



Treasury committee report

I am pleased to present the committee's report into the key activities undertaken during 2019/20, alongside its anticipated activities for 2020/21.

Throughout 2019/20 the committee continued to consider a range of financing, debt, risk and treasury matters. Network Rail's source of borrowing is via a Department for Transport (DfT) loan facility which is used to repay maturing external borrowings and to refinance maturing

DfT loans. Given that Network Rail's funding envelope is determined by the Periodic Review process, statement of funds available (SoFA) settlements process and by any additional DfT agreed enhancements, we are proactively seeking third party funding of rail enhancements in Control Period 6 (CP6).

The committee will continue to oversee these activities in the year ahead.

Sharon Flood,
chair, treasury committee

16 July 2020

Committee members	Formal appointment to the committee	Number of meetings attended during the year
Sharon Flood	Sep 2014	3/3
Mark Bayley CBE ¹	May 2020	0/0
Silla Maizey	Nov 2016	3/3
Bridget Rosewell CBE ²	Jul 2012	1/3

1. Mark Bayley CBE was appointed to the Board and Committee on 11 May 2020

2. Bridget Rosewell resigned as a director on 31 March 2020

► Committee attendees

The chair of the Board, chief financial officer, group controller, head of treasury, and the group general counsel and company secretary attend meetings by invitation.

► Role and responsibilities of the committee

The terms of reference (ToR) govern the structure and operation of the treasury committee, including its delegated responsibilities and authority level. The ToR are reviewed regularly, to ensure the activities of the committee align with the needs of the organisation.

The most recent ToR were approved by the Board in June 2019. The terms of reference can be found at www.networkrail.co.uk.

Treasury committee report continued

The committee's role is to:

- Review proposed treasury transactions including banking, cash management and forecasting, debt management, investment management, treasury risk management;
- Approve or recommend strategies and policies in relation to areas of treasury management including financing, liquidity management and forecasting, regulatory requirements, investor relations, bank relationships, and treasury internal control and governance policies;
- Review treasury function's financial reporting and internal control procedures; and
- Approve specific transactions within treasury responsibility.

Principal activities during the year

The committee received detailed updates from the treasury team at each meeting. The chair then provided a summary of the committee's activities, the main discussion points and findings to the next Board meeting and made appropriate recommendations.

Some of the topics discussed during 2019/20 were:

CP6 financial framework

The committee discussed the implementation and operation of the new loan facility between Network Rail and DfT, and the grant agreements between Network Rail and Transport Scotland and the DfT.

Open for business update

The Open for Business programme was established in September 2017 to expand third party financing and delivery of Network Rail schemes by making it easier for third parties to undertake these activities.

The Putting Passengers First programme and devolution to a regional structure has provided us with more opportunities to drive the Open for Business programme forward. We have established business development teams across our regions to liaise directly with third parties. We have also created a corporate finance team to support and challenge the regional business development teams.

Green Financing

Many of our activities are socially responsible and environmentally friendly. Rail transport takes vehicles off roads, it reduces carbon emissions, it connects people and communities, and drives the UK economy. Accordingly we discussed green, social and sustainability ('GSS') financing options and how this applies to Network Rail.

A stakeholder engagement plan will be developed to explore GSS finance options with the Government. Our discussions will likely focus on the value for money and what part Network Rail should play in the delivery of green finance policy.

Treasury

Further matters considered by the committee during the year included:

- Future participation in the Government Banking Service and the impact on existing use of money market funds;
- Control Period 5 close-out and cash position;
- Pensions investment
- Regular summaries of treasury activities, including:
 - > Actual and forecast movements in debt, derivatives and investments;
 - > Risks of over or underspend of the DfT loan facility;
 - > Financing costs; and
 - > Intercompany loans

Planned activities for 2019/20

The committee will continue to monitor the progress of the initiatives underway.

Particular focus will include:

- The impact of the Williams Rail Review conclusions on Network Rail's financing and treasury activities;
- Exploring alternative approaches to raising capital to fund enhancements;
- Monitoring the introduction of the CP6 financial framework;
- Assessing strategic or corporate finance opportunities that may be proposed to the Board;
- Monitoring cash flow and funding limits