Corporate governance

Strong corporate governance is essential for delivering sustainable shareholder value

Our highlights

- Undertook a highly professional process to identify and appoint the new Chairman and there was a smooth transition for him
- Refreshed the Board with the appointment of three additional non-executive and two executive directors
- Reviewed the composition and chairmanship of the board committees and the role of the Senior Independent Director
- Introduced an individualised engagement plan for each non-executive director
- Refreshed the letters of appointment signed by all non-executive directors and recognised their increased time commitment
- Adopted a more formalised approach to assessing individual director effectiveness
- Contributed proactively in the Walker and Financial Reporting Council Reviews of corporate governance
- Conducted an extensive review of our Risk Appetite Statement so as to ensure that it is multi-dimensional in terms of the risks included

Core principles

An effective corporate governance framework comprises many different components. Our executive directors successfully manage the operation of Standard Chartered while providing comprehensive yet succinct information to the Board. Simultaneously, the non-executive directors constructively challenge the executive and contribute alternative perspectives. These Board discussions are managed by John Peace as Chairman who encourages challenging and productive debate. It is vital to have Board members that, in aggregate, have the requisite skills and expertise supported by a structure that enables delegation, where appropriate, between the Board and committees, whilst ensuring that the main Board retains overall understanding and control.

However, complying with corporate governance standards is not enough. Effective governance also requires that our culture and values fully support them. We regularly review corporate governance principles and continuously improve our practices. To this end, over the past year we conducted a full and comprehensive internal review of corporate governance leading to various changes that enable our Board to spend more time focusing on the key strategic, risk and people issues.

We aim for the highest standards of corporate governance, and in pursuit of this objective, follow an approach that complies with all of the provisions of the UK Financial Reporting Council’s Combined Code on Corporate Governance (the Code) and with Appendix 14 of the Hong Kong Listing Rules, save one exception: under the Code, all non-executive directors are formally required to meet major shareholders as part of their induction programmes. However, Rudy Markham, our Senior Independent Director met with a number of institutional investors and John Peace, our Chairman, had regular meetings with institutional shareholders. Our Board

Our priorities in 2010

- Continue to enhance our focus on key strategic and risk issues
- Ensure the smooth integration of the new Board members
- Embed the corporate governance changes announced in 2009, including:
  - enhancing the already strong links that exist between the Board and its committees following the creating of additional board committees
  - separating the Audit and Risk Committee
  - expanding the remit of and renaming the Sustainability and Responsibility Committee to the Brand and Values Committee
  - establishing a Governance Committee
  - implementing the Walker Review and Financial Reporting Council Review recommendations
  - continuing to create more informal opportunities for the Board to discuss strategic issues
  - enhancing further our approach to directors’ induction and ongoing development
  - using external facilitation to assess the Board’s effectiveness
received regular updates on the views of our institutional shareholders and stakeholders including a presentation from one institutional shareholder on its view of the Company as an investment. Our Board openly seek the views of our shareholders and during the year, the Chairman, Group Chief Executive and Group Finance Director met 23 out of our top 25 investors.

As part of our regulatory obligations, we have in place a code of conduct related to securities transactions by directors the terms of which are no less exacting than required by Appendix 10 of the Hong Kong Listing Rules and we can confirm that the directors were in compliance.

The Board

Board of Directors

We have reviewed our Board composition and, as a result, we have made five new appointments. We believe that our Board has the right level of knowledge and technical understanding of our business which, combined with a diversity of cultures and industry backgrounds, contributes fresh perspectives to discussions.

Our Board currently has 16 members: the Chairman, six executive directors and nine non-executive directors. A list of the individual directors and their biographies are set out on pages 72 to 74. Details of board committee membership are set out on pages 89 to 93 of this report.

We welcomed Mike Rees and Jaspal Bindra to the Board as executive directors on 4 August 2009 and 1 January 2010 respectively. The Board would like to express its thanks to Sunil Mittal who stepped down on 31 July 2009, for his valuable contribution over the last two years and to Gareth Bullock who will be stepping down on 30 April 2010.

We also welcomed Dr Han Seung-soo, KBE and Richard Delbridge to the Board as non-executive directors on 1 January 2010 and would like to welcome Simon Lowth to the Board as a non-executive director with effect from 1 May 2010.

In July, following a thorough and extensive selection process which involved a review of the characteristics of the Chairman’s role, John Peace was appointed Chairman. John brings with him a depth and breadth of leadership experience. His appointment has ensured that we have a Board environment where challenge and open debate is actively encouraged.

Role and responsibilities

The Board is ultimately accountable for ensuring that, as a collective body, it has the appropriate skills, knowledge and experience to perform its role effectively. It provides leadership through oversight, review and providing guidance whilst setting the strategic direction. It is also the primary decision-making body for all matters considered as material to Standard Chartered.

Over the last 12 months the Board has been particularly focused on making time to focus on key strategic risk and people issues. We have a firm belief in having a unitary Board with a diverse representation of directors. We believe that having 16 members on our Board is appropriate given the complex nature, scope and the geographic footprint of our business.

There is a good chemistry and a strong working relationship between our executive and non-executive directors and this mirrors the open culture that permeates Standard Chartered. There is a healthy level of challenge and debate among the executives, and then, in turn, between the executive and non-executive directors.

“A company’s long term success results from the combination of a high quality executive team that is stimulated, challenged and supported by non-executive directors, underpinned by an open, accessible environment and values of exemplary corporate governance.”

John Peace
Chairman

We offer our non-executive directors unrestricted access to management at all levels, and encourage them to take advantage of this opportunity both domestically and overseas. There are open invitations to attend key management meetings and many senior leadership team gatherings. Our non-executive directors travel widely to engage with local management teams and country leaders, while acting as ambassadors for Standard Chartered in meetings with customers and international regulators. This open approach offers non-executive directors a better understanding of how our strategy is being communicated throughout Standard Chartered, while providing valuable opportunities to meet and build relationships with the wider senior leadership.

Over the year, amongst other things, the Board reviewed strategic capital, liquidity, cost and risk management and appetite, along with employee engagement and corporate governance. It also considered strategic opportunities arising from the market turmoil while evaluating our overall performance, including in those markets where acquisitions were made. Several country, regional, business segment and product reviews were also undertaken.

The Board has a rolling agenda to ensure that the right strategic areas are reviewed over the course of the year and is constantly mindful of acting in the best interests of our stakeholders.

The full schedule of matters reserved for the Board together with the board committee terms of reference are available on www.standardchartered.com

Corporate governance
Chairman and Group Chief Executive
The separate roles and objectives of the Chairman, and the Group Chief Executive are clearly defined in written role descriptions which have been approved by the Board and are available on our website.

These roles were reviewed as part of the Nomination Committee process for the appointment of the new Chairman. In addition, in 2009, we reviewed the role of the Senior Independent Director to reflect the fact that part of his role is to act as a sounding board for the Chairman.

Independent non-executive directors
The Board considers all the non-executive directors to be independent and free of any business relationship or other circumstance that could materially interfere with the exercise of objective, unfettered or independent judgment. To determine their independence, the Board reviews all directors’ interests that may give rise to a potential or perceived conflict, and any circumstances relevant to their current or ongoing independence as set out in the UK Combined Code (the Code). Each non-executive director submits an annual confirmation of independence as required under the Hong Kong Listing Rules.

When considering the appointment of Simon Lowth to the Board, our Nomination Committee considered the fact that both Rudy Markham and Simon Lowth are directors on the AstraZeneca board with the former being a non-executive director and the latter being an executive director responsible for Finance. As part of those discussions, it was emphasised that neither director has any position of influence over the other arising from this cross directorship. On this basis, the Nomination Committee concluded that, despite this cross-directorship, neither Simon’s nor Rudy’s independence was adversely impacted.

Review of performance
Non-executive directors are initially appointed for a three year term. Under the Code, anyone who is proposed for re-appointment for more than two consecutive three year periods should be subject to particularly rigorous review.

In this context, the Nomination Committee discussed the contribution that Rudy has made to the Board during his nine year tenure. This included his ability to simultaneously challenge and support the executive, combined with the benefit of his in-depth knowledge and experience of Standard Chartered, his effective chairmanship of the Audit and Risk Committee over a number of years, and the other valuable contributions he had made to both the Board and the Nomination Committee. The Nomination Committee unanimously agreed that Rudy continues to display independence of character and mindset and that this has not been dimmed in any way by the length of his tenure on the Board. Given that five new directors have been appointed, the Board believes that there is real value to retaining Rudy as a director given the longevity of his experience with the Company.

Our Chairman is aware of the other commitments of our non-executive directors and is satisfied that these do not conflict with their duties and time commitments as directors of Standard Chartered. Non-executive directors must also give advance notice of any changes to their commitments, and confirm to the Chairman that these will not affect the time devoted to their duties at Standard Chartered.

During the year we reviewed the time commitment for our non-executive directors. We concluded that this ranged from 30–35 days per annum for a Board member without any committee responsibilities up to 100 days or more for directors who sat on multiple committees. This increased time commitment has been reflected both in directors’ letters of appointment and fees payable for the role.

We believe that a highly effective executive team is the single most important factor to ensure successful corporate governance. It does not matter how strong our non-executives may be, either collectively or individually, if the executive team is weak. Non-executive directors perform a vital role in ensuring that the strongest possible executive team is in place and that it operates highly effectively. We achieve this by having robust discussions at Nomination Committee meetings, and during 2009 more time was spent by the Board discussing this issue as part of the review of corporate governance practices.
### Summary of some of the board effectiveness observations and actions taken

<table>
<thead>
<tr>
<th>Actions taken/to be taken</th>
<th>2008 Observations</th>
<th>Actions taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Board has been strengthened with the appointment of three non-executive and two executive directors.</td>
<td>Additional time should be spent discussing the future of the industry and our position within it.</td>
<td>The Board had a number of discussions over the course of 2009, on the future of the industry and our position within it both formally at Board meetings and informally as well as with management in local markets.</td>
</tr>
<tr>
<td>There will be an increased focus and emphasis on risk, competitor analysis, succession planning and the implications on future regulatory changes.</td>
<td>Two overseas Board meetings will be held in June (Korea) and November (Shanghai) 2010. Structured engagement plans have been introduced. During 2010 there will be more opportunities for the Board to meet outside formal meetings at informal dinners and other gatherings.</td>
<td>2009 has seen a continued and ongoing debate upon the strategic issues that Standard Chartered is facing. There was a general strategic debate at the January Board; in March at the Dubai Board meeting, Consumer Banking and the strategy of shaping the future of banking was considered. In April, inorganic strategy was considered as well as during the year when considering specific inorganic opportunities. Over the course of the year, capital and liquidity management has been extensively debated. This took place in addition to the normal two day strategy offsite and led to some specific capital raising initiatives during the year. Reflections from the strategy offsite were discussed by the Board at the September Board meeting at which time the 12 month rolling agenda was also refreshed. The Head of Strategy met with each non-executive director to consider topics for the strategy offsite.</td>
</tr>
<tr>
<td>We appointed Jaspal Bindra and Dr Han Seung-soo, KBE on 1 January 2010.</td>
<td>Increased emphasis upon the importance of topics from the board committees being discussed at Board level.</td>
<td>A number of briefing sessions were held covering risk control and remuneration policy issues. These were aimed at updating all non-executive directors on key issues that were being addressed by various board committees.</td>
</tr>
<tr>
<td>The separation of the Audit and Risk Committee into two separate committees will take effect in 2010.</td>
<td>More visibility regarding executive succession planning.</td>
<td>The focus for the first half of 2009, was on the appointment of a new Chairman. Also, the Nomination Committee has spent considerable time focusing on executive succession planning culminating most recently in the appointment of two executive as well as three non-executive directors to the Board.</td>
</tr>
<tr>
<td>The remit for the Sustainability and Responsibility Committee will be enhanced and a Governance Committee will be created. These board committees will be the enhancement of the interaction between these committees and the Board.</td>
<td>More frequent interaction between executive directors and non-executive directors outside formal Board meetings.</td>
<td>There have been more informal opportunities for discussion outside the board room. One to one meetings have occurred on a regular basis between the executive directors and non-executive directors and a number of informal lunches and dinners have been held.</td>
</tr>
</tbody>
</table>
Senior Independent Director
Rudy Markham is the Senior Independent Director. Shareholders may discuss any issues or concerns with the Senior Independent Director where they have been unable to resolve them through existing channels for investor communications.

Since his appointment as Acting Senior Independent Director in January 2009, it was recognised that Rudy performed the role effectively and had played an important role in liaising with institutional investors in relation to the appointment of the Chairman.

It was also agreed that, given the refresh of the Board’s composition, it was imperative to appoint a Senior Independent Director with a depth of knowledge and understanding gained at the Company. There was unanimous support from the directors for Rudy’s appointment as Senior Independent Director on an ongoing basis.

Board effectiveness
We believe that board effectiveness reviews should go beyond mere performance evaluation, to assess the suitability of the governance processes that support the work of the Board. The internal governance review was led by our Chairman and supported by our Group Company Secretary, Annemarie Durbin.

Throughout 2009, we conducted a comprehensive internal corporate governance review. The board effectiveness review formed part of that process and culminated in a series of changes which have been agreed by our Board.

In September, we conducted an internal effectiveness review of our Board and board committees. This was devised in conjunction with external professional input and required each director to complete a questionnaire providing feedback on the Board’s effectiveness and that of the committees. Directors also provided a self-assessment of their individual contributions to the Board’s effectiveness.

Each individual director discussed his or her self-assessment with the Chairman on a one-to-one basis. The Chairman also discussed and agreed individualised engagement plans with each director. These plans provide a guideline for the activities that each director will undertake over the next 18 months in order to continue building on their understanding of our business. These plans include visits to markets in our geographic footprint as well as identifying areas where, as a result of a director’s background and previous experience he or she can add particular value to the franchise.

We believe that we can gain value from periodically using external parties for our board effectiveness reviews. Going forward, our intention is that the board effectiveness review will be facilitated externally every third year. During 2010 we intend to use external facilitation for the board effectiveness review and, in 2011, to follow this up with an externally facilitated review of the effectiveness of the main board committees.

The Board considered the outcome of the 2009 evaluation at its December meeting. The findings revealed that the Board believes it operates effectively and works well as a team. Our non-executive directors demonstrate a high level of engagement and their interaction with the executive directors is both challenging and constructive. Some of the key points to note were that:

• the atmosphere in the boardroom is open and inclusive and provides a rounded debate at board meetings
• following observations made in 2008, the Board has given greater focus and time to Standard Chartered’s strategy (both organic and inorganic) and believes this should continue
• our capital raising exercise in August 2009 was handled well with appropriate levels of challenge and debate
• there was a smooth transition in respect of the Chairman’s succession with minimal disruption to the Board and business activity

The Board believes that its effectiveness will be further enhanced going forward through a combination of fresh perspectives added by new Board appointments, the revised board committee structure and our approach to directors’ engagement.

Induction and ongoing development
To ensure that directors have the requisite knowledge and understanding to enable them to challenge effectively, we provide them a personalised approach to induction, training and development. On appointment, each director receives a comprehensive and tailored induction covering the Group’s business and operations and also the legal regulatory and other obligations of a director of a dual listed company. Each induction programme is tailored to the individual director’s specific needs and requirements and further meetings are arranged where a director requires a deeper understanding of a particular area. This approach was formalised in 2009, as each director agreed an individual engagement plan with our Chairman. These plans are dynamic in nature and regularly reviewed and ensure that each director receives the appropriate support to enhance his or her effectiveness.

It also means that non-executive directors are clear about the expectations placed upon them regarding continuing development. The engagement plans provide each non-executive director with key development briefing sessions and deeper dives into certain areas of the business. Although briefing sessions on specific topics are organised, we encourage our non-executive directors to visit our markets to gain an understanding of the opportunities and risks that we face on the ground.

Our non-executive directors have full access to the Corporate Secretariat team. They provide advice and support the facilitation of engagement plans as well as providing guidance as to where additional information can be sourced. This is in addition to organising our non-executive directors’ overseas visits to our markets and meetings with local stakeholders and management. Our non-executive directors may take independent professional advice at the expense of Standard Chartered in furtherance of their duties.

We believe that it is vital that director training is tailored to the specific requirements of the individual as well as the key issues affecting Standard Chartered to ensure it is high quality, relevant and of real value. Directors receive briefings from our senior executives, and sessions are arranged with our advisers. For example, during the year, several directors attended sessions on the Turner Review and on the implications of the Walker Review.
Visits made to our markets by non-executive directors in 2009

**Corporate governance**

**Board meetings and attendance**

Our directors have full access to corporate information and sufficient detail to enable a productive and open discussion. Indeed, we encourage challenge and debate within our Board meetings. The diversity of expertise and experience of our Board members means that these debates can take place at both a detailed and technical standard and at a holistic and strategic level.

Committees play a crucial role in the smooth running of the Board. Where appropriate, topics are delegated to committees to ensure that the Board has time to focus on key strategic issues. It is important that a summary of these committee discussions is provided to the Board so that all directors are aware of any conclusions or actions. Strong links exist between each of the committees, both in terms of reporting and membership and this is designed to ensure that key issues of relevance across committees are shared whilst avoiding any unnecessary duplication. As we adopt our new board committee structure in 2010, one of our key development areas is to ensure that the links between the committees and the Board are enhanced further and that the board committees remain effective.

At scheduled Board meetings, the Chairman of each board committee provides the Board with a summary of key issues considered at the meetings of the board committees. One of our priorities for 2010 is to further enhance the mechanisms by which the various committees update the Board regarding their activities.

All directors have input into 12 month strategic agendas for the Board to ensure that, over the course of the year, all relevant issues are properly debated. Our directors also attend dedicated strategy sessions, participate in overseas board visits, offsite meetings, dinners and informal board gatherings. In addition, appropriate information is circulated well in advance of each Board meeting to allow an open and wide ranging debate.

Our Chairman, John Peace, met regularly with our non-executive directors over the course of the year without the executive directors in attendance. There were also opportunities for the non-executives to meet without either John or the executive directors being present, and particularly in the context of the Chairman selection process, the directors met several times without John being present.

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

### Number of Board meetings held in 2009

<table>
<thead>
<tr>
<th>Name</th>
<th>Scheduled</th>
<th>Ad hoc</th>
</tr>
</thead>
<tbody>
<tr>
<td>J W Peace¹ (Chairman)</td>
<td>8/8</td>
<td>4/5</td>
</tr>
<tr>
<td>P A Sands</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>R H P Markham</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>R H Meddings</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>S P Bertamini</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>G R Bullock</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>J F T Dundas</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>V F Gooding</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>R Markland</td>
<td>8/8</td>
<td>4/5</td>
</tr>
<tr>
<td>S B Mittal²</td>
<td>0/4</td>
<td>1/4</td>
</tr>
<tr>
<td>J G H Paynter</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>A M G Rees³</td>
<td>3/3</td>
<td>0/0</td>
</tr>
<tr>
<td>P D Skinner</td>
<td>8/8</td>
<td>5/5</td>
</tr>
<tr>
<td>O H J Stocken</td>
<td>7/8</td>
<td>4/5</td>
</tr>
</tbody>
</table>

¹ Absent from one ad hoc meeting as it concerned Chairman succession planning.
² Resigned 31 July 2009.
³ Appointed 4 August 2009. All ad hoc Board meetings in 2009 took place prior to Mike Rees’ appointment to the Board.
Corporate governance continued

Group board committee structure (from 4 March 2010)

Standard Chartered PLC Board

Primary committees

Audit
Oversight and review of financial, audit and internal control issues

Risk
Oversight and review of fundamental prudential risks including credit, market, capital and liquidity

Brand and Values
Oversight and review of brand positioning, treating customers fairly, reputational risk, ethics and sustainability issues

Remuneration
Oversight and review of remuneration, share plans and other incentives

Nomination
Oversight and review of board and executive succession

Governance
Oversight of overall board effectiveness and governance issues

Enabling committees

External directorships
The Board’s executive directors are permitted to hold only one non-executive directorship of a FTSE 100 company. Details of the directors’ other directorships can be found in their biographies on pages 72 to 74.

Re-election of directors
All directors are subject to election by shareholders at the first Annual General Meeting (AGM) following their appointment, and to re-election thereafter at intervals of no more than three years. At least one-third of directors stand for re-election at each AGM.

In 2011, subject to further regulatory and market developments, we intend to move to annual re-election of all directors. However, for 2010 we will propose that 12 of our directors, selected in accordance with our articles of association, will stand for re-election. Further details are provided in our Notice of AGM and on www.standardchartered.com

Board committees
In 2009, the Board had four board committees: the Audit and Risk Committee; the Remuneration Committee; and the Sustainability and Responsibility Committee. Each board committee was responsible for the review and oversight of the activities within its defined terms of reference.

Although we believe that our Board is highly effective, as a result of our internal governance review we will be re-configuring our board committees with effect from 4 March 2010. We believe that these proposals will further enhance the Board’s performance and allow more time to be spent on strategic issues. This also demonstrates our proactive approach to corporate governance with:

- the separation of the Audit and Risk Committee into two committees, one covering financial, internal controls and compliance (the Audit Committee) and the other covering risk issues (the Risk Committee)
- an enhanced remit and new name for the Sustainability and Responsibility Committee
- the formation of a Governance Committee

Copies of each board committee’s terms of reference can be found on www.standardchartered.com
Audit and Risk Committee

Our highlights

- Received comprehensive and detailed reporting on risk via Risk Information Packs
- Conducted a thorough review of Basel II Pillar 3 disclosures
- Continued to robustly monitor our capital and liquidity position
- Conducted a review of Consumer Banking governance
- Reviewed Consumer Banking’s progress to embed Treating Customers Fairly globally
- Reviewed data security and the threat of data loss
- Conducted deeper dives into market risk, risk appetite and credit exposure
- Conducted a review of external financial reporting including the Interim Management Statement
- Considered the market placing which raised £1 billion through the issue of new ordinary shares
- Held in-depth discussions on:
  - internal Ratings Based Approach Models
  - the accounting and valuation implications of various product and client/business segments
  - new products

2010 priorities

- The establishment of separate Audit and Risk Committees
- Ensuring that there are appropriate linkages between the various board committees and between the board committees and the management committees

Role and focus

The Audit and Risk Committee primarily focuses on the quality and integrity of our external financial reporting, the appropriateness of our accounting policies and the effectiveness of the internal control function and the risk control framework including oversight of risk management.

Whilst vital that non-executive directors have unlimited access to risk information, simply inundating them with large volumes of information does little to enhance risk management. The Committee needs to be able to review all risk areas but, perhaps more importantly, be in a position to identify key risk issues that require Committee and, if appropriate, Board focus. To this end, a Risk Information Pack has been developed. This pack, which is continuously enhanced, is submitted to each Audit and Risk Committee meeting. An extract from the pack is also part of the report that is presented by the Group Finance Director to each Board meeting.

The purpose of the pack is to provide our non-executive directors and have unlimited access to risk information, simply inundating them with large volumes of information little to enhance risk management. The Committee needs to be able to review all risk areas but, perhaps more importantly, be in a position to identify key risk issues that require Committee and, if appropriate, Board focus. To this end, a Risk Information Pack has been developed. This pack, which is continuously enhanced, is submitted to each Audit and Risk Committee meeting. An extract from the pack is also part of the report that is presented by the Group Finance Director to each Board meeting.

The purpose of the pack is to provide our non-executive directors with a consistent set of metrics that they can review regularly in relation to key risk areas. They also receive specialist training, provided by our in-house experts, to help them to understand and interpret the data contained within the packs. These sessions will occasionally focus on specific key risk issues that are particularly topical or current. Our proactive approach to explaining and displaying risk information means that our non-executive directors are fully engaged with the key issues.

The Committee members also receive training sessions on specific key risk issues that Standard Chartered faces. These training sessions are provided internally and tend to be specific in nature involving business and risk personnel or advisors and have included training on the design and uses of the Internal Ratings Based models.

The Committee held seven scheduled meetings during the year and considered all matters under its remit. The Committee’s activities included the consideration of reports in respect of risk control and management in general. Particular areas of focus in the year were:

- enhanced reporting on risk leading to a deeper understanding by the Committee
- continual monitoring of the Company’s capital and liquidity position

The Committee received regular reports from the Group Heads of Internal Audit, Compliance, Risk and Legal, and on the assurance framework.

The Committee meets separately with our external auditor KPMG Audit Plc and the Group Finance Director and Group Head of Internal Audit, allowing members to discuss freely matters relating to the auditor’s remit and issues arising from the audit. Its remit also includes the consideration of the appointment, resignation or removal of our Group Head of Internal Audit.

The Committee monitored and assessed the role and effectiveness of our internal audit function and is comfortable with the effectiveness and speed of the transition of the role of Group Head of Internal Audit that took place in the latter part of 2009. The Committee also reviewed, on behalf of the Board, the resourcing, qualifications and experience of the reporting accountants together with their training programmes and budget. The Committee conducted a review of the performance and effectiveness of the external auditor. The review had many strands. It included an assessment of the independence and objectivity of the external auditor, a survey conducted by our internal audit function and a subjective appraisal of the Committee’s own experiences dealing with the external auditor, both in London and at a local level. Committee members met with local external...
Auditors independence and objectivity
We have adopted a policy on the use of non-audit services provided by the Company’s external auditor, KPMG. The Audit and Risk Committee’s pre-approval is required before the Company uses non-audit services that fall within definitions contained in the policy. The non-audit services of KPMG will only be used where the Company benefits in a cost-effective manner and the auditor maintains the necessary degree of independence and objectivity.

In addition to audit-related services, KPMG provided the following types of services in 2009:

- tax advisory and compliance
- advice and support with due diligence exercises
- advice on IFRS accounting
- regulatory reviews and reporting
- risk and compliance advisory services
- reporting accountants work for capital raising

Details of the amounts paid to KPMG during the year for non-audit services are set out in note 8 on pages 132 and 133.

Establishment of separate Audit and Risk Committees
The splitting of the Audit and Risk Committee will provide the benefit of enabling even more focus on risk issues. The membership of both the Audit Committee and the Risk Committee will be similar, albeit with different chairmen, to ensure that important synergies exist between the committees.

We believe that it is appropriate for the Chairman of the Risk Committee to have deep banking experience. As a result Jamie Dundas will chair this Committee, in addition to the Chairman, Oliver Stocken and Richard Delbridge bring valuable banking experience to the Risk Committee. John Peace will be a permanent attendee at both the Audit Committee and Risk Committee meetings. Four members will sit on both the Risk and Audit Committees providing important linkages between the two committees.

The Risk Committee will be responsible for the oversight and review of fundamental prudential risks including credit, market, capital and liquidity in addition to operational risk policies and management.

Each committee will have six scheduled meetings per annum.
Nomination Committee

Our highlights

• Conducted a rigorous external and internal search and selection process for the new Chairman
• Continued to review the ongoing focus on Board composition with the objective of maximising the balance of skills of the directors appointed to the Board
• Led the process for the appointment of five new directors
• Maintained oversight of executive succession planning
• Undertook a detailed review of the effectiveness of non-executive directors during 2009
• Provided input to Standard Chartered’s contribution to the Walker Review
• Led the internal corporate governance review undertaken in 2009

2010 priorities

• We will continuously review the effectiveness of the Board composition particularly in light of the new and revised board committee structure
• We will maintain focus on executive succession planning

Role and focus

The Nomination Committee primarily focuses on the existing and future composition and balance of the Board and its committees. It seeks to ensure that the individuals in place are those best able to discharge the responsibilities required by Standard Chartered at all times. It also makes recommendations to the Board concerning the ongoing succession plans of both executive and non-executive directors and other senior executives. In order to achieve this we believe that the Committee should consist of the Group Chairman, Group Chief Executive and the Chair of each board committee.

In response to the 2009 board effectiveness review, the Committee last year identified and recommended two executive director appointments to the Board; Mike Rees with responsibility for Wholesale Banking, and Jaspal Bindra with responsibility for growth and governance in Asia. The Committee also identified and recommended the appointments of Dr Han Seung-soo KBE, Richard Delbridge and Simon Lowth as non-executive directors.

An external search consultant was used to assist in the identification of potential candidates for the Chairman and non-executive director appointments, taking into account the skills, knowledge and experience required to enhance the existing composition of the Board. The Committee spent a considerable amount of time identifying the nature and criteria of the role of Chairman and the appointment of an external agency to assist in the selection process. As part of the process, after an extensive external search, a comprehensive list of candidates was matched by the Committee against the criteria for the role with all the short listed candidates including John Peace being considered by the Committee which recommended a shortlist of candidates to the Board.

The Board unanimously supported John’s appointment as Chairman given the depth of his leadership and previous chairmanship experience combined with his financial services experience from his time at Experian plc and his knowledge of many of the markets in which we operate. This is John’s primary employment, where his duties take priority over any existing interest.

Over the course of the year, the structure, size and composition of the Board and its ongoing leadership needs were continuously reviewed. Appropriate plans are in place to facilitate orderly succession to the Board and other senior management positions. The plans are designed to ensure our continued ability to compete effectively in the external marketplace.

During 2009 the Committee played an important role in relation to our internal corporate governance review and our proactive contribution to the Walker and the Financial Reporting Council Reviews. Going forward, in order to ensure that the Committee can focus on key composition and succession issues we have decided to establish a separate Governance Committee that will, amongst other things, take over these governance matters.

Therefore, during 2010, the Governance Committee will consider recommendations arising from the Walker Review to which, in addition to the Financial Reporting Council’s Review of the Code, Standard Chartered took a proactive role in contributing. The Governance Committee will act to ensure that we have the most effective board and governance structures in place, taking into account the recommendations made by both the Walker Review and Financial Reporting Council’s proposed revisions to the Code.

Following our internal corporate governance review and in keeping with the recommendations of the Walker Review, as from 4 March 2010 our Group Chief Risk Officer, Richard Goulding will report to both our Group Finance Director, Richard Meddings and the Risk Committee.

Committee effectiveness

In conjunction with the board effectiveness review, a committee effectiveness review was also conducted. The Committee felt that that it had become more rigorous in terms of process and reporting to the Board and had covered a wide range of issues over the year including a number of debates about good governance.
Corporate governance continued

Sustainability and Responsibility Committee

Our highlights

- Maintained momentum with regard to our sustainability agenda despite turbulent market conditions
- Reviewed the role of banks in society and the need to focus on generating long-term shareholder value through sustainable banking practices in response to the financial crisis
- Enhanced the capacity of the Renewable Energy and Environmental Finance (REEF) team to respond to the strategic opportunities of water, energy security and climate change
- Reviewed the significant progress made towards our community commitments in HIV/AIDS education and Seeing is Believing Phase IV

2010 priorities

- The Committee will be re-named the Brand and Values Committee and we will revise and expand its remit to include reputational risk, our client/customer focus (including Treating Customers Fairly), policy and sector position statements and regulatory relationships
- Focus on the Group’s commitment to a new brand promise ‘Here for good’, oversee its delivery and embed throughout the Group
- Continue to ensure that the Group identifies and manages reputational risk and that it is consistent with the Risk Appetite Statement approved by the Board

Number of meetings

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<tr>
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<th>Scheduled</th>
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<tbody>
<tr>
<td>J F T Dundas1</td>
<td>3/3</td>
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<tr>
<td>(acting Chairman)</td>
<td>(1)</td>
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<tr>
<td>V F Gooding</td>
<td>2/3</td>
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<tr>
<td>(4)</td>
<td></td>
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<tr>
<td>P A Sands</td>
<td>3/3</td>
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<td>(2)</td>
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<td>O H J Stocken</td>
<td>3/3</td>
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1 Appointed as Acting Chairman on 27 January 2009.

Role and Focus in 2009

During the year, the Sustainability and Responsibility Committee focused on strategic sustainability trends and our response, with renewed emphasis on renewable energy and environmental finance. Detailed discussions were held regarding our approach to responsible selling and marketing in both Consumer and Wholesale Banking, and the Committee continued to focus on environment and climate change. It conducted a review of our progress in delivering high performance through our policies on diversity, along with sustainability communications and engagement. The Committee also reviewed Microfinance, Diversity and Inclusion and our approach to sustainability, which will be taken to the next level with the revision and expansion of the Committee’s remit.

In 2009 our work with regard to sustainable initiatives was recognised by a number of award bodies. For a second successive year, Goldman Sachs through their GS SUSTAIN framework, rated Standard Chartered as one of the top seven banks in the world, best positioned to sustain long-term competitive advantage, based on a combination of returns, industry structural positioning and robust management of environmental, social and governance risks. We are included in the FTSE4GOOD index and won the Ability Media International News and Information Media Award for its new portal which was launched to raise
young people’s awareness to the threat of HIV. We were also the recipient of the Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria – Business Excellence Community Investment Award. Further details on our sustainability agenda can be found on our website at www.standardchartered.com

Committee effectiveness
As was the case with the other board committees, in conjunction with the board effectiveness review, a committee effectiveness review was also conducted. The Committee felt that that the work performed to date has created a very good platform from which to enhance focus on those areas to be included with its refreshed remit. Over the course of 2009, the Committee has improved in terms of the quality of the discussion which was consistent with the need to achieve closer linkage between our sustainability priorities and our core business strategy and has been successful in fostering the production of high quality external reporting of our position and actions in terms of corporate responsibility.

Following our internal corporate governance review in 2010, the remit of the Committee will be significantly enhanced to include oversight and review of our brand positioning, reputational risk, customer centricity (including Treating Customers Fairly), policy and sector position statements, regulatory relationships, culture and values, as well as broader sustainability, ethical and social legitimacy issues. The intention is that the Committee will be renamed the Brand and Values Committee. This enhanced Committee will meet five times a year, rather than just three times as the Sustainability and Responsibility Committee previously met.

Paul Skinner will be Chairman of the Brand and Values Committee. Paul has a depth of experience in brand and sustainability management and this will be extremely valuable in optimising our brand value. Dr Han Seung-soo will play an important role in relation to this Committee, particularly given his prior experience as the United Nations Special Advisor on climate change. Paul and Jamie Dundas will provide the linkage between the Risk Committee and the Brand and Values Committee.

Remuneration Committee
The role and focus of the Committee are set out in the Directors’ remuneration report on pages 94 to 109.

Governance Committee
We believe there is merit in forming a Governance Committee to provide a more formal and structured mechanism to considering corporate governance issues (such as industry governance reviews) as well as to drive and oversee the annual board effectiveness review process. Its remit will also include oversight of subsidiary governance. The creation of a separate Governance Committee was one of the recommendations from our internal corporate governance review and its creation will allow the Board and our Nomination Committee to spend more time concentrating on areas they cannot delegate.

This Committee will meet three times each year and be chaired by John Peace, our Chairman. The other members will be Peter Sands, our Group Chief Executive, and Rudy Markham, our Senior Independent Director.

Internal control
Our Board is committed to managing risk and to controlling its business and financial activities in a manner which enables it to maximise profitable business opportunities, avoid or reduce risks which can cause loss or reputational damage, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

To achieve this, the Board has established a process for the identification, evaluation and management of the risks faced by Standard Chartered which operated throughout the year ended 31 December 2009 and to 3 March 2010. It should be recognised that such a process can only provide reasonable, not absolute, assurance against material misstatement or loss.

This process is reviewed regularly by the Board and meets the requirements of the guidance entitled Internal Control: Guidance for Directors on the Combined Code issued by the Institute of Chartered Accountants in England and Wales in 1999 and revised in 2005. The systems of internal control of the Group is also subject to regulatory oversight in the UK and overseas.

Exemplary Corporate Governance
When looking at the components that contribute to exemplary corporate governance we believe that it is vital for companies to have an underlying culture with behaviours and values that supports effective corporate governance. Without such an embracing culture there is a higher risk that corporate governance principles will be applied with a strict compliance mentality rather than following the spirit of the principles that underpin strong corporate governance. In this context, Standard Chartered’s open, challenging yet cohesive and collaborative culture has been instrumental in supporting our holistic approach to corporate governance. Standard Chartered has an ethos of continuous improvement which facilitates review and improvement of practices and creates an environment where constructive challenge and collaboration is expected and welcomed. It is regarded as the responsibility of all employees to be responsive and vigilant to the environment in which they operate.

John Peace
Chairman