

Report of the Directors

The directors have pleasure in submitting their report and accounts of the Company and its subsidiaries for the year ended 31 December 2007.

Activities

The Company is the holding company for the Standard Chartered Group of companies (the 'Group') which are principally engaged in the business of banking and the provision of other financial services.

Business Review

A fair review of the business performance of the Group during the financial year ended 31 December 2007, the position of the Group at the end of the year and a description of the principal risks and uncertainties facing the Group can be found in the Chairman's Statement on pages 8 and 9, the Group Chief Executive's Review on pages 10 to 15, the Key Performance Indicators on pages 16 and 17 and the Business, Financial and Risk Reviews on pages 18 to 61, all of which are incorporated into this report by reference.

Share Capital

During the year 9,012,891 ordinary shares were issued under the Company's employee share plans at prices between nil and 1064 pence and 15,928,740 ordinary shares were issued under the Company's share dividend scheme.

Further details of these issues of ordinary shares and other matters relating to the Company's share capital, including information on the structure, and rights and obligations attaching to each class of the Company's shares, can be found in note 38.

At the annual general meeting ('AGM') in May 2007 the shareholders granted authority for the Company to buy back up to 138,476,606 of the Company's ordinary shares (approximately 10 per cent of the Company's issued ordinary share capital as at 19 March 2007). In addition, the shareholders granted authority for the Company to buy back up to all of the Company's issued preference share capital. The Company did not purchase any of its own shares during the period and therefore these authorities remained in force at 31 December 2007.

On 25 May 2007 the Company issued 7,500 7.014 per cent non-cumulative redeemable preference shares of \$5 each. These US dollar preference shares were issued in the form of American Depository shares and further details can be found in note 38 to the accounts.

Dividends

The directors recommend a final dividend for 2007 of 56.23 cents per ordinary share which, if approved at the 2008 AGM, will be paid on 16 May 2008 to shareholders on the register at 7 March 2008. The 2007 interim dividend of 23.12 cents per ordinary share was paid on 10 October 2007, making a total dividend of 79.35 cents for the year.

The ordinary shareholders will again be offered the choice to receive their cash dividends in either sterling, Hong Kong dollars or US dollars. It is also intended that the share dividend alternative to the cash dividend will be offered during 2008.

Major Interests in Shares and Voting Rights

As far as the directors are aware as at 31 December 2007, Temasek Holdings (Private) Limited ('Temasek') was the only shareholder that had an interest of more than 10 per cent in the Company's issued ordinary share capital carrying a right to vote at any general meeting of the Company.

As at 26 February 2008, the Company had been notified by the following companies of their interests in the total voting rights of the Company:

Shareholder	Number of ordinary shares	Percentage of voting rights Direct	Percentage of voting rights Indirect
Temasek*	268,197,219		19.03
Legal & General Group PLC	57,361,033	4.08	

* The Company has been notified that Temasek's interest in the total voting rights of the Company is held indirectly through Fullerton Management Pte Ltd, Dover Investments Pte Ltd and other subsidiaries of Fullerton Management Pte Ltd.

Loan Capital

Details of the loan capital of the Company and its subsidiaries are set out in note 37.

Directors

The directors of the Company are listed on pages 62 and 63. Mr Peace was appointed as Deputy Chairman and the Senior Independent Director and Mr Mittal was appointed as an independent non-executive director, both with effect from 1 August 2007. Mr Bullock was appointed as Group Executive Director with effect from 6 August 2007. Mr Nargolwala resigned as a director on 6 September 2007.

Mr Peace, Mr Mittal and Mr Bullock will offer themselves for election by the shareholders at this year's AGM. Mr DeNoma, Miss Gooding, Mr Markham, Mr Sands and Mr Stocken will retire from office by rotation and will offer themselves for re-election at this year's AGM, in accordance with the Company's articles of association.

Sir CK Chow, will step down from the Board at the conclusion of this year's AGM.

Directors' Interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2007 are shown in the Directors' Remuneration Report on pages 73 to 85.

Qualifying Third Party Indemnities

The Company has granted qualifying third party indemnities to the directors of the Company and the directors of Standard Chartered Bank. These indemnities remain in force at the date of this report.

Risk Management

The risk management objectives and policies of the Group, including its policy for hedging risk, are set out in the Risk Review on pages 43 to 61 and the Group's exposure to credit risk is set out in note 49, liquidity risk in note 47 and market risk on page 56. Company only risks are managed as a part of overall Group risks, all of which are incorporated by reference to this report.

Significant Contracts and Agreements

There were no contracts of significance during the year in which any of the directors were materially interested.

Related Party Transactions

Details of transactions with directors and officers and other related parties are set out in note 52 to the accounts.

Continuing Connected Transactions

By virtue of its shareholding of more than 10 per cent in the Company, Temasek and its associates are related parties and connected persons of the Company for the purposes of the UK Listing Rules and the Listing Rules of The Stock Exchange of Hong Kong Limited (the 'HK Listing Rules') respectively (together, the 'Rules'). Neither Temasek nor its associates are related parties for the purposes of IAS 24.

The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates (as defined under the Rules) as a result of such shareholding, to the detriment of other shareholders in the Company. Unless transactions which the Company and its subsidiaries undertake with Temasek or its associates are specifically exempt under the Rules or the subject of a specific waiver, they may require a combination of announcement, reporting, shareholder approval and/or disclosure. To ensure transparency, the Rules also impose additional reporting and disclosure requirements on the Company in respect of certain non-exempt and other transactions with Temasek or its associates.

In 2007, the Group entered into certain connected transactions with Temasek and its associates in the normal course of its business that are not exempt and are subject to the annual reporting and/or shareholders approval requirements of the HK Listing Rules. At the 2007 AGM, shareholders gave authority for the Company to enter into certain ongoing transactions and this authority will expire on 3 May 2010. Further details of transactions undertaken with Temasek and its associates during 2007 are set out in the Supplementary Financial Information on pages 162 and 163.

The independent non-executive directors of the Company confirm that the continuing connected transactions have been entered into by members of the Group with Temasek or its associates:

- in the ordinary and usual course of business of the Group;
- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms that are no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purposes of Rule 14A.38 of the HK Listing Rules, the Company's auditor, KPMG Audit Plc and its associated firms (together 'KPMG'), has performed certain agreed-upon procedures on the aforementioned continuing connected transactions for the year ended 31 December 2007, in accordance with International Federation of Accountants Related Services 4400 'Engagement to Perform Agreed-Upon Procedures Regarding Financial Information'.

Employee Engagement

The Group employs 70,000 staff in over 50 countries and territories. The average number of people employed by the Group in the United Kingdom during the year was 1,400 and their total remuneration for the year was \$368 million. Employees in all the countries and territories where the Group operates have the opportunity to participate in the Group's all-employee

sharesave schemes and share in the success of the Group. Further details of the sharesave schemes are given on page 77 and in note 41.

The Group's employment policies are designed to accommodate the relevant social, statutory and market conditions and practices in each country where the Group operates whilst encouraging equal opportunities and diversity. The Group is committed to communicating effectively with its employees on a wide range of issues. Employees are kept informed through briefings given to managers who are in turn encouraged to hold subsequent meetings with staff. In addition, circulars, publications and videos are used to disseminate information.

The Group recognises its social and statutory duty to employ disabled people and has followed a policy in the United Kingdom by providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled every effort is made to ensure their employment continues, with appropriate training where necessary. Further details of the Group's employees can be found in the Business Review on pages 18 to 33.

The Group has measured employee engagement for the last seven years using the Gallup Organization's Q12 survey. The annual survey provides important feedback to managers and teams and internal research has demonstrated a strong relationship between high engagement and increased business performance. In 2007, 95 per cent of employees voluntarily took part in the survey.

Areas of Operation

The Group has over 1,600 branches and outlets. Further details of the branches and outlets can be found on the Company's website at: www.standardchartered.com

Major Customers

Taken together, the five largest customers of the Group account for 2.31 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2007.

Creditor Payment Policy

Operating businesses are responsible for agreeing the terms and conditions with their suppliers in the economies where they conduct business and for bringing those terms and conditions to the attention of the supplier. It is the Group's policy to pay creditors in accordance with the agreed terms and conditions, provided the supplier has complied with them.

Standard Chartered PLC is a holding company and does not trade. Therefore, it is not considered meaningful to give a number of days' purchases outstanding for the Company as at 31 December 2007. For the Group's operations in the United Kingdom, there were 35 days' purchases outstanding as at 31 December 2007.

Community Investment

The Group is committed to building a sustainable business and a more sustainable society. It recognises its responsibility to invest in the communities where it operates. In 2007, the Group made a total investment of \$24.5 million in the communities in which it operates. This includes direct financial support of \$18.2 million to various community programmes and non-governmental organisations, of which \$4.5 million was given to United Kingdom registered charities, focusing on supporting their work outside the United Kingdom.

In addition to many initiatives at a global, regional and local level the Group operates four major programmes; Living with HIV, Seeing is Believing, Empowering Women and Employee

Volunteering. Further details of community projects can be found in the Business Review on pages 18 to 33.

HIV/AIDS Policy

The Group is committed to addressing social, health and human rights issues confronting its employees, their families and the communities in which it operates. The Group recognises that the principal competitive advantage of any business is gained through its employees, and this advantage is only sustainable if they are healthy, skilled and motivated.

HIV/AIDS directly and indirectly impacts the Group's staff and therefore its business. The Group's policy on HIV/AIDS has been adopted across all the countries in which the Group operates and applies to all staff and their families in a manner consistent with existing medical cover. A copy of the Group's HIV/AIDS policy is available to shareholders on the Company's website at: www.standardchartered.com/sustainability

Environmental Policy

The Group recognises that it should minimise any adverse impact of the conduct of business on the environment. It therefore aims to manage its businesses with regard to the use of energy and other resources and by disposing of waste responsibly, by encouraging its customers to ensure that their products, processes and businesses do not damage the environment unnecessarily and by taking environmental considerations into account in business decisions.

A copy of the Group's environmental policy is available to shareholders on the Company's website at: www.standardchartered.com/sustainability

Social, Ethical and Environmental ('SEE') Responsibilities

A report on SEE responsibilities can be found on page 72 and further details of the Group's policies on SEE risk can be found on the Company's website: www.standardchartered.com/sustainability

Auditor

Having reviewed the independence and the effectiveness of the external auditors, a resolution will be proposed at the 2008 AGM to reappoint KPMG as auditor to the Company.

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director in order to make themselves aware of, and to establish that the auditors are aware of any relevant audit information.

Annual General Meeting

The Company's AGM will be held at 12 noon (UK time) (7.00 pm Hong Kong time) on Wednesday 7 May 2008 at The Plaisterers' Hall, One London Wall, London EC2Y 5JU. Details of the business to be transacted at the AGM are included in the Notice of AGM.

By order of the Board

Annemarie Durbin
Group Company Secretary
26 February 2008