



**Network Rail Public Members
Annual Statement of Activity
2013 - 2014**

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Introduction

This is the second Annual Activity Statement (the “Statement”) compiled by Network Rail (the “Company”) Public Members. Following good governance practice the Statement records the collective activities of the Public Members in their role of “holding the Board to account” as set out in the Articles of Association of the Company. Public Members are appointed as individuals and are able to challenge and communicate with Board members on a personal basis. This Statement does not attempt to report on all dialogue between Public Members and the Board but rather it seeks to summarise the main collective activities. It demonstrates how Public Members have discharged their responsibility to hold the Board to account for its management of Network Rail and monitored Network Rail’s management against high standards of corporate governance.

Network Rail’s purpose is to deliver a safe, reliable and efficient railway for Britain. It is a ‘not for shareholder dividend’ company with all profits going back into improving the railway network or to the UK and Scottish governments. As a company limited by guarantee, it is a private company operating as a commercial business. Although Network Rail is not listed on the London Stock Exchange, the Company follows Listing Rules and Governance Codes. Accordingly, the Network Rail Board is directly accountable to Public Members instead of shareholders.

The Board provides the primary governance of Network Rail, with Members providing ‘secondary governance’ holding the Board to account for its leadership and management. However, it is not the role of Public Members to set the strategic direction or engage in management of Network Rail. The role of Public Members is similar to the role of shareholders in public limited companies, except that Public Members have no financial interest in Network Rail.

Network Rail was reclassified as a public sector body on 1 September 2014 following a statistical change by the Office for National Statistics announced in December 2013. The working relationship with the Department for Transport (“DfT”), particularly with regards to governance and financial arrangements, was documented in a framework agreement, published on 1 September 2014. The framework agreement preserves the present wider industry and regulatory structure and is designed not to impact the day-to-day operation of the railway.

Although the role of Public Members remains unchanged the new articles of association of Network Rail have modified some of the responsibilities of the Public Members. The Secretary of State for Transport as the Special Member now has responsibility for consenting to the appointment and remuneration of Network Rail’s most senior people and the appointment of Public Members.

Public Members are appointed in late November each year and for 2013-2014 this statement covers the period 26 November 2013 to 25 November 2014.

Summary/Overview

The year 2013/2014 has seen continued positive progress in the development of the Network Rail governance model. The Engagement Groups introduced last year have developed and provided an increasingly effective means of scrutinising and challenging directors on key issues. The routine workshops have also continued to be a good means to provide Public Members with updates on key developments and opportunities to meet and challenge directors. The whole framework is however still maturing and there is still a need to develop new approaches.

As part of continuous improvement Public Members instigated an external view of the member performance by commissioning a Member Effectiveness Review. Undertaken by Deloitte, this work provides recommendations for further development and improvement of the membership model to strengthen the ability of Members to hold Network Rail to account.

Public Member attendance at all events has continued to be high and events have been in general well supported by the directors. However, it remains difficult for Members to gauge the contribution and impact of those directors who do not participate regularly in the non-executive scrutiny sessions. The record of attendance of Public Members and directors is set out in Appendices 2 & 3 respectively.

The Reclassification process presents some challenges and opportunities and we are still working through how this affects the relationship between Public Members, the Board and the Special Member.

The effectiveness of Public Members continues to be dependent on the openness of the Board and its preparedness to provide appropriate information in good time. A new CEO joined the board in January 2014, (Mark Carne), and a new non-executive director later in the year, (Sharon Flood), Public Members took the opportunity offered by the board to scrutinize these new appointees as part of their ongoing governance obligation. Throughout the year Public Members have enjoyed positive working relationships with all directors.

Looking forward to next year we aim to:

- Focus attention on how the board deals with the adverse trend in performance and meets its obligations for safety by improving standards throughout the organisation;
- Adopt a more challenging forward agenda for 2015 to increase the scope and depth of our work;
- Explore the strategies, structures and processes that the Board has put in place to monitor and hold the executive of Network Rail to account for the delivery of performance commitments in Control Period 5;
- Conclude our discussions with the SoS and the Network Rail Board to understand how reclassification and the changes to the Company articles affects our working relationships and capture these in a revised membership policy statement; and
- Work to implement the recommendations of the Membership Effectiveness Review engaging with the board and other stakeholders as necessary.

The Role of Public Members

Public Members are appointed as individuals with the role of holding the Board to account for its management of Network Rail by:

- Monitoring the Board's management of the performance of Network Rail against:
 - high standards of corporate governance;
 - government operational output specifications; and
 - its regulatory operational and financial targets.
- Engaging with the Board to raise queries or express views objectively and in an informed way where Board performance falls below the above standards, outputs or targets and acknowledging progress and success where achieved.
- Scrutinising the governance procedures and processes designed to facilitate the delivery of the strategic objectives of Network Rail.
- Participating actively in meetings of Public Members
- Attending and voting at general meetings of Network Rail

The role of the Public Member is further explained in [The role of a Public Member](#) (PDF) on the Network Rail website.

Public Members are recruited on an annual basis and currently appointed for a three year term. The recruitment process commences around March each year with the successful applicants commencing their appointment in late November.

Public Members of Network Rail are selected and appointed in accordance with a [Membership Policy](#). An independent [Membership Selection Panel](#) (MSP), oversees the process of recruitment and selection and makes recommendations for appointment. Prior to reclassification the MSP and members were appointed by the Board. Since reclassification the Special member appoints both the MSP and members.

Public Members agree to comply with a [Public Members' Code of Practice](#) when carrying out their role. Public Members are volunteers; but can claim expenses in line with an expenses policy. Summaries of expenses incurred by Public Members and the expenses policy are available on the Network Rail website at [Expenses](#).

Profiles of all of the Network Rail Members can be found on the Network Rail website at: <http://www.networkrail.co.uk/structure-and-governance/members/biographies/>

How Members work.

Members' Coordinator

Although appointed as individuals the Members have agreed to establish the post of Coordinator to act as the single point of contact when needed and to facilitate relationships between Members and the Board of Network Rail. The Coordinator is elected by Members for a 12 month period, and is eligible to stand for one further 12 month term.

The role of the Members' Coordinator includes setting up Members' meetings, setting the agenda for those meetings after seeking Members' input, chairing the meetings and following up as appropriate on the priorities identified by Members. The Coordinator also works with Network Rail to establish the agendas for future consultation/workshops, seeks to ensure that arrangements for such consultations are as effective as possible, and chairs the scrutiny sessions with non-executive directors.

The Members' Coordinator produces a written update for Members following meetings with the Chairman and Company Secretary and at other intervals.

For the period between the last Statement of Activity until November 25th 2014 the post was held by Peter Skyte. For the period from 26th November 2014 onwards the post is held by David Porter. The members would like to take this opportunity to thank Peter Skyte for his service during his tenure. The Coordinator post is not remunerated and takes up a great deal of voluntary time and effort.

Members' meetings

A programme of regular meetings involving all Members is arranged each year. This typically includes:

- Member workshops - where Members receive reports on a range of business issues and have the opportunity in non-executive scrutiny sessions to scrutinise the governance activities of the Board and Company performance;
- Site visits – when Members visit one of Network Rail's operational sites to keep in touch with key business developments;
- Meetings with the Office of Rail Regulation (ORR), the rail regulator, to receive updates on their perceptions of Network Rail performance;
- Members Half Year meeting in December - to receive the Half Year Company report, and;
- The Annual General Meeting in July - to receive the Annual Report and appoint directors.

In addition to the above, Members are asked to volunteer for a number of Engagement Groups in which they feel they are able to add particular value or in which they have a particular interest. 2013-2014 has seen the development of these special Engagement Groups for specific business areas, which were established in the 2012/13 period.

These continue to cover

- Safety,

- Performance,
- People,
- Finance & Risk, and
- Future.

These groups each provide the opportunity for a smaller group of members to probe and scrutinise business and governance issues in more depth. Typically these groups meet twice during a year for a meeting which lasts between 2 – 4 hours.

A list of the Member and Engagement Group meetings and other activities conducted between 26 November 2013 and 25 November 2014 is set out in Appendix 1.

Network Rail support for Members

The work of the Members is supported by a dedicated team within the Company Secretariat.

We wish to thank the staff, the Chair, Board and Senior Executives for their continued assistance.

Activities of Members in 2013-2014

A list of member events and activities in 2013/2014 is set out in Appendix 1, together with a list of attendances of Members in Appendix 2. This section aims to highlight the key issues which members have addressed in the year.

Summary of key matters raised with the Board of Network Rail in 2013/14

The following (non-exhaustive) list of topics indicates matters raised by Public Members with the Board over the course of the various meetings listed in Appendix 1. It does not cover items which individual Members may have raised with the Board or a specific Board member during the period.

Issues raised at Members Workshops and the Half Year meeting

- Executive remuneration and the Management Incentive Plan, including challenge to the structure of directors' Long Term Incentive Plan (LTIP) and Annual Incentive Plan (AIP) bonus schemes
- Strategic Business Plan
- ORR Periodic Review 2013 and Draft Determination of Network Rail spending
- Board Governance
- Half year and full year financial results
- Financial strategies including debt and hedging policy, mitigation of financial risk, and Financial Value Added (FVA) as a measure of financial performance
- Operational performance
- Asset management
- Technology and innovation strategies
- Management of the Corporate Risk Register
- Discussion of efficiency measures
- The implications of the Reclassification of Network Rail Debt
- Discussion of Amended Articles of Association reflecting Reclassification
- Exploring the suitability, qualification and experience of non-executive board members and their contribution to the board with the Chair
- Exploring the report following the Wrights Crossing accident investigation and directly consulting with Network Rail's legal counsel over the published report and its findings
- Board Effectiveness Review.

In addition to the above, Members have been actively involved in a Members Effectiveness Review of their role. Deloitte LLP was appointed after a tender process by agreement between the Company Secretariat and a committee of Public Members acting on behalf of the group as a whole. The review specifically looked for areas in which the Membership could improve its effectiveness. Although the findings of this review were published after the period covered by this report it seems appropriate to include them at this juncture. A summary of the findings is set out in Appendix 5.

Annual General Meeting

The 2014 AGM was held in Reading on 18 July. Topics covered in the general session were;

- Chief Executive's review
- Group Finance Director's review

The AGM business resulted in resolutions being carried as follows:

- Annual report and accounts were approved
- The Directors' Remuneration Report was approved by a substantial majority of Members
- The three year Directors' Remuneration Policy was approved by a substantial majority of Members
- Ten Directors were either elected (for the first time) or re-elected
- PriceWaterhouseCoopers LLP were re-appointed as the Company's auditors and the Directors were authorised to determine the auditor's remuneration
- Authorisation for the incurring of political expenditure was approved although Network Rail gave assurances that they do not make any donations to any political party
- The three existing members of the Membership Selection Panel were all re-appointed
- The management incentive plan was approved by a substantial majority of Members
- Two Members' requisitioned resolutions were not carried

A summary of voting on resolutions at the AGM is provided in Appendix 4.

General Meeting

A General Meeting was held in London on 29th August. This was called to finalize the approval of the changes to the Articles of Association in preparation for reclassification of the Company debt. Members had spent some considerable time in the previous months considering the development of the proposed recast relationship between the Company and the Government. Members had engaged with the Company and the DfT to attempt to ensure future governance arrangements struck an appropriate balance between the need for effective operational independence and Governments requirements for public accountability.

Topics covered in the general session were:

- Board Effectiveness Review
- Reclassification
- Changes to the Articles of Association

A summary of the voting on a single resolution at the General Meeting is provided in Appendix 4.

Meetings with the Office of Rail Regulation (ORR)

Since November 2012, Members meet with the ORR twice a year. This represents a change from the past when there was only one meeting a year. The ORR is represented by its Chair, other Board members, the Chief Executive and other Executive Directors at these meetings.

Topics covered at the December 2013 meeting included:

- Mid-year assessment of Network Rail delivery in 2013-14, covering health and safety, performance and efficiency
- The 2013 Periodic Review, including the differences between Control Period (CP) 5 Draft Determination and Final Determination, the lessons from CP 4 and the changes for CP 5

Topics covered at the June 2014 meeting included:

- Annual assessment of Network Rail delivery in 2013-14, covering health and safety, operational performance and efficiency
- CP5 – ensuring delivery
- Reclassification
- Network Rail executive remuneration

These meetings provide a welcome opportunity for Members to question and explore ORR thinking and judgements and also for a mutual exchange of views and information about the operation and delivery of Network Rail.

In addition, the Members' Coordinator also meets informally with the ORR Chief Executive in between formal meetings to discuss current issues and prepare an agenda for the Member meetings.

Meeting with the Secretary of State for Transport

Members continue to meet on occasion with the Secretary of State for Transport as and when considered necessary and appropriate. A delegation of four Members met with the Secretary of State for Transport (Rt Hon Patrick McLoughlin MP), the DfT Permanent Secretary and other officials on 4 June 2014.

Matters discussed included:

- Members' view of governance model
- Future of governance model
- Cap on Network Rail borrowing
- Debt reclassification and implications

The Issues raised at Engagement Groups are set out in Appendix 1

Appendix 1

List of Public Member Events and Activities 2013-2014

Date	Event	Key Issues Addressed
2 December 2013	Members meeting with the ORR	<ul style="list-style-type: none"> • Mid-year assessment of Network Rail delivery in 2013-14 • Periodic Review • Final Determination for CP5
12 December 2013	Members Half-yearly meeting	<ul style="list-style-type: none"> • Succession & Diversity • Half Year Performance • Final Determination • Non-Executive Scrutiny Session • Remuneration Update
13-14 December 2013	New Members Induction	<ul style="list-style-type: none"> • Introduction to Network Rail Stakeholders • Role of Corporate Governance and the role of Public Members • Being an effective member • Safety presentation • Finance and funding presentation • Remuneration and Succession presentation • Performance and periodic review update • An overview from Network Rail Chairman • An overview from Members' Coordinator • Interactive Q&A session with some existing public members
21 January 2014	Members Workshop	<ul style="list-style-type: none"> • Public Members Recruitment 2014 • Performance – Infrastructure Projects • Meet new CEO • Remuneration Update • Non-Executive Scrutiny Session

13 February 2014	People Engagement Group	<ul style="list-style-type: none"> • Remuneration Update • Management Efficiency Programme • Executive Committee Succession Planning
19 February 2014	Future Engagement Group	<ul style="list-style-type: none"> • Corporate Governance periodic review process • Reclassification Update • The long-term future of railway • Climate change resilience update
8 April 2014	Members Workshop	<ul style="list-style-type: none"> • Remuneration Update • Safety presentation • Communications Strategy overview • Non-Executive Scrutiny Session
1 May 2014	Safety Engagement Group	<ul style="list-style-type: none"> • Role of the SHE committee • Safety Strategy & culture • Train Accident Deep Dives • Level Crossing Safety • Workforce Safety Deep Dive • Workforce Safety 10 point plan • Planning & Delivery of Safe work • Audit and Investigation
8 May 2014	Performance Engagement Group	<ul style="list-style-type: none"> • Introduction to Asset Management Services including Reliable Infrastructure and Technology Enabled Future
21 May 2014	Additional Members Workshop	<ul style="list-style-type: none"> • Remuneration Update • Review of Network Rail Board • Election & Re-election of Directors
22 May 2014	Finance & Risk Engagement Group	<ul style="list-style-type: none"> • Identification and management of 5 top risks • Proposal for ONS reclassification

28 May 2014	Members meeting with the ORR	<ul style="list-style-type: none"> • Annual Assessment of Network Rail delivery in 2013-2014 • Health & Safety • Operational Performance • Efficiency
4 June 2014	Members meeting with Secretary of State for Transport	<ul style="list-style-type: none"> • Members' view of governance model • Future of governance model • Cap on borrowing • Debt reclassification and implications
11 June 2014	Future Engagement Group	<ul style="list-style-type: none"> • Technology and Innovation Strategic Theme Presentation
12 June 2014	People Engagement Group	<ul style="list-style-type: none"> • Diversity and Inclusion deep dive • Remuneration update
18 June 2014	Members site visit to Manchester	<ul style="list-style-type: none"> • Presentation on Northern hub and North West electrification programme • Site visit to third track installation and electrification works around Roby
24 June 2014	Scottish Members meeting with Network Rails Director for Scotland	<ul style="list-style-type: none"> • Safety • Performance • Projects; Borders Rail, Edinburgh Glasgow improvements • New Franchise impact • Role of Public Members
3 July 2014	Members Workshop	<ul style="list-style-type: none"> • Board Governance • Reclassification Update • Kelly Report • Wright's crossing Judgement • Non-Executive Scrutiny Session
17 July 2014	Reading Station Opening	<ul style="list-style-type: none"> • Attendance at the opening of Reading Station
18 July 2014	AGM	<ul style="list-style-type: none"> • See separate notes below
18 July 2014	Additional Members workshop	<ul style="list-style-type: none"> • Discussion around the new Articles of Association proposals in line with the

		Reclassification of the Debt
6 August 2014	Members Conference Call	<ul style="list-style-type: none"> • Reclassification and consequential changes to the Articles of Association
27 August 2014	Scottish Members meeting with Transport Scotland	<ul style="list-style-type: none"> • Performance (Particularly around Commonwealth Games) • Network Rail/Transport Scotland working relationship • Contact with Network Rail Board and executive directors • New Franchise impact • Project management performance
29 August 2014	Extra-ordinary General Meeting	<ul style="list-style-type: none"> • Board Effectiveness Review • Reclassification • Changes to the Articles of Association • Voting
9 September 2014	Finance & Risk Engagement Group	<ul style="list-style-type: none"> • Reclassification Update • Mitigating procurement risk • Finance Presentation • ERM in Network Rail
11 September 2014	Safety Engagement Group	<ul style="list-style-type: none"> • Precursor Indicator Model • Bow-ties and Business Critical Rules-Track • Deep Dive on Track • Track Inspection • Track Maintenance & renewals • Workforce safety • SHE Committee role in assurance
25 September 2014	Members Site Visit to Forth Rail Bridge	<ul style="list-style-type: none"> • Tour of the site and presentation on the renovation work recently completed and the potential options for a visitors centre
8 October 2014	Members Workshop	<ul style="list-style-type: none"> • High Speed 2 Update • Board's Approach to Decision Making • Safety Update

		<ul style="list-style-type: none"> • Non-Executive Scrutiny Session
15/16 October 2014	New Members Induction	<ul style="list-style-type: none"> • Introduction to Network Rail Stakeholders • Role of Corporate Governance and the role of Public Members • Being an effective member • Safety presentation • Finance and funding presentation • Remuneration and Succession presentation • Performance and periodic review update • An overview from Network Rail Chairman • An overview from Members' Coordinator • Interactive Q&A session with some existing public members
11 November 2014	Performance Engagement Group	<ul style="list-style-type: none"> • Current performance (recent trends, strategy & output) • Performance Planning Reform Programme (PPRP) • Extreme days, severe weather and seasonality

Appendix 2 - Potential and actual attendance at plenary meetings by Public Members*

Public Member	Potential No. of Attendances	Actual No. of Attendances	% of Attendance
Mohammed Aslam	8	7	87.50%
Tony Berkeley	8	5	62.50%
Robin Blunden	8	8	100.00%
David Brew	8	6	75.00%
Roger Bright	8	5	62.50%
Peter Bury	8	7	87.50%
David Campbell	8	6	75.00%
Roger Clutton	8	4	50.00%
Tara Davies	8	3	37.50%
Judith Donovan	8	6	75.00%
Patrick Donovan	8	0	0.00%
Arnab Dutt	8	7	87.50%
Louise Fluker	8	6	75.00%
David Gartside	8	6	75.00%
Klaus Hammer	8	6	75.00%
Graham Howell	8	6	75.00%
Rhys Jarvis	8	6	75.00%
Susan Johnson	8	7	87.50%
Alastair Kerr	8	1	12.50%
Paul Lee	8	6	75.00%
Chris Lewin	8	6	75.00%
Jane Linney	8	8	100.00%
Anthony Mayer	8	4	50.00%
Neil Menzies	8	7	87.50%
Peter Morgan	8	6	75.00%
Saker Nusseibeh	8	5	62.50%
Keith Oates	8	8	100.00%
Ric Piper	8	4	50.00%
David Porter	8	7	87.50%
Clare Potter	8	6	75.00%
David Price	8	7	87.50%
Francesca Raleigh	8	7	87.50%
William Robinson	8	6	75.00%
Ivan Sedgwick	8	7	87.50%
Peter Skyte	8	8	100.00%
Brian Smith	8	6	75.00%
Paul Smith	8	6	75.00%
Kate Stross	8	5	62.50%
Christine Tacon	8	3	37.50%
George Taylor	8	6	75.00%
Steve Tyson	8	5	62.50%

*Members who attended one or both Company general meetings by proxy rather than in person are recorded as absent in this table, although they may have voted through their proxy on the relevant resolutions. Attendance in person or by proxy at all general meetings is a requirement of Network Rail's membership policy.

Appendix 3

Attendance at plenary meetings by Non-Executive Directors

There were 8 plenary meetings held during the period of this statement

Director	Actual No. of Attendances	% Attendance
Malcolm Brinded	4	57%
Mike Firth *	3	50%
Chris Gibb	2	29%
Lawrie Haynes *	1	17%
Janis Kong	2	29%
Keith Ludeman *	4	67%
Michael O'Higgins	5	71%
Richard Parry- Jones	8	100%
Bridget Rosewell	3	43%
Sharon Flood **	1	100%

Notes:

*These directors stepped down at the AGM

** This director was appointed at the AGM

% Attendance is based on the total number of plenary meetings held during the period in which the relevant NED was in post. Network Rail do not have a policy requiring NED's to attend plenary meetings.

Appendix 4

Summary of Voting on Resolutions at 2014 AGM

Announcement of Network Rail's annual general meeting (AGM) poll votes

Following the Network Rail Limited AGM held on 18 July 2014, the results are as follows.

Resolutions numbered 1 to 22 (inclusive) were proposed as ordinary resolutions.

	Resolution	For		Against		Withheld*
		Number	%	Number	%	Number
1.	To receive the annual report and accounts	40	97.56	1	2.44	0
2.	To approve the directors' remuneration report	40	97.56	1	2.44	0
3.	To approve the directors' remuneration policy	38	92.68	3	7.32	0
4.	To elect Mark Carne as a director	41	100.00	0	0.00	0
5.	To elect Chris Gibb as a director	41	100.00	0	0.00	0
6.	To reelect Malcolm Brinded as a director	41	100.00	0	0.00	0
7.	To reelect Patrick Butcher as a director	39	95.12	2	4.88	0
8.	To reelect Robin Gisby as a director	41	100.00	0	0.00	0
9.	To reelect Janis Kong as a director	29	78.38	8	21.62	4
10.	To reelect Michael O'Higgins as a director	41	100.00	0	0.00	0
11.	To reelect Richard Parry-Jones as a director	40	97.56	1	2.44	0
12.	To reelect Paul Plummer as a director	40	100.00	0	0.00	1
13.	To reelect Bridget Rosewell as a director	30	78.95	8	21.05	3
14.	To reappoint PricewaterhouseCoopers LLP as auditors	41	100.00	0	0.00	0
15.	To authorise the directors to determine the auditors' remuneration	41	100.00	0	0.00	0
16.	To authorise political donations	36	90.00	4	10.00	1
17.	To reappoint Elizabeth McMeikan as a member of the membership selection panel	39	97.50	1	2.50	1
18.	To reappoint Sheila Drew Smith as a member of the membership selection panel	39	100.00	0	0.00	2
19.	To reappoint Penny Boys as a member of the membership selection panel	39	100.00	0	0.00	2
20.	To approve the management incentive plan	38	92.68	3	7.32	0

Members' requisitioned resolutions

21.	That the portion of an executive director's bonus which is based on the performance of the business area for which he or she is personally responsible shall be paid as soon as practicable after the end of the year in which it is earned and not be subject to the malus provisions.	9	23.08	30	76.92	2
22.	To request the board to review the composition of and attendance at meetings of the remuneration committee with a view to the involvement of independent remuneration committee members and employee representatives with a more diverse range of backgrounds and to consider any consequent amendments to the Company's articles of association that may be necessary to effect such a change.	15	38.46	24	61.54	2

Notes:

* A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution.

As at the date of the AGM, there were 42 members of Network Rail Limited. Each member has one vote in Network Rail Limited. Accordingly, 42 members WERE entitled to attend and vote on all resolutions at the 2014 AGM.

Summary of Voting on Resolutions at 2014 GM **Announcement of Network Rail's General Meeting (GM) poll votes**

Following the Network Rail Limited GM held on 29 August 2014, the results are as follows.

Resolution 1 was proposed as a special resolution.

	Resolution	For		Against		Withheld*
		Number	%	Number	%	Number
1.	To adopt the articles of association in substitution for, and to the exclusion of, the existing articles of association of the Company.	37	97.37	1	2.63	1

Notes:

* A vote withheld is not a vote in law and is not counted in the calculation of the votes for or against a resolution.

As at the date of the GM, there were 42 members of Network Rail Limited. Each member has one vote in Network Rail Limited. Accordingly, 42 members were entitled to attend and vote on all resolutions at the 2014 GM.

Appendix 5

Summary of the findings of the Members Effectiveness Review carried out by Deloitte LLP.

Deloitte statement – release of information

As recipient of the Members' Annual Statement you have been provided with a copy of the executive summary of Deloitte's "Members' effectiveness review" Report dated 5 December 2014. This Report is confidential and our Client, Network Rail, has sought our consent for the executive summary of the Report to be disclosed to you. This information has been disclosed accord to the following provisions:

- (a) The Report was prepared solely for the use of our Client and was not prepared for your use or with your interests in mind;
- (b) We have not updated the Report and are not obliged to do so. Events may have occurred after the date of the Report which would change its content, had they been known when the Report was prepared;
- (c) You will not disclose or make available the Information to any other party except as required by law or regulation;
- (d) If you choose to rely upon the Information, you do so entirely at your own risk and without recourse to the Deloitte Parties. The Deloitte Parties have no liability or responsibility to you in contract or tort or otherwise for any loss, damage, cost or expense caused by your use of or reliance on the Information; and
- (e) You agree not to bring or threaten to bring, any actions, proceedings or claims against any of the Deloitte Parties in connection with the provision of the Information to you.

The "Deloitte Parties" means all entities (including Deloitte LLP) that are members of the Deloitte Touche Tohmatsu Limited ("DTTL") worldwide network and each of their subsidiaries, predecessors, successors and assignees, and all partners, principals, members, owners, directors, employees, affiliates and agents of all such entities.

This statement (including all contractual and non-contractual rights and obligations arising out of or relating thereto) is governed by English law and the English Courts shall have exclusive jurisdiction to settle any dispute that may arise in connection with it.

The following text is from the Executive Summary of the report of the Members Effectiveness Review.

“Overview

The Network Rail Model is distinct. There are few examples of organisations with comparable governance models in place. We recognise that the secondary governance role of Members is challenging and has evolved in recent times. As part of this, Members have initiated a number of improvements in how they discharge their role. Overall we believe that the Members are operating effectively in their role and are making positive progress.

Having the Membership Model in place helps to ensure that the Board of Directors is held to account for the effective governance of Network Rail. The various stakeholders we interviewed during this review were clear that the Members do add value to Network Rail.

Strengths of the Members

Members are a dedicated group who are committed to their role. Some of the areas of good practice we identified during the Review include:

- High Levels of attendance and engagement;
- Examples of effective implementation of secondary governance;
- Establishing the Engagement Groups;

- Strong leadership from the Members' Co-ordinator;
- The skills and composition of the Members;
- Improved engagement with the Board; and,
- Preparing and publishing an Annual Statement of Activity 2012-2013 ('Annual Statement').

This good practice is supported by a number of tangible examples of where the members have had a positive impact on Network rail, for example: identifying the under-reporting of safety incidents and subsequently driving improvements and transparency in this area and driving changes to the remuneration policy.

Areas for Improvement

Throughout our review we also noted a number of areas for improvement, including:

- There is a lack of shared understanding of the secondary governance role and responsibilities of Members. Member role and responsibilities could be more clearly defined;
- Some Members focus on primary governance or operational matters, with less emphasis on governance processes and assurance;
- Members currently spend a disproportionate amount of time on past performance and could focus more on the Board's stewardship responsibilities;
- There are inconsistent views on who members should act in the best interests of(in furtherance of the objects of Network Rail or the general public) and there is a lack of clarity regarding the accountability of Members; and,
- Reporting is not sufficiently tailored to the role of Members."