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General Secretary: Mark Brown

Chris Cummings
Chief Executive Officer
Investment Association
Camomile Court
23 Camomile Street
London, EC3A 7LL

15th March 2019

Dear Mr. Cummings

Lloyds Banking Group – Mr. Chalmers & Pensions

Affinity is the largest independent trade union representing staff in Lloyds Banking Group.

Lloyds Banking Group recently appointed Mr. William Chalmers to be its next Chief Financial Officer (CFO). Mr. Williams will be replacing Mr. George Culmer who will be retiring from the Group in Q3 2019. Lloyds will pay Mr. Chalmers around £4.4m in deferred cash and shares to make up for awards he will forfeit on leaving Morgan Stanley. We understand that his fixed pay will be £1.3m a year. Lloyds has confirmed in its latest report and accounts that the CFO designate will be entitled to a pension allowance of 25% of base pay.

The Investment Association has said that it will highlight companies who pay pension contributions to executive directors at rates above the majority of the workforce. Andrew Dixon, Director of Stewardship and Corporate Governance at the Investment Association said:

“The IA’s Remuneration Principles set out shareholder expectations on executive pension contributions and our members have been clear this is an issue of fairness and pension contributions should be aligned with the majority of the workforce. The new IVIS approach reflects our members’ view that newly appointed directors should receive a pension contribution equal to that of the majority of the workforce. IVIS will highlight those companies that pay higher pension contributions to newly appointed directors”.

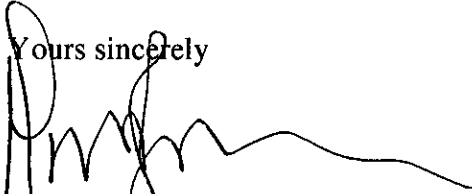
The vast majority of Lloyds staff are in defined contribution pension schemes and the maximum employer contribution is 13% of base salary. That’s significantly less than the 25% being given to the new CFO.

Given the Group's decision to ignore the IA remuneration principles when setting the pension allowance for the new CFO, we would urge you to 'red top' Lloyds and, more importantly, to tell your members to oppose the Group's remuneration report when it's presented to shareholders at the Annual General Meeting in May.

I would welcome your comments on this issue.

A copy of my letter and your response will be shared with MPs and members of the Treasury Select Committee in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark V Brown', with a long horizontal flourish extending to the right.

Mark V Brown
General Secretary