

Statement at HSBC Group plc AGM

27 May 2011 in London

Jonathan Cobb, Governance & Stewardship Director, Standard Life Investments

Chairman, ladies and gentlemen.

Standard Life Investments is one of HSBC's largest institutional investors, holding nearly a quarter-of-a-million shares on behalf of our clients. As long term investors, we believe in the value of a supportive relationship with investee companies and in one that is based upon constructive and purposeful engagement. We seek to ensure that the stewardship of an investee company is properly and appropriately aligned with the reasonable long term expectations of its shareholders.

At last year's AGM we spoke publicly to record our dissatisfaction with one important aspect of stewardship at HSBC, namely the executive remuneration practices then prevailing at the Group. Since then, we have been pleased to engage with the Remuneration Committee as it has sought to improve these arrangements in a way that provides appropriate incentives to a management team operating in a competitive global marketplace, as well as proper alignment with the long term interests of shareholders. We have gone on public record to support the resultant proposals put forward by John Thornton and his colleagues. We are however, mindful that the new arrangements contain some innovative features that will need to be seen to stand the test of time. To that end, we view as important the committee's commitment to review the effectiveness of the new arrangements no later than 2014.

In the last twelve months, shareholders have also been presented with significant changes in both the leadership and strategy of the Group. I do not believe that we were alone in being dismayed by the manner and timing of board changes that led to the appointment of a new Chairman, Chief Executive and Chief Financial Officer in such short order. We welcome the determination to ensure that the new board operates effectively and noted the clearer delineation of the responsibilities of the Chairman and of the Chief Executive in the stewardship of the Group. However, we are of the view that other responsibilities at board level are kept under active review in light of the additional burden placed upon the Chairman to engage with the fast-changing regulatory landscape. In particular, we see it as essential that the board's non executive leadership ensure that executives remain subject to robust and appropriate challenge. To that end we believe that it would be appropriate to further strengthen the roles of the Deputy Chairman and that of the Senior Independent. Accordingly, Mr Chairman, we would ask you to confirm that the substance of our view will be addressed in due course.

In closing, we welcome the steps that the board has taken to engage with investors since the changes announced last autumn. Today, we are voting in favour of all the resolutions before shareholders in the expectation that this dialogue continues as we believe it is fundamental to the stewardship of HSBC.