

MATTERS RESERVED FOR BOARD APPROVAL POLICY

The Matters Reserved for Board Approval Policy ("Policy") sets out:

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

Where in this Policy reference is made to the "Board" it applies to the Boards of Network Rail Limited and Network Rail Infrastructure Limited.

The Board is primarily responsible for the overall leadership of Network Rail, setting 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:
 - Network Rail's 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 Network Rail 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 Network Rail relating to the finance plan

COMMUNICATION

8. Approval of business to be considered at general meetings of Network Rail 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 Network Rail.

BOARD MEMBERSHIP AND COMMITTEES OF THE BOARD

10. Changes to the structure, size and composition of the Board, following recommendations from the Nominations & Remuneration Committee.
11. Approval of the statements of responsibilities for:
 - the Chair;
 - Chief Executive; and
 - other directors of Network Rail
12. Appointments to the Board and the Board committees, following recommendations by the Nominations & Remunerations 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;
 - Network Rail's strategic aims and objectives, as well as those of their subsidiaries.
16. Approval of changes relating to the capital structure of Network Rail
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 Network Rail
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 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 where any Network Rail 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 Network Rail companies (including any joint venture company in which any Network Rail is a shareholder and any subsidiary of such joint venture company), provided that it is in accordance with the limits expressed within the Delegation of Authority Policy and received the necessary regulatory consents.
- 23.2 Approval of the commencement of any activity by any Network Rail company, within its powers, where such business has not previously been transacted and where the activity is likely to produce more than £10m of gross income or incur more than £10m of gross expenses
- 23.3 Approval of the cessation, by any Network Rail 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 Network Rail's reputation irrespective of value.
- 23.5 Approval of any item which falls outside the authority delegated to the Executive Leadership Team or under the Delegation of Authority Policy.
- 23.6 Approval of the provision of any guarantee, indemnity, warranty or security by any Network Rail company for a sum exceeding £50m.
24. Determination of the corporate structure of Network Rail and approval of changes to it which are material to Network Rail. 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 Nominations & 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 £100 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 Network Rail 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 Leadership Team.

It is specifically acknowledged that the Executive Leadership Team 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 the Delegation of Authority Policy do not require prior approval by the Board provided that all delegations only relate to transactions or matters entered into in the ordinary course of business.

Adopted by the Board on 28 June 2019