NED. A draft letter for you to sign and send to the CST has been included at Annex A. Annex B includes the necessary pro-forma that should be sent along with your letter to the CST.
- 4) That you approve the appointment of Tom Cooper.

Advice

- 5) The POL Board currently consists of the Chair, a Senior Independent Director, three independent NEDs, the shareholder representative NED appointed by BEIS, and the Chief Executive Officer and Chief Financial and Operations Officer
- 6) POL operates in highly competitive markets and is facing competitive pressures in all of its key revenue streams. It is meeting this challenge while delivering an



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ambitious strategy to cut central costs, modernise working practices and grow revenues, while transforming its branch network through the largest investment programme in its history. In 2017/18 POL delivered its first profit in 16 years, whilst maintaining the most stable number of branches in the network for decades. Growing its digital offering and improving its digital capability, with particular focus on financial services, is both a defensive strategy (to compete in core markets and become more relevant) and also an opportunity to grow its revenue based on its trusted brand.

- 7) POL is seeking a highly-qualified candidate to replace Virginia Holmes (who was a financial services specialist) ideally with experience in both digital transformation and IT and with a financial services background. UKGI considers this specification to be appropriate and will strengthen the Board.
- 8) POL's annual salary of £35k for NEDs is below the lower quartile for FTSE250 companies of a similar turnover, where benchmarking by KPMG shows lower quartile fees of £47k (median £51k). This level of fees has not changed since POL became an independent company in 2012. The time commitment is approx. 2-3 days per month, including 8 Board meetings per year. Although remuneration levels have not changed since 2012, this level of remuneration is above the CST approval threshold on a pro-rated basis, and requires her consent.
- 9) Virginia previously received an additional £5k for chairing the pensions committee, which was wound down last year. Virginia's replacement would be eligible for such an additional fee should he or she be asked to chair a committee (although this is not currently proposed). The POL Chair, who is also Chair of the Nominations Committee at POL, would be happy to discuss this appointment.
- 10) The SCS Panel has considered the proposed salary for a replacement NED and has approved it. Subject to ministerial and CST approval, POL will progress its process to select a replacement, to be in post by April 2018 on an initial three-year term. We will inform you of their preferred candidate.
- 11) Separately, the current Shareholder Representative NED will be stepping down from the Board after four years. We would recommend replacing him with Tom Cooper, the new UKGI Director in charge of Post Office shareholder team in UKGI. Before joining UKGI, Tom was most recently Global Co-Chairman of M&A at Deutsche Bank where he has spent the last 8 years. Prior to joining Deutsche Bank, he worked at UBS Investment Bank for 21 years, finishing his time there as Head of European M&A.
- 12) Tom's appointment requires your approval as Special Shareholder of POL, but does not require CST approval as the role is not remunerated.

Contributors

- 13) This advice contains financial considerations, as considered and approved by the BEIS SCS Recruitment Panel.



14) This advice is not considered to raise legal issues and Legal has not been consulted.

15) Duncan Moss in BEIS Commshas reviewed this submission, without comment

16) This advice does not have parliamentary handling implications

Annexes

A. Draft letter from SoS to CST.

B. Proforma to be sent to the CST with the letter at Annex A.