

14 January 2019

Response to the 2018 AGM Voting Results, in accordance with the UK Corporate Governance Code

The Board was very disappointed with the overall voting outcomes at the AGM on 19th July 2018, of 34.4% against the Chairman's re-election and 70.2% against the Remuneration Report.

In August, we therefore commissioned an independent Investor Perception survey, specifically focusing on remuneration and governance. The survey gathered feedback from a broad range of shareholders and helped ensure that the Board had a clear understanding of their views.

Between September and December 2018, the current Chairman and the Chair of the Remuneration Committee held meetings with shareholders. They also met with proxy voting agencies. The following summarises the key issues arising:

Resolution 9 – Chairman's re-election

Shareholders who voted against the re-election of Peter Long as Chairman reported that it was due to concerns regarding the number of commitments he held. On 19th September 2018, Mr Long informed the Company of his decision to step down from the Board with immediate effect due to his commitment to remain in his role as Executive Chairman at Countrywide PLC.

The Board appointed Les Owen to the role of Chairman in his place. Due to Mr Owen's current tenure on the Board, he will be in his role no longer than 18 months to allow for a formal market search for his successor to be concluded.

In addition, Keith Williams, Chair of the Audit & Risk Committee, was appointed Deputy Chairman on 7th November 2018.

Resolution 2 – Remuneration Report

Shareholders indicated that they had voted against the Remuneration report primarily because they were unhappy with the nature and size of the payment being made to the outgoing CEO; they also questioned the reasoning behind the increased level of total potential remuneration for the incoming CEO.

The payment to the outgoing CEO was due to a clause in her contract set at the time of her appointment in 2010. This type of clause was common in North America, from where she was recruited. We acknowledge that we could have been clearer about the potential financial impact of this clause but we can confirm that there are no other contracts of this type for any Executive Director and nor will there be in the future. In all other Executive Director contracts there are clear notice periods and a specific statement that payments in lieu of notice that may arise in certain circumstances are subject to a mitigation clause.

With regard to the incoming CEO's remuneration, we agree with shareholders that we should have made it clearer that, while the remuneration contract for the new CEO makes it theoretically possible that he would receive higher total remuneration than the previous CEO, this will be accompanied by performance conditions which mean that this would only occur in exceptional circumstances. We clarified to shareholders that the

potential performance pay level for our CEO remains in the lower quintile of companies of similar size and complexity.

In addition, we received valuable suggestions from shareholders in relation to our future remuneration policy, including reducing the number of metrics, increasing the weighting of financial measures in the annual bonus performance targets, and shifting the balance of incentives towards the long term. This input will be reflected in our new remuneration policy that will be put to a binding vote at our AGM in July 2019.

We would like to thank our shareholders for taking the time to provide feedback on both the structure and the presentation of our remuneration practices.

For and on behalf of the Board of Royal Mail plc
Les Owen, Chairman