

HIGHWAYS ENGLAND

MATTERS RESERVED TO THE BOARD

Version Control:

Matters Reserved to the Board Agreed by the Board 2 April 2015
Updated (Safety) and approved by the Board 27 January 2016

1. Responsibility for the day-to-day operational management of the Company is delegated to the Chief Executive who is assisted in this task by his/her Executive Team who may exercise delegated authority on an individual basis or as a collective body formulate strategies, policies and procedures for approval by the Board.
2. The Board reserves the following matters (to itself):

Leadership, Strategy and Oversight

- Responsibility for the overall leadership of the company and setting the company's values and standards
- Approval of the strategic aims and long-term objectives and setting the strategic corporate risk appetite
- Approval to the annual operating and capital expenditure budgets and any material changes to them
- Board oversight of the operations of Highways England ensuring: competent and prudent management; sound planning; maintenance of sound management, risk and internal control systems; adequate and other records; and compliance with statutory and regulatory obligations
- Review of performance in the light of the strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken
- Extension of Highways England's activities into new areas as provided for in the licence and consideration of matters in respect of any potential decision to cease to operate all or any material part of the business as provided for in the licence and consideration of reports from the Executive in the event that sanctions may be imposed on the Company
- The equivalent, bearing in mind Highways England's objects and role as a public sector company of changes to the capital and corporate structure of a commercial company
- Changes to the high level management and control structure
- Ensuring a satisfactory dialogue with the Shareholder based on the mutual understanding of objectives
- Approval of resolutions to be put to the shareholder in general meeting
- Approval of public position statements and press releases concerning matters decided by the Board in line with the communication policy agreed by the Board.
- Approval, on its recommendation, of any item which falls outside the authority delegated to the Chief Executive, Executive Committee or any of the Board sub-committees

Strategy, Finance and Investments (including Contracts)

- Approval of the five year company Strategic Business Plan, Delivery Plan and annual budget (following proposals formulated by the Executive Committee)
- Approval of specific proposals (on the recommendation of the Executive Committee) regarding new opportunities as required under the delegations of authority
- Approval of investments in major capital programmes, projects, guarantees and indemnities (in accordance with the delegations of authority) subject to approval by the Secretary of State where required. (The Board will give approval where the length of contract exceeds the remaining life of Roads Investment Strategy or exceeds £200 million (or a work package exceeds £200 million) and for any "novel or contentious" proposals. SofS approval is also required for "novel and contentious" proposals and those in excess of £500 million.)

- Approving the high level commercial & procurement policy for the Company, which shall be subject to regular review
- Approval of any contracts and agreements not in the ordinary course of business above thresholds as defined in the Investment Decision Making Framework or considered by the Chair or CEO to be material to the business
- Approval of any contracts or agreements which are otherwise material strategically or by reason of size in the ordinary course of business as defined in the Investment Framework or considered by the Chair or CEO to be material
- Approval of any material change in accounting policies or practices (following consideration by the Audit and Risk Committee)
- Approval of any material unbudgeted capital or operating expenditure (outside annually agreed tolerances)
- Deciding on the appointment or removal of external auditors (on recommendation of the Audit and Risk Committee and subject to shareholder approval as appropriate)
- Approval of the year-end financial statements and report

Internal Controls

- Ensuring maintenance of sound system of internal control and risk management including:
 - Approving the company's risk appetite statements
 - Receiving reports on, and reviewing the effectiveness of, the company's risk and controls processes to support its strategy and objectives
- Approving procedures for the detection of fraud and prevention of bribery and other forms of malpractice
- Undertaking an annual assessment of these processes, and approving an annual statement for approval in the annual report

Safety

- Give final approval to the company's safety aim statement (recommended by the Executive and Board Safety Committee and included in the Company Safety Policy and Strategic Plan) and providing safety leadership as part of its overall responsibility for leadership of the Company
- Approve the Company's Strategic Safety Plan, required to be published and reviewed in accordance with section 5.15 and 5.16 of the Licence (on the recommendation of the Board Safety Committee)
- Approve the health and safety policy (on the recommendation of the Board Safety Committee)
- To receive an annual report from the Board Safety Committee providing assurance on progress against the Company's Strategic Safety Plan and the effectiveness of the Company's health and safety policies and management arrangements (which shall be informed by the CEOs report to the Board Safety Committee on these matters, its Licence, Strategic Plan and Delivery Plan commitments and obligations)
- In the event of any critical safety incidents (as defined elsewhere), the Board will be kept informed of the circumstances of the incident and measures being taken in the wake of the incident

Corporate governance matters

- Undertaking a formal and rigorous annual review of its own performance, that of its committees and individual directors, and the division of responsibilities

- Determining the independence of non-executive directors in the light of their character, judgement and relationships
- Considering the balance of interests between the shareholder, employees, customers and the community
- Review of corporate governance arrangements
- Receiving reports on the view of the company's shareholder to ensure that they are communicated to the board as a whole
- Receiving reports on the views of the company's customers, the Watchdog and the Monitor to ensure that they are communicated to the board as a whole.
- Authorising conflicts of interest where permitted by the company's Articles of Association
- Receiving reports from board committees on their actions

Policies

- Approval to strategies and policies required by the licence and/or specified in the Strategic Business Plan and Delivery Plan, except where approval is delegated to the Executive, including:
 - Health and Safety policy
 - Environment and Sustainability policy (policies)
 - Corporate Social Responsibility policy
 - Communications policy (i.e. policy about what communications should be approved by the Board and, for clarity those sensitive matters where Board involvement would be expected/not expected e.g. issues which touch on public/government policy contrasted with sensitive topics which the PR team handle such as roadworks and protected species).
 - Security Strategy/policy
 - Code of Conduct
 - Human Resources policy (at a strategic level)
 - Bribery prevention policy
 - Counter Fraud Policy
 - Anti- money laundering policy
 - Procurement policy/strategy
 - Whistleblowing policy
 - Information Strategy

Other

- Approval of the appointment of the Company's principal professional advisers subject to any requirement for approval by the Shareholder
- Prosecution, commencement, settlement of material litigation, or an alternative dispute mechanism affecting the Company (above agreed thresholds or otherwise material to the interests of the company)
- Approval of the overall level of insurance for the Company including directors & officers liability insurance subject to necessary approvals from the Secretary of State and the Treasury as to any provision for commercial insurance
- Major changes to the rules of the company's pension scheme, or management arrangements and receiving a regular report on the Company's pension arrangements

- Any decision likely to have a material impact on the Company from any perspective including, but not limited to, financial, operational, strategic or reputational and in respect of the Company's obligations under its licence from the Secretary of State and commitments made under the Strategic Business Plan and Delivery Plan in order to meet the Road Investment Strategy.
- This schedule of matters reserved to the Board
- Matters which the Board considers suitable for delegation are contained in the Terms of Reference of Committee or delegated directly to the Executive.
- In addition the board will receive reports and recommendations from time to time on any matter which it considers significant to the Company.

JANUARY 2016