



**Submission on: Public Consultation by Independent  
Review Panel to review Senior Public Service  
Recruitment and Pay processes**

**A submission by Coillte Cuideachta Gníomhaíochta Ainmnithe  
(‘Coillte’) to the Review Panel (Room 4.2), Department of Public  
Expenditure and Reform, Government Buildings, Upper Merrion St,  
Dublin 2, D02 R583**

<b>Submission from:</b>	Coillte Cuideachta Ghníomhaíochta Ainmnithe ('Coillte')
<b>Submission to:</b>	Review Panel ((Room 4.2), Department of Public Expenditure and Reform, Government Buildings, Upper Merrion St, Dublin 2, D02 R583)
<b>Submission in respect of:</b>	Public Consultation by the Independent Review Panel to review Senior Public Service Recruitment and Pay processes
<b>Issued by email to:</b>	<a href="mailto:Reviewpanel@per.gov.ie">Reviewpanel@per.gov.ie</a>
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## **1. Introduction**

Following the notice on 28 June 2022 by the Department of Public Expenditure and Reform (the “Department”) in respect of a Public Consultation by Independent Review Panel to review Senior Public Service Recruitment and Pay processes, Coillte makes the following submission. This submission relates only to the element of this consultation relevant to Commercial State Bodies (“CSBs”), that being the “Process for Determining Terms and Conditions of Employment” of the CEOs of CSBs which, based on the Terms of Reference of the Independent Review Panel (March 2022), is included within the scope of this review.

## **2. Background to Coillte**

Coillte is Ireland’s state forestry company which was established under the Forestry Act 1988 as a CSB. It is responsible for managing over 440,000 hectares of primarily forested lands (c.7% of the country) and is the nation’s largest forester and land manager. It also enables wind-energy via the estate, processes forestry by-products to produce MDF and OSB, undertakes nature rehabilitation projects of scale and is the largest provider of outdoor recreation space in the country.

Coillte has evolved considerably since its establishment in 1989 and particularly so in more recent times. Over the past decade, the organisation has increased the scale of activities undertaken, significantly strengthened its balance sheet, delivered the highest EBITDA performance since formation, and substantially increased its social and financial dividends to the State. In addition, during this time, the expectations of the public in terms of what Ireland’s State forests must deliver have increased considerably, as the relevance of forestry to the climate emergency, biodiversity crisis and the wellbeing benefits of time spent in nature are all better understood. In summary, over the last decade Coillte has:

- i. delivered consistent volumes of sawlog to its sawmill customers on an annualised basis while substantially reducing its cost base and optimising the price achieved for its sawlog.
- ii. invested c.€100m in its OSB facility to increase production and efficiency levels, resulting in the processing of higher quantities of forestry residues into sustainable building products.
- iii. continued to enable wind energy development and substantially increased its own commitment to deliver, with our joint venture with ESB, FuturEnergy Ireland, targeting to develop 1GW of wind energy by 2030.
- iv. significantly enhanced its recreation offering. In addition to an increased focus on general recreation offerings, we have developed five world-class mountain biking trails and launched Beyond the Trees Avondale, a new world-class visitor destination developed in partnership with Failte Ireland and EAK Ireland (launched in July 2022 and expected to achieve in excess of 200,000 visitors in year 1 of operation).
- v. delivered a financial deleveraging plan and record EBITDA performance; and
- vi. these combined actions resulted in increased dividends paid to the State with a total of €84m paid (2012 to 2021), that being a five-fold increase on the cumulative dividends of €15m paid from establishment in 1989 to 2011.
- vii. launched a new Forestry Strategic Vision (April 2022). This vision aims to balance and deliver the multiple benefits of forestry across four strategic pillars, forests for climate, for wood, for nature and for people. Forestry by its nature is very long term with the result that delivering this vision will take decades. That said, the work has already

begun and sees us bringing increased focus to climate action, setting ambitious new targets on biodiversity and recreation, while continuing to deliver for the forest and wood products industry.

The pace and scale of these changes underlines the need to have a robust pay determination policy and practice for CEOs to ensure there is an appropriate balance between the ever-changing scale of responsibilities and achievements, and the manner by which these are rewarded.

### **3. Current Pay Determination Process Framework**

Details of the statutory framework along with a high-level overview of the current Pay Determination Process which applies to Coillte, are outlined below.

#### **3.1 Statutory Framework**

The Forestry Act 1988 (as amended) provides that the terms and conditions for the post of CEO of Coillte (including terms and conditions relating to remuneration, allowances, and superannuation) are determined by the Minister for Agriculture, Food and the Marine given with the consent of the Minister for Public Expenditure and Reform.

#### **3.2 Code of Practice for the Governance of State Bodies (“the “Code”)**

The Code provides that changes in the terms and conditions of sitting CEOs are subject to discussion by the Board of that CSB, and must thereafter be authorised by the relevant Minister, in consultation with the Minister for Public Expenditure and Reform.

#### **3.3 Review Body on Higher Remuneration in the Public Sector**

We understand since 1999, the remuneration of CEOs of CSBs was no longer included in the terms of reference of the Review Body on Higher Remuneration in the Public Sector. Instead, we understand, based on a March 2006 Guideline, that the Minister for Finance periodically commissions studies by pay consultants and reviews the approved pay rates in light of recommendations from those studies.

#### **3.4 Job-Sizing Framework**

A Job-Sizing Framework is in place with each CSB allocated a grading and a related pay range for its CEO. We understand that this grading and the related ranges were determined following an assessment undertaken by external consultants more than ten years ago.

#### **3.5 Government Update**

In 2011, the Government introduced a general pay ceiling for future appointments to CEO posts within CSBs. In addition, Performance Related Award Schemes for CEOs of CSBs were discontinued.

### **4. Coillte Submission in respect of the Pay Determination Process (‘PDP’) of the CEOs of CSBs**

At this juncture and taking account of the abovementioned factors, including how Coillte has significantly evolved over the past decade, along with its increasing relevance to and challenges in respect of delivering solutions to the climate emergency, biodiversity crisis and

the delivery of sustainable homes, we believe the review of the PDP of CEOs is both relevant and timely.

#### **4.1 Engaging directly with the Chairs of CSBs**

The ability of CSBs to attract and retain the required talent at CEO level is a critical determinant of how these organisations deliver. In this regard, given the importance of this review to both attracting and retaining CEOs, in addition to this written consultation, we request that the Review Panel engage directly with the Chairs of a number of CSBs who have experience of both recruiting and operating within the current framework. There are challenges with this framework which we believe are important for the Review Panel to understand and would be best discussed in person. For the purposes of this submission, we have focused on what we believe the new process should comprise, rather than a critique of the challenges arising as a result of the current process.

#### **4.2 The principles underpinning this New PDP**

The PDP put in place as a result of this review must, we believe, result in a transparent and timely process which, while taking account of the ownership structure of CSBs and related considerations, also takes appropriate account of the current market backdrop against which organisations are recruiting and retaining talent. In this regard, we believe that four key principles should guide this new process, as follows:

- **A Market Based Approach**
- **Which has Appropriate Governance**
- **With Transparency of Actions**
- **And with Timeliness of Actions** applying

#### **4.3 A Market-Based Approach**

This PDP must have a founding principle of being market-based. In this regard, we believe a market-based benchmarking exercise is a key component of this process and that such exercise must be undertaken to (i) facilitate informed decisions by the relevant decision makers and to (ii) ensure a competitive remuneration offering which supports CSBs ability to recruit, retain and motivate CEOs with the required skillset, experience, track-record, and qualifications. We now suggest that:

- **an external market-benchmarked job sizing exercise is undertaken every four years by a newly formed Independent Benchmarking Review Panel ('IBRP').** It is suggested that the IBRP should comprise of individuals with relevant commercial, human resource and remuneration related expertise, which experience will ensure that the process is subject to the highest level of rigor.
- the IBRP, in undertaking this market-benchmarking job sizing exercise, must ensure it identifies all relevant factors to take account of in respect of each CSB including, at a minimum, the size, nature, complexity, scope of responsibility, sphere of influence, sectoral backdrop and ability to pay, of the CSB. We believe it will be necessary for the IBRP to engage directly with each CSB to ensure it fully understands the nuances of each organisation, not just in terms of financial returns, or organisation size, but the many other expectations and complexities arising by virtue of the ownership structure.
- Following the abovementioned exercise, the IBRP should identify **the overall grading and relevant CEO pay range** which applies until the next review (suggested to be undertaken every four years by the IBRP).

- Following the abovementioned exercise, the IBRP also identifies **the recommended components of the remuneration applying** to each CSB CEO role. Again, consideration must, we believe, be given to what market-based roles deliver at this level (i.e. pension, car or allowance, short term incentives, longer term incentives, other benefits, etc.).
- The output of this process would be clearly documented within an individualised '**CSB CEO Remuneration Report**' for each CSB, clearly setting out the parameters within which the CEO's remuneration must be managed within, for the next four-year period. We suggest this report is issued to the Chair of each CSB within two months of the end of each relevant four-year period and issued to the relevant shareholder Minister and the Minister for Public Expenditure and Reform on an advisory basis.

#### **4.4 Appropriate Governance**

With the IBRP having delivered the CSB CEO Remuneration Report to the Chair of the Board, the Chair, in conjunction with the Board Remuneration Committee would then manage the CEO's remuneration within these guidelines and with the appropriate governance in place. In this regard, it should be noted that Coillte has a robust remuneration policy overseen by the Remuneration Committee, which uses a range of factors including market-based benchmarking, financial performance, operational performance, ability to pay, etc., to determine the appropriate remuneration adjustments applied across the organisation on an annual basis. We suggest that the same principles, and any additional items which the Remuneration Committee determine appropriate, are applied by that Committee to determine the annual remuneration adjustments awarded to the CEO during the four-year period between each IBRP benchmarking exercise. This alignment of policy and practice between CEO and the organisation is important to underpin the desired organisational high performance culture in CSBs.

#### **4.5 Transparency of Actions**

We believe that this new PDP needs to provide more transparency in terms of the specifics of the process and the governance of same. What continues to be important is that a new transparent PDP is put in place and that all parties understand the parameters within which they are operating. Indeed, we believe it is critical that each CSB is in a position to clearly articulate the pay determination process for their CEO role. Such clarity would allow us to engage with our CEO more effectively on this matter and achieve optimum performance while ensuring that we are in a better position to compete with the private sector, where such clarity of process is readily available.

##### **4.5.1 Timelines of Actions**

In addition to a new transparent process being put in place, we suggest that an appropriate timeline is outlined and agreed in respect of all aspects of this process. This process should confirm (i) the frequency of the IBRP market-based benchmarking exercise (we suggest every four years), (ii) the timing of the delivery of the CSB CEO Remuneration Report to the Chair of the Board (we suggest within two months), and (iii) the timing of the CEO's annual pay review and related date effective from (we suggest this aligns with the timing of the process in place for all other Coillte employees), etc. Such clarity would give all parties certainty as to the timing of outcomes.

## **5.0 Conclusion**

The need for CSBs to take lead roles in delivering solutions and leadership in respect of the climate emergency, coupled with the fast paced and ever-changing demands of today's world, means that the demands on, and responsibilities of, CEOs are ever increasing. Additionally, the scale of inflation which Ireland is currently facing, and which impacts both organisations and individuals, means that CSBs pay determination for the role of CEOs needs increased clarity.

As a result, this review is very timely, and we welcome the inclusion of CEOs of CSBs in same. That said, the inclusion of CSB CEOs means that expectations have been raised in terms of this process. As a result, the outcome and next steps in terms of this review need to emerge at pace, to put CSBs in a better position to retain current CEOs and where necessary, to recruit for vacant positions. I would welcome the opportunity to engage further in respect of the challenges arising with the current framework and on any queries arising in respect of this submission.

Thank you for the time taken to consider this submission.

**Bernie Gray**  
Chairperson | Coillte

