

SNCF RÉSEAU

2017

REPORT ON CORPORATE GOVERNANCE

Preamble

Pursuant to the Sapin II Law, Order 2017-1162 of 12 July 2017 has reorganised the information to be disclosed in the Management report and the Chairman's report on Internal Control and Governance. This order has replaced the latter report with the Board of directors' Report on Corporate Governance.

For fiscal years beginning on or after 1 January 2017, this change applies to limited liability companies, partnerships limited by shares and other legal entities whose financial securities are admitted for trading on a regulated market.

The report was prepared in accordance with Articles L. 225-37-3 and 4 of the French Commercial Code and Article 621-18-3 of the French Monetary and Financial Code.

Context

The Public Rail Group (PRG) was established by the Rail Reform Law 2014-872 of 4 August 2014. This law significantly modified the governance and organisation of the SNCF Group and Réseau ferré de France (RFF) in 2015.

Pursuant to Article L. 2101-1 of the French Transportation Code, SNCF, SNCF Réseau and SNCF Mobilités form the Public Rail Group within the French national rail system. These three entities are indivisible and jointly liable.

Within the Group:

- SNCF EPIC is responsible for:
 - o the PRG's strategic management, oversight, economic coherence, industrial integration and social unity and cohesion,
 - o the transversal missions required to ensure the proper running of the French national railway transport system,
 - o the definition and organisation of the PRG's human resources policies,
 - o shared services rendered for the benefit of the PRG as a whole.
- SNCF Mobilités encompasses all transport service operating activities.
- SNCF Réseau is responsible for managing the French national rail network. In line with the public service principles, EPIC SNCF Réseau has the task of ensuring, for the purposes of promoting rail transport in France and according to a sustainable development rationale:
 1. Access to the railway infrastructure of the French national rail network, including the distribution of capacity and the pricing for this infrastructure;
 2. Operational traffic management on the French national rail network.
 3. Maintenance, including upkeep and renewal, of the infrastructure of the French national rail network,
 4. Development, upgrading, coordination and exploitation of the French national rail network,
 5. Management of the service facilities it owns and their exploitation.

Its management aims to ensure optimum use of the French national rail network, focusing on safety, service quality and cost control and under conditions designed to guarantee the independence of the functions listed in point 1 above, and ensure free and fair, non-discriminatory competition between railway companies.

In accordance with Article L. 621-18-3 of the French Monetary and Financial Code, the Chairman of the SNCF Réseau Board of directors reports on SNCF Réseau's governance and internal control and risk management system that has been in place during the year.

The approach adopted by SNCF Réseau to prepare this report is rolled out under the supervision of the Finance and Purchasing Directorate. The latter relies on certain primary

contacts within the company's various departments and the SNCF Group Audit and Risk Directorate before submitting the report to Executive Management.

The finalised document was submitted for approval by the SNCF Réseau Chairman to the Board of directors on 22 February 2018, following its presentation to the Audit, Accounts and Risk Committee on 20 February 2018.

The report breaks down into three sections:

- the first section describes the composition, operation and work of the Board of directors and its specialised committees;
- the second section covers Executive Management and its organisation;
- the third section covers the internal delegations of authority within SNCF Réseau.

Finally, a paragraph covers the compensation of the corporate officer, the SNCF Réseau Chairman.

Corporate governance

The Rail Reform Law 2014-872 of 4 August 2014 combined the infrastructure management functions that were previously divided up between Réseau ferré de France, SNCF Infrastructure Executive Management (SNCF Infra) and SNCF Rail Network Operation and Management within a unified infrastructure manager called SNCF Réseau, which has been classified as a State-owned industrial and commercial institution (EPIC) since 1 January 2015.

SNCF Réseau manages the railway infrastructure under a specific organisation, for the purposes of promoting rail transport in France and according to a sustainable development rationale. It has the necessary resources to fulfil its duties in order to guarantee railway infrastructure access and operational traffic management on the French national rail network. SNCF Réseau maintains the French national rail network infrastructure and service infrastructures that it owns and promotes their development, upgrading, coordination and exploitation.

In accordance with public service principles and under its jurisdictions as recognised by French law, SNCF Réseau, a State-owned industrial and commercial institution, is responsible for operating the French national rail network and providing a public service in the railway transport sector in conjunction with the other state-owned institutions comprising the Public Rail Group.

SNCF Réseau is the manager of the French national rail network. Its management aims to ensure optimum use of the national rail network, focusing on safety, service quality and cost control and under conditions designed to guarantee the independence of the functions listed above, and ensure free and fair, non-discriminatory competition between railway companies.

The articles of association of SNCF Réseau were defined by Decree 97-444 of 5 May 1997 related to the duties and articles of association of Réseau ferré de France, as amended by Decree 2015-140 of 10 February 2015 related to the duties and articles of association of SNCF Réseau.

They describe the roles of the Board of directors and its Chairman and stipulate that the Board may delegate some of its powers to its Chairman.

1 The Board of directors

1.1. Composition and duties

SNCF Réseau is managed by a Board of directors, which approves the company's strategic guidelines and decisions.

Pursuant to Articles 25, 26 and 26-1 of Decree 97-444, as amended by Decree 2015-140 of 10 February 2015, the Board has twenty-four members who are as follows:

- The Deputy Chairman of the SNCF Executive Board, a position which carries the appointment to SNCF Réseau's Board of directors and the appointment as its Chairman, as set out in the Rail Reform Law 2014-872 of 4 August 2014.

Four categories of directors:

- Seven persons chosen by SNCF to represent it, and appointed by decree subsequent to a report from the French transport minister, on the recommendation of the SNCF Supervisory Board. At least half of the SNCF representatives are SNCF employees.
- Four representatives of the French State, appointed by decree subsequent to a report from the French transport minister, and on the recommendation of the French transport minister, the French Sustainable Development Minister, the French Economy Minister and the French Budget Minister.
- Four persons chosen by the French State on the basis of their competence, appointed by decree subsequent to a report from the French transport minister. They include representatives of the regional railway transport authorities, the Ile-de-France Transport Syndicate, users of rail passenger or freight transport and certified environmental protection associations under Article L. 141-1 of the French Environmental Code.
- Eight employee representatives elected under the conditions set out in Title II, Chapter II of the Law 83-675 of 26 July 1983 on the democratisation of the public sector.

The Board of directors comprises 12 men and 12 women. The Board members are assigned to the specialised committees presented in section 1.6, based on a variable male-to-female ratio.

In accordance with Article 41 of Decree 97-444 of 5 May 1997 and Article 50 of Decree 2015-137 of 10 February 2015 related to the duties and articles of association of SNCF and the Department of Economic and Financial Control for Transport, the Government Commissioner, or otherwise the deputy Government Commissioner, the Head of the Department of Economic and Financial Control for Transport, or otherwise his or her representative, and the SNCF Réseau Works Council Secretary also sit on the Board of directors in an advisory capacity.

Members of the Executive Committee, the Board Secretary or deputy Board Secretary and, where necessary managers, also attend Board meetings.

During the audit of the annual and half-yearly accounts and the presentation of the Chairman's report, the statutory auditors also attend Board meetings.

The Chairman may also invite any person whose expertise could shed light on Board decisions to attend Board Meetings in an advisory capacity.

The Board carries out the checks and verifications that it deems relevant and assesses internal control procedures. The Board of directors is regularly informed about the roll-out of the company's strategy, its financial position, the main financing arrangements and the progress of strategic operations.

Assisted by the Committee on Contracts, the Board of directors may set up the committees that it deems necessary to properly fulfil its duties.

1.2 Internal regulations

On 30 July 2015, the SNCF Réseau Board of directors adopted the internal regulations and its appendices which define the organisational procedures of the Board and the committees that are needed for its operations.

The internal regulations incorporate the provisions set out in Decree 97-444 of 5 May 1997 related to the duties and articles of association of Réseau ferré de France, as amended by Decree 2015-140 of 10 February 2015 related to the duties and articles of association of SNCF Réseau and the Department of Economic and Financial Control for Transport, the Rail Reform Law 2014-872 of 4 August 2014 and Law 2013-907 of 11 October 2013 on transparency in public life.

The internal regulations of the Board of directors:

- specify the role of the specialised committees (Audit Committee, Industrial and Economic Committee, and the Investment Committee (see section 1.1.4);
- define the operating procedures of the Committee on Contracts as stipulated in the amended Decree 97-444 of 5 May 1997 (see section 1.1.4);
- approve the Director's Charter which defines the rights and obligations of each director grouped into eight categories: administration and corporate benefit, compliance with law and the articles of association, performance of duties - guiding principles, independence and duty to speak, independence and conflict of interests, loyalty and good faith, professionalism and involvement, professionalism and efficiency.

This Charter was drafted, specifying the aforementioned rights and obligations. It was approved by the Board. Each director, and any person required to attend Board Meetings, undertakes to observe this charter.

1.3 The Chairman of the Board of directors

Pursuant to Article L. 2102-9 of the French Transportation Code, the appointment as Deputy Chairman of the Executive Board carries with it the appointment to SNCF Réseau's Board of directors and the appointment as its Chairman.

Pursuant to Article 39 of Decree 97-444 of 5 May 1997, as amended by Decree 2015-140 of 10 February 2015, the Chairman of the SNCF Réseau Board of directors implements the policy defined by the Board and ensures that its decisions are carried out.

For this purpose and in compliance with the regulatory provisions, the Chairman is granted all powers necessary to ensure the smooth running of the company's operations, and to act on its behalf in all circumstances. The Chairman represents SNCF Réseau in legal proceedings before all independent administrative authorities and in all civil matters.

He is responsible for the proper economic and financial management of the company and takes appropriate actions to verify this management in line with the company's objectives.

The Chairman of the Board of directors may delegate some of the powers granted to him under the terms and conditions set by the Board of directors.

Under SNCF Réseau's articles of association, the Chairman's powers derive from two sources.

- The Chairman has his own authority to implement the policy defined by the Board of directors or carry out the Board's decisions and to represent the company (various legal instruments, procurement contracts and agreements, settlement and scheduling of expenses, appointment and dismissal of personnel, etc.).
- The Chairman is delegated powers by the Board of directors for various matters and/or according to certain thresholds. Pursuant to the decision of 22 July 2015 on the delegation of authority to its Chairman that defines the general terms and conditions for delegations within SNCF Réseau, the Board therefore authorised the Chairman to delegate the powers attributed to him with the option to sub-delegate.

As SNCF Réseau is a State-owned institution, the Chairman's compensation is determined by ministerial decision.

1.4 Secretariat of the Board of directors

On the recommendation of the Board of directors, the Board appoints a secretary. He automatically attends the meetings of the Board, the committees and the Committee on Contracts when such meetings are held to examine procurement contracts that satisfy the sole requirements of SNCF Réseau. If he is unable to attend, he may be replaced by his deputy or any other person appointed by the Board of directors.

His role is to assist the Chairman of the Board of directors in preparing files, help inform Board members in cooperation with general directors, ensure that Board meetings are conducted properly, draft and distribute the minutes of Board meetings and reports from committee meetings, ensure that Board documents are archived and any decision-making processes can be traced and prepare a forecast timetable for meetings of the Board and the specialised committees.

1.5 Board of directors' meetings

The Board met eight times in 2017, with an average attendance rate of 81% (83% in 2016).

In 2017, and in accordance with the articles of association, SNCF Réseau Board of directors approved the company's statutory and consolidated financial statements for fiscal year 2016, the 2016 annual financial statements (Management report, CSR report, Chairman's report on Internal Control and Risk Management, Report of the Committee on Contracts) as well as the statutory and consolidated accounts for the first half of 2017. It also approved the documents relating to the prevention of difficulties in businesses. It also adopted the draft multi-year performance contract to be signed with the French State and the 2018 SNCF Réseau forecast budget before and after the opinion of ARAFER.

It also approved the renewal of the syndicated credit line for an initial amount of €1.5 billion for a period of 5 years with two 1-year renewal options, the 2018 financing strategy and the "Principles and limits for trading on capital markets" memo. The 2018 national physical renewal operation programme and various protocols, amendments and agreements, including those relating to work financing, were also approved.

It also presented the 2018 rail infrastructure fee scale to the French State and adopted the draft 2019 and amended 2018 *Document de Référence du Réseau* (DRR, French National Rail Network Registration Statement) and the draft *Document de Référence des Gares* (DRG, Stations Registration Document) for the 2019 service timetable.

The Board of directors also authorised various commitments involving the CDG Express (pre-project approval, creation of a company in charge of the work concession, SNCF Réseau's financial contribution to funding this company) as well as the modernisation of the Nantes-Bordeaux line.

It adopted the SNCF Réseau Confidential Data Management Plan, authorised the Chairman to sign the plan following its final approval by ARAFER and formally recorded the roll-out of the plan according to the proposed timetable.

The Board of directors approved the draft real estate agreement between SNCF Réseau, SNCF Mobilités and SNEF that defines the terms and conditions for the sale of premises belonging to SNCF Réseau and SNCF Mobilités at the Gare de Lyon-Daumesnil site to SNEF or any Public Rail Group subsidiary and authorises SNCF to sign undertakings to sell premises on behalf of SNCF Réseau.

Finally, in an extraordinary meeting, the Board adopted the draft multi-year performance contract to be signed with the French State in addition to the “Golden rule” ratio.

As is the case every year, it authorised the signing of procurement contracts relating to network renewal, maintenance, modernisation or development operations, framework agreements involving multiple rail equipment components, project management, general contractor, study and road freight transport services and a contract covering personnel safety assignments required for Dense Zone all-in-one track removal operations. Numerous framework agreements were also validated by the Board of directors following the approval of the Committee on Contracts. The Board also approved the 2017 activity report of the SNCF Réseau Committee on Contracts.

It approved the creation of an SNCF Réseau real estate holding company in order to enhance SNCF Réseau’s real estate assets and sell land for property development, and also approved the conversion of various premises.

1.6 Committee on Contracts and specialised committees

- The Committee on Contracts met eleven times in 2017, with a 78% attendance rate.
- The Audit, Accounts and Risk Committee met six times with an 81% attendance rate, the Investment Committee eight times with a 93% attendance rate, and the Industrial and Economic Committee eight times with an 81% attendance rate.

✓ Committee on Contracts

Pursuant to Article 33 of Decree 97-444 of 5 May 1997, as amended by Decree 2015-140 of 10 February 2015 related to the duties and articles of association of SNCF Réseau, the Board of directors is assisted by a Committee on Contracts whose members it appoints. This Committee is consulted for the allocation of procurement contracts exceeding a threshold defined by order of the French transport minister following the approval of the Board of directors.

The Committee on Contracts is made up of two different boards:

- The “SNCF Réseau Contracts” board, responsible for procurement contracts that satisfy the sole requirements of SNCF Réseau.
- The “Common Contracts” board, responsible for contracts involving SNCF Réseau and one or more Public Rail Group Institutions (“Common” contracts), entrusted to the Head EPIC, SNCF, in accordance with Article 5.2°C of Decree 2015-137 on the duties and articles of association of SNCF.

The members of each Board are appointed by the SNCF Réseau Board of directors on the recommendation of its Chairman. The members representing the French State are appointed on the recommendation of the French Economy Minister, the French Budget Minister, the French Competition Minister and the French transport minister.

The SNCF Réseau Committee on Contracts is an adjudicating and advisory body of the Board of directors. The Committee issues an advisory opinion:

- prior to the allocation of any procurement contract, including those under framework agreements as stipulated in the Procurement Contract Regulations,
- if it exceeds the thresholds defined by order of the French transport minister.

The Committee rules on the fairness of procedures and the business terms and conditions of contracts. It is also consulted for its opinion on:

- any amendment to a contract previously examined by the Committee, once such amendment has financial impacts over and above threshold amount;

- any amendment that increases the contract's initial amount to above the thresholds defined by order of the French transport minister;
- other legal instruments exceeding the authorised contract amount that have been examined by the Committee;
- any draft amendment to the SNCF Réseau Procurement Contract Regulations.

Furthermore, the Committee is consulted for information on:

- major operation or programme purchase strategies,
- major contract performance reports,
- Periodic contract payment statements relating to primary operations.

The “SNCF Réseau Contracts” Board is chaired by the Chairman of the Board of directors or his or her representative. It is currently chaired by a member of the French Court of Auditors.

The “Common Contracts” board is chaired by an employee director belonging to the SNCF Supervisory Board. The director representing SNCF Réseau is the reporter of the decisions of the Common Contracts board of the Committee on Contracts to the Board of directors.

To obtain the independence required in the choices made by the Committee on Contracts, and to promote the efficiency required by an industrial firm and the correct use of public funds, this Committee is chaired by Philippe Hayez, senior advisor at the French Court of Auditors.

In 2017, 94 files featured on the Committee’s agenda, of which 43 for information requests and 51 for opinion requests. Seventeen files were then deliberated by the Board of directors.

These 51 files were valued at €3.1 billion. The Committee on Contracts only issued one unfavourable opinion on a request to authorise the continuation of demolition work.

It was also consulted for information on major operation or programme purchasing strategies, and innovation partnerships.

✓ Audit, Accounts and Risk Committee

The Audit, Accounts and Risk Committee is an adjudicating and advisory body of the Board of directors that brings together members based on their competencies. Its purpose is to prepare the work and decisions of the Board of directors by issuing opinions, proposals and recommendations on the files submitted to it.

The Committee examines files involving major financial and economic issues or which have significant impacts on the company’s accounts.

The Committee’s role is to review the annual and half-year statutory financial statements, and the consolidated financial statements together with the notes thereto. As part of this review, it assesses the accounting options applied and changes in accounting methods. It approves major financial transactions (cash position, borrowings, financial arrangements, etc.) as well as material financial and off-balance sheet risks. It also examines proposed statutory auditor appointments, renewals or compensation, the quality of their work and their compliance with applicable laws and regulations.

It is responsible for studying and preparing the deliberations of the Board of directors that fall within its remit, to which it submits its opinions, proposals and recommendations.

The Committee’s Chairman is appointed by the Board of directors from among the Committee’s members. He is the Committee’s reporter to the Board of directors.

The Audit, Accounts and Risk Committee deliberates or may be consulted by the Board of directors or its Chairman on any issue falling within its remit.

The following persons automatically contribute to the work of the Committee in an advisory capacity:

- the French Government Commissioner or his or her representative
- the head of the French Department of Economic and Financial Control for Transport or his or her representative.

The following persons attend the Committee's meetings:

- members of Executive Management, where necessary
- directors at the invitation of the Board of directors' Chairman
- the Secretary of the Board of directors. He may be assisted or, if unavailable, replaced by one of his staff
- the Audit and Risk General Director, where necessary
- the statutory auditors, where necessary.

Under the Chairman's responsibility, the Secretary of the Board of directors prepares summary reports on the Audit, Accounts and Risk Committee meetings. The reports are issued to each member prior to their approval at a later meeting.

During Board of directors' meetings, the Committee Chairman presents the summary of the Committee's discussions, the opinions issued and any recommendations.

The Committee issues an opinion on the annual audit programme on the recommendation of Executive Management and receives a follow-up on its progress and a summary of the internal audit reports issued.

With regard to the shared services mentioned in Article 5 of Decree 2015-137 of 10 February 2015, internal audit assignments are attributed to the Audit and Risk Directorate of EPIC SNCF on behalf of the Public Rail Group. The services rendered by the Audit and Risk Directorate are contractually defined with SNCF Réseau.

Its Director, who reports to the Chairman and Deputy Chairman of the Executive Board, maintains a functional relationship with the Chairmen of the Audit, Accounts and Risk Committees in each EPIC.

The Audit and Risk Directorate acts independently and objectively and its activities are governed by an audit charter approved by the governing bodies. All the internal auditors undertake to comply with the rules of conduct listed in the International Professional Practice Framework published in France by the French Audit and Internal Control Institute.

Internal audit assignments fall within the scope of the SNCF Réseau audit plan based on SNCF Réseau's major risk mapping. The SNCF Réseau audit plan is prepared following meetings between the Audit and Risk General Director and SNCF Réseau managers. This annual plan is submitted to the Audit, Accounts and Risk Committee and then approved by the Executive Committee. At the request of a General Director, flash audits may be carried out to supplement or modify the forecast audit plan.

This plan covers audits relating to the performance of essential duties in accordance with the confidential data management plan as provided for in the decree.

On behalf of SNCF Réseau, and according to the annual plan, the Audit and Risk Department conducted around twenty audit assignments in 2017. The reports, together with recommendations proposing improvements, were submitted to the relevant managers. The reports are systematically covered in a memo from the Audit Director that is passed on to the SNCF Réseau Chairman.

The audit assignments covered the following areas:

- Within the SNCF Réseau scope.
 - Public sector project ownership
 - EOLE: Project management by risk and the Porte Maillot incident
 - Review of SNCF Réseau Commitments Process and SNCF Réseau IT department purchases

- Management of Réseau / Gares & Connexions interfaces
 - Recruitment and training at SNCF Réseau
 - Efficiency of the everyday maintenance and surveillance tracking system
 - Assessment of the IPS roll-out and consistency of the works planning process
 - Incident handling process management and efficiency
 - Asset Management business model
 - Debt and cash management at SNCF Réseau
 - Solidity of the transport plan and the “Access the (rail) network” process
 - Safety of mechanised engineering works
- Within the PRG scope, and therefore concerning SNCF Réseau:
- HR process compliance within the institutions
 - Inter EPIC invoicing process
 - SNCF Immobilier operations
 - Finance Management division
 - “Managing the (rail) crisis” process
 - Secured back-up management
 - Security of SNCF Cloud practices

Furthermore, 45 safety audits were conducted on behalf of SNCF Réseau by the Safety Audits Department under the 2017 audit campaign in the institutions and a few management entities.

At the year-end, the Audit and Risk General Director reports to the Audit, Accounts and Risk Committee Chairman on the audit programme and its adaptations, especially those relating to risk assessment updates.

✓ Investment Committee

The Investment Committee is an adjudicating and advisory body of the Board of directors that brings together members based on their competencies.

Its purpose is to prepare the work and decisions of the Board of directors by issuing opinions, proposals and recommendations on the files submitted to it.

The Committee is responsible for matters relating to investments and involving a SNCF Réseau financial commitment, particularly investment programmes, development projects (development policy and financial aspects), and projects relating to real estate assets (purchases, sales or exchanges of buildings).

Pursuant to the Board of directors' decision of 16 July 2015 on the delegation of the Chairman's powers and defining the general terms and conditions for delegations within SNCF Réseau, certain projects and programmes are submitted for approval to the Investment Committee prior to being validated by the Chairman.

The Committee's Chairman is appointed by the Board of directors from among the Committee's members. He is the Committee's reporter to the Board of directors.

The Government Commissioner or his or her representative and the head of the Department of Economic and Financial Control for Transport or his or her representative automatically sit in an advisory capacity on this Committee.

The following persons attend the Committee's meetings:

- members of Executive Management, where necessary
- directors at the invitation of the Board of directors' Chairman
- the Secretary of the Board of directors assisted or, if unavailable, replaced by one of his or her staff

✓ Industrial and Economic Committee

The Industrial and Economic Committee is an adjudicating and advisory body of the Board of directors that brings together members based on their competencies. Its purpose is to prepare the work and decisions of the Board of directors by issuing opinions, proposals and recommendations on the files submitted to it. Its files concern major issues, mainly of an economic nature, and the SNCF Réseau industrial policy such as studies on the *Document de Référence du Réseau*, pricing, French State contract monitoring, as provided for in the Law of 4 August 2014.

The Committee's Chairman is appointed by the Board of directors from among the Committee's members. It is the Committee's reporter to the Board of directors .

The Government Commissioner or his or her representative and the head of the Department of Economic and Financial Control for Transport or his or her representative automatically sit in an advisory capacity on this Committee.

The following persons attend the Committee's meetings:

- members of Executive Management, where necessary
- directors at the invitation of the Board of directors' Chairman
- the Secretary of the Board of directors assisted or, if unavailable, replaced by one of his or her staff

2 Executive Management and the company's general organisation

Executive Management is tasked with the company's general management, for which it is collectively responsible before the Board of directors.

It prepares the Board of directors' guidelines and decisions, and defines the terms and conditions of their implementation. It also formulates the major strategic options and the

company's positions on general issues, and makes wide-ranging decisions related to organisation and governance.

During the Board of directors' meeting on 30 July 2015, and pursuant to Article 31 of Decree 97-444 of 5 May 1997, related to the duties and articles of association of SNCF Réseau, as amended by Decree 2015-140 of 10 February 2015, the Board of directors approved SNCF Réseau's general organisation.

Following the appointment of the SNCF Executive Board Deputy Chairman and the SNCF Réseau Chairman and CEO to the French government's Council of Ministers, on 22 June 2016, the SNCF Réseau Board of directors approved the following list of executives:

- The Chairman;
- the Deputy General Director;
- the Deputy General Director for Innovation and Industrial Performance;
- the General Director for Ile-de-France;
- the Deputy General Director for Network Access.

In the general organisation memo issued in July 2015, the company specified its internal organisation. This defines the composition of Executive Management which is tasked with the company's general management, and for which it is collectively responsible before the Board of directors. Executive Management comprises:

- the Chairman;
- the Deputy General Director and the Deputy General Director for Innovation and Industrial Performance, whose role is to second the Chairman in the company's operational management and serve as deputy in the executive function;
- the General Director for Ile-de-France, who has authority over all SNCF Réseau components in Ile-de-France;
- the Deputy General Director for Network Access;
- the five Deputy General Directors for Engineering and Projects, Maintenance and Works, Traffic and Support Functions, Finance and Purchasing, and Human Resources and the General Secretariat.

The SNCF Group has developed a safety policy designed to guarantee:

- a service with the expected level of safety for its customers and the community;
- work safety for its partners and personnel.

2.1 Changes since July 2015

Since July 2015, the internal organisation changed as follows in two business lines.

2.1.1 The Safety Directorate

In January 2016, the SNCF EPIC Executive Board appointed the Public Rail Group Safety General Director, reporting directly to the SNCF EPIC Executive Board and the SNCF Réseau and SNCF Mobilités Chairmen, to tighten and simplify safety management. Coordinating safety improves safety at the interfaces.

The SNCF General Safety Policy fully applies to SNCF Réseau. In 2016, the chairmen of the Executive Board, SNCF Mobilités, SNCF Réseau and the members of the three executive committees renewed their commitment based on the Public Rail Group's safety policy: achieve safety excellence and be a renowned international reference, for both work and operating safety.

The Safety Policy, known as P.R.I.S.M.E, is based on 6 priorities rolled out within SNCF Réseau, and outlined in section 4, Corporate Social Responsibility, of the 2017 management report.

2.1.2 The Human Resources Department and General Secretariat

On 1 January 2017, the General Secretariat was removed and a new organisation was set up by Executive Management:

- The Human Resources department is in charge of the following departments: labour relations department, human resources development and talents department, assessment and recruitment department and transversal operations human resources department. Its Director is a member of the SNCF Réseau Executive Committee
- The Legal Affairs and Compliance and the Environment and Sustainable Development Departments report to the Deputy General Director.
- The Information Systems Department, the Innovation Department and the Department in charge of the working time of local managers report to the Deputy General Director in charge of Innovation and Industrial Performance.
- Regional departments report to the Chairman. They are coordinated by the Deputy General Director in charge of Innovation and Industrial Performance.

2.2 The Executive Committee

The SNCF Réseau Executive Committee defines the company's position on current issues and organises how the company's activities contribute to achieving its objectives. It coordinates the roll-out of the company's strategy, monitors overall performance and ensures that managerial operations are properly conducted. It validates proposals that may be transferred outside of the company, regardless of whether these positions respond to French State orders or specific initiatives.

The Executive Committee, which meets on a weekly basis, comprises the Chairman, the two Deputy General Directors, the Safety General Director, the Ile-de-France General Director, Assistant General Directors, Communication Directors and Chiefs of Staff who report directly to the Chairman and the Deputy General Directors. The Chief of Staff drafts the statement of conclusions.

As at 31/12/2017, the Executive Committee comprised 13 members, 12 men and one woman.

The Deputy General Directors jointly ensure that the actions and results of the company's infrastructure management operations are consistent.

Business line departments are responsible for the infrastructure manager duties attributed to SNCF Réseau by the regulations:

- the essential duties relating to network access (capacity, sales, pricing and infrastructure fee collection);
- the strategic task of defining investments for the French National Rail Network;
- operational duties relating to operational traffic management, network asset management, infrastructure maintenance, engineering work on the French National Rail Network and project management and production.

In geographical terms, SNCF Réseau has business line entities which carry out operational infrastructure management duties.

It also has regional departments, which cover all areas excluding the Greater Paris region. They represent SNCF Réseau in the regions. They guarantee regional service quality for various types of customer, both in normal times and times of crisis.

2.3 Internal committees, other management bodies

2.3.1 National Investment and Commitments Committee

The National Investment and Commitments Committee provides a thorough view of financial and investment project phase commitments. It authorises financial commitments amounting to between €50 million and €100 million. Over and above this amount, it analyses the files and authorises a Board of directors' consultation.

This Committee is chaired by the Deputy General Director.

2.3.2 Network Safety Committee

The Network Safety Committee deals with all safety issues involving rail operations and personnel in terms of professional risks. It proposes the basic safety guidelines and general safety objectives that it deems appropriate. It determines actions that are conducive to implementing the safety policy and achieving these objectives. The decisions or directions taken are transmitted to the participants as well as head office and local entities for adoption and distribution in each relevant area.

This Committee is chaired by the Chairman or his or her representative.

3. System of delegations

The SNCF Réseau articles of association describe the role of the Board of directors and its Chairman and stipulate that the Board may delegate some of its powers to its Chairman, as it did in 2017 based on the aforementioned decision of 22 July. These powers were delegated by the Board of directors for various matters and/or according to certain thresholds.

The conditions under which the Chairman may delegate his authorities to General Directors and other company managers are as follows:

- the Chairman may delegate some of his powers to his employees, and give power of attorney to third parties, in terms of his own authority such as that defined in the aforementioned decree, and that delegated to him by the Board of directors, with or without an option to sub-delegate;
- the delegations granted fall exclusively within the remit of the relevant delegatee and concern a limited list of business areas. However, the Chairman may appoint one or more of his employees to replace him if he is absent or indisposed.

This delegation of powers results in a transfer of responsibilities at the most appropriate level.

Managers are made highly accountable by allocating responsibilities to the Deputy General Directors, the Ile-de-France General Director and the Safety General Director who pass them on to their employees. Each delegator must also ensure that the delegatee is able to carry out the delegated duties and verify that the delegation is carried out in accordance with prevailing procedures and regulations (purchases, commitments, etc.).

Most delegations involve delegations of authority insofar as SNCF Réseau's organisation is based on a model in which delegatees have a high level of accountability. Signature delegations are also granted if the delegatee is absent or indisposed.

Given the number of delegatees and the extension of delegated authorities, a general delegation framework has been drawn up for practical purposes. Approved by the Deputy General Director in July 2015, it sets forth the general conditions required to set up a system of delegations and ensure a better understanding of such a system within the company. Available on the Intranet, it was widely distributed to the company's main managers.

In addition to the information on the general conditions for delegations, specific provisions are set out regarding the segregation of duties in terms of safety, project ownership outside Ile-de-France or property and equipment assets.

Business line directors responsible for Greater Paris, under the authority of the Ile-de-France General Director, carry out within their scope the same operational duties as their counterparts at the national level. They have delegations accordingly.

The delegations of powers and a few signature delegations are published in the SNCF Réseau Official Gazette. These concern delegations:

- From the Chairman to his Deputy General Directors, the Ile-de-France General Director, and Assistant General Directors, Regional Directors, the Chief of Staff and Communications Director and the Safety General Director (reporting directly to the Executive Board and the SNCF Mobilités and SNCF Réseau Chairmen);
- From these Directors to their Assistant Directors;
- From the Deputy General Director for Network Access to Regional Directors (particularly for powers involving investments)
- From Regional Directors to Department Heads.

4. Management compensation

With regard to the compensation of corporate officers, a specific law was enacted for State-owned institutions. Article 3 of Decree 53-707 of 9 August 1953 on French State control over French national State-owned companies sets out the terms and conditions for determining and publishing the compensation of company officers:

- their gross compensation is capped;
- the compensation and benefits of any kind relating to their activity as well as any compensation or benefits payable or likely to be payable in the event of a cessation of activity or a change in their position or subsequent thereto, are verified;
- decisions or approvals from competent ministers are made public.

Only the SNCF Réseau Chairman can be classified as a corporate officer, according to the analysis conducted by the SNCF Réseau Legal Affairs and Compliance Department.

The following table presents the compensation paid to the SNCF Réseau Chairman, Patrick Jeantet for 2017, and the 2016 compensation of Chairmen Jacques Rapoport and Patrick Jeantet for information purposes. Only paid compensation amounts are shown as no sums are due as at 31/12/17.

Paid compensation as at 31/12/2017

In €		Amounts paid					Sub-total
		Fixed compensation	Annual variable compensation	Multi-annual/deferred variable compensation	Exceptional compensation	In-kind benefits	
	Jeantet Patrick					15 073	
		Paid	330 000	51 044			396 117
	Total compensation						396 117

Paid compensation as at 31/12/2016

In €		Amounts paid					Sub-total
		Fixed compensation	Annual variable compensation	Multi-annual/deferred variable compensation	Exceptional compensation	In-kind benefits	
	Jeantet Patrick					8 912	
		Paid	197 823				206 735
	Rapoport Jacques						
		Paid	120 968	72 250			193 218
	Total compensation						399 953