

**Annual
Performance
Related
Pay Scheme**

2019 / 2020

Contents

Page	Section
3 & 4	Annual Performance-Related Pay Introduction
5	Who can participate and potential awards
	Dashboards
6	How the scheme works
	Individual Performance
7 & 8	Examples of how the scheme works
9	How do the results affect individual performance-related payment?
10	Annual Performance-Related Pay calendar
	Review of overall performance
11 & 12	Annual Performance-Related Pay rules

Annual Performance-Related Pay Introduction

Colleagues are able to share in Network Rail's success through the Annual Performance-Related Pay scheme.

It is our role to deliver a safe, reliable, efficient and growing railway that delivers for Network Rail's customers and meets the needs of the passengers and freight businesses.

For 2019/20, Annual Performance-Related Pay has changed to reflect feedback around the complexity of the scheme and passenger satisfaction not being fully reflected in the previous measures.

The performance measures have been simplified into a national dashboard of output focused

measures, which more effectively reward delivery. Reducing the number of measures enables sufficient weightings to each measure so that it is significant enough to reward success.

The new dashboards are designed to bring together the priorities of our customers, passenger satisfaction, our financial performance, efficiency and, our continued prioritisation of safety.

The new measures give an appropriate weighting to passenger satisfaction by combining train performance, the National Rail Passenger Satisfaction (NRPS) measure and passenger safety (measured through Train Accident Risk Reduction (TARR)), demonstrated in the table below.

Measure	Weighting %	Passenger Satisfaction	Safety	Financial	Other
Fatalities and Weighted Injuries (FWI)	10%		10%		
Train Accident Risk Reduction (TARR)	10%	10%			
Public Performance Measure (PPM)	15%	15%			
Freight Delivery Metric (FDM-R)	5%	5%			
National Rail Passenger Satisfaction (NRPS)	20%	20%			
Financial Performance Measure (FPM)	20%			20%	
Investment Milestones	10%				10%
Composite Reliability Index (CRI)	10%				10%
Employee Engagement*	0%				0%
Total	100%	50%	10%	20%	20%

*Employee Engagement is zero weighted for 2019/20, the engagement index from the 2019 Your Voice survey will be used as a baseline for the target for future years.

The National Rail Passenger Satisfaction (NRPS) measure will be a single national measure for all colleagues, to recognise that passengers move across our routes and regions and to encourage cross region working. This supports Network Rail's focus on Putting Passengers First.

Performance against these measures will be reported each period to enable us to continuously improve performance as we work to achieve our targets; performance updates can be found on [MyConnect](#).

At the end of the financial year, our performance against the targets (which we call the dashboard out-turn) is reviewed and approved by key internal and external stakeholders before being communicated to colleagues.

For colleagues working in the regions and property function, the payment amount available will depend on the out-turn of the specific region or property dashboard.

The Annual Performance-Related Pay scheme is designed to:

- Reward colleagues for achieving national, individual and, where appropriate, regional targets
- Link the interests of colleagues to those of Network Rail and its stakeholders and customers
- Reinforce the company strategy and key goals of putting passengers first
- Provide an incentive to improve results and the company's performance.

Who can participate and potential awards

Annual Performance-Related Pay applies to colleagues on a Network Rail contract paid through payroll in the following bands:

Eligibility*	Maximum Potential (% of salary or £)
Executive Band	100 %
Band 1	60 %
Band 2	30 %
Band 3	20 %
Band 4 – Property	20 %
Band 4 – Local Operations Manager	15 %
Band 4 – Line Manager with 4 or more direct reports at the end of the scheme year	10 %
Band 4 – Other	£3,000

* Colleagues can only participate in one performance-related pay scheme at a time. Annual Performance-Related Pay targets for our Executive Directors are the same as other employees. The maximum potential is capped at 9 % of salary for our Chief Executive Officer and 20 % of salary for our Chief Financial Officer.

From 2019/20, there will be no deferred payments for colleagues in executive band and band 1.

Dashboards

For Annual Performance-Related Pay, Network Rail is moving from route/region/function scorecards to a new dashboard with a set of output focused measures. The national dashboard has been designed to ensure our customers and, through them, our passengers are at the heart of how we operate.

Our regional dashboards include measures which match each regions' responsibilities along with universal measures such as safety and financial performance. To view the dashboards or to find more information, visit [MyConnect](#).

- The performance measures on the dashboard are calculated independently.

- No payment will be made in respect of any performance measure which fails to exceed the minimum level of performance (worse than target threshold).
- Achievement between the minimum performance level and the target performance level will be calculated on a pro rata basis; as will achievement between the target performance level and the maximum.
- Evidence of under reporting against safety would result in the outcome of the safety measures being reviewed and reducing performance accordingly, including potentially to zero.

How the scheme works

In line with Putting Passengers First, all non-region-based colleagues will be incentivised on national performance only (**100 per cent national**).

For regions, the local weighting has increased from 60 per cent regional and 40 per cent national to **70 per cent regional and 30 per cent national** to recognise the national NRPS measure on each regional dashboard.

Property will have their own dashboard and the weighting remains unchanged at **60 per cent property and 40 per cent national**.

Local scorecards will still be used to manage business performance at a local level, but they will not be linked to Annual Performance-Related Pay.

For 2019/20, there have been significant changes to our business, therefore the scheme will award any payments based on the business area you're working in on 31 March 2020.

Individual Performance

From 2019/20, one quarter (25 per cent) of Annual Performance-Related Pay will be determined by an individual's performance rating; this gives direct line of sight between the achievement of individual objectives and Annual Performance-Related Pay. The table below shows the percentage of individual performance for each performance rating:

Performance rating	Contribution to overall Annual Performance-Related Pay
Outstanding	25 %
Exceeded	17.5 %
Good/developing in role	11.25 %
Partially achieved	0 %
Significant performance improvement required	0 %

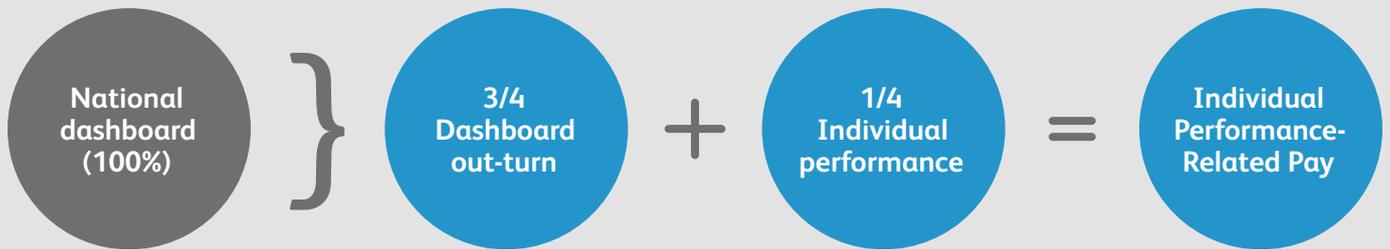
Payment of the individual performance element will only be made if the national/regional dashboard is paying out.

For colleagues receiving a partially achieved performance rating, there will be no payment of the individual performance element, however they will be eligible for the dashboard element.

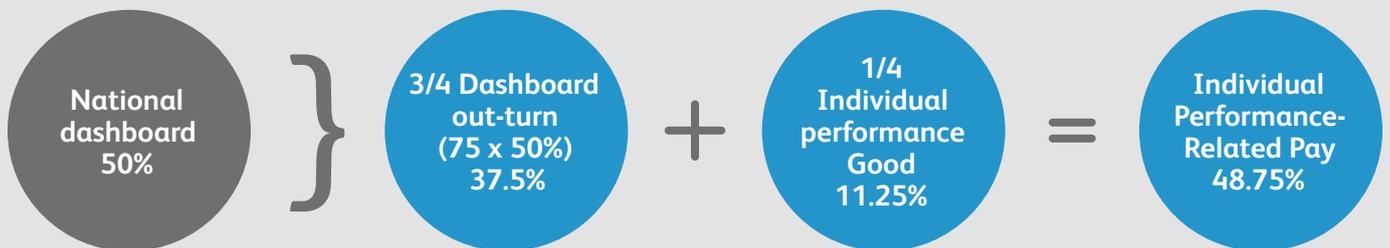
For colleagues receiving a significant performance improvement required performance rating, there will be no Annual Performance-Related Pay payment; they will not receive a payment under the individual performance element or the dashboard element.

Examples of how the scheme works

For colleagues aligned to the **national dashboard** the figure below demonstrates how individual performance-related pay is calculated:



Example based on a national dashboard out-turn of 50 % and a good rating (11.25 %);



An example of how this applies to a band 4 colleague with a maximum potential of £3,000;

Maximum potential £3,000 x individual performance-related pay 48.75 % = £1,463 (before any deductions based on scheme rules).

For colleagues aligned to the **regional dashboards** the figure below demonstrates how individual performance-related pay is calculated:



Example based on a regional dashboard of 55 %, a national dashboard out-turn of 45 %, and a good rating (11.25 %);



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Examples of how the scheme works

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An example of how this works for a band 2 colleague with a maximum potential of 30% and salary of £60,000

Maximum potential $£60,000 \times 30\% = £18,000 \times$ individual performance-related pay 50.25% = £9,045 (before any deductions based on scheme rules)

For colleagues aligned to the **property dashboard** the figure below demonstrates how individual performance-related pay is calculated:



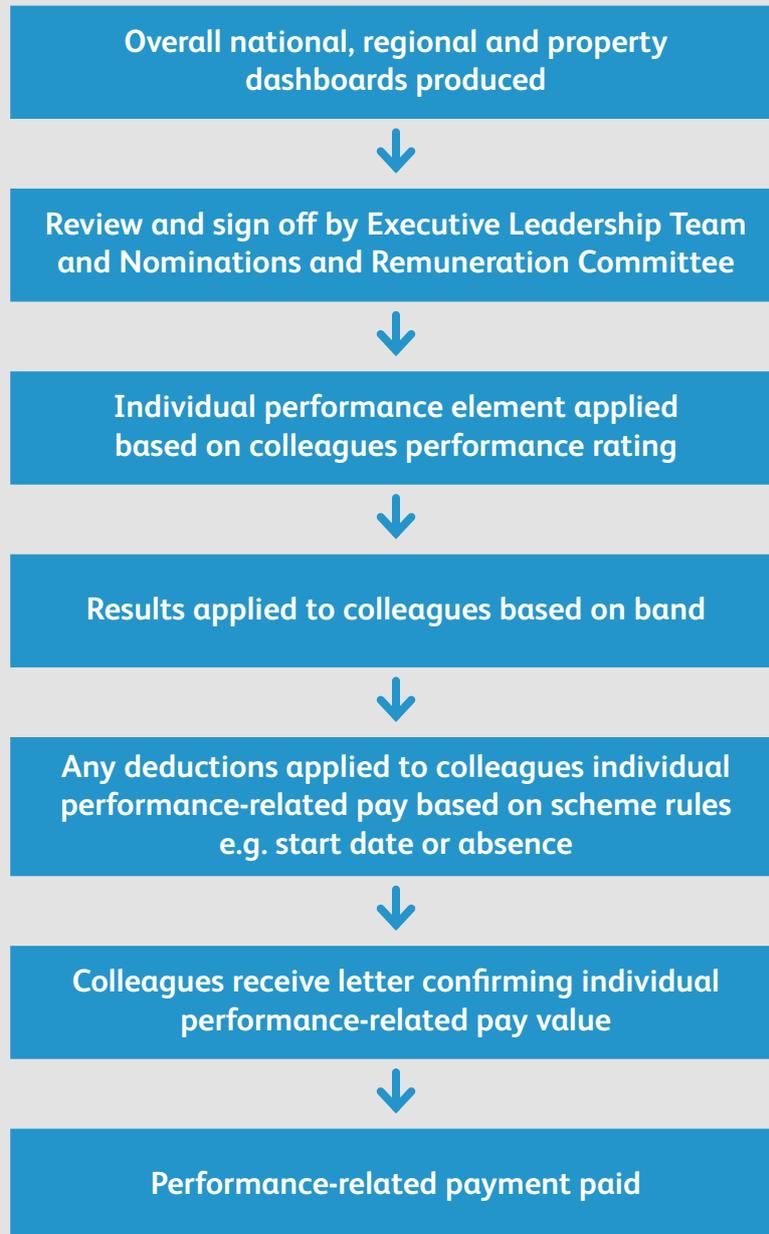
Example based on a property dashboard of 50%, a national dashboard out-turn of 40% and a good rating (11.25%);



An example of how this works for a band 3 colleague with a maximum potential of 20% and salary of £45,000

Maximum potential $£45,000 \times 20\% = £9,000 \times$ individual performance-related pay 45.75% = £4,118 (before any deductions based on scheme rules)

How do the results affect individual performance-related payment?



Annual Performance-Related Pay calendar

1 April 2019 to 31 March 2020 Scheme Year

Pre April 2019	Performance targets for the year are agreed for national, regions and property by Finance and the business
Ongoing	Performance is measured against targets throughout the scheme year Performance against dashboards are published on MyConnect. Performance results will be published at the end of the performance period
June/July 2020	Performance results finalised Annual Performance-Related Pay approved (see review of overall performance) Results are communicated to colleagues and published on MyConnect
July/August 2020	Annual Performance-Related Pay paid to eligible colleagues, if applicable

Review of overall performance

Network Rail faces a challenging CP6 settlement and therefore needs to be far more disciplined in how it spends tax payers' money. For this reason, poor financial performance will result in reduced performance related pay and potentially no payment i.e. if financial performance is below 'worse than target performance', the outturn will be reduced on a sliding scale down to zero if financial performance is 'twice worse than target'. Network Rail also retain the right to reduce or withhold payment in the event of a significant safety incident.

The nomination and remuneration committee will review the results of the dashboard at the end of the scheme year and will consider all factors, including overall business performance and safety. The nomination and remuneration committee may then reduce/increase the overall payment to take account such factors. Further approvals from internal and external stakeholders are required before the final dashboard results can be announced.

Annual Performance-Related Pay rules

The Annual Performance-Related Pay scheme does not form part of your contractual terms and conditions. Colleagues will be eligible to receive payment in accordance with the following rules:

Category	Type	Description
General	Salary basis	Any potential performance-related payments will be based on your substantive salary at 31 March 2020. This includes colleagues on secondment, allowances will not be taken into consideration.
	Scheme year	The scheme year is 1 April 2019 to 31 March 2020.
	Additional eligibility requirement for band 4 line managers	Eligibility for the band 4 line managers payment is where you undertake the direct line management of 4 or more colleagues (this is based on number of positions reporting in to you in the organisation chart at the end of the scheme year, 31 March 2020).
	Transfers between different eligible Performance-Related Pay schemes	Where you transfer between Performance-Related Pay schemes, due to the Putting Passengers First programme and the significant number of changes to data during the scheme year, for the 2019/20 payment, any total payment will be based on the business area you are in on 31 March 2020.
Payment	Payment date	Payment date will be announced after 31 March 2020 once the outcome against performance measures has been finalised. Payments to qualifying leavers will be made at the same time as they are made to existing colleagues.
	Tax, National Insurance and Pensions	Payments under the scheme are subject to statutory deductions and are not pensionable.
	Eligibility	Poor financial performance will result in reduced performance related pay and potentially no payment i.e. if financial performance is below 'worse than target performance', the outturn will be reduced on a sliding scale down to zero if financial performance is 'twice worse than target'. Network Rail also retain the right to reduce or withhold payment in the event of a significant safety incident. An individual performance hurdle also applies, and therefore anyone who performs at the rating of 'significant performance improvement required' would not be eligible for any payment.
New joiners, changes to business area & part time working	New joiners	If you join on or before 31 December 2019 you will qualify for a pro rata payment based on the number of calendar days employed in the scheme year. If you join after 31 December 2019, you will not receive any Performance-Related Pay payment for the 2019/20 scheme year.
	Changes to band or business area	Due to the Putting Passengers First programme and the significant number of changes to data during the year, for 2019/20 payment, any total payment will be based on the business area you are in on 31 March 2020. In the event of moving to (including going on secondment to) the same, lower or higher band during the scheme year, payment will be pro-rated on the basis of calendar days in each respective band.
	Part time working	Payments will be calculated on a pro rata basis based on the weekly full time equivalent contractual hours for the role and your number of contractual hours. In the event your hours change during the scheme year, performance-related payments will be calculated on a pro rata basis based on the number of calendar days for each set of contractual hours.

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Annual Performance-Related Pay rules

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Category	Type	Description
Absence	Absence from work	If you are absent for 28 or more calendar days your participation in the scheme will be maintained, however your payment will be subject to a deduction based on the total number of calendar days you have been absent for. If you are absent due to maternity, adoption, paternity, parental leave or shared parental leave, the first 28 calendar days will not form part of the reduction. If you are absent due to jury service, volunteer leave, or Territorial Army leave, this will not trigger an absence reduction. If you consider that you have a disability that may cause absence from work that should not be considered as part of the Performance-Related Pay deduction, please refer to the reasonable adjustment policy. If you take a career break, your payment will be subject to a deduction based on the total number of calendar days that you have been on a career break for.
Individual performance	Performance & disciplinary	No payments will be made to you if you are assigned a performance rating of 'significant performance improvement required'. If you are rated 'partially achieved' you will be eligible for a reduced payment. Participants who receive a formal disciplinary warning in the scheme year will not receive a payment. Payments will be made to participants under disciplinary investigation in the scheme year.
	Industrial action	The underlying principle of the scheme is to reward employees for the achievement of the company's performance targets. Therefore, if you take part in any industrial action during the performance period you will no longer be eligible to participate in the scheme and you will not receive any Performance-Related Pay.
Leavers	Terminations of employment (e.g. resignations, any retirement and dismissal)	You are only entitled to a payment if you are in Network Rail's employment on 30 June 2020.
	Ill health severance & death in service	If you have left employment due to ill health or severance, you or your nominees will be eligible to receive a payment. Any payment made will be pro-rated based on the number of calendar days employed in the scheme year. If you do not have a performance rating, a rating of 'good' will be awarded for payment calculations. This also applies in the case of colleagues who have died in service.
	Redundancy (including voluntary severance)	If you leave under redundancy, voluntary severance or TUPE transfer, you are eligible to receive a payment. Any payment made will be pro-rated based on the number of calendar days you were employed in the scheme year. If you do not have a performance rating, a rating of 'good' will be awarded for performance-related pay calculations.