Our position

We are a member of the UK Diversity Project and the Hong Kong Board Diversity initiative (part of the 30 per cent club Hong Kong chapter), where HSBC Group is a member of the 30 per cent Club. On workforce disclosure, we continue to support Share Action's Workforce Disclosure Initiative (WDI) and encourage our investee companies to participate.

Within HSBC Asset Management, we have established over ten work streams to promote all forms of diversity by theme and by function – gender, ethnicity, ability, LGBTQi+, mental health, social mobility, faith, working parents, commercial and investments. We seek to learn from our own experience to inform issuers on how to address challenges related to DEI, from pipeline development, ways to address fairness and unconscious bias, to best practices in fair hiring practices and talent management.

Globally, a high number of issuers have under 30 per cent of women on their boards. This varies somewhat by region, with an average of less than 20 per cent representation in most emerging market countries, to an average of 30 to 40 per cent in North America and Europe. We see increasing evidence that diverse companies can outperform peers thanks to the benefits brought about by having a more representative board.

By addressing gender and ethnic diversity at the board level, we hope to also begin a conversation with companies about diversity lower down the organisation, from the executive team, to the way hiring is conducted at the entry level.

What we do

We set stretching targets for board diversity in the following key markets:

- In Continental Europe, we expect large and mega cap boards to have 40 per cent gender diverse board, 35 per cent for mid cap and 30 per cent for small and micro-cap;
- In the UK, we expect FTSE100, FTSE250 and FTSE Small Cap companies to appoint at least one director from an ethnic minority background by 2022;
- In the US, we expect companies in the Russell 3000 or S&P 1500 indices to have at least one director from racially or ethnically diverse background by 2022; we expect mega cap boards to have 40 per cent female directors; mid and large to have 35 per cent; and small and micro cap to have 30 per cent;
- In Hong Kong and Mainland China, we expect all companies to have 20 per cent female directors by 2022, to reach 25 per cent by 2025 and 30 per cent by 2028;
- In Japan, we expect TOPIX100 companies to have at least15 per cent women among directors in 2022 and to reach 20 per cent by 2025, and other companies to have at least 10 per cent in 2022; and
- In India, we expect large cap companies to have at least one independent female director by 2022 and to reach 20 per cent gender diversity by 2025.

We are however mindful that increasing board diversity can only achieve so much change, and that change in other parts of companies will also be needed. To this end, we may decide to research and impact particular sectors where systemic change may be achieved. Stock exchanges, who dictate some corporate governance rules to all their listed companies, and recruiters, whose practices can influence diverse hiring outcomes, are two candidates for enhanced engagement.

How we vote

We implement our voting policy on all owned companies, across active and passive mandates. Engagement will focus on larger positions in active and passive funds, and on holdings where on aggregate we hold a large share of the company. For companies not meeting our expectations, we may vote against the Chair of the nomination committee or other relevant Board of Directors, unless the company communicates a timely and credible plan to us to meet our expectations.

We encourage companies to consider not only diversity at the board level, but also at the C-level, and more broadly throughout the workforce. We will seek evidence of a board skills matrix and workforce planning to ensure a decent pipeline of diverse talent, and ask companies to articulate how they capture the DEI dividend beyond workforce disclosure statistics.

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