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10 August 2022

Re: Review of CEO Remuneration in An Post

An Post welcomes this opportunity to make a submission to the review. We consider this matter to be both highly critical and time sensitive as it impacts on An Post's key strategic plans.

An Post is Ireland's national postal operator serving 2.2 million addresses every working day and more than 1.3 million post office customers every week. As one of Ireland's largest companies, we employ more than 9,000 people throughout our national networks and contract with 875 postmasters. As a leading commercial organisation, we provide a wide range of products and services including postal, distribution and financial services. We also offer agency banking and government services as well as operating through various subsidiary and joint venture companies. We play an integral role in Irish life and society, connecting people, businesses and communities across the island and with the world. We are an essential national infrastructure as well as a vital partner, helping businesses to trade and transact, globally and locally, while keeping customers connected.

An Post provides a widely acknowledged vital Public Service. During the height of the pandemic An Post was there to show social solidarity, to be imaginative in responding to citizens' needs, empathetic in every community, resourceful in its self-sufficiency, and industrious to scale the seismic logistical challenges it faced.

An Post kept Ireland trading with our mail and parcel and also our post office networks open. It showed solidarity with citizens, stood up for the elderly and vulnerable, looked after its employees and accelerated our ongoing transformation as a business.

Sustainability remains at An Post's core, earning numerous awards and recognition for leadership in sustainability. Last year we were the first major company in Ireland to eliminate the gender pay gap, reduced our carbon emissions by 4% year-on-year, avoided €1.5m in fuel costs through better fleet efficiency, were the first postal service in the world to attain zero emission delivery status in all major cities: Dublin, Waterford, Cork, Limerick, Galway and Kilkenny. We were the first company in Ireland to trial the use of HVO (Hydro-treated Vegetable Oil) for fleet fuel, sent zero waste to landfill for the fourth consecutive year and achieved a primary recycling rate in excess of 80%. We offered €2.4m in discounts



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to support Irish SMEs trading during the difficult months of COVID-19, signed up to the UNEP FI Principles for Responsible Banking, achieved the independently audited Business Working Responsibly Mark, launched a new An Post Money app and An Post Money Mate to improve financial literacy and put our customers in control of their finances, raised over €33,000 for LGBTQ+ support groups from the sale of our Bród (Pride) stamps and 92% of tenders included sustainability criteria as an evaluation category. Thereby demonstrating Climate Action and Sustainability objectives are being actively pursued.

### An Post Strategy

The transformation of An Post embodies a combination of revenue growth in parcels, creation of new business in financial services, headcount reduction in the traditional mail sector and innovative and appropriate pricing.

#### *Green Light, 2021- 2026:*

An Post's progressive strategy for the recovery will empower our people, grow our business and help protect our planet. It will both meet and help shape customer demand for services by embracing technology, while ensuring sustainability for the long term.

The Green Light Programme sees an investment of €200-300m in the networks over the next five years for physical and digital infrastructure (excluding any potential M&A); with a revenue target in excess of €1bn annual revenues at a point during the plan; and a net margin target of 7% - 10% to sustain the business for the long-term.

The strategy comprises:

- Increased profitability through a new logistics network to meet burgeoning demand, and a new sustainable mail delivery service
- A transformed and sustainable Post Office network that will become an even more vital service for consumers and communities
- The development of an advanced digital platform to make eCommerce easy and accessible for everyone, especially out-of-home as consumers return to offices
- Growth of An Post Commerce, to enable Irish businesses to trade and transact here and around the world, and an expansion into new international supply chains
- Better Banking with An Post Money's expanded range of services
- A new expert and lean Corporate Centre "CC2.0"; with new ways-of-working for a post-COVID world.

As we move through 2022, An Post expects to return to growth, especially in the second half of the year. The huge inflation in energy costs and recovery from the pandemic, as well as the new EU customs rules and Brexit, have presented challenges, but our commitment to the State and its citizens is undiminished. We will rebuild reserves for ongoing investment, future crises and events. The investments made in An Post's transformation over the past



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five years proved invaluable through the pandemic, and ensure a solid infrastructure for the years ahead.

## CEO Remuneration

In January 2020 An Post provided an information request for a planned review of Commercial State Body CEO remuneration by Department of Communications, Climate Action & Environment, in conjunction with NewERA. The submission at that time concentrated on the achievements of the incumbent CEO since role commencement (attached in appendix).

The An Post CEO role is a 7-year term; current contract is effective from 3 October 2016, due to terminate in 2023.



## CEO Remuneration - Risks

**Employment status** - the current arrangement is a fixed term 7-year contract, this poses a challenge for both the attraction of key talent and retention.



**Compensation** - fixed term contracts of this nature in the private sector offer compensatory financial benefits in order to attract and retain talent as they acknowledge the uncertainty that applies to finite contracts. This puts organisations such as An Post at a significant competitive disadvantage when it comes to attracting the appropriate talent needed to lead an organisation of such magnitude and complexity.

**Succession planning** - All organisations at senior levels require clear succession plans. A potential internal CEO successor would be required to resign a permanent position, leave the Defined Benefit pension scheme and take up a fixed term contract which would expire in seven years. This is unattractive and seriously impacts potential internal succession when the most suitable candidate may be an internal one.





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not normal practice that no bonus or long term incentive scheme is available to a CEO, this can also be a key driver for attracting and retaining talent.

#### Observations and Proposal

There is rigorous structure and governance in place for remuneration of all employees in An Post excepting the CEO. The Remuneration Committee of the Board is chaired by the An Post Chairperson.

An Post propose that the Department, working with an independent review body and in consultation with the Chairperson:

- Remove, or substantially increase the ceiling cap of €250,000 which is currently in place. The attached Willis Towers Watson CEO Benchmarking report details the average remuneration for this role for both base pay and total remuneration. Positioned by this report the basic salary this role commands is in the range of [REDACTED] - [REDACTED]
- Allow flexibility for:
  - RemCo to determine target bonus (ref WTW report up to [REDACTED]% of basic on performance against agreed objectives)
  - o RemCo ability to allow for CPI/Cost of Living increase - any pay award reflective of market movement should include the CEO.
  - o RemCo ability to allow for term extension up to 1 year.

At An Post we recognise that our operations impact every county, community, household and business in Ireland. We are one of the largest employers, we maintain one of the largest fleets and we operate the country's largest retail network. With a presence in every community, we have a responsibility to ensure that we leave a better world for future generations. This is reflected in our Purpose: "to act for the common good and to improve the quality of life in Ireland, now and for generations to come".

To achieve this, retaining a courageous and tenacious leader is imperative; it is essential that the remuneration attached to the position of CEO of An Post is sufficiently competitive in order to mitigate significant risk to An Post in terms of its commitment to its strategy. We must be able to continue to attract suitable qualified and experienced talent into the CEO role.

In June 2011 a Government decision introduced pay ceilings for higher posts across the public service and for CEO posts in Commercial State Companies. Unwinding of pay and



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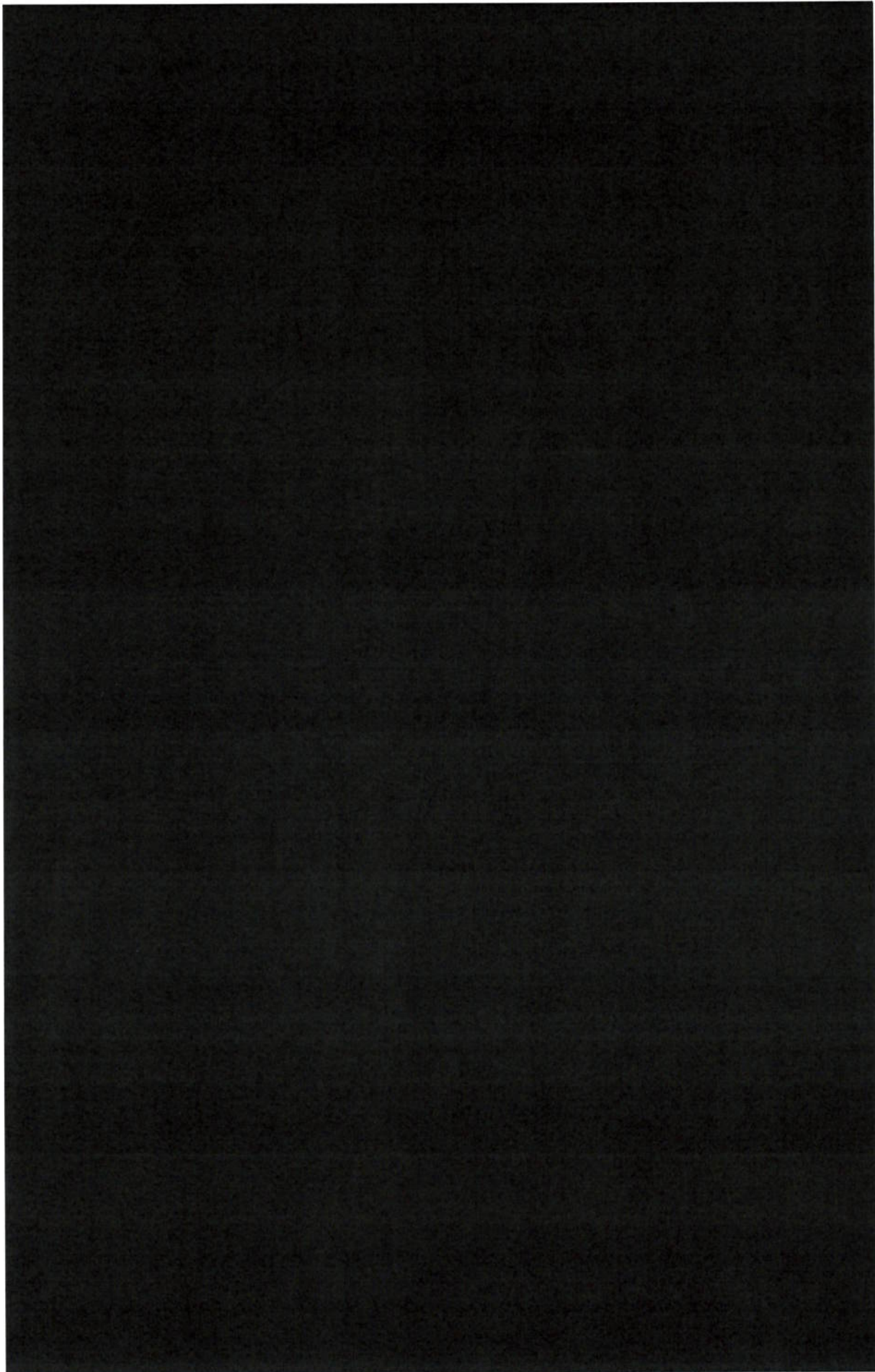
pension reduction measures under FEMPI will be completed for all higher public service posts in 2022. The Board of An Post is extremely disappointed that as yet, there is no similar planned comparable unwinding for CEO posts in 2022. The Board believes this poses a significant risk to the future leadership of the organisation and negates the possibility of attracting the appropriate talent required to lead this unique organisation into the next phase of its critical evolution.

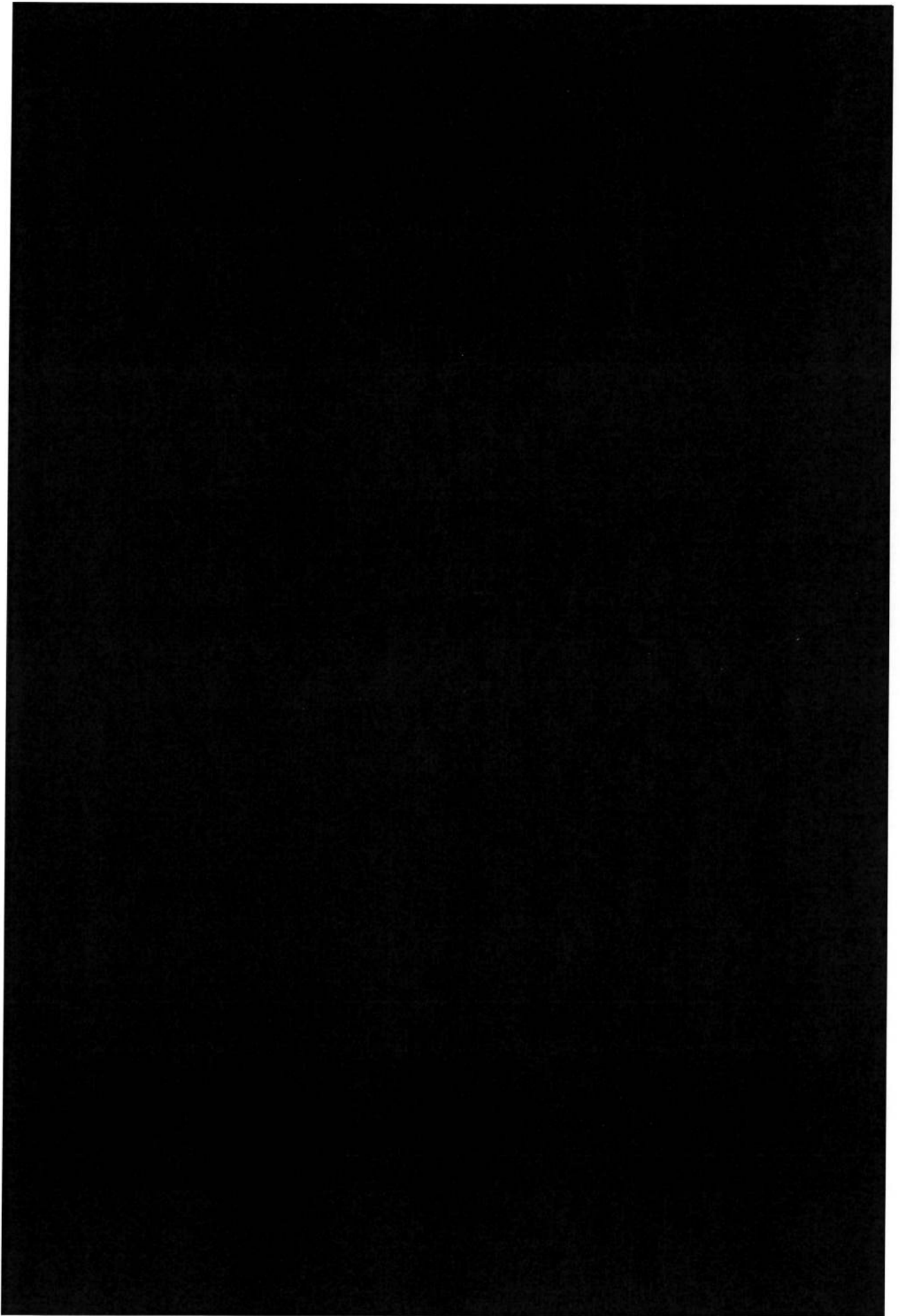
The Company welcomes the opportunity to provide a submission, it is also important to note that we feel very strongly that any change in provision would apply to the incumbent along with any new entrant taking up the role of CEO.

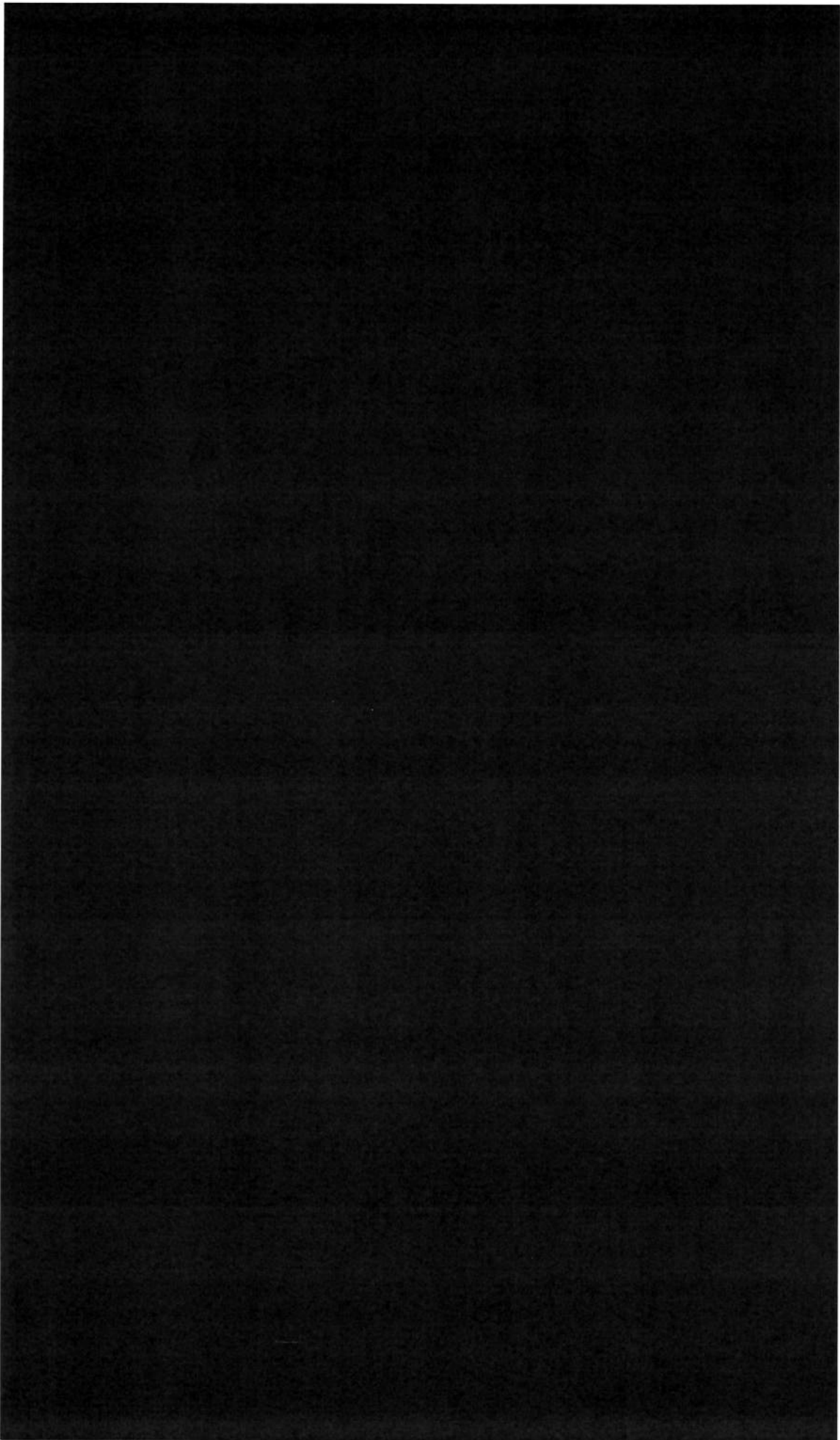
Yours sincerely

Carol Bolger  
Chairperson

Eleanor Nash  
Chief People Officer

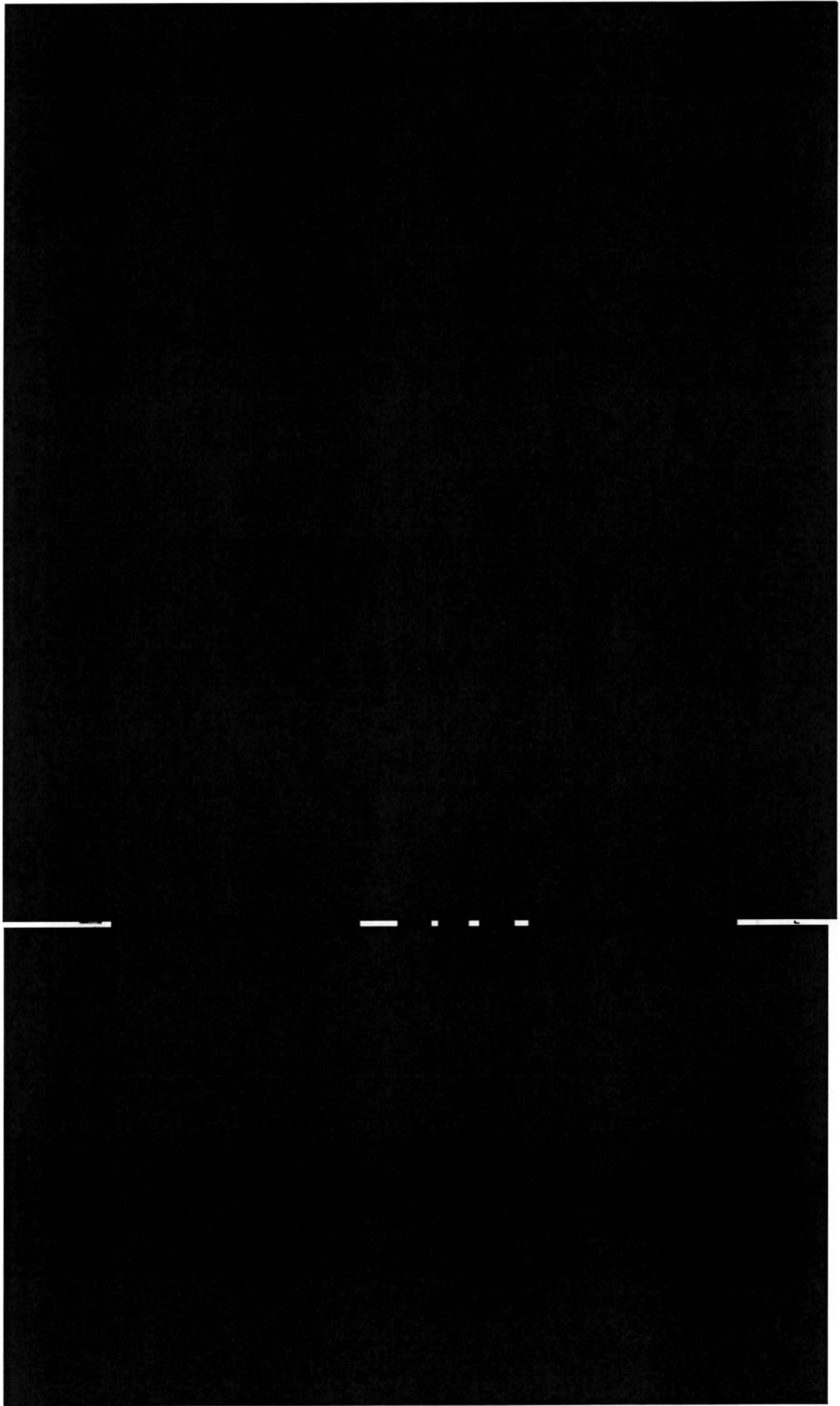


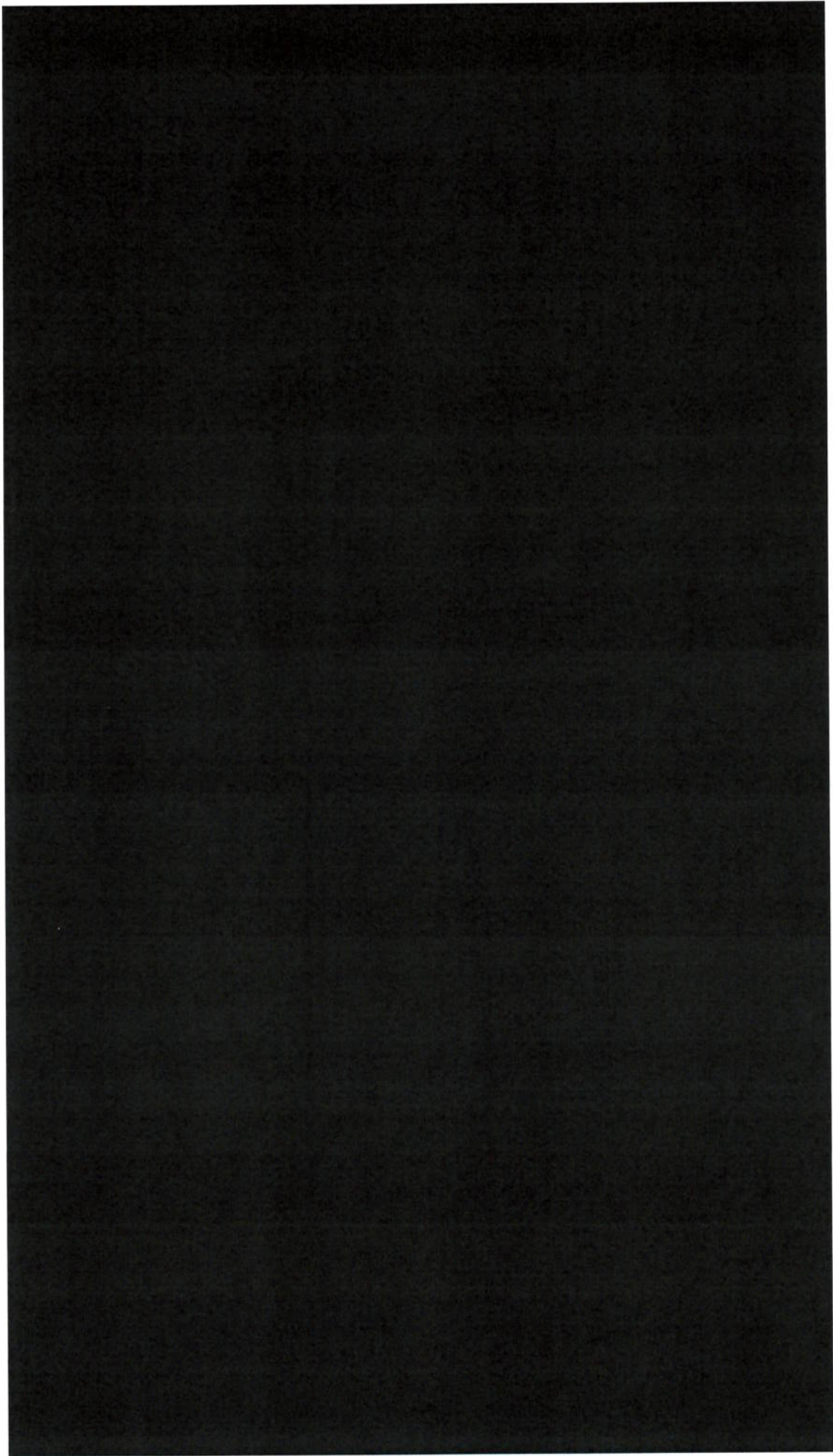


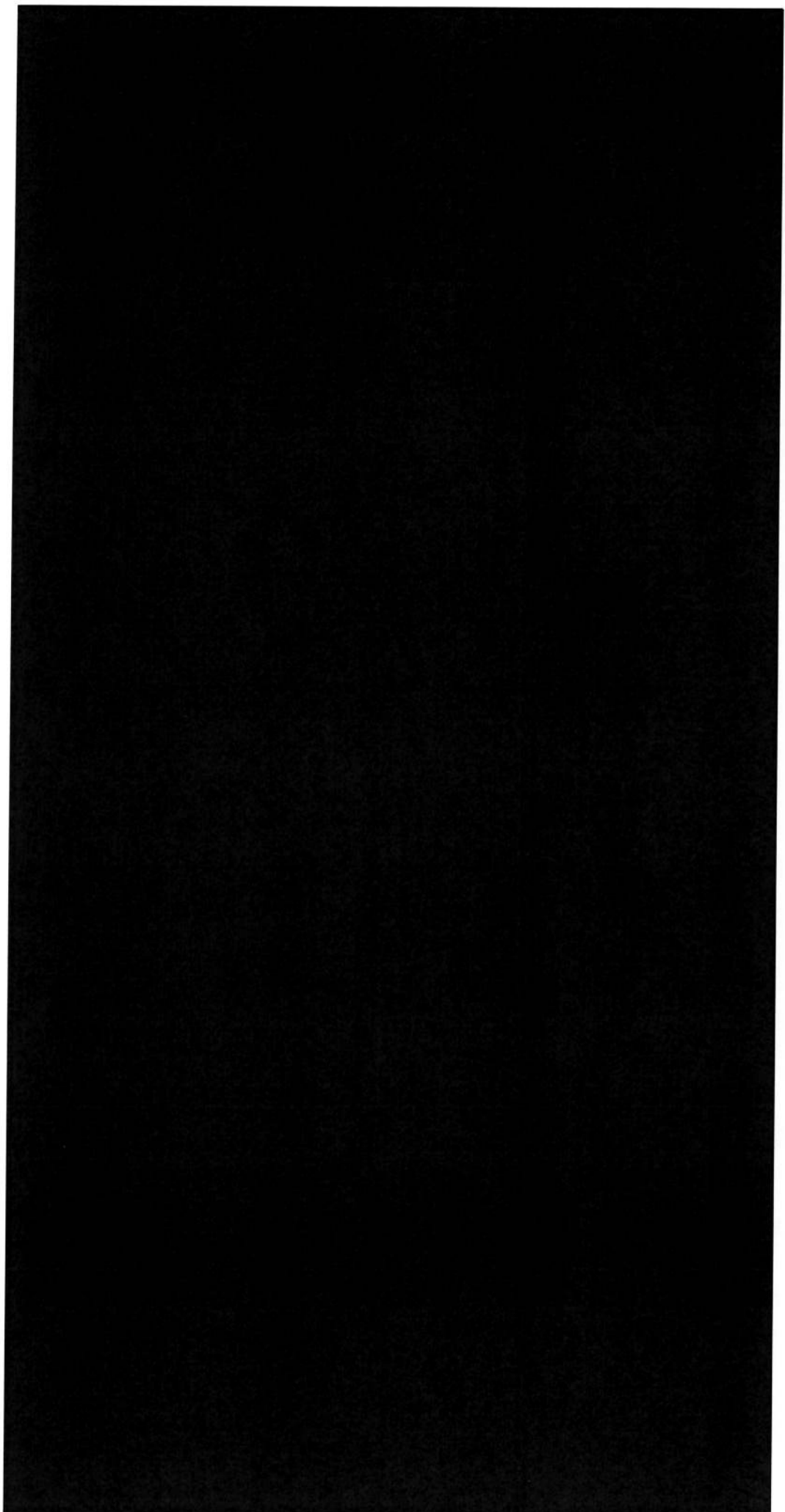


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Mr Mark Griffen  
Secretary General  
Department of Communications, Climate Action & Environment  
29 – 31 Adelaide Road  
Dublin 2  
D02X285

3 Jan 2020

Dear Mr Griffen

**Re: Review of CEO Remuneration in CSBs**

I refer to an email of 16 December 2019, concerning a welcome review of Commercial State Body CEO remuneration by your Department, in conjunction with NewERA.

The relevant information request has been forwarded as requested.

In addition, I would like to take this opportunity to provide you with some supplementary information which may assist in your report to the Minister, attached as:

Appendix 1 – Latest Achievements (2019)

Appendix 2 – CEO Benchmark Data (Willis Towers Watson) which has graded the An Post CEO role as Global Grade 19. Benchmarking is completed to (1) include Financial Services (2) exclude Financial Services.

David McRedmond commenced in the role of CEO to An Post in October 2016, with a mandate to transform. Results have been very significant. Strategy analysis demonstrated the trend for the Company was projected losses of €110m by 2019. In fact, the achievement of profits of €40m in 2018, plus similar expected results for 2019 reflect a change of €150m per annum. EBITDA was €59.4m in 2018.

The strategy has embodied a combination of revenue growth in parcels, creation of new business in financial services, headcount reduction in the traditional mail sector and innovative and appropriate pricing. All of which has resulted in a sustainable

**national postal operation, which had looked like an impossible task in 2016. This has been achieved in the three years since the appointment of Mr McRedmond.**

**In addition innovative ideas have come to fruition, including AddressPoint, addressing issues for those unfortunate not to have a personal address. Climate Action and Sustainability objectives are being pursued: having all deliveries between the canals carried out with electric vehicles is one notable achievement.**

**The funding of the national postal operation has been put on a firm footing with trading results, asset disposals and external funding from the EIB. All of these substantial strategic moves will provide long term gains.**

**As you are aware, I have long been an advocate of the importance of rewarding the CEO with a package that reflects the scale and prominence of An Post. Mr McRedmond has clearly demonstrated his worth by the achievements outlined. I have continually noted at Board the retention of the CEO is a risk for An Post.**

**I am available to discuss further, if required.**

**Yours sincerely**

A handwritten signature in black ink, appearing to read 'Dermot Divilly', written in a cursive style.

**Dermot Divilly  
Chair**



# Appendix 1 CEO Latest Achievements

## 1. Performance of the company (2019)

An Post has had an extraordinary year, the third in a row of profit and growth which makes it possibly one of the best performing postal organisations worldwide.

An Post was forecast to make a loss of €150m in 2019 and is now on course to make a profit of €40m. The strategy which the CEO put in place two years ago to replace the inexorable decline in letter volumes with a mixture of optimum pricing, new revenue growth from eCommerce parcels and Financial Services, and cost cutting in the core networks is paying off dramatically.

As an example of exiting the old world and entering the new, An Post announced the closure of one of its four giant mail centres (in Cork) with a loss of 240 jobs, but opened the largest and best automated parcel hub on the island (in Dublin) to transform parcel capacity.

Every area of economics has been reviewed including agreements that were considered by many in the industry as impossible to renegotiate. An Post delivered a breakthrough agreement on the prices it gets for in-bound mail from the EU (the IPC agreement); and then followed this with a dramatic renegotiation with the global postal agreement (UPU), alongside a small number of other countries which it worked in collaboration with. Together these deals will deliver an extra €30-40m profit by 2023.

An Post unveiled a refreshed brand identity in March in tandem with a new, younger customer focus and a range of new and improved e-Commerce and Financial products and services to suit modern lifestyles and schedules.

An Post has also launched An Post Money, the new financial services brand for the post office network which has delivered class leading products such as the fintech multi-currency card, and the best credit card rates.

Nearly every post office in the network has been rebranded and now over 60% of the post offices have been co-located in other retailers to future-proof the service.

An Post has also led every company in the State with its dramatic commitment to Electric Vehicles, promising only electric vehicles in the centre of Dublin (between the canals) by the end of this year and in every city including greater Dublin by the end of 2020.

An Post has met its €200m funding target (identified in the strategy in 2017), closing out 2019 by signing a €40m loan facility with the European Investment Bank.



**In short the company has shown dramatic results against the Government's own forecast; substantially repositioned its two core businesses (An Post Retail, and An Post Mails & Parcels), and rebuilt the balance sheet.**

## **2. Ethics and Vision**

**In 2019 An Post has lived up to its brand promise (from the 2018 brand programme) "to act for the common good".**

**Sustainability has been at the core. An Post is now the leader in climate change action bringing forward its target to reduce carbon emissions by 50% to 2025; and has installed the country's largest electric vehicle fleet.**

**The commitment under the Sustainability Development Goals to 'Decent Work' has been exemplified by An Post being one of the first companies to launch its gender pay report. The gap of 3.5% is the most balanced of any company reporting to date. The visible commitment to gender balance has been the change in its top management team from a team of 12 men three years ago, to a team of 4 women and 4 men today.**

**An Post's commitment to communities was best expressed through its two ground-breaking homeless initiatives: Address Point (which gives homeless people or those living in temporary accommodation a proxy address for mail), and the Shared Network from An Post Mobile which allows users and An Post to donate free data to homeless people.**

**David McRedmond is also a director of the Ireland Funds, Ireland's leading philanthropic organisation.**

## **3. Innovation**

**An Post has built a whole new digital and technology team to support the digital transformation of its business.**

**In 2019 it has launched a range of online financial services; advanced track and trace for parcels (including numerous delivery options for customers); launched Click & Post, a handy online label facility for parcel postage and has embarked on the total reinvention of the corporate centre through Project Simplify. The opening of the Dublin Parcel Hub which is a major piece of technology infrastructure for the State was on time and on budget; and An Post has been one of the first postal services in the world to build a digital twin of its delivery network (allowing the network to be dynamically redesigned in real time).**

**Address Point (under Point 2 above) has won several international awards as one of the best examples globally of innovative philanthropy and for the strength and sensitivity of its launch.**