Chairman’s letter

The highest standards of corporate governance are critical to the effective delivery of our strategy

Dear Shareholder

I am delighted to have joined Standard Chartered as your Chairman at this time in the Group’s history. As I mentioned on page 4, I joined Standard Chartered because it is an extraordinary organisation with a rich history and enormous potential, serving a remarkably diverse range of clients across the most dynamic markets in the world.

Since I joined the Board in October 2016 I have spent a great deal of my time travelling around our markets, meeting our clients and regulators, speaking with our staff, shareholders and other stakeholders to build a deep understanding of the Group, its opportunities and potential as well as witnessing our unique culture and ethos in action. What I have seen is that we have clients who are committed to us and talented and energised staff who are passionate about the Group, confirming my view that this is truly a unique bank.

I would like to thank my predecessor, Sir John Peace, for his commitment and contribution to the Group for almost a decade. Sir John has provided stability and continuity through a period of significant change for the Group, the industry and the wider global economy. Sir John provided a thorough handover ahead of stepping down and my comprehensive induction programme will continue through 2017, details of which are set out on pages 68 to 69.

Having spent the vast majority of my career as a Central Banker and more recently at the International Monetary Fund I am acutely aware of the risks facing the global financial system and the competitive and regulatory landscape within which Standard Chartered operates.

I am very aware of the important role that Standard Chartered plays within the communities in which we operate and the importance of maintaining the confidence of our shareholders and the Group’s wider stakeholders. As Chairman I am committed to engaging with our shareholders, regulators, clients, communities and other stakeholders to ensure their views are heard.

I firmly believe that maintaining the highest standards of corporate governance, robust conduct and a culture of transparency and trust across the Group is critical to the effective delivery of our strategy.

A key part of my role as Chairman is to lead the Board, ensuring it is performing its role effectively and has robust succession plans in place. Coinciding with my appointment as Chairman, Naguib Kheraj was appointed Deputy Chairman, making use of his highly relevant skills and experience.

Ahead of my appointment as Chairman, a review of the Board’s effectiveness was carried out in 2016, details of which can be found on page 71.

The findings from this review have provided me with useful background and context and the actions from the review will be taken forward.

In 2017 we have commissioned an externally facilitated Board and Committee effectiveness review and I will report on its findings and any subsequent actions in next year’s report.

This governance report sets out the approach the Group takes to governance and describes the structures and processes in place to ensure robust oversight and effective Board decision making.

José Viñals
Group Chairman
Board of Directors

Committees

- Audit Committee
- Board Risk Committee
- Brand, Values and Conduct Committee
- Governance and Nomination Committee
- Board Financial Crime Risk Committee
- Remuneration Committee

José Viñals (62)
Group Chairman

- Appointed: October 2016 and Group Chairman in December 2016
- Experience: José has substantive experience in the international regulatory arena and has exceptional understanding of the economic and political dynamics of our markets and of global trade, and a deep and broad network of decision-makers in the jurisdictions in our footprint.
- Career: José began his career as an economist and as a member of the faculty at Stanford University, before spending 25 years at the Banco de España, where he rose to be the Deputy Governor. José has held many other board and advisory positions including Chair of Spain’s Deposit Guarantee Fund, Chair of the International Relations Committee at the European Central Bank, member of the Economic and Financial Committee of the European Union, and Chair of the Working Group on Institutional Investors at the Bank for International Settlements. José joined the International Monetary Fund (IMF) in 2009 until he stepped down in September 2016 to join Standard Chartered PLC. He was the Financial Counsellor and the Director of the Monetary and Capital Markets Department and was responsible for the oversight and direction of the IMF’s monetary board from 2004 until he stepped down in 2009. Bill was invited to be a committee member of the Independent Commission on Banking, established in 2010, to recommend ways to improve competition and financial stability in banking. Subsequently, he served as an advisor to the Parliamentary Commission on Banking Standards and was asked by the Court of the Bank of England to complete an independent review of the bank’s liquidity operations. In 2011 Bill founded Renshaw Bay, an alternative asset management firm, where he was chairman and CEO. He stepped down on appointment to the Standard Chartered PLC Board. Bill was previously a non-executive director of Pension Insurance Corporation plc and RIT Capital Partners plc. He received a CBE in 2013.
- External appointments: Bill is an independent non-executive director of Novartis International AG.

Bill Winters, CBE (55)
Group Chief Executive

- Appointed: June 2015
- Experience: Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent.
- Career: Bill began his career with JP Morgan, where he went on to become one of its top five most senior executives and later co-chief executive officer at the investment bank. He was a member of the board of representatives of the Verizon Wireless Partnership. Bill was appointed chief financial officer of Vodafone Group plc in 2005, a position he held for nine years. As Group Chief Financial Officer at Standard Chartered, Andy is responsible for Finance, Corporate Treasury, Group Corporate Development, Group Investor Relations, Property and Global Sourcing functions. External appointments: Andy is a non-executive director at Marks and Spencer Group plc and a member of the Business Forum on Tax and Competitiveness.

Andy Halford (57)
Group Chief Financial Officer

- Appointed: July 2014
- Experience: Andy has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets.
- Career: Andy was finance director at East Midlands Electricity plc prior to joining Vodafone in 1999 as financial director for Vodafone Limited, the UK operating company. Andy was later appointed financial director for Vodafone’s Northern Europe, Middle East and Africa region, and later the chief financial officer of Verizon Wireless in the US. He was a member of the board of directors of the Verizon Wireless Partnership. Andy was appointed chief financial officer of Vodafone Group plc in 2005, a position he held for nine years. As Group Chief Financial Officer at Standard Chartered, Andy is a non-executive director at Marks and Spencer Group plc and a member of the Business Forum on Tax and Competitiveness.

Naguib Kheraj (52)
Deputy Chairman and Senior Independent Director

- Appointed: January 2014, Senior Independent Director in June 2015 and Deputy Chairman in December 2016.
- Experience: Naguib has significant banking and finance experience.
- Career: Naguib began his career at Salomon Brothers in 1986 and went on to hold senior positions at Robert Fleming, Barclays, JP Morgan Cazenove and Lazard. Over the course of 12 years at Barclays, Naguib served as group finance director and vice-chairman and in various business leadership positions in wealth management, institutional asset management and investment banking. Naguib was also a Barclays’ nominated non-executive director of Absa Group in South Africa and of First Caribbean International Bank. He also served as chief executive officer of JP Morgan Cazenove. Naguib is a former non-executive director of NHS England and served as a senior advisor to Her Majesty’s Revenue and Customs and to the Financial Services Authority in the UK.
- External appointments: Naguib is a non-executive director of Rothesay Life, a specialist pensions insurer, and member of the investment committee of the Wellcome Trust. Naguib spends the majority of his time as a senior advisor to the Aga Khan Development Network and serves on the boards of various entities within its network.

Committees:

- Bill Winters also sits on the Management Team
- Andy Halford also sits on the Management Team

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BoArd of diRectors

David Conner (68)
Independent Non-Executive Director
Appointed: January 2016
Experience: David has significant global and corporate, investment and retail banking experience, strong risk management credentials and an in-depth knowledge of Asian markets.
Career: David spent his career in the financial services industry, living and working across Asia for 37 years, for both Citibank and OCBC Bank. He joined Citibank in 1976 as a management trainee and went on to hold a number of Asia-based senior management roles, including chief executive officer of Citibank India and managing director and marketing manager at Citibank Japan, before leaving Citibank in 2002. David joined OCBC Bank in Singapore as chief executive officer and director in 2002. He implemented a strategy of growth and led the bank through a period of significant turbulence. David stepped down as chief executive officer in 2012 but remained as a non-executive director on the board of OCBC Bank, before leaving the group in 2014.
External appointments: David is a non-executive director of GasLog Ltd.
Committees: ▲ ▼ □ ★
David is a member of the Combined US Operations Risk Committee of Standard Chartered Bank.

Christine Hodgson (52)
Independent Non-Executive Director
Appointed: September 2013
Experience: Christine has strong business leadership, finance, accounting and technology experience.
Career: Christine held a number of senior positions at Coopers & Lybrand and was corporate development director of Ronson plc before joining Capgemini in 1997, where she held a variety of roles including chief financial officer for Capgemini UK plc and chief executive officer of technology services for North West Europe. Christine was previously a trustee of MacIntyre Care before stepping down in September 2015.
External appointments: Christine is chair of Capgemini UK plc, a non-executive director at Ladbroke's Coral Group plc and sits on the board of The Prince of Wales' Business in the Community. Christine is also chair of The Careers & Enterprise Company Ltd, a government-backed company established to help inspire and prepare young people for the world of work.
Committees: ▲ ▼ ★ ★ ★

Jasmine Whitbread (53)
Independent Non-Executive Director
Appointed: April 2015
Experience: Jasmine has significant business leadership experience as well as first-hand experience of operating across our markets.
Career: Jasmine began her career in international marketing in the technology sector and joined Thomson Financial in 1994, becoming managing director of the Electronic Settlements Group. After completing the Stanford Executive Program, Jasmine set up one of Oxfam’s first regional offices, managing nine country operations in West Africa, later becoming international director responsible for Oxfam’s programmes worldwide. Jasmine joined Save the Children in 2005, where she was responsible for revitalising one of the UK’s most established charities. In 2010, she was appointed as Save the Children’s first international chief executive officer, where she led the merger of 14 separate organisations into one management line of 15,000 people across seven regions and 60 countries, while aligning the federation behind a single mission and strategy. Jasmine stepped down from Save the Children in December 2015.
External appointments: Jasmine is chief executive of London First and a non-executive director of BT Group plc.
Committees: ★ ▲ ★ ★

Gay Huey Evans, OBE (62)
Independent Non-Executive Director
Appointed: April 2015
Experience: Gay has extensive banking and financial services experience with significant commercial and UK regulatory and governance experience.
Career: Gay spent over 30 years working within the financial services industry, the international capital markets and with the financial regulator. Gay spent seven years with the Financial Services Authority from 1998 to 2005, where she was director of markets division, capital markets sector leader, with responsibility for establishing a market-facing division for the supervision of market infrastructure, oversight of market conduct and developing markets policy. From 2005 to 2008, Gay held a number of roles at Citibank, including head of governance, Citi Alternative Investments, EMEA, before joining Barclays Capital where she was vice chair of investment banking and investment management. She was previously a non-executive director at Aviva plc and the London Stock Exchange Group plc. She received an OBE for services to financial services and diversity in 2016.
External appointments: Gay is a non-executive director of ConocoPhillips and Bank Itau BBA International plc and is deputy chair of the Financial Reporting Council.
Committees: ★ ▲

Om Bhatt (65)
Independent Non-Executive Director
Appointed: January 2013
Experience: Om has extensive commercial and retail banking experience, financial services and leadership acumen, with deep knowledge and experience of India, one of our largest markets.
Career: Om had a career spanning 38 years with the State Bank of India (SBI), India’s largest commercial bank, where he held a number of roles beginning with the lead bank department, which pioneered financial inclusion. He led the project team that pioneered SBI’s technology initiative in the 1990s, undertook assignments at SBI’s Washington and London offices and held general management roles between 2004 and 2006, becoming managing director of SBI in 2006, culminating in his appointment as chairman of the State Bank Group until he stepped down in 2011. Om was chairman of the Indian Banks’ Association and was previously an independent non-executive director of Oil and Natural Gas Corporation.
External appointments: Om is an independent non-executive director of Hindustan Unilever Ltd., Tata Consultancy Services, Tata Steel and Chairman of Greenko Energy Holdings.
Committees: ★ ▲

Committees
Committee Chair shown in green
Audit Committee
Board Risk Committee
Brand, Values and Conduct Committee
Governance and Nomination Committee
Board Financial Crime Risk Committee
Remuneration Committee
Dr Kurt Campbell (59)
Independent Non-Executive Director
Appointed: June 2013
Experience: Kurt has a wealth of experience of the US political environment and significant experience of some of our key markets, notably across Asia. Kurt has served in several capacities in the US Government, including deputy assistant secretary of defence for Asia and Pacific Affairs and director on the National Security Council Staff in the White House.
Career: Kurt was founder and chairman of StratAsia, a strategic advisory firm focused on Asia. From 2009 to 2013, Kurt served as the US Assistant Secretary of State for East Asian and Pacific Affairs. He was widely credited as being a key architect of the pivot to Asia policy. Kurt was a central figure in advancing the US-China relationship, building stronger ties to Asian allies and in the opening up of Myanmar. Previously, Kurt was the chief executive officer and co-founder of the Center for a New American Security and associate professor at Harvard’s John F. Kennedy School of Government.
External appointments: Kurt is chairman and chief executive officer of The Asian Group LLC, a strategic advisory and investment group specialising in the Asia Pacific region.
Committees: +

Dr Louis Cheung (53)
Independent Non-Executive Director
Appointed: January 2013
Experience: Louis has a wide breadth of knowledge and experience of financial services, particularly in a Greater China context.
Career: Louis was a global partner of McKinsey & Company and a leader in its Asia Pacific financial institutions practice prior to joining Ping An Insurance Group in 2000. Louis worked in several senior roles at Ping An, including chief financial officer, before becoming group president in 2003 and executive director from 2006 to 2011.
External appointments: Louis is managing partner of Boyut Capital Advisory Co, a China-focused private equity investment firm, independent non-executive director of Fubon Financial Holding Company and a fellow and council member of the Hong Kong Management Association.
Committees: +

Dr Byron Grote (68)
Independent Non-Executive Director
Appointed: July 2014
Experience: Byron has broad and deep commercial, financial and international experience.
Career: From 1988 to 2000, Byron worked across BP in a variety of commercial, operational and executive roles. He was appointed as chief executive of BP Chemicals and a managing director of BP plc in 2000 and had regional group-level accountability for BP’s activities in Asia from 2001 to 2006. Byron was chief financial officer of BP plc from 2002 until 2011, subsequently serving as BP’s executive vice president, corporate business activities, from 2012 to 2013 with responsibility for the group’s integrated supply and trading activities, alternative energy, shipping and technology. Byron was a non-executive director at Unilever plc and Unilever NV until he stepped down in 2015.
External appointments: Byron is a non-executive director of Anglo American plc, Tesco plc and is deputy chairman of the supervisory board at Akzo Nobel NV. He is also a member of the European Audit Committee Leadership Network.
Committees: +

Dr Han Seung-soo, KBE (80)
Independent Non-Executive Director
Appointed: January 2010
Experience: Dr Han is a distinguished economist and has a strong geo-political background, with valuable knowledge of Asia and its economies.
Career: Dr Han is a former Prime Minister of the Republic of Korea. He has a distinguished political, diplomatic and administrative career, serving as deputy prime minister and minister of finance, foreign affairs and industry and trade before serving as prime minister from 2008 to 2009. He also served as Korean ambassador to the US, chief of staff to the president, president of the 56th Session of the United Nations (UN) General Assembly, special envoy of the UN Secretary-General on Climate Change and chairman of the 2009 Organisation for Economic Cooperation and Development Ministerial Council Meeting.
External appointments: Dr Han sits on a number of advisory boards and is currently the UN Secretary-General’s special envoy for Disaster Risk Reduction and Water, special advisor to the High Level Panel on Water co-convened by the UN and World Bank, chair of the High-Level Experts/Leaders Panel on Water and Disaster, chair of the Water Advisory Group at the Asian Development Bank and co-chair of the International Finance Forum of China. Dr Han is non-executive director at Seoul Semiconductor Inc. and Doosan Infracore Co Ltd and Senior Advisor with the Kim & Chang law firm in Korea.
Committees: +

Liz Lloyd, CBE (45)
Group Company Secretary
Liz was appointed Group Company Secretary in January 2016.
Liz joined Standard Chartered in 2008, initially within Group Compliance, focused on regulatory risk and regulatory relationships, before being appointed as Group Head of Public Affairs, responsible for coordinating the Group’s policies and positioning on all political and regulatory matters. In 2013, she was appointed Chief Executive Officer of Standard Chartered Bank Tanzania, a position she held until October 2015. She was elected vice-chair of the Tanzania Bankers’ Association in 2015. She received a CBE in 2008.
Board diversity

We have a distinctive footprint and a long history of diverse board membership. This mix of skills, knowledge, experience and cultural difference enriches the Board discussion and contributes towards a high performing and effective Board. Good progress continues to be made in the area of gender diversity, since we set our ambition to increase the proportion of women to 25 per cent by 2017. This commitment was further strengthened during the year with the introduction of the Board Diversity policy. It sets out the Board’s broad ambitions and objectives in this area and remains supportive and engaged in further increasing the representation of women on the Board to 33 per cent.

Gender diversity

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<tr>
<th>Board</th>
<th>Male</th>
<th>Female</th>
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<tr>
<td>As at end 2016</td>
<td>77% 77% 23%</td>
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<td>As at end 2015</td>
<td>77% 23%</td>
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<tr>
<th>Executive</th>
<th>Male</th>
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<tr>
<td>As at end 2016</td>
<td>100% 69% 31%</td>
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<td>As at end 2015</td>
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<th>Non-executive</th>
<th>Male</th>
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<tr>
<td>As at end 2016</td>
<td>70% 69% 31%</td>
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<tr>
<td>As at end 2015</td>
<td>70% 30%</td>
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Experience

Our Board comprises directors with a broad range of skills, experience, backgrounds and perspectives. As at the end of December 2016, nine directors on the Board have lived and/or worked across our key markets of Asia, Africa or the Middle East and over half of the independent non-executive directors have some combination of banking, finance, risk and accounting experience.

International (lived and/or worked across Asia, Africa, Middle East)

<table>
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<tr>
<th>Banking/Finance/Risk/Accounting (experience among independent non-executive directors)</th>
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<tr>
<td>As at end 2016</td>
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<tr>
<td>69%</td>
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<td>69% 54%</td>
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Non-executive director tenure

We remain mindful of the need to ensure that the tenure of our non-executive directors is well balanced.

Further details on the work of the Governance and Nomination Committee can be found on page 86.
Management Team

Bill Winters, CBE (55)
Group Chief Executive

Tracy Clarke (50)
Regional CEO, Europe & Americas

Appointed: Tracy was appointed CEO, Europe and Americas in October 2015.
Career: Tracy joined Standard Chartered in 1985 and has held a number of roles in Retail, Commercial and Corporate Banking, in addition to Group functions both in the UK and in Hong Kong. More recently, Tracy has played an instrumental role in driving our compliance and conduct agenda and the Financial Crime Risk Mitigation Programme and has led a broad portfolio including Legal and Compliance, Human Resources, Corporate Affairs and Brand and Marketing.

External appointments: Tracy is an independent non-executive director of Sky plc and sits on the board of England Netball. In July 2016 she became a co-opted member of the China-Britain Business Council board.

Sunil Kaushal (51)
Regional CEO, Africa & Middle East

Appointed: Sunil was appointed Regional CEO, Africa & Middle East on 1 October 2015. Prior to this role, Sunil was Regional CEO, South Asia.
Career: Sunil has 28 years of banking experience in diverse markets and has been with Standard Chartered for approximately 18 years, holding senior roles across the Wholesale and Consumer Bank. Sunil has rich experience across the Group’s footprint, having served as the Head of Corporate Banking in UAE, Head of Originations and Client Coverage in Singapore, Global Head Small and Medium Enterprises and New Ventures in Singapore and Chief Executive Officer of SCB (Taiwan) Ltd. Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

External appointments: None

Andy Halford (57)
Group Chief Financial Officer

Benjamin Hung (52)
Regional CEO, Greater China & North Asia

Appointed: Ben was appointed Regional CEO, Greater China & North Asia, on 1 October 2015.
Career: Ben was previously CEO for the Greater China Region. He joined Standard Chartered in 1992 and has held a number of senior management positions spanning corporate, commercial and retail banking in the UK and Hong Kong. During 2008 to 2014, he was the CEO of Standard Chartered Bank (Hong Kong) Ltd. Ben was previously a board member of the Hong Kong Airport Authority, the Hong Kong Hospital Authority and a Council Member of the Hong Kong University.

External appointments: Ben is a member of the Financial Services Development Council, sits on the Exchange Fund Advisory Committee and is a member of the General Committee of the Hong Kong General Chamber of Commerce.

Anna Marrs (43)
Regional CEO, ASEAN & South Asia

Appointed: Anna was appointed CEO, Commercial & Private Banking on 1 October 2015 and is leading on the restructure of an expanded Commercial Clients business and the build out of the Private Bank. Anna took on the additional role of Regional CEO, ASEAN & South Asia in November 2016.
Career: Anna joined Standard Chartered as Group Head of Strategy and Corporate Development in January 2012. Prior to this she was a partner at McKinsey & Company’s Banking Practice and is a recognised expert in banking strategy. Prior to McKinsey she ran a financial information and technology company, having started her career with a hedge fund in New York.

External appointments: None

Simon Cooper (49)
CEO, Corporate & Institutional Banking

Appointed: Simon joined the Group as CEO, Corporate & Institutional Banking in April 2016.
Career: Simon was previously group managing director and chief executive of Global Commercial Banking at HSBC. He has extensive experience across our markets and client segments. Simon joined HSBC in 1989 and held a number of senior roles there, including deputy chairman and chief executive officer, Middle East and North Africa; chief executive officer, Korea; and head of Corporate and Investment Banking, Singapore. He also has significant experience in the areas of corporate finance, corporate banking and transaction banking.

External appointments: Simon is a member of the advisory board of the Lee Kong Chian School of Business.
Karen Fawcett (54)
CEO, Retail Banking
Group Head, Brand & Marketing
Appointed: Karen was appointed CEO, Retail Banking on 1 October 2015. Karen is responsible for directing the global strategy and transformation of the Retail Banking business. She also assumed global responsibility for the Group’s Brand & Marketing in April 2016.
Career: Karen joined the Group 16 years ago as Group Head of Business Strategy. Prior to that she was a partner in financial services at Booz Allen & Hamilton, where she drove multi-year change programmes for leading banks across Asia. Karen transformed Transaction Banking from 2005 until 2014 and represented the Group externally in transaction banking regulatory and industry thought leadership. She was also a non-executive director of Standard Chartered Bank Malaysia Bhd for eight years, until October 2013.
External appointments: Karen sits on the board of directors of INSEAD business school.

Mark Smith (55)
Group Chief Risk Officer
Appointed: Mark was appointed as Group Chief Risk Officer and a Director of Standard Chartered Bank in January 2016. Mark is responsible for managing Credit, Market and Operational Risk across the Group and ensuring the broader risk framework is effective. He also has responsibility for the Group’s Compliance function.
Career: Before joining Standard Chartered, Mark was the chief risk officer Europe, Middle East and Africa and global head, Wholesale Credit and Traded Risk for HSBC. He has had a long and successful career at HSBC, having joined Midland Bank as a graduate trainee prior to its acquisition by HSBC.
Other roles at HSBC included chief operating officer, Global Corporate & Institutional Banking and he has worked in London and Hong Kong.
External appointments: None

David Fein (56)
Group General Counsel
Appointed: David joined the Group in September 2013 as Group General Counsel, advising the Board and the Court of the Bank on all material legal matters. He oversees Standard Chartered’s Legal function, Group Corporate Secretariat and Shared Investigative Services. David also serves as Chairman of Seeing is Believing.
Career: As an industry award winner, Michael joined from Daimler AG where he was most recently vice president and CIO with responsibility for the smooth operation of all Daimler systems and the management of IT projects globally. For the past 14 years, he has held various CIO roles within the Daimler group and has spent many years working across our footprint.
External appointments: None

Dr Michael Gorriz (56)
Group Chief Information Officer
Appointed: Michael was appointed Group Chief Information Officer when he joined Standard Chartered in July 2015.
Career: As an industry award winner, Michael joined from Daimler AG where he was most recently vice president and CIO with responsibility for the smooth operation of all Daimler systems and the management of IT projects globally. For the past 14 years, he has held various CIO roles within the Daimler group and has spent many years working across our footprint.
External appointments: None

Doris Honold (50)
Group Chief Operating Officer
Appointed: Doris was appointed Group Chief Operating Officer in October 2015, supporting the Group Chief Executive in defining and executing the business strategy, reinforcing exemplary control and governance, ensuring strategic functional alignment and enabling efficient business growth.
Career: Doris joined the Group in March 2007, and has served as the Group Head of Market Risk and the Chief Operating Officer for Wholesale Banking. Doris started her career at Dresdner Bank in Frankfurt. She held several market risk leadership roles in Frankfurt, Tokyo and London, before taking over global responsibility for Dresdner Kleinwort’s market risk function.
External appointments: None

Pam Walkden (56)
Group Head, Human Resources
Appointed: Pam was appointed as Group Head, Human Resources in April 2016.
Career: Pam joined the Group in 1991 and has held a number of key roles across the organisation including Group Head of Corporate Affairs, Group Head of Internal Audit, Group Head of ALM and Group Treasurer, where she was responsible for the management of the Group’s balance sheet. In 2014, she became Group Business Head, Regions working closely with the Global Business Heads and Regional CEOs. She then took on the role of interim Group Chief Risk Officer from July 2015 to February 2016 before assuming the role of Group Head, Human Resources.
External appointments: None

New Management Team member appointed
As announced on 30 January 2017, Tracey McDermott, CBE, will join the Group and the Management Team as Group Head, Corporate, Public and Regulatory Affairs with effect from 20 March 2017.
Corporate governance

The Board and committee structure is set out below. We believe that effective governance is achieved through a culture of transparency and openness between management and the Board and across the Group. This report, while detailing the required governance and regulatory assurances and disclosures, also provides an insight into how governance operates at Standard Chartered and how effective governance supports and guides our culture and behaviours.

**BOARD AND COMMITTEE STRUCTURE**

**Standard Chartered PLC**

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Board considers both the impact of its decisions and its responsibilities to all of the Group’s stakeholders, including the Group’s employees, shareholders, regulators, clients, suppliers, the environment and the communities in which it operates.

**Audit Committee**

Oversight and review of financial, audit, internal control and non-financial crime issues. More details are on page 74.

**Board Risk Committee**

Oversight and review of fundamental risks including credit, market, capital, liquidity, operational, country cross-border, cyber and pension risks. More details are on page 79.

**Brand, Values and Conduct Committee**

Oversight of the positioning of the Group’s brand, conduct, culture and values, reputational risk, government and regulatory relations, and sustainability issues. More details are on page 83.

**Governance and Nomination Committee**

Oversight and review of the positioning of the Group’s board, conduct, culture and values, reputational risk, government and regulatory relations, and sustainability issues. More details are on page 86.

**Board Financial Crime Risk Committee**

Oversight and review of all financial crime compliance matters. More details are on page 90.

**Remuneration Committee**

Oversight and review of remuneration, share plans and other incentives. More details are on page 93.

**Group Chief Executive**

Responsible for the management of all aspects of the Group’s businesses, developing the strategy in conjunction with the Chairman and the Board, and leading its implementation.

**Management Team**

The Management Team comprises the Group Chief Executive and the Group Chief Financial Officer; four regional CEOs; client segment CEOs; and our global function heads. It has responsibility for executing the strategy. Details of the Group’s Management Team can be found on pages 61 to 62.

**Matters reserved for the decision of the Board and delegated authorities**

The Board discharges some of its responsibilities directly and delegates certain other responsibilities to its committees to assist it in carrying out its function of ensuring independent oversight. The Board also delegates authority for the operational management of the Group’s business to the Group Chief Executive for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the business. The Board holds the Group Chief Executive accountable in discharging his delegated responsibilities.

During the year the Schedule of Matters Reserved for the Board was reviewed against industry best practice and corporate governance provisions and guidance, including the Prudential Regulation Authority (PRA) Supervisory Statement on Board Responsibilities. The Board approved a revised Schedule of Matters Reserved for the Board to ensure that it remains appropriate and enables the Board to create space to focus on those areas it cannot delegate.

The Governance and Nomination Committee, in keeping with the provisions of the UK Corporate Governance Code, is chaired by the Group Chairman. All the Board committees are made up of independent non-executive directors and play an important role in supporting the Board. In addition to comprising five independent non-executive directors, the Board Financial Crime Risk Committee’s membership includes four independent external advisor members.

The full schedule of matters reserved for the Board’s decision, along with written terms of reference for the Board’s committees, can be viewed at sc.com/termsofreference

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The roles of the Chairman and Group Chief Executive are quite distinct from one another and are clearly defined in detailed role descriptions which can be viewed at sc.com/roledescriptions

BOARD MEETINGS 2016
In 2016, the Board held eight scheduled and one ad hoc meeting, including two meetings outside the UK in Beijing and Nairobi.

To enable the Board to use its time most effectively, it maintains a scheduled forward programme of meetings and a rolling agenda. There is sufficient flexibility in the programme for specific items to be added to any particular agenda to ensure that the Board can focus on the key matters at the appropriate time. The Board also schedules a number of informal sessions and interactions, which allows Board members to discuss areas of the business, strategy and the external environment with members of the Management Team and/or external advisors. Generally, members of the Management Team and other senior executives are invited to attend part of the meetings to ensure effective interaction with the Board. During the year, the Chairman (Sir John Peace and subsequently José Viñals) met privately with the Senior Independent Director and the independent non-executive directors on a number of occasions to assess their views and discuss matters arising.

Performance against delivery of the agreed key financial priorities is reviewed at every meeting with particular reference to the detailed Group management accounts. The Group Chief Executive and Group Chief Financial Officer comment on current trading, business performance, the market, people and regulatory and external developments at each meeting, and present comparative data and customer insight. In addition, the Group Chief Risk Officer periodically attends meetings to update the Board on the key risks.

CODE COMPLIANCE
We applied the provision of the UK Corporate Governance Code 2014 (the Code) during 2016. The directors are pleased to confirm that Standard Chartered PLC (the Company) complied with all of the provisions set out in the Code for the year under review. Although not effective for Standard Chartered until 1 January 2017, the Company is already compliant with the provisions set out in the UK Corporate Governance Code 2016.

The directors also confirm that, throughout the year, the Company has complied with the code provisions set out in the Hong Kong Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules. Throughout this corporate governance report we have provided a narrative statement of how governance operates within the Group and our application of the principles set out in the Hong Kong Listing Rules and the main principles of the Code.

The Group confirms that it has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than required by Appendix 10 of the Hong Kong Listing Rules. Having made specific enquiry of all directors, the Group confirms that all directors have complied with the required standards of the adopted code of conduct.

Copies of the Code and the Hong Kong Corporate Governance Code can be found at frc.org.uk and hkex.com.hk respectively.

To the extent applicable, information required by paragraphs 13(2)(c), (d), (f), (h) and (i) of Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is available in Other disclosures on pages 124 to 130.
During 2016, the Board’s programme included the following items, some of which were considered at each meeting and others reviewed periodically throughout the year.

**BOARD ACTIVITIES 2016**

**Group Strategy**
Details of the key activities considered by the Board under each of the three pillars of the Group Strategy (secure the foundation; get lean and focused; and invest and innovate) during 2016 are set out below.

### 1 Secure the foundation
- Received an update on the liquidity characteristics of the Group and the framework under which it is managed
- Discussed the Group’s competitive and market position relative to global and local peers
- Discussed the Group’s corporate structure
- Approved changes to the Group’s Risk Appetite as noted in the risk and governance section below
- Reviewed the assessment of the 2017 budget against the risk appetite statement
- Received an update on progress against the Group’s Conduct Programme and key priorities for the year

### 2 Get lean and focused
- Discussed progress in repositioning the Group’s franchise in Indonesia
- Received an update on the progress of the restructuring strategy in Korea
- Reviewed and discussed the technology strategy and the initiatives to improve the delivery of the Group’s technology capability
- Discussed the Group’s progress in executing the strategic priorities, across all segments and regions
- Deep-dived into the Corporate & Institutional Banking business
- Scrutinised progress against the Group-wide business efficiency programme, including cost commitments and investment priorities
- Assessed progress against the Retail Banking transformation agenda and actions to overhaul Commercial Banking

### 3 Invest and innovate
- Discussed and scrutinised the strategic priorities in China and received an update on the macroeconomic environment in China
- Assessed the key trends in new financial technologies and solutions and their impact on the Group and the banking sector
- Scrutinised progress in growing the Private Bank and Wealth Management business and strengthening their processes and controls
- Received an overview of performance and context of the Group’s franchise in ASEAN and South Asia and assessed the progress of the strategy in India and Singapore
- Received an overview of the Africa and Middle East region with a particular focus on Africa and the execution of the Africa strategy

**Budget and performance oversight**
- Reviewed and scrutinised the strategic and operational performance of the business across client segments, Product Groups and regions
- Monitored and assessed the strength of the Group’s capital and liquidity positions
- Considered the key factors in determining payment of a final dividend in 2015 and an interim dividend in 2016 and recommended no dividend was paid
- Discussed the updated 2016 budget against the agreed risk appetite thresholds
- Monitored progress against the strategic priorities and reviewed and approved the five-year corporate plan as a basis for preparation of the 2017 budget
- Approved the Group’s 2017 budget

**External environment**
- Received internal and external briefings and input across a range of topics, including geopolitical risks, developments in the regulatory environment, the macroeconomic landscape, cyber security and brand and culture
- Assessed the potential implications of Brexit on the Group
- Attended a Seeing is Believing (SIB) event in Kenya to gain an insight into projects funded by the SIB innovation fund

**Shareholder and stakeholder relationships**
- Engaged with investors throughout the year and responded to retail shareholders’ questions at the Annual General Meeting
- Engaged with key clients, customers and regulators as part of the Board’s overseas visits (including participation in a number of community activities and projects)
- Engaged with the Prudential Regulation Authority (PRA) on the findings of the 2016 Periodic Summary Meeting Letter
- Engaged with the Financial Conduct Authority on the findings and assessment of the Group following the completion of the 2016 Firm Evaluation Letter
- Discussed periodic updates from Investor Relations on the share price, performance metrics, register activity, and investor and analyst sentiment
- Discussed the views of institutional shareholders

**Risk and governance**
- Received regular risk reports from the Group Chief Risk Officer
- Evaluated and approved proposed changes to the Group’s Risk Appetite, its supporting metrics and thresholds
- Discussed the Group’s enterprise-wide approach to managing cyber risk and approved a new cyber security governance model, moving the Chief Information Security Officer function into the Risk and Compliance function
- Reviewed the Group’s response to the PRA cyber resilience questionnaire 2016 ahead of submission
- Received assurance from Board Risk Committee regarding 2016 Bank of England stress test submission and results
- Agreed the appropriate alignment of the Group’s conduct pillars with the relevant Board committees to improve committee oversight of conduct
- Discussed specific conduct matters and potential outcomes and impacts
- Received an update on progress in ensuring the Group’s compliance with current and future requirements of the Senior Managers Regime
- Assessed the outcome of the 2016 Board effectiveness review and approved the 2016 Action Plan

For a detailed overview of Our strategy see pages 14 to 17
BOARD ACTIVITIES 2016 continued

People, culture and values

- Considered the composition of the Board and its committees in the context of our Board succession plan
- Received regular progress updates on the Chairman’s succession plan
- Approved the appointment of José Viñals as Chairman, Naguib Kheraj as Deputy Chairman and Gay Huey Evans as Chair of the Board Financial Crime Risk Committee
- Approved a stand-alone incremental fee for the Deputy Chairman role
- Reviewed the Group’s People Strategy and its key priorities
- Discussed the results of the My Voice employee opinion survey, including participation rates and management actions
- Assessed the findings outlined in the Banking Standards Board’s 2015 Assessment Report and the Board’s response to the 2016 assessment
- Discussed the Group’s culture, core values and the importance of a robust conduct culture throughout the Group
- Endorsed the refresh of the Group’s Code of Conduct which each director recommitted to

The full schedule of matters reserved for the Board, together with the Board committees’ terms of reference, can be viewed at sc.com/termsofreference

BOARD AND AGM ATTENDANCE

<table>
<thead>
<tr>
<th>Name of director</th>
<th>AGM</th>
<th>Scheduled</th>
<th>Ad hoc</th>
<th>Attendance</th>
</tr>
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<tr>
<td><strong>Chairman</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J Viñals (appointed Chairman Designate 3 October 2016 and Chairman 1 December 2016)</td>
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<tr>
<td><strong>Deputy Chairman</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N Kheraj (appointed Deputy Chairman on 1 December 2016)</td>
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<td>8/8</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Group Chief Executive and Executive Director</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>W T Winters</td>
<td>1/1</td>
<td>8/8</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>A N Halford</td>
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<td>8/8</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Independent Non-Executive Directors</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O P Bhatt</td>
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<td>8/8</td>
<td>1/1</td>
<td>100%</td>
</tr>
<tr>
<td>Dr K M Campbell</td>
<td>1/1</td>
<td>7/8¹</td>
<td>1/1</td>
<td>89%</td>
</tr>
<tr>
<td>Dr L Cheung</td>
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<td>1/1</td>
<td>100%</td>
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<tr>
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<td>1/1</td>
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</tr>
<tr>
<td>Dr B E Grote</td>
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<td>8/8</td>
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<td>100%</td>
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<tr>
<td>Dr Han Seung-soo, KBE</td>
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<tr>
<td>C M Hodgson</td>
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<tr>
<td>G Huey Evans, OBE</td>
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<td>7/8²</td>
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<tr>
<td>J M Whitbread</td>
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<tr>
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<td>N/A</td>
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<td>S J Lowth (stepped down 31 July 2016)</td>
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<td>4/5³</td>
<td>0/1³</td>
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<tr>
<td>L Thunell (stepped down 31 January 2016)</td>
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<td>1/1</td>
<td>N/A</td>
<td>100%</td>
</tr>
</tbody>
</table>

1. Kurt Campbell was unable to attend one scheduled Board meeting due to a prior commitment.
2. Gay Huey Evans was unable to attend one scheduled Board meeting due to a prior commitment.
3. Simon Lowth was unable to attend one scheduled Board meeting due to illness and the ad hoc Board meeting due to a prior commitment.

In 2016, the Group held one general meeting, our Annual General Meeting, on 4 May 2016, which was attended by all of the directors. All directors were proposed for annual (re)election and all were successfully (re)elected.
Board composition
In July 2016, we announced the successful conclusion to the extensive external search for our new Chairman, with José Viñals, who joined the Board as Chairman Designate on 3 October 2016, succeeding Sir John Peace as Group Chairman on 1 December 2016. José’s appointment followed a period of significant change to the composition of the Board in recent years.
José Viñals joined Standard Chartered from the International Monetary Fund where he was the Financial Counsellor and Director of the Monetary and Capital Markets Department. He brings deep economic, political and regulatory experience of the markets in which we operate and is widely acknowledged as an expert on the world financial and regulatory climate.

For more detail on the Board’s succession planning and full details of the Chairman’s search process see page 87 to 88

In parallel to José’s appointment we announced that Naguib Kheraj would become Deputy Chairman with effect from 1 December 2016, providing José additional support and capacity in representing the Group. Naguib’s extensive banking and commercial experience as an executive, and in non-executive governance roles across multiple sectors, ensures he is well suited to the role. He also has significant knowledge of many of the Group’s markets.

Other changes to the Board during 2016 included the appointment of David Conner as an independent non-executive director on 1 January 2016. He succeeded Lars Thunell as Chair of the Board Risk Committee following his stepping down from the Board on 31 January 2016. David further strengthens the Board’s banking and risk credentials and provides extensive experience of banking operations across Asia. Mike Rees, the Deputy CEO, stepped down from the Board on 30 April 2016, leaving the Group Chief Executive and the Chief Financial Officer as the two executive directors on the Board. Simon Lowth stepped down from the Board on 31 July 2016, having served six years as an independent non-executive director, to focus his time on his appointment as Group Finance Director at BT Group plc.

During 2016, the Board took the decision to strengthen its expertise and understanding of cyber risks, with the appointment of Sir Iain Lobban as an independent external advisor to the Board and its committees on cyber security and cyber threat management. Sir Iain’s appointment took effect on 1 January 2017 and will enable the Board to draw on his substantial knowledge, skills and in-depth experience in this space. Sir Iain will continue in parallel as an external advisor member of the Board Financial Crime Risk Committee.

Visits to our markets
The Board strongly supports an open and challenging, inclusive and collaborative culture. This culture of transparency ensures that independent non-executive directors have wide-ranging access to management and information and enables us to maintain a high level of governance across the Group. The exposure our independent non-executive directors have to the Group is demonstrated through the visits that they make throughout our markets, both to gain an on-the-ground understanding of the opportunities and risks we face and to validate the Group Strategy.

In addition, the overseas Board meeting programmes provide a significant opportunity for the Board to meet with senior management, clients and our employees throughout our network. During 2016, the Chairman, our independent non-executive directors and the external advisor members to the Board Financial Crime Risk Committee made 84 visits across our markets, which included two overseas Board meetings, held in Beijing and Nairobi.

INDEPENDENT NON-EXECUTIVE DIRECTOR, BOARD FINANCIAL CRIME RISK COMMITTEE EXTERNAL ADVISOR MEMBERS AND CHAIRMAN’S VISITS TO OUR MARKETS IN 2016

Europe & Americas
Destination | Visits
--- | ---
San Francisco | 1
Houston | 2
New York | 7
Paris | 1
Boston | 1
Washington DC | 1
Sao Paulo | 1
Newark | 1
Toronto | 1

Africa & Middle East
Destination | Visits
--- | ---
Nairobi | 13
Dubai | 6
Abu Dhabi | 2
Accra | 1
Port Louis | 1
Kampala | 1
Lagos | 1
Lusaka | 2

Greater China & North Asia
Destination | Visits
--- | ---
Seoul | 1
Beijing | 17
Tianjin | 3
Hong Kong | 3
Shanghai | 3
Taipei | 1

ASEAN & South Asia
Destination | Visits
--- | ---
Chennai | 1
Mumbai | 2
Delhi | 1
Singapore | 7
Bangkok | 1
Karachi | 1
External directorships and other business interests

We support Board members taking external directorships and other outside business interests and recognise the benefits that greater boardroom exposure gives our directors. However, we closely monitor the number of directorships our directors take on to satisfy ourselves that any appointment will not adversely impact their role at Standard Chartered and that all of our Board members are compliant with the PRA requirements. These requirements impose a limit on the number of directorships both executive and independent non-executive directors are permitted to hold. Details of the directors’ external directorships can be found in their biographies on pages 57 to 59.

Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts; that the role will not breach their limit as set out by the PRA; and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Group. In addition, the Board’s executive directors are permitted to hold only one non-executive directorship. Of our executive directors, Andy Halford is a non-executive director of Marks and Spencer Group plc, listed on the FTSE 100, and Bill Winters is a non-executive director of Novartis International AG, listed on SIX Swiss Exchange.

Time commitment

We expect our independent non-executive directors to commit sufficient time to discharge their responsibilities. In general, we estimate that each independent non-executive director spent approximately 35 to 50 days on Board-related duties, and considerably more for those who chair or are members of multiple committees.

Director induction

All new Board directors receive an extensive, formal and tailored induction programme to enable them to function effectively as quickly as possible, while building a deep understanding of our business and markets. Their induction is supplemented with a handbook, which includes information on a broad range of matters relating to the role of a director as well as details of applicable procedures.

Each induction typically consists of a combination of meetings with both executive and independent non-executive directors as well as the Group Company Secretary; briefings from senior managers across the Group; the opportunity to attend key management meetings and to meet with major investors and clients; and visits to key markets across our footprint. The induction programmes are usually completed within the first six to nine months of a director’s appointment. They are regularly reviewed and take into account director’s feedback to ensure they are continually improved.

David Conner, who joined the Board as an independent non-executive director at the start of the year, completed a comprehensive induction to Standard Chartered, tailored to his extensive experience of banking and covering those areas where he was less familiar. José Viñals began his induction on joining the Board in October 2016 as Chairman Designate. Details of the broad themes and individual topics covered in José’s induction are highlighted on page 69.

Directors who joined a Board committee during the year also received thorough committee specific inductions.

José Viñals’ induction

The first two months of José’s induction programme were combined with a well-managed handover period with the outgoing Chairman, Sir John Peace. The handover consisted of regular structured meetings on key areas providing José with valuable insight, guidance and support. Sir John also acted as a sounding board for José in the weeks leading up to his appointment as Chairman and José was able to shadow Sir John at the Board and committee meetings held in Nairobi in November 2016. Naguib Kheraj, who was appointed Deputy Chairman on 1 December 2016, has also provided support and guidance to José throughout his induction and will continue to support him more widely through his chairmanship.

José’s formal induction programme was designed to provide a comprehensive insight into all aspects of the Group, tailored to his extensive economic, political and regulatory experience and focused on those aspects which are new to him, including our unique history, culture and values; our key markets; the Group’s strategy; the way in which we are structured globally to execute the strategy; current performance; people; accounting; risk management; legal matters; and the regulatory and legislative framework in which the Group operates, including the UK corporate governance regime and the obligations of being a director of a UK listed company.

Since joining the Group in October 2016, José has taken the opportunity to travel extensively around our markets, visiting branches and offices in Singapore, India, Hong Kong, China, Dubai, India, Kenya and the US, building an understanding of how the Group is viewed, its strengths and weaknesses, the execution of the strategy on the ground, the operations, and gaining an insight into the culture, values and ethical standards of the Group.

José’s induction has been facilitated through a series of in-depth group and one-to-one briefings sessions in the UK and across our markets, meeting with senior management, clients, shareholders, regulators, staff and other stakeholders. The Group Company Secretary has provided significant support to the Chairman throughout his induction.
## JOSÉ VIÑALS INDUCTION PROGRAMME

| Board Overview & Strategy | • Regular meetings with Sir John Peace throughout the handover period  
| | • Regular one-to-one meetings with the Chief Executive Officer, the Deputy Chairman/Senior Independent Director, the independent non-executive directors and the Group Company Secretary  
| | • Briefing on the Group’s strategic agenda and core strategic projects from the Global Head, Strategy  
| | • Held one-to-one meetings with each of the Management Team members  
| | • Observed a Management Team meeting  
| Client Segments & Product Groups | • Meetings in Singapore with the Chief Executive Officer, Corporate & Institutional Banking; the Group Head, Commercial and Private Banking Clients; the Chief Executive Officer, Retail Banking; the Group Head, Corporate Finance; the Group Head, Financial Markets; the Group Head, Transaction Banking; the Global Head, Private and Wealth Management  
| Regional Businesses | • Met each of the four Regional Chief Executive Officers, in Dubai, Singapore, Hong Kong and London  
| | • Met with each of the Regional Chief Executive Officers’ management teams  
| Risk | • Met with the Group Chief Risk Officer and held meetings with regional Chief Risk Officers  
| | • Attended a regional risk management meeting in Hong Kong  
| Compliance | • Briefing on an overview of compliance with Group Head, Compliance and Group Chief Risk Officer; meeting on Speak up/Whistleblowing with Group Head, Compliance and the Senior Independent Director  
| | • Meeting with Global Head, Financial Crime Compliance (FCC) and the Heads of Regional FCC  
| | • Regular briefings with the Global Head, Regulatory Liaison and the Head, Compliance, Global Functions  
| | • Met with the Heads of Regional Compliance  
| | • Met the Group’s Supervisory teams at the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA)  
| Legal | • Briefing on the legal function and the US Regulatory Environment with Group General Counsel  
| | • Overview of litigation matters with Head, Legal, Dispute Resolution  
| Finance | • Regular meetings with the Group Chief Financial Officer  
| | • Briefing on the Group’s balance sheet, capital management and liquidity risk from the Group Treasurer  
| Audit | • Met with Group Head of Internal Audit and with the Group’s statutory auditors  
| Corporate Governance | • Briefing from external legal advisors: directors’ duties, responsibilities and obligations, and the UK and Hong Kong Listing Regimes  
| | • Regular meetings and update sessions with the Group Company Secretary  
| | • Hosted a call with the subsidiary non-executive directors and met a number of them across our markets  
| | • Met with the Head, Insurable Operational Risk  
| People | • Discussed the Group’s People strategy, culture and My Voice staff survey with the Group Head, Human Resources  
| | • Met the Global Head, Performance, Reward and Conduct and received an external perspective on reward from the Remuneration Committee advisor  
| | • Held townhall meetings with staff and undertook floorwalks in the UK and as part of visits to our markets  
| | • Participated in the Group’s women forum in Kenya, SKIRTS (Sisterhood, Knowledge, Integrity, Respect, Tenacity & Substance)  
| Brand & Marketing | • Briefing from the Group Head, Brand & Marketing on the Group’s brand experience and strategy  
| | • Undertook branch visits across the Group’s markets  
| Technology & Operations | • Briefing from the Group Chief Information Officer and the Group Chief Information Security Officer on the digital and innovation agenda and cybercrime  
| | • Met with the Group Chief Operating Officer to discuss key priorities and strategy execution  
| Corporate Affairs | • Regular meetings with the Group Head, Corporate Affairs  
| | • Briefing from the Global Head, Investor Relations on key priorities and the shape of the share register  
| | • Meetings with the Global Head, Public Affairs and Sustainability, which included environmental, social and governance (ESG) matters and the Group Head, Corporate Development  
| External Stakeholders | • Meetings with regulators in the UK, Singapore, Hong Kong, China, India and the US  
| | • Met with major shareholders, corporate brokers and investor bodies  
| | • Met key clients in the UK and attended client meetings on visits across the Group’s markets  
| | • Met with representatives from industry bodies and held discussions with senior policymakers in the UK and across the Group’s markets  

### David Conner’s induction

David Conner’s induction programme included a comprehensive insight into Standard Chartered and was tailored to his significant global and corporate, investment and retail banking experience, as well as his extensive knowledge of risk management and of his career within senior executive positions at banks across Asia. It also provided support to ensure he received a thorough and broad grounding in the responsibilities and obligations of being a director of a listed company in the UK and the UK legal, regulatory and governance framework.
As part of his induction David made a number of visits to the Group’s markets, both independently and as part of the Board’s overseas meetings. These visits included meetings and/or briefings from regional and function heads, senior management, auditor partners, clients and regulators, in London, Singapore, New York, Beijing, Nairobi and Dubai.

Having been appointed as Chair of the Board Risk Committee, an early part of David’s induction was focused on providing an insight into the Group’s risk management profile and appetite. He also received a number of regulatory and legal briefings from our external legal advisors and the Group Company Secretary on the UK directors’ duties, the Senior Managers Regime, responsibilities and obligations, as well as attending an external one-day session to provide him with additional context and further training in this area.

David’s induction was comprehensive in its overview and took the form of briefings and in-depth sessions in the areas of strategy; client segments and product groups; regional businesses; risk; compliance; legal; finance and taxation; capital and liquidity; audit; people; brand and marketing; technology and operations; corporate activity; corporate governance; Board and committee governance; external stakeholders; meetings with clients, employees, regulators and shareholders.

Ongoing development plans

Sustaining a highly engaged, effective, well-informed and functional Board requires not only a thorough induction process to ensure directors understand the business and the issues as quickly as possible, but also a well-managed process of ongoing engagement, training and development. This was an area of additional focus during 2016 for all of the Board directors, as mandatory training and ongoing engagement plans were a key element of their fit and proper assessments under the Senior Managers Regime. During the year, all directors received a combination of mandatory training, briefings, presentations and papers on a range of topics to ensure that each director’s contribution to the Board remained well-informed and relevant. This training took the form of refresher training on their statutory duties; an update on regulatory and governance responsibilities and obligations; briefings on geo-political developments, cyber security, an external perspective on brand and culture, and a China economic context session. The table below gives further detail on who received these briefings.

Support is provided to the directors by the Group Company Secretary and the Group Corporate Secretariat team. Directors also have access to independent professional advice at the Group’s expense where they judge it necessary to discharge their responsibilities as directors. The delivery of Board and committee papers and other briefing material to directors through iPads continues to provide the Board with a flexible and efficient method of accessing information, particularly given the global nature of our Board.

## DIRECTORS’ INDUCTION AND ONGOING DEVELOPMENT IN 2016

<table>
<thead>
<tr>
<th></th>
<th>Induction training</th>
<th>Directors’ duties and regulatory updates</th>
<th>Visits to our markets and meetings with local management</th>
<th>Geo-political developments</th>
<th>Cyber</th>
<th>External perspective on brand and culture</th>
<th>China economic context</th>
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</thead>
<tbody>
<tr>
<td>J Vifials (appointed Chairman Designate 3 October 2016 and Chairman 1 December 2016)</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
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</tr>
<tr>
<td>W T Winters</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
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</tr>
<tr>
<td>O P Bhatt</td>
<td>N/A</td>
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<tr>
<td>Dr K M Campbell</td>
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<tr>
<td>D P Conner (appointed 1 January 2016)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Dr B E Grote</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Dr Han Seung-soo, KBE</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>C M Hodgson</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
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<tr>
<td>G Huey Evans, OBE</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>N Kheraj</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>J M Whitbread</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>S J Lowth (stepped down 31 July 2016)</td>
<td>N/A</td>
<td>- ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sir John Peace (stepped down 1 December 2016)</td>
<td>N/A</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>A M G Rees (stepped down 30 April 2016)</td>
<td>N/A</td>
<td>- ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>L Thunell (stepped down 31 January 2016)</td>
<td>N/A</td>
<td>- ✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

1. Applicable to new directors appointed during 2016
2. There were no papers available for circulation to directors unable to attend
3. These briefings took the form of a combination of presentations, Board dinners and discussions. Where a director was unable to attend a session they received the update by the circulation of papers
4. Not a member of the Board at the time of the briefing/event
Board effectiveness 2016

The effective operation of the Board and the collaborative and open relationship between the executive directors and the independent non-executive directors is crucial and well understood at Standard Chartered. With the transition to a new Chairman towards the end of 2016, it was appropriate for the Board effectiveness review to be conducted internally in 2016, facilitated by the Group Corporate Secretariat.

This year’s Board effectiveness review took the form of a self-assessment questionnaire, completed by each independent non-executive director and shared with the Chairman ahead of his one-to-one meetings with each of them. The executive directors’ comments were received separately through the Group Corporate Secretary. The meetings took place between September and November 2016 and were attended by the Group Corporate Secretary. These meetings provided an opportunity for Board members to offer their insight into the effectiveness of the Board and highlight areas where its effectiveness could be enhanced. A final report incorporating the feedback and observations from the directors, including recommendations for action, was presented to the Board meeting in December 2016 for its consideration. The overall conclusion from this year’s Board effectiveness review was that the Board operates effectively. However, it highlighted a number of actions for 2017 to address the key outputs. These, along with further detail on this year’s Board effectiveness review process, are set out below.

The observations from this year’s review formed part of Sir John Peace’s handover to José Viñals, providing him with valuable context as he transitioned into his role as Chairman. It also provided informative background ahead of the externally facilitated Board effectiveness review that is being conducted in 2017, the conclusions of which will be shared in next year’s report.

THE 2016 BOARD EFFECTIVENESS REVIEW PROCESS

<table>
<thead>
<tr>
<th>Completion of questionnaire</th>
<th>Overall, the feedback received from Board members indicated that the Board was operating effectively. A number of key themes were identified for consideration by the Board, including:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Chairmanship style</td>
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<tr>
<td></td>
<td>● An appreciation of Sir John’s open and inclusive style</td>
</tr>
<tr>
<td></td>
<td>Board composition</td>
</tr>
<tr>
<td></td>
<td>● Acknowledgement that the smaller Board is preferred</td>
</tr>
<tr>
<td></td>
<td>● Board composition and succession: balance between geographical representation and technical experience</td>
</tr>
<tr>
<td></td>
<td>● The value of input from external advisors</td>
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<tr>
<td></td>
<td>Committee composition</td>
</tr>
<tr>
<td></td>
<td>● Future succession of committee chairs and committee membership</td>
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<tr>
<td></td>
<td>● Recognition of the heavy workload of some committee members</td>
</tr>
<tr>
<td></td>
<td>Operational</td>
</tr>
<tr>
<td></td>
<td>● Creating sufficient space on the agenda for further focused discussion on aspects of the Strategy</td>
</tr>
<tr>
<td></td>
<td>● Review of the scheduling and spacing of Board and committee meetings and the frequency of non-UK Board meetings</td>
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<tr>
<td></td>
<td>● Continued value and importance of targeted ongoing training</td>
</tr>
<tr>
<td></td>
<td>● Improve technology at the Board meetings to assist those overseas</td>
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</table>

<table>
<thead>
<tr>
<th>Key observations, themes and feedback</th>
<th>The Board and the Governance and Nomination Committee discussed the findings of the effectiveness review and developed and agreed an action plan for 2017.</th>
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<tbody>
<tr>
<td></td>
<td>● Maintain the open and inclusive culture on the Board under the new Chairman</td>
</tr>
<tr>
<td></td>
<td>● Ensure that discussions in respect to composition include; geographical and technical representation (most effective way to draw on specific technical skills); size; structure; overall composition and diversity</td>
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<tr>
<td></td>
<td>● Agree a new Board Diversity policy</td>
</tr>
<tr>
<td></td>
<td>● Consider additional space in the year for in-depth consideration of elements of our strategy</td>
</tr>
<tr>
<td></td>
<td>● 2018 Board schedule to be reviewed to accommodate concerns about scheduling and spacing of meetings, and consider an optimal balance of non-UK Board meetings</td>
</tr>
<tr>
<td></td>
<td>● Review Board meeting technology to ensure it is fit for purpose</td>
</tr>
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<td></td>
<td>● Consider ways to improve the delivery of induction and training</td>
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<tr>
<th>Board and Governance and Nomination Committee discussion</th>
<th>2017 agreed action plan</th>
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<tbody>
<tr>
<td></td>
<td>- Maintain the open and inclusive culture on the Board under the new Chairman</td>
</tr>
<tr>
<td></td>
<td>- Ensure that discussions in respect to composition include; geographical and technical representation (most effective way to draw on specific technical skills); size; structure; overall composition and diversity</td>
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<td></td>
<td>- Consider ways to improve the delivery of induction and training</td>
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Committee effectiveness

The effectiveness of each of the Board committees was reviewed in parallel with the Board. Each of the committees conducted an internally facilitated effectiveness review. These reviews, facilitated by the Group Corporate Secretariat, consisted of a questionnaire with a combination of specific questions relating to the individual committees as well as the operation of each committee. Committee members as well as permanent attendees were invited to provide feedback.

This feedback was formally discussed by each of the committees and overall it was considered to be effective, challenging and well-managed. An action plan for each committee has been designed to address the key feedback identified. More detail on the individual committee reviews can be found within their sections in this report.
Directors’ performance
During the autumn of 2016, Sir John Peace, as Chairman, held discussions with each of the directors to review and assess their individual performance. This is used as the basis for recommending the re-election of directors by shareholders.

For each of the independent non-executive directors, discussion included consideration of:
- Their time commitment, including (where relevant) the potential impact of any outside interests
- The current and future committee membership and structure
- The Board’s composition, taking into account when each independent non-executive director envisaged stepping down from the Board

Directors’ fitness and propriety
Standard Chartered has a framework in place to ensure that individuals appointed to relevant senior manager positions across the Group have the appropriate fitness and propriety to properly discharge their responsibilities, both on appointment and during the course of their appointment. The Chairman has responsibility for assessing the fitness and propriety of the Company’s independent non-executive directors and the Group Chief Executive Officer. Annual fit and proper assessments were carried out in respect of each independent non-executive director and the Group Chief Executive Officer during the course of 2016.

Chairman’s performance
The Senior Independent Director met with the independent non-executive directors, at a private meeting without the Chairman present, to review the Chairman’s performance. The feedback was collated and consolidated feedback was given to Sir John Peace ahead of him stepping down from the Board on 1 December 2016.

Independence and re-election to the Board
The Chairman is committed to ensuring that the Board is comprised of a majority of independent non-executive directors. In determining whether a non-executive director is independent, the Board considers each individual against the criteria set out in the UK Corporate Governance Code, the Hong Kong Listing Rules and also considers their contribution and conduct at Board meetings, including how they exercise judgement and independent thinking. In line with the Code, Dr Han’s re-appointment was subject to particular review and scrutiny, given he has served on the Board for more than six years. The Board is satisfied that Dr Han and each of its non-executive directors bring robust, independent oversight.

All of the directors will stand for (re)election at the 2017 Annual General Meeting (AGM) with the support of the Board.

Engagement with Shareholders
We recognise the importance of trusted and open relationships with our shareholders. These relationships are strengthened by ensuring we openly seek shareholders’ views not simply in the lead in to the AGM but throughout the year.

The Chairman and other Board directors have direct contact with shareholders and advisory voting bodies as well as receiving regular updates from Investor Relations on the views of our key shareholders, the position of influential advisory bodies together with reports on market and investor sentiment.

KEY SHAREHOLDER ENGAGEMENT IN 2016

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<tbody>
<tr>
<td>Full year results and Annual Report</td>
<td>Q1 Interim Management Statement</td>
<td>Annual General Meeting</td>
<td>Half year results</td>
<td>Q3 Interim Management Statement</td>
</tr>
</tbody>
</table>

During the year, we maintained our comprehensive engagement with investors and other key stakeholders, including investor advisory bodies and credit rating agencies. We have focused engagement on our progress with executing the Group’s strategic plan set out in November 2015 to stabilise and reposition the Group and the steps taken to improve returns to shareholders. This year, we have undertaken around 500 investor meetings and have met with around 300 separate institutions in key investor hubs across 25 cities in Europe, North America and Asia.

The Group Chief Executive and Group Chief Financial Officer continue to be our primary spokespeople and have engaged extensively with current and potential investors through individual and group meetings at various roadshows and investor conferences throughout the year. In addition, many of the Management Team met with investors at various conferences and group meetings to promote greater awareness and understanding of our client segment, regional, risk and technology strategies.

As part of José’s induction as Chairman, he spent a significant amount of time in his first few months engaging with our top investors, who comprised more than 50 per cent of the share register, as well as with several investor advisory bodies to understand their views on the Group, introduce himself and set out his priorities as Chairman.

The Group maintains a diverse, high-quality and predominantly institutional shareholder base. North American investors now comprise around 30 per cent of the share register.
INSTITUTIONAL SHAREHOLDERS PROGRAMME

The Investor Relations team has primary responsibility for managing day-to-day communications with our institutional investors. The team supports the Chairman, Group Chief Executive, Group Chief Financial Officer, other Board members, and senior management in conducting a comprehensive shareholder programme spread across the year. During the year, the programme of investor events included:

- Formal presentation of full year and half year results followed by post-results investor roadshows across 25 cities in major investor centres across Europe, North America and Asia
- Interim Management Statements issued for the three months ending 31 March 2016 and nine months ending 30 September 2016, followed by a webcast with investors and analysts
- Fourteen industry conferences in Europe, North America and Asia attended by a combination of executive directors, regional/segment CEOs, senior divisional management and the Investor Relations team
- Continued engagement on governance with institutional shareholders and voting advisory bodies. The Group Company Secretary leads this process along with the Senior Independent Director (SID) with input from senior management. Throughout the year, the SID met with a range of investors to keep them apprised of progress on the search for a new Chairman and the Remuneration Committee Chair consulted extensively with a range of shareholders regarding the new Remuneration Policy. 94.3 per cent of shareholders supported the executive remuneration policy at the 2016 AGM
- A governance event hosted in London in April 2016 by Sir John Peace (the then Chairman), together with the SID, Remuneration Committee Chair and Group Company Secretary attended by 14 institutional investors. The event provided an open forum for debate on topical governance issues and, more broadly, assisted us in deepening the relationship with the Group’s shareholders
- Various investor meetings hosted by the Group Treasurer, regional and client segment management

All presentation material and webcast transcripts are made available on the Group’s website and can be viewed at investors.sc.com

Further information can be found at investors.sc.com

DEBT INVESTOR PROGRAMME

Group Treasury manages the Group’s relationships with debt investors and the three major rating agencies. Country chief executives and chief financial officers lead on management of subsidiary ratings. In 2016, management met with debt investors across Europe, the US and Asia and maintained a regular dialogue with the rating agencies. The Group is an active issuer of senior unsecured and non-equity capital-issuing $2 billion of Additional Tier 1, $1.25 billion of Tier 2 and around $4.4 billion of senior unsecured debt from Standard Chartered PLC in 2016. It is therefore important to maintain regular contact with debt investors to ensure continued appetite for the Group’s credit. The Group’s credit ratings are important to the external perception of the Group’s financial strength and creditworthiness.

The Group Company Secretary oversees communication with our retail shareholders. The AGM in 2016 was held on 4 May 2016, was well-attended and all of the proposed resolutions were passed, with shareholder support in favour of each resolution ranging from 90.5 to 99.9 per cent. It provided an opportunity for the Board to meet with our retail shareholders, listen to their views and respond to their questions. During the year, we also met with the United Kingdom Shareholders’ Association and undertook a roadshow with Private Wealth fund managers.

The results of the voting on each resolution at the 2016 AGM can be viewed at investors.sc.com

Further information can be found at investors.sc.com

Board committees

The Board places significant reliance on its committees by delegating a broad range of responsibilities and issues to them. It therefore remains crucial that effective linkages are in place between the committees and the Board as a whole, not least as it is impracticable for all independent non-executive directors to be members of all of the committees. Mechanisms are in place to facilitate these linkages, including ensuring that there are no gaps or unnecessary duplications between the remit of each committee and overlapping membership between Board committees.

Alongside interconnected committee membership, the Board receives minutes or a verbal summary of each of the committee’s meetings (with the exception of the Governance and Nomination Committee). The membership of many of the committees was changed during 2016, including the chairs of the Board Financial Crime Risk Committee, the Brand, Values and Conduct Committee, the Board Risk Committee and the Governance and Nomination Committee, allowing for a fresh perspective from existing or newly appointed Board members.

COMMITTEE MEMBERSHIP LINKAGES

1. Committee linkages as at 24 February 2017

www.sc.com
Audit Committee

The Committee’s composition and role
The Committee members have detailed and relevant experience and bring an independent mindset to their role. David Conner joined the Committee on 1 January 2016 bringing with him significant global banking experience, strong risk management credentials and an in-depth knowledge of Asian markets.

The Board is satisfied that Christine Hodgson has recent relevant financial experience and that all the other Committee members have board experience and knowledge of financial reporting and international business. Details of their experience can be found on pages 57 to 59. All the Committee members are independent.

The overlapping membership between the Committee and the Board Risk, Remuneration, Brand, Values and Conduct and Board Financial Crime Risk Committees is one of the mechanisms for ensuring that the linkage between the Audit Committee and other Board committees avoids gaps or unnecessary duplications between the remit of each committee.

In discharging its responsibilities, the Committee has been mindful of the recommendation as set out in the Financial Reporting Council’s guidance for Audit Committees 2016. The Committee’s role is to review, on behalf of the Board, the Group’s internal financial controls. It is also responsible for oversight and advice to the Board on matters relating to financial reporting and has exercised oversight of the work undertaken by Group Compliance, Group Internal Audit and the Group’s statutory auditor, KPMG.

Financial reporting
The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Group’s published financial statements and formal announcements relating to the Group’s financial performance, reviewing significant financial reporting judgements and accounting issues contained in them.

Dear Shareholder
As Chairman of the Audit Committee, I am pleased to present the Audit Committee’s report for the year ended 31 December 2016. In addition to the disclosure requirements relating to audit committees under the UK Corporate Governance Code 2014, the following report sets out the areas of significant and particular focus for the Committee and its activities over the course of the year, as well the review undertaken on the effectiveness of the Group’s statutory auditor KPMG LLP (KPMG) and the assurance the Committee has sought and been provided with concerning the resourcing of the Group Finance, Group Internal Audit and Compliance functions.

This report provides an overview of the significant issues the Audit Committee assessed and the Committee’s opinion on the Annual Report when viewed as a whole, including how it has assessed the narrative reporting in the front of the report to accurately reflect the financial statements in the back.

Management reporting to the Committee from across the business has provided the opportunity for the Committee to challenge, discuss and seek assurance from management and enabled the Committee to provide an independent perspective.

I can confirm that the information the Committee has received has been balanced, appropriate and timely, and has enabled the Committee to fulfil its remit in ensuring that the interests of the Group’s shareholders are properly protected in relation to financial reporting and internal control.

Naguib Kheraj
Chair of the Audit Committee

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Naguib Kheraj
Chair of the Audit Committee
Group Finance has oversight and is responsible for the consolidation of financial information from country reporting teams for entities within the Group, the application of accounting policies and practices, including key estimates and judgements, and providing adequate accounting and financial records over reporting of published financial statements and formal announcements relating to the Group. The Group Finance team and country reporting teams perform analytical procedures, ensuring compliance with accounting standards, legal and regulatory matters in relation to financial reporting and interact on a regular basis to evaluate, manage and resolve relevant matters relating to financial reporting, including significant accounting policies and financial reporting judgements and changes in estimates. All financial information submitted by country reporting teams is certified by the in-country Chief Financial Officer.

The Committee is satisfied that the Group’s accounting policies and practices are appropriate, including significant accounting estimates and judgements made.

During 2016, the Committee has considered on behalf of the Board, the Q1 and Q3 Interim Management Statements. In 2016, the Committee paid particular attention to impairment of loans and advances, valuation of financial instruments, and goodwill impairment testing.

Impairment of loans and advances

Throughout the year the Committee received information on the quantum of impairment, specific names and industries under impairment review. These reports are from management at each reporting period, detailing the composition of the loan book, provisioning levels, cover ratio by client segment and the judgement exercised around the individual and portfolio impairment provisions. They covered all client and geographic segments and included reviews of:

- Retail Banking, where provisions are assessed more on a collective basis (other than for mortgages). Trend analyses of Portfolio Impairment Provisions against Expected Loss was provided as were analyses of delinquency trends. The Committee continued to gain comfort from the fact that the Retail loan book is predominantly secured and the loan-to-value ratio on the mortgage book remains low, at 49 per cent
- Corporate & Institutional Banking and Commercial Banking assumptions underpinning possible recovery options and related cash flows
- For certain significant exposures, particularly those exposures in the “high risk” credit grade and managed by Group Special Asset Management (GSAM), the Committee has been briefed on business plans, management assessment of the recoveries and collateral available
- Trends in ‘early alert accounts’ were shared and the concentration of exposures in relevant sectors and countries

The Committee also assessed the external macroeconomic conditions, geo-political movements in footprint markets and areas identified in discussions with the Board Risk Committee. There is some common membership across the Audit Committee and the Board Risk Committee, with the Chair of the Audit Committee being a member of the Board Risk Committee and vice versa. This synergy facilitates an assessment of current adequacy of provisions, and affords the Audit Committee a forward-looking view of potential risks and their impacts.

Valuation of financial instruments

The Committee receives reports and valuation updates at each reporting period, detailing the process undertaken by Valuation Control, a unit independent of the business. The Committee is made aware of the amounts reserved to cater for model and valuation risks, which cover both Level 2 and Level 3 assets; and the significant valuation judgements in respect of Level 3 instruments. Where the measurement of fair value is more judgemental in respect of Level 3 assets, these are valued based on models that use a significant degree of non-market-based unobservable inputs. The Committee was satisfied with the reports and valuation updates provided. Further details on financial instruments are set out in note 13 on pages 227 to 236.

Goodwill impairment testing

The Group undertakes its annual assessment of goodwill impairment each year and receives a report outlining the basis of the assumptions and forecasts used for determining cash flows, including any change from the prior year, headroom availability and sensitivities of the forecasts to possible changes in assumptions. During the year the Committee is updated on movements in assumptions and sensitivities to ensure that at reporting dates the goodwill is reasonably stated. The total goodwill carried on balance sheet as at 31 December 2016 is $3,456 million and, based on the review of forecasts and assumptions by management, the Committee considers that, other than noted below, the headroom available is sufficient to support the carrying value. The Committee agreed with the impairment charges as at 31 December 2016 of $166 million detailed in note 9 and note 17. These are also considered to be key areas that KPMG focused its work. The Committee received reports and updates from KPMG and is satisfied the issues have been addressed during the year.

During the year, the Committee was provided with updates on finance projects that have arisen as a result of accounting or regulatory requirements. The major project relates to IFRS 9 Financial Instruments (effective from 1 January 2018). In summary, these reports considered:

- Project governance across multidisciplinary areas combining the skills of finance, risk and IT, key risks, and progress against implementation. Reports to ensure compliance in respect of the implementation requirements and evaluate management’s progress in implementing and transitioning to the impairment requirements of IFRS 9
- A paper issued by the Global Public Policy Committee (GPPC) to bank Audit
Committee Chairs, to report on progress against implementation milestones of IFRS 9 impairment requirements by banks and provide an update on key industry developments in the period.

The Committee discussed the key areas of focus of the finance function in 2016 and is satisfied with the adequacy of resources including organisational change, headcount, Group reporting technical and leadership capability, projects and investment and processes and controls.

The Committee is satisfied that the Group Finance function is adequately resourced to maintain the Group’s external reporting obligations and that the qualifications, experience, training and budget are sufficient.

**Aircraft and shipping**

The Committee discussed and considered the change in the Group revised estimates for both the useful lives and residual value assumptions relating to the aviation and shipping assets (refer to note 18 on page 247) and concluded that the change was appropriate.

**Restructuring provisions**

The Committee received and reviewed reports with respect to the restructuring charges. We continued, like 2015, to review the extent to which restructuring provisions were recognised and measured and remained consistent with the 2015 Strategic Review. The Committee reviewed and considered Management’s judgements and assumptions and are satisfied there are reasonable, including related disclosures.

**Taxation**

The Committee discussed the tax charge with Management and noted the effects of a number of components that result in an overall charge to the income statement. The Committee reviewed and considered Management’s judgements and assumptions with respect to tax risks and are satisfied these are reasonable and adequate disclosure in the financial statements has been made.

**Disclosures**

The Committee has reviewed the clarity and completeness of the proposed disclosures made within the published financial statements, checked that they are set properly in context, and discussed the proposed disclosures within this year’s Annual Report and Accounts arising from:

- Alignment to best practice through the application of the BBA Code for Financial Reporting Disclosure
- Bilateral discussions between the UK Prudential Regulation Authority (PRA) and the BBA, which inform best practice included in the BBA code noted above
- The themes raised by, and specific comments from, the Financial Reporting Council (FRC) on aspects of UK reporting

Key judgements and the significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements on page 207. As part of the Committee’s year-end discussions, consideration was given to the going concern and Viability statements, further details of which can be found on pages 124 to 125.

**Fair, balanced and understandable**

The Committee has reviewed and monitored the appropriateness and completeness of the published financial statements of the Group. The Committee has paid particular attention to the formal announcements relating to the Group’s financial performance, significant accounting policies and significant financial reporting judgements and changes in estimates made by the Group. On behalf of the Board, the Committee considered, and has satisfied itself, that the processes and procedures in place ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy and the business risks it faces.

The statement is underpinned by the Committee’s, and the Board’s, belief that the Annual Report and Accounts does not exhibit any bias; that all important elements have been disclosed; and that the descriptions set out in the strategic report are consistent with those used for financial reporting in the Group’s financial statements. In making its assessment, the Committee applies its accumulated knowledge and experience from Board meetings, engagement with management over the year and from access to management performance information.

**Group statutory auditor**

The Committee is responsible for the appointment of the Group statutory auditor and has overseen the work undertaken by KPMG throughout the year. As Committee Chair and as part of his visits to the Group’s markets, Naguib met with the local audit partner in Kenya and Taiwan. In addition, KPMG’s local regional partners from Africa, Hong Kong, Korea and the US attended Committee meetings. Such interaction enables the Committee to gain greater insight of the challenges faced in the Group’s markets from a statutory audit perspective and provides the local regional partners with the opportunity to provide the Committee with their assessment of the Group’s control systems and infrastructure in their markets, the quality of the Group’s management from a control perspective and a benchmark of the Group’s control environment against local and international peers. Such discussions also provided the Committee with insight into local regulatory developments and the Group’s standing with local regulators. The Committee also:

- Discussed the risks covered by the KPMG audit plan and has sought and received assurance that these risks have been properly addressed in the audit strategy and plan, which have been reviewed by the Committee. The Committee has enquired, and is satisfied, that KPMG has allocated sufficient resources to address these risks. The Committee has sought and received assurance that no undue pressure has been asserted on the level of audit fees to ensure that there is no risk to audit work being conducted effectively and independently.
- Analyzed and discussed the results of the inspection of KPMG by the FRC’s Audit Quality Review Team. The discussions gave no cause for concern regarding the FRC’s observations.
- Performed its annual review of the performance and effectiveness of KPMG. This review includes an assessment of their independence and objectivity. The review was performed jointly by Group Internal Audit and Group Finance and took the form of a structured survey which was sent to Committee members, the chairs of the Group subsidiary audit committees, the Group’s Management Team, country chief executive officers, regional/country chief financial officers, members of the Group Finance Leadership Team and country heads of audit. The results of the survey were discussed by the Committee. Overall, it was felt that KPMG is considered to be effective, objective and independent in its role as Group statutory auditor.

In accordance with the Auditing Practices Board requirement, the lead audit engagement partner was rotated in 2015, having held the role for five years. The lead audit engagement partner has a background of auditing banks and understands the markets in which the Group operates.

The Company complies with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. A tender for audit services was last conducted in 2013, following which KPMG were appointed as the Group’s statutory auditor. Before the audit tender took place, KPMG had been the Group’s statutory auditor for over 25 years and has regularly rotated its lead partner. In line with the new EU legislation in respect of statutory audit services in the audit (2006/43/EC which amends the Statutory Audit Directive) became applicable throughout the EU on 17 June 2016. In accordance with this Directive, it is acknowledged that it is mandatory for the Group to change the Group’s statutory auditor for the year ended 31 December 2021.

**Non-audit services**

The Committee sets, reviews and monitors the appropriateness of the provision of non-audit services, and applied the Group’s policy on the award of non-audit services.
Further details on non-audit services provided by KPMG can be found on page 130 and the Group's approach to non-audit services can be found on page 130

**Overview of internal controls**

The Committee has considered reports in respect of the control environment in the Group’s businesses.

The Committee discussed control environment issues, their root causes and management’s responses and remediation activities. On a regular basis, the Group Internal Audit provides the Committee with Group Internal Audit’s view of the system of internal controls across all risk types, business and country functions. In addition, the Committee is provided with a summary of items for monitoring by the Committee. This summary highlights the most significant matters being monitored by Group Internal audit and items of thematic interest which have arisen as part of audits and which warrant the Committee’s attention. At the Committee’s request the Group Chief Information Officer attended a Committee meeting to discuss the action being taken to address outstanding IT related audit findings.

To complement the Group Internal Audit Report, the Committee is also provided with the Group Internal Audit Information Report, which provides the Committee with additional and more granular information on significant areas. It contains management actions to address items included in the summary, an overview of the audits completed over the course of the year and overdue high-risk issues identified in audits since the last Group Internal Audit Information Report to the Committee. During 2016, for those most significant matters being monitored by Group Internal Audit, business and/or regional management has been invited to attend Committee meetings to provide updates on the steps being taken to enhance the control environment and address internal audit findings. As a result of internal audit findings and at the Committee’s request, management have attended Committee meetings to present specific deep dives into the control environment in Africa, the reasons for overdue remediation of information technology audit findings and the Group’s approach to managing the risk of third-party outsourcing.

In addition to reporting to the Audit Committee, Group Internal Audit provides the Board Risk Committee with a summary of Group Internal Audit’s appraisal of controls across key risks subject to the Board Risk Committee's oversight and the Board Financial Crime Risk Committee with updates on Group Internal Audit’s work in relation to Financial Crime Risk and its views on the Group’s control environment.

As part of KPMG’s audit certain controls are tested in relation to financial reporting and financial statement preparation. Typically this involves a detailed walkthrough of the front to back processing of transactions and identifying key controls implemented by the Group to assess that transactions are processed completely and accurately. KPMG also gained an understanding and tested key controls implemented by the Group for judgemental areas including valuation of loans and financial instruments held at fair value. The Committee received a report setting out KPMG’s observations of the Group’s controls arising from KPMG’s audit for the year ended 31 December 2015 and observations made in the current year. The control points raised related principally to reinforcing or enhancing existing procedures and did not suggest any fundamental concerns over the control framework or procedures. The Committee also considered management’s responses to the findings together with proposed timelines for addressing the findings.

The Committee has also discussed operational risk. There is an overlap between the work of the Audit Committee and the Board Risk Committee as the Board Risk Committee has considered issues relating to operational risk management. The Committee has considered KPMG’s Management Letter and its observations of the Group’s controls. The Audit Committee has received an update on the work undertaken by the Group to pursue the recommendations made by KPMG to further embed risk appetite and the operational risk framework, further details of which can be found in the Risk Management Approach on page 147.

The Committee has discussed the work underway with the Group concerning third party supplier and outsourcing risk management.

The Committee received regular reports on the status of the programme to handle the implementation of the EU Market Abuse Regulations that came into effect in July 2016.

The Committee has also sought and received assurance concerning the Group’s compliance with the Volcker Rule (the Rule). The Rule refers to part of the Dodd-Frank Wall Street Reform and Consumer Protection Act and prohibits the Group from (i) engaging in proprietary trading; and (ii) acquiring or retaining (directly or indirectly) as principal, any equity, partnership or other ownership interest in or sponsoring of a Covered Fund. In addition, the Rule requires the Group to establish, maintain and enforce an enhanced compliance program reasonably designed to ensure and monitor compliance with the Rule.

As Standard Chartered Bank’s New York branch is a ‘qualifying foreign banking organization’ regulated under the US Bank Holding Company Act (BHCA) the Committee has received updates regarding the remediation work being undertaken to ensure the Group is fully compliant with the BHCA.

**Speaking Up programme**

The Committee has spent time discussing the enhancement of the Group’s Speaking Up programme in order to comply with new Whistleblowing Rule introduced by the Group’s UK lead regulators the Prudential Regulatory Authority (PRA) and the FCA that came into effect on 7 September 2016. The Group’s Speaking Up programme was re-launched on 31 August 2016, linked directly with the Group Code of Conduct annual staff recommitment. A key feature of the re-launch involves leveraging the Group’s initiative to promote Speaking Up (#knowtherules) as a critical outcome for good conduct, and creating the right environment.

Speaking Up management information has been regularly provided to the Committee. This includes year-to-date volumes relative to 2015, any identifiable themes arising from Speaking Up reports, the average time to complete an investigation, the number of ongoing investigations and the number of substantiated and non-substantiated cases.

**Non-financial crime compliance, regulatory government investigations and significant cross-border and major disputes**

The Committee has been provided with updates on non-financial crime compliance regulatory government investigations (RGIs) facing the Group. RGIs relating to financial crime compliance are reported separately to the Board Financial Crime Risk Committee. The Committee has also received updates on significant cross-border orders and major disputes facing the Group.

**Interaction with regulators**

On an annual basis the Committee meets with the PRA. The purpose of such meetings is to enable discussion between the Committee and the PRA without
the presence of management on non-prudentially focused matters. As Committee Chair, Naguib also met local regulators in the UAE and Pakistan as part of overseas visits to the Group’s markets.

**Group Internal Audit and Group Compliance**

The Committee has reviewed the resourcing and proposed work plans for both the Group Internal Audit and Group Compliance functions, and is satisfied that both are appropriate in light of the proposed areas of focus, expertise and skill that are required within both functions, given the current regulatory environment. The Committee is also satisfied with the independence of the Group Internal Audit function. Throughout the year, Naguib has had regular meetings with the Group Head of Internal Audit and the Group Head, Compliance and has also met with the Regional Head, Audit, Europe & Americas and also met with Group Internal Audit teams in Kenya, Uganda, Pakistan, the UAE and the US.

The Committee monitored and assessed the role and effectiveness of the Group Internal Audit function. This included reviewing and monitoring Group Internal Audit’s progress against its annual audit plan, and the review and monitoring of post-audit actions. The Committee also conducted its annual review and approval of Group Internal Audit’s Charter.

The PRA undertook a review of the Group’s Internal Audit function in Q4 2016. The review encompassed analysis of information requested as well as meetings with senior members of staff and the attendance by the PRA at a Committee meeting. The purpose of the review was to assess the design and effectiveness of Group Internal Audit as a third line of defence. The Committee discussed the findings of the PRA’s review and will receive progress reports from Group Internal Audit against these over the course of 2017.

With the exception of the year-end focused meeting, at every scheduled meeting the Committee receives a Compliance Report. Over the course of the year, the format of this report to the Committee has been enhanced. In addition to describing the work being undertaken by Compliance and any significant compliance and regulatory risks facing the Group together with the key actions being taken to address or mitigate these risks, the report also includes updates from the business compliance and central compliance teams. In particular, the Committee received updates on the transition of the Banking Reform Act (the Act) programme to a business-as-usual environment following the Act coming into effect on 7 March 2016. The report also provides material updates by the Group’s regional compliance teams, in particular, any significant developments with the Group’s regulators in Hong Kong, India, Korea, Malaysia, Singapore, China, the US and the UK. As Group Compliance is the risk owner of a number of the top operational risks identified in the Group’s Operational Risk Framework, the Committee has sought and received assurance that Group Compliance has discharged its risk ownership obligations through the maintenance of high-quality compliance standards supported by a dynamic risk management and assessment structure. As Committee Chair, Naguib has met and engaged with the Compliance teams in Kenya, Uganda, Pakistan, the UAE and the US and also separately met the Regional Head Compliance, Americas, and the Taiwan Country Head of Compliance when he travelled to these markets.

The Committee has reviewed the functional agenda and annual plan for Group Compliance.

**Linkages between the Committee and subsidiary Board audit committees**

While being mindful of the need to not adversely impact the independence of the Group’s subsidiary audit committees, there are documented processes in place that define the linkages between, and roles of, the Audit Committee and the audit committees of subsidiary companies. Another way in which the Committee strives to ensure appropriate linkages between the Committee and the Group’s subsidiary audit committees is by holding an annual call hosted by Naguib as Committee Chair and attended by the chairs of the subsidiary audit committees. In 2016, the Group Head of Internal Audit, Group Head, Compliance, Deputy Group Chief Financial Officer and lead audit partner of the Group’s statutory auditor also participated in the call. This call provides the opportunity to share, among other things, the Committee’s priorities for the year ahead and to discuss ways in which the linkages between the subsidiary audit committees and the Committee can be further strengthened and enhanced without compromising independence. As Committee Chair, Naguib also met with the independent non-executive directors of Standard Chartered Bank (Taiwan) and members of its audit committee and with members of the Group’s Malaysian subsidiary audit committee when they visited London.

**Ongoing training and development**

All new Committee members receive an extensive, formal and tailored induction programme that builds upon their experience and covers particular areas of focus of the Committee. Existing Committee members have ongoing training and development programmes which in 2016 included in-depth training sessions on IFRS 9, which replaces IAS 39 Financial Instruments on 1 January 2018. The implications of the change are set out in note 1 Accounting policies on pages 207 to 208.

**Committee effectiveness review**

In keeping with the approach to Committee effectiveness reviews adopted by other Board committees, in 2016 an internally facilitated effectiveness review was conducted. This review, facilitated by the Group Corporate Secretariat, involved each committee member and permanent attendee providing their thoughts on the Committee’s effectiveness. The feedback was then formally discussed by the Committee and an action plan designed to address the key observations.

The Committee is viewed as being effective, with observations from the review including the effectiveness of debate and discussions at meetings, the benefit derived from the private sessions between the Committee with Group Internal Audit, Compliance and KPMG, Committee pre-meetings that assist in focusing discussion on key matters and the broad range of topics covered. Management’s observations included the good level of challenge received, the positive interaction between the Committee and management, the right level of enquiry by the Committee and excellent engagement from the Committee Chair and the Committee as a whole.

Areas for increased Committee effectiveness going forward included the need to guard against veering into management responsibilities as a result of too much information and detail being provided in the management information to the Committee and further enhancements to the commentary in Group Internal Audit Reports on management actions, thereby providing a better account of the materiality of audit findings in the context of broader control environment, so as to assist Committee members with calibrating the issues raised.
Dear Shareholder

As Chair of the Board Risk Committee, having succeeded Lars Thunell on 1 January 2016, I am pleased to present the Board Risk Committee’s report for the year ended 31 December 2016.

The Committee’s role is to exercise oversight on behalf of the Board of Group-wide risk, and to provide assurance to the Board that the overall framework for complying with the Risk Management Principles and the Board approved risk appetite statement is operating effectively.

Since becoming Chair of the Committee and as a result of feedback provided by the Committee to management, both the regular consolidated risk information reporting and the material provided for the specific deeper dive discussions has been refined so as to enhance the Committee’s understanding.

In discharging its responsibilities, the Committee has sought, and has received, assurance regarding the independence of the Group’s Risk function in its role of maintaining the Group’s risk management framework, upholding the overall integrity of the Group’s risk/return decisions and exercising direct risk-control ownership for credit, market, country cross-border, and operational risks.

The following pages provide insight into the workings of the Committee and its activities in the year. An overview of the Group’s approach to risk management is set out on pages 139 to 149 and the Group’s risk profile is set out on pages 150 to 181.

David Conner
Chair of the Board Risk Committee

The Committee’s role

The Committee’s role is comprised of independent non-executive directors and reflects the Group’s belief that it should comprise members with a deep and broad experience of banking and of the risk factors affecting it. Further details of the Committee members’ experience can be found on pages 57 to 59.

To guard against gaps or unnecessary duplication between Board committees, throughout 2016, there was overlapping membership between the Committee and the Audit, Remuneration, Brand, Values and Conduct and Board Financial Crime Risk Committees.

The Committee has sought, and has received, assurance regarding the independence of the Group’s Risk function in its role of maintaining the Group's risk management framework, upholding the overall integrity of the Group’s risk/return decisions and exercising direct risk-control ownership for credit, market, country cross-border, and operational risks.

In the few instances where it does not have primary oversight for a given type of risk, the Committee interacts closely with the other Board committees where the remits of those other committees clearly cover risk-related issues. For example, the Audit Committee has oversight of the Group’s internal financial controls and regulatory compliance; the Board Financial Crime Risk Committee has oversight responsibilities in relation to financial crime compliance matters; and the Board Financial Crime Risk Committee has oversight of the mechanisms by which reputational risk is managed. This interaction assists the Committee in ensuring that it is well informed on discussions held, and the close collaboration of the Committee Chairs helps to ensure that there are no gaps and any potential for unnecessary duplication is avoided.

Acting within an authority delegated by the Board, the Committee has responsibility for oversight and review of prudential risks, including but not limited to credit, country cross-border, market, pension, capital, liquidity and funding and operational risks. It reviews the Group’s overall Risk Appetite Statement and makes recommendations thereon to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group’s risk management systems and controlling the adequacy of information it is provided with,
Further details regarding the risk management framework and principles can be found on page 139 of the Risk review and Capital review.
before breaching constraints determined by regulatory capital and liquidity requirements, or otherwise failing to meet the expectations of regulators and law enforcement agencies

- Risk appetite – this is defined by the Group and approved by the Board. It is the maximum amount and type of risk that the Group is willing to assume in pursuit of its strategy.
- Risk tolerances – are outer constraints defined by the Group for each risk type via metrics and thresholds. Risk tolerance is set within risk appetite and is a buffer, determined by management, within the Board approved risk appetite.

Risk appetite covers credit, country cross-border, market, liquidity and funding, operational, reputational, pension and strategic risk, further details of which are covered on pages 141 and 142, as well as in the Capital review on page 188.

The Board-approved Risk Appetite Statement, is underpinned by a set of financial and operational control metrics. These metrics directly constrain the aggregate risk exposures that can be taken across the Group.

The Committee has considered the Group’s risk appetite metrics which increased in number in 2016 to include greater breath and greater granularity for credit, capital, market and operational risks. Through our Risk Management Framework the Group manages enterprise-wide risks, with the objective of maximising risk-adjusted returns while remaining within the Group’s risk appetite.

In 2016, the Committee discussed the changes to the risk management framework that had been approved by the Group Risk Committee. The changes reflected the revisions to the Risk Appetite Statement, last approved by the Board in 2015, and the introduction of a simplified Group committee structure following reorganisation of the Group. In reviewing the Risk Management Framework, the Committee sought and received assurance from the Group Chief Risk Officer on its effective implementation.

Further details regarding the Group’s Risk Appetite Statement can be found on pages 21 to 23 of the Strategic report and page 134 of the Risk review and Capital review.

### Capital and liquidity

The Committee considers and discusses the Group’s capital and liquidity position and the regulatory environment and expectations. The Committee has considered the Group’s Individual Liquidity Adequacy Assessment Process which considers the Group’s liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due. The Committee reviews the liquidity risk stress testing framework and assumptions together with the liquidity risk appetite statement. With regard to capital, the Committee reviews the Group’s Internal Capital Adequacy Assessment and the Bank of England Stress Test results in detail in order to satisfy itself that the Group’s approach to capital planning is comprehensive, rigorous and consistent with both the current regulatory requirements and the likely anticipated outlook.

Further details concerning capital can be found on page 182 and liquidity can be found in the Risk review and Capital review on page 134.

### Stress testing

The Committee tracks a wide range of risk metrics that are also periodically reported to the Board. Stress testing and scenario analysis are used to assess the financial and management capability of the Group to continue to operate effectively under extreme but plausible market conditions.

The Committee maintains oversight of the Group’s overall stress testing programme, reviewing the design, key assumptions and the outcomes of principal tests. The Committee reviewed the results of the Bank of England stress test which the Group, along with the largest UK banks, was required to undertake.

Further details of stress testing can be found on page 142 of the Risk review and Capital review.

### Operational risk

The Group’s operational risk appetite approach aims to control operational losses (finance and reputational) so that they do not cause material damage to the Group’s franchise.

The Committee has received summaries of the Group’s operational risk profile, measures relating to operational risk appetite thresholds, and updates on risks facing the Group and action being taken or to be taken to mitigate them, including restrictions on business activities.

More details concerning the Group’s approach to operational risk can be found on page 180.

### Risk management disclosures

The Committee has reviewed the risk disclosures in the Annual Report and Accounts and the Half Year Report and has reviewed and approved the disclosure on the work of the Committee. In reviewing the operational risk disclosures made in this year’s Annual Report and Accounts, the Committee has taken into consideration the Financial Stability Board’s guidelines on principles and recommendations. Risk disclosures contained in the Enhancing the Risk Disclosures of Banks report issued by the Enhanced Disclosure Task Force in October 2012. In conjunction with the Audit Committee, the Committee also reviewed the Basel II Pillar 3 annual disclosure.

Risk function resourcing

The Committee sought and received assurance that the risk function is adequately resourced to perform its function effectively. The discussion included changes to the function made in 2016 following the appointment of Mark Smith as the Group Chief Risk Officer and the adequacy of the people resources, learning and talent management and the areas of focus for the function in 2017.

### Committee reporting to the Board

Throughout the year, the Board has received regular updates from the Committee Chair on the Committee’s activities and areas of focus (including the discussions held by the Committee in relation to the half and full year results) together with minutes of Committee meetings. There has also been formal risk reporting to the Board in 2016 from the Group Chief Risk Officer on risk issues.

### Interaction with management

On a regular basis, the Committee Chair meets individually with the Group Chief Risk Officer. These meetings allow open discussion of any matters relating to issues arising from the Committee’s formal discussions.

### Interaction with regulators

The Committee met with one of the Group’s UK lead regulators, the Prudential Regulation Authority (PRA). The purpose of the meeting was to enable a discussion between the Committee and the PRA concerning prudentially focused topics.

### Induction, ongoing training and development

In preparation for becoming Committee Chair, David Conner received a thorough induction covering the Group’s risk control environment. All new Committee members receive an extensive, formal and tailored induction programme that builds upon their experience and covers particular areas of focus of the Committee. Existing Committee members have ongoing training and development programmes which in 2016, included training on market and credit traded risk.

### Committee effectiveness reviews

In keeping with the approach to Committee effectiveness reviews adopted by other Board committees, in 2016 an internally facilitated effectiveness review was conducted. This review, facilitated by the Group Corporate Secretariat, involved each Committee member and permanent attendee providing their thoughts on the Committee’s effectiveness in response to specific questions. The feedback was then formally discussed by the Committee and
an action plan designed to address the key observations.

Overall, the Committee is viewed as being effective, with management commenting that Committee members ask insightful and probing questions in a constructive way, providing an effective level of challenge. Committee member observations included acknowledgement that recent improvements in the conciseness and 360-degree overview of risk provided by management in reports to the Committee was a step forward. Papers for meetings were of good quality and not too voluminous, with the report from the Group Chief Risk Officer providing an opportunity to raise broader issues beyond the agenda. Areas for potential enhancement included a need for greater challenge to the business heads and generally more engagement with people running the Group’s business, in addition to those leading the Group’s support functions.
Brand, Values and Conduct Committee

Committee composition and role

The membership of the Committee is comprised of independent non-executive directors who have diverse backgrounds, significant experience and knowledge of geo-political relations, brand and sustainability matters, and international and government relations. Om Bhatt, a member of the Board Risk Committee, was welcomed to the Committee on 1 December 2016. Details of the independent non-executive directors can be found in their biographies on pages 57 to 59.

The Committee provides oversight of the Group’s brand, culture, values and conduct, as well as processes by which the Group identifies and manages reputational risk, government and regulatory relations and sustainability issues.

Brand and culture review

Towards the end of 2015, a review of the Group’s Here for good brand promise was undertaken, including the launch, execution and impact of this commitment. One of the insights gained was that while Here for good had resonated well with employees, it had become overly linked to community engagement, rather than the Group’s core activity of serving clients. The Committee endorsed the importance of working on brand and culture in tandem, in order to ensure consistency, and was supportive of the Brand and Culture Review, as an integrated programme of work.

The Committee noted that the work around the brand took an ‘outside-in’ lens to consider how the Group’s clients can be served in a differentiated way. The review involved interviews with a significant number of the Group’s clients.

It was acknowledged that the work on culture took an ‘inside-out’ view, in order to gain a deeper understanding of the Group’s culture and assess the way in which it operates. This approach was reliant on input from employees at all levels of the organisation.

Dear Shareholder

As Chair of the Brand, Values and Conduct Committee, I am pleased to present the Committee’s report for the year ended 31 December 2016. This report provides an overview of the activities undertaken by the Committee throughout the year.

On becoming Committee Chair, I held discussions with Committee members and permanent attendees on the Committee’s ways of working. As a result, the Committee’s agenda has been realigned so as to ensure the Committee’s work adds value to the business.

The focus of the Committee this year has been on aiding the Group Chairman, Group Chief Executive and the Management Team to develop the Group’s brand and culture, in line with the Group’s strategy.

As well as reviewing management’s plans, the Committee benefited from input and insights from leading external experts on brand and implementing cultural change. As part of the overseas Board visit to China in March 2016, the Committee held an informal session with the local management team, to discuss the Group’s culture, brand and reputation in China, which provided useful context. Given the insights received from these informal external perspectives and discussions, we intend to continue this practice in 2017.

Linked to the focus on culture, the Committee reviewed the progress being made against the Group’s Conduct agenda, and received assurance on how this is being constantly reinforced and communicated throughout the organisation.

The Committee’s focus on the Group’s brand, culture, values and conduct will remain of paramount importance in 2017.

Jasmine Whitbread
Chair of the Brand, Values and Conduct Committee

Jasmine Whitbread
Chair of the Brand, Values and Conduct Committee
As the work on brand and culture has progressed, the Committee has encouraged the use of metrics in order to track progress. These metrics on culture will feature as part of the Committee’s oversight and discussions going forward.

In addition to formal Committee meetings, a number of informal discussions have been held on brand and culture. An informal topic focused session was held with the China management team to discuss culture, brand and reputation locally.

Two informal discussions were held with external experts in brand and implementing cultural change. These provided the Committee with relevant best practice and lessons learnt from other large global organisations.

Conduct

The Committee reviewed conduct with a focus on Retail Banking, which included an overview of Net Promoter Score (a tool used to gauge a client’s loyalty to the Group), complaints management and Treating Customers Fairly requirements.

The Committee also reviewed a progress report on the Group’s Conduct agenda. This included an overview of how conduct management is being embedded through the Group’s three lines of defence (the first line including the business segments, functions and countries; the second line being Risk and Compliance; and the third line being Group Internal Audit). The Committee received an update on the Conduct Management Policy, articulating the Group’s approach to managing conduct-related risks and reviewed the Group’s multi-pronged approach to conduct training. The Committee was supportive of the Group’s use of case studies to facilitate a deeper understanding of conduct for all employees.

The Committee discussed and received assurance on how communication of the Group’s Conduct agenda is being constantly reinforced. Furthermore, an overview of the conduct awareness and education campaign entitled #knowtherules (launched to ensure that employees are clear on their conduct obligations) was also provided.

Employee engagement

The Committee is fully supportive of the Group’s focus on creating a fair, safe and inclusive place to work that encourages creativity, collaboration and continuous improvement. The Committee reviewed the global results of the 2016 My Voice Employee Engagement Survey (My Voice), which provided valuable insights into employee sentiment.

In reviewing the global results, the Committee agreed that they were encouraging. It was noted that overall employee connection to the Group remained strong. The Committee also noted the areas which needed improvement, including internal process and efficiency. Further details on My Voice can be found on page 128.

The Committee reviewed the Group’s approach to Diversity and Inclusion, in particular, the work streams underway as a result of the Group signing up to the HM Treasury Women in Finance Charter and the Gender Pay Gap.

The Committee discussed the benefits of the Group’s over 40 country based Employee Networks and three Global Networks (Women; Disability; Lesbian, Gay, Bisexual, and Transgender and Allies). The Committee was pleased to note that Standard Chartered Bank in Korea had been awarded the Financial Services Commission Chairman’s Grand Prize Award, as the leading institution in driving gender equality.

Reputational risk management

The Committee reviewed the processes by which the Group identifies and manages reputational risk in an effective and transparent manner, consistent with the Board-approved Group Risk Appetite Statement. The Committee reviewed reports on the material thematic reputational risks facing the Group, provided from the perspectives of both internal and external stakeholders. The reputational risk management report sets out the Group function responsible for supporting the business in managing the issue; the mitigating actions being undertaken; and an indication of where trends have improved or worsened since the previous update to the Committee. This year, the Committee discussed the Group’s approach to managing reputation risk and management could be enhanced and this discussion will continue into 2017.

At the Committee’s request, a discussion was held on the Group’s Public Relations (PR) strategy. The aim of this discussion was to receive assurance from management that the Group has a robust and pro-active PR strategy in place. The Committee reviewed the Group’s initiatives underway evidencing the Group’s differentiated offering and value to clients. As an example, the Committee received an update on a renminbi campaign, that had attracted around 80,000 views to the Group’s BeyondBorders blog (a communication channel to provide value to clients and share expert opinion). The Committee agreed that the development of thought leadership pieces, such as this, linked well to the Group’s core activity of serving clients.

Sustainability

The Committee reviewed a number of matters under the Group’s Sustainability agenda including the draft Position Statement covering Climate Change, which was subsequently published in March 2016, and the Group’s community expenditure for the full year 2015.

The Committee noted that the Group remains differentiated with high-quality skills based employee volunteering (EV) time comprising 40 per cent of community expenditure in 2015. The Committee discussed the broader benefits and value EV has in building employee engagement and commitment to the Group. Further details on EV can be found on page 11.

The Committee received a progress report on the Group’s approach to sustainability and community engagement in 2016, including the Group’s Sustainability Aspirations and revised Human Rights Position Statement.

Government and regulatory relationships

The Committee reviewed the Group’s approach to all its main government and regulatory relationships across our key markets, focusing on the quality of these relationships and the engagement in place. The Committee acknowledged that, given the Group’s diverse geographic footprint,
there are typically a number of supervisory matters or investigations ongoing at any time. It noted that each major issue is given appropriate management attention and is reported to the relevant governance committee within the Group, as well as the Audit Committee. In light of the criticality of such relationships, the Committee sought and received assurance that the resource in place is both adequate and of the right calibre. The Committee agreed on the importance of ensuring that the management of government and regulatory relationships continues to receive appropriate focus, resource and senior management attention.

**Induction, ongoing training and development**

Since joining the Committee on 1 December 2016, Om Bhatt is in the process of receiving a thorough induction in relation to the Committee’s responsibilities and the specific matters the Committee has been focusing on. Further details of ongoing training and development plans for those independent non-executive directors who are members of the Committee are detailed on page 76.

**Committee effectiveness**

In keeping with the approach to Committee effectiveness reviews adopted by other Board Committees, in 2016 an internally facilitated effectiveness review was conducted. This review, facilitated by the Group Corporate Secretariat, involved each Committee member and permanent attendee providing their thoughts on the Committee’s effectiveness in response to specific questions. The feedback was then formally discussed by the Committee and an action plan designed to address the key observations.

Overall feedback received indicated that the Committee is operating effectively. It was acknowledged that Committee papers were more focused and that the informal discussions had provided useful external insights and perspectives. Areas for enhanced effectiveness included suggested topics for incorporation into the 2017 rolling agenda, and that consideration be given as to how informal discussions incorporating external perspectives and contribution from the Group’s local management teams might continue in 2017.
Governance and Nomination Committee

Dear Shareholder

This is my first report to you as Chair of the Committee, having been appointed on 1 December 2016. While there were no meetings of the Committee in December, as part of my induction I did have the opportunity to attend the November meeting in Kenya as an observer, and received a comprehensive handover from Sir John Peace.

I would like to thank Sir John for his leadership of the Committee since 2009 during which time many changes were made to the size, structure and composition of the Board and its committees.

I set out details of the changes made to the Board and its committees during the year, including my own appointment, earlier in this report. The Committee’s overriding focus throughout 2016 was the search and subsequent recommendation of a successor to Sir John. The Committee led by Naguib Kheraj as Senior Independent Director oversaw the process which culminated in my appointment as Chairman in December 2016. A summary of the detailed work undertaken by the Committee in this area is highlighted in this report, alongside detail of the other activities over which the Committee had oversight.

Looking forward, there are a number of priorities for the Committee’s focus during 2017, both from a nomination and succession perspective. These include seeking an independent insight into the effectiveness of the Board and its committees. Establishing and maintaining robust succession plans for the Board in the short-, medium- and longer-term remains a key priority for the Committee and one which I will report progress on in future reports. Connected to the composition and succession of the Board is the need to ensure that the Board is well diversified and reflects our markets and society more generally. The recent work of the Committee which resulted in the approval and publication of a new Board diversity policy is a welcome start to this commitment. The Committee will also continue to oversee succession planning for the Management Team.

I look forward to working with the Committee members on these and other initiatives.

José Viñals
Chair of the Governance and Nomination Committee

The Committee’s composition and role

The membership of the Committee is comprised of the Chairman and independent non-executive directors. It was refreshed during the year following wider changes made to the Board at the end of 2015. Lars Thunell stepped down from the Committee on leaving the Board on 31 January 2016 and Jasmine Whitbread and David Conner joined in January and April 2016 respectively. José Viñals replaced Sir John Peace as Chairman of the Committee on 1 December 2016 in conjunction with his appointment as Group Chairman.

Biographical details of the Committee’s members can be found on pages 57 to 59

The Committee is responsible for reviewing the structure, size and composition of the Board and its committees. In doing so it takes into account the current and future balance of skills, knowledge, experience and diversity. The Committee makes recommendations to the Board with regard to any adjustments that are necessary and prepares a description of the role and capabilities required for a particular appointment.

The Committee keeps under review the leadership needs of the Group in relation to both executive directors and other senior executives. In addition, on behalf of the Board, the Committee oversees the process by which the Board, its committees and individual directors assess their effectiveness. It keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area, and considers any potential situational conflicts of interest declared by our Board members. The Committee is also responsible for the consideration of the impact of material changes to corporate governance regulation and legislation affecting the Group.

The Committee reviewed its terms of reference during the year taking into account individual responsibilities under
The Committee has written terms of reference that can be viewed at www.sc.com/termsofreference

**Committee Composition**

<table>
<thead>
<tr>
<th>Name</th>
<th>Scheduled meetings</th>
<th>Ad-hoc meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>J Viñals (appointed 1 December 2016)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>C M Hodgson</td>
<td>2/2</td>
<td>3/3</td>
</tr>
<tr>
<td>D Conner (appointed 1 April 2016)</td>
<td>2/2</td>
<td>1/2</td>
</tr>
<tr>
<td>N Kheraj</td>
<td>2/2</td>
<td>3/3</td>
</tr>
<tr>
<td>J M Whitbread (appointed 1 January 2016)</td>
<td>2/2</td>
<td>3/3</td>
</tr>
</tbody>
</table>

**Directors who stepped down during 2016**

<table>
<thead>
<tr>
<th>Name</th>
<th>Scheduled meetings</th>
<th>Ad-hoc meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr L H Thunell (stepped down on 31 January 2016)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Sir John Peace (stepped down 1 December 2016)</td>
<td>2/2</td>
<td>1/3</td>
</tr>
</tbody>
</table>

**Other attendees at the Governance and Nomination Committee meetings in 2016**

- Group Chief Executive
- Group Company Secretary
- Group General Counsel
- Group Head, Human Resources.

The Committee has recommended to the Board:

1. José Viñals attended one scheduled meeting as Group Chairman Designate, ahead of his appointment to the Committee.
2. David Conner was recused from one ad hoc meeting due to a potential conflict.
3. Sir John did not chair any meetings when the Committee considered his succession. He was recused from two ad hoc meetings, which were chaired by Naguib Kheraj as Senior Independent Director.

**Committee activities**

**Succession planning**

Board succession planning continued to be an important area of discussion for the Committee in 2016. For the succession of independent non-executive directors, the Committee considered various options for increasing diversity, including the requirement for a diverse Board. In addition to the Hampton-Alexander Review, diversity and will be kept under review by the Board. The policy includes measurable objectives that can be viewed at www.sc.com/boarddiversitypolicy.

The Committee has considered the need for a diverse Board and has recommended that the Board be comprised of individuals with a range of backgrounds, knowledge, skills and experience. This diversity provides a rich mix of perspectives which contribute and enhance the Board’s overall effectiveness.

To assist the Board in driving further progress in this area, including the representation of women on the Board, the Committee has included this in the Hampton-Alexander Review recommendations in respect to gender diversity. The policy includes measurable objectives which the Committee will monitor and report on annually:

- Increasing the representation of women on the Board and having 25 per cent female representation on the Board by 2017. We remain supportive and engaged in increasing this proportion further to 33 per cent.
- Ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds.
- Only engaging search firms who are signed up to the Voluntary Code of Conduct for Executive Search firms.
- Reporting annually on the executive pipeline below the Board and the Board’s diversity, including progress being made on reaching the Board’s gender target.

**Chairman’s succession**

The Committee, led by Naguib Kheraj as Senior Independent Director, oversaw the process to identify and recommend for appointment a new Chairman to succeed Sir John Peace. The search began in June 2015 following Naguib’s appointment as Senior Independent Director. Naguib chaired all meetings of the Committee when it considered matters relating to the Chairman’s succession and Sir John Peace recused himself from these discussions.

The Committee was assisted in its search by three firms: Russell Reynolds Associates; Lygon Group; and Heidrick & Struggles JCA Group, all of whom are signatories to the voluntary code of conduct for executive search firms. Heidrick & Struggles JCA Group is a supplier of senior resourcing to the Group. Lygon Group had a contract, which expired during the year, for the supply of an independent non-executive director and Russell Reynolds Associates have no other connection with the Group. With the assistance of the search firms the Committee undertook a comprehensive and wide-ranging international search. A number of potential candidates emerged through the process, and the Committee spent significant time discussing the key attributes, skills and experience required of the successful candidate as well as the capacity and energy to take on a near full-time role and travel extensively around the Group’s markets. Members of the Committee and a number of other independent non-executive directors participated in interviews with shortlisted potential candidates. In addition to updates at meetings, the Committee received regular verbal and written briefings throughout the search process. The Senior Independent Director also met with a range of shareholders to keep them appraised of progress relating to the Chairman’s succession.

José Viñals emerged as a strong candidate in the first half of 2016. Committee members and the wider Board met with José on a number of occasions through June and July, sharing their thoughts and insights into his credentials with the Committee; their support for José was unanimous. In recommending the appointment of José as Chairman, the Committee considered the benefit of appointing a Deputy Chairman to provide support and assistance. In considering candidates, the Committee agreed that Naguib Kheraj’s skills and experience were highly relevant and compatible with José’s.

Naguib was not party to any of the Committee’s discussions in respect to the decision to appoint him as Deputy Chairman.
## CHAIRMAN’S SUCCESSION TIMELINE

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>February 2015</strong></td>
<td>Announced Sir John Peace’s intention to step down as Chairman during the course of 2016</td>
</tr>
<tr>
<td><strong>June 2015</strong></td>
<td>Appointed Naguib Kheraj as Senior Independent Director and confirmed that the Committee led by Naguib would oversee the process to identify a new Chairman</td>
</tr>
</tbody>
</table>
| **July 2015**      | - Agreed the key criteria and characteristics for the role and engaged with our shareholders and lead regulator, the Prudential Regulation Authority (PRA)  
                        - Identified search firms to assist with the search and selection process  
                        - Naguib Kheraj updated the Board on progress                                |
| **August 2015**    | Agreed timeline with search firms who conducted a desktop search for a discussion on a long-list of candidates                                 |
| **September 2015** | - Naguib Kheraj and other Committee members identified and held preliminary discussions with potential candidates  
                        - Naguib Kheraj updated the Board on progress                                 |
| **September-December 2015** | - The Committee held a number of meetings during this period to discuss further potential candidates and their suitability  
                               - The Board, the PRA and institutional shareholders were updated on progress  
                               - Naguib Kheraj and members of the Committee continued to identify and shortlist prospective candidates as appropriate |
| **January-May 2016** | - Committee members and other Board members had a series of meetings with José Viñals  
                        - José Viñals met with members of the Management Team  
                        - The Committee met to:  
                          - Discuss the positive feedback received on José Viñals following interviews and other meetings with Committee and Board members  
                          - Discuss establishing a Deputy Chairman role to support the new Chairman and consider potential candidates for this role  
                          - Recommend the appointment of José Viñals as Chairman and Naguib Kheraj as Deputy Chairman  
                        - Application made to the PRA and Financial Conduct Authority (FCA) for the approval of José Viñals  
                        - The Board approved the appointment of José Viñals as Chairman  
                        - The Group announced the decision to appoint José Viñals as Chairman |
| **June-July 2016** | José Viñals joined the Board as Chairman Designate and commenced his induction programme and handover from Sir John Peace |
| **October 2016**   | José Viñals took up his appointment as Group Chairman |
| **December 2016**  |                                                                                                                                                 |
Subsidiary governance
As part of its governance remit the Committee has oversight of the Group’s approach to corporate governance across its subsidiaries. During the year the Committee reviewed both the escalation of key risks and the linkages between the Group Board and its committees and the banking subsidiary boards. It considered the formal and informal enhancements being made to strengthen the current linkages and improve the flows of information, including encouraging further contact between subsidiary boards and the Group’s independent non-executive directors.

In addition the Committee received assurance that the composition and operation of the local subsidiary boards were in line with local and Group corporate governance standards.

As at 31 December 2016, the Group had 26 banking subsidiaries and 68 independent non-executive directors (excluding our Group Board independent non-executive directors). As the Group Board directors travel across our footprint, they play a critical role in actively engaging with the banking subsidiary independent non-executive directors. During 2016, José Viñals, Bill Winters and Naguib Kheraj hosted calls with the subsidiary independent non-executive directors. Bill at the beginning of the year and José towards the end of 2016 focused on the strategic priorities and direction of the Group, its performance and the important role of the subsidiary boards. Naguib provided context on the work of the Audit Committee and the key areas of focus for 2016.

Annual re-election of directors
The review of the performance of each of the directors seeking annual re-election at this year’s Annual General Meeting was carried out in 2016 by the then Chairman, Sir John Peace. More detail on the process is set out on page 72.

Situational conflicts
As part of the Committee’s remit, it reappraises the authorisations previously provided to directors for those situations in which they had, or potentially could have in the future, a direct or indirect interest that conflicts with the interests of the Group.

Board effectiveness review
The 2016 Board and committee effectiveness reviews were conducted ahead of José Viñals’ appointment as Chairman.

The Committee reviewed the outcome and actions from the 2016 Board and committee effectiveness reviews, ahead of the findings being presented to the Board and an action plan being agreed. Details of the Board effectiveness review process and the 2017 action plan can be found on page 71. The findings provided useful context to José on joining as Chairman.

In line with the UK Corporate Governance Code provisions, the Board and its committee evaluations will be externally facilitated in 2017. The review will consider the structure and effectiveness of the Board and its committees, to ensure they are appropriately constituted and organised to oversee a large, complex institution.

Committee effectiveness review
In keeping with the approach to committee effectiveness reviews adopted by the other Board committees, in 2016 an internally facilitated effectiveness review was conducted. This review, facilitated by the Group Corporate Secretariat, involved each Committee member and permanent attendees providing their thoughts on the Committee’s effectiveness in response to specific questions. The feedback was then formally discussed by the Committee and an action plan designed to address the key observations.

Overall feedback received indicated that the Committee is operating effectively. Actions for the Committee in 2017 included ensuring that longer-term succession planning is discussed in greater depth across the year and incorporated into the 2017 rolling agenda; a commitment to ensuring that an externally facilitated review of the Board and its committees is undertaken; and giving consideration to the Committee’s Terms of Reference, particularly around the role it plays in respect to corporate governance and the principles of its membership.
Board Financial Crime Risk Committee

Dear Shareholder

This is my first report as Chair of the Board Financial Crime Risk Committee, having succeeded Simon Lowth on 1 August 2016. Sincere thanks are due to Simon for his leadership as Chair of the Committee since its inception in 2015.

This report provides an overview of the key areas of focus for the Committee and the Committee’s activities over the course of 2016.

To assist the Committee in discharging its responsibilities, in addition to updates provided by management on the Group’s Financial Crime Risk Mitigation Programme, management presented deep dives from across all of the Group’s four client segments (Private Banking, Retail Banking, Corporate & Institutional Banking and Commercial Banking) on financial crime risk and the steps being taken to mitigate these. These deep dives assisted the Committee in understanding the progress being made in achieving the Group’s financial crime compliance objectives.

Such reporting by management has provided the Committee with an opportunity to challenge, discuss and debate with management.

Over the next 12 months, the Committee will continue to exercise oversight of the delivery of the Group’s Financial Crime Risk Mitigation Programme and the improvement of new controls designed to enhance the Group’s financial crime compliance capabilities.

Gay Huey Evans
Chair of the Board Financial Crime Risk Committee

Committee composition

The Committee’s membership is comprised of five independent non-executive directors and four independent external advisor members who are neither directors nor employees of the Group but who have skills relevant to the Committee and whose expert input is valuable. These four external advisor members have been appointed to support the Committee. They provide a valuable external perspective and have extensive experience in counter-terrorism, cyber security and international security.

More details on the independent non-executive directors can be found in their biographies on pages 57 to 59.

The biographies of the independent external advisor members can be found on our website using the following link sc.com/externaladvisorbiographies

Committee activities

The Committee, on behalf of the Board, provides oversight of the effectiveness of the Group’s policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor, prevent and/or detect money laundering, non-compliance with sanctions, bribery, corruption, and tax fraud and tax evasion.

So as to assist the Committee in discharging these responsibilities, regular reports and updates are provided to the Committee by the Global Head Financial Crime Compliance, the Group General Counsel, and the Group Head of Internal Audit. The Global Head of Financial Crime Compliance makes regular reports to the Committee in his capacity as the Group’s Money Laundering Reporting Officer (MLRO). This has included the Group Money Laundering Reporting Officer’s Report and the Global Risk Assessment. The Group General Counsel provides periodic reports to the Committee on any significant regulatory or government investigations which have taken place relating to financial crime compliance.
The Committee has written terms of reference that can be viewed at www.sc.com/termsofreference

Committee composition

<table>
<thead>
<tr>
<th>Name</th>
<th>Scheduled meetings</th>
<th>Ad-hoc Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>G Huey Evans, OBE (Chair)</td>
<td>4/4</td>
<td>2/2</td>
</tr>
<tr>
<td>appointed to the Committee on 1 March 2016 and as Committee Chair on 1 August 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D P Conner (appointed on 1 January 2016)</td>
<td>4/4</td>
<td>2/2</td>
</tr>
<tr>
<td>C M Hodgson</td>
<td>4/4</td>
<td>1/2</td>
</tr>
<tr>
<td>N Kheraj</td>
<td>4/4</td>
<td>1/2</td>
</tr>
<tr>
<td>J M Whitbread (appointed on 1 August 2016)</td>
<td>2/2</td>
<td>1/1</td>
</tr>
</tbody>
</table>

Directors who stepped down during 2016

<table>
<thead>
<tr>
<th>Name</th>
<th>Scheduled meetings</th>
<th>Ad-hoc Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>S J Lowth (Chair) (stepped down on 31 July 2016)</td>
<td>2/2</td>
<td>1/1</td>
</tr>
<tr>
<td>Dr L H Thunell (stepped down on 31 January 2016)</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

External advisor members

<table>
<thead>
<tr>
<th>Name</th>
<th>Scheduled meetings</th>
<th>Ad-hoc Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>L Campos</td>
<td>4/4</td>
<td>2/2</td>
</tr>
<tr>
<td>B H Khoo</td>
<td>4/4</td>
<td>2/2</td>
</tr>
<tr>
<td>Sir lain Lobban</td>
<td>4/4</td>
<td>1/2</td>
</tr>
<tr>
<td>F Townsend</td>
<td>3/4</td>
<td>2/2</td>
</tr>
</tbody>
</table>

Other attendees at Committee meetings in 2016 included:

- Group Chairman; Group Chief Executive; Group Chief Risk Officer; Group Company Secretary; Group General Counsel; Global Head, Financial Crime Compliance and Group Head, Compliance
- As part of, and in addition to, each scheduled Committee meeting, the Committee has private members-only meetings.

1. Unable to attend an ad hoc meeting called at short notice due to prior commitments
2. Unable to attend one scheduled Committee meeting due to ill health

The Committee has discussed emerging financial crime risks and sought and received assurance from management on how the Group intends to address such risks. As part of the 2016 financial crime compliance global risk assessment, the Committee has received updates from management on a number of the Group’s markets including Germany, India, the UAE and Zimbabwe, and the Committee will continue to receive additional country updates in 2017.

Over the course of the year, the Committee has undertaken a number of deep dives across all of the Group’s four client segments. These deep dives have enabled the Committee to gain further insight and to discuss the action being taken across the Group’s businesses to address the highest inherent financial crime risks identified within the business portfolios and the key deliverables to achieve and sustain a reduction in residual financial crime risk.

The Committee has considered, discussed and recommended to the Board the Group’s risk appetite statements in relation to financial crime risk.

The Committee has received an update on the status of the Group’s compliance with the following four intergovernmental client tax information regimes:

- The US Foreign Account Tax Compliance Act (FATCA) provisions
- The Common Reporting Standards (the associated impact of which on the Group is determined in large by the nature of the operations in a particular jurisdiction. (The current impact jurisdictions for the Group are Germany, Guernsey, India, Jersey, South Africa, South Korea and the UK)
- The intergovernmental agreements between the UK and the Crown Dependencies and Overseas Territories (ODOT)
- Reporting obligations to the Canada Revenue Agency

The Group FATCA Programme (which was established in 2011 in preparation for the legislation which came into effect in July 2014 to cover overall project management and to ensure the Group’s readiness to meet regulatory expectations arising from FATCA) has transitioned into a business-as-usual environment.

To ensure ongoing compliance, the Group has built a control framework across Group Compliance and Group Tax, comprising the Client Tax Information Compliance team and Customer Tax Information Reporting team. For second line assurance, as outlined in the Group’s Operational Risk Framework, the risk owners are Compliance (for due diligence and monitoring changes in circumstance) and Tax (for withholding and reporting).

The Committee has also looked at the adequacy of resourcing of the Group teams responsible for sanctions and anti-money laundering systems and controls, and the strength of leadership of the Financial Crime Compliance team.

1. The US authorities comprise the New York Department of Financial Services (NYDFS), the Board of Governors of the Federal Reserve System (FED), the New York County District Attorney’s Office (DANY), the United States Department of Justice (DOJ) and the Office of Foreign Assets Control (OFAC)
Both Gay Huey Evans as the Chair of the Committee and her predecessor, Simon Lowth, have had regular meetings with the Group General Counsel, and the Global Head, Financial Crime Compliance to discuss financial crime risk outside the scheduled Committee meetings in 2016.

Throughout the year, the Board has received regular updates from the Committee Chair on the Committee’s activities and areas of focus.

The Committee has welcomed the effective materials produced by the Group through the Whole Story campaign, which emphasises that combating financial crime is at the heart of a good banking business, can prevent harmful human consequences and is integral to the culture of the Group.

The Committee provides oversight of the Group’s efforts towards developing a more suitable and effective model for fighting financial crime. For example, the Committee supports the Group’s membership and participation in the UK’s Joint Money Laundering Intelligence Taskforce, a partnership between the UK government, law enforcement agencies and banks, which uses a collaborative approach to identifying and reporting money laundering.

**Induction, ongoing training and development**

As part of the process of Gay Huey Evans becoming Committee Chair, a thorough handover with the former Chair, Simon Lowth, took place. Gay’s induction as Committee Chair built upon the already existing induction programme following her appointment as a member of the Committee on 1 March 2016.

Since joining the Committee on 1 January 2016 and 1 August 2016 respectively, David Conner and Jasmine Whitbread have commenced an induction programme relevant to the work undertaken by the Committee. As part of Jasmine’s induction and prior to joining the Committee, she attended a Committee meeting as an observer.

Ongoing engagement programmes have been provided to the Committee’s independent non-executive members and advisor members. Such programmes have included a two-day learning event covering the Group’s correspondent banking academies, anti-bribery and corruption, anti-money laundering and the Group’s anti-human trafficking initiative. The Committee received updates from the Committee’s external advisor members on the activities that they have each undertaken in their role as Committee members.

In March 2016, the Committee met in Beijing as part of the overseas Board programme and each of the external advisor members visited some of the Group’s key markets outside the UK in 2016. During those visits, they met with senior executives and members of the local financial crime compliance teams, and the regional and country chief executive officers.

The external advisor members also attended a cyber project working group meeting to provide expertise for a paper to be presented to the Board on the Group’s overall operating model for managing cyber risk. External guest speakers also presented to both the external advisor members and the independent non-executive director Committee members.

**Committee linkages**

Where there is a perceived overlap of responsibilities between the Committee and other Board committees, such as the Board Risk Committee, the Audit Committee or the Brand, Values and Conduct Committee, the respective Committee Chairs have the discretion to agree which Committee is the most appropriate to address that responsibility. There is clear mapping of such overlapping items to ensure each Committee focuses on its area of responsibility. The linkages between Committees are further enhanced through cross-membership.

**Committee effectiveness review**

The Committee undertook an internally facilitated effectiveness review in the second half of 2016.

This review, facilitated by the Group Corporate Secretariat, involved each committee member and permanent attendees providing their thoughts on the Committee’s effectiveness in response to specific questions. The feedback was then formally discussed by the Committee and an action plan designed to address the key observations.

While the overall feedback was that the Committee was effective and included positive feedback concerning the inclusion of country deep dives (that enable members to hear directly from country management on financial crime compliance remediation efforts) and the meeting structure (including the updates from the MLRO and Group General Counsel), there were suggestions on ways the Committee could improve. These suggestions have been factored into an agreed action plan for 2017.

Areas for enhanced effectiveness included giving consideration to the Committee hearing more from more third party external perspectives not only from the advisers on the Committee, but also from other third party experts, including regulators. The Committee members also requested that, going forward as remediation work is closed there should be more discussion on how to identify, understand and combat financial crime going forward.
Directors’ remuneration report

Incentivising the delivery of the strategy and value creation

Dear Shareholder

This letter summarises the major decisions taken by the Remuneration Committee for the year and describes the context in which they were made.

Context

Although the economic environment has remained challenging, we have made good progress in the execution of the strategy, announced in November 2015. 2016 has seen some improvement in financial performance but returns are still not where they need to be.

The Committee considered other factors as part of the wider context when determining 2016 remuneration outcomes. These included:

• The continued importance of rewarding and incentivising employees to execute the strategy
• Taking a global approach to remuneration, as we are an international employer with 96 per cent of employees based outside Europe & Americas
• Wage inflation pressures in many of the emerging markets in which the Group operates

Directors’ remuneration in 2016

In May 2016 shareholders approved a new directors’ remuneration policy which is aligned to the Group’s strategy. The Committee appreciates the strong endorsement from investors for the policy. Feedback received on the policy will be considered when the policy is next renewed.

Under the policy, executive directors were eligible in 2016 for a maximum annual incentive of 40 per cent of fixed remuneration. The Committee determined that Bill Winters and Andy Halford should receive annual incentives of 45 per cent of fixed remuneration.

HIGHLIGHTS

• Financial and strategic performance in 2016 delivered a Group scorecard outcome of 45 per cent of the maximum. This resulted in directors’ annual incentives of 18 per cent of fixed remuneration

• 2016 Group discretionary incentives of $1,039 million

• Changes made to employee remuneration arrangements to simplify, align to performance scorecards, and improve competitiveness of pay for our most junior employees
the maximum based on an assessment of the Group scorecard. This results in an annual incentive of 18 per cent of fixed remuneration.

Long-term incentive plan (LTIP) awards will be granted in March 2017 to Bill and Andy, delivered in shares (with a face value of 160 per cent of fixed remuneration at the time of award). These awards will be subject to the satisfaction of long-term performance measures, which are assessed after three years. These performance measures are comprised of return on equity (RoE) with a Common Equity Tier 1 (CET1) underpin, relative total shareholder return (TSR) and other measures which are aligned with the strategy. If performance measures are achieved, the shares will vest over the period 2020 to 2024.

All LTIP awards granted to former executive directors in March 2014 will lapse in full in March 2017. The performance measures have not been met.

In response to investor feedback we have disclosed directors’ remuneration in sterling where possible in this year’s report. This will provide increased clarity and transparency as this is the currency in which remuneration is set and paid.

**Group performance and remuneration for 2016**

The Committee determined that discretionary incentives for 2016 should be $1,039 million. This includes annual incentives, long-term incentives and incentives paid to eligible leavers, and represents an increase of 5 per cent on 2015. The Committee decided the incentives were required in order to reward and incentivise those employees who remain with the Group to continue to deliver the strategy. Since 2012, incentives are down by 27 per cent.

In 2016, the Committee reviewed the remuneration policy for all employees, including a review of the remuneration principles (set out on page 112). Changes have been made to improve the competitiveness of pay for our most junior employees. A new scorecard approach was adopted across the Group and used to determine the allocation of incentives. Scorecards across all businesses were measured on performance in respect of financial and strategic measures.

The Committee concluded that it would be appropriate that the majority of the senior management’s incentives for 2016 performance were awarded in the form of LTIP awards. These long-term awards incentivise the continued execution of the strategy, and the value of the LTIP awards will be determined by Group performance over the period 2017 to 2019.

**Directors’ remuneration in 2017**

In 2017 there will be no change to fixed remuneration. The transition to the variable remuneration model approved by shareholders in 2016 will be completed, with a maximum of 80 per cent of fixed remuneration delivered in annual incentives and a maximum of 120 per cent of fixed remuneration delivered in an LTIP.

The 2017 annual incentive scorecard comprises a balanced combination of financial and strategic measures.

This Directors’ remuneration report has been prepared by the Committee and approved by the Board.

**Christine Hodgson**

Chair of the Remuneration Committee
Directors’ remuneration summary

Executive directors’ variable remuneration in 2016

In 2016 the annual incentive award was a maximum of 40 per cent of fixed remuneration. The Group scorecard outcome was 45 per cent of the maximum (see page 100) and results in an annual incentive of 18 per cent of fixed remuneration. Executive directors will also receive an LTIP award of 160 per cent of fixed remuneration, subject to a relative TSR target, an RoE target (with CET1 underpin), and a combination of strategic measures focused on the delivery of the strategy.

Executive directors’ remuneration structure in 2017

In 2017 the annual incentive award will be a maximum of 80 per cent of fixed remuneration, with targets described on page 109. Executive directors will also be eligible to receive an LTIP award of 120 per cent of fixed remuneration in March 2018, with performance measured from 2018 to 2020. A portion of the annual incentive may be deferred in order to meet regulatory requirements. This completes the transition to the variable remuneration model approved by shareholders in May 2016.

Summary of directors’ remuneration policy

At the 2016 AGM an updated directors’ remuneration policy was approved by shareholders. The key features are:

- Incentivises executive directors to execute the strategy and create value for stakeholders
- Overall variable remuneration opportunity remains unchanged at 200 per cent of fixed remuneration
- Performance assessed on both a short- and long-term basis
- Increases long-term focus (at least 60 per cent of variable remuneration subject to long-term performance measures)
- Ensures the policy is in line with changing regulatory requirements
- Provides transparency to key decisions made by the Committee, including how annual incentives are determined (using an annual scorecard) and the vesting of LTIP awards (based on three-year performance measures)
- LTIP delivered in shares creates sustained performance linkage through share price alignment and performance conditions
- The operation of the Group’s ex-post risk adjustment of remuneration policy (including malus and clawback) enables reclaim of award in a range of circumstances, including risk management and conduct issues, for up to 10 years
2016 report on remuneration

The Remuneration Committee

<table>
<thead>
<tr>
<th>Committee composition</th>
<th>Scheduled meetings</th>
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</thead>
<tbody>
<tr>
<td>C M Hodgson (Chair)</td>
<td>6/6</td>
</tr>
<tr>
<td>Dr L Cheung</td>
<td>6/6</td>
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<tr>
<td>Dr B E Grote</td>
<td>6/6</td>
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<tr>
<td>N Kheraj</td>
<td>6/6</td>
</tr>
<tr>
<td>J M Whitbread</td>
<td>6/6</td>
</tr>
</tbody>
</table>

Other attendees for relevant parts of Committee meetings include:
Chairman; Group Chief Executive; Group Head, Human Resources; Global Head, Performance, Reward and Conduct; Group Company Secretary; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel.

Committee role and focus
The Committee has oversight of all reward policies for Standard Chartered employees. It is responsible for setting the principles and governance framework for all remuneration decisions.
In particular, the Committee:

- Determines and agrees with the Board the framework and policy for the remuneration of the Group Chairman, Group Chief Executive, the executive directors and other designated senior executives
- Approves any proposal to award a high remuneration package to new recruits
- Oversees the remuneration of material risk takers
- Ensures that the remuneration policy is appropriate and consistent with effective risk management
- Approves the Group discretionary incentives each year

Advice to the Committee
The Committee recognises and manages any conflicts of interest when receiving views from executive directors or senior management on executive remuneration proposals and no individual is involved in deciding his or her own remuneration.

The Committee was assisted in its considerations by PricewaterhouseCoopers LLP (PwC), who were appointed by the Committee as its remuneration advisor in November 2013 following a review of potential advisors. It is the Committee’s practice to undertake a detailed review of potential advisors every three to four years. PwC’s appointment was most recently extended by the Committee in January 2016 until July 2017 after a review of the quality of advice received.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services in the ordinary course of business including assurance, advisory and tax advice to the Group. In light of PwC’s role as advisor to the Group, the Committee considered this position and determined that there was no conflict or potential conflict arising. The Committee is satisfied that the advice the Committee receives is objective and independent. The total fee paid to PwC (on an agreed per diem fee basis) was £142,070, which includes advice to the Committee relating to executive directors’ remuneration.

Management’s advice to the Committee was also supported by:

- Advice on the design and operation of the Group’s share plans, issues relating to executive directors’ contracts and independent non-executive directors’ (iNEDs) letters of appointment, and remuneration policy advice from Clifford Chance LLP
- The provision of market data from Willis Towers Watson

The Group Chief Financial Officer and Group Chief Risk Officer provided the Committee with regular updates on finance and risk matters respectively.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference
### The Committee’s key activities during 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Fixed and variable remuneration</th>
<th>Governance, risk and other matters</th>
</tr>
</thead>
</table>
| January | • Consider and approve aggregate Group 2015 discretionary incentives  
• Review and approve variable remuneration awards for executive directors, other senior management and material risk takers (MRTs)  
• Approve 2016 fixed remuneration for executive directors and other senior management  
• Discuss future structure of executive directors’ remuneration  
• Review i) achievement of measures for LTIP awards vesting in March and ii) appropriateness of the measures and targets for grants in 2016 | • Update on risk and control matters and performance adjustments  
• Review and finalise the 2015 Directors’ remuneration report  
• Approve retirement arrangements for Mike Rees |
| February | • Review 2016 targets under the annual incentive scorecard  
• Update on risk and control matters and performance adjustments | • Consider feedback from regulators in respect of 2015 remuneration cycle  
• Discuss regulatory remuneration requirements  
• Approve revisions to Group policies  
• Approve remuneration arrangements for José Viñals and retirement arrangements for Sir John Peace |
| July | • Consider shareholder feedback and AGM outcomes and any impact on future structure of executive directors’ remuneration  
• Discuss Group’s approach to all employee incentives | • Update on risk and control matters and performance adjustment  
• Discuss regulatory remuneration requirements  
• Approve submission of the Group’s Remuneration Policy Statement to the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA)  
• Assess Remuneration Committee effectiveness |
| October | • Discuss Group’s approach to all employee incentives including funding and how incentives are delivered  
• Review approach to risk adjustment for Group discretionary incentives | • Update on risk and control matters  
• Approve revisions to Group policies, including malus and clawback |
| November | • Consider approach to the Group-wide 2016 performance, pay and potential review  
• Consider Group 2016 discretionary incentives and structures for delivery  
• Review risk adjustment for Group variable remuneration and approach for individual awards  
• Review initial fixed and variable remuneration proposals for executive directors and other senior management | • Update on risk and control matters  
• Approve revisions to Group policies |

At each scheduled meeting, the Committee also discussed the emerging regulatory and shareholder trends and reviewed analytics relating to offers, fixed and variable remuneration and performance measures. In September, the Committee also held an informal meeting to identify and think about longer term remuneration trends, the political and external environment and how remuneration might be positioned to support the execution of the Group’s strategy.

The Committee also dealt with certain less material matters on an ad hoc basis through email circulation.

### Shareholder voting and shareholder engagement

The table below shows the votes cast at the Annual General Meeting (AGM) in May 2016 on remuneration-related matters.

<table>
<thead>
<tr>
<th>Voting Type</th>
<th>For</th>
<th>Against</th>
<th>Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advisory vote on the 2015 remuneration report</td>
<td>550,948,734 (90.51%)</td>
<td>57,773,986 (9.49%)</td>
<td>10,070,818</td>
</tr>
<tr>
<td>Binding vote in May 2016 on the remuneration policy (applies for three years)</td>
<td>576,756,146 (94.32%)</td>
<td>34,733,965 (5.68%)</td>
<td>7,128,428</td>
</tr>
</tbody>
</table>

1. Number of votes is equal to number of shares held
The 2015 remuneration report was well supported, with shareholders providing positive feedback on the increased transparency on scorecard determination. Investors also welcomed the increased proportion of variable remuneration subject to long-term performance conditions (a minimum of 60 per cent). Positive feedback was provided on the inclusion of non-financial strategic measures as part of both the 2016 annual incentive scorecard and 2016-18 LTIP. Shareholders also welcomed the focus on conduct, particularly with regard to eligibility for variable remuneration. There was some feedback on the design of the remuneration policy, such as the continued use of fixed pay allowances, and the Committee will consider this feedback when the directors’ remuneration policy is next reviewed. There was also feedback on the operation of the pension allowance for executive directors, including its inclusion in fixed remuneration for the purposes of calculating the maximum variable remuneration opportunity. In order to address this feedback, prior to the appointment of any new executive director there will be a review of the pension allowance. The level of pension allowance for existing executive directors will be reviewed when the directors’ remuneration policy is next renewed.

Summary of the themes identified in the 2016 Committee effectiveness review and actions taken/to be taken

Committee members provided ongoing feedback to enhance the Committee’s effectiveness. In addition, as part of the effectiveness review for the entire Board, a formal evaluation of the Committee was undertaken. This involved each Committee member providing their views on the Committee’s effectiveness. A summary of the themes and actions is set out below:

- Continue to hold individual briefing sessions with each Committee member ahead of Committee meetings to assist members in focusing on the main issues for discussion
- Continue to monitor political and regulatory developments including i) the UK governmental proposals on corporate governance and executive remuneration and ii) the outcomes from the PRA and FCA’s latest consultation on its remuneration guidelines. As appropriate, review remuneration policy (both executive directors’ and all employee) and, in addition, any arrangements for material risk takers (MRTs). Review proposals to develop a “Fair Pay Charter”
- Monitor market trends to ensure the Group’s remuneration remains competitive, balanced with the necessity of robustly managing overall costs and improving productivity
- Continue to assess the alignment of Group incentives and the delivery of the strategy

Single total figure of remuneration for the executive directors (audited)

This table sets out salary, fixed pay allowances (FPA), benefits (including pensions) and one-off amounts (such as buy-out awards) received in 2016 and annual incentives receivable in respect of 2016. All figures are in £000s.

<table>
<thead>
<tr>
<th></th>
<th>W T Winters1</th>
<th>A N Halford</th>
<th>A M G Rees2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>1,150</td>
<td>767</td>
<td>850</td>
</tr>
<tr>
<td>Fixed pay allowances</td>
<td>1,150</td>
<td>767</td>
<td>519</td>
</tr>
<tr>
<td>Pension</td>
<td>460</td>
<td>307</td>
<td>340</td>
</tr>
<tr>
<td>Benefits</td>
<td>135</td>
<td>58</td>
<td>111</td>
</tr>
<tr>
<td>Annual incentive award</td>
<td>497</td>
<td>0</td>
<td>308</td>
</tr>
<tr>
<td>Vesting of LTIP awards</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Subtotal</td>
<td>3,392</td>
<td>1,899</td>
<td>2,128</td>
</tr>
<tr>
<td>Buy-out award (in shares)</td>
<td>–</td>
<td>6,500</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>3,392</td>
<td>8,399</td>
<td>2,128</td>
</tr>
</tbody>
</table>

1. Bill Winters joined the Group on 1 May 2015 and was appointed to the Board on 10 June 2015. The figures above include his remuneration from 1 May 2015
2. Mike Rees’ remuneration is up to 30 April 2016, the date on which he stepped down from the Board. His remuneration since stepping down from the Board is included in the former executive directors’ remuneration section on page 103, with the exception of the FPA. The FPA in respect of the full year was awarded at the beginning of 2016 and is included in the table above.

Priorities for the Committee in 2017

Specific priorities for the Committee in 2017, in addition to its usual scheduled activities, will be:

- Continue to monitor political and regulatory developments including i) the UK governmental proposals on corporate governance and executive remuneration and ii) the outcomes from the PRA and FCA’s latest consultation on its remuneration guidelines. As appropriate, review remuneration policy (both executive directors’ and all employee) and, in addition, any arrangements for material risk takers (MRTs). Review proposals to develop a “Fair Pay Charter”
- Monitor market trends to ensure the Group’s remuneration remains competitive, balanced with the necessity of robustly managing overall costs and improving productivity
- Continue to assess the alignment of Group incentives and the delivery of the strategy
Additional information on the elements of remuneration in the single total figure table (audited)

- Fixed pay allowances are paid in shares, subject to a retention period and released over five years. The number of shares allocated is determined by the monetary value of the allowance and the prevailing market price of the Group’s shares on the date of allocation. FPAs are not variable remuneration; therefore, performance measures are not applicable.

- Executive directors receive benefits, such as private medical cover, life assurance, permanent health insurance, an allowance both in respect of taxation advice and a car, and for some of the directors, the use of a company vehicle and driver for business purposes. Executive directors occasionally use a Group car service for travelling and their spouses may travel to attend Board or other similar events. If a tax liability arises on these, the Group pays this. The 2016 benefits figures shown are in respect of the 2015/16 tax year. This is consistent with the reporting of similar benefits in previous years.

- Bill Winters and Andy Halford received pension contributions and cash allowances which, combined, equated to 40 per cent of salary. Mike Rees was contractually entitled to participate in a defined benefit (DB) pension plan, with a headline entitlement of one-thirtieth of salary for each year of service. He received no further accrual after 13 February 2016, when he reached the normal retirement age of 60. His DB entitlement as at 13 February 2016 was £563,672.

- Directors’ annual incentives in respect of 2016 are delivered up-front with 50 per cent paid in shares subject to a minimum six-month retention period. The scorecard used to determine directors’ annual incentives is set out on page 100. Any award will be subject to ex-post risk adjustment (such as malus and clawback) for up to ten years.

- The long-term incentive plan awards granted in March 2014 were due to vest in March 2017, based on performance over the years 2014 to 2016. Performance measures were not met (see page 102) and so the awards lapsed.

Executive directors’ variable remuneration awarded in respect of 2016 (audited)

Approach to determining individual variable remuneration awards

At its meetings in November 2016 and January 2017, the Committee considered Group performance, the performance of each executive director and risk and control-related matters (with input from Risk and other control functions), and made its determinations.

The Committee followed a three-step process for determining annual incentive awards:

1. Consider eligibility

   The Committee considered each executive directors’ values, behaviour and conduct during 2016. Each director had exhibited an appropriate level of eligibility and was deemed to have met the gateway requirement to be eligible for an incentive.

2. Evaluate performance against the Group’s priorities

   At the end of 2016, the Committee reviewed both financial performance and achievement against the Group’s strategic priorities, as outlined at the start of the year in the 2016 annual incentive scorecard, published in last year’s remuneration report.

   The Group’s performance in 2016 compares favourably to last year, in market and economic conditions that continue to be challenging. While financial returns are not where they need to be, the Committee noted that the Group had made significant progress in executing its strategy to stabilise and reposition the Group.

   The Committee noted that underlying profit before tax (PBT) was up 31 per cent on a year-on-year basis and statutory PBT compared favourably to the loss of $1.5 billion in 2015. The Group remains well capitalised with a Common Equity Tier 1 (CET1) ratio of 13.6 per cent, however the Committee recognised that more work needs to be done to improve returns.

3. Assess personal performance and finalise awards

   The Committee then reviewed the individual performance of each executive director and the performance in areas of personal responsibility. The Committee can make an adjustment to the formulaic scorecard outcome in respect of personal performance.

   Consistent with the Group’s treatment of all employees, the Committee can make a positive adjustment to the annual incentive if the executive directors’ performance is considered strong (and vice versa).

   The Committee noted that Bill Winters, in his first full year with the Group, demonstrated extraordinary leadership skills and continued to be a strong performer, overseeing good progress in the execution of the strategy announced last November, despite the challenging trading environment. Bill had been actively involved in the restructuring of the Group’s portfolio by leading the liquidation of certain client positions. His leadership had resulted in a refocus and restructuring of businesses (both region and client segment) and functions. He had also established an effective and cohesive management team which contained a number of strong new hires. The Committee also noted that Bill had increased the focus on the Group’s clients and demonstrated leadership in terms of conduct, as well as bringing a new focus to the approach to the Group’s culture and setting a clear message in terms of how he expects employees to behave.

   The Committee agreed that following last year’s strategy review, Andy Halford made a strong personal contribution to ensure the Group executed on its new strategy during 2016. Among the strategic 2016 highlights were i) a stronger balance sheet (CET1 of 13.6 per cent remains at the top end of the Group’s target range), ii) a restructured portfolio with the liquidation and exiting of non-strategic risk-weighted assets and iii) delivery of gross cost savings in excess of $1 billion, which enabled the Group to increase the pace of investment through the year. The Committee also noted that he demonstrated exceptional focus which had led to a number of improvements and efficiencies. Throughout the year Andy exemplified the values and conduct that the Board expects from its most senior leaders.

   Although the Committee noted strong personal performance for both Bill and Andy, it decided not to adjust the scorecard outcome. The following table summarises the outcome of the Committee’s decisions on annual incentive awards for the 2016 performance year:

<table>
<thead>
<tr>
<th>Scorecard outcome</th>
<th>W T Winters</th>
<th>A N Halford</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>45%</td>
</tr>
</tbody>
</table>

   Annual incentive award as a percentage of fixed remuneration1

   |                   | 18%         | 18%         |
   |                   | (2015: 0%)  | (2015: 0%)  |

   Annual incentive (£000)

   |                   | 497         | 308         |

1. Fixed remuneration is defined as salary, FPA and pension, in line with regulatory requirements.

   Under the terms of his leaving agreement, Mike Rees was eligible to be considered for an annual incentive award, pro-rated for the period he was on the Board. However, the Committee concluded that it was not appropriate to award any annual incentive to Mike given the businesses for which he had management oversight prior to the restructure had continued to underperform in 2016.
The Committee’s assessment of 2016 scorecard performance

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>Weighting</th>
<th>Target(^*)</th>
<th>Assessment of achievement</th>
<th>Scorecard outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial measures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income(^2)</td>
<td>10%</td>
<td>Threshold: $13,300 million</td>
<td>$13,808 million</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mid-point of target range: $14,000 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maximum award: $14,700 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit(^2)</td>
<td>15%</td>
<td>Threshold: $600 million</td>
<td>$1,093 million</td>
<td>8%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mid-point of target range: $1,100 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maximum award: $1,600 million</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoE(^3) plus CET1(^4) underpin of 12%</td>
<td>25%</td>
<td>Threshold: 0.4%</td>
<td>RoE of 0.3% CET1 of 13.6%</td>
<td>0%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mid-point of target range: 0.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Maximum award: 1.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other strategic measures(^6)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Secure the foundations</td>
<td>20%</td>
<td>Improve quality of loan book as evidenced by a decrease in the non-performing loan (NPL) flow rate</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Progress in liquidating and exiting identified $25 billion non-strategic assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Successfully execute Group’s financial crime risk and other conduct-related mitigation and remediation programmes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Get lean and focused</td>
<td>15%</td>
<td>Achieve cost-efficiency target</td>
<td>Gross cost efficiencies of $1.2 billion, in excess of $1 billion target</td>
<td>11%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Restructure in Corporate &amp; Institutional Banking and overhaul Commercial Banking as evidenced by a reduction in the percentage of RWA generating below threshold returns</td>
<td>Behind target in reducing the percentage of RWA generated below threshold returns</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Accelerate Retail Banking transformation</td>
<td>Retail Banking transformation well under way. Expenses fell by 3% benefiting from cost efficiency initiatives offset by increased digitisation investment</td>
<td></td>
</tr>
<tr>
<td>Invest and innovate</td>
<td>15%</td>
<td>Grow Private Banking and Wealth Management assets under management (AUM)</td>
<td>Private Bank AUM declined 4%. Growth in Hong Kong was offset by regulatory changes and actions taken to improve risk profile in other markets</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Up-tier Retail Banking by growing the number of Priority clients</td>
<td>Increased share of Priority income to 39% of Retail Banking income, supported by the addition of over 90,000 new-to-bank clients</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase digital penetration as evidenced by increased adoption of Retail Banking and Corporate &amp; Institutional Banking clients</td>
<td>Target performance achieved on digital penetration in Retail Banking and Corporate &amp; Institutional Banking. Online and mobile adoption of 40% and 15% respectively in Retail Banking</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100%</td>
<td>45%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Total income was based on underlying operating income, excluding any fair value changes relating to gains/losses on disposals, restructuring gains and losses recorded in Income and exceptional transactions that are significant or material in the context of the Group’s normal business for the period
2. Operating profit was based on underlying operating profit which excludes fair value changes relating to material one-off gains/losses such as disposals, other acquisitions and corporate-related activity, restructuring charges, which are not representative of underlying business performance and exceptional transactions that are significant or material in the context of the Group’s normal business for the period
3. RoE was based on profit attributed to ordinary shareholders, adjusted, on a tax-effected basis, for profits or losses of a capital nature, restructuring charges, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group’s normal business earnings for the period
4. CET1 was based on regulatory definitions and modelling assumptions as at 1 January 2016
5. If the performance of the financial measure is within a target range, then the scorecard evaluation is 50 per cent for the respective measure. A maximum/minimum performance threshold was set for each financial performance measure. The Committee used its judgement to determine scorecard outcomes within this range (with higher than 50 per cent outcome for performance above target and lower than 50 per cent outcome for below target performance). There is a zero outcome if performance is less than the minimum set per target and 100 per cent outcome if performance is more than the maximum of target
6. Unaudited

In reviewing and finalising the annual incentive scorecard outcome, the Committee was able to consider a wide range of factors including, but not limited to, broader corporate governance, risk, control and governance-related matters.
Long-term incentive plan awards to be granted in March 2017

LTIP awards for the 2016 performance year will be granted to Bill Winters and Andy Halford in 2017 with a fair value of £4.4 million and £2.7 million respectively. These awards will vest in five annual tranches beginning after the third anniversary of the grant, subject to meeting the performance measures set out below at the end of 2019.

The equal weighting of the measures provides a balanced set of metrics, giving an appropriate focus on execution of the strategy, investor interests and prudent risk-taking. The target levels for LTIP awards are designed to be challenging but realistic. The Committee’s starting point for determining performance measures and target levels was to review the financial plan and the Group’s strategic priorities. It also balanced the Group’s current financial position and the market environment and outlook with ensuring the executive directors are incentivised in a challenging yet realistic manner.

The criteria used to select the comparator group for the calculation of the relative TSR performance measure are companies with generally comparable business activities, size or geographic spread to Standard Chartered or companies Standard Chartered competes against for investor funds and talent. In aggregate, the comparator group is intended to be representative of Standard Chartered’s geographic presence and business operations. The constituents of the comparator group shall continue to be reviewed annually, prior to each new LTIP grant.

TSR is measured in sterling for each company and the TSR data averaged over a month at the start and end of the three-year measurement period starting from the date of grant.

Performance measures for 2017-19 executive director long-term incentive plan

Gateway requirement to be met in order for awards to vest

<table>
<thead>
<tr>
<th>Appropriate requirement to be met in order for awards to vest</th>
<th>Weighting</th>
<th>Amount vesting (as % of total award)</th>
<th>Threshold performance target</th>
<th>Maximum performance target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. RoE(^1) in 2019 plus CET1(^3) underpin of the higher of 12% or the minimum regulatory requirement</td>
<td>One third</td>
<td>Maximum – 33.3%</td>
<td>Threshold – 8.3% Below threshold – 0%</td>
<td>5%</td>
</tr>
<tr>
<td>2. Relative TSR(^4) against peer group</td>
<td>One third</td>
<td>Maximum – 33.3%</td>
<td>Threshold – 8.3% Below threshold – 0%</td>
<td>Median</td>
</tr>
</tbody>
</table>
| 3. Strategic measures | One third | Maximum – 33.3% | Minimum – 0% Performance against each component of the scorecard will be assessed by the Committee using proof points to determine the percentage of the award that may vest | ● Successfully execute the Group’s financial crime risk, remediation, and unified conduct and culture programmes  
● Liquidate and exit identified non-strategic assets  
● Grow Private Banking Net New Money and ‘New to Wealth’ clients in Retail Banking  
● Maintain leadership position on the internationalisation of remenbi  
● Retail Banking: achieve over 40% of income from Priority clients  
● Deliver market share gains across Africa region  
● Improve client satisfaction rating  
● Cost discipline: deliver gross efficiency target  
● Retail Banking: progress towards achieving a cost income ratio of c.55% by 2020  
● Drive innovation through new products, solutions and services for clients  
● Grow percentage of Retail Banking clients with online/mobile adoption  
● Improve Net Promoter Score within Group’s employees  
● Strengthen leadership succession and improve diversity as a percentage of the management population |

1. RoE will be based on profit attributed to ordinary shareholders, adjusted, on a tax-effected basis, for profits or losses of a capital nature, restructuring charges, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group’s normal business earnings for the period. RoE would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Committee

2. If RoE is between the threshold and the maximum, vesting is calculated on a straight-line basis between these two points

3. CET1 is based on regulatory definitions and modelling assumptions as at 31 December 2016. The CET1 underpin will be dynamically set at a higher of 12 per cent and the minimum regulatory level as at 31 December 2019 (taking into account any transition rules or material changes in regulatory rules). In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

4. The percentage of the award that vests subject to relative TSR depends on where the Group is ranked against its comparators’ TSR performance. Minimum vesting is achieved if the Group’s performance exceeds the median ranked company, with full vesting if the Group’s performance is at least equal to the upper quartile ranked company (i.e. the average of the fifth- and sixth-ranked company). Between these points, the Group’s TSR is compared to that of the comparators positioned immediately above and below it and straight-line vesting applies for TSR performance between these set positions
### Historical long-term incentive plan awards

The performance outcome for the 2014-16 LTIP and the current position on vesting for all unvested LTIP and underpin share awards outstanding from 2015 and 2016 based on current performance and share price is set out in the table below.

#### Assessment of the 2014-16 LTIP award: zero vesting

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Performance for minimum vesting (30%)</th>
<th>Performance for maximum vesting (100%)</th>
<th>2014-16 LTIP outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative TSR performance against comparator group</td>
<td>One-third</td>
<td>Median</td>
<td>Equal to or above fifth</td>
<td>Positioned below the median ranked firm therefore 0% vested</td>
</tr>
<tr>
<td>Earnings per share growth</td>
<td>One-third</td>
<td>15%</td>
<td>30%</td>
<td>Negative EPS growth therefore 0% vested</td>
</tr>
<tr>
<td>Return on risk-weighted assets (three-year average)</td>
<td>One-third</td>
<td>1.5%</td>
<td>1.7%</td>
<td>0.4% therefore 0% vested</td>
</tr>
</tbody>
</table>

#### Current position on the 2015-17 LTIP award: projected zero vesting

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Performance for minimum vesting (25%)</th>
<th>Performance for maximum vesting (100%)</th>
<th>2015-17 LTIP current assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative TSR performance against comparator group</td>
<td>One-third</td>
<td>Median</td>
<td>Equal to or above fifth</td>
<td>0% vesting based on TSR performance as at 31 December 2016</td>
</tr>
<tr>
<td>Earnings per share growth</td>
<td>One-third</td>
<td>15%</td>
<td>35%</td>
<td>0% vesting</td>
</tr>
<tr>
<td>Return on risk-weighted assets (three-year average)</td>
<td>One-third</td>
<td>1.2%</td>
<td>1.4%</td>
<td>0% vesting</td>
</tr>
</tbody>
</table>

#### Current position on the 2016-18 LTIP award: projected partial vesting

<table>
<thead>
<tr>
<th>Measure</th>
<th>Weighting</th>
<th>Performance for minimum vesting (25%)</th>
<th>Performance for maximum vesting (100%)</th>
<th>2016-18 LTIP current assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoE(^1) in 2018 plus CET1 underpin of 12%</td>
<td>One-third</td>
<td>7%</td>
<td>10%</td>
<td>RoE currently below threshold</td>
</tr>
<tr>
<td>Relative TSR performance against comparator group</td>
<td>One-third</td>
<td>Median</td>
<td>Upper quartile</td>
<td>45% vesting based on TSR performance as at 31 December 2016</td>
</tr>
<tr>
<td>Strategic measures</td>
<td>One-third</td>
<td>Target ranges set for strategic measures linked to the business strategy</td>
<td>Currently tracking for “on target” performance</td>
<td></td>
</tr>
</tbody>
</table>

---

1. RoE will be based on profit attributed to ordinary shareholders, adjusted, on a tax-effected basis, for profits or losses of a capital nature, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group’s normal business earnings for the period. This includes material one-off changes to valuation methodologies to align with market practice and restructuring charges. RoE would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Committee.

The comparator group for the TSR measure in the 2016-18 and 2017-19 LTIP awards is set out below:

<table>
<thead>
<tr>
<th>ANZ</th>
<th>Barclays</th>
<th>HSBC</th>
<th>Oversea Chinese Banking Corporation</th>
<th>United Overseas Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banco Santander</td>
<td>Citigroup</td>
<td>ICBC</td>
<td>Société Générale</td>
<td></td>
</tr>
<tr>
<td>Bank of America</td>
<td>Credit Suisse</td>
<td>ICICI</td>
<td>Standard Bank</td>
<td></td>
</tr>
<tr>
<td>Bank of China</td>
<td>DBS Group</td>
<td>JPMorgan Chase</td>
<td>State Bank of India</td>
<td></td>
</tr>
<tr>
<td>Bank of East Asia</td>
<td>Deutsche Bank</td>
<td>KB Financial Group</td>
<td>UBS</td>
<td></td>
</tr>
</tbody>
</table>
Former executive directors’ remuneration

Payments for loss of office (audited)

Mike Rees retired from the Board on 30 April 2016. The remuneration he received when he was an executive director is set out in the single total figure table. Specific details on the remuneration arrangements on leaving for Mike were included in the announcement to the London Stock Exchange of 7 January 2016. Mike Rees received payments in the period from the date he ceased to be an executive director, in accordance with his contract of employment, as set out below:

<table>
<thead>
<tr>
<th>A M G Rees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date ceased to be an executive director</td>
</tr>
<tr>
<td>Period payments made until</td>
</tr>
<tr>
<td>Salary received</td>
</tr>
<tr>
<td>Fixed pay allowance</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
<tr>
<td>Pension</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

1. This was awarded at the beginning of 2016 and is included in the single figure table on page 98
2. In line with market practice, the Group paid for appropriate professional legal fees incurred by Mike Rees in respect of finalising his retirement arrangements, which amounted to £7,500. These amounts are included in the benefits figures above

In addition, the Committee exercised its discretion in accordance with the rules of the share plans, under which Mike held unvested awards, and determined that he should be treated as an eligible leaver and, as such, be allowed to retain any unvested share awards. Awards continue to vest over the original vesting periods and remain subject to the application of malus and clawback and the satisfaction of the performance measures. This discretion was exercised by the Committee consistent with the treatment for others retiring from the Group. The discretion has been exercised and reported in line with the requirements of The Stock Exchange of Hong Kong Limited.

Payments to former executive directors (audited)

Jaspal Bindra stepped down from the Board during 2015. He received payments for the period from the date he ceased to be an executive director until 25 February 2016, in accordance with his contract of employment and 12-month notice period. From 1 January 2016 to 25 February 2016 Jaspal received salary of $129,932, benefits of $14,868 and a pension allowance of $63,367, in addition to a statutory long service payment of $33,948, consistent with Hong Kong law.

In addition, Jaspal Bindra, Peter Sands and V Shankar were awarded shares under the 2014-16 LTIP in March 2014, whose vesting was dependent on performance measures over the three years ending 31 December 2016, which were not met. These awards will not vest.

Executive directors’ share interests including share awards

Scheme interests awarded, exercised and lapsed during the year (audited)

The following table shows the changes in share interests. Employees, including executive directors, are not permitted to engage in any personal hedging strategies with regards to their Standard Chartered PLC shares, including hedging against the share price of Standard Chartered PLC shares.

<table>
<thead>
<tr>
<th>W T Winters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted shares (buy-out)</td>
</tr>
<tr>
<td>As at 1 January</td>
</tr>
<tr>
<td>314,822</td>
</tr>
<tr>
<td>314,822</td>
</tr>
<tr>
<td>314,916</td>
</tr>
<tr>
<td>LTIP 2016-18</td>
</tr>
<tr>
<td>–</td>
</tr>
<tr>
<td>–</td>
</tr>
<tr>
<td>–</td>
</tr>
<tr>
<td>–</td>
</tr>
<tr>
<td>–</td>
</tr>
</tbody>
</table>
### Changes in interests during 2016

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A N Halford</strong></td>
<td>135,054</td>
<td>28,529</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>296,417</td>
<td>74,104</td>
<td>74,105</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>74,104</td>
<td>74,105</td>
<td>74,105</td>
</tr>
<tr>
<td><strong>Deferred shares 2014</strong></td>
<td>12,932</td>
<td>12,936</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>–</td>
<td>–</td>
<td>14,264</td>
</tr>
<tr>
<td><strong>Underpin shares 2015-17</strong></td>
<td>14,264</td>
<td></td>
<td>–</td>
<td>–</td>
<td></td>
<td>–</td>
<td></td>
<td></td>
<td>14,264</td>
</tr>
<tr>
<td><strong>Sharesave</strong></td>
<td>1,612</td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td></td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>A M G Rees</strong></td>
<td>59,042</td>
<td>20,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>–</td>
<td></td>
<td></td>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Deferred shares 2011</strong></td>
<td>97,669</td>
<td>73,640</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred shares 2012</strong></td>
<td>73,640</td>
<td></td>
<td>97,669</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deferred shares 2013</strong></td>
<td>69,608</td>
<td>73,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>69,608</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. For the LTIP 2016-18 awards granted to Bill Winters and Andy Halford on 4 May 2016, the share price at grant was £5.56 and the face values were as follows: Bill Winters: £5.5 million; Andy Halford: £3.3 million. Performance measures apply to LTIP 2016-18. The share price at grant was calculated as the higher of the five-day average closing price and the closing price on the day before the grant date.

2. On 21 March 2016, Andy Halford exercised deferred share awards over a total of 13,068 shares. The share price on the date of exercise was £4.89, and the gains on exercise were £63,903. On 11 March 2016, Mike Rees exercised share awards over 394,481 shares and on 21 March 2016 over 70,340 shares. The share price on the dates of exercise was £4.64 and £4.89 respectively, with gains on exercise of £1,830,392 and £343,963 respectively. The five-day average closing prices before the dates of exercise were £4.73 and £4.71 respectively.

3. Dividend equivalent shares are awarded on vesting.

4. All figures are as at 31 December 2016 or on the retirement of an executive director (i.e. 30 April 2016 for Mike Rees). There were no changes to any executive director’s scheme interests in ordinary shares between 31 December 2016 and 23 February 2017.
Shareholdings and share interests (audited)

Executive directors are required to maintain a shareholding as determined by the Committee. Executive directors must build up their shareholding over a reasonable timeframe from the date of appointment as an executive director (or, if later, from the date of any change to the terms of the shareholding requirement). Shares that count towards the requirement are beneficially owned shares including any vested share awards subject only to a retention period.

The following table summarises the executive directors’ shareholdings and share interests¹:

<table>
<thead>
<tr>
<th>Shares held beneficially²</th>
<th>Shareholding as a percentage of salary³</th>
<th>Actual shareholding requirement in number of shares</th>
<th>Alignment to requirement</th>
<th>Vested but unexercised share awards</th>
<th>Unvested share awards not subject to performance measures</th>
<th>Unvested share awards subject to performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>W T Winters⁴</td>
<td>430,370</td>
<td>248%</td>
<td>250,000</td>
<td>On track</td>
<td>944,560</td>
<td>992,781</td>
</tr>
<tr>
<td>A N Halford</td>
<td>341,794</td>
<td>267%</td>
<td>150,000</td>
<td>Met</td>
<td>27,480</td>
<td>784,945</td>
</tr>
</tbody>
</table>

**Former directors**

<table>
<thead>
<tr>
<th>A M G Rees⁴</th>
<th>668,634</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
</tr>
</thead>
</table>

¹. All figures are as at 31 December 2016 or on the retirement of an executive director, unless stated otherwise. There were no changes to any executive directors’ interests in ordinary shares between 31 December 2016 and 23 February 2017. No director had either (i) an interest in Standard Chartered PLC’s preference shares or loan stocks of any subsidiary or associated undertaking of the Group or (ii) any corporate interests in Standard Chartered PLC’s ordinary shares.

². The beneficial interests of directors and connected persons in the ordinary shares of the Company are set out above. The executive directors do not have any non-beneficial interests in the Company’s shares. None of the executive directors used ordinary shares as collateral for any loans.

³. Some shares have been awarded to deliver the executive directors’ fixed pay allowance. Any FPA shares held by each executive director do not count towards their shareholding requirement until such shares are released. The levels of unreleased FPA shares as of 31 December 2016 are: Bill Winters: 183,125; and Andy Halford: 83,254.

⁴. Shareholding as a percentage of salary is calculated using the closing share price on 31 December 2016 (£6.636).

⁵. Bill Winters joined the Board on 10 June 2015 and will meet his shareholding requirements within a reasonable period of time.

⁶. Mike Rees stepped down from the Board on 30 April 2016. Figures shown are as at 30 April 2016.

**Shareholder dilution**

All awards vesting under the Group’s share plans are satisfied by the transfer of existing shares or, where appropriate, the issuance of new shares. The Group’s share plans contain monitored limits that govern both the aggregate amount of awards that may be granted and the amount of shares that may be issued to satisfy any subsequent exercise of awards. These limits are in line with those stated in the Investment Association’s Principles of Remuneration and the terms of our listing on The Stock Exchange of Hong Kong Limited.

**Service contracts for executive directors**

Copies of the executive directors’ service contracts are available for inspection at the Group’s registered office. These contracts have rolling 12-month notice periods and the dates of the executive directors’ service contracts are shown below. Executive directors are permitted to hold non-executive directorship positions in other organisations (but no more than one position with a FTSE 100 company). Where such appointments are agreed with the Board, the executive directors may retain any fees payable for their services. The following executive directors served as non-executive directors elsewhere and received fees or other benefits for the period covered by this report.

<table>
<thead>
<tr>
<th>Date of Standard Chartered employment contract¹</th>
<th>Details of any non-executive directorship</th>
<th>Fees retained for any non-executive directorship (local currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>W T Winters</td>
<td>Novartis International AG</td>
<td>CHF 250,000</td>
</tr>
<tr>
<td>A N Halford</td>
<td>Marks and Spencer Group plc</td>
<td>GBP 85,000</td>
</tr>
</tbody>
</table>

**Former directors**

| A M G Rees                                  | 7 January 2010                           | –                                                             |

¹. Date the latest employment contract was entered into, not date of taking up employment with the Group.

The shareholding requirement is currently expressed as a number of shares and is set as:

- 250,000 shares for the Group Chief Executive
- 150,000 shares for the Group Chief Financial Officer

In addition to the shareholding requirement, executive directors hold a considerable number of shares as part of the FPA shares which are held and released over five years. Unreleased FPA shares are not counted for the purposes of the above shareholding requirement.

**Shareholder dilution**

All awards vesting under the Group’s share plans are satisfied by the transfer of existing shares or, where appropriate, the issuance of new shares. The Group’s share plans contain monitored limits that govern both the aggregate amount of awards that may be granted and the amount of shares that may be issued to satisfy any subsequent exercise of awards. These limits are in line with those stated in the Investment Association’s Principles of Remuneration and the terms of our listing on The Stock Exchange of Hong Kong Limited.

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<table>
<thead>
<tr>
<th>Date of Standard Chartered employment contract¹</th>
<th>Details of any non-executive directorship</th>
<th>Fees retained for any non-executive directorship (local currency)</th>
</tr>
</thead>
<tbody>
<tr>
<td>W T Winters</td>
<td>Novartis International AG</td>
<td>CHF 250,000</td>
</tr>
<tr>
<td>A N Halford</td>
<td>Marks and Spencer Group plc</td>
<td>GBP 85,000</td>
</tr>
</tbody>
</table>

**Former directors**

| A M G Rees                                  | 7 January 2010                           | –                                                             |

¹. Date the latest employment contract was entered into, not date of taking up employment with the Group.

The shareholding requirement is currently expressed as a number of shares and is set as:

- 250,000 shares for the Group Chief Executive
- 150,000 shares for the Group Chief Financial Officer

In addition to the shareholding requirement, executive directors hold a considerable number of shares as part of the FPA shares which are held and released over five years. Unreleased FPA shares are not counted for the purposes of the above shareholding requirement.
2016 Group total variable remuneration

Determining 2016 discretionary incentives

In determining 2016 incentives, the Committee considered the following factors:

- 2016 performance measured using the balanced scorecard
- That the historical remuneration levels of the Group have generally been below competitive levels in the markets in which it operates and that this position has deteriorated further over the past few years. This has in part resulted in a high level of voluntary attrition
- The need to reposition remuneration in the Group to contribute to improving shareholder returns, whilst enabling the Group to ensure that good performers are paid competitively
- Any material risk events that may have impacted the Group in 2016

In determining the Group’s total incentives, the Committee has used its judgement to establish the right balance between the financial performance of the Group and its ability to attract and retain talent that will drive the Group’s strategy. In 2016, the Committee took into account Group, business and regional scorecards which were aligned to the Group’s strategy. The Committee also took into account a range of risk-adjusted metrics and advice from both the Group Chief Financial Officer and Group Chief Risk Officer on Group performance.

On this basis, the Committee determined that the Group incentives for 2016 should be $1,039 million. This represents an increase of 5 per cent on 2015. The Committee concluded that any lower amount would present a material risk to the ability of the Group to make appropriate and competitive awards. At the start of 2016, changes were implemented in how discretionary incentives operated across the Group. The changes increase transparency and strengthen the link between achievements, demonstration of values and the level of incentive. Individual incentives are linked to the Group scorecard, the individual’s business area scorecard and individual performance. The total annual incentives of the Group have reduced over the past five years by 27 per cent.

The total incentives figure for 2016 includes i) the 2017-19 LTIP awards, the value of which will be determined by Group performance over the period 2017 to 2019 and ii) incentive awards made to individuals who left the Group during 2016 as part of restructuring, who were in service for at least nine months of the year.

Allocation of the Group's earnings between stakeholders

When considering Group variable remuneration the Committee considers shareholders’ concerns about relative expenditure on pay and makes the determination on the allocation of earnings to expenditure on pay carefully. The Committee concluded that the Group has approached this allocation in a disciplined way over the past five years. The table below shows the distribution of earnings between stakeholders.

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016 $million</td>
<td>2015 %</td>
</tr>
<tr>
<td>Staff costs1</td>
<td>6,303</td>
<td>71</td>
</tr>
<tr>
<td>Corporate taxation including levy</td>
<td>983</td>
<td>11</td>
</tr>
<tr>
<td>Paid to shareholders in dividends</td>
<td>0</td>
<td>18</td>
</tr>
</tbody>
</table>

1. Staff costs include redundancy and other restructuring expenses. See page 213 for more detail

The Committee has included the amount of corporate tax, including the bank levy, because it is a significant payment and illustrates the Group’s contribution through the tax system.
Group performance versus the Group Chief Executive’s remuneration

Summary of performance

The graph below shows the Group’s TSR performance on a cumulative basis over the past eight years alongside that of the FTSE 100 and peer banks, and the table below shows the historic levels of remuneration of the Group Chief Executive. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns.

Percentage growth of TSR since the end of 2008

![Graph showing percentage growth of TSR since the end of 2008]

Single figure of total remuneration £000

<table>
<thead>
<tr>
<th>Year</th>
<th>P A Sands (CEO until 10 June 2015)</th>
<th>W T Winters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>7,135</td>
<td>–</td>
</tr>
<tr>
<td>2010</td>
<td>7,970</td>
<td>–</td>
</tr>
<tr>
<td>2011</td>
<td>7,779</td>
<td>–</td>
</tr>
<tr>
<td>2012</td>
<td>6,951</td>
<td>–</td>
</tr>
<tr>
<td>2013</td>
<td>4,378</td>
<td>–</td>
</tr>
<tr>
<td>2014</td>
<td>3,093</td>
<td>8,399</td>
</tr>
<tr>
<td>2015</td>
<td>1,290</td>
<td>3,392</td>
</tr>
</tbody>
</table>

Annual incentive as a percentage of maximum opportunity

<table>
<thead>
<tr>
<th>Year</th>
<th>P A Sands</th>
<th>W T Winters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>64%</td>
<td>–</td>
</tr>
<tr>
<td>2010</td>
<td>70%</td>
<td>–</td>
</tr>
<tr>
<td>2011</td>
<td>70%</td>
<td>–</td>
</tr>
<tr>
<td>2012</td>
<td>63%</td>
<td>–</td>
</tr>
<tr>
<td>2013</td>
<td>50%</td>
<td>–</td>
</tr>
<tr>
<td>2014</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2016</td>
<td>0%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Vesting of LTIP awards as a percentage of maximum

<table>
<thead>
<tr>
<th>Year</th>
<th>P A Sands</th>
<th>W T Winters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>81%</td>
<td>–</td>
</tr>
<tr>
<td>2010</td>
<td>90%</td>
<td>–</td>
</tr>
<tr>
<td>2011</td>
<td>90%</td>
<td>–</td>
</tr>
<tr>
<td>2012</td>
<td>77%</td>
<td>–</td>
</tr>
<tr>
<td>2013</td>
<td>33%</td>
<td>–</td>
</tr>
<tr>
<td>2014</td>
<td>10%</td>
<td>0%</td>
</tr>
<tr>
<td>2015</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2016</td>
<td>0%</td>
<td>–</td>
</tr>
</tbody>
</table>

The percentage change in remuneration of the Group Chief Executive and all employees

The table below shows the percentage change in remuneration between the 2015 and 2016 performance years for the Group Chief Executive and the wider employee population.

<table>
<thead>
<tr>
<th>Remuneration element</th>
<th>CEO% change</th>
<th>All employees% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>0%</td>
<td>(5)%</td>
</tr>
<tr>
<td>Taxable benefits</td>
<td>36%</td>
<td>2%</td>
</tr>
<tr>
<td>Annual incentive</td>
<td>N/A</td>
<td>5%</td>
</tr>
</tbody>
</table>

1. No annual incentive was paid to the Group Chief Executive in respect of 2015 performance
2. The Group Chief Executive joined the Group on 1 May 2015, and his 2015 salary and taxable benefits in respect of 2015 have been annualised. His 2015 taxable benefits figure does not include certain benefits received during 2015 but which are shown on year end tax returns as being taxable as part of the 2015/16 tax year. There has been no change in eligibility between 2015 and 2016 for core benefits, such as car, medical cover, life assurance etc.
3. The ‘all employees’ group, the taxable benefits for UK employees have been used, as it was deemed the most appropriate comparison for the Group Chief Executive given the varied requirements in the provision of benefits across different jurisdictions
4. The ‘all employees’ group, the salary and incentives data for the global employee population who are eligible to receive discretionary annual incentives has been used, as those employees have an element of incentive awards
How the remuneration policy will be implemented for executive directors in 2017

The table below summarises the remuneration policy for executive directors and how that policy will be implemented in 2017.

<table>
<thead>
<tr>
<th>Element</th>
<th>Implementation in 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary</strong></td>
<td>Executive director salaries will be unchanged from 2016:</td>
</tr>
<tr>
<td></td>
<td>• Bill Winters: £1,150,000</td>
</tr>
<tr>
<td></td>
<td>• Andy Halford: £850,000</td>
</tr>
<tr>
<td><strong>Fixed pay allowances</strong></td>
<td>Bill Winters: £1,150,000, unchanged from 2016.</td>
</tr>
<tr>
<td></td>
<td>Andy Halford: £519,000. Effective 2017, Andy’s FPA is expressed in GBP rather than USD in order to align all elements of executive directors’ remuneration into a single currency. The amount was converted into GBP using the 2016 average exchange rate.</td>
</tr>
<tr>
<td><strong>Pension</strong></td>
<td>Unchanged from 2016: 40 per cent of salary.</td>
</tr>
<tr>
<td></td>
<td>If any new executive director is appointed prior to the adoption of a new directors’ remuneration policy, there will be a review of the pension allowance.</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Will be provided in accordance with the remuneration policy.</td>
</tr>
<tr>
<td><strong>Annual incentive</strong></td>
<td>For awards in respect of 2017, the maximum annual incentive opportunity will be 80 per cent of fixed remuneration (defined as salary, FPA and pension). The maximum limit on what variable remuneration can be paid is set by regulation and this limit includes pension.</td>
</tr>
<tr>
<td></td>
<td>The annual incentive awarded in respect of 2017 will be determined based on a balanced scorecard, shown on page 109.</td>
</tr>
<tr>
<td><strong>LTIP</strong></td>
<td>For awards in respect of 2017, the maximum LTIP opportunity will be 120 per cent of fixed remuneration (defined as salary, FPA and pension). The maximum limit on what variable remuneration can be paid is set by regulation and this limit includes pension.</td>
</tr>
<tr>
<td></td>
<td>The LTIP awarded in respect of 2017 will be granted in 2018. This award will vest subject to performance measures determined by the Committee and disclosed in the 2017 Directors’ remuneration report, prior to grant.</td>
</tr>
</tbody>
</table>
The measures in the scorecard have been determined to be aligned with the Group’s strategy. The targets are set annually by the Committee and take into account the Group’s annual financial plan and its priorities for the next few years within the context of the economic environment. The Committee considers such targets to be commercially sensitive and that it would be detrimental to the interests of the Group to disclose them before the end of the financial year. Targets will be disclosed in the 2017 annual report and accounts alongside the actual level of performance achieved.

### 2017 annual incentive scorecard

50 per cent of the annual incentive scorecard is comprised solely of financial measures. Some of the strategic measures are also financial in nature such as i) non-performing loan rate, ii) cost-efficiency and iii) income return on risk-weighted assets. The Committee will review the scorecard annually and may vary the measures, weightings and targets each year.

#### STEP 1: GATEWAY REQUIREMENT TO BE MET IN ORDER TO BE ELIGIBLE FOR ANY ANNUAL INCENTIVE

Appropriate level of individual values and conduct exhibited during the course of the year

#### STEP 2: MEASUREMENT OF PERFORMANCE AGAINST FINANCIAL AND OTHER STRATEGIC MEASURES

<table>
<thead>
<tr>
<th>Financial measures</th>
<th>Weighting</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income(^1)</td>
<td>10.0%</td>
<td>● Target to be disclosed to shareholders retrospectively</td>
</tr>
<tr>
<td>Operating profit(^2)</td>
<td>10.0%</td>
<td>● Target to be disclosed to shareholders retrospectively</td>
</tr>
<tr>
<td>RoE(^3) plus CET1(^4) underpin of the higher of 12% or the minimum regulatory requirement</td>
<td>20.0%</td>
<td>● Target to be disclosed to shareholders retrospectively</td>
</tr>
<tr>
<td>Improve customer deposits</td>
<td>10.0%</td>
<td>● Increase net Transaction Banking ‘Operating Account’ and Retail Banking deposits. Target to be disclosed to shareholders retrospectively</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other strategic measures</th>
<th>Weighting</th>
<th>Target</th>
</tr>
</thead>
</table>
| Focus on clients and growth, and drive cross-bank collaboration | 12.5% | ● Grow Private Banking and Wealth Management Net New Money  
● Improve client satisfaction rating  
● Grow Commercial Banking and Corporate & Institutional Banking client bases, and increase the proportion of Priority clients in Retail Banking |
| Strengthen foundations in risk and control | 10.0% | ● Improve quality of loan book as evidenced by a decrease in the non-performing loan flow rate  
● Successfully execute the Group’s financial crime risk and remediation programmes |
| Improve efficiency, productivity and service quality | 10.0% | ● Achieve cost-efficiency target  
● Achieve income return on risk-weighted assets target  
● Improve client on-boarding turnaround time |
| Embed innovation, digitisation and analytics | 7.5% | ● Increase Corporate & Institutional Banking sales via e-platforms  
● Increase digital penetration as evidenced by increased online/mobile adoption of Retail Banking and Commercial Banking clients  
● Drive innovation through new products, solutions and services for clients |
| Invest in people, strengthen culture and conduct | 10.0% | ● Improve diversity as a percentage of the management population  
● Measurable progress in developing a unified conduct and culture programme |

#### STEP 3: ASSESSMENT OF PERSONAL PERFORMANCE

The Committee reviews the individual performance of each executive director and the performance in the areas of their personal responsibility. Consistent with the Group’s treatment of all employees, the Committee can make a positive adjustment to the annual incentive if the executive directors’ performance is considered strong (and vice versa), if appropriate

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1. Total income is based on underlying operating income, excluding any fair value changes relating to gains/losses on disposals, restructuring gains and losses recorded in income and exceptional transactions that are significant or material in the context of the Group’s normal business for the period.
2. Underlying operating profit excludes fair value changes relating to material one-off gains/losses such as disposals, other acquisitions and corporate-related activity, restructuring charges, which are not representative of underlying business performance and exceptional transactions that are significant or material in the context of the Group’s normal business for the period. Underlying profit would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Committee.
3. RoE will be based on profit attributed to ordinary shareholders, adjusted, on a tax-effected basis, for profits or losses of a capital nature, restructuring charges, amounts consequent to investment transactions driven by strategic intent and infrequent/exceptional transactions that are significant or material in the context of the Group’s normal business earnings for the period. RoE would normally exclude regulatory fines but, for remuneration purposes, this would be subject to review by the Committee.
4. CET1 is based on regulatory definitions and modelling assumptions as at 31 December 2016. The CET1 underpin will be dynamically set at the higher of 12% and the minimum regulatory level as at 31 December 2019 (taking into account any transition rules or material changes in regulatory rules). In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period.
5. Aligned to internal scorecards measuring in-year progress on multi-year initiatives.
**Remuneration arrangements for the Chairman and independent non-executive directors**

**Single figure of remuneration of the Chairman and independent non-executive directors (audited)**

In October 2016, José Viñals joined the Board as Chairman Designate and was appointed as the Chairman with effect from 1 December 2016. His annual fee is £1,250,000, and he receives benefits including access to a car and driver for business purposes, private healthcare and life assurance. He also received assistance in relocating to the UK in order to take up his appointment. Consistent with market practice, the letter of appointment has a six-month notice period.

The iNEDs were paid in 12 equal monthly instalments during the year. UK-based iNEDs were able to use up to 100 per cent of their monthly post-tax base fees to acquire shares in the Group (Monthly Share Purchase Scheme).

The tables below show the fees and benefits received by the Chairman and iNEDs in 2016.

<table>
<thead>
<tr>
<th>Fees £000</th>
<th>Benefits £000</th>
<th>Total £000</th>
<th>Shares beneficially held as at 31 December 201614*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chairman</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J Viñals1</td>
<td>313</td>
<td>–</td>
<td>399</td>
</tr>
<tr>
<td><strong>Current iNEDs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N Kheraj2</td>
<td>321</td>
<td>272</td>
<td>325</td>
</tr>
<tr>
<td>O P Bhatt</td>
<td>133</td>
<td>130</td>
<td>155</td>
</tr>
<tr>
<td>Dr K M Campbell</td>
<td>130</td>
<td>130</td>
<td>136</td>
</tr>
<tr>
<td>Dr L Cheung</td>
<td>130</td>
<td>130</td>
<td>155</td>
</tr>
<tr>
<td>D P Conner3</td>
<td>248</td>
<td>–</td>
<td>254</td>
</tr>
<tr>
<td>Dr B E Grote</td>
<td>160</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>Dr Han Seung-soo, KBE</td>
<td>130</td>
<td>130</td>
<td>202</td>
</tr>
<tr>
<td>C M Hodgson</td>
<td>265</td>
<td>250</td>
<td>267</td>
</tr>
<tr>
<td>G Huey Evans, OBE</td>
<td>168</td>
<td>91</td>
<td>170</td>
</tr>
<tr>
<td>J M Whitbread</td>
<td>218</td>
<td>101</td>
<td>219</td>
</tr>
<tr>
<td><strong>Former iNEDs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sir John Peace4</td>
<td>1,057</td>
<td>1,150</td>
<td>1,069</td>
</tr>
<tr>
<td>S J Lowth5</td>
<td>93</td>
<td>160</td>
<td>96</td>
</tr>
<tr>
<td>Dr L Thunell5</td>
<td>20</td>
<td>245</td>
<td>24</td>
</tr>
</tbody>
</table>

---

1. José Viñals joined the Board on 3 October 2016
2. Naguib Kheraj was appointed Deputy Chair on 1 December 2016
3. David Conner was appointed a member of the Combined United States Operations Risk Committee (US Risk Committee) effective 1 July 2016. The US Risk Committee is a Committee of the Court of Standard Chartered Bank, for which an annual fee of £20,000 is payable per annum
4. Sir John Peace stepped down from the Board on 1 December 2016. His annual fee was £1,150,000, paid partly in cash and partly in shares. He was also provided with a car and driver for business purposes, and other benefits
5. Simon Lowth and Dr Lars Thunell stepped down from the Board with effect from 31 July 2016 and 31 January 2016 respectively
6. The iNEDs are required to hold shares with a nominal value of $1,000. All the directors, other than Dr Kurt Campbell, have met this requirement. Shareholders approved a resolution to disapply the shareholding qualification in relation to Dr Kurt Campbell at the Company’s AGM in May 2014. This was in connection with the terms of the then proposed appointment of Dr Kurt Campbell’s wife to the Board of Governors of the United States Federal Reserve System
7. No director had either i) an interest in the Company’s preference shares or loan stocks of any subsidiary or associated undertaking of the Group or ii) any corporate interests in the Company’s ordinary shares. All figures are as at 31 December 2016 or on the retirement of a director unless otherwise stated
8. The beneficial interests of directors and connected persons 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. None of the directors used ordinary shares as collateral for any loans
Additional information to explain the single total figure table for the Chairman and independent non-executive directors

Benefits primarily consist of travel and subsistence costs in relation to Board and Committee meetings and other Board-related events which are taxable in the UK. Spouses may also accompany the directors to meetings. These costs (and any associated tax costs) are paid by the Group. The iNEDs’ 2016 benefits figures shown are in respect of the 2015/16 tax year. This provides consistency with the reporting of similar benefits in previous years and with those received by executive directors.

In order to take up his appointment, the Chairman received relocation benefits and the reimbursement of costs. These were similar to those offered to employees who join from an overseas country. The total cost of these benefits was £37,673 and this is included in the table on page 110. This amount includes temporary accommodation on arrival into the UK (£21,000) and shipment of personal goods and possessions from the United States (£11,500). The estimated tax on the provision of relocation benefits (£31,000) was borne by the Group.

Exercise of share awards by the former Chairman (audited)

From his appointment in 2009 until the end of 2013, part of Sir John Peace’s total fee was delivered in an allocation of restricted shares. During 2016, Sir John exercised a number of vested awards. On exercise, shares were sold to cover the associated tax liabilities, with the balance of the shares retained.

<table>
<thead>
<tr>
<th>Date of grant</th>
<th>Number of shares under award</th>
<th>Number of shares exercised</th>
<th>Date of exercise</th>
<th>Number of unvested shares under award</th>
</tr>
</thead>
<tbody>
<tr>
<td>17 Dec 2013</td>
<td>10,056</td>
<td>10,056</td>
<td>19 Dec 2016</td>
<td>–</td>
</tr>
</tbody>
</table>

1. The share price on the dates of exercise and total gains were £4.64 and £33,849 (11 March 2016) and £5.71 and £67,476 (19 December 2016) respectively.

The Committee exercised its discretion in accordance with the rules of the share plan, under which Sir John held unvested awards, and determined that he should be treated as an eligible leaver, and as such be allowed to retain the share award which vested 16 days after his retirement from the Board. This discretion was exercised by the Committee consistent with the treatment for others retiring from the Group. The discretion has been exercised and reported in line with the requirements of The Stock Exchange of Hong Kong Limited.

Fees (audited)

The iNEDs’ fees were last reviewed in 2013 and were set based on the duties, time commitment and contribution expected and alignment to fees paid to iNEDs in banks and other companies of a similar scale and complexity.

The following fees were paid to the iNEDs in 2016:

<table>
<thead>
<tr>
<th></th>
<th>£000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As at 1 January 2017</td>
</tr>
<tr>
<td>Board member</td>
<td>100</td>
</tr>
<tr>
<td>Additional responsibilities</td>
<td></td>
</tr>
<tr>
<td>Deputy Chair1</td>
<td>75</td>
</tr>
<tr>
<td>Senior Independent Director</td>
<td>40</td>
</tr>
<tr>
<td>Chair</td>
<td></td>
</tr>
<tr>
<td>• Audit Committee</td>
<td></td>
</tr>
<tr>
<td>• Board Risk Committee</td>
<td></td>
</tr>
<tr>
<td>Chair</td>
<td>60</td>
</tr>
<tr>
<td>• Board Financial Crime Risk Committee</td>
<td></td>
</tr>
<tr>
<td>• Brand, Values and Conduct Committee</td>
<td></td>
</tr>
<tr>
<td>• Remuneration Committee</td>
<td></td>
</tr>
<tr>
<td>Membership</td>
<td>30</td>
</tr>
<tr>
<td>• Audit Committee</td>
<td></td>
</tr>
<tr>
<td>• Board Financial Crime Risk Committee</td>
<td></td>
</tr>
<tr>
<td>• Board Risk Committee</td>
<td></td>
</tr>
<tr>
<td>• Brand, Values and Conduct Committee</td>
<td></td>
</tr>
<tr>
<td>• Remuneration Committee</td>
<td></td>
</tr>
<tr>
<td>Membership of Governance and Nomination Committee</td>
<td>15</td>
</tr>
</tbody>
</table>

1. A new Deputy Chairman fee of £75,000 was introduced effective 1 December 2016

How the remuneration policy will be implemented for independent non-executive directors in 2017

There are no proposed changes to how the policy will be implemented in 2017.

Independent non-executive directors’ letters of appointment in 2017

The iNEDs have letters of appointment, which are available for inspection at the Group’s registered office. Details of the iNEDs’ appointments are set out on pages 57 to 59. iNEDs are appointed for a period of one year, unless terminated earlier by either party with three months’ written notice,
All employee remuneration policy

Remuneration principles
Our remuneration approach is consistent with effective risk management and the delivery of our strategy, underpinned by:

- A competitive remuneration opportunity that enables us to attract, motivate and retain employees
- A clearly defined performance management framework that ensures employees have clear objectives and receive ongoing feedback
- Remuneration outcomes that relate to the performance of the individual, the business they work in and the Group. We aim to ensure everyone is aligned to deliver long-term sustainable growth in the interests of shareholders
- Variable remuneration that recognises the achievement, conduct, behaviours and values of each individual, ensuring reward is aligned to the Group’s performance. We take into account both what is achieved and how it is achieved
- An appropriate mix of fixed and variable remuneration, with the level of fixed remuneration based on an individual’s role and the business’ risk profile

- Remuneration that is fair and transparent. An equal pay review is undertaken as part of the pay review process globally
- A core level of benefits that protects all of our employees and reflects the Group’s commitment to employee wellbeing

The Group proposes to develop a Fair Pay Charter in 2017, once the outcomes of the UK Government’s Corporate Governance proposals are finalised.

Remuneration approach for all employees
Employees typically receive salary, pension and other benefits and are eligible to be considered for variable remuneration (determined based on both business and individual performance). Material risk takers (MRTs) are subject to the 2:1 maximum ratio of variable to fixed remuneration.

Further information on the remuneration approach for all employees is provided below. There may be some country variations based on statutory requirements and market practice.

Fixed remuneration

<table>
<thead>
<tr>
<th>Element</th>
<th>Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>- Salaries reflect individuals’ skills and experience and are reviewed annually against market information and in the context of the annual performance assessment and affordability</td>
</tr>
<tr>
<td></td>
<td>- Increases may occur where there is a role change, increased responsibility or to ensure market competitiveness</td>
</tr>
<tr>
<td>Fixed pay allowance</td>
<td>- Executive directors only (paid in shares)</td>
</tr>
<tr>
<td>Pension and benefits</td>
<td>- Benefits are provided, with the details depending on local market practice. Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances. The cost of providing the benefits is defined and controlled</td>
</tr>
<tr>
<td></td>
<td>- Employees who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If employees incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group</td>
</tr>
<tr>
<td></td>
<td>- Sharesave is an all employee plan where participants are able to open a savings contract to fund the exercise of an option over shares. The option price is set at a discount of up to 20 per cent of the share price at the date of invitation (or such other discount as may be determined by the Committee). An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues)</td>
</tr>
</tbody>
</table>
Variable remuneration

Employees are typically eligible to be considered for variable remuneration (determined based on group, business and individual performance). At the start of 2016 the Group implemented changes to how its discretionary incentives operated across the Group. The changes increase transparency and strengthen the link between achievement and demonstration of expected values and behaviours, and the level of incentive. Individual incentives are linked to the Group scorecard, the individual’s business area scorecard and individual performance.

The variable remuneration of employees in the Risk and Compliance functions is set independently of the business they oversee.

When determining levels of variable remuneration, the Group considers risk events in the year. The proportion of variable to fixed remuneration is carefully monitored, to ensure compliance with regulatory requirements. All incentives are subject to the Group’s ex-post risk adjustment of remuneration policy. This enables the Group, in specified circumstances, to apply malus and clawback at its discretion.

Given senior management incentives are deferred for up to seven years, the Group does not believe that the incentive structures inadvertently motivate irresponsible behaviour.

The table below details the categories of employee and the relevant delivery and deferral mechanisms.

<table>
<thead>
<tr>
<th>Category</th>
<th>Delivery</th>
<th>Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>MRT – Senior Manager</td>
<td>Deferred incentives delivered in a mix of cash and shares, with at least 50% delivered in shares</td>
<td>Minimum deferral period of seven years, with no vesting prior to year three</td>
</tr>
<tr>
<td>MRT – Risk Manager</td>
<td>Deferred incentives delivered in a mix of cash and shares, with at least 50% delivered in shares</td>
<td>Minimum deferral period of five years, with no vesting prior to year one</td>
</tr>
<tr>
<td>MRT – Other MRTs</td>
<td>Deferred incentives delivered in a mix of cash and shares, with at least 50% delivered in shares</td>
<td>Minimum deferral period of three years, with no vesting prior to year one</td>
</tr>
<tr>
<td>All other employees</td>
<td>Deferred incentives are usually delivered in a combination of cash and shares</td>
<td>Variable remuneration over a defined threshold is subject to a graduated level of deferral</td>
</tr>
</tbody>
</table>

Approach to risk adjustment at an individual level

At an individual level, the following ex-post adjustments can potentially be applied:

- A proportion of variable remuneration delivered in the form of deferred awards: having an appropriate level of variable remuneration deferred for a sufficient period of time that can have ex-post risk adjustment applied
- Performance adjustment: potential diminution in the value of any deferred variable remuneration award through non-vesting due to performance measures and share price movement until vesting

The operation of malus and/or clawback is summarised below:

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Application</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual level</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>Deemed to have i) caused in full or in part a material loss for the Group as a result of reckless, negligent or wilful actions or ii) exhibited inappropriate values and behaviours or applied a lack of appropriate supervision</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>The individual failed to meet appropriate standards of fitness and propriety</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>Business unit and/or Group level</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>Material restatement of the Group’s financials</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>Significant failure in risk management</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>Discovery of endemic problems in financial reporting</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>As a result of financial losses, due to a material breach of regulatory guidelines</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
<tr>
<td>The exercise of regulatory or government action to recapitalise the Group following material financial losses</td>
<td>Malus and clawback may be applied to all or part of an award at the Committee’s discretion</td>
</tr>
</tbody>
</table>
Differences in remuneration policy for all employees
The table below compares the components of remuneration for different categories of the Group’s employees.

<table>
<thead>
<tr>
<th></th>
<th>Executive directors</th>
<th>Material risk takers</th>
<th>Other employees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salary</strong></td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Fixed pay allowances</strong></td>
<td>Yes (paid in shares). In line with the approved remuneration policy, provided for a market competitive level of fixed remuneration. They are capped at one times salary and released over five years</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Pension and benefits</strong></td>
<td>Pension levels differ globally to be competitive in different markets, and there is no single pension level across the Group</td>
<td>Yes, may be delivered in the form of an annual incentive (paid in cash up to certain limits and the balance is deferred in shares and/or cash) and/or LTIP award (delivered in shares, subject to long-term performance measures)</td>
<td>Yes, most employees are eligible to be considered for an annual incentive (paid in cash up to certain limits and the balance is deferred in shares and/or cash) and/or LTIP award (delivered in shares, subject to long-term performance measures)</td>
</tr>
<tr>
<td><strong>Discretionary variable remuneration</strong></td>
<td>Yes, delivered in the form of an annual incentive (cash, shares and deferred shares) and LTIP award (delivered in shares, subject to long-term performance measures)</td>
<td>Yes, delivered in the form of an annual incentive (cash, shares and deferred shares) and LTIP award (delivered in shares, subject to long-term performance measures)</td>
<td>Yes, most employees are eligible to be considered for an annual incentive (paid in cash up to certain limits and the balance is deferred in shares and/or cash) and/or LTIP award (delivered in shares, subject to long-term performance measures)</td>
</tr>
</tbody>
</table>
Directors’ remuneration policy

Standard Chartered’s forward-looking remuneration policy for executive directors and iNEDs was approved at the AGM held on 4 May 2016 and applies for three years from that date. The full policy can be found on pages 105 to 114 of the 2015 Annual Report. This section sets out an abridged version of the executive directors’ remuneration policy and is provided for information only.

Remuneration policy for executive directors

### FIXED REMUNERATION

<table>
<thead>
<tr>
<th>Element and purpose in supporting the Group’s strategic objectives</th>
<th>Operation</th>
<th>Additional detail including maximum value and performance measures</th>
</tr>
</thead>
</table>
| **Salary** | Reviewed annually with increases generally applying from April | Increases may be made at the Committee’s discretion to take account of circumstances such as:  
- Increase in scope or responsibility  
- Increase to reflect the individual’s development in role (e.g. for a new appointment where salary may be increased over time rather than set directly at the level of the previous incumbent or market level)  
- Alignment to market-competitive levels  
- Consideration to increases given in the context of salary increases across the Group | • Increases may be made at the Committee’s discretion to take account of circumstances such as:  
- Increase in scope or responsibility  
- Increase to reflect the individual’s development in role (e.g. for a new appointment where salary may be increased over time rather than set directly at the level of the previous incumbent or market level)  
- Alignment to market-competitive levels  
- Consideration to increases given in the context of salary increases across the Group |
| Support the recruitment and retention of executive directors, recognising the size and scope of the role and the individual’s skills and experience | When determining salary levels, consideration is given to the following:  
- The size and scope of the role  
- The individual’s skills and experience  
- Pay at international banks of a similar size and international scope  
- Pay within large UK-listed companies (including the major UK-listed banks) | • When determining salary levels, consideration is given to the following:  
- The size and scope of the role  
- The individual’s skills and experience  
- Pay at international banks of a similar size and international scope  
- Pay within large UK-listed companies (including the major UK-listed banks) |

**Fixed pay allowances**

- May be withdrawn or amended on a change in role or termination of employment and having regard to relevant remuneration regulations
- Enable the Group to deliver total fixed remuneration which is competitive and appropriate for the role, and which enables a competitive total remuneration when added to other elements of fixed remuneration and variable remuneration
- Are not pensionable and do not count towards other benefits which are calculated by reference to salary
- Will be paid in shares on an annual basis (or any other frequency that the Committee considers to be appropriate) and the shares will be subject to a holding period set by the Committee, currently five years with 20 per cent released annually
- Dividends are paid on the shares during the holding period

**Pension**

- Normally paid as a cash allowance or contribution to a defined contribution scheme
- Pension contributions may also be made in lieu of any waived salary (and the cash amount of any annual incentive)
- A Defined Benefit (DB) scheme exists and is closed to new entrants but continues to accrue benefits for existing members. Members of the DB scheme can opt for an individually costed pension allowance on a broadly cost-neutral basis to the Group for future service

**An annual pension allowance or contributions of up to 40 per cent of salary is payable**

- The Committee will continue to review the level of pension allowance used for the recruitment of future executive directors
- Under the closed DB scheme a pension of one-thirtieth of final salary for each year of service is payable at the age of 60
## FIXED REMUNERATION

### Element and purpose in supporting the Group’s strategic objectives

<table>
<thead>
<tr>
<th>Operation</th>
<th>Additional detail including maximum value and performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>A range of benefits may be provided, including standard benefits such as holiday and sick pay, and may also include the provision of a benefits cash allowance, a car and driver (or other car-related service), private medical insurance, permanent health insurance, life insurance, financial advice and tax preparation and tax return assistance.</td>
<td>The maximum opportunity for benefits depends on the type of benefit and the cost of providing it, which may vary according to the market, individual circumstances and other factors.</td>
</tr>
<tr>
<td>Additional benefits may also be provided where an executive director is relocated or spends a substantial portion of their time in more than one jurisdiction for business purposes. Benefits may include, but are not limited to, relocation, shipping and storage, housing allowance, education fees and tax and social security costs.</td>
<td>Set at a level which the Committee considers a sufficient level of benefit based on the role and individual circumstances.</td>
</tr>
<tr>
<td>Other benefits may be offered if considered appropriate and reasonable by the Committee.</td>
<td></td>
</tr>
<tr>
<td>Executive directors are reimbursed for expenses, such as travel and subsistence, and any associated tax incurred in the performance of their duties. In addition, if executive directors incur tax charges when travelling overseas in performance of their duties, these costs will be met by the Group.</td>
<td></td>
</tr>
<tr>
<td>Executive directors may from time to time be accompanied by their spouse or partner to meetings/events. The costs (and any associated tax) will be met by the Group.</td>
<td></td>
</tr>
</tbody>
</table>

### Benefits

- Provide a competitive benefits package that is consistent with Group values and supports executives to carry out their duties effectively.

## VARIABLE REMUNERATION

### Element and purpose in supporting the Group’s strategic objectives

<table>
<thead>
<tr>
<th>Operation</th>
<th>Additional detail including maximum value and performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual incentive awards are determined annually based on Group and individual performance.</td>
<td>The maximum value of an annual incentive award granted to any executive director cannot exceed 80 per cent of that executive director’s fixed remuneration. For this purpose, annual incentive awards may be valued in line with the relevant remuneration regulations.</td>
</tr>
<tr>
<td>Annual incentives are delivered as a combination of cash, shares subject to holding requirements and deferred shares (for example, to meet requirements under relevant remuneration regulations).</td>
<td>Annual incentive awards can be any amount from zero to the maximum.</td>
</tr>
<tr>
<td>Deferral proportions and vesting profiles will be structured so that, in combination with any LTIP award:</td>
<td>The determination of an executive director’s annual incentive is made by the Committee based on an assessment of a balanced scorecard containing a mix of financial measures and other long-term strategic measures. Financial measures will comprise at least 50 per cent of the scorecard. The measures, individual weightings and targets will be set annually by the Committee.</td>
</tr>
<tr>
<td>- The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent).</td>
<td>The targets, together with an assessment of performance against those targets, will be disclosed retrospectively.</td>
</tr>
<tr>
<td>- The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (pro rata over years three to seven after award from 1 January 2016).</td>
<td>Discretion may be exercised by the Committee to ensure that the annual incentive outcome is a fair and accurate reflection of business and individual performance and any risk-related issues (but it will not exceed the maximum opportunity).</td>
</tr>
<tr>
<td>Dividend or dividend equivalents accrue on deferred annual incentive awards and are paid on vesting, subject to the extent permitted by the relevant remuneration regulations.</td>
<td></td>
</tr>
<tr>
<td>The Committee can, in specified circumstances, apply malus or clawback to all or part of any annual incentive awards. Details on how malus and clawback operate currently are provided on page 113.</td>
<td></td>
</tr>
<tr>
<td>Deferred annual incentive awards will be granted as conditional share awards or nil-cost options:</td>
<td></td>
</tr>
<tr>
<td>- The Committee may apply discretion to adjust the vesting of deferred annual incentive awards and/or the number of shares underlying a deferred annual incentive award on the occurrence of corporate events and other reorganisation events.</td>
<td></td>
</tr>
</tbody>
</table>
## VARIABLE REMUNERATION

<table>
<thead>
<tr>
<th>Element and purpose in supporting the Group’s strategic objectives</th>
<th>Operation</th>
<th>Additional detail including maximum value and performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LTIP</strong></td>
<td>• LTIP awards are granted annually, with award levels set to provide appropriate levels of long-term incentives to executive directors, with performance of the Group and the individual considered in determining the award level.</td>
<td>• The maximum value of an LTIP award granted to any executive director cannot, in combination with the annual incentive opportunity in respect of any particular year, exceed 200 per cent of that executive director’s fixed remuneration. For this purpose LTIP awards may be valued in line with the relevant remuneration regulations.</td>
</tr>
<tr>
<td></td>
<td>• LTIP awards are delivered in shares and may be subject to holding requirements (for example, to meet the relevant remuneration regulations).</td>
<td>• The Committee will, for each year, determine the split of the overall variable remuneration opportunity between the LTIP award and annual incentive opportunity at the start of the year and disclose this split in advance. The maximum LTIP award will form at least 120 per cent of fixed remuneration (i.e. at least 60 per cent of the maximum variable remuneration opportunity for any financial year), so that the majority of the variable remuneration opportunity is based on long-term performance.</td>
</tr>
<tr>
<td></td>
<td>• Vesting profiles will be structured so that no LTIP award vests before the third anniversary of grant and in combination with any annual incentive award:</td>
<td>• LTIP awards can be any amount from zero to the maximum.</td>
</tr>
<tr>
<td></td>
<td>– The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent).</td>
<td>• LTIP awards will be subject to long-term performance measures, measured over a period of at least three years.</td>
</tr>
<tr>
<td></td>
<td>– The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (currently pro rata over years three to seven after award).</td>
<td>• The long-term performance measures may be a mix of financial measures and other long-term strategic measures. Financial measures will comprise at least 50 per cent of the performance measures. Weightings and targets will be set in advance of each grant by the Committee and disclosed prospectively and performance against those measures will be disclosed retrospectively. For financial measures, vesting will be on a sliding-scale basis between threshold and maximum with no more than 25 per cent vesting at threshold performance.</td>
</tr>
<tr>
<td></td>
<td>• Dividend or dividend equivalents accrue on LTIP awards and are paid subject to the satisfaction of any long-term performance measures, subject to the extent permitted by the relevant remuneration regulations.</td>
<td>• LTIP awards will be granted as conditional share awards or nil-cost options:</td>
</tr>
<tr>
<td></td>
<td>• The Committee can, in specified circumstances, apply malus or clawback to all or part of any LTIP awards. Details on how malus and clawback operate currently are provided on page 113.</td>
<td>– The Committee may apply discretion to adjust the vesting of LTIP awards and/or the number of shares underlying an LTIP award on the occurrence of corporate events and other reorganisation events.</td>
</tr>
<tr>
<td></td>
<td>• LTIP awards will be granted as conditional share awards or nil-cost options:</td>
<td>• Savings per month of between £5 and the maximum set by the Group (currently £250).</td>
</tr>
<tr>
<td></td>
<td>– The Committee may apply discretion to adjust the vesting of LTIP awards and/or the number of shares underlying an LTIP award on the occurrence of corporate events and other reorganisation events.</td>
<td></td>
</tr>
</tbody>
</table>

## OTHER REMUNERATION

<table>
<thead>
<tr>
<th>Element and purpose in supporting the Group’s strategic objectives</th>
<th>Operation</th>
<th>Additional detail including maximum value and performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sharesave</strong></td>
<td>• Sharesave is an all-employee plan where participants (including executive directors) are able to open a savings contract to fund the exercise of an option over shares.</td>
<td>• In line with existing commitments.</td>
</tr>
<tr>
<td>Provide an opportunity to invest voluntarily in the Group</td>
<td>• The option price is set at a discount of up to 20 per cent of the share price at the date of invitation, or such other discount as may be determined by the Committee.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• An equivalent cash or share plan is offered in countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues).</td>
<td></td>
</tr>
<tr>
<td><strong>Legacy arrangements</strong></td>
<td>• Any previous commitments or arrangements entered into with current or former directors will be honoured, including remuneration arrangements entered into under the previously approved directors’ remuneration policy.</td>
<td></td>
</tr>
<tr>
<td>Honour existing payments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Chairman and independent non-executive directors’ remuneration policy

### FEES AND BENEFITS

<table>
<thead>
<tr>
<th>Element and purpose in supporting the Group’s strategic objectives</th>
<th>Operation</th>
<th>Additional detail including maximum value and performance measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fees</strong>&lt;br&gt;Attract a Chairman and independent non-executive directors (iNEDs) who together with the Board as a whole have a broad range of skills and experience to determine Group strategy and oversee its implementation</td>
<td>• Fees are paid in cash or shares. iNEDs’ post-tax fees may be used to acquire shares&lt;br&gt;• The Chairman and iNED fees are reviewed periodically. The Board sets iNED fees and the Committee sets the Chairman’s fees. The Chairman and iNEDs excuse themselves from any discussion on their fees</td>
<td>• Overall aggregate base fees paid to all iNEDs will remain within the current limit of £1.5 million as stated in the Articles of Association&lt;br&gt;• Fees are set at a level which reflect the duties, time commitment and contribution which are expected from the Chairman and iNEDs&lt;br&gt;• Fees are reviewed and appropriately positioned against those for the Chairman and iNEDs in banks and other companies of a similar scale and complexity&lt;br&gt;• There are no recovery provisions or performance measures</td>
</tr>
</tbody>
</table>

| **Benefits**<br>Attract a Chairman and iNEDs who together with the Board as a whole have a broad range of skills and experience to determine Group strategy and oversee its implementation | • The Chairman is provided with benefits associated with the role, including a car and driver and private medical insurance, permanent health insurance and life insurance. Any tax costs associated with these benefits is paid by the Group<br>• The Chairman and iNEDs are reimbursed for expenses, such as travel and subsistence (and including any associated tax), incurred in the performance of their duties<br>• The Chairman and iNEDs may, from time to time, be accompanied by their spouse or partner to meetings/events. The costs (and any associated tax) are paid by the Group<br>• iNEDs are paid fees for chairmanship and membership of Board committees and for the senior independent director role<br>• The Chairman and iNEDs may receive tax preparation and tax return assistance | • There are no performance measures |
Additional remuneration disclosures

Income statement charge for Group variable remuneration

<table>
<thead>
<tr>
<th></th>
<th>2016 $million</th>
<th>2015 $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total variable remuneration</td>
<td>1,039</td>
<td>992</td>
</tr>
<tr>
<td>Less: deferred variable remuneration that will be charged in future years</td>
<td>(122)</td>
<td>(168)</td>
</tr>
<tr>
<td>Plus: current year charge for deferred variable remuneration from prior years</td>
<td>33</td>
<td>111</td>
</tr>
<tr>
<td>Income statement charge for variable remuneration</td>
<td>950</td>
<td>935</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year in which income statement is expected to reflect deferred variable remuneration</th>
<th>Actual 2015 $million</th>
<th>Actual 2016 $million</th>
<th>Expected 2017 $million</th>
<th>Expected 2018 and beyond $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable remuneration deferred from 2014 and earlier</td>
<td>111</td>
<td>(29)</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Variable remuneration deferred from 2015</td>
<td>32</td>
<td>62</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Variable remuneration deferred from 2016</td>
<td>–</td>
<td>46</td>
<td>52</td>
<td>70</td>
</tr>
<tr>
<td>Total</td>
<td>143</td>
<td>79</td>
<td>107</td>
<td>122</td>
</tr>
</tbody>
</table>

The exchange rates used in this report

Unless an alternative exchange rate is detailed in the notes to the relevant table, the exchange rates used to convert all disclosures to US dollars are set out in the table below.

<table>
<thead>
<tr>
<th>Currency</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>0.9040</td>
<td>0.9017</td>
</tr>
<tr>
<td>GBP</td>
<td>0.7409</td>
<td>0.6544</td>
</tr>
<tr>
<td>HKD</td>
<td>7.7627</td>
<td>7.7526</td>
</tr>
</tbody>
</table>

Pillar 3 disclosures on material risk takers’ remuneration and disclosures on the highest-paid employees

Identification of material risk takers

The table below summarises the groups of employees who have been identified in accordance with regulatory requirements as material risk takers for remuneration purposes. Individuals have been identified as material risk takers in alignment with the qualitative and quantitative criteria set out in the European Banking Authority’s Regulatory Technical Standard EU 604/2014 that came into force in June 2014.

<table>
<thead>
<tr>
<th>Quantitative criteria</th>
<th>Qualitative criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>The quantitative criteria identifies employees who:</td>
<td>The qualitative criteria broadly identifies the following employees:</td>
</tr>
<tr>
<td>• Have been awarded total remuneration of €500,000 or more in the previous financial year</td>
<td>• Group directors (both executive and non-executive)</td>
</tr>
<tr>
<td>• Are within the 0.3 per cent of the number of staff on a global basis who have been awarded the highest total remuneration in the preceding financial year</td>
<td>• A member of senior management, which is defined as one or both of the following:</td>
</tr>
<tr>
<td>• In the preceding financial year were awarded total remuneration that was equal to or greater than the lowest total remuneration awarded that year to certain specified groups of employees</td>
<td>– A Senior Manager under the PRA/FCA Senior Manager Regime</td>
</tr>
<tr>
<td>Employees can be excluded from the list of material risk takers if they have no material impact on the Group’s risk profile</td>
<td>– A member of the Group’s Management Team</td>
</tr>
<tr>
<td></td>
<td>• All senior management (top two bands beneath Group director level)</td>
</tr>
<tr>
<td></td>
<td>• Senior employees within the audit, compliance, legal and risk functions (both at a Group and business level)</td>
</tr>
<tr>
<td></td>
<td>• Senior employees within material business units</td>
</tr>
<tr>
<td></td>
<td>• Employees who are members of certain committees</td>
</tr>
<tr>
<td></td>
<td>• Employees who are able to initiate or approve credit risk exposures above a certain threshold and sign off on trading book transactions at or above a specific value at risk limit</td>
</tr>
</tbody>
</table>
Material risk takers’ remuneration delivery

Remuneration for material risk takers was delivered in 2016 through a combination of salary, benefits and variable remuneration. Variable remuneration for material risk takers is structured in line with the PRA and FCA’s remuneration rules. For the 2016 performance year, the following will apply to variable remuneration awarded to material risk takers in accordance with the regulations:

- At least 40 per cent of a material risk taker’s variable remuneration will be deferred over a minimum period of three years depending on the category of material risk taker
- Non-deferred variable remuneration will be delivered 50 per cent in up-front shares, subject to a minimum six-month retention period, and 50 per cent in cash
- At least 50 per cent of deferred variable remuneration will be delivered entirely in shares, subject to a minimum six-month retention period
- For some material risk takers, part of their 2016 variable remuneration may be in share awards which vest after a minimum of three years, subject to the satisfaction of performance measures
- Variable remuneration awards are subject to the Group’s ex-post risk adjustment of remuneration policy

### MATERIAL RISK TAKERS’ REMUNERATION DELIVERY

<table>
<thead>
<tr>
<th>Date</th>
<th>Y0 (grant)</th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>Y4</th>
<th>Y5</th>
<th>Y6</th>
<th>Y7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Managers</td>
<td>Minimum 40% of 2016 variable remuneration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other MRTs</td>
<td>Minimum 40% of 2016 variable remuneration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Material risk takers’ deferred remuneration in 2016

<table>
<thead>
<tr>
<th></th>
<th>Senior managers $000</th>
<th>Other material risk takers $000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Cash</td>
</tr>
<tr>
<td>Start of the year (1 January)</td>
<td>169,834</td>
<td>17,958</td>
</tr>
<tr>
<td>Impact of changes to material risk taker populations including leavers during 2015 and joiners in 2016</td>
<td>(110,103)</td>
<td>(14,467)</td>
</tr>
<tr>
<td>Start of the year (1 January) (after adjustments)</td>
<td>59,731</td>
<td>3,491</td>
</tr>
<tr>
<td>Awarded during the year</td>
<td>49,112</td>
<td>787</td>
</tr>
<tr>
<td>Total amount of reduction during the year due to – malus or clawback; or – performance measures not being met</td>
<td>(14,978)</td>
<td>0</td>
</tr>
<tr>
<td>Total amount of deferred remuneration paid out in the financial year</td>
<td>(9,261)</td>
<td>(1,406)</td>
</tr>
<tr>
<td>Close of the year (31 December)</td>
<td>84,604</td>
<td>2,872</td>
</tr>
</tbody>
</table>
Material risk takers’ 2016 fixed and variable remuneration

<table>
<thead>
<tr>
<th></th>
<th>Senior managers $000</th>
<th>Other material risk takers $000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed remuneration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>27</td>
<td>637</td>
</tr>
<tr>
<td>Total fixed remuneration</td>
<td>37,935</td>
<td>285,203</td>
</tr>
<tr>
<td>Cash-based</td>
<td>34,683</td>
<td>285,203</td>
</tr>
<tr>
<td>Of which deferred</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shares or other share-linked instruments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Of which deferred</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other forms</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Of which deferred</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Variable remuneration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>18</td>
<td>542</td>
</tr>
<tr>
<td>Total variable remuneration</td>
<td>25,126</td>
<td>210,316</td>
</tr>
<tr>
<td>Cash-based</td>
<td>6,969</td>
<td>111,861</td>
</tr>
<tr>
<td>Of which deferred</td>
<td>1,419</td>
<td>46,583</td>
</tr>
<tr>
<td>Shares or other share-linked instruments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Of which deferred</td>
<td>18,157</td>
<td>98,455</td>
</tr>
<tr>
<td>Other forms</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Of which deferred</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total remuneration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>63,061</td>
<td>495,519</td>
</tr>
</tbody>
</table>

1. Fixed remuneration includes salary, cash allowance and fixed pay allowance (FPA) and, in the case of the Chairman and iNEDs, any fees
2. For some material risk takers, part of their 2016 variable remuneration may be delivered in share awards, vesting subject to performance measures. These awards are shown on an expected value basis
3. The ratio between fixed and variable remuneration for all material risk takers in 2016 was 1:0.73

Material risk takers’ sign-on and severance payments in 2016

<table>
<thead>
<tr>
<th></th>
<th>Senior managers</th>
<th>Other material risk takers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of employees</td>
<td>Total amount $000</td>
</tr>
<tr>
<td>Sign-on payments</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guaranteed incentives</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Severance payments (highest award $877,000)</td>
<td>1</td>
<td>877</td>
</tr>
</tbody>
</table>

Material risk takers’ aggregate 2016 remuneration by business

<table>
<thead>
<tr>
<th></th>
<th>Corporate &amp; Institutional Banking $000</th>
<th>Commercial Banking $000</th>
<th>Private Banking $000</th>
<th>Retail Banking $000</th>
<th>Central &amp; other $000</th>
<th>Management $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>288,499</td>
<td>10,873</td>
<td>19,254</td>
<td>16,900</td>
<td>204,150</td>
<td>18,904</td>
</tr>
</tbody>
</table>

1. Private Banking includes Wealth Management
2. Central & other items includes control functions, support functions, stewardship and central roles and activities
3. Management includes all Group executive directors and iNEDs
**Remuneration at or above €1 million**

The table below is prepared in euros in accordance with Article 450 of the Capital Requirements Regulation.

<table>
<thead>
<tr>
<th>Remuneration band EUR</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,000,000 – 1,500,000</td>
<td>89</td>
</tr>
<tr>
<td>1,500,001 – 2,000,000</td>
<td>24</td>
</tr>
<tr>
<td>2,000,001 – 2,500,000</td>
<td>9</td>
</tr>
<tr>
<td>2,500,001 – 3,000,000</td>
<td>9</td>
</tr>
<tr>
<td>3,000,001 – 3,500,000</td>
<td>3</td>
</tr>
<tr>
<td>3,500,001 – 4,000,000</td>
<td>1</td>
</tr>
<tr>
<td>4,000,001 – 4,500,000</td>
<td>1</td>
</tr>
<tr>
<td>4,500,001 – 5,000,000</td>
<td>1</td>
</tr>
<tr>
<td>5,000,001 – 6,000,000</td>
<td>1</td>
</tr>
<tr>
<td>6,000,001 – 7,000,000</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>139</strong></td>
</tr>
</tbody>
</table>

**Remuneration of the five highest-paid individuals and the remuneration of senior management**

In line with the requirements of The Stock Exchange of Hong Kong Limited, the following table sets out, on an aggregate basis, the annual remuneration of i) the five highest-paid employees; and ii) senior management for the year ended 31 December 2016.

<table>
<thead>
<tr>
<th>Components of remuneration</th>
<th>Five highest paid$000</th>
<th>Senior management$000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary, fixed pay allowances and benefits in kind</td>
<td>12,822</td>
<td>27,359</td>
</tr>
<tr>
<td>Pension contributions</td>
<td>82</td>
<td>342</td>
</tr>
<tr>
<td>Variable remuneration awards paid or receivable³</td>
<td>20,916</td>
<td>33,128</td>
</tr>
<tr>
<td>Payments made on appointment</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Remuneration for loss of office (contractual or other)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,820</strong></td>
<td><strong>60,829</strong></td>
</tr>
<tr>
<td><strong>Total HK dollar equivalent</strong></td>
<td><strong>262,536</strong></td>
<td><strong>472,198</strong></td>
</tr>
</tbody>
</table>

1. For 2016, the five highest-paid individuals include two executive directors, Bill Winters and Andy Halford
2. Senior management comprises the annual remuneration details of executive directors or other executives who were members of the executive management team at any point during 2016
3. Variable remuneration paid or receivable excludes any performance awards or commissions linked to profits generated by the individual collectively or with others engaged in similar activities. It includes the deferred element of any variable remuneration and LTIP awards (on a face value basis). Any buy-out award made on joining is included in payments made on appointment.
The table below shows the emoluments of i) the five highest-paid employees; and ii) senior management for the year ended 31 December 2016.

<table>
<thead>
<tr>
<th>Remuneration band HKD</th>
<th>Remuneration band USD equivalent</th>
<th>Number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,000,001 – 8,500,000</td>
<td>1,030,569 – 1,094,980</td>
<td>– 1</td>
</tr>
<tr>
<td>9,500,001 – 10,000,000</td>
<td>1,223,801 – 1,288,212</td>
<td>– 1</td>
</tr>
<tr>
<td>12,500,001 – 13,000,000</td>
<td>1,610,265 – 1,674,675</td>
<td>– 1</td>
</tr>
<tr>
<td>18,000,001 – 18,500,000</td>
<td>2,318,781 – 2,383,191</td>
<td>– 1</td>
</tr>
<tr>
<td>19,000,001 – 19,500,000</td>
<td>2,447,602 – 2,512,013</td>
<td>– 1</td>
</tr>
<tr>
<td>23,500,001 – 24,000,000</td>
<td>3,027,297 – 3,091,708</td>
<td>– 2</td>
</tr>
<tr>
<td>25,000,001 – 25,500,000</td>
<td>3,220,529 – 3,284,940</td>
<td>– 1</td>
</tr>
<tr>
<td>26,000,001 – 26,500,000</td>
<td>3,349,350 – 3,413,761</td>
<td>– 2</td>
</tr>
<tr>
<td>26,500,001 – 27,000,000</td>
<td>3,413,761 – 3,478,171</td>
<td>– 1</td>
</tr>
<tr>
<td>29,500,001 – 30,000,000</td>
<td>3,800,224 – 3,864,635</td>
<td>– 1</td>
</tr>
<tr>
<td>32,500,001 – 33,000,000</td>
<td>4,186,688 – 4,251,098</td>
<td>1 1</td>
</tr>
<tr>
<td>40,000,001 – 40,500,000</td>
<td>5,152,846 – 5,217,257</td>
<td>1 1</td>
</tr>
<tr>
<td>50,500,001 – 51,000,000</td>
<td>6,505,469 – 6,569,879</td>
<td>1 1</td>
</tr>
<tr>
<td>56,500,001 – 57,000,000</td>
<td>7,278,396 – 7,342,806</td>
<td>1 1</td>
</tr>
<tr>
<td>81,500,001 – 82,000,000</td>
<td>10,498,924 – 10,563,335</td>
<td>1 1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5 16</strong></td>
</tr>
</tbody>
</table>

Christine Hodgson  
Chair of the Remuneration Committee  
24 February 2017
## Other disclosures

### Directors' report

The Directors’ report for the year ended 31 December 2016 comprises pages 56 to 130 of this report (together with the sections of the Annual Report and Accounts incorporated by reference). Both the Strategic report and the Directors’ report have been drawn up and presented in accordance with reliance upon English company law, and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law. Other information to be disclosed in the Directors’ report is given in this section. In addition to the requirements set out in the Disclosure and Transparency Rules relating to the Annual Report and Accounts, information required by Listing Rule 9.8.4 to be included in the Annual Report and Accounts where applicable, is set out in the table below and cross-referenced.

### Information to be included in the Annual Report and Accounts (LR 9.8.4)

<table>
<thead>
<tr>
<th>Relevant Listing Rule</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>LR 9.8.4 (1) (2) (5-14) (A) (B)</td>
<td>N/A</td>
</tr>
<tr>
<td>LR 9.8.4 (d)</td>
<td>103 to 105</td>
</tr>
</tbody>
</table>

### Principal activities

Standard Chartered is a leading international banking Group, with a 150-year history in some of the world’s most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East. The Group’s roots in trade finance and commercial banking have been at the core of its success throughout its history, but the Group is now more broadly based across Retail Banking in its footprint markets. The Group comprises a network of more than 1,109 branches and outlets in 68 markets.

Further details on our business can be found within the Strategic report on pages 2 to 53.

### Fair, balanced and understandable

On behalf of the Board, the Audit Committee has reviewed the Annual Report and Accounts and the process by which the Group believes that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group. Following its review, the Audit Committee has advised the Board that such a statement can be made in the Annual Report and Accounts.

### Code for Financial Reporting Disclosure

The Group’s 2016 financial statements have been prepared in accordance with the principles of the BBA Code for Financial Reporting Disclosure.

### Disclosure of information to auditor

As far as the directors are aware, there is no relevant audit information of which the Group statutory auditor, KPMG LLP (KPMG), is unaware. The directors have taken all reasonable steps to ascertain any relevant audit information and ensure that the Group statutory auditors are aware of such information.

### Going concern

Having made appropriate enquiries, the Board is satisfied that the Company and the Group as a whole have adequate resources to continue operational businesses for a period of at least 12 months from the date of this report and therefore continue to adopt the going concern basis in preparing the financial statements.

### Viability

The directors are required to issue a viability statement regarding the Group, explaining their assessment of the prospects of the Group over an appropriate period of time and state whether they have reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due. The directors are to also disclose the period of time for which they have made the assessment and the reason they consider that period to be appropriate.

In considering the viability of the Group, the directors have assessed the key factors likely to affect the Group’s business model and strategic plan, future performance, solvency and liquidity taking into account the principal risks and uncertainties.

The assessment has been made over a period of up to three years, which the directors consider adequate as it is within both the Group’s strategic planning horizon and the basis upon which its regulatory capital stress tests are undertaken. The directors will continue to monitor and consider the appropriateness of this period.

The directors have reviewed the Corporate Plan, the output of the Group’s formalised process of budgeting and strategic planning. The Corporate Plan is evaluated and approved each year by the Board and considers the Group’s future projections of profitability, cash flows, capital requirements and resources, liquidity ratios and other key financial and regulatory ratios over the period. The Corporate Plan details the Group’s risk performance measures, of forecast profit, CET 1 capital ratio forecast, return on equity forecasts, cost income ratio forecasts and cash investment projections. The Board has reviewed the ongoing performance management process of the Group by comparing the statutory results to the budgets and Corporate Plan.

The Group performs periodic enterprise wide stress tests through a combination of bespoke scenarios directed at our market and liquidity positions and market-wide, macro financial and idiosyncratic scenarios directed at Group capital and liquidity adequacy.

The scenarios represent severe but plausible scenarios exploring known risks to which the Group is particularly exposed domestically and globally. The scenarios may include traded risk shocks, geo political events, interactions between inflation, monetary policy and interest rates and commodity price changes. Under this range of severe, hypothetical scenarios, the results of these stress tests demonstrate that the Group has sufficient capital and liquidity to continue as a going concern and meet regulatory minimum capital and liquidity requirements. Further information on stress testing is provided on page 142.

The Board Risk Committee (BRC) exercises oversight on behalf of the Board for prudential risks, including amongst others credit, market, capital, liquidity and funding and operational risks. It reviews the Group’s overall Risk Appetite and makes recommendations thereon to the Board.

The BRC receives regular reports that inform them of the Group’s key risks, as well as updates on the macroeconomic environment, geo-political outlook, market developments, and regulatory updates in relation to capital, liquidity and risk. In 2016, the BRC also had deeper discussions on a number of key topics that included the Group’s cyber security strategy, Survival horizon risk drivers, Brexit and Recovery and Resolution Plans.
Based on the information received, the directors considered the principal risks and uncertainties in their assessment of the Group’s viability, how these impact the risk profile, performance and viability of the Group and any specific mitigating or remedial actions necessary. For further details information relevant to the directors, assessment can be found in the following sections of the annual report and accounts:

- The Group’s Business model (pages 8 to 11) and Strategy (pages 14 to 17)
- The Group’s current position and prospects including factors likely to affect future results and development, together with a description of financial and funding positions are described in the Operating and financial review on pages 24 to 53
- An update on the key risk themes of the Group is discussed in the Group Chief Risk Officer’s review, found in the Strategic Report on pages 21 to 23
- The BRC section of the Director’s report, on pages 79 to 82
- The Group’s Principal uncertainties, sets out the key external factors that could impact the Group in the coming year, on page 23 and pages 136 to 138.
- The Group’s Risk management approach details how the Group controls and governs risk, on pages 139 to 149.
- The Group’s Risk profile provides an analysis of our risk exposures across all major risk types, page 150 to 181.
- The Capital position of the Group, regulatory development and the approach to management and allocation of capital are set out on pages 182 to 189.

Having considered all the factors outlined above, the directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment up to 31 December 2019.

**Sufficiency of public float**

As at the date of this report, the Company has maintained the prescribed public float under the rules governing the listing of securities on The Stock Exchange of Hong Kong Limited (the HK Listing Rules), based on the information publicly available to the Company and within the knowledge of the directors.

**Research and development**

During the year, the Group invested $1 billion (2015: $594 million) in research and development, primarily relating to the planning, analysis, design, development, testing, integration, deployment and initial support of technology systems.

**Political donations**

The Group has a policy in place which prohibits donations being made that would: (i) improperly influence legislation or regulation, (ii) promote political views or ideologies, and (iii) fund political causes. In alignment to this, no political donations were made in the year ended 31 December 2016.

**Directors and their interests**

The membership of the Board, together with their biographical details, are given on pages 57 to 59. Details of the directors’ beneficial and non-beneficial interests in the ordinary shares of the Company are shown in the Directors’ remuneration report on pages 93 and 123. The Group operates a number of share-based arrangements for its directors and employees.

Details of these arrangements are included in the Directors’ remuneration report and in note 30 to the financial statements on page 281.

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the HK Listing Rules and still considers all of the non-executive directors to be independent. Details concerning the provisions for providing compensation to directors for loss of office or employment (including in the context of a takeover bid) can be found on page 103 of the Directors’ remuneration report.

At no time during the year did any director hold a material interest in any contracts of significance with the Company or any of its subsidiary undertakings.

In accordance with the Companies Act 2006, we have established a robust process requiring directors to disclose proposed outside business interests before any are entered into. This enables prior assessment of any conflict or potential conflict of interest and any impact on time commitment. On behalf of the Board, the Governance and Nomination Committee reviews actual or potential conflicts of interest annually to consider if they continue to be appropriate, and also to revisit the terms upon which they were provided. The Board is satisfied that our processes in this respect continue to operate effectively.

Subject to company law, the Articles of Association and the authority granted to directors in general meeting, the directors may exercise all the powers of the Company and may delegate authorities to committees. The Articles of Association contain provisions relating to the appointment, re-election and removal of directors. In line with the UK Corporate Governance Code 2014 all directors will stand for annual (re)election at the 2017 Annual General Meeting (AGM).

The Company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the financial year ended 31 December 2016, and remain in force at the date of this report.

**Significant agreements**

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company.

The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company’s share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

**Future developments in the business of the Group**

An indication of likely future developments in the business of the Group is provided in the Strategic report on pages 2 to 53.

**Results and dividends**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>nil interim dividend paid</td>
</tr>
<tr>
<td></td>
<td>(2015: 13.711 cents)</td>
</tr>
<tr>
<td>2016</td>
<td>nil proposed final dividend</td>
</tr>
<tr>
<td></td>
<td>(2015: nil final dividend paid)</td>
</tr>
<tr>
<td>2016</td>
<td>total dividend, nil</td>
</tr>
<tr>
<td></td>
<td>(2015: 13.711 cents)</td>
</tr>
</tbody>
</table>

1. Adjusted for the bonus element included within the 2015 rights issue

**Share capital**

The issued ordinary share capital of the Company was increased by 6,275,370 during the year. The ordinary shares were issued under the Company’s employee share plans at prices between nil and 937.53 pence. The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings.
On a poll, each member is entitled to one vote for every $2 nominal value of share capital held. The issued nominal value of the ordinary shares represents 87 per cent of the total issued nominal value of all share capital. The remaining 13 per cent comprises preference shares, which have preferential rights to income and capital but which, in general, do not confer a right to attend and vote at our general meetings.

Further details of the Group’s share capital can be found in note 27 to the financial statements on page 253

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. There are no specific restrictions on voting rights and the directors are not aware of any agreements between holders of the Company’s shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company’s share capital and all issued shares are fully paid.

Articles of Association

The Articles of Association may be amended by special resolution of the shareholders; no changes to the Company’s Articles of Association were made during the year.

Authority to purchase own shares

At the AGM held on 4 May 2016, our shareholders renewed the Company’s authority to make market purchases of up to £100 paid-up share capital per shareholder, are entitled to require of the total voting rights at an AGM of the Company, or 100 shareholders, are entitled to require the Company to circulate a resolution intended to be moved at the Company’s next AGM. Such a request must be made not later than six weeks before the AGM to which the request relates or, if later, the time notice is given of the AGM. The request may be in hard copy or electronic form, must identify the resolution of which notice is to be given and must be authenticated by the shareholders making it.

Shareholders are able to put forward proposals to shareholder meetings and enquiries to the Board and/or the Senior Independent Director by using the “contact us” information on the Company’s website sc.com or by emailing the Group Corporate Secretariat at group-corporate.secretariat@sc.com

Major interests in shares and voting rights

As at 31 December 2016, Temasek Holdings (Private) Limited (Temasek) is the only shareholder that has 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.

As at 20 February 2017, the Company has been notified, pursuant to the requirement of Rule 5 of the Financial Conduct Authority Disclosure and Transparency Rules, by the following companies of their interest in the total voting rights of the Company:

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Number of ordinary shares</th>
<th>Percentage of voting rights direct</th>
<th>Percentage of voting rights indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temasek Holdings (Private) Limited</td>
<td>517,051,383</td>
<td>–</td>
<td>15.74</td>
</tr>
<tr>
<td>Dodge &amp; Cox</td>
<td>177,017,662</td>
<td>–</td>
<td>5.39</td>
</tr>
<tr>
<td>BlackRock, Inc.</td>
<td>164,438,152</td>
<td>5.00</td>
<td></td>
</tr>
</tbody>
</table>

1. Temasek Holdings (Private) Limited’s interests are held indirectly through Dover Investments Pte. Ltd.

Related-party transactions

Details of transactions with directors and officers and other related parties are set out in note 35 to the financial statements on page 271.

Connected/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 known as “the Rules”).

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 that the Company and its subsidiaries undertake with Temasek or its associates are specifically exempt under the Rules or are subject to a specific waiver, they may require a combination of announcements, reporting and independent shareholders’ approval.

On 19 October 2015, the HKSE extended a waiver (“the Waiver”) it previously granted to the Company for the revenue banking transactions with Temasek which do not otherwise falling under the passive investor exemption (the Passive Investor Exemption) under Rules 14A.99 and 14A.100. Under the Waiver, the HKSE agreed to waive the announcement requirement, the requirement to enter into a written agreement and set an annual cap and the reporting (including annual review) requirement under the relevant rules in Chapter 14A (as amended) for the three-year period ending 31 December 2018 on the conditions that:

a) the Company will disclose details of the Waiver (including nature of the revenue banking transactions with Temasek and reason for the Waiver) in subsequent annual reports
b) the Company will continue to monitor the revenue banking transactions with Temasek during the years ending 31 December 2018 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.
The Company set out the following main reasons for seeking the Waiver:

- The nature and terms of revenue banking transactions may vary and evolve over time; having fixed-term written agreements would not be suitable to accommodate the various banking needs of the Company’s customers (including Temasek) and would be impractical and unduly burdensome for the Company.
- It would be impracticable for the Company to estimate and determine an annual cap on the revenue banking transactions with Temasek as the volume and aggregate value of each transaction are uncertain and unknown to the Company as a banking group due to multiple factors including market driven factors.
- The amount of revenues generated from revenue banking transactions was insignificant. Without a waiver from the HKSE or an applicable exemption, these transactions would be subject to various percentage ratio tests which cater for different types of connected transactions and as such may produce anomalous results.

For the year ended 31 December 2016, the Group has provided Temasek with cash management, foreign exchange and money market placement products and services that are revenue transactions in nature. As a result of the Passive Investor Exemption and the Waiver, the vast majority of the Company’s transactions with Temasek and its associates fall outside of the connected transactions regime. However, non-revenue transactions with Temasek or any of its associates continue to be subject to monitoring for connected transaction issues on a transaction-by-transaction basis.

The Company confirms that:

- The revenue transactions entered into with Temasek in 2016 were below the 5 per cent threshold for the revenue ratio test under the HK Listing Rules.
- The Group will continue to monitor non-exempt connected and continuing connected transactions and the revenue figures generated from the ongoing banking transactions with Temasek itself during the three years ending 31 December 2018 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded.

The Company therefore satisfied the conditions attached to the Waiver.

**Fixed assets**

Details of additions to fixed assets are presented in note 18 to the financial statements on page 246.

**Loan capital**

Details of the loan capital of the Company and its subsidiaries are set out in note 26 to the financial statements on page 252.

**Debenture issues and equity-linked agreements**

During the financial year ending on 31 December 2016, the Company made six issues of debentures and entered into one equity-linked agreement, further details of which are set out in note 21 on page 248.

**Risk management**

An ongoing process for identifying, evaluating and managing the significant risks that we face is in place. The Board is satisfied that this process constitutes a robust assessment of all of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

**Internal control**

The effectiveness of our internal control system is reviewed regularly by the Board, its committees, the Management Team and Group Internal Audit. The Audit Committee has reviewed the effectiveness of the Group’s system of internal control during the year ended 31 December 2016 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 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 Committee, the Chairman and the Group Chief Executive. The findings of all adverse audits are reported to the Audit Committee, the Chairman and the Group Chief Executive where immediate corrective action is required. The Board Risk Committee has responsibility for overseeing the management of the Company’s fundamental risks as well as reviewing the effectiveness of the Company’s risk management framework. The Audit Committee monitors the integrity of the Company’s financial reporting, compliance and internal control environment.

**Employee policies and engagement**

Standard Chartered takes communications very seriously and works hard to ensure that employees are kept informed about matters affecting or of interest to them, but more importantly to provide opportunities for feedback and dialogue. The Group has a clear set of communications mechanisms that are used to inform employees of key business activity at a global, regional, business and function level. A recent review of internal communications was undertaken to establish the effectiveness of the Group’s communications mechanisms, staff’s preferred channels for obtaining information and providing feedback and to ensure that
staff are getting the information they want and need. The review captured qualitative and quantitative feedback from staff and highlighted where communications are effective and where improvements need to be made. These insights have proved invaluable in how we evolve our communications approach.

The primary channel for communicating with our employees is the Bridge – the Group’s new social business collaboration platform. The Bridge not only provides global, local, business and function communications but it allows employees to collaborate, exchange ideas, feedback, comment, innovate, communicate, and find experts all through one space, wherever they are located.

The Bridge is supported by Group, local and business newsletters, targeted audio calls – for business area or management level – videos, success story bulletins, town halls and engagement events including brown bag lunches, leadership events, regional meetings, and focus groups. Business or time-critical information is sent directly to employee inboxes through a measurable email marketing platform.

The Group’s leadership team and line managers also have a critical role to play in communicating to our employees ensuring that they are kept up to date on key business information, the Group’s performance and strategy, their role in executing the strategy and ensuring that they consult and listen to staff views, feedback and concerns. Across the organisation team meetings with line managers, one-to-one discussions, and management meetings enable employees to discuss and clarify anything they have heard or read and address any questions they may have. The individual performance reviews also provide the opportunity to discuss how the employee, the team and the business area contributed to the overall performance of the Group and how any compensation awards relate to this.

This mix of channels ensures that all staff receive relevant information promptly regardless of how they prefer to be communicated with and regardless of where they sit in the organisation.

We continue to communicate with employees who have left the Group via our Alumni network and all employees, past, present and future are able to follow the Group’s progress through social networks including the Group’s LinkedIn network, Facebook page and Twitter stream.

As well as capturing staff feedback and views through team meetings, two-way communications and day-to-day dialogue, our employee engagement survey has been an important way for us to gather feedback on how employees feel about the organisation, how it is working, where our areas of strength are, and how we can further improve. The My Voice survey was launched in 2014 and was last carried out in May 2016. My Voice measures engagement across the Group on a variety of business factors such as leadership, strategy and conduct. In 2016 approximately 70,000 staff completed the survey and gave their views. The insight gained was used to inform action plans intended to resolve highlighted issues.

In addition, targeted local surveys and focus groups seek views on particular topics or from particular groups of employees. Less formal measures of sentiment and engagement include quick polls and conversation on the Bridge.

Combined with over 40 employee networks across 18 countries and numerous champion groups, these insights are invaluable in shaping our thinking and future planning.

The Group Equal Opportunities, Diversity, Inclusion and Dignity at Work Policy, reinforcing the Group’s commitment to providing equality of opportunity and fair treatment in employment, is regularly reviewed (last revised in 2015). It does not allow unlawful discrimination in its recruitment and employment policies, terms, procedures, processes and decisions on the grounds of: race; colour; nationality; national or ethnic origins; gender; parental status; marital or civil partner status; sexual orientation; gender identity, expression or reassignment; HIV or AIDS status; employment status; flexibility of working arrangements; disability; age; religion; or belief. The Group appoints, trains, develops, rewards and promotes employees on the basis of their merit and ability. If employees become disabled, every endeavour is made to ensure their employment continues, with appropriate training and workplace adjustments where necessary. In 2016, the Group also launched a Global Guideline and Process for Workplace Adjustment that covers guidelines and processes for employees with disabilities.

Action may be taken to address disadvantage or under representation among specific groups, with the aim of ensuring that employment decisions are free from bias. The Group does not tolerate any bullying or harassment of, discrimination against, or victimisation of staff, clients or visitors of the Group, whether verbal, written, physical or psychological. All staff has a duty to treat all those with whom they come into contact through work with dignity and respect at all times. This is also enshrined in our Group Code of Conduct, which states that colleagues must be treated fairly and with respect, and that all employees are entitled to a safe working environment that is inclusive and free from discrimination, bullying and harassment.

Equally, in our recognition and interactions with various employee representative bodies (unions, works councils) globally, we are heavily influenced by the 1948 United Nations Universal Declaration of Human Rights (UDHR), several ILO conventions including the Right to Organise and Collective Bargaining Convention, 1949 (No. 98) and the Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) as well as local country labour laws and acts that protect employees’ rights to organise.

**Major customers**

Our five-largest customers together accounted for 3.4 per cent of our total interest income and other operating income in the year ended 31 December 2016.

**Supply Chain Management**

For information about how the Group engages with suppliers on environmental and social matters, please see our Supplier Charter. As required under the UK Modern Slavery Act 2015, the Group is required to publish a Modern Slavery Statement, which will be issued by June 2017. This document will give further detail on how the Group has managed social risks in its supply chain during 2016.

Our Supplier Charter can be viewed at sc.com/suppliercharter

**Product Responsibility**

The Group has in place product governance policies and procedures to ensure products are designed to meet client needs, are sold to suitable client segments and comply with relevant laws and regulations.

**Group Code of Conduct**

The Board has adopted a refreshed Group Code of Conduct (the Code) relating to the lawful and ethical conduct of business and this is supported by the Group’s core values.

It has been communicated to all directors and employees, all of whom 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.

Directors and employees are asked to recommit to the Code annually, and this was done during September 2016.

**Environmental impact of our operations**

We aim to minimise the environmental impact of our operations as part of our commitment to being a responsible company.
We report on energy, water, paper and waste data that are the basis of our Greenhouse Gas (GHG) emissions management as well as the targets we have set to reduce energy, water and paper use.

### Total scope 1, 2 and 3 Greenhouse Gas emissions for 2015 and 2016

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2015</th>
<th>2016</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time employees (FTE) covered by reporting</td>
<td>84,076</td>
<td>86,693</td>
<td>FTE</td>
</tr>
<tr>
<td>Net internal area of occupied property covered by reporting</td>
<td>1,261,320</td>
<td>1,237,043</td>
<td>m²</td>
</tr>
<tr>
<td>Annual operating income (1 October 2015 to 30 September 2016)</td>
<td>17,566</td>
<td>12,515</td>
<td>$million</td>
</tr>
<tr>
<td><strong>Greenhouse Gas emissions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scope 1 emissions (combustion of fuels)</td>
<td>16,304</td>
<td>13,562</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Scope 2 emissions (purchased electricity) – location-based method</td>
<td>184,912</td>
<td>186,553</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Scope 2 emissions (purchased electricity) – market-based method</td>
<td>184,912</td>
<td>186,553</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Total Scope 1 &amp; 2 emissions</td>
<td>201,816</td>
<td>200,115</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Scope 3 emissions without distance uplift (air travel)</td>
<td>54,519</td>
<td>52,056</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Scope 3 emissions with distance uplift (air travel)</td>
<td>59,426</td>
<td>56,741</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Scope 3 emissions (outsourced data centre)</td>
<td>19,339</td>
<td>22,653</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Total Scope 1, 2 &amp; 3 emissions</td>
<td>256,335</td>
<td>252,171</td>
<td>tonnes CO₂eq/year</td>
</tr>
<tr>
<td>Total Scope 1, 2 &amp; 3 emissions / FTE</td>
<td>3.05</td>
<td>2.91</td>
<td>tonnes CO₂eq/FTE/year</td>
</tr>
<tr>
<td>Total Scope 1, 2 &amp; 3 emissions / m²</td>
<td>203</td>
<td>204</td>
<td>kg CO₂eq/m²/year</td>
</tr>
<tr>
<td>Total Scope 1, 2 &amp; 3 emissions / operating income</td>
<td>14.59</td>
<td>20.15</td>
<td>tonnes CO₂eq/$m/year</td>
</tr>
</tbody>
</table>

Our reporting criteria document sets out the principles and methodology used to calculate the GHG emissions of the Group.


We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors’ Reports) Regulations. Using conversion factors from the UK Government’s 2015 GHG Conversion Factors for Company Reporting, emissions are reported in metric tonnes of carbon dioxide equivalent (CO₂eq), encompassing the six Kyoto gases.

Our definition of different emission sources is provided on this page.

**Scope 1**

Scope 1 emissions are defined as arising from the consumption of energy from direct sources, such as by burning diesel within generators, during the use of property occupied by the Group.

**Scope 2**

Scope 2 emissions are defined as arising from the consumption of indirect sources of energy, such as the consumption of purchased electricity and heat, during the use of property occupied by the Group.

In accordance with the amendment issued to the GHG Protocol in 2015, we report Scope 2 emissions under both location-based and market-based methods. However, we have not used location-based emissions factors and as a consequence, both results are the same. This is based on our reservations concerning the attribution of reduced electricity emissions and the potential for ‘double counting’. We will continue to monitor the development of Scope 2 Quality Criteria, as well as the development of residual mixed by national agencies.

The Group does not use any form of offset such as green electricity to offset Scope 1 or Scope 2 emissions.

**Scope 3**

Scope 3 emissions are defined as occurring as a consequence of the Group’s activities, but arising from sources not controlled by us.

The Group reports on Scope 3 emissions arising from air travel and our outsourced data centres in Hong Kong and the UK.

**Reporting period**

The reporting period of our environmental data is from 1 October 2015 to 30 September 2016. This allows sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

**Assurance**

Our Scope 1 and 2 emissions are assured by an independent body, The Carbon Trust, against the requirements of ISA 3410.

**Community engagement**

We collaborate with local partners to support social and economic development in communities across our markets. For more information on how we engage with communities go to the How we do business section on page 11.

**Electronic communication**

The Board recognises the importance of good communications with all shareholders. Directors are in regular contact with our institutional shareholders and general presentations are made when we announce our financial results. The AGM presents an opportunity to communicate with all shareholders. Our shareholders are encouraged to receive our corporate documents electronically. The annual and interim financial statements, Notice of AGM and dividend circulars are all available electronically. If you do not already receive your corporate documents electronically and would like to do so in future, please contact our registrars at the address on page 318.

**Annual General Meeting**

Our AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 3 May 2017 at etc.venues.
Likely to be permissible under the policy:
- Audit-related services – the Group would also extend this to work on investor circulars in most foreseeable circumstances
- An objective view as to whether the Group has applied external laws and regulations appropriately, such as checks over regulatory compliance
- Testing the robustness of controls infrastructure
- Due diligence over potential purchases or sales

Not permissible under the policy:
- Any services that are prohibited (or to the extent they are restricted) by the published guidance from time to time
- Tax or regulatory structuring proposals
- Services where fees are paid on a contingent basis (in whole or in part)
- Consulting services that actively assist in running the business in place of management as opposed to providing or validating information, which management then utilises in the operation of the business

The policy is not a prescribed list of non-audit services that KPMG is permitted to provide. Rather, each request for KPMG to provide non-audit services will be assessed on its own merits. The Audit Committee believes that such a case-by-case approach best accommodates (i) the need for the appropriate rigour and challenge to be applied to each request for KPMG to provide non-audit services while (ii) preserving sufficient flexibility for the Group to engage KPMG to provide non-audit services where they are able to deliver particular value to the Group and where the proposed services can be provided without compromising KPMG’s objectivity and independence.

It should be noted that a global cap is being introduced such that non-audit services provided by KPMG cannot exceed 70 per cent of the average audit fee from the previous three consecutive financial years. If applied on a retrospective basis the Group would have complied with this requirement with non-audit services in the current year being less than 25 per cent of the average audit fee from the previous three consecutive financial years.

Details relating to KPMG’s remuneration as the Group statutory auditor and a description of the broad categories of the types of non-audit services provided by KPMG are given in note 37 to the financial statements on page 272. There were no significant engagements of KPMG in 2016 for the provision of non-audit services.

Auditor
The Audit Committee reviews the appointment of the Group statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid. Following a review of the independence and effectiveness of our Group statutory auditor (details of which can be found on page 76), resolutions to appoint KPMG and to determine its remuneration will be proposed at the 2017 Annual General Meeting.

Each director believes that there is no relevant information of which our Group statutory auditor is unaware. Each has taken all steps necessary as a director to be aware of any relevant audit information and to establish that KPMG is made aware of any pertinent information.

By order of the Board

Liz Lloyd
Group Company Secretary
24 February 2017
Standard Chartered PLC
Registered No. 966425
The directors are responsible for preparing the Annual Report and Accounts and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the Group and Company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and applicable law, and have elected to prepare the Company financial statements on the same basis.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that year. In preparing each of the Group and Company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether they have been prepared in accordance with IFRS as adopted by the EU
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company’s transactions, and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors’ report, Strategic report, Directors’ remuneration report and Corporate governance statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the position and performance, strategy and business model of the Group.

Directors’ responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the Board

Andy Halford
Group Chief Financial Officer
24 February 2017