



Nomination and remuneration committee report

I am delighted to present the nomination section of the committee’s report into its activities during 2018/19.

From September 2018 the nomination committee and the remuneration committee were conjoined. The decision to amalgamate these committees reflected the limited remit of both committees given Network Rail is an arm’s-length government body. The members of the two committees were broadly the same; Michael O’Higgins chaired the remuneration committee until he retired from the Board on 31 August 2018, at which point I assumed that role, becoming chair of the conjoined nomination and remuneration committee. I already chaired the nomination committee. Sir Peter Hendy CBE and Richard Brown CBE were members of both committees for the whole year.

Due to the nature of the committee’s work and the associated reporting requirements, this report is presented in two parts. The first part covers the ‘nomination’ related activities. The second part is the Directors’ Remuneration Report, the content of which is largely prescribed by legislation and regulation.

In the first half of the year, when the committee operated separately, the nomination committee’s focus was on appointing (i) a successor to Mark Carne CBE as chief executive and (ii) an additional non-executive director with

specific knowledge, skills and experience in leading business transformation, with a focus on improving customer service through devolution and delivering cost efficiencies.

Two separate recruitment programmes resulted in the appointment of Andrew Haines OBE as chief executive and David Noyes as a non-executive director.

During this period, the remuneration committee’s focus was on the outturn of the 2017/18 performance related pay (PRP) scheme and fixing appropriate metrics and targets for the 2018/19 PRP scheme.

The second half of the year saw the conjoined nomination and remuneration committee focus its efforts on the Putting Passengers First programme (see page 7 for further information). This focus on extending devolution from the centre to the routes and regions has necessitated an organisational change, including changes to senior roles and reporting lines.

The Directors’ Remuneration Report starts on page 111.

Upon the amalgamation of the nomination and remuneration committees, David Noyes joined the committee. We very much welcome David’s perspective on the committee’s remit, given his recent and relevant experience in a commercial, private sector organisation.

Bridget Rosewell CBE,

Chair, nomination and remuneration committee

15 July 2019

Committee members	Formal appointment to the nomination committee	Number of nomination committee meetings attended during the year	Number of nomination and remuneration committee meetings attended during the year
Bridget Rosewell CBE	Sep 2016	1/1	6/6
Richard Brown CBE	Oct 2015	1/1	3/6
Sir Peter Hendy CBE	Oct 2015	1/1	5/6
David Noyes ¹	Oct 2018	-	5/5
Michael O’Higgins ²	Sep 2016	1/1	-

1. David Noyes was appointed to the Board on 6 July 2018; his appointment in October 2018 was to the conjoined nomination and remuneration committee

2. Michael O’Higgins resigned from the Board and Committee on 31 August 2018

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Committee attendees

The following people attend meetings of the committee by invitation: the chief executive, the group general counsel and company secretary, the group HR director and the head of reward and benefits.

Role of the committee

The role of the combined nomination and remuneration committee is to investigate or comment on Board appointments, Board and senior executive remuneration (or any other related matters that are referred to it or as may appear to it to be necessary), and to review matters related to Network Rail’s culture and diversity.

The committee’s terms of reference can be found on our website: www.networkrail.co.uk

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

Nomination matters considered by the committee during the year included:

Board succession planning and appointment of non-executive directors

In February 2018 Mark Carne CBE announced his plans to retire from Network Rail later that year. As such the committee discussed plans to appoint Mark’s successor.

Spencer Stuart, an independent executive search firm, assisted with the selection and recruitment process, which included running a newspaper advertisement to help attract a diverse range of candidates. Spencer Stuart provided a long-list of potential candidates for review by Network Rail, following which Spencer Stuart interviewed a number of those candidates. Those interviews helped to identify a short-list of candidates, from which those interested in the role were interviewed by a panel from Network Rail, the Department for Transport and HM Treasury. Following the completion of this process, the role of chief executive of Network Rail was offered to, and accepted by, Andrew Haines OBE.

The committee also managed the search and selection of David Noyes as a non-executive director. That recruitment was supported by Korn Ferry, an independent executive search firm. The role was advertised in a national newspaper, and suitable candidates from that and from Korn Ferry’s research were assessed by Korn Ferry and a long-list of candidates identified. That long-list was reviewed by Network Rail, and a short-list of candidates were identified and interviewed by Bridget Rosewell CBE. A final short-list of candidates was then interviewed by Sir Peter Hendy CBE, Bridget Rosewell and Chris Gibb. The appointment of Network Rail’s preferred candidate was recommended to the Secretary of State for Transport, who approved that appointment.

Board evaluation 2018

The committee reviewed the recommendations arising from the 2018 Board evaluation review, alongside the proposed actions to address, where appropriate, those recommendations. The committee monitored progress towards delivering those actions.

Effects of the UK corporate governance code 2018

The committee was briefed on the corporate governance changes arising from the 2018 UK Corporate Governance Code. A number of matters were highlighted to the committee with recommendations made as to how they should be addressed. Those matters included stakeholder and workforce engagement.

Particular areas of focus for the nomination and remuneration committee in 2019/20 will include:

- Changes to performance scorecards as a result of the new operating model. The scorecards form the basis for determining whether or not targets have been met and therefore whether, and if so to what extent, any performance related pay has been earned;
- The 2019 Board effectiveness review outcome and plan to address any issues identified. This work will encompass:
 - > a review of the committee’s terms of reference; and
 - > consideration of the Board’s diversity policy and targets;
- A review of Board succession plans, which will include the search for and appointment of non-executive directors to replace those who have, or will soon have, completed their term on the Board;
- A review of Network Rail’s pension schemes; and
- Preliminary discussions on the directors’ remuneration policy which is expected to apply for the 2020/21 financial year.