Standard Chartered PLC

AGM Statements
As Prepared for Delivery

Chairman's 8 May 2019 AGM Statement

Good morning ladies and gentlemen, and a warm welcome to our Annual General Meeting.

Our agenda for the morning is as follows:

I will share some reflections on our progress since we last met;

Bill Winters, our Group CEO, will provide an update on our performance;

Christine Hodgson, Chair of our Remuneration Committee, will talk about our new remuneration policy;

and we will then open the floor to questions before moving to the formal part of the meeting.

When I first spoke to you two years ago, I said that I was convinced that Standard Chartered is a unique organisation with huge potential.

This opinion is now more resolute than ever. Let me tell you why.

I have seen the Group move from an organisation that was inward and backward looking, to one that is outward and forward looking.

I've seen the Group become more innovative, client-centric and resilient.

I've seen the Group find its own identity and redefine its purpose.

I also said when I first spoke to you that, in my view, four characteristics are indispensable for banks to rebuild trust – namely: competency, honesty, humility and humanity.

I believe that we are delivering across all these fronts.

Progress during 2018

You may have seen from our 2018 results that the Group continued to make good progress last year in a broadly supportive economic environment.

After three years of hard work, we delivered a second year of profitable growth.

We now have stronger foundations across all dimensions.

- income is growing at a rate greater than costs,
- credit impairment has notably reduced,
- and underlying profits have increased significantly

Our return on equity increased 110 basis points to 4.6% and return on tangible equity improved 120 basis points to 5.1%.

Given our improved performance, the Board approved a full-year dividend of 21 cents per share – nearly double that of the prior year.

However, we have yet to reach our objective of achieving double-digit returns; and getting back to adequate shareholder returns is a vital priority for the Board.

Bill set out our refreshed strategic priorities in February which include a substantial set of actions to further unlock the value of this franchise.

As we move forward in the execution of our strategy and build towards a return on tangible equity of at least 10%, the full-year dividend per share has the potential to double by 2021.
If additional capital generated over that period is not needed to fund further business growth, the Board will consider optimal ways of returning the excess to shareholders. We announced last week that we will start to buy back $1billion of shares, reflecting our confidence in executing the strategy and creating long-term shareholder value.

The Board has also decided that from this year onwards, the interim dividend will be one-third of the prior year full-year dividend per share.

Looking ahead

Looking ahead, while global growth has moderated and we face both geopolitical and trade uncertainties, the world economy is still expected to advance at a reasonable pace this year.

We are not able to shape the external environment, but we are doing everything we can to seize the opportunities presented by dynamic markets in our footprint, which continue to lead global growth.

I believe the Group can combine the very best of the old – connecting people through trade and commerce – with the very best of the new - using digital technologies to deliver a superior customer experience.

We are increasingly innovating across many fronts and becoming more agile.

Strengthening our defences

We must also continue to manage the balance between risk and return. That is, to increasingly play offence while remaining within the limits of our Risk Appetite.

The fight against financial crime remains paramount.

You may know that we have resolved previously disclosed investigations by U.S. and U.K. agencies into historical sanctions compliance and financial crime controls.

Under the terms of the resolutions the Group has paid $947m in fines to the US Agencies and £102m to the Financial Conduct Authority.

We accept full responsibility for these violations and control deficiencies. The vast majority of these predated 2012 and none occurred after 2014.

They include the actions of two former junior employees who conspired with certain customers with Iranian connections to break the law, deceive the Group and violate our policies. Such behaviour is totally unacceptable.

The resolution documents recognise that we have undergone a positive and comprehensive transformation since then. The agencies also commented favourably on our cooperation with the investigations, remediation efforts, improved culture of compliance, and leading role in public-private partnerships to fight financial crime.

As a Board, we set the tone from the top on the right culture for the Group and champion this. The Board and Management Team are laser-focused on the importance of good conduct. Honesty as well as competency are vital to ensure that we deliver on our strategic objectives.

Another domain that remains top of mind for us, as for every financial institution in the world is cyber security. We are continually expanding our capabilities, increasing our investment and enhancing our operating models to strengthen our cyber resilience.

Helping make the world more sustainable

Turning now to sustainability. If we want to live up to our brand promise “Here for good” we must help address some of the problems that stand in the way of global prosperity.

I believe we have the humility to recognise the responsibility we have to our colleagues, clients and communities. We are listening, and acting accordingly.

In 2018, we strengthened the requirements that must be met before we can undertake business with industries that have the potential for a high environmental or social impact.

Last September we announced that we would stop financing new coal-fired power plants everywhere in the world, save where there was an existing commitment. We also committed to measure, monitor and ultimately reduce the emissions related to our financing of clients.

Yesterday we launched a ‘white paper’ setting out the work we have done so far, and how we would like to collaborate to take this further. We welcome your feedback.

In 2018, we also celebrated 15 years of “Seeing is Believing”, our initiative which tackles avoidable blindness and visual impairment. Thanks to the humanity and commitment of our colleagues and support of our partners, we were able to reach our $100m fundraising target two years early and help nearly 180 million people across 37 countries.

We have now set ourselves a new challenge. “Futuremakers by Standard Chartered” is an initiative that aims to raise $50 million to provide disadvantaged young people with an opportunity to learn new skills and improve their chances of getting a job or starting a business.

Governance

Turning now to governance.

In March this year, we announced that Carlson Tong has joined our Board. Carlson has a deep understanding and knowledge of financial services and comes with over 30 years’ experience operating in Hong Kong, mainland China, and the wider Asia Pacific region.

We also announced that Dr Han Seung-soo and Om Bhatt have stepped down from the Board. I would like to thank them for their substantial contribution over the years.

Liz Lloyd, our Group Company Secretary, will also be leaving Standard Chartered shortly. I’d like to thank Liz for her dedication and support and wish her all the best for the future.

Amanda Mellor joins us from Marks and Spencer as our new Group Company Secretary and I’d like to welcome her here today.

Before I close, I would like to talk briefly about remuneration which is an important responsibility of the Board.

Many of you will be aware of recent coverage concerning our remuneration policy.

We recognise that this is a sensitive issue and I would like to reassure you that we take our responsibility very seriously and consider many factors to ensure that we reward and incentivise our directors appropriately.

The new remuneration policy was developed following extensive consultation with major shareholders, proxy advisors and other organisations that represent shareholders. While the majority of institutional shareholders expressed their support, some shareholders were not supportive of all aspects of the new policy.

I have asked Christine to talk more about this later.

Conclusion

So to conclude…

We recognise the uncertainties that surround the global economy, but the opportunities in our markets remain substantial, and the work we've done in recent years puts us in a better place to capture them. I believe that as we execute our new strategic objectives with discipline and energy, we will create sustainable value for all our stakeholders, and become the best bank we can be.

I'd like to thank the Board, Bill and the Management Team and all of our colleagues for their hard work and dedication over the past year. Above all, I would like to thank you, our shareholders, for your loyalty and ongoing support.

Thank you very much.

Now let me hand over to our Group Chief Executive Officer, Bill Winters.

Chief Executive's 2019 AGM statement

- Thanks
- Liverpool Football Club – Great comeback yesterday evening
    - Local and Global
    - Share our values: Never Settle – always do better
    - Tremendous progress, but haven't won the prize yet
- 2018 a break-out year in our transformation
    - Strong profit growth
    - Improving business mix
    - Legacy issues handled
    - Dividend doubled to 15 cents
    - Initiated share buy-back without reducing our investments
    - Strengthened our organisation in both the Board and Management Team
    - Invested in our people
- Will hit on a few of these in turn
- Q1 regained momentum after weak Q4

- Share price volatile, on back of US-China trade tensions

Now in good position to grow

2018 SUMMARY

- Underlying profits up to $3.9 billion pre-tax, up 28%
- Improving returns: RoTE up from 3.9% to 5.1%
- Strong capital– CET1 from 11.5% to 14.2% since 2015
- Allowed for doubling of dividend
- Credit quality good
- Tight cost control has enabled significant increase in investments

Huge progress; fundamentally more resilient; priority remains driving sustainable returns above 10%

Q1 RESULTS REASSURNG

- Underlying profits up to $1.4 billion pre-tax, up 10%
- RoTE improved by 1% to 9.6%
- Operating income down 2%, or up 2% CC. Strong 2018 Q1

CLIENT SEGMENTS – FY 2018

- **CIB –** resilient, income up 6%
    - PBT $2.1bn
    - Over 100 new OECD clients
- **Retail and PvB –** weak sentiment in Wealth
    - Income up 4% and 3% respectively
    - Share of income from Priority clients from 45% to 47%
    - RB PBT up 18% to $1bn
    - A number of **digital banks** and offerings launched
    - PvB income up 3%; Loss before taxation of $14m
- **Commercial –** income up 4%
    - Impacted by LI in AME but added 6,400 new clients

REGIONS – FY 2018

- **GCNA**
    - Strong, broad-based performance from all markets in the region

        - 10% rise in income; 22% in profits
- **ASA**
    - 97% rise in profits to $1bn
        - Singapore income up 9%
    - 8 out of 12 markets grew in income and OP, reflecting the actions taken
- **AME**
    - Impacted by challenging economic conditions and local currency devaluation
    - Income down 6% and PBT down 17%:
        - FX devaluation
        - Improvement in Q1 2019
- **Europe / Americas**
    - Higher origination: 4% income rise and 117% increase in PBT
    - Subsidiary in Frankfurt to prepare ourselves for Brexit

STRATEGY FROM HERE

- Moving from turnaround to transformation
- Aggressive shifts in business mix
- Fundamentally overhauled the bank over the last three years
- We will:
    - Invest differentiated businesses
        - Network
        - Wealth
    - Eliminate residual drags on our returns from markets including India, the UAE, Korea and Indonesia
    - Productivity: Client-focused
        - Efficiency
        - End-to-end Client Journeys
    - Digitisation

FINANCIAL FRAMEWORK

- Target over 10% RoTE by 2021
- Get there by growing income 5-7%
- Fund investments with ongoing expense discipline and productivity
- Actively manage Capital – dividends and capital return
- Fully intend to operate within 13 – 14% range

CONDUCT

- Jose already mentioned UK and US authorities
    - The Group **accepts full responsibility** for the violations and control deficiencies outlined in the resolution documents
    - We are pleased to have resolved these matters and to **put these historical issues behind us to a substantial degree**
    - circumstances that led to the resolutions are **completely unacceptable and not representative** of the Standard Chartered I am proud to lead today
- Resolution documents recognise that **the Group has undergone a comprehensive and positive transformation** since the conduct and control issues outlined in the resolutions occurred
    - Agencies **commented favourably on the Group's improved culture of compliance,** the Group's cooperation with the investigations, and the Group's leading role in public-private partnerships to fight financial crime

SUSTAINABILITY

- Emissions Whitepaper – intends to play a leading role in measuring direct and indirect emissions impact
- Our unique diversity used as a force for good
    - Included in **Bloomberg Gender Equality Index for** the fourth consecutive year
    - Recognised by **Equileap** last year as **a top performing UK company for gender equality**, ranking third in the UK and 26th globally
- Room to improve
    - Virtually **no gender pay gaps** in our major markets when adjusted for level and business area
    - Continue to have an **overall gender pay gap in the UK** as a result of having more senior males and more junior females
        - Committed to improving this gap
- We continue to **invest in our communities** to promote sustainable economic and social development
    - $690 million in lending to microfinance institutions
    - $2.9 billion for renewable energy and clean technology
    - 65,000 employee volunteering days

Thank you to shareholders, investors and colleagues

Chairman’s 8 May 2019 AGM Statement Continued

Thank you, Bill.

Let me now hand over briefly to Christine Hodgson, the Chair of our Remuneration Committee, to provide some more detail on our directors’ remuneration policy.

Chair of the Remuneration Committee’s 8 May 2019 AGM Statement

Good morning everyone.

As you will have seen, Resolution 4 is the new directors’ remuneration policy.

The Remuneration Committee carefully considered the entirety of our executive compensation arrangements and is proposing a new policy which is a refinement of our current policy. The current policy received strong shareholder support when it was introduced, and during its implementation.

I will cover the changes that we are proposing today, but first let me set the context.

Our objective is to ensure that the people employed by Standard Chartered around the world are paid fairly and competitively. To execute our strategy and create long term shareholder value we need to attract and retain world class talent.

In 2018 we made good progress delivering on this objective and embedding the Fair Pay Charter. This included developing living wage benchmarks in our 60 markets and increasing the market competitiveness of pay.

In reviewing the directors’ remuneration policy, we had three core objectives:

- To simplify arrangements and increase transparency
- To increase alignment with shareholder interests
- And to reinforce long-term focus on strategic priorities.

As Jose said earlier, we developed the policy following comprehensive consultation with shareholders. Our final proposals took into account the valuable feedback that we received. Whilst the majority of our shareholders supported the policy during the consultation process, we are aware that some are not supportive of all aspects of the new policy.

In addition to the views of shareholders, we took into account our refreshed strategic priorities, the regulations on pay in the banking industry, market benchmarking and best practice. The changes we are proposing are consistent with the UK Corporate Governance Code. As an international organisation we naturally have to consider the global market in which we are competing.

I will now explain some of the changes that we have made to the policy.

We are combining cash salary and fixed pay allowances to form total salary. The reason for doing this is to be more transparent about what we are actually paying in salary, and to simplify the pay arrangements. Total salary is the pay that is based on the role, skills and experience and it is set in the same way for all employees.

To maintain long-term shareholder alignment, a portion of total salary will continue to be delivered in shares, released over a five-year period.

We considered carefully the pension contribution for Bill and Andy. Both the Investment Association and the UK Corporate Governance Code recognise that companies cannot simply change contractual entitlements, and it was the unanimous view of the Remuneration Committee that we should honour our contractual commitment to keep their fixed pay at the same level. This means setting pension at 20% of total salary given the relabelling of fixed pay.

The contribution for any new director will be the same as for all employees in the UK, which is 10% of total salary.

On variable pay, we believe the policy achieves a fair balance between the short-term and the long-term, and continues to reinforce focus on strategic priorities.

To earn long-term incentive awards, stretching three-year performance targets must be achieved, and if the targets are achieved, the awards will be deferred in shares for a further five years with additional holding periods and claw back applying beyond that.

In the new policy we have significantly increased shareholding requirements and have introduced a post-employment shareholding requirement. The CEO now has to hold shares amounting to 250% of total salary and the CFO 200%. This is in line with best practice. This shareholding must remain in place for the first year after employment ends, and half of the requirement must be held for the second year. The intention here is to support alignment with long-term shareholder interests.

After taking several rounds of feedback from shareholders and consolidating many views, we have proposed a policy that we feel is responsible, and is in the long-term interests of the company.

We will continue to engage with shareholders on an ongoing basis as we implement the new policy, listening to their views, and more will be done to understand and address the concerns raised by some shareholders.

Thank you – I will now hand back to Jose.