



## INTRODUCTION

In the course of his evidence to the Work and Pensions Select Committee, Mr. Stuart Sinclair, Chairman of Lloyds Banking Group's Remuneration Committee, made two remarkable statements.

He said he had visited lots of branches to find out what staff were thinking on key issues like executive pay and pensions and that those staff he spoke to considered Mr. Antonio Horta-Osorio, Group Chief Executive of Lloyds Banking Group to be "charismatic" and a "winner" and deserved his £6 million pay package. That was news to us.

Mr. Sinclair's statements were all the more remarkable because it would be fair to say that the average member of staff had never heard of him before, even though he professed to know what they were thinking on executive pay and pensions.

Following the Committee hearing, we sent a survey to a representative sample of members in Lloyds, covering all the main business units, asking for their views on some of the issues raised by Mr. Sinclair in his evidence.

## THE SURVEY RESULTS

The full results of that survey, which are set out in Appendix 1, are as follows:

- 98% of staff responding to the survey said they had never been contacted by Mr. Sinclair directly or by the bank asking them for their views on executive pay and pensions.
- 98% of respondents said they were not aware of anyone in their office or branch who had been contacted either by Mr. Sinclair directly or by the bank asking for their views on executive pay and pensions.
- 90% of respondents said the Group Chief Executive didn't deserve his £6 million pay package.
- 91% of respondents said the Group Chief Executive didn't deserve the £50 million package he'd earned since taking up his executive role in Lloyds.



- Only 12% of respondents said that they would describe Mr. Horta-Osorio as a “Charismatic Winner”.
- Only 7% of respondents said they would consider putting their views on Mr. Horta-Osorio’s pay and pensions package on Hive, the bank’s internal social media site.
- 81% of respondents said it was greed that drove Mr. Horta-Osorio decision not to apply the 0% pensions cap to his own final salary pension.
- 93% of respondents agreed with us that the bank’s annual engagement survey should include questions about executive pay and pensions.

## CHARISMATIC WINNER?

In his evidence, Mr. Sinclair said he had spoken to staff directly on executive pay and pension issues including asking them about Mr. Horta-Osorio’s benefits package.

### **At Question 25, he said:**

“I try and stay in touch as part of my job, not just with what is leading thinking on pay, but also what people believe in the bank. I will go to branches quite a lot and I do not do royal visits. I just go and hang around and I will try and stay in touch with people....”

### **At Question 26, he said:**

“Let me make the final point here, Mr. Field. People like a winner, I think, and when I go out to see people who are on £22,000, £30,000 or £40,000, they see Antonio as a winner because he brought this bank back from the brink.”

We have seen no evidence that Mr. Sinclair has engaged with any front-line branch/ office staff on the issue of executive pay and pensions, and that is borne out by our survey results. Which branches did Mr. Sinclair “hang around” in and when did he “hang around” in those branches? What offices did Mr. Sinclair visit and when did he visit those offices? How many staff did he speak to in total and where are the notes of those conversations?

### **In response to Question 25, Mr. Sinclair said:**

“We also have a wonderful system called Hive, where everybody can make anonymous comments. We look at that very closely to see what people are saying, “Our boss is living in a fantasy world. He is not worth it”. You don’t get that. The point I would make is when you go to see people.....”.

The Committee will be aware from my letter dated 31st July 2019, a copy of which is set out in Appendix 2, that the Hive system is not anonymous.

**In a response to our survey, one Lloyds member of staff said:**

“Because HIVE has your name & it also has a picture of you. The site is monitored & your comments are removed if you say something they don’t like. I have known colleagues in our office be asked by management to remove their comments. Hive is the opposite of anonymous & when I saw that comment made it showed how out of touch they all are. Eric Daniels salary was £1 million a year when Antonio took over. Our bonus is capped at 5% which is not much after tax especially if you work part time. Yet the managers can earn up to 50% of their salary off the back of Band A& B staff hard work. The GEC also brought the Fixed payment award from nowhere when the EU took action to reduce their bonuses so a work around to ensure they still get a big bonus. I am pleased this is been looked at as most staff are appalled unless you are management & they toe the party line. Fantastic for doing this hope we see some change”.

**Another member said:**

“HIVE is not anonymous it has your name and your picture so any comments you make has your details with the comment. I work with colleagues who have been asked to remove comments they have made on HIVE. I have also seen comments moderated on the site. I was incensed when I read the MP’s were advised HIVE is anonymous as it is the total opposite. Lower grade staff A-B if they are awarded a bonus, receive a maximum of 5% but when you work part-time and are a lower grade the amount of annual bonus is a few hundred pounds after tax”.

## HUBRIS OR GREED?

In response to a question by the Chairman on greed, Mr. Horta-Osorio said: “Mr. Field, it is very difficult to accept the word “greed” that you used, according to your own example, when my total fixed compensation at £2.8 million, as Mr. McCabe defined it, is lower than the group chief executive of HSBC”. Mr. Horta-Osorio was comparing apples with pears. Lloyds is a fraction of the size of HSBC. HSBC is a major international bank with assets of \$2.6 trillion across 80 countries. By comparison, Lloyds is a predominantly UK retail and commercial bank. Last year, Lloyds made profits of £6bn compared to \$19.6bn made by HSBC. There is no comparison between the two banks.

The issue of greed referred to by Mr. Field should be directed to Mr. Horta-Osorio’s action in respect of his second pension. In addition to his current pension allowance of £419,00, Mr. Horta-Osorio was also entitled to a second defined benefit pension which was worth 6% of his base salary in the 12 months before he retired. Mr. Horta-Osorio’s was, until we began our campaign, the only person out of 67,000 staff in Lloyds who was entitled to a final salary pension based on his final salary. Those staff who are members of one of the Group’s defined benefit pension schemes had their salary accrual element of their pensions removed by Mr. Horta-Osorio in 2014.

It was only following the union's letters to the Investment Association and the subsequent media publicity that Mr. Horta-Osorio decided to give up the final salary element of his pension. If we had not raised the issue, Mr. Horta-Osorio would have continued to collect his full second pension. In a speech to the CBI Scotland Annual Dinner in 2012, Mr. Horta-Osorio quoted from the late moral philosopher Phillipa Foot who said: "one shouldn't think that morality must pass the test of rationality, but that rationality should pass the test of morality". In respect of his defined benefit pension, Mr. Horta-Osorio took the rational decision to leave his own pension intact, whereas his moral response should have been to ensure that he was in the same position as those colleagues who were losing such a valuable benefit. This is still a continuing source of resentment for those staff that had their final salary accrual element removed because every time they receive a salary increase they must confirm to the bank that it's non-pensionable.

The Lloyds Remuneration Committee under the Chairmanship of Mr. Sinclair and his predecessor, Ms. Frew, failed to address the inequality in treatment between the Group Chief Executive and the rest of the staff in the bank. What's clear from the tone of the evidence from Mr. Sinclair is that some of the non-executive directors have simply become cheerleaders for the Group Chief Executive. That's an unacceptable state of affairs. Ms. Frew, who did nothing to address the final salary issue, has been board a member for 9 years. We note that in addition to her role as Senior Independent Director of Lloyds, Ms. Frew is also on the Board of Croda International and a non-executive director of at BHP Billiton. Given the size and complexity of these different organisations one could argue that the time commitment required to do each one justice is significant.

Finally, let's be clear, Mr. Horta-Osorio only decided to give up the final salary element of his second pension once it had become a significant news story and not before. Furthermore, he did it because he and his advisers thought that it would divert attention away from his pension allowance. It did the opposite.

The union's letters to the Investment Association and to Mr. Field can be found in Appendices 3 & 4 respectively.

**Mark Brown**  
General Secretary