

NOMINATION COMMITTEE REPORT



The following report provides an overview of the committee’s activities in the past year, and looks ahead to our anticipated activities during 2016/17.

During 2015/16 we focused on:

- the composition of the board and the combined capabilities and experience of the directors
- the appointments of Rob Brighthouse, Richard Brown and Sir Peter Hendy as non-executive directors and the appointment of Jeremy Westlake as chief financial officer.
- The committee engaged with the DfT and UK Government Investments (UKGI) on fees paid to non-executive directors. That engagement is ongoing.

The committee also performed its routine duties, such as reviewing the succession plans for senior management, and reviewing the outcome of the 2015/16 light-touch board effectiveness review and the associated action plan.

During 2016/17 it is anticipated that we will focus on ensuring that the board and its committees continue to support the delivery of Network Rail’s strategy. We will do this, at least in part, by ensuring that the board and senior management team has an appropriate blend of capability, skills, expertise and experience, and that effective development and succession plans are in place for all senior executive roles.

During the year Richard Brown and Sir Peter Hendy joined the committee. Michael O’Higgins and I have welcomed their contribution.

Janis Kong
Chair, nomination committee
30 June 2016

Committee members

Member	Date appointed to committee	Number of meetings attended
Janis Kong (chair)*	July 2010	3/3
Richard Brown	October 2015	3/3
Sir Peter Hendy	October 2015	3/3
Michael O’Higgins	September 2014	3/3

**Chair since September 2014*

Previous member during the year

Richard Parry-Jones**	April 2013 – July 2015	1/1
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***Stepped down from the board on 15 July 2015*

Committee attendees

The chief executive, group Human Resources director and group general counsel and company secretary attend meetings by invitation.

Role of the committee

The committee’s role is to assess, review and monitor board composition and evaluation.

The committee’s former accountability for the effectiveness of non-financial corporate governance is now undertaken by other committees.

Following each committee meeting, the chair provides a summary of the committee’s activity to the next board meeting, and makes recommendations as appropriate.

The terms of reference of the committee can be found on the Network Rail website: networkrail.co.uk

CORPORATE GOVERNANCE REPORT CONTINUED

Principal activities during the year

The principal matters considered by the committee during 2015/16 were:

Recruitment of directors

During 2015/16 Rob Brighthouse, Richard Brown and Sir Peter Hendy were appointed as non-executive directors. In addition, Jeremy Westlake was appointed as an executive director and chief financial officer.

- Sir Peter Hendy was appointed by the Secretary of State for Transport as chair of Network Rail on 16 July 2015 to replace Richard Parry-Jones, who stepped down from the board on 15 July 2015.
- The SoS, as Network Rail's Special Member, exercised his right under the company's articles of association to appoint a non-executive director to the board. Accordingly Richard Brown was appointed as special director on 1 July 2015.
- Rob Brighthouse joined the board as a non-executive director on 1 January 2016.
- Jeremy Westlake was appointed as an executive director and chief financial officer on 24 February 2016, in place of Patrick Butcher, who resigned.

Rob Brighthouse, Richard Brown, Sir Peter Hendy and Jeremy Westlake will be seeking election as directors of the board for the first time at the 2016 AGM.

Recruitment of Rob Brighthouse

In January 2016, Rob Brighthouse was appointed as a non-executive director. His appointment was managed internally by the committee with support from the group general counsel and company secretary. An independent executive search firm, Ridgeway Partners, conducted the search.

Having regard to the other non-executive directors, the committee identified the knowledge, skills and experience that they thought would complement and enhance the composition of the board. In line with the committee's brief, a number of potential candidates were identified and interviewed by the search firm.

A short list of recommended candidates was interviewed by the committee as well as Janis Kong and Chris Gibb. Following recommendation by the committee the board sought the SoS's approval for the appointment of Rob Brighthouse as a non-executive director with effect from 1 January 2016.

An induction programme was created for Rob Brighthouse, taking into account his prior experience in the railway industry. As part of that programme he met with all directors and the executive committee members, as well as senior executives from the treasury, safety and property teams.

Recruitment of Jeremy Westlake

Jeremy Westlake was appointed as chief financial officer in February 2016. Having drawn up a role and person specification detailing the capabilities, skills and experience that the role holder would need, the group Human Resources director managed the selection process.

Following work by independent executive search firm, Green Park, and a media advert, a long list of more than 10 people was identified by Green Park for consideration by Network Rail. Eight of those on the long-list were interviewed by the group Human Resources director and Sharon Flood, a non-executive director with financial expertise.

Following those interviews, two candidates underwent external assessment and were interviewed by Mark Carne, the chief executive.

The Department for Transport was updated on developments throughout the process.

The induction programme prepared for Jeremy Westlake included meetings with each board member, a detailed session with the group general counsel and company secretary on governance and legal matters, and site visits across the network, including London Bridge, Shrewsbury delivery unit and mechanical signalling depot.

Board evaluation

The Code requires companies to undertake external board evaluation at least every three years. In 2014/15 Network Rail initiated an independent review of the effectiveness of its board and committees, which was undertaken by IDDAS.

Network Rail asked IDDAS to undertake a 'light-touch' review of the board's effectiveness in summer 2015, to measure progress against the actions arising from the 2014 review.

The committee reviewed IDDAS's findings and management's action plan to address the points raised. Further detail can be found on page 54.

Directors' personal performance reviews

During the year the committee managed the process of directors' personal performance reviews. Further information on this process can be found on page 54.

Succession planning

The committee received progress reports from senior management on the succession planning process with particular focus on senior key roles in the business. The committee recognises that effective talent management programmes and the enhancement of diversity and inclusion across all levels of the organisation is essential for the delivery of the company's long-term objectives.

Planned activities of the committee during the coming year

During 2016/17, the committee will:

- Review the 2016 board effectiveness light touch review being conducted by Independent Audit and subsequently make recommendations to the board regarding any key findings
- Undertake a search for two non-executive directors to replace Malcolm Brinded and Janis Kong who plan to retire from the board in 2016, and
- Review committee chairs and members.