

# NOMINATION AND REMUNERATION COMMITTEE REPORT

Due to the pandemic 2020/21 was a tough year. It was difficult for our people; for Network Rail and for the rail industry as a whole; for the national and local governments and for the UK economy.

Against this background, I present my report on behalf of the nomination and remuneration committee.

In 2020/21 Network Rail’s revenue fell dramatically. We lost income from track access payments and our property assets. So we had to make some very hard decisions, including limiting pay awards and payments under the performance related pay scheme.

In 2021/22 we face difficult decisions again as we begin to understand what our passenger and freight profile will look like.

I would like to welcome Fiona Ross as a member of the committee, and Michael Harrison who becomes a full member of the committee having been an observer since May 2017.

The nomination and remuneration committee is a single committee. However reporting requirements on

remuneration matters means we report on the work of the committee in two parts. The first section looks at the ‘nomination’ aspects of the committee’s work, and the latter section reports the prescribed elements of the directors’ remuneration report. There is, of course, some overlap, and this will be highlighted where appropriate.



**David Noyes,**  
**chair, nomination and remuneration committee**  
 15 July 2021

Committee members	Formal appointment to the committee	Number of meetings attended during the year
David Noyes	October 2018	5/5
Michael Harrison <sup>1</sup>	May 2020	3/5
Sir Peter Hendy	October 2015	4/5
Fiona Ross <sup>2</sup>	September 2020	3/3

1. Michael Harrison was appointed to the committee on 11 May 2020

2. Fiona Ross was appointed to the committee on 17 September 2020

\* Ismail Imla was appointed to the Board and committee on 1 April 2021

## Committee attendees

The committee routinely invites the chief executive, the group general counsel and company secretary, the group HR director and the head of reward and benefits to attend meetings. Others may attend for specific items. Meetings are routinely attended by a representative from the Department for Transport.

## Role and responsibilities of the committee

The committee's role is to consider and comment on:

- Board appointments and the induction of new directors
- Board effectiveness
- Board and senior executive remuneration
- any other matter within its remit that it may consider necessary or appropriate.

After each meeting the committee chair briefs the full Board on the committee's work, and makes recommendations as appropriate.

The committee's terms of reference are on our website: [www.networkrail.co.uk](http://www.networkrail.co.uk)

## Principal Nomination activities during the year

During 2020/21 the committee focussed on:

**Introducing the Board's first diversity and inclusion policy**  
Having benchmarked a range of FTSE 100 and transport industry companies, the committee proposed the adoption of a Board diversity and inclusion policy.

The Board adopted that policy in February 2021 and it is available on our website. It supplements our equality, diversity and inclusion policy and our Everyone Matters diversity strategy and implements their aspirations in the context of our senior leaders.

The Board diversity and inclusion policy targets that:

- as a minimum, one third of its directors will be female by the end of the 2021/22 financial year, and
- as a minimum, one of its directors will be from a black, Asian or minority ethnic background by the end of the 2021/22 financial year.

### The search for new non-executive directors

The committee oversaw a new in-house approach to searching for and appointing two new non-executive directors. The key aim was to reach a different group of people than might have applied in previous searches.

An open advertising campaign supported a targeted search that saw direct approaches being made to potential applicants. Some of the specific backgrounds against which applicants were researched included technological innovation, climate change impact, diversity and inclusion, the digital future, and passenger insight.

Over 350 applicants were screened against the job description criteria. This resulted in 14 candidates being interviewed by Network Rail's HR team.

From that pool, seven candidates were interviewed by non-executive directors, David Noyes and Fiona Ross. The four finalist candidates were interviewed by Sir Peter Hendy, chair of Network Rail, and Ruth Hannant, then Director General (DfT).

Following the approval of the Secretary of State for Transport and the Prime Minister, Ismail Amla and Stephen Duckworth OBE were appointed to the Board on 1 April 2021.

### The induction of newly appointed non-executive directors

As reported last year, Fiona Ross and Mark Bayley CBE became directors on 11 May 2020. As this was during the pandemic lockdown their induction programme was conducted virtually.

A significant amount of background reading material was given to Fiona and Mark. They met with all Board and executive leadership team members, and the group general counsel and company secretary, as well as some senior leaders in key areas of the business. Fiona and Mark also met with representatives from the Department for Transport. In addition, and as part of his induction to the audit & risk committee, Mark met with representatives from the National Audit Office.

Unfortunately, during lockdown we could not do any site visits. However, these are being planned for later in 2021 and 2022.

Michael Harrison was appointed by the Secretary of State as a director on 11 May 2020. Michael was offered an induction programme. However, as he had been attending

Board and some committee meetings since May 2017 it was agreed that a formal induction programme was not needed on this occasion.

As part of their induction, we have given Ismail Amla and Stephen Duckworth reading material and they are meeting with the other directors, executive leadership team and key senior executives. They will attend the site visits we arrange for Fiona and Mark.

#### Commissioning an independent board effectiveness evaluation

The committee commissioned an independent board effectiveness evaluation. Three firms were invited to bid for this work. Following initial discussions with each, two firms submitted proposals. Those proposals were reviewed in line with the pre-determined scoring criteria. The proposal from Manchester Square Partners (MSP) ranked first.

Elaine Sullivan led MSP's review by meeting Sir Peter Hendy, chair of Network Rail. Following which, MSP interviewed all Board directors, the executive leadership team and colleagues at the DfT, Transport Scotland and the ORR.

MSP also reviewed Board and committee papers. MSP attended an Environmental Sustainability committee meeting and a Board meeting to observe the Board in action.

MSP discussed its draft report with Sir Peter Hendy before presenting the report, including recommendations, to the full Board in July 2021.

The key recommendations from MSP's review are on page 102. The committee will monitor progress against delivering these improvements.

## Planned activities for 2021/22

In the year ahead, the committee will continue to:

- monitor progress against the action plan resulting from the board effectiveness evaluation
- oversee the effective induction of new non-executive directors
- manage any relevant matters relating to rail reform and/or workforce modernisation.
- Review talent development strategies to ensure the organisation has the appropriate skills and capabilities in place to execute its accountabilities effectively

For information on the remuneration aspects of the committee's work, please see the directors' remuneration report starting on page 123.