Statement at HSBC Group plc AGM

28 May 2010 in London

Guy R Jubb, Investment Director, Head of Corporate Governance
Standard Life Investments

Chairman, ladies and gentlemen.

Standard Life Investments manages 250 million shares in HSBC. As long-term investors we have consistently supported the Company – most recently by subscribing to last year's rights issue. Because we value the enduring relationship, I have come down from Scotland to share with you at first hand our views on some very important issues, so that there is no misunderstanding.

This will be the third year in a row that we have voted our clients shares against the Remuneration Report. Despite our clear communication of concerns, the bank has not been a listening one. This year our concerns compounded. The very significant salary increases awarded in late January and early February to the Group Chief Executive and the other Executive Directors were, to put it simply, unacceptable. The decision to scale them back was welcome but the damage was done.

The independent non-executive directors have stated their unanimous resolve to bring remuneration, including the Group Chief Executive's salary, to internationally competitive levels within the year. We urge them to reflect carefully on their position. To be clear, competitive benchmarking is just one aspect to factor into the equation. As owners, we also want to see sensitivity to pay policies within HSBC - also, that inflation and the challenging economic environment are taken into account. This must be done - and must be done with conviction, not lip-service. I believe many other long-term investors share this view.

We look forward to engaging with the Remuneration Committee over the coming months as it gets to grips with its remuneration review. Our initial and informal discussions with John Thornton, who will be the new Chair of the Committee, have been enlightening and encouraging. That said, as responsible investors, we cannot ignore that he is Chair of HSBC North America, for which he receives US$1.5m a year. Therefore, we have decided, on balance, to abstain on his re-election this year. It is in his gift to demonstrate his leadership, character and wisdom by overseeing the delivery of policies which will secure our support for them - and him - next year.

The final view I wish to share is the inherent governance risks of having the Group Chief Executive based in Hong Kong while the Chairman and Finance Director are based in Canary Wharf. We take to heart that this arrangement seems to have got off to a good start. However, it is still early days. Our experience and sharpened sense of stewardship suggests to us that the arrangement is not sustainable. It is therefore very important to us that the independent non-executive directors go out of their way to regularly assess the risks as well as the benefits of this set-up.

Therefore, to close, I should like to ask the Chairman to invite Simon Robertson, the Senior Independent Director to provide his independent perspective on the risks and benefits of this arrangement, and assure us that vigilant oversight of it will indeed be maintained by the independent non-executive directors.