

Management Incentive Plan

2016/17

Effective from 1 April 2016

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Foreword

Executive pay is an important issue for Network Rail's stakeholders, and Network Rail's Remuneration Committee ('the Remuneration Committee') remain committed to the highest standards of disclosure in this area.

Network Rail is large and complex and will continue to need talented leaders to deliver the long term CP5 objectives whilst remaining dedicated to ensuring the safety of our passengers, our workforce and the public on a daily basis.

Remuneration at Network Rail needs to be credible when competing to secure top talent. At the same time, the Remuneration Committee recognises that a key difference between Network Rail and commercial organisations is that Network Rail is publicly funded and has a strong element of public interest, including passenger, public and workforce safety responsibilities.

Market data is one point of reference for the Remuneration Committee when making judgements on the right structure and level of executive pay. As with any role within Network Rail, the objective is to consider market data which is relevant to the role in question, reflects the skills and experience of the individual, the scope and responsibilities of the role and the nature of the organisation. The Remuneration Committee takes the same approach for the Executive Directors.

In 2012/13, the Remuneration Committee undertook an extensive review of market data and positioning, using an approach which was shared transparently with members. We gathered market data from both large commercial organisations of a similar scale and those which face similar operational challenges and additionally from a number of public or quasi-public organisations. The conclusion of the review was the principle that Network Rail is, and should be, positioned appropriately between these two markets, reflecting the scale of Network Rail's operations and the nature of its public obligations.

In developing the framework for CP5, the Remuneration Committee further developed the principle above. The Remuneration Committee concluded, again taking into account input from our members, that the previous aggregate bonus opportunity for Executive Directors was too high for Network Rail given the strong element of public interest in the business. As a result, in CP5 we have substantially reduced the maximum annual incentive opportunity for Executive Directors from 160 per cent of annual salary to 20 per cent of annual salary.

At the same time, we need to ensure that the overall remuneration package fairly reflects the skills and experience of the individual, is credible in the markets in which we compete for talent and allows us to maintain our position between the two markets described above. The substantial reduction in potential incentives under this Management Incentive Plan (MIP) means that there is a greater retention risk than previously existed. At this lower level of incentive opportunity it is possible that Network Rail may need to pay higher base salaries to attract new recruits to the organisation.



Michael O'Higgins
Chairman, Remuneration Committee

The Challenges of Delivering CP5

During CP5, (which runs from 1 April 2014 – 31 March 2019) millions of people across Britain will benefit from an ambitious five-year, £38bn spending and investment programme – part of the biggest sustained investment programme ever – that will transform today's railway, giving passengers more trains, more seats, reduced congestion and bigger, better stations. Network Rail's plans for the next five years will see the busiest parts of Britain's rail network targeted, making a very real difference to millions of people's lives and providing a significant boost to the economy. By 2019 the railway will be carrying more people than at any time in its history.

Improving passenger, public and workforce safety will also feature prominently throughout CP5 with plans to close a further 500 level crossings on top of the 804 closed in CP4, reducing risk by a further 25 per cent.

As well as the big projects, the day-to-day task of delivering a safe and reliable railway will be even more important and tougher to deliver, as more services and increased improvement work becomes ever more challenging to balance. Investment in this area includes:

- Renewing over 7,000km of track – enough to reach from London to Mumbai
- 75 football pitches worth of station platforms replaced (300,000m²)
- Improving train punctuality to 92.5 per cent across the country – the best performing in Europe
- Cutting the cost of running the British railway network by 20 per cent, making it one of the most efficient in Europe
- Investing in new technology and equipment that will deliver step-changes in productivity and efficiency.

Of the £38bn to be spent on Britain's railways over the next five years, £13bn will be invested in capital expenditure projects to relieve overcrowding by building new tracks, uncorking bottlenecks, increasing capacity and upgrading outdated stations:

- The Northern Hub programme will deliver a step-change in connectivity across the north of England, providing faster journeys and the capacity to run hundreds more trains per day between key northern cities
- The Thameslink programme will be completed, with 24 trains per hour each way through the centre of London, taking much needed pressure off the Tube network and relieving commuters of the aggravation of changing trains during the busiest part of the day. Crossrail trains will also be running, increasing capacity for travel through the capital by a further 10 per cent
- More than 850 miles of railway will be electrified, including the Great Western Main Line from Maidenhead to Swansea, the Midland Main Line from Sheffield to Bedford and across lines the north and north west of England, bringing greener, more frequent and more reliable journeys for millions of people
- More than 30 miles of new railway and seven new stations will reconnect the border towns of Scotland with Edinburgh for the first time in 50 years, reversing a Beeching closure of the 1960s and providing a faster, greener alternative to travelling by road
- Stations including Birmingham New Street, Manchester Victoria, Glasgow Queen Street and London Bridge will be transformed bringing investment and jobs into our cities and further income for the railway to invest.

A Remuneration Framework to Deliver CP5

During 2014 the Remuneration Committee undertook an extensive review of the executive remuneration framework to ensure that it most appropriately supports our vision to deliver the CP5 objectives.

The Remuneration Committee engaged widely with key stakeholders during every stage of the review and has openly shared the information which informed its decision making. The feedback made a significant contribution to the shape of the new framework outlined below.

The Remuneration Committee identified four principles on which the CP5 remuneration framework should be based:

Simple

The framework should be transparent, and simple for all stakeholders to understand.

Competitive and fair

Attracting and retaining leaders of the necessary calibre requires remuneration arrangements which are reasonable for the markets in which we compete for talent and fairly reflect the market rate for the skills and experience of the individual.

At the same time, the Remuneration Committee always remain cognisant of the need to ensure value for money for the funders of the railway and reflect the strong element of public interest in the business.

Performance and safety

There should be a performance-related element of the package which rewards exceptional performance in the areas which are most important for our stakeholders. There should be no reward for failure. Safety of the workforce, passengers and the general public is at the heart of everything Network Rail does and must be reflected in the remuneration framework.

Aligned with employees

Where possible, remuneration structures will be aligned across the organisation. All Network Rail employees continue to be eligible for incentive payments, which is determined using a consistent performance framework across the organisation.

The CP5 remuneration framework, which is described in more detail below, has been designed to meet these principles. Key features and changes are:

A simplified framework

- One incentive plan
- Measures cascaded consistently throughout the business
- No further retention payments.

Aligned to performance and safety

- A simple concept – based on business (and personal) performance each year
- Safety now incorporated as a core measurement as well as being an important feature for Remuneration Committee discretion
- Deferred for three years, with any payment subject to safety and sustainability obligations over that period.

Major reduction in potential bonuses

- Major reduction in the maximum incentive opportunity, reflecting the strong level of public interest in the business, the toxicity surrounding bonuses and consequential reputational damage to Network Rail and its Executive Directors
- Maximum annual incentive opportunity reduced from 160 per cent of salary to 20 per cent of salary.

Salary transition and CP5 commitment

- Over CP5, the average annual salary increases for Executive Directors will follow the same approach adopted for other managers.
- New starter salaries may need to be higher to retain competitiveness in attracting the appropriate talent.

Reduction in pension policy

- Cash supplement in lieu of pension for new appointments reduced from 30 per cent to 10 per cent of salary above the company earnings cap.

Scheme Participants

This table sets out the names and positions of those eligible to participate in Network Rail's Management Incentive Plan (MIP) in 2016/17:

Role	Name
Chief Executive	Mark Carne
Chief Financial Officer	Jeremy Westlake

The Incentive Plan Overview

This section of the MIP sets out the Incentive Plan arrangements that apply to Network Rail's Executive Directors in 2016/17.

The key features of this MIP are as follows:

- There is only one incentive plan. This replaces the structure adopted in previous MIPs which included separate annual and long-term elements. This reduces complexity and better aligns incentives with the rest of the organisation. It also reduces the number of payout events that occur in any one year
- All key measures of business performance (as outlined in this MIP) will be cascaded consistently throughout the business. This ensures that Network Rail employees are incentivised to deliver the same committed CP5 outputs as the Executive Directors
- For Executive Directors the maximum incentive opportunity each year has been reduced from 160 per cent of salary to 20 per cent of salary
- Any payments under this MIP will be deferred for three years and will be subject to safety and sustainability obligations. This incentivises long-term sustainable delivery and creates the potential for financial consequences.
- If the corporate scorecard result is less than 20 per cent, there will be no bonus payout for the Management Incentive Plan.

The Remuneration Committee has substantially reduced the rewards that may be awarded under this MIP (as compared against previous arrangements). In doing so, the Remuneration Committee has given careful consideration of the need to create a MIP that incentivises Network Rail's Executive Directors, at a level that is externally acceptable, with money at risk if targets are not achieved.

The Remuneration Committee concluded that 20 per cent of salary is sufficient, whilst still meeting the requirement to have a MIP as set out in Network Rail's

network licence. So as to create a stable incentive framework, it is envisaged that the design and structure of the MIP, including the measures of performance, will apply throughout CP5. The MIP targets will be updated each year.

The measures are designed to represent the key areas of operational performance in CP5. Attainment of the targets associated with these measures will mean that Network Rail has achieved its committed outputs as specified in the CP5 Delivery Plan (which is designed to achieve the CP5 outputs specified in ORR's CP5 Final Determination). The Remuneration Committee believes that these arrangements are consistent with the objective of incentivising long-term sustainable delivery of Network Rail's performance and output obligations.

Scheme design

For 2015/16 and the remainder of CP5, the Remuneration Committee has decided that the Management Incentive Plan should be based on the delivery of four key objectives:

- Value through cost savings
- Investing in the railway
- Delivering for our passengers
- Serving our customers

Delivery of these objectives will be measured through six key measures of performance:

- Safety
- Train performance
- Financial outperformance
- Investment (investing in the railway)
- Asset management
- Locally driven customer measures

These are described in more detail on page 10.

The targets will be set on an annual basis to reflect both the outturn of the previous year and the need to incentivise delivery of Network Rail's CP5 outputs.

To reflect the significant diversity in the accountabilities of Network Rail's Executive Director's this MIP will assess performance at both a corporate and business unit level (50 / 50 split). This creates opportunities for the reward of individual Executive Directors to be adjusted to reflect the performance of their own business units.

In addition, a rigorous performance management process will be in place. Individual Executive Directors will have clear objectives and accountabilities, their performance will be measured against these objectives and there will be consequences if these objectives are not met.

CP5 Incentive Plan Performance Measures and 2016/17 incentive plan targets¹

The measures of performance under this MIP are set out below. They are designed to represent a balanced scorecard of measures which are consistent with the CP5 Final Determination whilst focusing participants on key areas of performance.

AREA	PERFORMANCE MEASURE	AIP % WEIGHTING	WORSE THAN TARGET	TARGET	BETTER THAN TARGET
Safety					
Workforce Safety	<i>Last Time Injury Frequency Rate (LTIFR)</i>	5.0%	0.470	0.447	0.425
Workforce Safety	<i>Workforce Close Calls</i>	2.0%	90,000	120,000	150,000
Workforce Safety	<i>Close calls closed within 90 days (%)</i>	3.0%	70%	80%	90%
Passenger Train Accident Risk Reduction	<i>Our achievement of the key milestones and measures to reduce train accident risk</i>	5.0%	60%	80%	100%
Level Crossing Risk Reduction	<i>Measures our achievement of the top 10 milestones to reduce level crossing risk.</i>	5.0%	60%	80%	100%
Financial Performance					
Financial Performance Measure	<i>Total Efficiency Generated (£m) excluding Enhancements</i>	10.0%	-£100m	0	+ £100m
Financial Performance Measure	<i>Enhancements only (£m)</i>	5.0%	- £70m	0	+ £70m
16/17 Cash Compliance	<i>How well we have remained within our funding envelope in total</i>	5.0%	- £12m	0	+ 47m
Investment					
Top 10 IP Renewals & Enhancement Milestones	<i>Key milestones of top 10 renewals & enhancement projects</i>	5.0%	6	8	10
All Delivery Plan Enhancement Milestones (%)	<i>Interim and completion milestones of all enhancement projects</i>	5.0%	60%	80%	100%

Asset Management		AIP % WEIGHTING	WORSE THAN TARGET	TARGET	BETTER THAN TARGET
CRI (Composite Reliability Index)	<i>Total</i>	5.0%	13.7%	15.0%	16.3%
Renewals (7 Key Volumes)	<i>Volumes</i>	5.0%	90%	95%	100%
Train Performance		AIP % WEIGHTING	WORSE THAN TARGET	TARGET	BETTER THAN TARGET
PPM	<i>Aggregate of locally chosen PPM measures</i>	9.3%		Targets Locally Set	
CaSL	<i>Aggregate of locally chosen CaSL measures</i>	3.5%		Targets Locally Set	
Right Time Arrivals	<i>Aggregate of route performance</i>	1.6%		Targets Locally Set	
FDM	<i>Aggregate of route FDM Performance</i>	4.0%		Targets Locally Set	
Others	<i>Aggregate of other locally chosen train performance measures</i>	1.6%		Targets Locally Set	
Locally Driven Customer Measures		AIP % WEIGHTING	WORSE THAN TARGET	TARGET	BETTER THAN TARGET
People Measure	<i>Aggregate of locally chosen people measures</i>	3.2%		Targets Locally Set	
Passenger Satisfaction	<i>Aggregate of survey Results</i>	5.8%		Targets Locally Set	
Reduction in Railway Work Complaints	<i>Reduction in count of complaints received in routes</i>	2.2%		Targets Locally Set	
Others	<i>Various other locally chosen measures</i>	8.8%		Targets Locally Set	

¹ A detailed description of each of these measures of performance is set out at Appendix A

The Safety and Sustainability Obligation

This is a core part of the proposed incentive plan design and reinforces the importance of safety and sustained business performance over the long term. At the end of the deferral period the Remuneration Committee will consider how the obligations have been met in making decisions on whether to adjust the level of payment.

Safety & sustainability obligations

The payment of any deferred amount is subject to the Remuneration Committee's confirmation that the safety and sustainability obligations described below have been met. In the event that the obligations are not met, the Remuneration Committee may reduce the value of the deferred amount (including to zero), or impose further conditions which must be fulfilled prior to payment.

Safety

In the event of a serious safety incident over the deferral period which impacts passengers, workforce, or the general public, for which Network Rail was responsible, the Remuneration Committee has discretion to reduce the deferred amount(s) which may be payable to an Executive Director (including to zero).

Sustainability of business performance

The Remuneration Committee must confirm that performance delivered in the performance year has been appropriately sustained over the deferral period.

No specific targets will apply for this assessment, but the Remuneration Committee will consider the following indicators:

- Material downturn in a metric: the Remuneration Committee's assessment of the extent to which performance in each of the metrics under the balanced scorecard (including safety) has been appropriately sustained in the years following the performance year. A consistent and material downturn in performance for a particular metric following the performance year may indicate performance has not been appropriately sustained.
- Undermining long-term stewardship: determination by the Remuneration Committee whether annual operating performance targets have not been achieved as a result of action or inaction which could undermine the effective stewardship and performance of the railway network over the long term.
- Overall CP5 consistency: incentive payouts in respect of CP5 which, in aggregate, are consistent with overall performance in CP5 against the regulatory objectives.

Other circumstances:

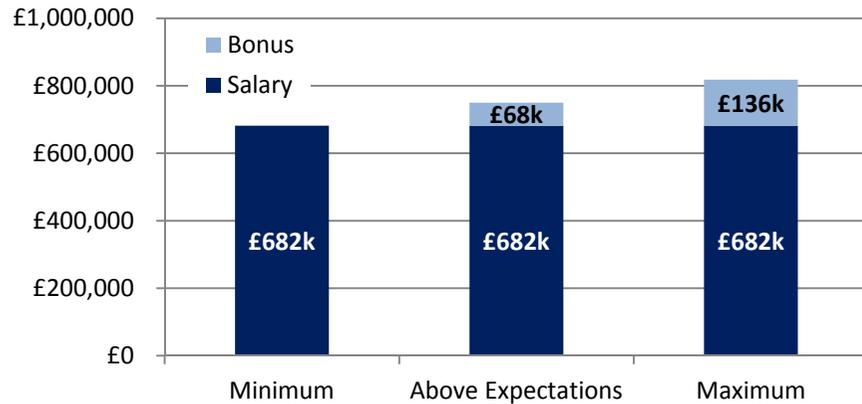
- A material misstatement of the Company's audited financial results or levels of disclosed operational performance
- A material failure of risk management, or a failure to comply with obligations set out in applicable contractual agreements (including the network licence, the Access Agreements or other relevant contracts)
- Gross misconduct
- Serious reputational damage to the Company as a result of the participant's misconduct or otherwise.

Remuneration by Performance Scenario for 2016/17 Financial Year (£'000)

The tables below show the value of the remuneration package (base pay and incentive) under three scenarios. The assumptions in the charts are:

- Minimum shows base salary only as at 1 March 2017
- Above expectations includes base salary and 50 per cent of maximum payout under the incentive (i.e. 10 per cent of salary)
- Maximum includes base pay and maximum payout under the incentive plan (i.e. 20 per cent of salary)

Chief Executive (Mark Carne)



Chief Financial Officer (Jeremy Westlake)



Remuneration Committee Discretion

In relation to this MIP the following points should be specifically noted:

- The Remuneration Committee has overriding discretion to make adjustments (both upwards and downwards) to reflect its assessment of overall business performance in the year, including safety. This takes into account a range of factors, including the ORR's annual assessment of Network Rail's performance and reports from the Audit and Risk, and Safety, Health and Environmental Committees
- For the avoidance of doubt, in the event of a serious safety incident during the year, which impacts passengers, the workforce or the public, for which Network Rail was responsible, no incentive would normally be payable to any Executive Director in respect to that year
- The performance measures outlined above stand alone and attainment under each will be calculated independently. The total sum which may be payable is the sum of these measures added together.

Scheme Rules

Once a year the Remuneration Committee will publish a statement which summarises the criteria which have been applied in determining the level of remuneration of the Executive Directors and such other persons as ORR have specified.

It should be noted that participation in the MIP is discretionary and does not form an entitlement under any contract of employment.

Payments are not guaranteed and Network Rail reserves the right to withdraw this or any other Management Incentive Plan at any time.

Subject to the above, participants will be entitled to receive payments under this Plan in accordance with the following general rules:

- All payments will be subject to the deduction of income tax and national insurance contributions
- Payments made under this Plan are not pensionable
- No payments will be made to participants who are the subject of disciplinary measures or personal performance improvement measures
- If the corporate scorecard result is less than 20%, there will be no bonus payout for the Management Incentive Plan.
- New joiners and those working part-time hours will qualify for a pro-rata payment.

Starters and Leavers

Starters

Will be eligible to participate in the scheme on a pro-rata basis in the year of joining

Leavers

Treatment depends on reason for leaving and when:

- Leave during performance year – no entitlement to any payments
- Leave during deferral period – no entitlement to any payments
- 'Good leaver' – retain entitlement to deferred payment, to be paid at the normal time and subject to the safety and sustainability obligation – discretion of the Remuneration Committee to pro-rate
- 'Other leaver' – no entitlement to any deferred payments.

Good leavers

A Good Leaver is an Executive Director leaving Network Rail by reason of disability, injury, ill-health, death in service, redundancy or retirement with company agreement. In addition the Remuneration Committee will have the discretion to apply good leaver terms to an Executive Director leaving by mutual agreement. In certain circumstances such as death in service or serious ill health the Remuneration Committee has the discretion to measure performance over a shorter period and make payments where this is considered to be appropriate.

Other leavers

No entitlement to any outstanding or prospective awards under this Plan.

Remuneration Committee discretion

In the event of any disputes in relation to payments under this MIP, the Remuneration Committee shall have the right to final determination. For the avoidance of doubt, at the end of the Performance Period the Remuneration Committee will publish a statement summarising the criteria which have been applied in determination the levels of award made under this MIP.

Reconciliation to ORR's High Level Objectives and Network Rail's Incentive Policy

ORR's letter set out four high level objectives with which Network Rail's MIP must comply. The Remuneration Committee is satisfied that this MIP meets those objectives and a reconciliation is provided below:

ORR's high level objectives:

- 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.'

The Remuneration Committee is satisfied that the measures of performance, as set out in this plan, are aligned with the key deliverables established in ORR's CP5 Final Determination and are weighted to incentivise achievement of the outputs that ORR has specified. For the first time, the MIP includes a specific safety and sustainability obligation which must be met in order for payments to be made under this MIP. In the event of a serious safety incident over the deferral period which impacts passengers, the workforce or the general public, for which Network Rail was responsible, the Remuneration Committee has discretion to reduce the amounts which may be payable to an Executive Director, normally to zero.

The Remuneration Committee must also be satisfied that performance has been appropriately sustained over the deferral period. In making this assessment the Remuneration Committee will consider, amongst other things, any material downturn in a metric, long-term stewardship (including the

delivery of business performance targets), and overall consistency with the CP5 regulatory targets.

Any payments under this MIP will be deferred for a period of three years so that the Remuneration Committee can satisfy itself that long term sustainable delivery of Network Rail's CP5 outputs has been achieved.

- b) 'Efficiency objective – your framework should be so proportioned as to incentivise the full delivery of the efficiency assumptions in our PR13 determination.'

The Remuneration Committee is satisfied that this objective has been met as the performance measures as outlined in this MIP include an appropriate and proportionate weighting, which is designed to incentivise financial outperformance over the course of the control period.

- 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.'

The Remuneration Committee is satisfied that this objective has been met as this MIP has been developed and shaped following extensive discussions with stakeholders, including with Network Rail's Members, government officials and the ORR. The Remuneration Committee is committed to being absolutely transparent about the decisions that it makes under this MIP and will publish the reasons for its decisions.

- 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.'

The Remuneration Committee is satisfied that this objective has been met as the Remuneration Committee has an overriding discretion to make adjustments which reflect its assessment of overall business performance in the year, including safety. This takes into account a range of factors, including the ORR's annual assessment of Network Rail's performance, and reports from the Audit and Risk, and Safety, Health and Environment committees.

Under the terms of this MIP, payments will only be made to Executive Directors if the Remuneration Committee is satisfied that the measure of performance as specified in this MIP have been achieved in a sustainable way.

The Remuneration Committee will publish the reasons for its decisions.

Appendix A – Detailed description of MIP Performance Measure

MEASURE OF PERFORMANCE

LOST TIME INJURY FREQUENCY RATE (LTIFR): The number of injuries leading to absence from work among staff and contractors per 100,000 hours worked. Our target is 0.447. A lower figure represents a better performance against target.

CLOSE CALLS RAISED: The number of Close Calls reported. We need to maintain the level of calls raised last year, but focus on quality and closing them out.

CLOSE CALLS % CLOSED WITHIN 90 DAYS: We aim to close 80 per cent of Close Calls within 90 days. The 90-day target is an increase on last year, the target level has also increased from 50 per cent to 80 per cent.

PASSENGER TRAIN ACCIDENT RISK REDUCTION MEASURES: Measures our achievement of the key milestones and metrics to reduce train accident risk. This will be reported at route level as well as national, providing greater visibility and accountability in delivering a safer railway.

TOP-10 MILESTONES TO REDUCE LEVEL CROSSING RISK: Measures our achievement of the top-10 milestones to reduce level crossing risk. This replaces last year's LCRIM measure that tracked benefits achieved.

FINANCIAL PERFORMANCE MEASURE (FPM) EXCLUDING ENHANCEMENTS (£M): Measures how we are performing against our Income, Opex and Renewals budget. Our target for the year is £0 (break-even). A higher figure represents better performance against our target.

THE SCORECARD

NATIONAL SCORECARD PERIOD 04

AREA	PERFORMANCE MEASURE	AIP % WEIGHTING	CURRENT PERIOD	PRIOR PERIOD	WORSE THAN TARGET	FULL YEAR FORECAST	
						MAA	MAA
Safety							
Workforce Safety	Last Three Injury Frequency Rate (LTIFR)	5.0%	0.490	0.482	0.470	0.447	0.425
Workforce Safety	Workforce Close Calls Raised (Actual **YTD)	2.0%	35,516*	51,042**	90 K	120 K	150 K
Workforce Safety	YTD Close calls closed within 90 days (%)	3.0%	74.7%	73.9%	70%	77.5%	90%
Passenger Safety	From Accident Risk Analysis Measure	5.0%	94%	0%	60%	80%	100%
Level Crossing Risk Reduction	Top 10 Milestones To Reduce Level Crossing Risk	5.0%	0	8	60%	80%	100%
Financial Performance							
Financial Performance Measure	Total (£/Billion Invested (£m) excluding Enhancements)	10.0%	-4	-28	-105	-100m	+ £100m
Financial Performance Measure	Enhancements Only (£m)	5.0%	-5	-10	- £70m	-32	+ £70m
Cash Compliance	Income and Expenditure (£m)	5.0%	131	137	- £12m	0	+ 47m
Investment							
Top 10 IP Renewals & Enhancements Milestones	Key milestones of top 10 renewals & enhancement projects	5.0%	8	0	6	8	10
All Delivery Plan Enhancement Milestones (%)	Attain and completion milestones of all enhancement projects	5.0%	100%	100%	60%	80%	100%
Asset Management							
CR	Total	5.0%	14.0%	14.8%	13.7%	15.0%	16.3%
Renewals (7 Key Volumes)	Volume (Period & YTD Actual not MAA)	5.0%	62.6%	97.8%	90%	92.9%	95%
Train Performance							
PPM	Appropriateness of Route Performance	9.3%	8/24	5/24	0%	9/24	50%
CaSL	Appropriateness of Route Performance	3.3%	8/18	3/18	0%	11/18	50%
Right Time Arrivals	Appropriateness of Route Performance	1.6%	3/24	4/24	0%	5	4/24
ODM	Appropriateness of Route Performance	4.0%	6/6	6/6	0%	50%	6/6
Others	Appropriateness of Route Performance	1.6%	1/4	1/4	0%	2/4	50%

COLOUR CODING

- On or better than target
- Worse than target
- Significantly better than target
- On or better than target
- Close to target
- Significantly missing target

FINANCIAL PERFORMANCE MEASURE (PPM)

ENHANCEMENTS ONLY (EM): Measures how we are performing against our Enhancement expenditure budget. Our target for the year is £0 (break-even). A higher figure represents better performance against our target.

16/17 CASH COMPLIANCE:

16/17 Cash Compliance is a measure of how well we have remained within our funding envelope in total. This is an aggregation of all variances against our financial budgets within Capex, Opex and income.

KEY MILESTONES OF TOP 10 ENHANCEMENT

PROJECTS: These milestones measure our achievement of interim milestones of our top-10 renewals and enhancement projects. We have to deliver eight of the top-10 IP renewals and enhancements milestones during 2016/17 to achieve target.

DELIVERY PLAN ENHANCEMENT MILESTONES:

Investment milestones measure our achievement of all enhancement projects as a percentage of Grip 3 & Grip 6. We have to achieve 80 per cent of all our Grip 3 and 6 enhancement milestones to reach our annual target.

COMPOSITE RELIABILITY INDEX (CRI):

This is a measure of the short-term condition and performance of our assets including track, signalling, points, electrification, telecoms, buildings, structures and earthworks. The target is set at the highest level it has been in CP5.

SEVEN KEY VOLUMES:

Measures delivery against budget of the seven key renewals volumes. The target is set at achieving 95 per cent of budget.



Please note this scorecard is an example only.

MEASURE OF PERFORMANCE (CONTINUED)

Forty per cent of the national scorecard is made up of locally-driven measures. There is no national target for these and therefore the national scorecard will reflect the aggregate results for the measures. The following performance measures have been agreed with customers, taking into account their priorities.

PPM: PPM is the percentage of all passenger train journeys that arrive on time.

CaSL: CaSL is the measure of how many passenger trains are cancelled or are significantly late (more than 29 minutes late).

RIGHT TIME ARRIVALS: Right-time arrivals is a measure of chosen passenger services that arrive on time at certain, terminal or all stations on a journey.

FDM: FDM is our indicator of how many freight services have arrived at their destination on time.

OTHER: Any other performance measure that is not consistent across all the routes is included in the other category. This can include delay minutes, right-time departures, etc.

PEOPLE MEASURE: Measures driven locally by the customer. Each route includes one people, passenger and reduction in railway work complaints measure. The others are individual to the routes.

PASSENGER SATISFACTION: Measures driven locally by the customer. Each route includes one people, passenger and reduction in railway work complaints measure. The others are individual to the routes.

REDUCTION IN RAILWAY WORK COMPLAINTS: Measures driven locally by the customer. Each route includes one people, passenger and reduction in railway work complaints measure. The others are individual to the routes.

OTHER: The other measure category contains the rest of the measures chosen by the customers for the routes. These are not all consistent across the routes so cannot be individually categorised.

Appendix B – Department of Business Innovation and Skills (BIS) Reporting Requirements

The BIS regulations have resulted in a new-style Remuneration report.

The Network Rail report has three sections:

1. An annual statement from the Remuneration Committee Chair
2. An annual report on remuneration showing a clear illustration of the framework which will apply for the year ahead and details on how the policy has been implemented in the year, including a single figure for each director and all the new supporting disclosures
3. The directors' remuneration policy, setting out the policy under which future payments will be made (this section is subject to a binding vote)

There is a binding vote on the policy every three years or earlier if a change in policy is proposed.

This MIP has been prepared so that it is compliant with both the new BIS regulations and Condition 16 of the network licence. The Policy Report of the Remuneration Report was put to a binding vote at Network Rail Annual General Meeting in July 2014.