

Free Shares

October 15th 2016 marked the third anniversary of the 2013 Free Shares offer when all eligible Royal Mail employees were given free shares, in part, to 'sugar the pill' of privatisation. To date, eligible employees with the maximum allocation of 832 free shares have received around £430 in dividend payments (before tax).

Under the rules of the SIP, employees can keep their shares for as long as they like while they remain a Royal Mail employee. Those wishing to hold onto their shares need take no action - they will stay in the Share Incentive Plan (SIP) and continue to receive any dividends while employed in Royal Mail.

From 15 October 2016, employees have the option of selling their shares (for the first time) and receiving a cash payment based on the RM share price. However, those looking to cash in and sell their shares (after 15 October 2016 and before 14 October 2018) will have to pay tax and national insurance. Basic rate taxpayers will need to pay 20% income tax and 12% NI while higher rate taxpayers will pay 40% income tax and 2% NI (assuming the full amount of NI at 12% has already been paid).

Ultimately, what members choose to do with their shares after 15 October is a personal decision but those who plan to sell should be fully aware of the significant tax and NI they will have to pay on them which is likely to reduce any payment by around a third. Early indications, backed by Royal Mail's own survey research, suggests around one in four may choose to cash in their shares (despite the loss from tax and NI) with the remainder opting to hold onto their shares at least for another two years (until October 2018) when any share sale will be free from tax and NI contributions.

Set out below for information is a table contained in Royal Mail's own recent advice to employees which sets out the how the SIP works in relation to the 2013 free shares. Members may want to seek independent financial advice before making any decision. If you have any questions you can also phone the Royal Mail Employee Shares helpline free on **0800 012 12 13**. More information will also be available at: www.myroyalmail.com/employee-share-offers in October.

HOW THE SIP WORKS FOR 2013 FREE SHARES			
	Keep you shares	Sell your shares between 15 Oct 2016 and 14 Oct 2018 (between 3 and 5 years after they were given)	Sell your shares after 14 Oct 2018 (at least five years after they were given)
Will I receive dividends?	You will continue to receive dividends	You will not receive dividends on any shares you have sold*	You will not receive dividends on any shares you have sold*
Will the value of my shares be affected by future changes in share price?	Yes	Yes, until the time you decide to sell your shares	-
Will I have to pay tax and NI on the shares when I sell them?	Does not apply	Yes	No
Will I have to pay capital gains tax when I sell my shares from the SIP?	Does not apply	No	No
Can I direct the SIP Trustee on how to vote on my behalf at AGMs and other shareholder meetings?	Yes	Once you sell your 2013 Free Shares you will not be able to vote at shareholder meetings in relation to those shares	Once you sell your 2013 Free Shares you will not be able to vote at shareholder meetings in relation to those shares

**Dividends are paid to shareholders who are on the shareholder register on the dividend record date. This date is normally a few weeks in advance of each dividend payment.*