

Anna Walker

Chair

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Richard Parry-Jones

Chair

Network Rail

Kings Place

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Dear Richard

Revised high level objectives for your management incentive plan

1. This letter sets out our revised objectives for your management incentive plan (MIP) replacing those of 24 March 2011. We have updated the objectives to reflect our 2013 periodic review. We have also referred to safety more explicitly in the delivery objective, slightly changed the wording on efficiency to give the appropriate weight to this and increased the emphasis on value for money.

2. The high level objectives are:

- a) **Delivery objective** – that the primary focus of your framework should be to incentivise long term sustainable delivery of all of Network Rail's PR13 regulatory obligations, while fully meeting safety obligations, and giving appropriate weight to the enablers and indicators set in our PR13 determination
- b) **Efficiency objective** – your framework should be so proportioned as to incentivise the full delivery of the efficiency assumptions in our PR13 determination
- c) **Accountability and transparency objective** - that you seek the views of your principal funders and members and do so openly and transparently:

- i. initially on your full rationale and justification for your overall framework and its potential implications for your executives' remuneration (in aggregate terms), and
- ii. annually on the data and information you are using for the decisions you intend to take under your management incentive plan year by year (again in aggregate terms) and
- iii. in both cases have regard to the information and views expressed in your published final decisions which will need to include a full explanation of your reasons and how you have dealt with the views.

d) **Value for money objective** – you will need to explain how the decisions you intend to take each year reflect the market you are in for executive talent and in particular the additional value you have created for the taxpayer and users of the railways (the wider public interest) that you are rewarding.

(e) **Assessment of performance** - your proposed decisions on remuneration will also have to demonstrate how you have taken account of our assessments of your company's performance and efficiency improvement and how any underperformance has been reflected in your decisions. The Remuneration Committee decision should reflect any penalties imposed on the company by us or the courts.

3 As you are aware, Network Rail is also required under its network licence to comply with reporting requirements on directors' remuneration as if it were a company whose ordinary shares are admitted to the Official List of the UK Listing Authority and with the relevant provisions and principles of the UK corporate governance code.

4. I am copying this letter to Clare Moriarty, Nick Bisson at the Department of Transport, Aidan Grisewood at Transport Scotland and Bayo Dosunmu at the Welsh Government.

Yours



Anna Walker