

Dear Shareholder

The Directors' Remuneration Report (the 'DRR') has been prepared by the Board Remuneration Committee (the 'Committee') and approved by the Board as a whole. In line with previous years, this report sets out:

- background information on the Committee's members, role and advisors;
- the Group's remuneration policy for executive directors and other employees;
- an outline of the remuneration arrangements for the Group Chairman, executive directors and non-executive directors;
- detailed information on the Group's share plans;
- tabular information on directors' emoluments, pension arrangements and share awards; and
- tabular information on highest paid individuals.

2007 was a busy year for the Committee. As the Group continued to grow both organically and inorganically, the Committee conducted, at the beginning of the year, a full review of its effectiveness. As a result of this, we were able to prioritise discussions to enable the Committee to focus on key substantive issues. In addition to our regular agenda items, such as reviewing directors' compensation, managing the Group-wide variable compensation spend and reviewing share plan design and performance conditions, we held specific sessions on other remuneration-related issues including, amongst other things:

- Wholesale Bank's reward programmes, to ensure that these are consistent with the business strategy and market practice, but also aligned with the Group's overarching reward principles; and
- an extensive strategic review of the overall shape of the executive remuneration package, including the balance between fixed, short and long term elements.

On behalf of the Committee, I encourage you to vote in favour of our report at the Company's 2008 Annual General Meeting and, in the meantime, welcome any questions and feedback that you may have.

## Ms R Markland

Chairman, Board Remuneration Committee  
26 February 2008

## Background Information on the Committee Membership

In 2007, the Committee comprised the following independent non-executive directors:

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

## Role of the Committee

During 2007, the Committee met five times. Details of attendance at meetings by Committee members are shown on page 68.

The Committee has specific terms of reference which are placed on the Group's website at [www.standardchartered.com](http://www.standardchartered.com). It considers and recommends to the Board the Group's remuneration policy and agrees the individual remuneration packages of the Group Chairman, Group Chief Executive and all other executive directors.

The Committee also reviews and approves the remuneration of certain other highly paid senior management of the Group and advises on any major changes in employee remuneration throughout the Group, including the continuous review of incentive schemes to ensure that they remain appropriate.

## Advisors to the Board Remuneration Committee

In 2004, the Committee appointed Kepler Associates as its independent advisors. In 2007, the Committee reappointed Kepler Associates to advise it on a range of executive remuneration-related issues for a further 12-month period. Kepler Associates does not provide any other advice or services to the Group.

In addition, during 2007, the Committee received advice from the Director of People, Property and Assurance (Dr T J Miller), the Group Head of Human Resources (Mrs T J Clarke) and the Group Head of Reward (Dr N A Cuthbertson). Their advice draws on formal remuneration survey data provided by Towers Perrin and McLagan Partners.

Towers Perrin also provided advice to the Group on executive remuneration issues as well as retirement consulting issues in North America and, together with Clifford Chance LLP, on the design and operation of the Group's share plans. Clifford Chance LLP also advises on issues relating to executive directors' contracts. McLagan Partners also provided advice to the Group on market practice in variable compensation plans within the wholesale banking sector.

## Remuneration Policy Group

The success of the Group depends upon the performance and commitment of talented employees. The Group's reward programmes support and drive its business strategy and reinforce its values. Its existing remuneration policy for 2007 and, so far as practicable, for subsequent years is to:

- support a strong performance-oriented culture and ensure that individual rewards and incentives relate directly to the performance of the individual, the operations and functions in which they work or for which they are responsible, the Group as a whole and shareholders' interests; and

- maintain competitive reward that reflects the international nature of the Group and enables it to attract and retain talented executives of the highest quality internationally. Many of the Group's employees bring international experience and expertise to the Group and the Group recognises that it recruits from an international marketplace.

The Committee reviews the remuneration policy on a regular basis against significant regulatory developments, market practice and shareholder expectations.

## Executive Directors

Target remuneration levels for the executive directors are set with reference to individual experience as well as the pay levels in the FTSE 30 and the Group's international competitors. These two groupings have business characteristics similar to the Group such as international scope of operations, complexity and size (both in financial terms and with regard to numbers of employees), and represent organisations which compete alongside the Group for talent.

Although target remuneration levels are aligned to the market, excellent performance by both the Group and by the individual executive director is rewarded with higher bonus levels and share awards, taking potential total remuneration to the upper quartile or higher of the Group's key international competitors.

As the table below demonstrates, each executive director's target remuneration is structured to give the heaviest weighting to performance-related elements.

	Percentage of indicative total target remuneration	Percentage of actual 2007 total remuneration*
Base Salary	34%	23%
Bonus	43%	42%
Long-Term Incentives**	23%	35%

\* Based on average of Group Executive Directors

\*\* Includes an expected value of target share awards.

## Other Employees

The Committee considers the remuneration policy in the context of all Group employees.

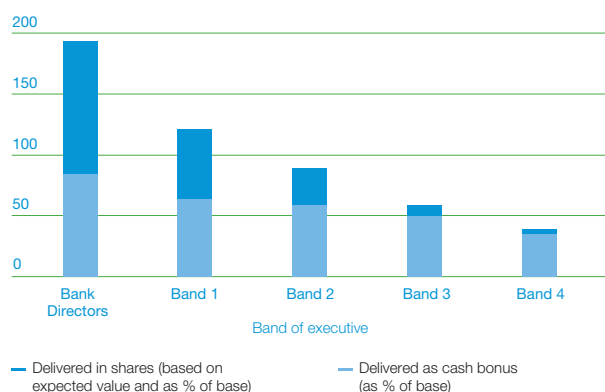
Base salaries of employees are determined in a similar way to those of executive directors. The Group's approach is to ensure that target total compensation is benchmarked to the relevant market in which the individual is employed. Potential total compensation is set at upper quartile or higher for excellent individual and business performance. In addition:

- all employees are eligible to receive a discretionary bonus dependent upon performance and their contractual position;
- all employees are eligible to participate in the Group's all-employee sharesave schemes;
- core benefits are provided to all employees worldwide based on local regulations and competitive practice. These will normally include retirement benefits, medical insurance, life assurance and annual leave;
- all employees are eligible to receive an award under one or more of the Group's discretionary share plans depending on performance and potential. The Group is actively seeking to extend the level of equity participation enabling more employees to share in the Group's success, rewarding and retaining talent throughout the Group at all levels. In 2005 and 2006, over 1,000 and 1,300 employees respectively received a discretionary share award for the first time. In 2007, a further 1,591 were added to this total; and

- the Group is keen that an element of each employee's total compensation is performance-related. The proportion of this variable compensation (which might be delivered through bonus and share awards) increases with seniority. In addition, as the chart below shows, the balance of shares as opposed to cash also increases with seniority. The chart also shows the typical level of target variable compensation for senior executives/management (the Group's bands 1-4) expressed as a percentage of base salary.

## Breakdown of target variable compensation between cash and shares

As a percentage of base salary



Although the above principles apply Group-wide, there is some variation in how compensation is delivered. The Group employs 70,000 employees worldwide in over 50 countries and territories. There are differing local market conditions which means compensation is often structured in different ways (for example, base salaries are not always the only element of core compensation). Furthermore, due to the different costs of living in the countries in which the Group operates and fluctuations in foreign exchange rates, the Committee does not consider a ratio comparison between executive directors and non-Board employees to be a useful way of assessing the fairness of the Group's practices.

## Remuneration Arrangements for Executive Directors Base Salaries

Salary levels are reviewed annually by the Committee taking account of the latest available market data.

Any increases in annual base salary are normally effective from 1 April of the relevant year. The annual base salary levels of executive directors as at 31 December 2006 and 31 December 2007 were as follows:

	31 December 2006*	31 December 2007	Increase as a percentage of base salary
P A Sands	\$1,102,970 (£550,000)	\$1,504,050 (£750,000)	36.36%
G R Bullock	n/a**	\$952,565 (£475,000)	n/a
M B DeNoma	\$932,511 (£465,000)	\$982,646 (£490,000)	5.38%
R H Meddings	\$932,511 (£465,000)	\$1,022,754 (£510,000)	9.68%

\* In 2007, increases to base salaries took effect from 1 January following the reconfiguration of the executive directors' portfolios as a result of Board changes in November 2006.

\*\* Mr Bullock was appointed to the Board with effect from 6 August 2007.

## Annual Performance Bonus

### Eligibility Criteria

Executive directors (and most employees) are eligible to receive a discretionary annual bonus. The objective of the annual bonus is to focus participants on the achievement of annual objectives, which align the short-term performance of the Group with the creation of shareholder value.

### Plan Mechanics

The target and maximum award levels for executive directors are 125 per cent and 200 per cent of base salary respectively. Two-thirds of any bonus payment is payable immediately in cash. The balance is deferred into Company shares, which vest up to one year later. The deferred element is forfeited if the executive leaves voluntarily during that period. Notional dividends accrue on deferred shares during the vesting period and are delivered in the form of shares.

As part of its strategic review of executive compensation, the Committee reviewed the existing maximum it had previously set under the plan and decided to exercise its discretion to increase it, for outstanding performance, with effect from 2008, from 200 per cent to 250 per cent of base salary. Any bonus over the previous plan maximum would be awarded entirely in deferred shares. No change has been made to the target bonus level which remains at 125 per cent of salary.

The change in maximum bonus ensures that the Plan remains competitive against the market, increases the proportion of the annual incentive awarded for exceptional performance which is deferred and provides the Committee with greater scope to differentiate in award levels for those with exceptional performance.

### Bonus Pools

The Committee has oversight on the overall spend under the Group's Annual Bonus Plan in which executive directors and employees participate. The bonus pool size is linked to the Committee's formal assessment of Group performance by considering a number of quantitative and qualitative measures, including earnings per share; revenue growth; costs and cost control; bad debts; operating profit; risk management; cost to income ratio, total shareholder return, corporate social responsibility and customer service.

### Determining Individual Awards

Executive directors' bonus awards are made based on Group (as described above) and individual performance.

Personal performance is appraised taking account not only of the results achieved by the individual but also their support of the Group's values and contribution to the collective leadership of the Group. The 'values' principle is applied throughout the organisation. Each executive director has written objectives which are presented to the Committee at the start of the financial year and then assessed at the year-end.

The importance of individual and Group performance as a determinant of the level of awards is reflected in the variation of actual bonus award levels made to executive directors in recent years.

	Min award actually made (as percentage of base salary)	Max award actually made (as percentage of base salary)	Target award (as percentage of base salary)	Max award permitted under rules (as percentage of base salary)
2007	164%	200%	125%	200%
2006	161%	191%	125%	200%

## Long Term Incentives

### 2001 Performance Share Plan (the 'PSP')

#### Outline of the PSP

The PSP is designed to be an intrinsic part of total remuneration for the Group's executive directors and a growing number of the Group's senior executives. It is an internationally competitive long-term incentive plan that focuses executives on meeting and exceeding the Group's long-term performance targets. The significance of the PSP as a percentage of executive directors' total potential remuneration is one of the strongest indicators of the Group's commitment to paying for demonstrable performance.

Under the PSP, awards of deferred rights or nil price options to acquire shares are granted and are exercisable after the third, but before the tenth anniversary of the date of grant, if the individual is still employed by the Group.

The target and maximum levels of award are 150 per cent and 400 per cent of base salary respectively in any one year. Awards are entirely discretionary and are based on directors' individual performance.

As shown in the table below, there has been variation in the levels of share awards made to executive directors, again illustrating the importance the Group places on individual performance. A performance test is therefore effectively applied both at the time of award and upon vesting. The table shows the face value of the awards made in recent years.

	Min award actually made (as percentage of base salary)	Max award actually made (as percentage of base salary)	Target award (as percentage of base salary)	Max award permitted under rules (as percentage of base salary)
2007	250%	275%*	150%	400%
2006	275%	350%	150%	400%

\* As disclosed in last year's report and accounts, a PSP award of £2.6 million was granted to Mr Davies in respect of his performance as Group CEO for the financial year ending 31 December 2006. This award equated to 306 per cent of his former base salary.

At its meeting in February 2008, the Committee recommended the following proposed PSP awards for executive directors in respect of performance for the 2007 financial year.

	Face value (£000s)	Percentage of current base salary
P A Sands	2,625	350%
G R Bullock	1,544	325%
M B DeNoma	1,348	275%
R H Meddings	1,785	350%

The Committee reviewed the performance conditions in 2007 and concluded that, in aggregate, the combination of the EPS and TSR performance measures and their targets remained appropriate, providing a balance between driving stretching performance and having an effective retention and motivation tool.

### Performance Conditions

The Committee will set appropriate performance conditions each time that awards are made under the PSP. Half of the award is dependent upon the Group's TSR performance compared to that of a comparator group at the end of a three-year period. The other half of the award will be subject to an EPS growth target applied over the same three-year period.

The rationale for the selection of these performance conditions is set out in the following table:

TSR	Measuring growth in share price plus dividends paid to shareholders during that period, relative TSR is recognised as one of the best indicators of whether a shareholder has achieved a good return on investing in the Group relative to a basket of companies or a single index.
EPS	An EPS performance condition provides an appropriate measure of the Group's underlying financial performance.

**TSR Element**

The constituents of the TSR Comparator Group are set out in the table below:

ABN AMRO	HSBC
Bank of America	JP Morgan Chase
Bank of East Asia	Lloyds TSB
Barclays	Overseas Chinese
Citigroup	Banking Corporation
DBS Group	Royal Bank of Scotland
Deutsche Bank	United Overseas Bank
HBOS	Standard Chartered

The percentage of award which will normally be exercisable at the end of the relevant three-year performance period is as follows:

Position within Comparator Group	Percentage of award exercisable
9th – 15th	Nil
8th	15
7th	22
6th	29
5th	36
4th	43
1st – 3rd	50

The Committee believes that it is preferable to measure TSR performance using a local currency approach. This is considered the most appropriate approach given the international composition of the Comparator Group, particularly as a significant proportion of comparator companies' profits are in the same currency as their primary listing. This local currency approach measures the real impact for a shareholder focusing on relative stock movement rather than taking into account exchange rate fluctuation.

**EPS Element**

The percentage of award which will normally be exercisable at the end of the relevant three-year performance period is as follows:

Increase in EPS	Percentage of award exercisable
Less than 15%	Nil
15%	15
Between 15% and 30%	>15 but <50*
30% or greater	50

\* Calculated on a straight-line basis.

**Vesting of Awards**

The Committee recently reviewed whether the performance conditions on the awards granted in 2005 were satisfied at the end of December 2007. At the end of the performance period, the Group was ranked third out of the comparator group of 15 in terms of TSR. Over the same period, the Group's EPS growth was 58 per cent. Consequently, the Committee determined that 100 per cent of the shares subject to each award has now vested. For awards granted in 2007, normalised EPS of 170.7 cents was used as a base EPS figure.

**2000 Executive Share Option Scheme (the '2000 ESOS')  
Outline of the 2000 ESOS**

It is proposed that no further awards will be made under the 2000 ESOS. However, the scheme will be retained for use in exceptional circumstances or if there is a subsequent change in policy in response to future market trends.

Executive share options to acquire the Company's ordinary shares are exercisable after the third, but before the tenth, anniversary of the date of grant. The exercise price per share is the share price at the date of grant and options can normally only be exercised if a performance condition is satisfied.

**Performance Conditions**

Options awarded since January 2004 are subject to a sliding scale EPS target without re-testing, as set out in the following table.

Increase in EPS (over performance period)	Percentage of award exercisable
Less than 15%	Nil
15%	40
Between 15% and 30%	>40 but <100*
30% or greater	100

\* Calculated on a straight-line basis.

**Vesting of Awards**

The Committee recently reviewed whether the performance conditions on the awards granted in 2005 were satisfied at the end of December 2007. Over this period, the Group's EPS growth was 58 per cent. As a result, 100 per cent of the options subject to each award has now vested.

**Restricted Share Scheme (the 'RSS')**

The RSS is designed to motivate and retain high performing and high potential staff at any level of the organisation.

Executive directors are not generally eligible to participate in the RSS. However, upon recruitment to the Group, awards may be made on an exceptional basis, for example, to newly appointed executive directors to compensate such directors for share awards forfeited on leaving their previous employer. No such awards have been made since 2003.

Under the RSS, the value of shares awarded in any year to any individual may not exceed two times' their base salary. 50 per cent of the award vests two years after the date of grant and the balance after three years. The RSS, in line with other similar schemes operated by our competitors, does not have performance conditions.

Along with the all-employee sharesave schemes detailed below, the RSS plays an important part in the Group's ambition to increase employee share ownership at all levels across its operations internationally.

### All-employee Sharesave Schemes

The Group believes strongly in encouraging employee share ownership at all levels in the organisation. It seeks to engage employees in the Group's performance, align their interests more closely with those of shareholders and offer them an opportunity for long-term savings and a share in the Group's financial success which they help to create. The Group has operated UK and International sharesave schemes since 1984 and 1996 respectively, the latter being specifically launched to allow all non UK based employees to participate.

Under sharesave, employees are invited to open a three-year or a five-year savings contract. Within a period of six months after the third or fifth anniversary, employees may purchase ordinary shares in the Company at a price which is at a discount of up to 20 per cent on the share price at the date of invitation. As at 31 December 2007, 42 per cent of employees globally participate in the Group's all-employee sharesave schemes (2006: 37 per cent). There are no performance conditions attached to options granted under these schemes.

In some countries in which the Group operates, it is not possible to operate sharesave, typically because of securities laws, regulatory or other similar issues. In these countries the Group offers an equivalent cash-based scheme to its employees.

Further details on the long term incentives operated by the Group are set out in note 41.

### Shareholding Guidelines

The Group operates a shareholding guideline policy which aims to align the interests of executives with shareholders by ensuring that they build up a significant equity stake in the Company. The key aspects of the guidelines are as follows:

- there is a single shareholding target for employees at specific levels;
- executives will be expected to retain any shares acquired on the exercise of awards granted under the 2000 ESOS, the PSP and the Deferred Bonus Plan until such time as the shareholding guideline is satisfied. However, executives may sell sufficient shares to pay for any tax and exercise price (if any). Vested but unexercised RSS awards and interests under the Deferred Bonus Plan count towards the guideline level; and
- the Committee annually reviews the progress made by executives in terms of meeting their guideline targets. It will also continue to review the guideline levels to ensure they remain challenging and appropriate.

The current guideline levels are as follows:

Group CEO	at least 100,000 shares
Group Executive Directors	at least 60,000 shares
Standard Chartered Bank Directors	at least 40,000 shares
Other Senior Management	at least 10 – 15,000 shares

### Retirement Benefits

All of the executive directors are eligible for retirement benefits. The Group policy is to provide a retirement benefit to executive directors, equivalent to two-thirds of base salary for those who have completed at least 20 years' service with the Group at retirement.

The retirement benefits are provided through a combination of approved and/or unapproved defined benefit and cash structures depending upon when the executive director joined the Group and his geographical location. Executive directors are given the opportunity to waive a proportion of any potential bonus to enhance their unfunded unapproved retirement benefits. Any amounts waived in respect of 2007 are shown on page 81 and

the additional pension benefits have been calculated by the Group's actuary using the assumptions adopted for IAS 19 reporting.

The defined benefit plans comprise a combination of the Standard Chartered Pension Fund, an approved non-contributory scheme, and an unapproved retirement benefit scheme. The unapproved scheme is unfunded but the benefits are secured by a charge, in the name of an independent trustee, over specific Group assets. The unapproved unfunded retirement benefit scheme provides that part of the benefit which exceeds the lifetime allowance. In other respects the terms of the unapproved scheme are designed to mirror the provisions of the Standard Chartered Pension Fund. On the death in service of an executive director, pension benefits are available to a spouse and dependant children and a lump sum is payable.

Base salary is the only element of remuneration which is pensionable.

### Executive Directors' Contracts of Employment

The Group policy is for all executive directors to receive and be required to give 12 months' notice. The dates of the executive directors' contracts of employment are as follows:

Mr P A Sands	31 December 2003
Mr G R Bullock	19 October 2004
Mr M B DeNoma	11 December 2003
Mr R H Meddings	12 December 2003
Mr K S Nargolwala*	14 December 2006

\* Mr Nargolwala resigned from the Board on 6 September 2007.

All executive directors have contracts subject to 12 months' rolling notice. These terminate automatically at the first annual general meeting following the executive directors' 60th birthday.

The contracts contain payment in lieu of notice ('PILON') provisions which can be exercised at the Group's discretion. The PILON would comprise an amount equal to 12 months' base salary, pension contributions/entitlement and certain benefits and allowances (such as life assurance and car allowance). The amount of any bonus payable as part of a PILON is determined by the Committee taking into consideration individual and Group performance. Any payment under the PILON provisions would be paid in quarterly instalments and be subject to mitigation.

There are special provisions which apply in the event that the Company terminates the executive's contract in the 12 months following a change of control without giving notice. These provide that, if the executive's contract is terminated by the Group (other than where summary dismissal is appropriate or the executive serves out notice), the Group will pay in four equal instalments an amount equal to 12 months' base salary, bonus, pension contributions/entitlement and certain benefits and allowances. The amount of bonus payable in respect of the 12 months following the date of termination is the executive's target bonus. The amount of bonus payable in respect of the performance period which the executive director worked prior to termination will be decided by the Committee taking into consideration individual and Group performance, unless such a period is less than six months, in which case a pro rata target bonus is payable.

### Group Chairman Contract

Mr Davies' contract of employment is dated 23 February 2007 and is subject to 12 months' rolling notice, albeit that the contract automatically expires on 31 December 2011. The terms of his contract governing PILON provisions and payments on termination are similar to those outlined above in relation to executive directors.

## Compensation

Mr Davies is paid a base fee of \$1,303,510 (£650,000) per annum, payable in cash. In addition, he is provided with a car and driver, private healthcare provision and life assurance coverage. As reported last year, Mr Davies received a final PSP award in March 2007 in respect of his performance as Group Chief Executive during the financial year ended 31 December 2006. As Group Chairman, Mr Davies is no longer eligible to receive future discretionary share awards or to participate in either the Group's annual bonus or retirement plans. The Chairman's fees will be reviewed in 2008.

## Non-executive Directors of Standard Chartered PLC

The fees of the non-executive directors are determined by the Chairman and the executive directors and are non-pensionable. Non-executive directors' fees are reviewed at least every two years and, as with executive directors' remuneration, reflect the international nature of the roles which they perform.

Basic annual fees and committee fees are set to be competitive against the Group's international comparator group. The non-executive directors' fees were reviewed in July 2007 and are set out in the table below (fees prior to review are shown in italics). Increases in fee levels, particularly for involvement in committees, reflect, in part, the growing regulatory and governance responsibilities resulting in an increase in the time commitment required by non-executive directors.

	Ordinary membership	Chairmanship
PLC Board	\$130,351 (£65,000) <i>\$120,324 (£60,000)</i>	—
Deputy Chairman*	\$300,810 (£150,000)	—
Audit and Risk	\$40,108 (£20,000) <i>\$30,081 (£15,000)</i>	\$100,270 (£50,000) <i>\$80,216 (£40,000)</i>
Board Nomination	\$15,041 (£7,500) <i>\$6,016 (£3,000)</i>	N/A**
Board Remuneration	\$30,081 (£15,000) <i>\$25,068 (£12,500)</i>	\$60,162 (£30,000) <i>\$50,135 (£25,000)</i>
Sustainability and Responsibility	\$10,027 (£5,000) <i>\$10,027 (£5,000)</i>	N/A**

\* Mr J W Peace was appointed as Deputy Chairman and Senior Independent Director with effect from 1 August 2007 and receives an all-inclusive fee.

\*\* Mr Davies is chairman of the Board Nomination Committee and the Sustainability and Responsibility Committee. As Group Chairman, he does not receive any fees in his capacity as a member of either committee.

Further detail on non-executive directors' fees is set out on page 80.

## Details of Non-executive Directorships held by the Executive Directors

Certain directors serve as non-executive directors of other companies. Details of these directorships are contained on pages 62 and 63. Details of non-executive fees of executive directors are shown below:

Name	Organisation	Current annual fees
G R Bullock	Fleming Family & Partners Limited MCashback Limited Spirax-Sarco Engineering plc	No fees payable No fees payable \$60,162*
M B DeNoma	MasterCard Asia Pacific Pte Ltd	No fees payable

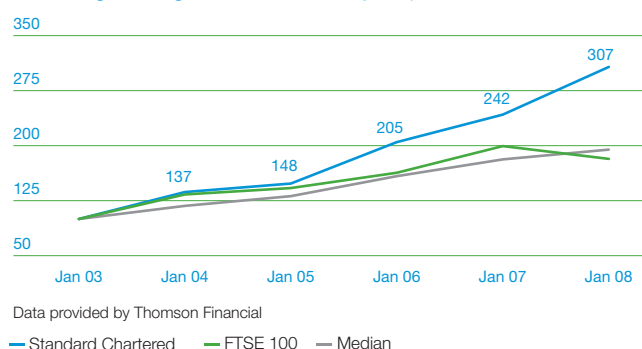
\* Indicates fees are retained by the director.

## Performance Graph

The graph below shows the Group's TSR performance on a cumulative basis over the last five years alongside that of the FTSE 100 and the PSP comparator group. The FTSE 100 provides a broad comparator group against which the Group's shareholders may measure their relative returns. The Company is a constituent member of the FTSE 100 Index and the London Stock Exchange is the principal exchange for the Company's shares.

## Total Shareholder Return Performance Graph

Percentage change in TSR over five-year period



### Miscellaneous Long Term Incentive-related Matters Employee Benefit Trusts

The Group has two employee benefit trusts which are administered by an independent trustee and which hold ordinary shares to meet various obligations under the Group's incentive plans. One trust (the '2004 trust') is used in conjunction with the 2004 Deferred Bonus Plan. The other trust (the '1995 trust') holds shares to satisfy the exercise of awards under the Group's various share plans. The independent trustee does not have any rights to dividends and voting is at the discretion of the trustee.

The respective holdings of the trusts are as follows:

	31 December 2007	31 December 2006
1995 trust	261,495	2,148,874
2004 trust	377,270	311,157

As the Chairman and each executive director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 1985, to have an interest in the trusts' shares.

### Dilution Limits

The Group's existing share plans contain various limits which govern the amount of awards that may be granted and also the amount of shares which may be issued to satisfy any subsequent exercise of awards. These limits, which are monitored, are in line with those stated in the Association of British Insurers' corporate guidelines. Under the terms of the Company's listing on the Stock Exchange of Hong Kong, there is an additional limit which provides that awards under any plan cannot be granted (whether to be satisfied through the issue of new shares or market purchased shares) which would cause the total number of shares under option (all schemes) to exceed 10 per cent of issued share capital at that time.

### Vesting Provisions on a Change of Control

The rules of the PSP do not provide for automatic vesting in the event of a change in control. However, the rules do provide that the number of shares subject to the award be pro-rated, based on the length of the shortened performance period. The Committee may 'at its discretion, and acting fairly and reasonably', determine the extent to which awards vest having regard for the performance of the Group in the period since the date of grant.

### International Financial Reporting Standards

Details on how share awards have been expensed under IFRS 2 are set out in note 41.

During 2005, the Committee considered the impact of the International Financial Reporting Standards on performance measurement for the Group's share schemes. An approach to measuring EPS performance for PSP and 2000 ESOS awards was agreed by the Committee, which will ensure that performance is measured on a consistent basis without resulting in either advantage or disadvantage to participants.

### General

The middle market price of an ordinary share at the close of business on 31 December 2007 was 1844 pence. The share price range during 2007 was 1366 pence to 1960 pence per share (based on closing middle market prices). Full details of the directors' shares and options can be found in the Company's register of directors' interests.

Unless indicated otherwise, the foreign exchange rates used in this directors' remuneration report are based on the average rates throughout the relevant financial year. The rates are £1:\$2.0054 (2007) and £1:\$1.8431 (2006).

**Audited Information  
Remuneration of Directors**

Directors	Notes	2007				2006					2007	2006	
		Salary/ fees \$000	Cash bonus <sup>(a)</sup> \$000	Deferred bonus <sup>(b)</sup> \$000	Benefits <sup>(c)</sup> \$000	Total \$000	Salary/ fees \$000	Cash bonus <sup>(a)</sup> \$000	Deferred bonus <sup>(b)</sup> \$000	Benefits <sup>(c)</sup> \$000	Total \$000	Expected value of shares <sup>(d)</sup> \$000	Expected value of shares <sup>(d)</sup> \$000
E M Davies	(e)(f)	1,304	–	–	21	1,325	1,584	1,775	973	99	4,431	–	2,398
<b>Sub total</b>		<b>1,304</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>1,325</b>	<b>1,584</b>	<b>1,775</b>	<b>973</b>	<b>99</b>	<b>4,431</b>	<b>–</b>	<b>2,398</b>
P A Sands	(f)	1,504	2,005	1,003	63	4,575	1,002	1,296	639	66	3,003	2,422	1,903
G R Bullock	(g)	900	543	521	50	2,014	–	–	–	–	–	1,424	–
M B DeNoma	(h)	1,218	1,103	551	1,233	4,105	1,041	926	456	501	2,924	1,243	1,130
R H Meddings		1,023	1,036	682	46	2,787	841	841	480	48	2,210	1,647	1,176
K S Nargolwala	(i)	496	–	–	664	1,160	327	496	493	212	1,528	–	1,306
<b>Sub total</b>		<b>5,141</b>	<b>4,687</b>	<b>2,757</b>	<b>2,056</b>	<b>14,641</b>	<b>3,211</b>	<b>3,559</b>	<b>2,068</b>	<b>827</b>	<b>9,665</b>	<b>6,736</b>	<b>5,515</b>
J W Peace	(j)	125	–	–	–	125	–	–	–	–	–	–	–
Sir CK Chow	(k)	282	–	–	–	282	266	–	–	–	266	–	–
J F T Dundas	(e)(f)(i)	180	–	–	–	180	143	–	–	–	143	–	–
V F Gooding	(f)(i)	159	–	–	–	159	117	–	–	–	117	–	–
R H P Markham	(e)(j)(m)	250	–	–	–	250	185	–	–	–	185	–	–
R Markland	(e)(i)(l)	224	–	–	–	224	176	–	–	–	176	–	–
S B Mittal	(n)	54	–	–	–	54	–	–	–	–	–	–	–
P D Skinner	(l)	153	–	–	–	153	130	–	–	–	130	–	–
O H J Stocken	(f)(i)	156	–	–	–	156	130	–	–	–	130	–	–
Lord Turner	(i)(l)	188	–	–	–	188	67	–	–	–	67	–	–
<b>Sub total</b>		<b>1,771</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,771</b>	<b>1,214</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,214</b>	<b>–</b>	<b>–</b>
<b>Total</b>		<b>8,216</b>	<b>4,687</b>	<b>2,757</b>	<b>2,077</b>	<b>17,737</b>	<b>6,009</b>	<b>5,334</b>	<b>3,041</b>	<b>926</b>	<b>15,310</b>	<b>6,736</b>	<b>7,913</b>

**Notes**

- (a) The cash bonus amounts shown here for 2007 are net of any amounts waived to provide additional pension benefits. See page 81 for further details.
- (b) The amounts shown in the deferred bonus column represent the amount of bonus payable to an employee benefit trust to acquire shares in the Company of an equivalent value.
- (c) The benefits column includes amounts relating to car allowances and medical and life insurance benefits. Mr DeNoma and Mr Nargolwala carried out their duties overseas and had their remuneration adjusted to take local living costs into account. This adjustment was to put them in a position, after taxation differentials, where they are no worse off as a result of carrying out their duties overseas. The benefits column for these directors also includes additional benefits, such as allowances for working overseas, the provision of accommodation or education of children. For Mr DeNoma and Mr Nargolwala, these allowances and benefits amounted to \$1,233,100 (2006: \$500,899) and \$664,336 (2006: \$212,490), respectively.
- (d) The expected value of any performance share awards granted or to be granted (i.e. March 2008) in respect of the 2006 and 2007 financial years. The values are based on an initial value adjusted for factors such as performance conditions, forfeiture risk and lack of dividends.
- (e) Member of the Board Nomination Committee. Mr Dundas was appointed to this Committee on 23 February 2007.
- (f) Member of the Sustainability and Responsibility Committee. Mr Stocken was appointed to the Committee on 11 September 2007.
- (g) Mr Bullock was appointed to the Board with effect from 6 August 2007.
- (h) Mr DeNoma receives a cash allowance of \$258,648 (2006: \$223,610) in lieu of his participation in any pension plan and this is reflected in the table above.
- (i) Mr Nargolwala resigned from the Board on 6 September 2007. However, he continued to be an employee of the Group until 31 December 2007. His base salary and other contractual benefits continued to be paid until 31 December 2007 in line with his contract of employment.
- (j) Member of the Audit and Risk Committee. Mr Peace was appointed to this Committee on 3 August 2007 and to the Board as Deputy Chairman and Senior Independent Director with effect from 1 August 2007. He receives an all-inclusive fee of \$300,810 for these roles.
- (k) Sir CK Chow is also Chairman of Standard Chartered Bank (Hong Kong) Limited. He received an all-inclusive fee for his Hong Kong and Standard Chartered PLC Board duties of HK\$2,100,000.
- (l) Member of the Board Remuneration Committee. Miss Gooding was appointed to this Committee on 23 February 2007.
- (m) Mr Markham was appointed Senior Independent Director on 1 January 2007 and stepped down from this role on 1 August 2007, following the appointment of Mr Peace. An additional fee of \$23,396 (based on an annualised equivalent fee of £20,000) was payable to Mr Markham during this period to reflect the further workload that was associated specifically with this role. This figure is reflected in the table above.
- (n) Mr Mittal was appointed as an independent non-executive director with effect from 1 August 2007.
- (o) Further details on the fees for non-executive directors are shown on page 78.

Compensation to past director: As reported in the 2006 report and accounts, Mr B K Sanderson stepped down from the Board on 19 November 2006. However, he continued to be an employee of the Group until 31 March 2007. His base salary and other contractual benefits continued to be paid until 31 March 2007 in line with his contract of employment and totalled \$227,657 (£113,522). His contract of employment was subject to 12 months' rolling notice and contained PILON provisions. In accordance with the terms of his contract, Mr Sanderson received a PILON comprising an amount equal to 12 months' base fee and certain benefits and allowances. The PILON was paid in four quarterly instalments of £203,750 starting on 25 April 2007. Following an announcement to the London Stock Exchange on 19 October 2007, stating that Mr Sanderson had been appointed as Chairman of Northern Rock PLC, the fourth and final PILON instalment was reduced to reflect his duty to mitigate.

#### Retirement Benefits of Group Chairman and Executive Directors

Directors	Accrued pension \$000 <sup>(c)</sup>			Transfer value of accrued pension \$000 <sup>(e)</sup>			Increase in accrued pension (net of inflation and waiver) during 2007 \$000 <sup>(h)</sup>		
	At 1 January 2007	Increase/ (decrease) during the year	At 31 December 2007	At 1 January 2007	Increase during the year net of waiver	At 31 December 2007	2007 waiver \$000 <sup>(g)</sup>	Annual pension	Transfer value
E M Davies <sup>(b)</sup>	363	(76)	293	6,732	96	6,930	–	–	–
P A Sands	144	105	251	2,814	1,717	4,558	–	99	1,930
G R Bullock <sup>(d)</sup>	181	96	278	3,517	1,147	5,284	496	58	1,153
R H Meddings	189	73	264	3,437	815	4,658	324	45	869
K S Nargolwala	227	96	326	4,829	1,023	6,539	614	54	1,093

#### Notes

- The ages of the executive directors are shown on pages 62 and 63.
- With effect from 1 January 2007, Mr Davies ceased to accrue additional pension benefits. His pension payments commenced in November 2007.
- Mr DeNoma only receives a cash supplement and does not participate, like the other executive directors, in the defined benefit plans set out above. His cash supplement amounts are shown in the directors' remuneration table on page 80.
- Mr Bullock's retirement provision remained unchanged on his appointment to the Board.
- The accrued pension amounts include benefits arising from transfer payments received in respect of service with previous employers.
- The transfer values in respect of benefits under the unapproved unfunded retirement benefits scheme have been calculated using the Group's pension accounting methodology and assumptions.
- Executive directors are given the opportunity to waive a proportion of any potential bonus and/or salary to enhance their unfunded unapproved retirement benefits. The amounts waived in respect of 2007 are shown in the table above.
- The increase in the accrued pension (net of inflation and bonus waiver) during the year is the difference between the accrued pension at the end of 2006 increased by an allowance for inflation of 4.3 per cent (2006: 3.9 per cent) and the accrued pension at the end of 2007 excluding any bonus waiver in 2007.
- In addition to the amounts identified in the table above the Group paid \$367,688 (2006: \$308,662) in retirement benefits to former directors and their dependants.
- The amounts included in the table above as at 1 January and 31 December 2007 are calculated using the exchange rates at the end of 2006 (£1:\$1.9579) and 2007 (£1:\$1.9877) respectively. The other entries are calculated using the exchange rates shown on page 79.

**Audited Information continued**  
**Directors' Interests in Ordinary Shares**

Directors	At 1 January	Personal	Family	At 31 December
	2007*			2007**
	Total interests	interests	interests	Total interests
E M Davies	200,419	4,957	20,000	24,957
J W Peace	5,000	5,000	–	5,000
P A Sands	30,641	50,670	–	50,670
G R Bullock	88,161	88,837	–	88,837
Sir CK Chow	15,664	15,664	–	15,664
M B DeNoma	159,715	139,715	–	139,715
J F T Dundas	2,100	2,100	–	2,100
V F Gooding	2,049	2,045	–	2,045
R H P Markham	2,364	2,425	–	2,425
R Markland	2,139	2,194	–	2,194
R H Meddings	111,291	152,312	–	152,312
S B Mittal	2,000	2,000	–	2,000
P D Skinner	3,206	3,289	–	3,289
O H J Stocken	10,000	10,000	–	10,000
Lord Turner	2,016	5,092	–	5,092
K S Nargolwala	147,340	284,438	–	284,438

**Notes**

- (a) The beneficial interests of directors and their families in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares.
- (b) No director had an interest in the Company's preference shares or loan stock, nor the shares or loan stocks of any subsidiary or associated undertaking of the Group.
- (c) No director had any corporate interests in the Company's ordinary shares.

**2004 Deferred Bonus Plan**

Directors	Shares held in	Shares	Shares awarded	Shares	Shares held in
	trust at	awarded during	in respect of	vested during	trust at
	1 January 2007*	the period <sup>(a)</sup>	notional dividend <sup>(b)</sup>	the period <sup>(a)</sup>	31 December 2007**
E M Davies	34,884	37,859	305	35,189	37,859
P A Sands	22,893	24,845	200	23,093	24,845
G R Bullock	14,789	–	–	–	14,789
M B DeNoma	17,442	17,746	152	17,594	17,746
R H Meddings	16,897	18,693	148	17,045	18,693
K S Nargolwala	17,442	19,360	152	17,594	19,360 <sup>(c)</sup>

\* Or at date of appointment to the Board, if later.

\*\* Or date of resignation from the Board, if earlier.

**Notes**

- (a) Market value on date of awards/vesting (6 March 2007) was 1404 pence.
- (b) Under the 2004 Deferred Bonus Plan, shares are conditionally awarded instead of part of the director's annual cash bonus. The shares are held in an employee benefit trust and automatically vest one year after the date of acquisition. No exercise is necessary. A notional dividend accrues on the shares held in the trust. The dividend is delivered in the form of shares and is released on vesting.
- (c) This award subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.

Subsequent pages contain information on share options and share awards.

## Long Term Incentives – Share Options

Director	Scheme	Grant Date	As At 1 January 2007*	Exercise Price (pence)	Exercised	Lapsed	At 31 December 2007**	Period of exercise
E M Davies	1994 ESOS <sup>(a)</sup>	5 September 1997	20,000	808.5	20,000 <sup>(b)</sup>	–	–	–
	1994 ESOS <sup>(a)</sup>	5 August 1999	52,365	888	52,365 <sup>(b)</sup>	–	–	–
	2000 ESOS	12 June 2000	117,104	871.02	117,104 <sup>(b)</sup>	–	–	–
	2000 ESOS	2 April 2001	119,733	902	119,733 <sup>(b)</sup>	–	–	–
	2000 ESOS	5 March 2003	347,574	690.5	347,574 <sup>(b)</sup>	–	–	–
	2000 ESOS	4 March 2004	138,963	935.5	135,757 <sup>(b)</sup>	–	<b>3,206</b>	2008-2014
	2000 ESOS	9 March 2005	154,479	971	–	–	<b>154,479</b>	2008-2015
	Sharesave	6 September 2002	2,957	559.5	2,957 <sup>(c)</sup>	–	–	2008-2008
P A Sands	2000 ESOS	20 May 2002	208,865	861.8	3,481 <sup>(d)</sup>	–	<b>205,384</b>	2008-2012
	2000 ESOS	5 March 2003	195,510	690.5	–	–	<b>195,510</b>	2008-2013
	2000 ESOS	4 March 2004	96,205	935.5	–	–	<b>96,205</b>	2008-2014
	2000 ESOS	9 March 2005	97,837	971	–	–	<b>97,837</b>	2008-2015
	Sharesave	6 September 2002	2,957	559.5	2,957 <sup>(c)</sup>	–	–	–
	Sharesave	26 September 2007 <sup>(f)</sup>	1,351	1243	–	–	<b>1,351</b>	2010-2011
G R Bullock	2000 ESOS	4 March 2004	64,136	935.5	–	–	<b>64,136</b>	2008-2014
	2000 ESOS	9 March 2005	50,205	971	–	–	<b>50,205</b>	2008-2015
	Sharesave	8 September 2003	2,472	641	–	–	<b>2,472</b>	2008-2009
M B DeNoma	2000 ESOS	4 March 2004	85,515	935.5	85,515 <sup>(d)</sup>	–	–	–
	2000 ESOS	9 March 2005	64,109	971	–	–	<b>64,109</b>	2008-2015
R H Meddings	2000 ESOS	4 March 2004	65,473	935.5	–	–	<b>65,473</b>	2008-2014
	2000 ESOS	9 March 2005	74,794	971	–	–	<b>74,794</b>	2008-2015
	Sharesave	8 September 2006	878	1064	–	–	<b>878</b>	2009-2010
K S Nargolwala	2000 ESOS	4 March 2004	85,515	935.5	85,515 <sup>(e)</sup>	–	–	–
	2000 ESOS	9 March 2005	64,109	971	–	–	<b>64,109</b>	2008-2015 <sup>(g)</sup>

\* Or at date of appointment to the Board or date of grant, if later.

\*\* Or date of resignation from Board if earlier.

### Notes

- This scheme is now closed. No awards have been made under this scheme since August 1999.
- Market value on date of exercise (4 May 2007) was 1556 pence.
- Market value on date of exercise (7 December 2007) was 1945 pence.
- Market value on date of exercise (6 March 2007) was 1404 pence.
- Market value on date of exercise (20 June 2007) was 1658 pence.
- Market value on date of grant (26 September 2007) was 1618 pence.
- These awards subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.
- Market value at year end was 1844 pence and the highest and lowest values during the year were 1366 pence and 1960 pence respectively.
- Details of performance conditions are described on page 76.

**Audited Information continued**  
**Long Term Incentives – Shares**

Director	Scheme	Grant date	As at 1 January 2007*	Exercised	Lapsed	As at 31 December 2007**	Period of exercise
E M Davies	PSP	4 March 2004	69,481	69,481 <sup>(b)</sup>	–	–	–
	PSP	9 June 2004	70,575	70,575 <sup>(c)</sup>	–	–	–
	PSP	9 March 2005	154,479	–	–	<b>154,479</b>	2008-2015 <sup>(i)</sup>
	PSP	14 March 2006	111,498	–	–	<b>111,498</b>	2009-2016
	PSP	11 May 2006	82,191	–	–	<b>82,191</b>	2009-2016
	PSP	12 March 2007 <sup>(f)</sup>	179,186	–	–	<b>179,186</b>	2010-2017
P A Sands	RSS	20 May 2002	52,216	–	–	<b>52,216</b>	2008-2009 <sup>(h)</sup>
	PSP	4 March 2004	48,102	–	–	<b>48,102</b>	2008-2014 <sup>(h)</sup>
	PSP	9 June 2004	36,644	–	–	<b>36,644</b>	2008-2014 <sup>(h)</sup>
	PSP	9 March 2005	97,837	–	–	<b>97,837</b>	2008-2015 <sup>(i)</sup>
	PSP	14 March 2006	73,170	–	–	<b>73,170</b>	2009-2016
	PSP	11 May 2006	35,958	–	–	<b>35,958</b>	2009-2016
	PSP	12 March 2007 <sup>(f)</sup>	142,143	–	–	<b>142,143</b>	2010-2017
G R Bullock	PSP	9 March 2005	58,573	–	–	<b>58,573</b>	2008-2015 <sup>(i)</sup>
	PSP	14 March 2006	48,780	–	–	<b>48,780</b>	2009-2016
	PSP	11 May 2006	17,979	–	–	<b>17,979</b>	2009-2016
	PSP	12 March 2007 <sup>(f)</sup>	81,495	–	–	<b>81,495</b>	2010-2017
M B DeNoma	PSP	4 March 2004	42,757	42,757 <sup>(d)</sup>	–	–	–
	PSP	9 June 2004	21,715	21,715 <sup>(e)</sup>	–	–	–
	PSP	9 March 2005	74,794	–	–	<b>74,794</b>	2008-2015 <sup>(i)</sup>
	PSP	14 March 2006	59,930	–	–	<b>59,930</b>	2009-2016
	PSP	11 May 2006	22,089	–	–	<b>22,089</b>	2009-2016
	PSP	12 March 2007 <sup>(f)</sup>	84,424	–	–	<b>84,424</b>	2010-2017
R H Meddings	PSP	4 March 2004	37,413	37,413 <sup>(e)</sup>	–	–	–
	PSP	9 June 2004	9,500	9,500 <sup>(e)</sup>	–	–	–
	PSP	9 March 2005	74,794	–	–	<b>74,794</b>	2008-2015 <sup>(i)</sup>
	PSP	14 March 2006	59,930	–	–	<b>59,930</b>	2009-2016
	PSP	11 May 2006	22,089	–	–	<b>22,089</b>	2009-2016
	PSP	12 March 2007 <sup>(f)</sup>	87,870	–	–	<b>87,870</b>	2010-2017
K S Nargolwala	PSP	5 March 2003	55,032	55,032 <sup>(d)</sup>	–	–	–
	PSP	4 March 2004	42,757	42,757 <sup>(d)</sup>	–	–	–
	PSP	9 June 2004	21,715	21,715 <sup>(e)</sup>	–	–	–
	PSP	9 March 2005	74,794	–	–	<b>74,794</b>	2008-2015 <sup>(i)</sup>
	PSP	14 March 2006	59,930	–	–	<b>59,930</b>	2009-2016 <sup>(i)</sup>
	PSP	11 May 2006	29,452	–	–	<b>29,452</b>	2009-2016 <sup>(i)</sup>
	PSP	12 March 2007 <sup>(f)</sup>	97,605	–	–	<b>97,605</b>	2010-2017 <sup>(i)</sup>

\* Or at date of appointment to the Board or date of grant if later.

\*\* Or date of resignation from the Board, if earlier.

**Notes**

- (a) Details of performance conditions are described on pages 75 and 76.
- (b) Market value on date of exercise (4 May 2007) was 1556 pence.
- (c) Market value on date of exercise (16 October 2007) was 1658 pence.
- (d) Market value on date of exercise (6 March 2007) was 1404 pence.
- (e) Market value on date of exercise (20 June 2007) was 1658 pence.
- (f) Market value on date of award (12 March 2007) was 1430 pence.
- (g) Market value of awards in previous years: 20 May 2002 – 861.8 pence; 5 March 2003 – 690.5 pence; 13 May 2003 – 742.5 pence; 4 March 2004 – 935.5 pence; 9 June 2004 – 921 pence; 9 March 2005 – 971 pence; 14 March 2006 – 1450 pence; 11 May 2006 – 1460 pence.
- (h) These awards are exercisable as any associated performance and service conditions have already been met.
- (i) The performance conditions attached to these awards have been met and the awards will be exercisable after meeting the service conditions on 9 March 2008.
- (j) These awards subsequently lapsed when Mr Nargolwala ceased to be employed by the Group on 31 December 2007.

### Remuneration of Five Highest Paid Individuals

In addition to its responsibilities for the remuneration of executive directors, the Committee ensures that the remuneration policy of the Group is consistently applied for other senior executives. Specifically, the Committee approves any significant remuneration packages for newly appointed senior executives.

As a result of the Company's listing on The Stock Exchange of Hong Kong Limited, it is necessary to disclose certain information relating to the five highest paid employees in the Group. Set out below are details for five individuals (four of whom are not executive directors) whose emoluments\* were the highest in the year ending 31 December 2007:

Components of remuneration	\$000
Basic salaries, allowances and benefits in kind	4,046
Pension contributions	1,620
Bonuses paid or receivable*	27,712
Payments made on appointment	–
Compensation for loss of office	
– contractual	–
– other	–
<b>Total**</b>	<b>33,378</b>

\* Excluding bonuses or commissions linked to profits generated by the individual or collectively with others engaged in similar activities.

\*\* Equal to HK\$260,420,689.

The emoluments were in the following bands:

HK\$ (approx. \$ equivalent)	Number of employees
HK\$45,500,001 – HK\$46,000,000 (\$5,831,763-\$5,895,849)	1
HK\$48,000,001 – HK\$48,500,000 (\$6,152,190-\$6,216,275)	1
HK\$54,000,001 – HK\$54,500,000 (\$6,921,214-\$6,985,299)	2
HK\$57,000,001 – HK\$58,000,000 (\$7,305,725-\$7,433,896)	1

By order of the Board

**Annemarie Durbin**

Group Company Secretary

26 February 2008