

MATTERS RESERVED FOR BOARD APPROVAL

This policy document sets out:

- (a) the matters which can only be decided by or which must be considered by the Boards of:
 - Network Rail Limited; and
 - Network Rail Infrastructure Limited (together the Companies); and
- (b) a number of tasks to be undertaken by the Companies.

The Board is primarily responsible for the overall leadership of the Companies, setting the Companies' strategy, values and standards.

All subsidiary companies and unincorporated divisions and business units are bound by its terms and it is the responsibility of their respective directors and managers to ensure observance and compliance by ensuring that matters are referred to the Board when required and by issuing subordinate schemes of delegation.

FINANCIAL REPORTING, INTERNAL CONTROLS, RISK, POLICIES and CAPITAL MANAGEMENT

1. Approval of interim and year-end financial statements; and any preliminary announcements of the final results
2. Approval of the annual report and accounts, including the corporate governance statement and the directors' remuneration report.
3. Approval of transfer of financial surpluses to reserves and recommendations as to use of financial reserves
4. Approval of any significant change in accounting policy or practices
5. Approval of remuneration of external auditors and recommendations for the appointment or removal of external auditors
6. Approval of Network Rail's internal control and risk management strategy, including:
 - the Companies' risk appetite statements
 - appropriate internal control policies; and
 - other major corporate policies, such as health and safety, environmental and business ethics
 - receiving reports on, and reviewing the effectiveness of the Companies' risk and control processes to support its strategy and objectives
 - approving and reviewing annually the procedures for the detection of fraud and the prevention of bribery
7. Approval of treasury policy and any borrowing by Companies relating to the finance plan

COMMUNICATION

8. Approval of business to be considered at general meetings of the Companies including all related documentation to be communicated to the Member
9. Approval of procedure for approving all announcements and press releases concerning matters decided by the board which relate to the Companies

BOARD MEMBERSHIP AND COMMITTEES OF THE BOARD

10. Changes to the structure, size and composition of the Board, following recommendations from the Nominations Committee.
11. Approval of the statements of responsibilities for:
 - the Chair;
 - Chief Executive; and
 - other directors of the Companies
12. Appointments to the Board and the Board committees, following recommendations by the Nominations Committee and approval of the relevant terms of reference.
13. Appointment of the senior independent director to provide a sounding board for the Chair and to serve as intermediary for the other directors when necessary.
14. Ensuring adequate succession planning for the Board and senior management so as to maintain an appropriate balance of skills and experience within the company and on the Board.

MANAGEMENT

15. Save where expressly delegated, approval and review of:
 - the annual business plan;
 - the control period delivery plan;
 - major periodic review submissions;
 - the Companies' strategic aims and objectives, as well as those of their subsidiaries.
16. Approval of changes relating to the capital structure of the Companies
17. Approval of changes to Network Rail's corporate structure
18. Approval of appointment or removal of:
 - any director; or
 - the Company Secretary
19. Approval of appointment and removal of:
 - directors from the boards of any principal trading subsidiary Companies
20. Approval of terms and conditions of service contracts for directors of the Companies
21. Approval of material changes to Network Rail's (and its subsidiaries) management structure and control structure
22. Approval of a material change or modifications to the Licence granted to Network Rail under the Railway Act 1993

TRANSACTIONS

23. Approval of any material transaction of any Network Rail (NR) company, being:
- 23.1 A corporate acquisition, disposal or other related corporate transaction, involving a total consideration, (or, if greater, a market value) in excess of £10m, or under which any NR company incurs liabilities in excess of £10m but excluding:
- treasury management activity conducted in accordance with agreed limits and authorities in accordance with the Treasury Policy
 - any loan transaction or intra-group allotment between NR companies (including any joint venture company in which any NR company holds 50% or more of the issued share capital and any subsidiary of such joint venture company), provided that it has been approved by the Executive Committee and received the necessary regulatory consents
- 23.2 Approval of the commencement of any activity by any NR company, within its powers, where such business has not previously been transacted and where the activity is likely, in the first full year of trading, to produce more than £10m of gross income or incur more than £10m of gross expenses
- 23.3 Approval of the cessation, by any NR company, of any previously conducted activity, which produced more than £10m of gross income or incurred more than £10m of gross expenses in the most recent financial year
- 23.4 Irrespective of paragraph 23.1 to 23.3, approval of any transaction which is material strategically or may reasonably be regarded as likely to have a material effect on NR's reputation irrespective of value.
- 23.5 Approval of any item which falls outside the authority delegated to the Executive Committee or under the Delegation of Authority Policy.
- 23.6 Approval of the provision of any guarantee, indemnity, warranty or security by any NR company for a sum exceeding £5m, where such approval is required in accordance with the Group Guarantees Policy
24. Determination of the corporate structure of the NR and approval of changes to it which are material to the Companies. For the establishment of any legal entity approval is delegated to the Group General Counsel.
25. Approval of any material change to any material contractual arrangement with the Department for Transport

REMUNERATION & PENSIONS

26. Approval of major changes in the pension scheme(s) and the application of surplus funds deriving from such scheme(s)
27. Introduction of and approval (through the Network Rail Limited's Remuneration Committee) of major changes in, any employee incentive arrangements for the benefit of directors and /or employees

OTHER

28. Approval of any political donations
29. Approval of policy for charitable donations
30. Approval of policy for sponsorship
31. Save where conduct of litigation is with external insurers, approval of the prosecution, defence or settlement of litigation involving amounts above £50 million or being otherwise material to the interests of Network Rail
32. Approval of the submission of an application for judicial review or to the Competition and Markets Authority in relation to any matter
33. Approval of the overall levels of insurance for the Companies including directors' & officers' liability insurance
34. Approval of the principle to submit as sponsor any bill or similar parliamentary process to national or regional parliament promoting the enhancement or development of new railway infrastructure

NOTES

All matters not reserved to the Board are delegated to the Executive.

It is specifically acknowledged that the Executive shall have full power and authority to delegate powers to such individuals or management committee as they think fit.

Statement of Delegated Authority

The Board agrees that the matters set out in Delegation of Authority Policy do not require prior approval by the Board provided that:

- A. breach of any condition to an approval, or where the approved capital value is exceeded by 10% or £1m (whichever is the lower) save as provided in the Investment Regulations; will require referral to the Board.
- B. all delegations only relate to transactions or matters entered into in the ordinary course of business.

Adopted by the Board on 9 June 2016