



Nomination and remuneration committee report

I am pleased to present my first report as chair of the nomination and remuneration committee.

First, I would like to thank Bridget Rosewell for her significant contribution to the committee in recent years. As I take over, thanks to Bridget’s guidance the committee is well placed to reap the benefits and address the challenges of Putting Passengers First.

I would also like to recognise the contribution over several years of Richard Brown, the special director. Richard’s counsel and constructive challenge has been most valuable.

Much of the committee’s work during 2019/20 centred around (i) the organisational changes following devolution

to the regions and (ii) sourcing new non-executive directors to replace Chris Gibb and Bridget Rosewell, who retired from the Board in November 2019 and March 2020, and the anticipated retirement of Sharon Flood in August 2020 upon completion of six years’ service with Network Rail.

Although the nomination and remuneration committee is a single entity, the nature of reporting on remuneration matters makes it more logical to report on the work of the committee in two parts. Therefore the first section will focus on the ‘nomination’ aspects of the committee’s work, with the latter section comprising the prescribed elements of the directors’ remuneration report. There are, of course, elements of overlap between these aspects of the committee’s work, and these will be highlighted where appropriate.

David Noyes,
chair, nomination and remuneration committee

16 July 2020

Committee members	Formal appointment to the committee	Number of meetings attended during the year
Bridget Rosewell CBE ¹	Sept 2016	4/4
Richard Brown CBE ²	Oct 2015	6/6
Sir Peter Hendy CBE	Oct 2015	6/6
Michael Harrison ³	May 2020	0/0
David Noyes ⁴	Oct 2018	6/6

1. Bridget Rosewell stepped down from the committee on 31 January 2020.
2. Richard Brown stepped down from the committee on 31 March 2020, when his appointment as special director ended.
3. Michael Harrison was appointed to the committee on 11 May 2020.
4. David Noyes was appointed chair of the committee from 1 February 2020.

Committee attendees

The committee invites the following people to attend meetings routinely: the chief executive, the group general counsel and company secretary, the group HR director and the head of reward and benefits. Others are invited to attend for specific items.

Nomination & remuneration committee’s role and responsibilities

The role of the committee is to investigate or comment on Board appointments (including the diversity of the Board), Board and senior executive remuneration (or any other related matters that are referred to it or as may appear to it to be necessary).

Nomination and remuneration committee report continued

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.

Key focus areas during the year - Nomination

Putting Passengers First - organisational changes

The organisational changes flowing from the Putting Passengers First programme were reviewed by the committee, particularly with regard to roles being paid above the HM Treasury threshold. Within the regions there were a number of mandated roles, however the regional managing directors had some flexibility on other roles and the structure of the routes within the regions.

Non-executive directors supported the executive directors by interviewing applicants for many of the more senior roles.

The non-executive directors also monitor overall Network Rail headcount to ensure that any increase in headcount is matched by an increase in productivity and value being delivered for passengers and freight users.

Board succession planning and appointment of non-executive directors

Three non-executive directors planned to retire from the Board between November 2019 and August 2020. Chris Gibb and Sharon Flood, having each served six years on the Board planned to retire in November 2019 and August 2020 respectively. Bridget Rosewell planned to retire in January 2020 having served nine years as a director; in fact Bridget stepped down on 31 March 2020.

The committee reviewed the composition of the Board and its committees, as well as the skills, knowledge and experience of each of the remaining non-executive directors. That review helped the committee create a role and person specification to help guide the search. A sub-committee comprising Bridget Rosewell, Sir Peter Hendy and David Noyes was set up to progress these appointments.

Odgers Berndtson, an independent executive search firm, assisted with the search for replacement non-executive directors. As well as reviewing its own network for suitable candidates, Odgers Berndtson placed an advertisement in The Times newspaper and the roles were also advertised on the Cabinet Office's HM Government Public Appointments website.

Having reviewed the candidates for the non-executive roles, a long-list of candidates was presented by Odgers Berndtson and discussed with Network Rail. The long-list was also shared with the Department for Transport (DfT). A selection of those candidates was interviewed by Odgers

Berndtson. Following those interviews, a short-list of candidates was recommended to Network Rail and shared with the DfT.

Network Rail's sub-committee interviewed each of the recommended candidates. Following these interviews and after review by the Secretary of State, two candidates were recommended to the Cabinet Office for appointment.

These were Fiona Ross and Mark Bayley, with Mark identified as the successor to Sharon Flood as chair of the audit & risk committee and the treasury committee.

Executive directors' remuneration policy 2020

Please see page 113 for information on this.

Expected focus areas in the year ahead - Nomination

Particular areas of focus for the nomination and remuneration committee in 2020/21 will include:

- Induction of new non-executive directors.
- Review and consideration of Board diversity targets.