



**Network Rail Limited (the “Company”)**

**Terms of Reference**

**for**

**The Nomination and Corporate Governance Committee of the Board**

**Membership**

- 1 The Nomination and Corporate Governance Committee (NCGCom) shall comprise the Chairman of the Board of Directors of the Company (the **“Board”**), the Special Director (as defined in the Company's Articles of Association) and at least one further non-executive director selected by the Board.
- 2 The Board may appoint further directors to the NCGCom, provided that the majority of the members of the NCGCom shall be non-executive directors. The members and chairman of the NCGCom shall be identified in the Company's annual report. Other than the Special Director, members of the NCGCom shall normally serve for a period of not less than three years unless determined otherwise with the agreement of the Board and subject to the normal periodic re-election of directors.
- 3 The Board shall appoint the Chairman of the Board (except when dealing with the appointment of a successor to that chairmanship) or one of the non-executive directors who is a member of the NCGCom to be its chairman.
- 4 The Company Secretary shall act as secretary of the NCGCom (the **“Secretary”**).
- 5 The Chief Executive, Human Resources Director, Director, Corporate Communications and the Company Secretary shall be expected to attend meetings of the Committee.
- 6 The Executive Directors are invited to attend at any time. Others such as external advisers shall be in attendance as and when considered appropriate by the Committee and in respect of the items that are relevant to them.

## **Proceedings of the NCGCom**

- 7** The NCGCom shall meet not less than three times a year and in addition as and when circumstance demands and meetings shall be organised so that, so far as is reasonably practicable, all committee members who wish to participate may do so.
- 8** A meeting of the NCGCom may be convened by any committee member or by the Secretary. Notice of each meeting (confirming the venue, date and time, and an agenda of business to be discussed) shall, unless agreed by each member of the NCGCom, be sent to each member of the NCGCom and all other non-executive directors of the Company not less than three working days before the meeting. Decisions taken at a meeting where proper notice has not been given in accordance with these terms of reference shall be invalid.
- 9** The quorum for transaction of business by the NCGCom shall be any three members.
- 10** The NCGCom shall operate by majority decision. In the case of an equality of votes, the chairman of the NCGCom shall be entitled to an additional or casting vote in addition to any other vote he may have.
- 11** The Secretary shall maintain a written record of the proceedings and decisions of the NCGCom. These shall be circulated to all members of the NCGCom and upon request to other directors.
- 12** The chairman of the NCGCom shall attend the Annual General Meeting (and shall if required by the Board attend any meeting of the membership) of the Company to answer questions on the activities of the NCGCom.
- 13** The NCGCom may at the Company's expense (in accordance with the Company's Guidelines for Independent Professional Advice) direct the Secretary to employ the services of such advisors, or otherwise commission such reports or surveys, as it deems necessary to fulfil its responsibilities.
- 14** The NCGCom is authorised to seek any information it requires from any employee of the Company in order to perform its duties.
- 15** Members of the NCGCom shall normally be expected to attend meetings of the NCGCom in person to the extent this is reasonably practicable. Subject to this, Members of the NCGCom may appoint an alternate director, in accordance with the Company's Articles of Association, to sit in their place and perform their functions at any meeting of the NCGCom, provided such alternate director is a non-executive director of the Company.

## **The role of the NCGCom**

### **Nomination and evaluation**

**16** The NCGCom shall:

- 16.1** having regard to the Company's Articles of Association, review regularly the size, structure and composition of the Board and make recommendations to the Board on any adjustments that may be deemed necessary and feasible);
- 16.2** in making such recommendations, evaluate the balance of skills, knowledge and experience on the Board which shall include:
  - 16.2.1** establishing a process for annually reviewing Directors' performance, and to provide input to the Chair of the Board, who is charged with the responsibility of carrying out such reviews;
  - 16.2.2** reviewing and making recommendations to the Board at least annually on the performance and effectiveness of the Board; and
  - 16.2.3** reviewing at least annually the performance of each of the Board Committees and to bring forward recommendations to improve their effectiveness where appropriate
- 16.3** prepare a description of the role and capabilities required for a particular appointment and apply objective criteria when formulating recommendations for new directors, whether executive or non-executive directors;  
  
be responsible for identifying and nominating candidates for appointment as directors, whether executive or non-executive directors, for approval by the Board;
- 16.4** have regard to the requirement of the Company's Articles of Association that the number of non-executive directors should exceed the number of other directors;
- 16.5** assist the Board in identifying and developing the role of a senior independent non-executive director;
- 16.6** assess and articulate the time needed to fulfil the role of Chairman of the Board, senior independent director and non-executive director, and undertake an annual performance evaluation to satisfy itself that all members of the Board have devoted sufficient time to their duties;
- 16.7** review annually the time requirements of the Company upon each non-executive director and the ability of that director to fulfil such requirements;
- 16.8** satisfy itself that appropriate succession plans and processes are in place for appointments to the Board and to senior management positions;
- 16.9** make recommendations to the Board as regards (a) the continuation in service (or not) of any individual as an executive director or a non-executive

director; or (b) directors who are retiring by rotation to be put forward for re-election (or not, as the case may be);

- 16.10 satisfy itself that on appointment to the Board that an individual has sufficient time to undertake the role and review their commitments;
- 16.11 direct the Secretary on behalf of the Board to formally write to any appointees, detailing the role and time commitments and proposing an induction plan produced in conjunction with the Chairman of the Board.
- 17 The NCGCom shall also make recommendation to the Board:
  - 17.1 with regards to the Chairman of the Board having assessed periodically whether the present incumbent should continue in post;
  - 17.2 as regards the re-appointment of any non-executive director at the conclusion of their specified term of office, having regard to best corporate governance practice;
  - 17.3 for the continuation (or not) in service of any director who has reached the age of 65;
  - 17.4 concerning the re-election by members of any director under the retirement by rotation provisions in the Company's Articles of Association;
  - 17.5 detailing items that should be published in the Company's Annual Report relating to the activities of the NCGCom; with regard to the membership and chairmanship of the Audit Committee of the Company
  - 17.6 oversee the induction program for new Directors and continuing education for all Directors including making recommendations on methods to improve Directors' knowledge of the Company's activities and their responsibilities as Directors; and
  - 17.7 recommend qualified Directors for membership on the various Committees of the Board
- 18 Subject to Members' rights under the Company's Articles of Association, all decisions in respect of the appointment of directors shall be referred to the Board and shall take effect only upon approval thereof by resolution of the Board at a meeting which is properly convened and constituted in accordance with the Company's Articles of Association.
- 19 These terms of reference of the NCGCom do not extend to the appointment or continuation (or not) of the appointment of the Special Director or to matters relating to the Membership Selection Panel as these matters are specifically provided for in the Articles of Association of the Company.

### **Corporate Governance**

- 20 The NCGCom shall assist the Board on matters related to the effective governance of the Company which shall include reviewing and making recommendations to the Board on:

- 20.1** at least annually on:
  - 20.1.1** the role of the Chair, the role of the Chief Executive and the role of the Chair of each Committee of the Board; and
  - 20.1.2** the Company's business ethics performance and the terms of the Company's Code of Business Ethics
  - 20.1.3** the Company's Transparency Policy
  - 20.1.4** the reputation of the Company
  - 20.1.5** The Company's performance in relation to inclusion and diversity
- 20.2** the terms of reference of the Committees of the Board
- 20.3** the effectiveness of the corporate governance and system of internal non financial controls of the Company
- 20.4** the extent and effectiveness of the Company's external reporting of corporate responsibility performance, and its participation in relevant external benchmarking indices, as determined by the Executive Committee
- 20.5** at the end of each financial year a review of the proposed content and process relating to the reporting of relevant non-financial elements of the Annual Report and Accounts
- 21** It may also make recommendations to the Board:
  - 21.1.1** detailing items that should be published in the Company's Annual Report relating to the activities of the Committee;
  - 21.1.2** On the corporate governance and system of non-financial internal controls of the Company.
  - 21.1.3** To ensure there is a training strategy developed for raising awareness and understanding of the responsibilities for corporate governance of managers, staff and the Board.
  - 21.1.4** To facilitate compliance with governance standards; good practice guidance and legislation.
  - 21.1.5** To make sure that appropriate monitoring systems are in place to ensure compliance against the relevant non-financial internal controls systems, processes and policies, and in particular to monitor the implementation of the Company's plans to maintain high compliance with its own corporate governance standards.
- 21.2** To monitor attendance at each meeting, so that the Chair can initiate action in the event that a member fails to attend more than three consecutive meetings without good reason and without providing an appropriate deputy.
- 21.3** To provide an Annual Report to the Board providing positive assurance that the Committee has met its terms of reference and key duties.

- 21.4** To ensure the effectiveness of all committees/working groups with accountability to the NCGCom, including the production of relevant minutes, plans, reports and other documentation

**Subsidiaries**

- 22** The NCGCom shall be responsible for identifying and nominating candidates for appointment as directors of all significant subsidiaries of the Company, whether executive or non-executive directors, for approval by the relevant board of such subsidiary companies. The NCGCom shall determine in its absolute discretion whether a subsidiary of the Company is significant for this purpose.

Adopted by the Board of Network Rail on 25 May 2011