

HSBC – a recent example of ultra-large cap engagement

	Issue	Outcome
	1. Lack of Board independence	✓ 1/3 of Board changed
	2. Misaligned incentive pay	✓ Offensive elements removed
	3. Role of Chairman in both setting and monitoring of strategy	✓ Responsibility for strategy moved to CEO
	4. Insufficient focus on China	✓ CEO moves to Hong Kong ✓ Planned Shanghai stock exchange listing
	5. Use of ROE and Tier 1 instead of ROA and leverage leading to poor capital allocation and retained subprime exposure	✓ Household investment written off and now in run-off mode ✓ FSA/BOE recognise issue and investigating methodology
	6. Capital weakness due to fair value losses only disclosed in notes to accounts	✓ \$17 billion rights issue, despite management’s denial of need

