



INFORMATION PACK

Encouraging and reinforcing behavioural change – not simply providing a bike

Contents

About Free2Cycle.....	1
Sponsor (Organisation) benefits.....	2
How Free2Cycle differs from traditional cycle schemes.....	3
Application and management process.....	4
Information for cyclists.....	5
Benefits to the environment.....	7
Society and the impact of an active lifestyle.....	8
Appendix.....	9
Sponsor terms and conditions.....	9
Tax treatment and ownership	15
Key research and information	17

About Free2Cycle

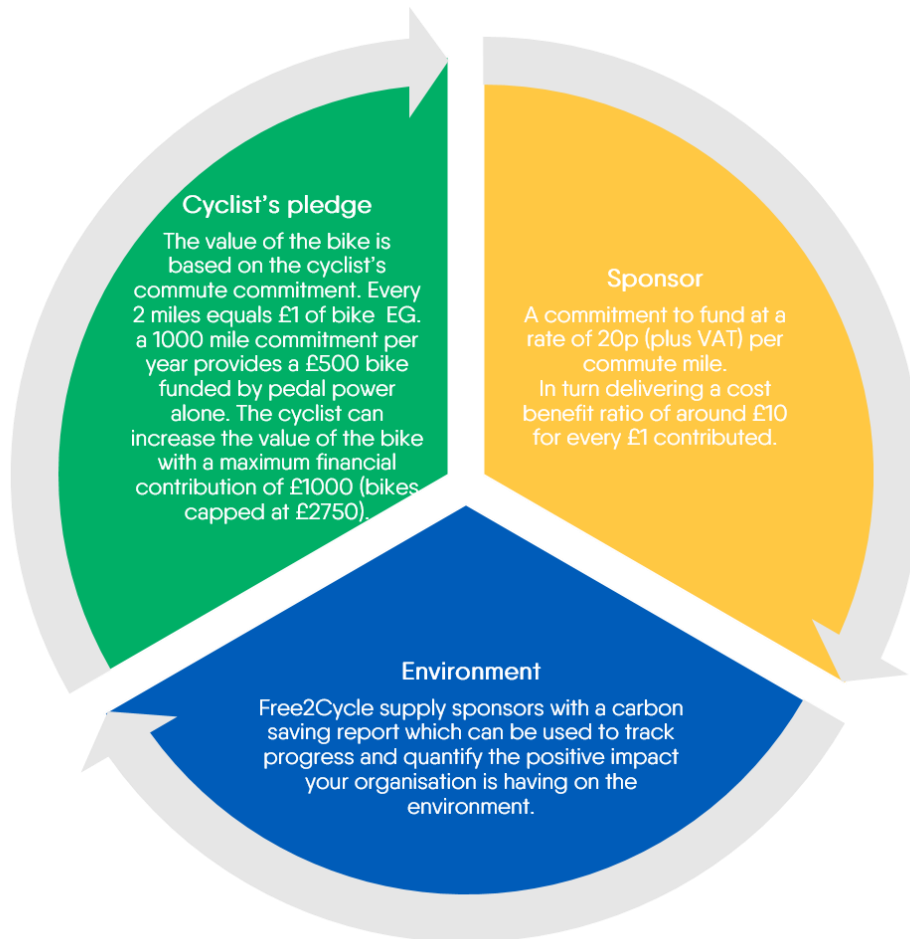
Free2Cycle is a unique new cycling initiative that targets individuals that don't participate in or qualify for current cycle to work schemes.

Whether you have a cycle to work scheme or not, Free2Cycle will work for you.

It's a simple online process with minimal administration – we've done all the hard work.

Free2Cycle is an activity led health and wellbeing initiative. It turns traditional payment methods upside down by providing people with bikes in exchange for pedal power.

Designed to improve wellbeing and productivity across a much wider spectrum of society than ever before, Free2Cycle will deliver substantial benefits. Not only will it enable you to boost productivity, but it will empower your team to make a substantial and sustainable difference to your carbon footprint and environmental impact.



Sponsor (Organisation) benefits

For sponsors, Free2Cycle enables and sustains long term behavioural change. By making a strategic change in the access to cycling and effectively, encouraging the use of bikes to improve the wellbeing and productivity of our society and environment. Some of the benefits include:

- Increased Productivity;
- Reduced absence;
- Reduced sick pay;
- Reduced parking costs and requirements;
- Carbon offset & credit opportunities;
- Reduced congestion, emissions and noise pollution;
- Healthier, happier people;
- Significant cost benefit ratio;
- Adding value to the greater economy.

For sponsors, the benefits from cycling are achieved when cycling becomes a habit. With Free2Cycle the potential health, wellbeing, environmental and business benefits are delivered.

How Free2Cycle differs from traditional cycle schemes

- Unlike traditional cycle schemes there are no upfront costs for sponsors.
- Free2Cycle is equally attractive to all, regardless of income and no salary sacrifice is required.
- The Free2Cycle App tracks, records and monitors the cyclist's mileage achieved.
- By tracking individuals progress Free2Cycle supplies sponsors with a monthly report confirming their carbon savings.
- For the supply of the carbon report, sponsors are charged 20p plus VAT per commute mile. Typically, a £600 bike will cost the sponsor £20 plus VAT per month, in turn receiving a healthy cost benefit ratio
- Unlike current schemes Free2Cycle requires cyclists to take ownership of the bike and make a commitment to use it. We focus on encouraging people to take responsibility for their own wellbeing and long term behavioural change.
- Free2Cycle continually rewards and encourages cyclists to meet their targets.
- By tracking individuals progress Free2Cycle can supply sponsors with a monthly carbon saving report quantifying the positive impact your organisation is having on the environment.

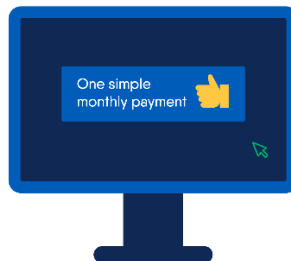
Application and management process



Registering as a sponsor is simple. We can either help you through the process or this can be done online within minutes directly. As a large scale sponsor you can upload your cyclist list which allows us to seamlessly track changes and confirm who is eligible on an ongoing basis.



Smaller scale sponsors or sole traders may prefer to register eligible staff via the Free2Cycle website.



Sponsors have no upfront costs make a commitment to fund at a rate of 20p plus VAT per commute mile. There is one simple monthly payment. In turn they receive a healthy cost benefit ratio.

Information for cyclists

Cyclist on boarding process

- Cyclists confirm their commute distance and how often they are happy to commute by bike;
- Their commute mileage and frequency is used to calculate the value of the free bikes offered;
- Cyclists are offered a selection of quality bikes that will be free as long as they fulfil their mileage commitment;
- Cyclist's own their bikes by entering into a finance agreement (48 month term) but pay for them by commuting (pedalling becomes the currency);
- Bikes available from Free2Cycle range from £350 to £2750 (a value of up to £1750 can be funded by pedal power alone with the option for the cyclist to upgrade the value of their bike to £2750, with a maximum input of £1000 from cyclist);
- An example of weekly commute mileage pledge and bike value funded by pedal power alone is set out below;

Total commute mileage (per week)	Pedal power funded
20	£ 355
30	£ 533
40	£ 710
50	£ 888
60	£ 1,066
70	£ 1,243
80	£ 1,421
90	£ 1,598
100	£ 1,750

- Upgrades can be paid for outright or by monthly instalments;
- As long as the commute mileage pledged is achieved, their sponsor will be invoiced and no payment from the cyclist is required;
- If the cyclist does not uphold their mileage commitment, that's fine, but they will need to pay for the percentage that they don't achieve;
- Cyclists can replace the time spent on the average commute with time to keep fit whilst benefitting the environment.

Cyclist benefits

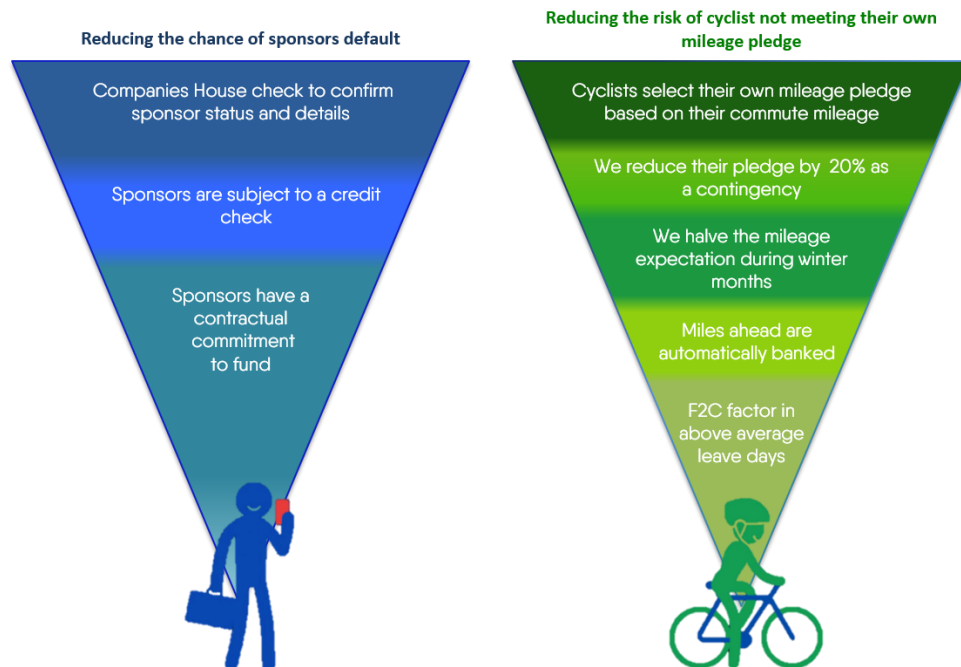
- Cyclists can replace the time spent on the average commute with time to keep fit whilst benefitting the environment;
- Substantial savings potential – the average savings enjoyed by those who choose to commute by bike instead of other means of transport is approximately 7% of their gross income. Annually, the savings potential equates to over £1,800 or £150 per month (Based on data from ONS, HMRC and DfT);
- Bike for free – pedal power becomes the currency;
- Improved healthier & wellbeing;
- Reduced absence;
- Reduced emissions improving their own environment

Minimising the risk of the cyclists' need to contribute

The only way we'd like for a cyclist to pay for their bike is by pedalling it.

The majority of Free2Cycle cyclists should never have to make a financial contribution. They simply need to meet their mileage pledge and pedal power becomes their currency.

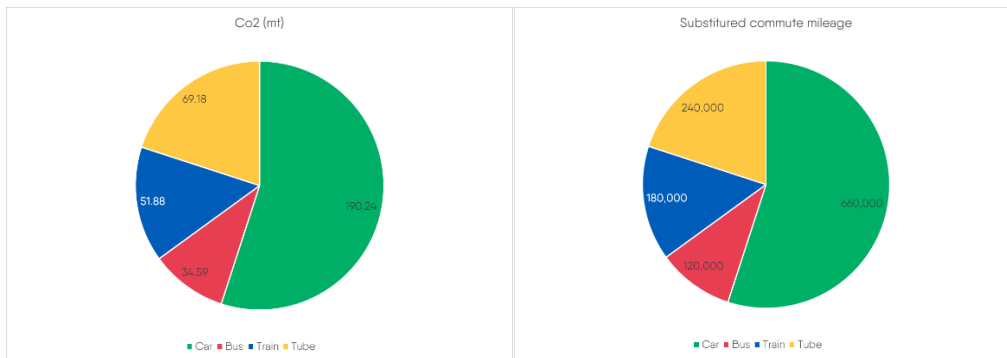
There are two scenarios in which a cyclist may need to make a financial contribution. Either they don't meet their mileage pledge or their sponsors cease contributing. Our process ensures that these scenarios are highly unlikely by reducing the number of required miles pledged by the customer and verifying the employer's financial status.



Benefits to the environment

Being kinder to the environment by reducing congestion and therefore air and noise pollution is extremely important to us at Free2Cycle.

As sponsors, you deliver environmental improvement and are provided with a monthly report on the carbon savings along with the commute mileage that has been substituted by cycling.



Number of participants		600		
Mileage achieved for the period		1,200,000		
Total carbon reduction achieved		346	metric tons	
Environmental - transport substitution makeup	(based on cyclist declared substituted commute)			
		Miles	Co2 (mt)	
Car		660,000	190.24	
Bus		120,000	34.59	
Train		180,000	51.88	
Tube		240,000	69.18	

“Next to providing considerable health benefits, walking and cycling also play an important part as ‘co-benefits’ in reducing carbon dioxide emissions, conservation of land, air pollution, noise as well as traffic congestion – which contributes to economic prosperity. Co-benefits have been identified as an important area for collaboration, not least concerning climate change and carbon reduction.”

[Claiming the health dividend](#)

Society and the impact of an active lifestyle

The benefits of an active lifestyle are extensive and well researched. Some of the headlines include:

- Lower susceptibility to a wide range of chronic conditions and diseases;
- Improved happiness and mental wellbeing; and
- Improved energy and cognitive capabilities.

In the biggest study into the impact of cycling on the reduction of cancer and heart disease, a 5-year study conducted by the University of Glasgow compared people who had an "active" commute with those who were mostly stationary. During the course of the study, regular cycling cut the risk of death from any cause by 41%, the incidence of cancer by 45% and heart disease by 46%.

"This is really clear evidence that people who commute in an active way, particularly by cycling, were at lower risk," Dr Jason Gill co-author of the study told the BBC News

[British Medical Journal, March 2017](#)

A study by the YMCA has revealed that exercise makes you happier, with people with a physically active lifestyle having a wellbeing score that is 32 per cent higher than those with inactive lifestyles. Researchers questioned 1,000 UK adults on a variety of factors affecting wellbeing. The results showed that having an active lifestyle increased wellbeing scores by an average of 13 per cent, with exercise being particularly useful for helping people feel relaxed and increasing self-esteem.

Speaking about the findings, Rosi Prescott, the chief executive at Central YMCA, said that she wasn't surprised by the results of the report;

"Our organisation works with people every day to help them lead more active lifestyles so we see first-hand how increases in physical activity can impact your mood, wellbeing and ultimately happiness." "So, we're not surprised that the research has shown those who are more active typically enjoy wellbeing scores that are up to a third better than those who are less active."

[It's official: cycling makes you happier](#)

Appendix

Sponsor terms and conditions

This agreement shall form the basis of the working relationship between the parties.

1. Definitions

- 1.1. *Free2Cycle* – Free2Cycle Limited;
- 1.2. *Sponsored cyclist* – An individual who has registered with Free2Cycle and for whom a *Sponsor* has committed to pay Free2Cycle a fee which is dependent on the qualifying mileage cycled;
- 1.3. *Sponsor* – A company or organisation which pays Free2Cycle a fee which is linked to the qualifying mileage cycled by one or more *sponsored cyclists* (typically but not limited to employees);
- 1.4. *Mileage Pledge* – Miles that the *sponsored cyclist* commits to pedalling;
- 1.5. *Qualifying miles* – miles that the *Sponsor* is committed to Sponsorship (for example commute miles capped at a defined level);
- 1.6. *Date of delivery* – The date on which the bicycle is collected from a retailer by the *Sponsored cyclist*.

2. Free2Cycle Initiative

The Free2Cycle Initiative is intended to promote increased health and fitness by encouraging and facilitating bicycle usage, particularly for commuting purposes. As long as *sponsored cyclists* meet or exceed their mileage pledge, all costs are paid by the *Sponsor* and the bicycle is effectively provided without charge.

Free2Cycle will provide a website to allow the *sponsored cyclist* to register, select and order a Bicycle. Each *sponsored cyclist* will be required to provide details of his or her commute mileage and Free2Cycle will use this to calculate the value of the bicycle that can be sponsored and also to derive an annual mileage pledge (this is based on expected mileage adjusted to allow for holidays and other non-working days and is calculated as shown in Appendix 1).

A selection of bicycles will be offered which will be available to the *sponsored cyclist* without the need for any additional payment. Alternatively, the *sponsored cyclist* will be given the option to upgrade to a more expensive bicycle by making a personal contribution. This can be as a lump sum, or by paying a deposit followed by a monthly payment over the length of the agreement.

To release funds to allow purchase of the bicycle, the *sponsored cyclist* will be required to apply and be accepted for a loan. This will be supplied by a finance company who will, on acceptance, advance the money to Free2Cycle. Free2Cycle will

arrange supply of the Bicycle and pay the manufacturer as well as the supplying retailer.

As long as the *sponsored cyclist* cycles in accordance with (or in excess of) their *mileage pledge*, loan repayment costs will be met by Free2Cycle who will charge the *Sponsor* based on the *qualifying miles* cycled by the *sponsored cyclist*.

If the mileage cycled is below the *mileage pledge*, and/or the *sponsored cyclist* has chosen to make an additional monthly payment, a monthly direct debit will be collected from the *sponsored cyclist's* bank account. Free2Cycle will advise the loan provider who will initiate a Direct Debit from the *sponsored cyclist*. The fee charged to the *sponsored cyclist* will be based on the monthly loan repayment amount, apportioned based on the percentage of the loan attributable to the voluntary payment and then further apportioned according to the percentage of pledged miles actually cycled.

3. Free2Cycle Obligations

3.1. Website

Free2Cycle will provide and support the website to allow the *sponsored cyclist* to register and to order their bicycle.

3.2. Data Capture

Free2Cycle will provide a smartphone app (for iOS and Android) which the *sponsored cyclist* will be required to use (unless otherwise agreed) to provide (i) initial set-up data (including but not limited to details of prior commute) so that Carbon savings can be calculated and (ii) to capture details of each qualifying journey; It is the responsibility of the *sponsored cyclist* that mileage recording is carried out accurately and diligently, Free2Cycle will take reasonable steps to ensure that recorded usage is accurate.

3.3. Reporting

Free2Cycle will provide the *Sponsor* with a monthly “mileage” report showing the miles cycled and the corresponding charge to the *Sponsor*. This will be on the same basis as, and provide back up to, the monthly invoice. An example of this report is shown in Appendix 2.

Free2Cycle will also provide a monthly “environmental” report. An example of this report is shown in Appendix 3. The information in this report is supplied in good faith, based on information supplied by *sponsored cyclists* at the start of their contracts.

3.4. Loan Repayments

Free2Cycle will repay the loan on behalf of the *sponsored cyclist* as described in section 1. Where the *sponsored cyclist* is required to make payment, or to change their existing monthly payment, Free2Cycle will advise the Lender of the amount to collect by Direct Debit and will contact the *sponsored cyclist* to explain to them the reason for the new monthly payment or the change to the existing monthly payment.

3.5. Error Resolution

Free2Cycle will work with the *Sponsor* to resolve any questions or issues that arise out of the monthly invoicing process and the “mileage” and “carbon savings” reports that are supplied.

3.6. Data control

Any personal information that is supplied to Free2Cycle will be treated in accordance with the Data Protection Act 1998 and the Privacy and Electronic Communications Regulations 2003. The *Sponsor* will ensure that any consents which may be required from Employees in order for Free2Cycle to process personal data about those Employees have been obtained.

3.7. Communication

Free2Cycle will communicate with the *Sponsor* as necessary to discuss the Initiative, this may include performance, number of joiners and leavers, future developments as well as to address and resolve any issues.

4. Sponsor Obligations

4.1. Scope

The Initiative is to be available to all employees of the *Sponsor* and may be extended to others at the discretion of the *Sponsor*. New employees who are undergoing a probationary period may be excluded until the termination of that period.

4.2. Termination of Sponsorship

Where a *sponsored cyclist* is an employee of the *Sponsor*, the *Sponsor* may choose to terminate their Sponsorship on termination of their employment contract. At least 30 days notice must be given in the case of such termination. Non employees may be cancelled at any time subject to 30 days notice.

4.3. Financial Review/Credit Check

The Finance provider will conduct a financial review/credit check on each *Sponsor* prior to contract signature and on a regular basis thereafter. The *Sponsor* confirms that it is aware of this process and has no objection to it.

4.4. Supply of Employee Details

It is the intention that new *sponsored cyclists* are onboarded on a self-serve basis. Unless an alternative approach is agreed, the *Sponsor* shall supply a list of all eligible participants, in a standard format (See Appendix 4) to enable Free2Cycle to rapidly check and confirm applicant's eligibility. This list is to be updated on a regular basis.

5. Termination of the Agreement

- 5.1. This agreement will remain in force until either party serves notice of termination to the other. Notice of termination must be served in writing at least three months before the termination date.
- 5.2. This Agreement may be terminated immediately by written notice by either party in the event that either party is in breach of these Terms and Conditions or either party becomes, or appears to become, insolvent or bankrupt or is in any other way unable to meet its commitments under these Terms and Conditions or either party is bringing, or may bring, bad publicity or disrepute upon the other.

6. Sponsored Cyclist Responsibilities

- 6.1. The Bicycle becomes the property of the *sponsored cyclist* from the *date of delivery*.
- 6.2. The *sponsored cyclist* is responsible for ensuring the bicycle is available, roadworthy and properly maintained. If the *sponsored cyclist* is not able to commute by Bicycle for any reason and therefore not complete their *pledged mileage*, then, as stated in section 1, loan instalments (or a proportion of the loan instalments) will need to be met by the *sponsored cyclist*, not the *Sponsor*.

7. Invoicing and Charges

7.1. Monthly Payment

In the first three months, a fixed charge is payable by the *Sponsor* as a set up charge (see Appendix 1). The first monthly payment will be invoiced at the end of the month in which the *sponsored cyclist* collects his or her bicycle.

From month four onwards, Free2Cycle will invoice the *Sponsor* on a monthly basis based on the mileage pedalled by the *sponsored cyclist* averaged over the past three months. The rate is shown in Appendix 1. Although there is no limit to the number of miles a *sponsored cyclist* can cycle, the charge to the *Sponsor* is based on *qualifying miles* which is calculated as shown in Appendix 1.

7.2. Payment Terms

Invoices are to be settled within 15 days of invoice date unless otherwise mutually agreed. Settlement to be either by electronic funds transfer or direct debit. If invoices are settled after the due date, Free2Cycle reserves the right to levy a default payment charge of 5% over Bank rate for the period until the debt is settled, plus an administration charge of £12 per *sponsored cyclist*.

If payment is not received by Free2Cycle within 30 days of invoice date or the *Sponsor* stops sponsorship of the *sponsored cyclist* for any reason, Free2Cycle will arrange for the full loan instalment payment to be charged to the *sponsored cyclist*. In this circumstance, the *sponsored cyclist* will be advised that they are being charged as payment has not been received from their *Sponsor*.

In the event of any issues arising over the payment amount, resulting in a change to the invoice amount, Free2Cycle will normally look to adjust in the following month's invoice.

8. Confidentiality

Each party agrees to keep confidential, all information received under this Agreement and to use it solely for the purposes of complying with its obligations under this Agreement.

9. Publicity

Neither party shall publish or reproduce or arrange press releases or make public statements in connection with this contract without prior written approval from the other party, such approval not to be unreasonably withheld.

10. Liability

Neither Party shall be liable to the other Party for loss of profit, loss of any contract or for any indirect or consequential loss or damage which may be suffered by the other Party in connection with the Contract.

Nothing in the Agreement shall be construed to limit or exclude either Party's liability for death or personal injury caused by its negligence or that of its Staff, fraud or fraudulent misrepresentation by it or that of its Staff or any other matter which, by law, may not be excluded or limited.

11. Disputes

If any dispute arises in connection with this agreement, the parties agree to enter into mediation in good faith to settle such a dispute and will do so in accordance with the Centre for Effective Dispute Resolution (CEDR) Model Mediation Procedure. Unless otherwise agreed between the parties, within 14 days of notice of the dispute, the mediator will be nominated by CEDR. To initiate the mediation a party must give notice in writing ('ADR notice') to the other party to the dispute, referring the dispute to mediation. A copy of the referral should be sent to CEDR.

12. General

- 12.1. Any variation to this Agreement shall only be effective if it is in writing and signed by, or on behalf of, both parties.
- 12.2. Neither party may assign this [agreement /plan] or any of their rights or obligations under this [agreement /plan] without the other party's written consent.
- 12.3. A failure or delay by either party to enforce any provision of this Contract shall in no way affect either party's rights at a later date to require performance of the Contract nor shall a waiver of any breach be taken or held to be a waiver of any subsequent breach of any provision does not mean that that party waives that right or any other right or remedy it may have.
- 12.4. This Contract shall be governed by, and construed in accordance with, English Law.

Tax treatment and ownership

Free2Cycle provides an entirely different proposition to what is customary. It is designed to encourage the use of a bike as a substitute to alternative methods of commute. It has the objective of encouraging a more active lifestyle while delivering health, wellbeing and environmental benefits.

We have consulted legal and tax specialists to validate the tax position of the sponsor and the cyclist alike. In essence, Sponsors payments towards Free2Cycle should be deductible regardless of whether the cyclist is an employee or not. Likewise, sponsored cyclists should not be exposed to a tax liability. Essentially, no funds are paid by the Sponsor to the cyclist, payments made to Free2Cycle by the Sponsor are contingent on the cyclist using their bike and are in respect of the behavioural change and environmental benefits, not simply the provision of a bike.

Bikes supplied by Free2Cycle to cyclists are owned by the cyclist from inception. The bike is funded by a finance agreement for which cyclists have personal responsibility. If the cyclist achieves the mileage pledge that they have made, they will not have to make payments towards their finance agreement. This will be funded by Free2Cycle subject to the receipt of the agreed mileage payment from the Sponsor. The exception to this is if the cyclist opts to upgrade their bike by making a personal contribution for which they remain personally responsible.

Copied below is a verbatim summary of the key points and opinion provided by Giles Goodfellow QC of Pumpfax. His practice covers the full range of advisory work on direct and indirect tax issues. Particular areas of expertise cover corporate reorganisations, employee share incentive schemes, controlled foreign companies' legislation, tax warranty and indemnity claims, professional negligence, IHT and CGT planning for family-owned businesses, high net worth individuals and onshore and offshore trusts. He has substantial experience and expertise in advising upon and negotiating compromises of Inland Revenue and Customs' investigation cases.

- The incentive payments made by F2C to Cyclists who are employees of a Sponsor should not be "earnings" from employment for the purposes of the main charging provision in ITEPA 2003 section 9.
- Since the test of chargeability as it is for section 9, the incentive payments should not be chargeable as "earnings" for Class 1 NIC purposes. For NIC purposes, there is no equivalent to the "by reason of" test of chargeability.
- The incentive payments may be a "benefit" for the purpose of the benefits code. However, they will not be treated as provided by a Sponsor who is an employer of the Cyclist. Consequently, the benefit will be an "employment-related benefit" and so chargeable under the benefits code as "earnings" for income tax purposes if the incentive payments are provided "by reason of" the Cyclist's employment on general principles.

- For similar reasons to those given in relation to the main charging provision, I do not consider that the incentive payments will be provided “by reason of” the Cyclist’s employment.
- The sponsorship payments made by Sponsors in respect of their employees’ participation in the cycling schemes should be deductible by Sponsors which are carrying on a trade. So far as the sponsorship payments relate to Cyclists’ participation where they are not employees of the Sponsor, such payments should be deductible if such payments advance the reputation of the Sponsor whether by being associated with the promotion of healthier lifestyles or by reducing the Sponsor’s carbon footprint, they should also be deductible by a Sponsor carrying on a trade.

We are happy to provide additional information, case law or legal precedents upon which the approach and legal opinions have been based to legal or tax council of Sponsors. Free2Cycle will support Sponsors or Cyclists in the event of any tax challenge in relationship to payments made in respect the Free2Cycle behavioural change initiative for members acting in conformance with the relevant terms and conditions agreed by the parties with Free2Cycle.

Key research and information

Society and the impact of an active lifestyle; Health and Happiness

Summary	Source
Exercise boosts brain function	Journal of Applied Physiology
Cycling to work can cut cancer and heart disease	British Medical Journal, March 2017
Cycling makes you happier	cyclingweekly.co.uk
Regular exercise.. increasing energy levels by 20% and reducing fatigue by over 60%.	emaxhealth.com
The association between commuter cycling and sickness absence	Preventive Medicine
Women who exercised regularly were found to have half the risk of colds of those who didn't work out.	Peak Fitness
Doing 30 minutes of at least moderate intensity physical activity on at least 5 days a week helps to prevent and manage over 20 chronic conditions	Benefits of physical activity Start Active, Stay Active A report on physical activity for health from the four home countries'
Taking up regular cycle commuting, would result in 50 fewer deaths per year as an aggregate of health benefits and reduced road traffic casualties among those cyclists.	Claiming the health dividend
Not cycling is more risky than cycling: cyclists on average live two years longer than non-cyclists and take 15% fewer days off work through illness.	Safety in Numbers

Benefits to the Environment

Summary	Source
Cycling has largely positive impacts for people and the places where they live	Value of cycling
walking and cycling, where they replace car trips, can contribute to reductions in carbon emissions which also positively impact on air quality, and congestion	Claiming the health dividend
Cycling 10 km each way to work would save 1500 kg of greenhouse gas emissions each year.	Queensland Government Department of Transport and Main Roads
Walking and cycling also play an important part as 'co-benefits' in reducing carbon dioxide emissions, conservation of land, air pollution, noise as well as traffic congestion	Claiming the health dividend

Sponsors Benefits

Summary	Source
Employees who cycle are more productive	HRMagazine
Sickness absence costs UK businesses an estimated £29 billion each year	Health at Work - Economic evidence report for workplace health, 2016
Mental ill health is the leading cause of sickness absence	Work Place Insight
The association between commuter cycling and sickness absence	Preventive Medicine
Evidence shows a ratio of 1 : 2.5 for the cost of absenteeism to presenteeism. Therefore, for every £1 cost to business of absenteeism, there is estimated to be an additional cost of £2.50 due to presenteeism	British Heart Foundation
"Better management of employee health can lead to improved productivity, which can create a competitive business advantage," says Sean Sullivan of the Institute for Health and Productivity Management.	Paul Hemp, Harvard Business Review 2004
Simon Stevens, NHS England Chief Executive, said: "Health-promoting workplaces are obviously good for millions of employees and ultimately for taxpayers too, so the time is right for all employers – including the NHS – to raise our game."	Mark Eltringham, Work Place Insight, 2015
Cycling to work leads to lower staff turnover	Value of cycling
Staff absence is important to business, it is disruptive to operations requiring management resources to organise cover and can impact upon the need to pay staff overtime	CIPD - Absence Management: Annual Survey Report 2015
By tackling sickness absence, the employer can benefit from retaining human capital, reducing staff turnover costs, improved reputation and a more engaged and productive employee.	CIPD - Recovery, rehabilitation and retention: Maintaining a productive workforce 2004
Employers to spend the equivalent of about 9% of their annual costs on absence.	The Health at work, Economic Evidence Report 2016
Less productive staff are costing the economy, studies have shown that employees who cycle to work are more productive	Mark Eltringham, Work Place Insight