



Non-Audit Services by Independent Auditors

Provision of non-audit services by the Independent Auditors

1. Network Rail Group's independent auditors are permitted to provide the following audit and non-audit services:

Audit services

2. Audits of the financial statements of Network Rail Limited, Network Rail Infrastructure Limited, Network Rail Infrastructure Finance Plc and other subsidiary undertakings.
3. Audits of the regulatory financial statements of Network Rail Infrastructure Limited.

Non-audit services

Audit related non-audit services

4. Non-audit services related to audit activities are normally assurance services or other work traditionally provided by Group's independent auditors in their role as independent auditors.
5. They usually result in a certification or specific opinion on an investigation and include without limitation:
 - a. Review of interim financial statements of Network Rail Limited, Network Rail Infrastructure Limited and Network Rail Infrastructure Finance Plc.
 - b. *Employee Benefit Plan Audits* Audit of financial statements of pension and other employee benefit plans.
 - c. *Internal Control Reviews* Review of internal controls related to specific operations and/or business processes including IT, accounting, investment, treasury management, tax and investigations.
 - d. *Accountants Reports* required to accompany grant application to public bodies including European funding.
 - e. *Consultation regarding Accounting Policies* including discussion and review of the impact of new accounting standards and interpretations and accounting for one-off or new transactions.
6. Prior approval to use the auditors for these services is required from the Group

Finance Director or Group Financial Controller.

7. These services only require prior approval by the Audit and Risk Committee if the work is expected to cost more than £25,000 (excluding expenses and tax).

Other non-audit services

8. All other non-audit services always require approval from the Audit and Risk Committee.
9. The following activities are examples of other non audit services:
 - Tax Compliance and tax consulting:
 - a. Preparation and/or review of tax returns, including corporate and income tax, VAT, and other taxes. Consultation regarding appropriate handling of items for tax returns, required disclosures, elections, and filing positions available to the company.
 - b. Responding to requests regarding technical interpretations, applicable laws and regulations, and tax accounting. Tax advice on acquisitions, and disposals.
 - Due diligence work with regard to group restructuring or acquisitions.

Cumulative non-audit services fees and reporting

10. Where the fees for all non-audit services undertaken by the Group's independent auditors is expected to exceed £200,000 cumulatively in any one financial year, the Audit and Risk Committee must be informed and their prior approval to exceed that limit is required irrespective of the size of the fee for a particular project.
11. When considering the appointment of the independent auditors for non-audit work, the following factors will need to be considered;
 - a. whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit services;
 - b. whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the independent auditors;
 - c. the nature of the non-audit services;
 - d. the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and
 - e. the criteria which govern the compensation of the individuals performing the audit.
12. Details of non-audit services provided by the Group's independent auditors will be provided to the Audit and Risk Committee on a bi-annual basis.

Prohibited services

13. In general, any work that threatens the auditors' independence should not be undertaken. In addition, the Group's independent auditors may not provide the following categories of services:
- a. Appraisal or valuation services or fairness opinions.
 - b. Financial information systems design and implementation.
 - c. Bookkeeping or other services related to the accounting records or financial statements.
 - d. Payroll administration services.
 - e. Management functions.
 - f. Executive recruiting and human resource services.
 - g. Broker-dealer services.
 - h. Legal services or expert services unrelated to their audit function.
 - i. Actuarial services.
 - j. Internal audit services.
 - k. Any other service that the Audit and Risk Committee determines is not permissible.

Employment of former employees of the independent auditors

14. The Group will not employ an individual in the capacity of a Director (including as a non-executive director) of any Group company or in a key management position (defined as member of Executive Committee or as an Executive Leader) where that person has been a partner of the Group's independent auditors and acted as audit engagement partner (or as a key partner involved in the audit) ("Independent Auditor Partner") at any time in the two years prior to the appointment.
15. The Group may appoint an individual other than an Independent Audit Partner in the roles of Director (including as a non-executive director) of any Group company or in a key management position (defined as member of Executive Committee or as an Executive Leader) where that person has been a member of the Group's independent audit team in the last two years, subject to prior approval of the Group Finance Director, who will be expected to first consult the Chairman of the Audit and Risk Committee.
16. Appointments of individuals other than an Independent Audit Partner who are current members of the Group's independent audit teams to any other role in the Group are subject to prior approval by the Group Finance Director.
17. Further guidance on the policy can be sought from the Group Finance Director, Group Financial Controller or General Counsel.

Policy Approved on 8 November 2012