

The Board of Standard Chartered PLC is responsible for the overall management of the Group and for ensuring that proper standards of corporate governance are maintained.

This report describes how the Board have applied the principles and provisions of the Code of Best Practice contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 (the 'Combined Code'). The directors confirm that throughout 2007 the Company complied with all the provisions of the Combined Code except that non-executive directors are not formally invited to meet major shareholders as part of their induction programme. However, the non-executive directors have the opportunity to attend meetings with major shareholders and analysts and they receive, in a timely manner, accurate information reflecting the views of the Company's institutional shareholders and other stakeholders.

The Company is a public company, listed on both the London and Hong Kong stock exchanges, and has sufficient share capital in public hands. The directors confirm that, throughout the financial year, the Company complied with the provisions of Appendix 14 of the HK Listing Rules.

The directors confirm that the Company has in place a code of conduct regarding securities transactions by directors on terms no less exacting than required by Appendix 10 of the HK Listing Rules and that the directors of the Company complied with this code of conduct throughout the financial period.

The Board

As at the date of this report, the Board is made up of the Chairman, four executive directors and ten independent non-executive directors and is collectively responsible for the success of the Company. In accordance with the Combined Code, at all times during the year, at least half the Board comprised non-executive directors. All directors are subject to election by shareholders at the first AGM after their appointment and

thereafter, to re-election at intervals of no more than three years. The Board meets regularly and has a formal schedule of matters specifically reserved for its decision. These matters include determining and reviewing the strategy of the Company and the Group, overseeing the Group's compliance with statutory and regulatory obligations and issues relating to the Company's and the Group's capital.

It is also responsible for the Group's structure and areas of operation, financial reporting, ensuring there is a sound system of internal control and risk management and appointments to the Board. The Group has a policy on delegated authority which sets out how executive authority is delegated from the Board to the CEO and on to the executive directors and other senior management. In addition, specific responsibilities have been delegated to Board Committees which have adopted terms of reference that govern their authority which can be found on the Company's website at www.standardchartered.com.

The Board has eight scheduled meetings each year. One of the meetings includes a two day offsite meeting devoted to the review and development of Group strategy. During 2007, two of the meetings were held outside the United Kingdom in countries where the Group operates. The directors use these overseas visits to meet staff, corporate customers and local government and regulatory officials.

The directors are given accurate, timely and clear information so that they can maintain full and effective control over strategic, financial, operational, compliance and governance issues. In addition, all directors have access to the services and advice of the Group Company Secretary and may take independent professional advice at the expense of the Company in the furtherance of their duties.

The following table shows the number of Board and Committee meetings held during the year and the attendance of individual directors.

	Board (Scheduled)	Audit & Risk Committee	Audit & Risk Committee (Ad hoc)	Board Nomination Committee	Board Nomination Committee (Ad hoc)	Board Remuneration Committee	Sustainability and Responsibility Committee
Number of meetings in 2007	8	6	2	3	1	5	3
E M Davies	8	–	–	3	1	–	3
J W Peace*	4/4	2/2	–	–	–	–	–
P A Sands	8	–	–	–	–	–	3
G R Bullock*	3/3	–	–	–	–	–	–
Sir CK Chow	8	–	–	–	–	–	–
M B DeNoma	8	–	–	–	–	–	–
J F T Dundas*	8	6	2	2/2	1	–	3
V F Gooding*	8	–	–	–	–	2/3	2
R H P Markham	7	6	1	3	0	–	–
R Markland	8	6	2	3	1	5	–
R H Meddings	8	–	–	–	–	–	–
S B Mittal*	4/4	–	–	–	–	–	–
P D Skinner	6	–	–	–	–	3	–
O H J Stocken*	7	–	–	–	–	5	0/0
Lord Turner	8	6	2	–	–	4	–
K S Nargolwala*	5/5	–	–	–	–	–	–

* Mr Peace was appointed as Deputy Chairman and Senior Independent Director with effect from 1 August 2007, and was appointed as a member of the Audit and Risk Committee on 3 August 2007. Mr Mittal was appointed as an independent non-executive Director with effect from 1 August 2007. Mr Bullock was appointed as Group Executive Director on 6 August 2007. Mr Dundas was appointed as a member of the Board Nomination Committee on 23 February 2007. Miss Gooding was appointed as a member of the Board Remuneration Committee on 23 February 2007. Mr Stocken was appointed to the Sustainability and Responsibility Committee on 11 September 2007. Mr Nargolwala resigned from the Board on 6 September 2007.

The directors have a diverse range of skills and experience and each brings an independent judgement and considerable knowledge to the Board's discussions. On appointment, each director receives a comprehensive and tailored induction covering the Group's business and operations and also the legal, regulatory and other obligations of a director of a dual-listed company. As well as a formal induction, directors receive ongoing training through a wide ranging programme to continually develop and update their knowledge and capabilities. Where an independent non-executive director is appointed to one of the Board's committees, additional relevant training is provided. Mr Peace was appointed as Deputy Chairman and Senior Independent Director, and Mr Mittal was appointed as an independent non-executive director both with effect from 1 August 2007. Mr Peace and Mr Mittal have substantially completed their induction programmes.

The Company has arranged appropriate insurance cover in respect of legal proceedings and other claims against its directors. In addition, the Company has granted qualifying third party indemnities to the directors and these indemnities remain in force as at 26 February 2008.

The Board's executive directors are not permitted to hold more than one non-executive directorship of a FTSE 100 company. Details of the directors' other directorships can be found in their biographies on pages 62 and 63.

Chairman, Deputy Chairman and Group Chief Executive

The separate roles and objectives of the Chairman, Deputy Chairman and the Group Chief Executive are clearly defined in written role descriptions which have been approved by the Board and are available on the Company's website at www.standardchartered.com.

Independent Non-Executive Directors

The Board considers that all of the non-executive directors are independent and has received from each of them the annual confirmation of independence required by the HK Listing Rules. Non-executive directors are appointed for an initial three-year term. The reviews of the non-executive directors who have served on the Board for more than six years are covered in the section on the work of the Board Nomination Committee below.

Mr J W Peace, in addition to being Deputy Chairman, is the Senior Independent Director. Shareholders may discuss any issues or concerns with the Senior Independent Director where they have been unable to resolve them through existing channels for investor communications. The Chairman meets with the non-executive directors without the executive directors being present at least annually.

The Board is aware of the other commitments of its non-executive directors and is satisfied that these do not conflict with their duties as directors of the Company. Changes to the commitments of the non-executive directors are reported to the Board.

Board Committees

The Board has four committees with specific delegated authorities: the Audit and Risk Committee, the Board Nomination Committee, the Board Remuneration Committee and the Sustainability and Responsibility Committee (previously the Corporate Responsibility and Community Committee).

The Board's committees are able to take independent professional advice or use external consultants, where appropriate, at the Company's expense.

Details of these committees and their members are given right and on pages 70-71.

Audit and Risk Committee

The members of the Audit and Risk Committee are:

Mr R H P Markham (chairman)
Mr J F T Dundas
Ms R Markland
Mr J W Peace (appointed 3 August 2007)
Lord Turner

All the members of the Committee are independent non-executive directors. The Board considers that each member brings a broad experience and knowledge of financial reporting to the Committee's deliberations. The Board is satisfied that the Committee's chairman has recent and relevant financial experience.

The Committee reviews and monitors the integrity of the Company's annual and interim financial statements, circulars to shareholders and any formal announcements relating to the Group's financial performance, including significant financial reporting judgements contained in them. The Committee also reviews the recommendations for provisions against bad or doubtful loans and other credit exposures. It keeps under review the appropriateness of the Group's accounting policies and considers changes to them. Ultimate responsibility for the approval of the annual and interim financial statements rests with the Board.

At least once a year, the Committee meets separately with each of the external auditor and Group Head of Internal Audit without management being present to discuss matters relating to the auditor's remit and any issues arising from the audit.

In relation to the Group's internal audit function, the Committee's responsibilities include:

- monitoring and assessing the role and effectiveness of the Group's internal audit function and receiving reports from the Group Head of Internal Audit on these matters; and
- considering the appointment, resignation or dismissal of the Group Head of Internal Audit.

In relation to the Group's external auditor, the Committee's responsibilities include:

- considering and making recommendations to the Board on the appointment, re-appointment, resignation or dismissal of the external auditor;
- approving the terms of engagement, nature and scope of the audit;
- reviewing the findings of the audit including any major issues that arose during the course of the audit;
- reviewing and monitoring the cost effectiveness of the audit taking into consideration relevant UK professional and regulatory requirements and approving the audit fee; and
- monitoring the fees paid to the auditor for non-audit work and providing prior approval of substantial non-audit work, in accordance with the Group's policy.

The Committee reviews and reports to the Board on the Group's compliance with relevant regulatory and statutory requirements. It also reviews the Group's overall principles for risk management and the processes by which each risk type is managed. It considers reports on the management of risk, including adherence to Group standards, and reports on compliance with policies in respect of liquidity, capital adequacy and interest rate management. The Committee reviews the Group's internal financial controls and the Group's internal control systems and reports on these to the Board. Details of the Company's internal

controls and how risk is managed can be found under the Internal Control section on pages 71 and 72.

During the year the Committee had six scheduled committee meetings where it covered all its responsibilities set out in its Terms of Reference. The Committee's activities also included regular reviews of progress towards the implementation of Basel II; monitoring the risks associated with the Group's rapid growth in countries such as China; and it reviewed the Group's policy and procedures for the governance of its subsidiaries. A further two half-day informal meetings were held to consider more closely the Group's new areas of business, balance sheet management and Basel II.

Arrangements are in place by which the Company's employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other areas. These arrangements are covered in the Company's 'Speaking Up' policy. The Committee is responsible for reviewing these arrangements and for ensuring that any matters of concern are investigated appropriately.

Board Nomination Committee

The members of the Board Nomination Committee are:

Mr E M Davies (chairman)
Mr J W Peace (appointed 20 February 2008)
Mr J F T Dundas (appointed 23 February 2007)
Mr R H P Markham
Ms R Markland

The Committee's responsibilities include:

- reviewing the structure, size and composition of the Board and making recommendations with regard to any changes that the Committee deems necessary to ensure the Board has the optimum balance of skills, knowledge and experience;
- where Board vacancies arise, evaluating the skill, knowledge and experience needed to fill the vacancy, and identifying and nominating suitable candidates to the Board; and
- keeping under review the succession plans for the Group relating to both directors and other senior executives to ensure the Company continues to compete effectively in the marketplace and making consequential recommendations to the Board.

The Committee is also responsible for making recommendations to the Board for the appointment of the Group Chairman, Group Chief Executive or any other director. The Group Chairman will not chair any meeting at which the Committee is considering the appointment of a successor to the Group Chairman.

In the selection process for new directors, the Committee can consult external advisors. An external search consultant was used in the selection processes prior to the appointments of Mr Peace as an independent non-executive director, Deputy Chairman and Senior Independent Director and Mr Mittal as an independent non-executive director. Before recommending the appointment of a non-executive director, the Committee considers the suitability of a candidate against the skills, knowledge and experience required to produce a balanced Board. In addition, the Committee takes into account whether the candidate would have an appropriate amount of time to devote to their duties.

During the year, the Committee reviewed and was assured of the Group's succession planning processes and the succession plans relating to executive directors and other senior executives with continued focus on both the identification and development of a successor pool that reflects the diversity of our geographic footprint.

Mr Markham has served on the Board for more than six years and the Committee has carried out a rigorous review of his performance and contributions to the deliberations of the Board and the Audit and Risk Committee during 2007. The Committee, as part of its review, has taken into account the need for the progressive refreshing of the Board and believes that Mr Markham continues to be committed to the Company and remains independent in character and judgement.

In addition, the Committee has reviewed the performance of the non-executive directors standing for re-election at the 2008 AGM and made recommendations to the Board on their re-election. Members of the Committee take no part in any discussion concerning their own performance or circumstance.

Board Remuneration Committee

The members of the Board Remuneration Committee are:

Ms R Markland (chairman)
Miss V F Gooding (appointed 23 February 2007)
Mr P D Skinner
Mr O H J Stocken
Lord Turner

The Committee determines the pay and benefits of the Group Chairman, the Group Chief Executive and all other executive directors. It also reviews and approves the remuneration of certain other highly paid senior management. The remuneration of all directors and senior management is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate.

A statement of the Company's remuneration policy for directors and details of the work of the Committee are included in the Directors' Remuneration Report on pages 73 to 85.

Sustainability and Responsibility Committee

The members of the Sustainability and Responsibility Committee are:

Mr E M Davies (chairman)
Mr P A Sands
Mr J F T Dundas
Miss V F Gooding
Mr O H P Stocken (appointed 11 September 2007)

The Committee considers matters relating to how Standard Chartered can build a sustainable business through consideration of environmental protection, social investment, economic development and other sustainability and responsibility matters which are an integral part of enhancing the Company's long-term shareholder value.

The Committee's responsibilities include:

- ensuring that the Group's sustainability and responsibility aspirations and business activities are aligned;
- responding to emerging sustainability and responsibility issues arising from external trends in sustainability, regulation, legislation, stakeholder guidance and reporting;
- reviewing new Company policies or material changes to existing policies relating to matters of sustainability and responsibility, to ensure changes are in line with sustainability and responsibility principles and reflect emerging trends and developments; and
- ensuring that the Group is in a position to deliver an annual Sustainability Review in line with best practice.

During the year, the Committee discussed progress against the sustainability priority areas including the Group's response to protecting the environment, responsible selling and marketing of products and services, microfinance and financial inclusion, and diversity and inclusion.

The Committee ensures that the Group continues to make progress in its efforts to understand and respond to the concerns and interests of stakeholders. The Group has a formal plan for stakeholder engagement that builds on the comprehensive work already carried out on employee engagement and customer satisfaction. In 2007, this plan focused at a Group level on the socially responsible investment analyst community, development organisations as well as on the development and environmental departments within the UK government.

The findings of this stakeholder research, alongside peer analysis and consideration of recognised sustainability benchmarks and indices are used in setting the agendas for the Committee's meetings.

Performance Evaluation

The Board is responsible for ensuring that a rigorous evaluation is carried out of its performance, and that of its committees and individual directors.

During 2007, each of the directors completed a questionnaire and supplementary interviews were held between the Chairman and each of the non-executive directors. The evaluation of the Chairman formed part of this process. The results of the evaluation were presented to the Board and the Board was satisfied that it continues to operate in an effective manner. Individual appraisals of the directors were undertaken during 2007 by the Chairman, Group Chief Executive and Board Nomination Committee as appropriate.

The Board Nomination Committee and the Board Remuneration Committee each conducted a questionnaire based self-assessment of their effectiveness. The performance of the Audit and Risk Committee was evaluated by an independent external assessor. The Sustainability and Responsibility Committee carried out a full review of its remit during 2007, and as a result, revised its terms of reference.

Relations with Shareholders

The Board recognises the importance of good communications with all shareholders. There is a regular dialogue with institutional shareholders and general presentations are made when the financial results are announced. The AGM is used as an opportunity to communicate with all shareholders.

The Combined Code requires companies send the notice of the AGM to shareholders at least 20 working days before the date of the meeting. In addition to this requirement the Company will always give shareholders the 21 days' notice required by the Companies Act 2006 and the HK Listing Rules. Separate resolutions are proposed for each substantially separate issue. The Company displays the proxy voting on each resolution at the AGM and the full voting results on the Company's website. The notice of AGM is also available on audio cassette and CD.

The Company encourages its shareholders to receive the Company's corporate documents electronically. The annual and interim financial statements, notice of AGM and dividend circulars are all available electronically. Shareholders are also able to vote electronically on the resolutions being put to the AGM. If you do not already receive your corporate documents electronically and would like to do so in future please contact the Company's Registrars at the address on page 166.

Auditor Independence and Objectivity

The Company has adopted a policy on the use of non-audit services provided by the Company's external auditor, KPMG. The Audit and Risk Committee's pre-approval is required before the Company uses non-audit services that fall within definitions contained in the policy. The non-audit services of KPMG will only be used where the Company benefits in a cost-effective manner and the auditor maintains the necessary degree of independence and objectivity.

In addition to audit-related services, KPMG provided the following types of services in 2007:

- tax advisory and compliance;
- advice and support with due diligence exercises;
- advice on IFRS accounting;
- regulatory reviews and reporting;
- corporate recovery services; and
- risk and compliance advisory services.

Details of the amounts paid to KPMG during the year for audit and non-audit services are set out in note 8 to the accounts.

Going Concern

The Board is satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason it continues to adopt the going concern basis when preparing the financial statements.

Internal Control

The Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events. To achieve this, the Board has established a process for the identification, evaluation and management of the risks faced by the Group which operated throughout the year ended 31 December 2007 and to 26 February 2008, the date the Board approved this annual report and accounts. It should be recognised that such a process can only provide reasonable, not absolute, assurance against material misstatement or loss. This process is reviewed regularly by the Board and meets the requirements of the guidance entitled 'Internal Control: Guidance for Directors on the Combined Code' issued by the Institute of Chartered Accountants in England and Wales in 1999 and revised in 2005. The system of internal control of the Group is also subject to regulatory oversight in the United Kingdom and overseas.

The effectiveness of the Group's internal control system is reviewed regularly by the Board, its committees, Group management, and Group Internal Audit. The Audit and Risk Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2007 and reported on its review to the Board. The Committee's review was supported by an annual business self-certification process, which was managed by Group Internal Audit.

Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of business audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology.

Group Internal Audit reports regularly to the Audit and Risk Committee, the Chairman and to the Group Chief Executive. The findings of all adverse audits are reported to the Chairman and to the Group Chief Executive and immediate corrective action is required.

The Risk Review on pages 43 to 61 describes the Group's risk management structure. The Group's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. This ensures that there are written policies and procedures to identify and manage risk including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile.

The performance of the Group's businesses is reported regularly to senior line management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions.

Compliance and Regulatory Matters

During 2004, Standard Chartered Bank entered into a Written Agreement with the Federal Reserve Bank of New York and the New York State Banking Department to address deficiencies relating to compliance with applicable federal and state laws, rules and regulations governing anti-money laundering. The Bank achieved full compliance with the terms of the Written Agreement during 2007, and accordingly the Written Agreement was lifted by the regulators.

Group Code of Conduct

The Board has approved a Group Code of Conduct relating to the lawful and ethical conduct of business and this is supported by the Group's core values. The Group Code of Conduct has been communicated to all employees. All employees are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Group operates.

Social, Ethical and Environmental Responsibilities

The Group complies with the guidelines issued by the Association of British Insurers on socially responsible investment and reporting on social, ethical and environmental ('SEE') matters and is committed to the communities and environments in which it operates. The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. The Group has established and maintains policies and procedures in relation to SEE related risks. Details of these policies can be found on the Company's website at: www.standardchartered.com/sustainability. Through the Group's risk management structure and control framework, the Board receives regular and adequate information to identify and assess significant risks and opportunities arising from SEE matters.

Designated policy owners monitor risks in their area. They also work with line management to assist them in designing procedures to ensure compliance with these requirements. In every country, the Country Management Committee ('MANCO') supported by the Country Operational Risk Group ('CORG') is responsible for ensuring there are risk management frameworks in place to monitor, manage and report SEE risk. The Country Chief Executives chair both the MANCOs and CORGs.

Compliance with these policies and procedures is the responsibility of all managers. In assessing, incentivising and rewarding performance, guidance to managers was published during 2002. This explicitly states that account should be taken of adherence to all relevant Group policies, including those associated with SEE risk. Significant exceptions and emerging risks are escalated to senior management through clearly documented internal reporting procedures such as MANCO.

Key areas of risk are those associated with customers' social issues and any impact they may have on the natural environment. The Board recognises its responsibility to manage these risks and that failure to manage them adequately would have an adverse impact on the Group's business. These risks are implicitly recognised in reaching lending decisions explicitly identified in the Group's lending policies. The Group has adopted the revised Equator Principles 2 that set procedures, based on the International Finance Corporation guidelines, for recognising the environmental and social impacts and risks associated with project finance. The Principles have been embedded in the Group's project finance lending policy and procedures.

The Group continues to review and, where appropriate, strengthen its money laundering prevention policies, procedures and training.

The Board is not aware of any material exceptions to its policies.