## **Group Chairman's letter**



"We remain committed to ensuring we work effectively as a Board in providing robust oversight to support the Group's ambitions"

Dear Shareholder,

As I mentioned earlier in this report, 2019 has been a year of progress against our strategic and financial objectives, as we continue to unlock our potential and focus on driving profitable and sustainable growth. We have also taken measures to improve our resilience to shocks, an area which the Board Risk Committee has particularly focused on this year. We have made good progress on the environmental and broader sustainability agenda, overseen by the Brand, Values and Conduct Committee, where we have strengthened our sustainable finance position for clients, announced our withdrawal from all new coal-fired power stations and launched new sustainable finance products.

Ensuring excellent governance underpins everything we do and is critical in retaining the trust of our shareholders and wider stakeholders. The resolution of legacy sanctions compliance and financial crime controls investigations in the US and UK was overseen by the Board Financial Crime Risk Committee. More details of its work can be found on pages 105 to 107 of this report.

As a Board we engaged extensively with our stakeholders throughout the year to understand better their views, as well as the opportunities, challenges and the Group's impact across our diverse markets. Following the response to our Remuneration Policy at last year's Annual General Meeting (AGM), members of the Remuneration Committee and I met with many of our shareholders to understand their views. This resulted in the outcomes announced in November which are detailed, along with the extensive engagement undertaken by the Committee, in the Directors' Remuneration Report on pages 108 to 137.

The Board also met with a combination of clients, employees, regulators and investors as part of meetings held across our footprint this year, in Frankfurt, Shanghai and Singapore. Details of our engagement with stakeholders can be found on pages 80 to 82 including how the Board has engaged with employees, as part of the new workforce engagement provisions within the UK Corporate Governance Code. In addition, we have provided some examples in our Section 172 disclosure on pages 43 to 49 regarding how the Board has given consideration to our stakeholders' diverse interests as part of its discussions and decision-making.

This year, we paid significant attention to enhancing the effectiveness of the Board and its committees. An externally facilitated Board effectiveness review was commissioned, conducted by Ffion Hague of Independent Board Evaluation (IBE) and undertaken in line with the requirements of the UK Corporate Governance Code. The review assessed the Board's progress since the last external review in 2017 and provided an opportunity to take a step back, and reflect on the Board's overall effectiveness. The review concluded that the Board continues to operate effectively while also signalling several areas for improvement. Separately, but in parallel, the Prudential Regulation Authority (PRA) undertook their own Board effectiveness review. More details on the process and the key issues and outcomes of both reviews can be found on page 84 and in the committee sections of this report.

Sharing information and maintaining escalation channels with the chairs and independent non-executive directors (INEDs) across our subsidiaries has continued to strengthen in recent years through a number of mechanisms, including annual conference calls, meetings with INEDs as part of market visits and the introduction of the global subsidiary governance conference in 2017. Reflecting feedback from the last conference, the Board hosted its second global subsidiary governance conference while in Singapore in November. This two-day event brought together the Board, the Management Team and chairs and INEDs representing the Group's banking subsidiaries from over 25 countries across our markets, and provided the opportunity for those present to deliberate and discuss key elements of the Group strategy and further cement intra-Group cohesion. More details on the conference, including an insight into some of the topics discussed can be found on page 82, along with details of some of the work underway to drive improved linkages through the regional hub structure. Ensuring strong linkages will be particularly important with the change of the Group's Auditor to EY this year. The Audit Committee have overseen the smooth transition from KPMG to EY and further details on the committee's activities and judgements are provided on pages 86 to 91.

As Chairman I am responsible for ensuring that the Board is, and remains, an effective decision making body able to challenge and support the executive, now and into the future. Ensuring robust succession planning, identifying high-quality and diverse Board candidates, with the right skills and experience for the medium to longer term continues to be a key priority for the Governance and Nomination Committee.

In June 2019, we welcomed David Tang to the Board. In addition to his knowledge of China, his experience and understanding of emerging technologies, in the context of some of our key markets and strategic ambitions, has added significant value to our discussions as we continue to innovate and drive our digital capabilities. The Governance and Nomination Committee also played a central role in considering the corporate governance arrangements resulting from the establishment of the Hong Kong regional hub, as well as overseeing the composition of the dual-board structure with Standard Chartered Bank. More details on the work of the Governance and Nomination Committee can be found on page 101 to 104.

Our Board action plan sets out a number of key areas for us for the year ahead. We remain committed to ensuring we work effectively as a Board in providing robust oversight to support the Group's ambitions.



José Viñals Group Chairman

### **Board of Directors**

Committee key

- Committee Chair shown in green Audit Committee
- Board Risk Committee
- Brand, Values and Conduct Committee
- R Governance and Nomination Committee
   Board Financial Crime Risk Committee
- Remuneration Committee

José Viñals (65) Group Chairman



Appointed: October 2016 and Group Chairman in December 2016. José was appointed to the Court of Standard Chartered Bank in April 2019.

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 Central Bank of Spain, 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 and stepped down in September 2016 to join Standard Chartered PLC. While at the IMF,

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 and financial sector work. He was the IMF's chief spokesman on financial matters, including global financial stability.

During his tenure at the IMF, José was a member of the Plenary and Steering Committee of the Financial Stability Board, playing a key role in the reform of international financial regulation.

Committees: N



Bill Winters, CBE (58) Group Chief Executive



Appointed: June 2015. Bill was appointed to the Court of Standard Chartered Bank in 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 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 adviser 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

External appointments: Bill is an independent non-executive director of Novartis International AG.



Bill Winters leads the Management Team

Andy Halford (60) Group Chief Financial Officer



Appointed: July 2014. Andy was appointed to the Court of Standard Chartered Bank in 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 U.S. He was a member of the board of representatives 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 responsible for Finance, Corporate Treasury, Strategy, Group Corporate Development, Group Investor

Relations, Property and Supply Chain Management functions.

External appointments: Andy is Senior Independent Director and Chair of the Audit Committee at Marks and Spencer Group plc. He is also a trustee of the Standard Chartered Foundation.

Andy Halford also sits on the Management Team

Naguib Kheraj (55) Deputy Chairman



**Appointed:** January 2014 and Deputy Chairman in December 2016. Naguib was appointed to the Court of Standard Chartered Bank in

**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 served as chief executive officer of JP Morgan Cazenove and served for 12 years on the investment committee of Wellcome Trust.

Naguib is a former non-executive director of NHS England and served as a senior adviser to Her Majesty's Revenue and Customs and to the Financial Services Authority in the UK.

External appointments: Naguib is Chairman of Rothesay Life, a specialist pensions insurer, and a member of the Finance Committee of the Oxford University Press. Naguib spends a substantial amount of his time as a senior adviser to the Aga Khan Development Network and serves on the boards of various entities within its network.

Committees: A Ri R N C

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Christine Hodgson, CBE (55) Senior Independent Director



David Conner (71)
Independent Non-Executive



**Jasmine Whitbread (56)**Independent Non-Executive Director



Gay Huey Evans, OBE (65) Independent Non-Executive



Louis Cheung (56)
Independent Non-Executive



**Appointed:** September 2013 and Senior Independent Director in February 2018. Christine was appointed to the Court of Standard Chartered Bank in April 2019.

**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,

**Appointed:** January 2016. David was appointed to the Court of Standard Chartered Bank in April 2019.

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

**Appointed:** April 2015. Jasmine was appointed to the Court of Standard Chartered Bank in April 2019.

**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.

**Appointed:** April 2015. Gay was appointed to the Court of Standard Chartered Bank in April 2019.

**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

**Appointed:** January 2013. Louis was appointed to the Court of Standard Chartered Bank in April 2019

**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

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 and was a non-executive director of Ladbrokes Coral Group plc.

External appointments: Christine is an independent non-executive director and chair designate of Severn Trent Plc. She will step down as chair of Capgemini UK plc in

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

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, a position she held until she

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

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 Boyu Capital Advisory Co, a China-focused private equity investment firm and an independent non-executive director

March 2020 and become chair of Severn Trent Plc in April 2020. Christine also sits on the board of The Prince of Wales' Business in the Community and is chair of The Careers & Enterprise Company Ltd, a government-backed company established to help inspire and prepare young people for the world of work. She received a CBE for services to education in the Queen's New Year Honours 2020.

Committees: R A V N C

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: (a) (a) (v) (c) David is also a member of the Combined US Operations Risk Committee of Standard Chartered Bank.

stepped down in 2015. Jasmine stepped down as a non-executive director from the Board of BT Group plc in December 2019.

**External appointments:** Jasmine is chief executive of London First, a business campaigning group with a mission to make London the best city in the world to do business and a non-executive director of WPP Plc.

Committees: V R N

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 chair of the London Metal Exchange, a non-executive director of ConocoPhillips and Bank Itau BBA International plc, and a non-executive member of the HM Treasury board. Gay also sits on the panel of senior advisers at Chatham House.

Committees: 

® ®

of Fubon Financial Holding Company. He is also a Fellow of the Hong Kong Management Association and a Director of The Friends of Cambridge University in Hong Kong.

Committees: (R)

Byron Grote (71) Independent Non-Executive Director



Ngozi Okonjo-Iweala (65) Independent Non-Executive Director



Appointed: November 2017. Ngozi was appointed to the Court of Standard Chartered Bank in

Appointed: July 2014. Byron was

appointed to the Court of Standard

**Experience:** Byron has broad and

Career: From 1988 to 2000, Byron

worked across BP in a variety of

executive roles. He was appointed

as chief executive of BP Chemicals

2000 and had regional group-level

and a managing director of BP plc in

commercial, operational and

deep commercial, financial and

international experience.

Chartered Bank in April 2019.

Experience: Ngozi has significant geopolitical, economic, risk and development experience, and expertise at a governmental and intergovernmental level.

Career: A development economist, Ngozi spent 25 years working at the World Bank in various positions. After leaving in 2003, she served as the Finance Minister of Nigeria from 2003 to 2006. She returned to the World Bank in 2007, serving as a Managing Director until 2011, when she was appointed to the role of Minister of

**Appointed:** June 2019. David was also appointed to the Court of Standard Chartered Bank in June 2019.

**Experience:** David has deep understanding and experience of emerging technologies in the context of some of our key markets, most notably mainland China.

Career: David has more than 30 years of international and Chinese operational experience in the technology and venture capital industries, covering venture investments, sales, marketing, business development, research &

Appointed: February 2019. Carlson was appointed to the Court of Standard Chartered Bank in April 2019.

Experience: Carlson has a deep understanding and knowledge of operating in mainland China and Hong Kong and has significant experience of the financial services sector in those markets.

Career: Carlson joined KPMG UK in 1979, becoming an Audit Partner of the Hong Kong firm in 1989. He was elected chairman of KPMG China and Hong Kong in 2007, before

Appointed: May 2019.

Prior to joining Standard Chartered, Amanda had been Group Secretary since 2009, where she was also an executive member of the Operating was head of investor relations at

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 before stepping down in 2015.

**External appointments:** Byron is Senior Independent Director at Anglo American plc, a non-executive director and chair of the audit committee at 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: A R

Finance and Coordinating Minister of Economy in the Nigerian government, a position she held until 2015. During her time in government, she spearheaded Nigeria's successful programme to obtain debt relief and is credited with developing reforms that helped improve governmental transparency to stabilise and grow the Nigerian economy.

External appointments: Ngozi is an independent director of Twitter. Inc. Chair of GAVI, the Global Alliance for Vaccines and Immunisations and co-chair of Lumos Global, an off-grid solar provider. She also holds a number of prestigious international advisory positions, including the Asian Infrastructure Investment

development and manufacturing. From 1989 to 2004, David held a number of senior positions in Apple, Digital Equipment Corp and 3Com based in China and across the Asia Pacific region. From 2004 to 2010, David held various positions in Nokia, including corporate senior vice president, chairman of Nokia Telecommunications Ltd and vice chairman of Nokia (China) Investment Co. Ltd. He went on to become senior vice president, regional president of Advanced Micro Devices (AMD), Greater China, before joining NGP (Nokia Growth

becoming Asia Pacific chairman and a member of the global board and global executive team in 2009. He spent over 30 years at KPMG and was actively involved in the work of the securities and futures markets, serving as a member of the Main Board and Growth Enterprise Market Listing Committee of the Stock Exchange of Hong Kong from 2002 to 2006 (chair from 2004 to 2006). After retiring from KPMG in 2011, he was appointed a non-executive director of the Securities and Futures Commission, becoming its chair in 2012 until he stepped down in

M&S, having been director of corporate relations at Arcadia Group plc. Prior to working in investor relations, Amanda worked in investment banking at James Capel and Robert Fleming.

Amanda is a non-executive director of Volution Group plc. She is a visiting professor of the Inter-Disciplinary

Bank and holds advisory panel and chair positions at a range of global institutions, including charitable foundations, non-governmental organisations and inter-governmental organisations. Ngozi chairs the African Risk Capacity, a weatherbased insurance organisation of the African Union and is co-chair of the Global Commission on Economy and Climate. She is a member of the G20 Eminent Persons Group, reviewing Global Financial Governance, an ambassador of the Open Government Partnership and is a trustee of the Carnegie Endowment for International Peace.

Committees: (V)

Partners) as managing director and partner in 2013.

External appointments: David is managing director and partner of NGP in Beijing, managing investments in a range of technology start-up and emerging technology companies. David is also a non-executive director of YY Inc, the Chinese live streaming social media platform, listed on the Nasdaq, and Kingsoft Corporation, a leading Chinese software and internet services company, listed on the Hong Kong Stock Exchange.

Committees: V

October 2018. He oversaw a number of major policy initiatives during his term as the chair including the introduction of the Hong Kong and Shanghai/Shenzhen Stock connect schemes and the mutual recognition of funds between the mainland and Hong Kong.

External appointments: Carlson sits on various Hong Kong SAR government bodies, including as a non-executive director of the Airport Authority of Hong Kong and chair of the University Grants Committee.

Committees: (A) (Ri) (C)

Ethics Applied Centre at Leeds University. Amanda is a Fellow of the Institute of Chartered Secretaries.

David Tang (65) Independent Non-Executive Director



Carlson Tong (65) Independent Non-Executive Director



Amanda Mellor (55) Group Company Secretary



and head of corporate governance at Marks and Spencer Group plc Committee. From 2004-2009, she

## **Management Team**



Tracy Clarke (53)
Regional CEO, Europe & Americas



Simon Cooper (52) CEO, Corporate, Commercial &



Benjamin Hung (55) Regional CEO, Greater China & North Asia and CEO Retail Banking and Wealth Management



**Bill Winters, CBE (58)** Group Chief Executive

**Appointed:** Tracy was appointed CEO, Europe and Americas in October 2015, and assumed her additional role of CEO Private Bank in March 2018. Tracy is a member of the Court of Standard Chartered Bank.

**Career:** Tracy joined Standard Chartered in 1985 and has held a number of roles in Retail, Commercial and Corporate Banking, in addition to

**Appointed:** Simon joined the Group as CEO, Corporate & Institutional Banking in April 2016 and assumed the additional responsibility for Commercial Banking in March 2018.

**Career:** Simon was previously group managing director and chief executive of Global Commercial Banking at HSBC. He has extensive experience across our markets and

Appointed: Ben was appointed Regional CEO, Greater China & North Asia, on 1 October 2015, and CEO, Retail Banking on 30 November 2017. He assumed his additional role as CEO Wealth Management in March 2018.

**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,

Group functions, both in the UK and in Hong Kong. From 2013 to 2015, Tracy led a broad portfolio, including Legal and Compliance, Human Resources, Corporate Affairs and Brand and Marketing. In her role as CEO Europe and Americas, she is responsible for the Corporate & Institutional Banking, Private and Retail Banking businesses in the US, Latin America, UK, Jersey, Germany, France, Nordics and Turkey.

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 has significant experience in the areas of corporate finance, corporate banking and transaction banking.

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 currently sits on the board of the Hong Kong Exchanges and Clearing

Andy Halford (60) Group Chief Financial Officer

Tracy was previously an independent non-executive director of Sky plc and stepped down as an independent non-executive director of Inmarsat plc in December 2019.

**External appointments:** Tracy sits on the board of England Netball and is also a director of TheCityUK.

**External appointments:** Simon is a member of the advisory board of the Lee Kong Chian School of Business and a trustee of the Standard Chartered Foundation.

Ltd. He is a member of the Hong Kong Chief Executive's Council of Advisers on Innovation and Strategic Development. He also sits on the Exchange Fund Advisory Committee, the General Committee of the Hong Kong General Chamber of Commerce, and the HKUST Business School Advisory Council.

Judy Hsu (56) Regional CEO, ASEAN & South Asia



**Sunil Kaushal (54)** Regional CEO, Africa & Middle East



**David Fein (59)**Group General Counsel



**Dr Michael Gorriz (60)**Group Chief Information Officer



**Appointed:** Judy was appointed Regional CEO, ASEAN & South Asia on 1 June 2018.

Career: Judy was the country CEO for Standard Chartered Singapore from 2015 to 2018. She joined Standard Chartered in December 2009 as the Global Head of Wealth Management and led the strategic advancement of the Bank's wealth management business. Prior to this, Judy spent 18 years at Citibank. where she held various leadership

**Appointed:** Sunil was appointed Regional CEO, Africa & Middle East on 1 October 2015.

Career: Sunil has over 30 years of banking experience in diverse markets and has been with Standard Chartered for over 21 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

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.

**Appointed:** Michael joined Standard Chartered as Group Chief Information Officer in July 2015.

Career: An industry award winner, Michael joined from Daimler AG, where he was vice president and CIO with responsibility for the smooth operation of all Daimler systems and the management of IT projects globally. He held various CIO roles roles in its Consumer Banking business in Asia. Her last role at Citibank was Regional Head of Retail Bank for Asia Pacific and Country Head for International Personal Banking, Singapore.

**External appointments:** Judy is a member of the Institute of Banking and Finance Council and sits on the Statutory Board of Workforce Singapore and the Board of Urban Redevelopment Authority, Singapore.

of Originations and Client Coverage in Singapore, Global Head Small and Medium Enterprises and New Ventures in Singapore and Chief Executive Officer of Standard Chartered Bank (Taiwan) Ltd. Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

External appointments: None.

Career: David has held various senior roles in the US Government, including as US Attorney for the District of Connecticut and as Associate Counsel to the President. He as extensive experience fighting financial crime and a track record of forming and supporting public-private partnerships.

within the Daimler group, and spent many years working across Standard Chartered's footprint.

External appointments: None.

External appointments: David is Vice Chair of the United for Wildlife Financial Taskforce, a trustee of the Standard Chartered Foundation and a member of the board of directors of Guiding Eyes for the Blind.

## Management Team continued

Tanuj Kapilashrami (42) Group Head, HR



Appointed: Tanuj joined the Management Team as Group Head, HR in November 2018. She joined the Bank in March 2017 as Group Head, Talent, Learning and Culture, and took on additional responsibility as Global Head HR, Corporate, Commercial and Institutional Banking in May 2018.

Career: Prior to joining the Group, Tanui built her career at HSBC. She has worked across multiple HR disciplines in many of our footprint markets (Hong Kong, Singapore, Dubai, India and London).

External appointments: Tanuj is a member of the Asia House board of trustees, of which Standard Chartered is a founding stakeholder. Asia House is a London-based centre of expertise on trade, investment and public policy whose mission it is to drive political, economic and commercial engagement between Asia and Europe.

Tracey McDermott, CBE (50) Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance



Appointed: Tracey joined as Group Head, Corporate, Public and Regulatory Affairs in March 2017. She has subsequently expanded her portfolio to take on Brand & Marketing and Conduct, Financial Crime and Compliance.

Career: Prior to joining Standard Chartered, Tracey served as Acting Chief Executive of the Financial Conduct Authority (FCA) from September 2015 to June 2016. She joined the then Financial Services Authority (FSA) in 2001,

where she held a number of senior roles, including: Director of Supervision and Authorisations, and Director of Enforcement and Financial Crime. Tracey also served as a Board Member of the FSA from April 2013, as a member of the Financial Policy Committee of the Bank of England, and as non-executive director of the Prudential Regulation Authority (PRA) from September 2015 to June 2016. Prior to joining the FCA, Tracey worked as a lawyer in private practice, having spent time in law

firms in the UK, USA and Brussels.

a member of the International Regulatory Strategy Group (IRSG) Council; an Honorary Professor at the Centre for Commercial Law Studies, Queen Mary University of London; and a trustee of the Standard Chartered Foundation.

In 2016, Tracey received a CBE for

**External appointments:** Tracey

is a board member of UK Finance;

her services to financial service

consumers and markets.

Appointed: Mark was appointed Group Chief Risk Officer in January 2016. Mark is responsible for managing Credit, Market and Operational Risk across the Group, and ensuring the broader risk framework is effective. Mark is a member of the Court of Standard Chartered Bank.

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 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. He has worked in London and Hong Kong.

External appointments: Mark was appointed chair of the International Financial Risk Institute in January 2020.

Group Chief Risk Officer

Mark Smith (58)



Appointed: David joined Standard Chartered as Group Chief Operating Officer in September 2018.



and technology.' He is a highly experienced executive with a track record of delivering cultural transformation in Australia and overseas. Prior to joining the CBA Group in 2013, David was Vice President of Enterprise Systems at BP in the UK. He is a former Accenture technology and operations partner with extensive transformation experience.

External appointments: David is an independent director of Silicon Quantum Computing Ltd.



**David Whiteing (51)** 

## **Corporate governance**

## Composition of the Board and independence of Directors

The Chairman is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of directors. The Board comprises a majority of independent non-executive directors; the biographies for each director can be found on pages 69 to 71. Details of the Governance and Nomination Committee's work on Board composition is set out on pages 101 to 104. In determining the independence of a non-executive director, 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 demonstrate objective judgement and independent thinking.

The Board considers all of the non-executive directors to be independent of Standard Chartered, and has concluded that there are no relationships or circumstances likely to impair any individual non-executive director's judgement.

Two of the more long-standing Board members stepped down on 23 February 2019. Dr Han Seung-soo retired from the

Board having served as an independent non-executive director for nine years and Om Bhatt after serving on the Board for six years.

Two new independent non-executive directors, Carlson Tong and David Tang, both with significant experience of operating across the Greater China, North Asia region, were appointed to the Board on 21 February 2019 and 12 June 2019 respectively. As is good practice, directors stand for (re)election by shareholders at the Group's Annual General Meetings (AGM) with the support of the Board.

### **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 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 financial control and non-financial crime issues.

## > Read more on page 86

#### **Board Risk Committee**

Oversight and review of principal risks, including credit, country, traded, capital and liquidity, operational, reputational, compliance, conduct, information and cyber security, financial crime and model risks.

## > Read more on page 92

### **Brand, Values and Conduct Committee**

Oversight of the Group's brand, culture, valued behaviours, conduct, government and regulatory relations, sustainability priorities and processes for managing reputational risk and workforce engagement.

## > Read more on page 98

### **Governance and Nomination Committee**

Oversight and review of the Board and executive succession, overall Board effectiveness and corporate governance issues.

## Read more on page 101

### **Board Financial Crime Risk Committee**

Oversight and review of all financial crime compliance matters.

## Read more on page 105

### Remuneration Committee

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



### **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 72 to 74.



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

## Board decisions, responsibilities and delegation of 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 effective independent oversight and stewardship. Details of the significant topics discussed and considered by the committees in 2019 can be found in this report. 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.

A clear schedule of matters reserved for the Board and terms of reference for each of its committees are in place to provide clarity over where responsibility for decisionmaking lies. These are reviewed annually against industry best practice and corporate governance provisions and guidance, including the Prudential Regulation Authority's (PRA) Supervisory Statement on Board Responsibilities.

With the exception of the Governance and Nomination Committee (where the Group Chairman is its Chair) and the Board Financial Crime Risk Committee (where two external advisers are members) all of the Board committees are comprised of independent non-executive directors who bring a diversity of skills, experience and knowledge to the discussion, and play an important role in supporting the Board.

### Board composition, roles and attendance in 2019

		Attendance				
	AGM	Scheduled	Ad hoc	Responsibilities		
<b>Group Chairman</b> J Viñals	✓	8/8	1/1	Responsible for leading the Board, the development of the Group's culture and ensuring the Board's effectiveness in all aspects of its role. Promotes high standards of integrity and governance across the Group, and ensures effective communication between the Board, management, shareholders and wider stakeholders.		
<b>Deputy Chairman</b> N Kheraj	✓	8/8	1/1	Provides support and guidance to the Chairman as required and, in coordination with the Chairman, acts as an ambassador for the Board and Group in its relationships with governments, regulators, employees, and clients. Deputises for the Chairman at Board, general shareholder, or other meetings when the Chairman is unable to attend.		
Senior Independent Director* C M Hodgson, CBE	✓	8/8	1/1	Provides a sounding board for the Chairman and discusses concerns that are unable to be resolved through the normal channels or where such contact would be inappropriate with shareholders and other stakeholders. Chairs the Governanc and Nomination Committee when considering succession of the Chairman.		
Executive directors						
Group Chief Executive WT Winters, CBE	<b>√</b>	8/8	1/1	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.		
<b>Group Chief Financial Officer</b> A N Halford	<b>✓</b>	8/8	1/1	Responsible for Finance, Corporate Treasury, Strategy, Group Corporate Development, Group Investor Relations, Property and Supply Chain Management functions.		
Independent non-executive directors						
L Cheung	1	8/8	1/1			
D P Conner	1	8/8	1/1			
B E Grote	1	8/8	1/1			
G Huey Evans, OBE	1	8/8	1/1			
N Okonjo-lweala	<b>✓</b>	8/8	1/1			
D Tang (appointed to the Board on 12 June 2019)	<b>√</b>	4/4	n/a	Provides an independent perspective, constructive challenge and monitors the performance and delivery of the strategy within the risk appetite and controls set by the Board.		
C Tong (appointed to the Board on 21 February 2019)	/	8/8	1/1			
J M Whitbread	1	8/8	1/1			
O P Bhatt1 (stepped down from the Board on 23 February 2019)	n/a	0/1	n/a			
Dr Han Seung-soo, KBE (stepped down from the Board on 23 February 2019)	n/a	1/1	n/a			

<sup>\*</sup> As Senior Independent Director, Christine Hodgson is available to shareholders if they have concerns for which the normal channels would be inappropriate. She may be contacted via the Group Company Secretary at 1 Basinghall Avenue, London EC2V 5DD

In 2019, the Group held one general meeting, our Annual General Meeting, on 8 May, which was attended by all of the directors. All directors were proposed for annual (re)election and all were successfully (re)elected.

<sup>1</sup> Om Bhatt was unable to attend the Board meeting held on 22 February 2019 due to other business commitments

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

### Our Board meetings - operations and focus

To enable the Board to use its time most effectively and efficiently, supported by the Group Company Secretary, it maintains a scheduled 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 advisers.

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 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, employees and relevant stakeholders, and regulatory and external developments at each meeting, and present comparative data and client insight. In addition, the Group Chief Risk Officer periodically attends meetings to update the Board on key risks.

Sir lain Lobban, who is engaged by the Board to act as an independent adviser to the Board and its committees on cyber security and cyber threat management, attended a number of Board and committee meetings to provide an independent and current view on the Group's progress in this area. The Board continues to find Sir lain's input challenging and practical. In 2019, Sir lain Lobban's appointment was renewed for a further 12-month term.

### **Code compliance**

The UK Corporate Governance Code 2018 (the Code) and the Hong Kong Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules (the HK Code) are the standards against which we measured ourselves in 2019.

The directors are pleased to confirm that Standard Chartered PLC (the Company) complied with all of the provisions set out in the Code and the HK Code for the year under review.

Throughout this corporate governance report, we have provided insight into how governance operates within the Group and how we have applied the principles set out in the Code and the HK 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.

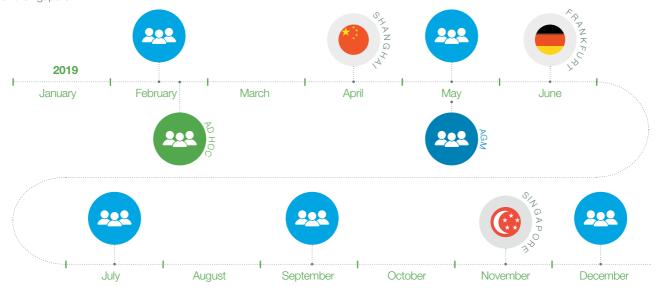


Copies of the Code and the Hong Kong Corporate Governance Code can be found at frc.org.uk and hkex.com.hk respectively

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 138 to 144

### **Board activities during 2019**

In 2019, the Board held eight scheduled meetings and one ad hoc meeting, three of which were held outside the UK in Shanghai, Frankfurt and Singapore.



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### Areas of Board discussion during 2019

Details of some of the Board's key areas of focus through 2019 are set out below. Some of these items were considered at each meeting and others reviewed periodically throughout the year. The directors are mindful of their statutory duties and obligations as directors and receive training on their responsibilities as part of their induction and on an annual basis.

The Board spends a significant amount of time engaging with its relevant stakeholders, including: employees; clients; investors; regulators; governments; and nongovernmental organisations, to better understand their views and perspectives. The directors recognise the benefit in having open dialogue with its stakeholders and the need to foster these stakeholder relationships. During the year, the Board's discussions considered the impact on relevant stakeholders; some examples of how the Board considered their interests and the matters set out in section 172 of the Companies Act 2006, can be found in the Section 172 disclosure on page 43.

The Board will continue to enhance the mechanism for ensuring that the Group's stakeholders are given due regard and consideration as part of the Board's decision making.

### **Group strategy**

- → Reviewed and approved the five-year corporate plan, as a basis for preparation of the 2020 budget, receiving confirmation from the Group Chief Risk Officer that the plan is aligned to the Enterprise Risk Management Framework and the Group Risk Appetite Statement
- → Received regular corporate development updates
- → Received an update on the Greater China and North Asia region, including an update on its performance and priorities and the China strategy
- → Received an update on the progress of the Operations strategy, including the focus on the client-led operations transformation
- → Received an update on progress against the Group's Retail Banking strategy
- → Received an update on the Corporate & Institutional Banking and Commercial Banking businesses, including progress against the strategic priorities, revenue, risk and control structure
- → Received an update on the priorities and progress against the strategy and Corporate Plan in Europe and Americas, including a focus on the strategic opportunities and initiatives in Continental Europe
- → Monitored the progress made in executing the refreshed strategic priorities and financial commitments

- → Discussed progress of the costs and investment initiatives and programmes
- → Reviewed and scrutinised the strategic and operational performance of the business across client segments, product groups and regions, which included details of their priorities, progress and opportunities
- → Received an update on the Group's three-year Information and Cyber Security strategy
- → Approved the sale of the Group's stake in an Indonesian Bank
- → Received an update on progress in executing the strategy in the Africa & Middle East region, including key developments and strategic priorities
- → Monitored the progress executing the Group's Technology strategy
- → Reviewed potential scenarios and the Group's strategic considerations in light of the US-China trade tensions
- → Received an update on the ASEAN and South Asia region, including a focus on the Singapore strategy
- → Received the refreshed strategic priorities for the Private Bank
- → Discussed and approved the proposed end-state regional hub entity structure and revised governance arrangements
- → Monitored and assessed the strength of the Group's capital and liquidity positions

### Risk management

- → Received regular risk reports from the Group Chief Risk Officer
- → Approved material changes to the Enterprise Risk Management Framework arising from the 2019 review
- → Received an Information and Cyber Security risk and delivery status update
- → Considered Management's response to the FCA's 2019 Firm Evaluation Letter
- → Assessed the findings of the 2018 Bank of England Intelligence-led stress testing and the Hong Kong Monetary Authority's Intelligence-led Cyber Attack Security Testing reports
- → Received an update on the Group's Information and Cyber Security risk profile and a progress update on the transformation and remediation programme
- → Approved the renewal of the Group's insurance policies for 2019/20
- → Engaged with the PRA on the findings of the 2018 Periodic Summary Meeting Letter
- → Approved the risk appetite validation of the 2020 Corporate Plan

### **Budget and performance oversight**

- → Approved the Group's 2020 budget
- → Monitored the Group's financial performance
- → Approved the full year and half year results, and considered the key internal and external factors in determining payment of a final and interim dividend
- → Approved a formulaic interim dividend policy
- → Discussed the Group's excess capital return strategy
- → Approved the launch of a \$1 billion share buy-back programme
- → Approved the re-capitalisation of certain entities within the Principal Finance business
- → Received bi-annual updates on the Group's investment portfolio for 2019
- → Monitored the Group's Competitor and Market position and performance for the full year 2018
- → Noted management's presentations to the Bank of England in respect of the 2019 Cyclical Scenario stress test submission
- → Approved changes to the basis of the Group's internal and external financial reporting from 2021

### People, culture and values

- → Approved the Group's 2018 Modern Slavery Statement
- → Discussed the findings from the Group's global employee engagement MyVoice survey
- → Received an update on Management Team succession planning and an overview of the refreshed People Strategy
- → Approved the share plan and principles for use within SC Ventures
- Received an update on productivity tracking, recent productivity performance and the strategic roadmap for improving productivity
- → Received a report updating on the Group's Speaking Up Programme
- → Discussed progress in delivering the Group's Sustainability Strategy

### **External environment**

- → Received an update on the macroeconomic headwinds and tailwinds in the global economy, including an assessment of their impact on the key drivers of the Group's financial performance
- → Received an update on how the Group was responding to climate change and the physical and transition risks it presented across the Group's footprint
- Received internal and external briefings, training and input across a range of topics, including:
  - Discussion of the observations from the externally conducted Investor Perception Study
  - Discussion with the Chair of the Group's International Advisory Council
  - Discussion of the key risks relating to the US-China trade tensions, Hong Kong social unrest and Brexit
  - Managing Risk from Climate Change training

### Areas of Board discussion during 2019 continued

### Governance

- → Approved the appointments of Carlson Tong and David Tang on recommendation from the Governance and Nomination Committee
- → Received reports at each of the meetings from the Board Committee Chairs on each of their key areas of focus
- → Reviewed and approved the Board Diversity Policy
- Approved the re-appointment of Sir lain Lobban as an independent external adviser on cyber security and cyber threat management
- → Approved the appointment of a new Group Company Secretary
- → Approved changes to the Group Delegated Authorities Manual to support changes to the Group structure
- → Noted the observations and themes arising from the 2018 Board and Committee effectiveness review and approved the Board's 2019 Action Plan
- → Received an update on themes arising from its engagement with the workforce
- → Commissioned an external Board effectiveness review (further details can be found on page 84)
- → Held its second global subsidiary governance conference

### Shareholder and stakeholder engagement

- → Approved the resolution of legacy sanctions compliance and financial crime controls investigations in the US and the UK
- → Engaged with investors, held meetings with brokers, discussed the views of institutional shareholders and responded to retail shareholders' questions at the 2019 Annual General Meeting
- → Engaged extensively with stakeholders, including clients, investors, regulators and employees following the 2019 AGM vote on the Remuneration Policy
- → Commissioned an Independent Shareholder Perception Survey
- → Received an overview of the Group's three-year plan for developing the brand and the corporate narrative
- Participation by Board members in community engagement activities and projects
- → Received bi-annual updates from Investor Relations, including share price and valuation analysis, market engagement and ownership analysis, and sell side sentiment

- → Received an update on the Group's new global community initiative, Futuremakers by Standard Chartered, including the establishment of the Standard Chartered Foundation
- → Approved certain actions with respect to the Group's Indian Depository Receipt programme
- → Endorsed the statement setting out the views received from shareholders and actions taken in relation to executive remuneration
- For a detailed overview of our strategy, see pages 19 to 21

### Considering stakeholder perspectives

### Our communities' perspective and the environment

- → Positive social and economic contributions
- → Strong community outreach and sustainability programme

### Our employees' perspective

- → Fair and competitive performance management and remuneration
- → Engaged and diverse workforce

### Our suppliers' perspective

- → Open, transparent and consistent tender process
- → Willingness to adopt supplier driven innovations

Driving commerce and prosperity through our unique diversity



### Our clients' perspective

- → Differentiated products, preferred bank
- → Digitally enabled and positive experience

## Our regulators' perspective

- → Robust capital base/ strong liquidity position
- → Standards for conduct

### Our shareholders' perspective

- → Strong performance
- → Increased income, profit and return on investment

Examples of how the Board considered stakeholder perspectives in some principal decisions during the year are provided on pages 43 to 49

### STAKEHOLDER ENGAGEMENT

### Engaging with our employees, clients, shareholders and regulators across our markets

Frankfurt, Germany 🕸 🛍





The Board marked the opening of the Group's new Frankfurt office with an event attended by clients, employees and other stakeholders. A number of engagement sessions also provided members of the Board with the opportunity to engage informally with employees. The Board also held discussions with the German Regulator, BaFin.



The Board recognises the importance of visiting our markets to gain a deeper understanding of the opportunities and the risks facing the business, as well as testing the execution of the Group's strategic priorities across our markets. It also provides the independent non-executive directors with opportunities to engage directly with a wide range of stakeholders. This on-the-ground access to, and dialogue with, clients, employees, investors and regulators continues to enhance the Board's understanding of the changing nature of the business and the industry, and provides insight from a range of stakeholders across the Group's diverse markets.

In addition, our independent non-executive directors also made a significant number of visits to our markets independently, either as they travel through our footprint or by participating in more formal organised programmes, before or after overseas Board meetings. This range of visits enables the independent non-executive directors to reach more of the Group's footprint and provide a deeper understanding of the business, our stakeholders and the market environment within which they operate.

During 2019, the Group Chairman, our independent non-executive directors and the external adviser members to the Board Financial Crime Risk Committee collectively made 72 visits across our markets, which included three overseas Board meeting programmes, held in Shanghai, Frankfurt and Singapore. This map details the range of locations visited and some of the stakeholder engagement undertaken.



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The Board hosted a global subsidiary governance conference while in Singapore (more details on this can be found on page 82). Members of the Board received an interactive session on the client journey and collectively met with a range of local clients, employees and the Singapore Regulator, MAS.



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#### Africa & Middle East Dubai, UAE 2 Abu Dhabi, UAE 1 Nairobi, Kenya 3 Riyadh, Saudi Arabia 1 Cairo, Egypt

Kampala, Uganda



Greater China & North Asia	Visits
Shanghai, China	11
Hong Kong	2
Tokyo, Japan	1
Tianjin, China	1
Hangzhou, China	4





The Board met with a number of major clients and shareholders, and took the opportunity to meet with senior members of SCB China management. Members of the Board also engaged directly with some high-performing employees at a 'Talent Townhall'.

ASEAN & South Asia	Visits	
Kuala Lumpur, Malaysia	3	
Mumbai, India	1	
Singapore	14	
Bangalore, India	1	

Frankfurt, Germany

Dublin, Ireland

### **Engaging with investors**

#### Our approach

We aim to deliver robust returns and long-term sustainable value for our shareholders. Trusted and open relationships with our investors are important to us, and we believe they are strengthened by ensuring we consistently and openly seek feedback.

The Chairman and other Board directors maintain direct contact with investors and advisory voting bodies, and receive regular updates from the Investor Relations team, including reports on market and investor sentiment.

During the year, we maintained a comprehensive programme of engagement with investors and other key stakeholders, including investor advisory bodies and credit rating agencies, and provided updates on progress made to transform our business for improved returns.

José Viñals and other independent nonexecutive directors engaged directly with shareholders, including at the 2019 Annual General Meeting (AGM), and José hosted an open forum that several large existing and potential shareholders attended. In addition. Christine Hodgson, Chair of the Remuneration Committee, continued to discuss with and collect feedback from shareholders on remuneration matters.

The Board commissioned an external independent investor perception study which was delivered in the middle of the year. The study provided many useful and actionable insights from 23 of the Group's largest shareholders, who collectively own or manage around 56 per cent of our issued share capital.

Bill Winters and Andy Halford are the primary spokespeople for the Group. Throughout the year they engaged extensively with existing shareholders and potential new investors during individual or group meetings, and on roadshows and investor conferences. In addition, each member of the Management Team responsible for a client segment or a geographic region, as well as

the Group Treasurer, met with investors to promote greater awareness and understanding of the strategy in their respective areas, as well as taking the opportunity to receive investor feedback

### Institutional shareholders

The Group maintains a diverse, high-quality and predominantly institutional shareholder base. The Investor Relations team has primary responsibility for managing day-today communications with these shareholders and provides support to the Group Chairman, Group Chief Executive, Group Chief Financial Officer, other Board members and senior management in conducting a comprehensive engagement programme.

The Remuneration Committee Chair led detailed engagement with shareholders and other stakeholders following feedback received during the Remuneration policy engagement process and further to the quidance on executive pensions published by the Investment Association at the end of September 2019. The strength of stakeholders' views on executive pensions was carefully considered and balanced with the principles applied to the wider workforce. Further detail on the decision and changes implemented can be found in the Directors' Remuneration Report on page 108.

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

### Retail shareholders

The Group Company Secretary oversees communication with our retail shareholders. The AGM was held on 8 May 2019 and provided an opportunity for the Board to meet with our retail shareholders and representatives to listen to their views and respond to their questions. The meeting was well attended and all of the resolutions were passed with shareholder support, ranging from 63.8 to 100 per cent.

Following the result of the Remuneration Policy vote tabled at the 2019 AGM, which received shareholder dissent of more than 20 per cent, the Company was included on the Investment Association's Public Register. In response to shareholder concerns, the Company, led by the Remuneration Committee Chair, spent a significant amount of time engaging with shareholders, to further understand their views and concerns. The engagement was wide ranging and represented approximately 60 per cent of our issued share capital. The Investment Association, which represents over 250 UK investment management firms, were also approached as were other major shareholder advisory bodies; and other smaller shareholders who also provided feedback.

Further details of the key concerns raised and the actions taken to address these are set out in the Directors' Remuneration Report on page 108.

The results of the voting on each resolution at the 2019 AGM can be viewed at sc.com/investors

### **Debt investors**

Our Treasury team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies, with market chief executives and chief financial officers leading on most subsidiary ratings. In 2019, management met with debt investors across Europe, North America and Asia, and maintained a regular dialogue with rating agencies. It is important that the Group, as an active issuer of senior unsecured and non-equity capital, maintains regular contact with debt investors to ensure continued appetite for the Group's credit. The Group's credit ratings are a key part of the external perception of our financial strength and creditworthiness.

Further information can be viewed at sc.com/investors

### **Engaging with Investors: what we did during 2019**

**February** 2018 Full vear results

March Conferences and roadshows

**April** 2019 First Quarter Results

May **AGM** Financial Markets investor seminar

June Conferences and roadshows

**August** 2019 Half year results

September Conferences and roadshows

**October** 2019 Third Quarter Results

**November** Africa & Middle East region investor seminar. roadshows



















### **Engaging with employees**

The Board values the opportunity to meet with employees and the wider workforce, and understands the importance of the business having a firm understanding of their views, ideas and concerns. The Board is also acutely aware of the role it has in maintaining a genuine and open two-way dialogue with employees. The Board took every opportunity to meet with employees, either collectively or individually when making market visits during 2019, helping to gain a genuine understanding of the issues on the ground.

The Board agreed to adopt an alternate approach to the workforce engagement methods set out in the UK Corporate Governance Code. The primary reason for taking a different approach was that as a global organisation with more than 84,000 employees across 59 diverse markets, it is vital that any Board engagement should gather unfiltered feedback which is representative of the whole workforce in order to be truly effective.

A more formalised framework was put in place to supplement the channels which already exist, for the Board to understand the views of the workforce, which includes: the annual MyVoice Survey; the confidential Speak Up process; information reported from senior management on culture; disciplinaries and grievances data and themes; and direct engagement the Board has with employees as it travels around markets, collectively and individually. The key themes and action plans were reported to, and discussed by, the Brand, Values and Conduct Committee before being reported to the Board.

In 2019, we experimented with the introduction of an additional method of direct engagement and two-way dialogue between the Board and our employees. In September, two interactive engagement sessions were held between employees and the Board. The first was a call, facilitated through interactive question and answer technology, allowing real time questions and comments to be posed and responded to. The second took the form of a 'live online chat' between our global workforce and the Board, using the Group's intranet. Both sessions were well received by Board members and those employees who participated. Some of the themes explored in the sessions included: the future of banking; the Group's strategy; change within the Group; cultural transformation; talent management; and diversity and inclusion.

The Board was encouraged by the degree of interest employees had shown in engaging directly with Board members, and remains committed to evolving and refining this form of engagement to ensure they remain genuine interactions. The Governance and Nomination Committee conducted a review in early 2020 and agreed a number of proposals to further enhance our employee engagement programme and develop this for the year ahead.

## **Engaging with the Group's subsidiaries**

The Board recognises the importance and benefit of creating and maintaining appropriate linkages with the Group's subsidiaries. During the Board's visit to Singapore in November, it held its second global subsidiary governance conference. This two-day event was attended by the Board and Management Team and the chairs and INEDs from across the Group's diverse footprint.

The conference presented the opportunity for the Board to strengthen its linkages with the Group's subsidiary chairs and further enhance their understanding and delivery of the Group's refreshed strategic priorities, as well as a range of other highly relevant topics. It also enabled the Board and Management Team to gain a better appreciation of some of the challenges and opportunities the Group faces across its subsidiary markets. Items discussed across the two days included:

- → Group strategy, financial performance and governance structure
- → Regional CEOs strategy session
- → Global developments in corporate governance
- → Developments in fintech, new business models and capturing clients of the future
- → Non-financial risks and outcomes of Group internal audits of information and cyber security
- → Delivering a strong people and culture agenda in an international bank
- → Embedding anti-money laundering standards in a dynamic market environment and the role of financial services in the illegal wildlife trade

In addition, the INEDs also spent time engaging with the subsidiaries on a range of matters through scheduled conference calls. The Audit Committee held a call hosted by the Audit Committee Chair and attended by the chairs of subsidiary audit committees. The Group Chairman, Group Head, Finance, Group Head of Internal Audit, Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance, lead audit partner of the Group's statutory auditor, and the Group Company Secretary also participated in the call.

In conjunction with the Chair of the Board Financial Crime Risk Committee, the Board Risk Committee Chair hosted its annual call with the chairs of the subsidiary Board risk committees and INEDs. The Group Chief Risk Officer, Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance, Co-Head of Financial Crime Compliance and the Group Company Secretary also participated in the call.

We are also introducing a number of formal reporting mechanisms to improve the linkages between Standard Chartered Bank Hong Kong, Standard Chartered Bank and the Standard Chartered PLC.



Global subsidiary governance conference attendees, Singapore

### **Director induction**

Two new directors were appointed to the Board during 2019, Carlson Tong and David Tang. Both bring highly relevant skills and a breadth of knowledge relevant to the Board debate. David Tang has more than 25 years of international and Chinese operational experience in the technology and venture capital industries, and Carlson Tong has a significant accounting background along with a deep understanding and knowledge of operating in mainland China and within commercial and Hong Kong SAR statutory bodies.

On joining the Board, both Carlson Tong and David Tang undertook a wide-ranging and robust induction programme to ensure that they were well placed to make a positive contribution from the outset. While a proportion of the induction is relevant to all new Board members, the content of the programme is tailored to meet each director's individual level of experience and expertise. In the case of both Carlson Tong and David Tang, a key element of the programme focused on ensuring they developed a detailed understanding of the UK regulatory

and governance environment, including a comprehensive understanding of their statutory duties, obligations and responsibilities as directors of a commercial organisation in the UK, which included the Senior Managers Regime.

The Group Corporate Secretariat is resourced to support the INEDs as they undertake their induction programmes. They are typically completed within the first six to nine months of an INED's appointment.

### **Ongoing development plans**

Training and development of our directors is ongoing and does not end following their induction. Continuous development of our Board directors is crucial to maintaining a highly engaged, well-informed and effective Board. Mandatory learning and training are key elements of directors fit and proper assessments as mandated under the Senior Managers Regime. During the year, all directors received a combination of mandatory learning and training, internal and external briefings, presentations from guest speakers and papers on a range of topics to ensure the directors are well-informed and

that the Board remains highly effective. The Committee members also received specific training relevant to the work of their Committee.

The directors' formal ongoing training in 2019 took the form of refresher training on statutory duties and responsibilities, with a particular focus on identifying and managing conflicts of interest; an update on regulatory and governance responsibilities and obligations; briefings on shareholders' perception of the Board and its strategy; key risks relating to the US-China trade tensions, Hong Kong social unrest and Brexit; and training on managing the risks from climate change. The table below gives further detail on who received these briefings.

All of the directors have access to the advice of the Group Company Secretary, who provides support to the Board and is responsible for advising the Board on governance matters. Directors also have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities as directors.

### Directors' induction and ongoing development during 2019

	Induction training¹	Directors' duties and regulatory updates	Visits to our markets and meetings with local management	Observations from the shareholder perception study <sup>2</sup>	Key risks relating to the US-China trade tensions, Hong Kong social unrest and Brexit <sup>2</sup>	Managing Risk from Climate Change training <sup>2</sup>
J Viñals	N/A	/	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
W T Winters, CBE	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
A N Halford	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
L Cheung	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
D P Conner	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
B E Grote	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>✓</b>
C M Hodgson, CBE	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
G Huey Evans, OBE	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
N Kheraj	N/A	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
N Okonjo-lweala	N/A	<b>√</b>	<b>√</b>	<b>√</b>	✓	<b>✓</b>
D Tang	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
C Tong	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>	<b>√</b>
J M Whitbread	N/A	✓	<b>√</b>	✓	<b>✓</b>	✓

 $<sup>1\ \ \,</sup>$  Applicable to directors who received induction training during 2019

<sup>2</sup> 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

<sup>✓</sup> Director attended the session

<sup>✓</sup> Director did not attend the session but received the accompanying material

### **Board effectiveness**

This year's external evaluation of the Board was conducted in accordance with the UK Corporate Governance Code and the Prudential Regulation Authority's (PRA) expectations. It was facilitated by Ffion Hague of Independent Board Evaluation (IBE). The Board's six committees were also observed as part of the review. Neither Ffion Hague nor IBE has any other connection with the Company or any individual directors. This was the second external evaluation the Board has undertaken under the Chairmanship of José Viñals, In parallel to IBE's review, the PRA also conducted its own effectiveness review of the Board and a number of committees, this took the form of: interviews with the Board, a selection of subsidiary Board members and members of the Management Team; observation of the September 2019 meetings of the Board, Board Risk and Audit Committees and consideration of past Board papers and a review of the more static documentation provided.

### What were the key observations from the effectiveness review?

An insight into the key observations from IBE's independent review are highlighted below:

- → The Board has evolved considerably since the last external review in 2017, and there is a good level of diversity of thought and experience
- → Levels of commitment and engagement are high, with value being added by Board members. The culture of the Board is regarded as a strength
- → The Board's efforts to connect with high-potential employees, visiting key markets, and the level of engagement on issues such as fair pay, non-financial risk and purpose was well regarded
- → While the Board is operating effectively, there remains scope for further improvement and recommendations were made in respect to Board planning of discussions; quality of papers to support Board challenge and better use of Board time; private sessions; and interaction with wider Management Team
- ightarrow The Board is regarded as well constructed and while the level of financial expertise is high, closer mapping of specific experience and skill sets through the succession planning process was also recommended

### Board effectiveness – external evaluation process, conducted by IBE



### Jul/Sep/Nov 2019

### **Brief and Board observation**

A comprehensive brief was provided to the assessment team at IBE by the Chairman in July 2019 and the assessment team observed the Board and its committees in July, September and November. Access to Board and committee papers were provided under strict controls.



### **Dec 2019**

### Discussion with the Board and committee Chairs

The draft conclusions were discussed with the Chairman and subsequently with the wider Board in December 2019, at which Ffion Hague was present. Following the Board discussion, feedback was provided to each of the committee Chairs on the performance of each committee and the report on the Chairman's performance was discussed with the Senior Independent Director. In addition, the Chairman received a report with feedback on each director.



### Jul/Aug/Sep 2019

### One-to-one interviews

Detailed interviews were conducted with each Board member throughout July, August and September, as well as with a number of the Management Team, external advisers and the auditor. All participants were interviewed for 1.5 hours in accordance with a tailored agenda.



### **Dec 2019**

### Shared findings with the PRA

A summary of the findings was shared with the PRA.



### **Oct/Nov 2019**

### **Evaluation and report**

The report was compiled by the evaluation team in October and November, based on the information and views supplied by those interviewed and observations from the Board and committee meetings.



### Feb 2020

### Agreed action plans for 2020

The key observations were discussed by the Governance and Nomination Committee ahead of the Board and its committees finalising their 2020 action plans.

### The 2020 Board actions relate to the following areas:

Board papers; clarity of agendas between Standard Chartered PLC and its two hubs, Board challenge; and governance model and linkages between Standard Chartered PLC, its regional hubs and its subsidiaries.

### **Group Chairman's performance**

The Senior Independent Director, Christine Hodgson, spoke individually with and met the independent non-executive directors as a group privately without the Chairman present, to evaluate his performance, and consider the views of the executive directors. The feedback was collated, and consolidated feedback was discussed with José Viñals.

### **Directors' performance**

Evaluation of individual director performance was carried out by the Chairman in 2019. For each of the independent non-executive directors, the discussion with José Viñals consisted of, among other things:

- → Their performance against the core competencies
- → Their time commitment to the Group, including (where relevant) the potential impact of any outside interests
- → Their ongoing development
- → The Board's composition, taking into account when each independent non-executive director envisaged stepping down from the Board
- → The current and future committee membership and structure

These performance reviews are used as the basis for recommending the re-election of directors by shareholders at the 2020 AGM and to assist the Chairman with his assessment of the independent non-executive directors' competencies. In addition, the Chairman has responsibility for assessing on an annual basis, the fitness and propriety of the Company's independent non-executive directors and the Group Chief Executive Officer under the Senior Managers Regime. These assessments were carried out in respect of each independent non-executive director and the Group Chief Executive director and the Group Chief Executive towards the end of 2019.

## External directorships and other business interests

Board members hold external directorships and other outside business interests. We recognise the significant benefits that greater boardroom exposure provides for our directors. However, we closely monitor the nature and number of external directorships our directors hold, in order to satisfy ourselves that any additional appointments will not adversely

impact their time commitment to and their role at Standard Chartered, and to ensure that all of our Board members remain compliant with the PRA directorship requirements, as well as the shareholder advisory groups' individual guidance on 'over-boarding'. These requirements impose a limit on the number of directorships both executive and independent non-executive directors are permitted to hold.

Our independent non-executive directors commit sufficient time in discharging their responsibilities as directors of Standard Chartered. In general, we estimate that each independent non-executive director spent approximately 35 to 70 days on Board-related duties, and considerably more for those who chair or are members of multiple committees.

Details of the directors' external directorships can be found in their biographies on pages 69 to 71. 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.

During 2019, we strengthened our internal processes to ensure that directors do not undertake any new external appointments without first receiving formal approval of the Board. The Board has delegated authority to make such approvals to the Chairman, with the exception of his own appointments. Of those independent non-executive directors who took on new external directorships during the year, two were regarded as significant directorships (appointed to the boards of listed companies) and as such were announced to the market in line with the Listing Rules. Those positions related to:

→ Jasmine Whitbread, who was appointed an independent non-executive director of WPP plc on 1 September 2019. Jasmine discussed the appointment with the Chairman in advance of accepting the position and provided assurance that the appointment would not impact her ability to devote sufficient time and focus to both her Board and committee responsibilities. Jasmine continues to hold below the maximum number of INED directorships permitted under the PRA rules. Jasmine also stepped down from the board of BT Group plc on 6 December 2019, ensuring that she is able to continue to devote sufficient time to Standard Chartered.

→ Christine Hodgson, who was appointed an independent non-executive director of Severn Trent Plc and chair designate on 1 January 2020. Christine discussed the appointment with the Chairman in advance of accepting the position and provided assurance that the appointment would not impact her ability to devote sufficient time and focus to both her Board and committee responsibilities. Christine remains within the maximum number of INED directorships permitted under the PRA rules. Christine will step down from the board of Capgemini UK plc at the end of March 2020, ahead of being appointed chair of Severn Trent Plc in April 2020, which will ensure she continues to have sufficient time to devote to Standard Chartered.

The Board's executive directors are permitted to hold only one non-executive directorship. Of our executive directors, Andy Halford is the Senior Independent Director and chair of the audit committee at Marks and Spencer Group plc, listed on the FTSE 250, and Bill Winters is a non-executive director of Novartis International AG, listed on SIX Swiss Exchange.

### **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 where necessary. Alongside interconnected committee membership, the Board receives a written summary of each of the committee's meetings and verbal updates at the Board, where appropriate.

Further details on each committee, including their oversight and focus during 2019, can be found in the Board committee sections starting on page 86.

### **Audit Committee**



### **Committee composition**

	Scheduled meetings	Ad hoc
N Kheraj (Chair)	8/8	1/1
D P Conner	8/8	1/1
C M Hodgson, CBE	8/8	1/1
B E Grote	8/8	1/1
C Tong	7/7	0/0*

\*Carlson Tong joined the Committee on 21 February 2019

Other regular attendees at Committee meetings in 2019 included: Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Head of Internal Audit; Group General Counsel; Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance; Group Statutory Auditors and Group Company Secretary.

EY attended four Committee meetings as an observer.

As part of, and in addition to, each scheduled Committee meeting, the Committee held private members-only meetings.

The Committee members have detailed and relevant experience and bring an independent mindset to their role. The Board is satisfied that Naguib Kheraj has recent and relevant financial experience and that the other Committee members also have a depth of experience having managed complex balance sheets or having knowledge of financial reporting in international business.

Details of their experience can be found on pages 69 to 71. All the Committee members are independent.

### Main responsibilities of the Committee

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. The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

"Linkages between the Committee and audit committees within the Group's network have been strengthened to enable useful interaction and alignment"

As Chair of the Audit Committee, I am pleased to present the Audit Committee's report for the year ended 31 December 2019.

In addition to the disclosure requirements relating to audit committees under the UK Corporate Governance Code 2018, the following report sets out the areas of significant and particular focus for the Committee and its activities over the course of the year. The report also covers the reviews undertaken on the effectiveness of the Group Internal Audit (GIA) function and the Group's statutory auditor KPMG LLP (KPMG). Assurance has been sought and received by the Committee concerning the resourcing of the Group Finance, GIA and Compliance functions.

Since April 2019, meetings have taken place as dual Committee meetings of Standard Chartered PLC and Standard Chartered Bank, under the governance structure put in place to reflect the Group's corporate entity restructuring. Careful consideration has been given to agenda management and reporting to facilitate valuable discussions. Linkages between the Committee and audit committees within the Group's network have been strengthened to enable useful interaction and alignment.

This year, an External Quality Assurance Review was conducted by Grant Thornton on the GIA function and the Committee discussed the outputs of this, including suggestions for improvement, which were fed into GIA's 2020 Plan.

The Committee has been kept abreast of relevant industry reviews and consultations, in particular, the Independent Review of the Financial Reporting Council (FRC), and has supported the Group's input into this important matter. The Committee also discussed the recommendations arising from the Report of the Independent Review into the Quality and Effectiveness of Audit by Sir Donald Brydon, and proposed actions and implications for the Group.

The Committee has exercised its authority delegated by the Board for ensuring the integrity of the Group's published financial information by discussing and challenging the judgements made by management, and the assumptions and estimates on which they are based. The Committee has exercised judgement in deciding which of the issues it considered to be significant in the financial statements, and this report sets out the material matters that it has considered in these deliberations.

Focus has been placed on the auditor transition from KPMG to Ernst & Young (EY), to ensure a seamless and timely handover. EY has attended a number of Committee meetings to obtain insight into the Committee's ways of working.

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

As a result of the Committee's work in 2019, assurance has been provided to the Board on the quality and appropriateness of the Group's financial reporting, and on internal audit, compliance and regulatory matters, to continue to safeguard the interests of our broader stakeholders.

The following pages provide insight and context into the Committee's work and activities during the year.



Naguib Kheraj Chair of the Audit Committee

### **Activities during the year**

### Financial reporting

- → Satisfied itself that the Group's accounting policies and practices are appropriate
- → Reviewed the clarity and completeness of the disclosures made within the published financial statements
- → Considered any changes in disclosures arising from best practice in applying the UK Finance Code for Financial Reporting Disclosure and FRC publications on aspects of UK reporting
- → Monitored the integrity of the Group's published financial statements and formal announcements relating to the Group's financial performance, reviewing the significant financial judgements and accounting issues

Significant accounting judgements considered during 2019 are shown below.

The Committee can confirm that the key judgements and significant issues reported are consistent with the disclosures of key estimation uncertainties and critical judgements as set out in Note 1 on page 262.

Key area	Action taken
Impairment of loans and advances	Reviewed and considered, on a quarterly basis, reports detailing the composition and credit quality of the loan book, concentrations of risk and provisioning levels
	In respect of high-risk credit grade exposures, the Committee was also briefed on business plans, including remedial actions and management assessment of the recoveries and collateral available. This analysis also included a post-implementation review of IFRS 9 and the operation and refinement of models and their impact on reported results
Goodwill impairment	Reviewed management's annual assessment of impairment covering key assumptions (including forecasts, discount rate, significant changes from the previous year), headroom availability and sensitivities to possible changes in key assumptions
Valuation of financial instruments held at fair value	Received reports and updates at each reporting period detailing the key processes undertaken to produce and validate valuations of financial instruments, including any changes in methodology from prior years and significant valuation judgements
Taxation	Reviewed and considered management's judgements and assumptions with respect to tax exposure risks and ensured adequate disclosure in the financial statements has been made. This included coordination of the Group's effective tax rate, the quantum and basis of recognition of deferred tax assets and the UK bank levy charge for the year
Provisions for legal and regulatory matters	Considered advice presented on the current status of significant legal and regulatory matters, and considered management's judgements on the level of provisions and the adequacy of disclosure, as set out in Notes 24 and 26 on pages 330 and 332
Carrying value of investments in associates and joint arrangements	Reviewed and considered management's carrying value assessments on the Group's investments in PT Bank Permata, taking into consideration the conditional sale agreement entered into, and China Bohai Bank, covering key assumptions and potential sensitivity to changes
Recoverability of parent company's investment in subsidiaries	Discussed and received confirmation from management that it had adequately assessed the recoverability of investments in subsidiaries, together with any intercompany indebtedness
Other areas of focus:	
Impairment of aircraft and shipping assets	Reviewed and considered, on a quarterly basis, management's assessments of impairment losses on aircraft and shipping operating lease assets, including the assumptions used to determine asset ViU and market valuations and management's decision to exit the shipping leasing business
Accounting policies for interest and trading income	Reviewed management's recommendation to change the Group's accounting policies for net interest income and net interest trading income, including the quantitative impact of these changes on the income statement and the consequent effect on reporting net interest margin
Classification of assets as held for sale	Reviewed management's assessment of whether assets or disposal groups should be reclassified as held for sale. This included reviewing the facts and circumstances for the proposed sale of aircraft and shipping assets, the Group's investment in PT Bank Permata and Principal Finance investments
Restructuring costs	Reviewed and considered, on a quarterly basis, income statement charges classified as restructuring, including a cumulative assessment of how items classified by management as restructuring tracked against the expected total of \$500 million over three years disclosed in the 2018 Annual Report
Capitalisation of software assets	Assessed the findings of management's review of the Group's software asset capitalisation processes, including recommendations for changes to controls and accounting adjustments resulting from revised estimates
Hedge accounting	Reviewed the ineffectiveness reported in operating income from hedge accounting and significant hedge terminations and the reasons for this

#### Going concern and viability statements

→ Reviewed management's process, assessment and conclusions with respect to the Group's viability statement, including principal and emerging risks and key assumptions. Ensured that the viability statement is consistent with the Group's Strategic report and other risk disclosures. Further details can be found on page 65

## Fair, balanced and understandable

→ The Committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place ensure that the Annual Report, 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 all important elements have been disclosed; and that the descriptions of the Group's business as set out in the Strategic report, are consistent with those used for financial reporting in the Group's financial statements

### Examples of deeper discussions into specific topics

- → Third-Party Risk Management (TPRM): Discussed progress made and priorities for the TPRM Programme. The Group's approach to ongoing TPRM for 2020 and beyond was also covered in this discussion
- → Independent review of FRC: Noted the Group's response to the Independent Review of the FRC
- → Modelling approach to IFRS 9 Expected Credit Losses: Discussed the Group's rationale for adopting a Monte Carlo simulation approach to modelling provisions for IFRS 9 Expected Credit Loss, compared with alternatives used more widely in the industry
- → Data Quality Risk: Discussed the work undertaken by the Group over the last three years in managing Data Quality Risk. As part of this, technology investments made to improve availability and quality of data were discussed
- → MiFID II: Discussed the Group's compliance with MiFID II, including current implementation and work underway to address gaps
- → Outsourcing strategy: Discussed an update on the Group's Outsourcing Strategy, including the Group's strategic direction and governance in place
- → Major Disputes and Significant Cross-Border Orders: Received and discussed updates on major disputes and significant cross-border orders facing the Group
- → IFRS 9 Models: Discussed updates on the Group's use of the IFRS 9 Corporate Probability of Default model used to calculate the year-end Expected Credit Loss, issues that have been experienced with the model and actions underway by management to address these issues
- → Privileged access management: Discussed the observations raised as part of the Group auditor's 2018 management letter and actions being taken by management to remediate the control deficiencies identified
- → Compliance surveillance: Discussed the Group's current position in relation to Compliance surveillance practices and capabilities, including further developments planned to enhance the Group's overall surveillance capabilities
- → Finance resourcing: Received and discussed a paper providing assurance that the accounting and financial reporting function is adequately resourced; the qualifications, experience and training of employees is appropriate; and the budget allocated is sufficient
- → The Report of the Independent Review into the Quality and Effectiveness of Audit by Sir Donald Brydon:
  Discussed this report and proposed actions and implications for the Group
- → Regulatory financial reporting: Discussed the Group's regulatory financial reporting, in light of recent PRA public disclosures
- → Liquidity systems strategy: Discussed the Group's liquidity reporting systems, including the strategy to reach desired target-state

### **Auditor**

**Group Statutory** Provided oversight of the work undertaken by KPMG as the Group's statutory auditor. In particular, the Committee:

- → Reviewed and discussed the risks covered by KPMG's audit planning, seeking and receiving assurance that these risks have been addressed properly in the audit strategy
- → Satisfied itself that KPMG has allocated sufficient resources to address these risks
- → 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
- → Conducted an annual performance and effectiveness review of KPMG. Input was received from Committee members, chairs of subsidiary audit committees, the Management Team, regional/country chief financial officers, members of the Group Finance Leadership Team and the GIA Management Team. The results of this input was 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
- → Received overviews from KPMG's local regional partners from China, India, Singapore and the UAE. These provided insight into the challenges faced in the Group's markets from a statutory audit perspective, and provided the Committee with the local audit partner's assessment of the Group's control systems in these 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. The overviews also provided insight into local regulatory developments and the Group's standing and engagement with local regulators
- → The Committee met privately with KPMG
- → As Audit Committee Chair, Naguib met regularly with KPMG during the course of the year

The Company complies with the Statutory Audit services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee responsibilities) Order 2014. KPMG has been the Group's statutory auditor for more than 47 years. In accordance with the Audit Practices Board's requirements, the lead audit engagement partner has held the role for less than five years (two years following appointment in 2018). The lead engagement partner has a background of auditing banks and understands the markets in which the Group operates.

Following the 2017 Audit tender, EY will become the Group's statutory auditor for the financial year ending 31 December 2020.

### **Audit transition**

- → Received and discussed updates on the status of the transition to EY as the Group's auditor by 2020 and to meet independence requirements by 1 June 2019
- → Reviewed and discussed EY's preliminary Audit Plan and sought and received assurance that EY's handover with KPMG and transition as auditor to the Group is taking place effectively and seamlessly
- → As Audit Committee Chair, Naguib met periodically with EY during the course of the year

### Non-audit services

- → Responsible for setting, reviewing and monitoring the appropriateness of the provision of non-audit services, applying the Group's policy on the award of non-audit services to the external auditor, while taking into account the relevant ethical guidance
- → In 2019, the Group spent \$0.7 million on non-audit services provided by KPMG and \$7.4 million on audit-related services such as quarterly and half year reviews and regulatory reporting

Further details on non-audit services provided by KPMG can be found in Note 38 on page 358 and the Group's approach to non-audit services on page 144.

### Internal controls

- → Discussed reports from GIA that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters being monitored by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention. The Board Risk Committee, the Board Financial Crime Risk Committee and the Brand, Values and Conduct Committee discussed separate reports from the Group Head of Internal Audit on GIA's appraisal of controls across key risks, subject to each Committee's oversight. Collectively, the reports received by these Committees provided assurance that there are effective internal controls within the Group
- → Discussed KPMG's observations of Group's controls arising from KPMG's audit for the year ended 2018 (and items remaining open from 2016 and 2017) and management's responses to the findings, together with proposed timelines for addressing the findings. The observations raised by KPMG did not suggest any fundamental concerns over the control framework or procedures

Further details on internal controls can be found on page 141.

### Group Internal Audit

In 2019, an external assessor, Grant Thornton (selected by the Committee from a competitive request for proposal process), conducted an external quality assurance review on the GIA function, which assessed the requirements of GIA against key professional and regulatory bodies governing the practice of internal audit. The Committee was assured to note that against the ratings prescribed by the Institute of Internal Auditors, GIA 'generally conforms' to the requirements of these standards. Some recommendations for improvement were made, which were discussed by the Committee, and these have been fed into GIA's 2020 plan.

GIA identified seven areas of critical risk to be covered in the 2019 audit plan. The objective was to ensure that there was sufficient audit coverage throughout the year for GIA to provide an opinion on each of these critical risk areas. Updates on these critical risks have been provided through GIA reporting to the Committee over the course of the year.

The seven areas of critical risk were:

- > Information and cyber security
- → Change delivery
- → End-to-end processes, including Global Business Services
- → Financial crime (sanctions and anti-money laundering)
- → Models
- → Completeness and reporting of management information relating to risks
- → Data quality

In 2019, for the most significant matters being monitored by GIA, business and/or regional management were invited to attend meetings to provide updates on the steps being taken to enhance the control environment and address internal audit findings.

The Committee:

- → Reviewed the adequacy of resourcing and proposed work plans for GIA and is satisfied that these are appropriate in light of proposed areas of focus, expertise and skills that are required
- → Assessed the role and effectiveness of the GIA function, and reviewed and monitored GIA's progress against its annual audit plan and the review and monitoring of post-audit actions. Changes to the audit plan and people changes were also discussed by the Committee
- → Reviewed the refreshed GIA functional strategy and approved GIA's 2020 audit plan
- → Reviewed and approved the refreshed GIA charter
- → Received reports from the Global Head, Audit Quality Assurance (QA) on the QA function's view of the control environment in GIA

The Committee is satisfied with the independence of the GIA function. Throughout the year, Naguib met regularly with the Group Head of Internal Audit and the GIA Management Team.

### Group compliance

Regular compliance reporting to the Committee sets out the work carried out the by Compliance function, significant compliance and regulatory risks facing the Group, and key actions being taken to address and mitigate these risks.

In 2019, the Committee was updated on the following:

- → Key supervisory areas of focus, the status of the Group's core college regulatory relationships and enforcement matters
- → The function's operating model, including an overview of the Conduct, Financial Crime and Compliance budget and organisational changes to simplify the leadership structure
- → The Group's compliance with MiFID II
- → Trade and communications surveillance across the Group
- → Compliance and Regulatory Risk within Private Banking
- → Revisions to the Volcker Rule

The Committee reviewed a detailed update on compliance resourcing and confirmation was received from management that the function is adequately resourced.

The Committee also reviewed and discussed the 2020 Compliance Plan and priorities.

As Committee Chair, Naguib met regularly throughout the year with the Group Head, Conduct, Financial Crime and Compliance.

The Board Financial Crime Risk Committee received reports on financial crime compliance related matters.

### **Speaking Up**

Speaking Up is the Group's confidential and anonymous whistleblowing programme (the Programme).

The Programme has been designed to comply with the Group's UK lead regulators, the PRA and the Financial Conduct Authority (FCA) Whistleblowing Rules. Our whistleblowing channels are available to anyone – colleagues, contractors, suppliers and members of the public – to raise concerns confidentially and anonymously.

Through the Compliance Regulatory Report, the Committee was provided with a regular update on the Programme.

The Committee discussed an annual report on the operation and effectiveness of the Programme which was subsequently tabled to the Board. The report provided the Committee with assurance of the Group's ongoing compliance with the Whistleblowing Rules. The Committee also discussed the focus of the Programme for 2020.

In 2019, Naguib regularly received Speak Up management information reports with details of Speak Up cases and themes. Naguib also met with the Head, Speaking Up.

Further details on Speaking Up may be found on page 54.

### Interaction with regulators

Typically on an annual basis, the Committee meets with the PRA without members of management being present. The purpose of such meetings is to enable a discussion between the Committee and the PRA concerning areas of focus for both the Committee and the PRA. In 2019, the PRA also attended one of the Committee's meetings as an observer.

As Committee Chair, Naguib attended a trilateral meeting with KPMG and the PRA, met with the PRA and FCA separately, and met with local regulators in countries visited during the year.

### Linkages with subsidiary Audit Committees

There are strong linkages and interactions in place between the Committee, regional hub audit committees and banking subsidiary audit committees. In 2019, the Committee discussed a Group standard setting out principles for interaction, elevation should audit concerns arise, linkages between audit committee chairs and cascade of relevant information. Details of the annual call held with Naguib, as Audit Committee Chair, and the chairs of banking subsidiary audit committees can be found on page 82.

### Committee effectiveness review

During 2019 an external Board effectiveness review was conducted by IBE, and separately, but in parallel, a review was also conducted by the PRA on the effectiveness of the Committee.

### Key observations from the 2019 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted that:

- → The Committee is working well
- → The Committee should continue to encourage Management to escalate potential issues in a timely manner

### 2020 Action Plan

- → Continued oversight and focus on key areas of the Committee's remit, such as IFRS 9 models and MiFID II compliance
- → As with all Committees, keep under review the quality of papers to ensure clarity of purpose and alignment to the forward-looking agenda

### **Board Risk Committee**



"The Committee remains fully supportive of the Enterprise Risk Management Framework's goal of improving the Group's risk management to enable a risk culture that encourages appropriate behaviours and outcomes"

### Committee composition

	Scheduled meetings	Ad hoc
D P Conner (Chair)	8/8	1/1
N Kheraj	8/8	1/1
G Huey Evans, OBE	8/8	0/1*
C Tong	8/8	0/1*

Carlson Tong joined the Committee on 21 February 2019. Om Bhatt stepped down from the Committee on 23 February 2019

\*Gay Huey Evans and Carlson Tong were absent from the December ad hoc Committee meeting due to prior

Other attendees at Committee meetings in 2019 included: Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel; Treasurer; Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance; Group Head of Internal Audit; Group Statutory Auditors and Group Company Secretary.

Jasmine Whitbread and Christine Hodgson attended one Committee meeting in 2019 as part of their ongoing engagement programmes. Jasmine also attended part of a Committee meeting to discuss the Conduct Risk Appetite Statement, in her capacity as Chair to the Brand, Values and Conduct Committee.

EY attended three Committee meetings as an observer. As part of, and in addition to, each scheduled Committee meeting, the Committee held private members-only meetings.

The Committee's membership comprises independent non-executive directors who have a deep and broad experience of banking and the risk factors affecting the Group. Details of their experience can be found on pages 69 to 71.

### Main responsibilities of the Committee

The Committee is responsible for exercising oversight of and reviewing prudential risk. It reviews the Group's overall Risk Appetite Statement and makes recommendations to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the Group's business and ensuring effective due diligence on material acquisitions and disposals. The Committee reports to the Board on its key areas of focus following each Committee meeting. Since April 2019, meetings have taken place as dual Committee meetings of Standard Chartered PLC and Standard Chartered Bank, under the governance structure put in place to reflect the Group's corporate entity restructuring.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

As Chair of the Board Risk Committee, I am pleased to present the Board Risk Committee's report for the year ended 31 December 2019.

Throughout the year, focus has been placed on Information and Cyber Security (ICS) Risk and the Group's Transformation and Remediation Programme (TRP), designed to manage the risks posed by rapidly evolving security threats and technology adoption. This remains an ongoing area of focus and priority for the Committee, to ensure that the Group's information and technology assets are suitably safeguarded.

The Committee has been reviewing how the Group's approach to the management of Operational Risk is developing, recognising the significant financial and reputational losses that could result, should an Operational Risk failure occur. The Committee's focus on this will continue in 2020.

Recognising that climate change remains one of the greatest challenges faced by the world today, Climate Risk management has been a key focus for the Committee. Discussions have been held on the Group's approach to the management of climate risks, the roadmap to develop and implement a Climate Risk assessment framework, the Group's response to supervisory expectations from the Prudential Regulation Authority (PRA) and overall progress being made. Needless to say, this will remain an important priority going forward.

The Committee was supportive of the elevation of Model Risk as a Principal Risk Type, and has invested time in reviewing management's action plans to improve current capabilities in Model Risk Management (MRM).

Mindful of the risks associated with the transition from the London Interbank Offered Rate (LIBOR) to alternative risk-free rates, the Committee has sought and received assurance that the Group's programme of work is managing all aspects of the transition, including the financial implications, legal risks and consequences for clients.

Given the ever changing external environment, the Committee continues to discuss key macroeconomic and geopolitical risks and challenges faced by the Group, and probe how these are being managed and mitigated by management.

Effective risk management is a critical component in providing consistent and sustainable performance for the Group's broad range of stakeholders. With the launch of the Enterprise Risk Management Framework (ERMF) in January 2018, the Committee remains fully supportive of the ERMF's goal of improving the Group's risk management to enable a risk culture that encourages appropriate behaviours and outcomes.

The following pages provide insight and context into the Committee's work and activities during the year.



**David Conner** Chair of the Board Risk Committee

### **Activities during the year**

### **Risk Appetite**

Reviewed and challenged the formulation of the Group's Risk Appetite Statement, in order to assure that it is effective in setting appropriate boundaries in respect of each Principal Risk Type.

Considered and recommended the Group's Risk Appetite to the Board for approval.

As part of the 2019 interim review of Risk Appetite, changes were largely limited to refinements to existing metrics, although new metrics were proposed for Operational Risk and Model Risk, as well as a revision to the Conduct Risk Appetite Statement and related metrics.

As part of the 2019 annual review of Risk Appetite, proposed changes were reviewed by the Committee for recommendation to the Board, which included:

- → Climate Risk: a Risk Appetite Statement was introduced
- → Credit Risk: new metrics were proposed to monitor the quality of originations via setting a threshold for Expected Credit Loss for year-to-date originations and for balance of payment financing to emerging market sovereign exposures
- → Capital and Liquidity Risk: a new metric was proposed to monitor the Group's capacity for recovery from stress
- → Operational Risk: 13 new metrics were proposed to ensure comprehensive coverage across the sub-risk types. A new metric was proposed for Model Risk to cover material models that were not currently captured by the existing metrics. This addressed the Committee's feedback to consider FM valuation models in the Model Risk Appetite metrics
- → ICS Risk: three new metrics were proposed to provide a holistic view of security controls for Information and Access Management, to detect malicious activities in the Group's network and to monitor non-compliance of cyber regulations

Monitored actual exposures relative to Risk Appetite limits using regular Risk Information Reports provided by management.

Tracked a broad range of risk metrics that are reported to the Committee periodically.

The Board Financial Crime Committee reviews the Risk Appetite Statement and metrics for Financial Crime Risk.

Further details of the Group's Risk Appetite are set out on page 207.

### Enterprise Risk Management Framework

The ERMF sets out the principles and standards for risk management across the branches and subsidiaries of the Group.

The Committee:

- → Reviewed proposed material changes to the ERMF, arising from the 2019 annual review, and recommended these changes to the Board for approval
- → Discussed the approach and key outcomes of the 2019 annual effectiveness review of the ERMF. Affirmation was received from the Group Chief Risk Officer that the Group's risk management and internal control framework is materially effective, and highlights risks and improvement areas for management attention

### Principal Risk Types

The Group's Principal Risk Types are reported on at each scheduled Committee meeting, through a Board Risk Information Report, which accompanies the Group Chief Risk Officer's Report. In addition, the Committee had deeper discussions on the following topics:

### → ICS Risk

ICS Risk is the potential for loss from a breach of confidentiality, integrity and availability of the Group' information systems and assets through cyber-attack, insider activity, error or control failure.

The Committee

- → Discussed regular reports from management on the work underway to improve the Group's defences and create stronger control frameworks, focusing on what has gone well and could have gone better throughout the year
- → Discussed regular reports on the Group's Transformation and Remediation Programme (TRP) and ICS Risk profile
- → Reviewed the Group's ICS three-year strategy and made a recommendation to the Board for approval
- ightharpoonup Discussed the findings of the Group's Cyber Security stress tests and the resulting management actions
- → Regularly sought assurance that the first, second and third lines of defence are aligned in progressing the Group's ICS priorities

Sir lain Lobban, who is one of the external adviser members of the Board Financial Crime Risk Committee and an independent adviser to the PLC Board on cyber and security threats, joined the Committee meetings for these discussions, together with the Group Chief Operating Officer, Group Chief Information Officer and the Group Chief Information Security Risk Officer.

### Principal Risk Types continued

#### → Operational Risk

The Group defines Operational Risk as the potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events (including legal risks).

The Committee:

- → Discussed the risk profile for non-Principal Risk Types under the Operational Risk Principal Risk Type. The Committee discussed how the Group's management of Operational Risk is developing to reach desired end-state
- → Discussed the Group's approach to managing Operational Risk, including key performance indicators, resourcing and costs

#### → Model Risk

Model Risk is the potential loss that may occur as a consequence of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models. Model Risk was elevated as a Principal Risk Type in December 2019 (effective 2020).

The Committee:

- → Reviewed management's action plans to improve current capabilities in MRM
- → Discussed MRM benchmarking undertaken by an external consultant
- → Sought and received assurance on management's interaction with the PRA on MRM
- → Supported the elevation of Model Risk as a Principal Risk Type for the Group, due to increased regulatory requirements and enhancements to the Group's approach to MRM

Committee members attended four training sessions on Model Risk in 2019 to deepen their knowledge.

#### → Capital Risk and Liquidity Risk

Capital Risk is the potential for insufficient level, composition or distribution of capital to support the Group's normal activities. Liquidity Risk is the risk that the Group may not have sufficient stable or diverse sources of funding to meet its obligations as they fall due.

The Committee receives a Treasurer's report which covers market developments, liquidity, capital, recovery and resolution planning, together with rating agency updates.

During the year, the Committee considered and discussed the Group's capital and liquidity position and the regulatory environment, including the approval of the Group's Internal Capital Adequacy Assessment Process submission to the PRA and Bank of England Stress Test submissions (see section on stress testing for further details); 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.

The Committee also considered and discussed the Group's Individual Liquidity Adequacy Assessment Process for submission to the PRA, which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due and Bank of England Stress Test submissions (see section on stress testing for further details).

Further details on Capital and Liquidity Risk are set out on page 217.

### → Credit Risk

Credit Risk is the potential for loss due to failure of a counterparty to meet its agreed obligations to pay the Group.

The Committee received and discussed updates in Credit Risk Taking Policies/Portfolio. These discussions were further enhanced through deep dives into various country and business/client segments.

### → Country Risk

Country Risk is the potential for losses due to political or economic events in a country.

The Committee:

- → Discussed the social unrest in Hong Kong and the impacts for the Group
- → Discussed how risks relating to the Belt and Road Initiative (BRI) are being managed and US restrictions on Chinese companies

Further detail on the Group's Principal Risk Types can be found on page 209.

#### Stress testing

The objective of stress testing is to support the Group in assessing that it:

- → Does not have a portfolio with excessive risk concentration that could produce unacceptably high losses under severe but plausible scenarios
- → Has sufficient financial resources to withstand severe but plausible scenarios
- → Has the financial flexibility to respond to extreme but plausible scenarios
- → Understands the key business model risks and considers what kind of event might crystallise those risks even if extreme with a low likelihood of occurring and identifies, as required, actions to mitigate the likelihood or impact as required

The Committee provided oversight, challenge and approval for:

- → The stress test results for the 2019 Bank of England Stress Test scenario (Annual Cyclical Scenario) which the Group, along with the other largest UK banks, was required to undertake
- → The scenario (options, narrative and key variables) and stress test results for the 2019 Group Internal Capital Adequacy Assessment Process Stress Test, including the Reverse Stress Test
- → The stress test results for the 2019 Group Recovery Plan Stress Test
- → The stress test results for the 2019 Biennial Exploratory Scenario which the Group, along with the other largest UK banks, was required to undertake

Further details of stress testing are set out on page 208.

### Internal controls

Discussed reports from the Group Head of Internal Audit which provided summaries of GIA's appraisals of controls across key risks, subject to the Committee's oversight, together with the key risk issues identified by GIA's work and management actions put in place to address the findings.

The Audit Committee, Board Financial Crime Risk Committee and the Brand, Values and Conduct Committee discuss separate reports from the Group Head of Internal Audit on GIA's appraisal of controls across key risk types, subject to each respective Committee's oversight. Collectively, the reports received by these Committees provide assurance that there are effective internal controls within the Group.

### Remuneration as a risk management tool

Considered advice provided by the Group Chief Risk Officer to the Remuneration Committee concerning the risk factors to be taken into account by the Remuneration Committee in determining incentives for the Group Chief Executive and other employees. Such advice assists the Remuneration Committee in its assessment as to whether the Group's remuneration policy, practices and procedures are consistent with and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of the Group.

Further details concerning the Group's approach to using remuneration as a risk management tool are set out in the Directors' remuneration report.

### Regulatory

### → BCBS 239 Principles

The Committee approved updated internal conditions for compliance with BCBS 239 Principles.

The Committee noted the Group's level of compliance with the BCBS 239 Principles (as at 31 December 2018) which was submitted to the PRA. The outcome of this self-assessment confirmed that the Group was materially compliant with nine Principles and fully compliant with two Principles.

The Committee will receive an update on the level of compliance (as at 31 December 2019), once the outcome of the self-assessment is available on 28 February 2020.

### Group regulator communications

The Committee discussed key communications from the PRA and FCA, where risk was the main theme.

### Recovery plan

The Committee received a briefing on the main components of the Group's Recovery Plan, ahead of discussion and subsequent approval of the submission to the PRA of the Group's Recovery Plan, further details of which can be found on page 217.

### Examples of deeper discussions into specific topics

- → Intra-group funding limits and controls: Discussed the Group's intra-group funding limits and controls, including an overview of key revisions made to the Group's Intra-group Limit Application Policy
- → Industry Portfolio Mandates (IPMs): Discussed the Group's approach to developing and rolling out the Group's IPMs, which had been developed to simplify processes and procedures and to increase focus on clients
- → Enterprise Risk Review (ERR) function: Discussed reviews undertaken by the ERR Credit Risk Review team and the ERR Liquidity Risk Review team, including how coverage of ERR has been expanded. Feedback was provided on the structure and content of the forward-looking plan

Examples of deeper discussions into specific topics continued

- → Climate Risk management: Discussed the Group's approach to the management of risks arising from climate change (climate risks), the roadmap to develop and implement a Climate Risk assessment framework, and the Group's response to supervisory expectations from the PRA. Later in the year, progress made was discussed by the Committee and it was recognised that Climate Risk is a material cross-cutting risk manifested through other Principal Risk Types. The Committee and members of the Board received training on Climate Risk in 2019. Further detail on Climate Risk can be found on page 231
- → Corporate & Institutional Banking Risk Review: Discussed the key business risks and challenges faced by the Corporate & Institutional Banking business
- → Macro-economic and geopolitical risks: Discussed the key macroeconomic and political risks faced by the Group over the next two years
- → Technology obsolescence: Discussed the remediation of technology obsolescence including timelines and funding allocated
- → Operational resilience: Following emerging regulatory requirements pertaining to the management of operational resilience, the Committee discussed the preparations underway by the Group
- → Internal ratings-based (IRB) models performance and initiatives: Received and discussed an update on the Credit IRB models, used for calculation of Pillar 1 Risk-Weighted Assets (RWAs), including the IRB model's performance as at December 2018 and key 2019 IRB model initiatives. Sought and received assurance that the IRB models continue to perform adequately and that the validation process remains robust
- → RWAs strategic review: Discussed and provided feedback on the RWA strategic review, launched to ensure the accuracy of the Group's end-to-end RWA management processes and calculations
- → Transition from LIBOR to risk-free rates: In July 2017, the FCA announced that it would no longer support the London Interbank Offered Rate (LIBOR). The Committee received updates during the course of the year from an industry and Group perspective on the transition from LIBOR to alternative risk-free rates. The programme of work to manage this transition was discussed, including the work undertaken to manage the risks associated with this transition, in particular, the financial implications, legal risks and consequences for clients
- → Retail Banking (RB) Risk Review: Discussed the key risks and challenges faced by RB and the actions taken and planned by management to mitigate these risks
- → Technology Risk: Discussed the activities underway to manage and reduce technology risk
- → SC Ventures business ventures: SC Ventures is the Group's financial technology investment entity, created to facilitate innovation and culture change, invest in external fintech capabilities and build alternative business models. Following on from a discussion on SC Ventures governance at the end of 2018, the Committee discussed the Innovation Investment Fund, established to invest up to \$100m in financial technology companies, supporting the Group's innovation strategies and initiatives, in line with the Group's Risk Appetite

### Committee effectiveness review

As part of the 2019 external Board effectiveness review conducted by IBE and separately, but in parallel, a review was also conducted by the PRA on the effectiveness of the Committee.

### Key observations from the 2019 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted that:

- ightarrow The Committee is engaged and diligent
- → Committee papers are lengthy, and certain papers could highlight to a greater degree areas for improvement
- ightharpoonup The Committee might benefit from a 'big picture' horizon scanning session

### 2020 Action Plan

- → As with all Committees, keep under review the quality of papers to ensure clarity of purpose and alignment to the forward-looking agenda
- → Review the forward-looking agenda to create dedicated space for a strategic 'horizon-scanning' discussion
- → Representatives from the first, second and third lines of defence to provide perspective and assurance on key areas of the Committee's remit, for example, ICS
- → Coordinate with the Group Chairman to ensure the review of ICS Risks by the Committee versus the Board is effective, with the Committee focused on more detail and the Board focused on higher level strategic issues

### Risk information provided to the Committee

The Committee is authorised to investigate or seek any information relating to an activity within its Terms of Reference, receives regular reports on risk management, and tracks a wide range of risk metrics through a Board Risk Information Report. This report provides an overview of the Group's risk profile against the Group's Risk Appetite Statement. The Group Chief Risk Officer's report covers the macroeconomic environment, geopolitical outlook, material disclosures and ongoing risks. Coverage of Principal Risk Types and regulatory matters are also included in this report. By way of example, regular updates on US-China trade tensions and Brexit have been reported on and discussed throughout

The Committee has the authority to request and receive relevant information consistent with the requirements of BCBS 239 that will allow the Committee to fulfil its governance mandate relating to risks to which the Group is exposed, and alert senior management when risk reports do not meet its requirements.

### Risk management disclosures

The Committee has reviewed the risk disclosures in the Annual Report and the Half Year Report, and has also reviewed the disclosures regarding the work of the Committee.

## Interaction with the Group Chief Risk Officer

David Conner meets individually with the Group Chief Risk Officer regularly between formal Committee meetings. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions and inform the forward-looking agenda.

### Interaction with management

The Committee is mindful of the need to hold management directly accountable when issues have arisen and have been reported by the Group Chief Risk Officer. Senior management has attended Committee meetings for deeper discussions in such instances. David Conner also meets individually with senior leaders of the risk function.

### Interaction with regulators

As Committee Chair, David Conner meets periodically with the Group's UK lead regulators, the PRA, as well as the FCA. In addition, and on an annual basis, the Committee meets with the PRA without members of management being present. The purpose of these meetings is to enable a discussion between the Committee and the PRA concerning prudential focused topics. In 2019, the PRA also attended one of the Committee's meetings as an observer.

# Interaction between Board committees on risk-related issues

In the few instances where it does not have primary oversight for a given type of risk, the Committee interacts closely with other Board Committees where the remit of these other Committees clearly covers risk-related matters. 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 of the responsibilities in relation to financial crime compliance matters; and the Brand, Values and Conduct Committee has oversight of the mechanisms by which Reputational Risk is managed. The 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

### Risk function resourcing

The Committee has sought and received assurance that the risk function is adequately resourced to perform its function effectively. The Committee's discussions included an overview of the changes to the Risk function in 2019 and management's forward-looking view of the Risk function.

## Linkages with subsidiary Board risk committees

In conjunction with the Chair of the Board Financial Crime Risk Committee, David Conner co-hosted an annual call with the chairs of subsidiary board risk committees. Details of this call can be found on page 82.

## **Brand, Values and Conduct Committee**



"Listening to the views, opinions and expectations of our people has always been central to the work of this Committee"

### **Committee composition**

	Scheduled meetings
J M Whitbread (Chair)	4/4
C M Hodgson, CBE	4/4
N Okonjo-lweala	4/4
D Tang*	3/3

\* David Tang was appointed to the Committee on 12 June 2019.

Dr Han Seung-soo and Om Bhatt stepped down from the Committee on 23 February 2019.

Other attendees at Committee meetings in 2019 included: Group Chairman; Group Chief Executive; Group Head, Human Resources, the Group Head Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance and Group Company Secretary.

Details of the Committee members experience can be found on pages 69 to 71.

### Main responsibilities of the Committee

The Committee has responsibility for reviewing the Group's brand, culture, valued behaviours and conduct, as well as the processes by which the Group identifies and manages workforce engagement, Reputational Risk, sustainability priorities and the approach to main government and regulatory relationships.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

Listening to the views, opinions and expectations of our people has always been central to the work of this Committee. This year, prompted by the new workforce engagement provisions brought in by the UK Corporate Governance Code 2018, the Board asked the Committee to take on the responsibility to review the Group's framework facilitating meaningful and direct engagement between the Board and the workforce. In light of this, the Group's established framework for employee engagement was enhanced during the year with two additional interactive sessions between Board members and employees, supported by online chat technology. This provided the opportunity for members of the Board to connect directly with thousands more employees globally. The Committee was encouraged by the level of workforce engagement and the feedback received. We discussed the key themes arising and asked management to develop a programmatic approach pulling together all sources of inputs and closing the feedback loop to strengthen our accountability to the workforce.

Sustainability remained high on our agenda. Having articulated our Sustainability Philosophy for the first time in 2018, the Committee oversaw the steps taken by Management this year to integrate our sustainability position statements and aspirations into business decision-making. These include strengthening our sustainable finance position for clients, with the complete withdrawal from new coal-fired power stations and the launch of sustainable finance products, including the world's first sustainable deposit.

The Committee continued its focus on culture and conduct. The Group's Culture Dashboard is now well established, providing a view of progress being made in embedding our valued behaviours. The Group's Conduct Dashboard is a work in progress this year, as the Committee urged management to simplify and deliver by year end. Nonetheless, the Committee was provided with assurance of how Conduct was being embedded throughout the Group across the three lines of defence.

Two of the Committee meetings were held overseas this year, in China and Germany, where the Committee took the opportunity to hold engagement sessions with local teams to seek greater insight at a local level on culture, conduct, brand and reputational matters, providing a valuable touch point with teams in our key markets.

The Committee regularly reviewed how Reputational Risk is being managed by the Group, taking a thematic approach to these reviews to help focus discussions on the impact of Reputational Risk.

Progress on the Brand refresh campaign launched in 2018 was reviewed by the Committee. The continued strength of the 'Here for good' brand promise was discussed, with clear brand metrics enabling the Committee to review the headway being made in the Group's approach.

Group Internal Audit reported regularly to the Committee with helpful insights gleaned from audits throughout the Group, highlighting where support is needed and how this support can best be delivered considering the specifics of the region or issue.

All these elements across the Committee's terms of reference, will be taken forward in 2020, with the United Nations Climate Change Conference (COP26) providing particular impetus for our sustainability agenda. We are pleased to have started 2020 with our Opportunity2030 report, highlighting the private sector investment opportunity in delivering the Sustainable Development Goals, and will continue to encourage the Group to take a leadership position in this field.

Muroner S.

**Jasmine Whitbread** 

Chair of the Brand, Values and Conduct Committee

### **Activities during the year**

### Workforce engagement framework

To satisfy the UK Corporate Governance Code 2018 (the Code) requirements, the Board first considered the three engagement provisions set out in the Code and elected to take the fourth approach, developing our own framework for meaningful and direct engagement. This method was chosen to ensure the representative views from across our diverse markets and employee base were captured, which the Board felt would not be satisfied with any of the three provisions set out in the Code.

The Committee took on responsibility to ensure workforce policies and practices were consistent with the Group's valued behaviours, as well as ensuring effective levels of workforce engagement.

To address this principle and supporting provisions in the Code the Committee's oversight included:

- → Reviewing the newly established Workforce Engagement Framework, a structured framework of employee insights and data reported to the Committee, supplemented by the Board's direct engagement through their overseas Board programme and new interactive online sessions
- → Discussed the new global interactive online sessions between Board members and employees, and the openness of employee questions, ranging from talent management to the organisational structure chart
- → Discussed the extension of the existing engagement survey, MyVoice, to include 3,000 non-employed workers for the first time, as well as over 71,000 employees
- → Discussed the importance of ensuring the workforce were able to raise matters of concern to the Board
- → Asked management to develop an approach to close the feedback loop and strengthen our accountability to the workforce
- → Reviewed the approach to reporting on the Group's policies and practices with consideration to the Group's culture and valued behaviours

### Workforce engagement framework: how we engaged during 2019







Question and answer call with Board members



n and Culture call with Dashboard



Online chat with Board members



Disciplinary and grievance reports



Engagement during overseas boards, including town halls and engagement sessions



Speak Up data

## Culture and valued behaviours

- → An engagement session was held in China with the Management Team, which focused on their journey to building a culture of innovation and how the Group could best respond to cultural and conduct matters. This session helped to bring to life matters of culture, brand and conduct from a country perspective by using data and anecdotes to illustrate their stories
- → Reviewed the Group's approach to Diversity and Inclusion and discussed the proposed 2019 programme of work in light of the Group's unique footprint
- → Discussed the results of the employee MyVoice survey, assessing and monitoring the Group's culture and valued behaviours. One area of focus in an overall positive story fed back by the MyVoice survey was the perceived lack of opportunities in the Group for career progression. The corrective actions being taken by management to address this item were also discussed
- → Discussed Futuremakers by Standard Chartered, the global initiative to tackle inequality and promote greater economic inclusion for young people in the Group's communities and empower the next generation to learn, earn and grow

### **Brand**

- → Received a report on the brand metrics and discussed the learnings and insights from them
- → Discussed steps the Group is taking in respect of raising the profile of the Group's Corporate Narrative
- ightharpoonup Discussed the Group's Brand Refresh campaign, focusing on where investment can best enhance the brand's impact
- → In Germany, an engagement session was held with the Management Team on culture, conduct, brand and reputational matters. One area of focus was the branding journey of the Frankfurt office

### Conduct

- → Discussed the steps being taken by management to embed conduct into the three lines of defence
- → Regular progress updates on the development of the Conduct Dashboard

### Reputational **Risk** Management

- → Reviewed the enhanced Reputational Risk reporting, broadening the Committee's insights into Reputational Risk and key environmental, social and governance issues
- → Discussed the work being undertaken by the Group to understand positive and negative reputational risk drivers across its markets, drawing together insights from Reputational Risk and Corporate Affairs
- → Received an update on the key Reputational Risk insights and themes being tracked across the Group
- → Discussed enhancements to the Reputational Risk reporting following the launch of the Reputational Risk Dashboard
- → Sought and received assurance on how the Group's Position Statements are aligned to the Group's Risk Appetite

### Sustainability

- → Discussed the progress in delivering the Group's sustainability strategy, framed by the Group's sustainability philosophy
- → Received progress updates from the Sustainable Finance team on sustainable deposits and embedding sustainable deposits in the mainstream market
- → Discussed industry-wide metrics and indices in sustainability
- → Discussed growth opportunities in sustainable finance
- → Provided with insight into how stakeholder engagement is being used to promote the Group's message particularly in the area of sustainability

### Government and regulatory relationships

- → Reviewed the Group's approach to its main government and regulatory relationships across its key markets, with a view to improve the quality of these relationships
- → Provided input on the areas of priority for the Group, including regulatory reform, Brexit, Belt & Road initiative, climate change, Fintech and innovation, and country/regional specific issues

### Committee effectiveness review

As part of the 2019 external Board effectiveness review conducted by IBE, a review of the Committee was conducted. The feedback from IBE was positive and there was an overall feeling that the Committee was continuing to function diligently and thoroughly. The Committee was encouraged to keep the Board informed and connected on their work, especially in relation to people-related issues and the corporate social responsibility agenda.

### 2020 Action Plan

The 2020 Action Plan for the Committee reflects the feedback from the review along with the good practice suggestions from the external

- → Review and recommend the plans for Board engagement with the workforce and ensure good communications on its progress to the Board
- → Continue to drive the implementation of the Conduct Dashboard
- → Ensure regular review of the Group's progress against its sustainability priorities and external commitments
- → Develop closer ways of working with the Remuneration Committee on common topics around culture, values and brand

### **Governance and Nomination Committee**



### **Committee composition**

	Scheduled meetings	Ad Hoc
J Viñals (Chair)	4/4	1/1
D P Conner	4/4	1/1
C M Hodgson, CBE	4/4	1/1
N Kheraj	4/4	1/1
J Whitbread	4/4	1/1

Other attendees at Committee meetings in 2019 included: Group Chief Executive; Group Head, HR; Group Company Secretary

Biographical details of the committee members can be viewed on pages 69 to 71.

### **Main responsibilities of the Committee**

The Committee has responsibility for keeping the size, structure and composition of the Board and its committees under review. As part of the Committee's succession planning for the Board, it takes into account the Group's strategy and challenges, and makes recommendations to the Board in respect of any adjustments to the Board's composition.

The Committee also: keeps under review the leadership needs of, and succession plans for, the Group in relation to both executive directors and other senior executives; has oversight of the process by which the Board, its committees and individual directors assess their effectiveness; keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area; considers any potential situational conflicts of interest declared by Board members; considers the impact of material changes to corporate governance regulation and legislation affecting the Group, and has oversight of the Group's approach to subsidiary corporate governance.

The Committee reports to the Board on its key areas of focus following each committee meeting.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

"We recognise the critical role we have in ensuring robust succession planning is in place and that the composition of the Board and its committees continue to evolve"

As a Committee, we recognise the critical role we have in ensuring robust succession planning is in place and that the composition of the Board and its committees continue to evolve, providing effective oversight of the Group's strategy. Ensuring we have a truly diverse Board comprising individuals with a range of skills, backgrounds, experience and perspectives remains key to the Board's continuing effectiveness. The Board's Diversity Policy sets out the approach we take to ensure that the Board continues to make progress in this area.

Over the course of 2019, the Committee spent a significant amount of its time, with the assistance of external search firms, identifying key criteria to strengthen the pipeline of future Board candidates, which included: banking, finance, risk, accounting experience, geographical representation and diversity, in its broadest sense.

The Board's composition and that of some of its committees changed in the early part of 2019, with the retirement of two of our longer standing Board members and the appointment of Carlson Tong, which were highlighted in last year's report. In June 2019, the Committee recommended that David Tang be appointed to the Board. David's appointment added further market representation and valuable insight of the tech sector to the Board discussions. David is based in Beijing, China and has more than 30 years of international and Chinese operational experience in the tech and venture capital industries.

The focus on succession planning continues to be broader than the Board and its committees. We also focused in detail on succession readiness and plans for the executive directors, the Management Team and other senior executives to assure ourselves that key roles have credible plans with suitable flexibility for the immediate to longer term.

As part of its governance oversight role, the Committee received updates from the four Regional CEOs who each have responsibility for the subsidiary governance processes across their regions, to provide a holistic view of the governance challenges faced across the Group's footprint. The Committee also reviewed the changes to the Group's corporate governance arrangements, to reflect the new corporate entity structure following the establishment of the Hong Kong regional hub, and to ensure robust oversight and linkages between Standard Chartered Bank and Standard Chartered Bank Hong Kong and their subsidiaries.

The Committee paid significant attention to enhancing the effectiveness of the Board and its committees. An externally facilitated Board effectiveness review was commissioned in the middle of the year which concluded that the Board continues to operate effectively while also signalling several areas for improvement. Separately, but in parallel, the Prudential Regulation Authority (PRA) undertook their own Board effectiveness review. More details can be found on page 84.

The Committee also provided oversight and recommendations on how the Board should best meet the new requirement to formalise its approach to engage directly with the workforce – details of which are set out on page 82.

Finally, the International Advisory Council (IAC) held meetings in London and Nairobi. Discussions centred around the main long term drivers shaping the world and their strategic implications for the Group.



José Viñals

Chair of the Governance and Nomination Committee

### Board composition as at 31 December 2019



### **Activities during the year**

### Board and senior talent succession planning

- → Discussed the composition of the Board at each meeting of the Committee, and considered the orderly succession of current INEDs as well as the skills, knowledge, experience, diversity (in the broadest sense) and attributes required of future INEDs, both immediately and in the medium to longer term. In considering the Board's succession, the Committee take into account the length of tenure of the INEDs, and the importance of regularly refreshing the Board membership
- → Systematically reviewed a number of independent non-executive director long and short lists throughout the year to identify potential candidates with a diverse range of skills, capabilities, experience, knowledge and perspectives
- → Engaged the executive search firms Egon Zehnder\* and Heidrick & Struggles\*, to conduct a number of rigorous and transparent reviews of the market to support the Board succession plan, both in the short and medium term. The range of experience and skills sought in line with the objective of securing a truly diverse Board, included: banking; risk; accounting; geographical; tech; and retail
- → David Tang emerged as a highly regarded candidate from one of the search processes, with extensive business experience across the GCNA region, particularly China and with significant knowledge of emerging technologies
- → Discussed David Tang's candidacy against objective criteria and in the context of other candidates, and recommended him to the Board for appointment as an INED
- → Provided oversight of detailed executive and senior management succession plans, including considering the diversity of these plans
- → Reviewed succession plans for the committee chair roles, identifying appropriate individuals with the necessary skills and attributes to provide emergency cover as required, as well as on a longer-term basis, including acknowledging and addressing where gaps exist

Egon Zehnder and Heidrick & Struggles are signatories to the voluntary code of conduct for executive search firms. Egon Zehnder and Heidrick & Struggles both also supply senior resourcing to the Group

# Board and committee effectiveness review

- → Discussed the PRA's plans to undertake their own Board effectiveness review during 2019
- → Provided oversight of the process for the independent, externally conducted effectiveness review of the Board and its committees, including the selection process, which resulted in Ffion Hague of Independent Board Evaluation (IBE) being commissioned to facilitate the review
- → Noted the feedback, observations and recommendations from both IBE's and the PRA's effectiveness review of the Board and agreed that the 2020 Action Plan would be discussed and finalised by the Board as a whole
- → Discussed the feedback, observations and recommendations from both IBE's and the PRA's effectiveness review of the Committee, and agreed the content of the 2020 Action Plan
- Details of this year's externally conducted Board and committee effectiveness review, including the process which we followed and the observations from the review, can be found on page 84

### **Board Diversity Policy**

- → Reviewed progress made in 2019 against the agreed objectives set out in the Board Diversity Policy, including how the Board has performed in achieving its stated aim to have 33 per cent female representation on the Board. Discussed the role of the Board Diversity Policy in advancing the composition and effectiveness of the Board
- Further details of progress the Board has made against the key objectives of the Board Diversity Policy are set out on page 104

### **Experience**

International experience



Representation from key markets



Banking, risk, finance, accounting experience amongst INEDs



### **INED** tenure











**Nationality:** The nationality of our directors does not in itself demonstrate the diversity of the Board's composition. Between them, the directors have significant experience of either living, working or managing operations across the markets in which we operate

### Activities during the year continued

### Subsidiary governance

- → Received updates from the four Regional CEOs on the Group's approach to subsidiary governance. Received assurance of effective oversight and compliance with the Group's Subsidiary Governance Policy
- → Discussed linkages between banking subsidiaries and the Group, and the process for escalation of key risks
- → Considered the interim corporate governance arrangements following the changes to the Group's hub entity structure, resulting from the establishment of the Hong Kong regional hub (comprising Hong Kong, China, Korea and Taiwan), including the Board structure and composition of the Court of Standard Chartered Bank

### International Advisory Council

- → Continued to provide oversight of the development of an IAC to support the Group in its strategic thinking
- → Provided comments on the initial IAC membership and provided input on the composition, ensuring diversity of expertise and representation from a range of sectors and geographies
- → The IAC met twice, in London and Nairobi, and focused on the impact of the key global economic, social, political and technological trends on the Group's strategy over the medium and longer term

### Conflicts of interest

→ Conducted an annual review on the directors' existing and previously authorised potential situational conflicts of interest, and considered whether any circumstances would necessitate the authorisation being revoked or amended. Also noted directors' other directorships and business interests, taken during the year in the context of time commitment, overboarding and regulatory requirements in this area

### Assessment of the nonexecutive directors' independence

- → Considered the independence of each of the non-executive directors, taking into account any circumstances likely to impair, or which could impair, their independence
- → Noted the thorough process undertaken to assess individual director performance and effectiveness, taking these reviews into account along with tenure and succession plans in making its recommendation to appoint the independent non-executive directors for a further year

### Terms of reference

→ Conducted a review of the Committee's Terms of Reference during the year, taking into account the responsibilities, obligations and best practice principles it has in the UK and Hong Kong

## Implementation of the Board Diversity Policy

The Board Diversity Policy (the Policy) sets out the approach the Board takes to ensuring that diversity, in its broadest sense, remains a central feature of the Board. The Policy acknowledges that we have a distinctive global footprint and international outlook, and a long history of diverse Board membership.

We strive to maintain this diversity, recognising that it brings a richness of perspective to the Board discussion and significant benefits to its overall effectiveness. The Policy focuses the Committee as it considers Board succession planning, ensuring that the Board's composition continues to evolve while promoting a diverse

range of individuals from: different social and ethnic backgrounds; gender; experience; knowledge; skill sets; personal strengths and attributes; with a geographic and sector perspective. Aligned to the Policy's broad ambition, it has five specific objectives which the Board remains committed to in order to further enhance progress in this area:

- → Increasing the representation of women on the Board, with an aim to have a minimum of 33 per cent female representation
- → Ensuring that our Board reflects the diverse markets in which we operate
- → Ensuring that the Board comprises 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 diversity of the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender target

The Committee conducted an annual review of the Policy during 2019, to ensure that it continues to promote and drive diversity in its broadest sense, while continuing to take account of best practice initiatives, including the Parker Report into ethnic diversity, the Hampton-Alexander Review on women in leadership positions and the UK Corporate Governance Code 2018.

The Policy is implemented through the Committee, which considers its objectives as part of overall succession planning discussions alongside its selection and recommendation of individual candidates.

Details of the Board's diverse composition are set out on pages 69 to 71 of this report, and that of the Management Team can be found on pages 72 to 74.

Details of the Group's wider policy on diversity and inclusion, including gender balance across the Group can be found on page 49 of this report.

A copy of the full Board Diversity Policy can be viewed at sc.com/boarddiversitypolicy and further details on the Group's approach to diversity and inclusion can be viewed at sc.com/diversity-and-inclusion

Progress against the key objectives set out in the Board Diversity Policy are set out below:

Board Diversity Policy objectives	Progress update
Increasing the representation of women on the Board with an aim to have a minimum of 33 per cent female representation	→ Increasing gender representation on the Board remains a key focus for the Committee as it considers Board succession planning, ensuring that female candidates are fairly represented on long and short lists; this can be more challenging depending on the criteria and geographical representation being sought. Although two male INEDs were appointed during 2019, the proportion of female directors remained unchanged at 31 per cent, as two male INEDs retired. The representation of women on the Board continues to trend upwards, increasing from 10 per cent in 2014 to 31 per cent today
Ensuring that our Board reflects the diverse markets in which we operate	→ What sets Standard Chartered apart is our diversity of people, cultures and networks. The Board reflects many of the regions in which we operate, including the UK, North America, Asia and Africa. Many of the INEDs have additional experience of having worked, lived and managed operations across many of the Group's markets. As part of the Committee's work during 2019 on succession planning, it has considered a significant number of potential future INED candidates who are representative of some of our key regions and markets, resulting in the appointment of Carlson Tong, based in Hong Kong and David Tang, based in Beijing
Ensuring that the Board is comprised of a good balance of skills, experience, knowledge, perspective and varied backgrounds	→ Throughout 2019, the Committee has focused on identifying the skills and expertise required more immediately, as well as those required in the medium to longer term. The Committee systematically reviewed candidate longlists to identify potentially suitable INED candidates. Areas of particular focus in 2019 included significant accounting, risk, banking and finance experience, retail and expertise in tech and cyber, as well as deep experience and knowledge of operating across the Greater China, North Asia Region
Only engaging search firms who are signed up to the Voluntary Code of Conduct for Executive Search Firms	→ During 2019, we only engaged search firms signed up to the Voluntary Code of Conduct.  The Committee engaged Egon Zehnder and Heidrick & Struggles to assist it in identifying and building a pipeline of high-quality potential INED candidates. Egon Zehnder and Heidrick & Struggles are both signed up to the Voluntary Code of Conduct and remain committed to supporting our ambitions to widen all aspects of diversity on the Board
Reporting annually on the executive pipeline as well as the diversity of the Board, including progress being made on reaching the Board's gender target	→ The Committee takes an active role in reviewing the succession planning for the executive directors, the Management Team and senior management below the Management Team. In recent years, we have improved our reporting of Board and senior talent succession planning, as well as reporting on the value and importance of continuing to widen the diversity of the Board

## Committee effectiveness review

As part of the 2019 external Board effectiveness review conducted by IBE, a review of the Committee was conducted and separately, but in parallel, a review was also conducted by the PRA on the effectiveness of the Committee.

## Key observations from the 2019 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted that:

- → The Committee functions well, with regular reviews of Board member tenure dates and appropriate discussions in respect to succession planning and for Board roles. These are reported back to the Board by the Committee Chairman in comprehensive reports
- → The succession and INED selection processes are regarded as very inclusive and transparent but can also be very lengthy. However, this does not impact the quality of the successful candidates
- → There is a general feeling that the succession process has improved, and the Committee has better information and visibility of high-potential individuals within the business

#### 2020 Action Plan

The 2020 Action Plan for the Committee reflects a combination of good practice suggestions from the external report, along with others highlighted by a combination of IBE and the PRA:

- → Develop a Board manual, involving Board and Governance and Nomination Committee input, with clear guidelines for the appointment processes and for the associated succession plans
- → Introduce a formal template of Board skills and a matrix that tracks existing skills, knowledge, diversity and experience to support the Committee's appointments and succession planning processes
- → Review the Board induction programme and insight opportunities to create a more tailored programme for new Board and committee
- → Continue to ensure sufficient time is allocated in the annual calendar for the Committee to have more contact with high-potential employees

## **Board Financial Crime Risk Committee**



"We continue to strive to position ourselves as a leader in the war on financial crime"

#### **Committee composition**

	Scheduled meetings
G Huey Evans, OBE (Chair)	4/4
D P Conner	4/4
C M Hodgson, CBE	4/4
N Kheraj	4/4
C Tong*	4/4
External adviser members	
B H Khoo	4/4
Sir lain Lobban	4/4
F Townsend**	4/4
* Carlson Tong joined the Committee of	n

- \* Carlson Tong joined the Committee on 21 February 2019.
- \*\* Fran Townsend stepped down from the Committee on 31 December 2019.

Other attendees at Committee meetings in 2019 included: Group Chairman; Group Chief Executive; Group Chief Risk Officer; Group General Counsel, Global Co-Heads, Financial Crime Compliance; Group Head of Internal Audit; Group Head, Conduct, Financial Crime and Compliance and Group Company Secretary.

Byron Grote attended one Committee meeting in 2019 as part of his ongoing engagement programme.

As part of, and in addition to, each scheduled Committee meeting, the Committee held private members-only meetings.

The Committee's membership is currently comprised of five independent non-executive directors and two independent external adviser members who are neither directors nor employees of the Group, but who provide a valuable external perspective and have extensive experience in counter-terrorism, cyber security and international security. Details on the independent non-executive directors can be found in their biographies on pages 69 to 71.

#### Main responsibilities of the Committee

The Committee provides oversight of the effectiveness of the Group's policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor and prevent and/or detect money laundering, non-compliance with sanctions, bribery, corruption and tax crime by third parties.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

As Chair of the Board Financial Crime Risk Committee, I am pleased to present the Board Financial Crime Risk Committee's report for the year ended 31 December 2019.

2019 was a year of significant milestones, with the resolution of legacy sanctions compliance and financial crime controls investigations in the US and UK in April, and the termination of the compliance monitorship by the US Department of Justice on 31 March. The end of 2019 marked a further milestone, when the term of the Independent Consultant appointed by the New York State Department of Financial Services (NY DFS) ceased and the business restrictions, previously imposed by the NY DFS, ceased to be in effect as of 31 December 2019. The Group remains committed to its mission of 'partnering to lead in the fight against financial crime' and is delivering on the remediation actions arising from the 2019 resolutions.

The Committee has overseen the significant effort and investment placed on the Group's mission and recognises that an effective compliance programme has been developed to make the Group both safer and stronger. We continue to strive to position ourselves as a leader in the war on financial crime.

The Committee is fully supportive of the Group's input and participation into FCC information sharing initiatives. Regular reporting has enabled the Committee to understand how the Group is playing a leading role and has encouraged further development of this important contribution, an example of which is the Group's feature on money laundering linked with the illegal wildlife trade in its brand campaign, a key theme of the Group's Here for good brand promise.

It was pleasing to note that Standard Chartered had been recognised by the US Treasury's Financial Crime Enforcement Network (FinCEN) for its contribution, through Bank Secrecy Act reporting, to three of the significant criminal cases nominated for award consideration, as part of the Law Enforcement Awards Programme.

The Committee receives periodic updates on initiatives the Group is leading, including delivery of the Correspondent Banking 'De-risking Through Education' Academy programme. It was good to see that the Financial Stability Board's May 2019 report on progress against de-risking cited Standard Chartered's Academy programme as a force to contribute to greater financial inclusion.

The Group made progress on its investments to enhance its financial crime technology, deploying machine learning from Silent 8 in support of its anti-money laundering and sanctions screening software, launching a tool with Quantexa to enable searches across c. seven billion historical transactions rapidly, and continuing to deploy its Mantas Transaction Monitoring platform. A key objective in 2020 is to complete the roll out of Mantas and to make greater use of the analytics features now in production.

Outside of Committee meetings and on a more informal basis, during an overseas Board visit to Germany, the Committee attended a roundtable discussion with FCC senior leaders to discuss a number of key priorities. A topic-focused discussion was also held with a representative from the National Crime Agency on UK efforts in fighting financial crime. These discussions provided useful opportunities to hear from the workforce and externally on financial crime-related matters.

The following pages provide insight and context into the Committee's work and activities during the year.



#### **Gay Huey Evans**

Chair of the Board Financial Crime Risk Committee

## **Activities during the year**

## remediation programme

- → Exercised oversight of the activity required to comply with the requirements of the various financial crime compliance related Consent Agreements, Cease and Desist Orders and Deferred Prosecution Agreements with the US and **UK** authorities
- → More information about these Orders and Agreements can be found in Note 26 on page 332

#### **Assessment of** financial crime risks

- → Discussed reports on the financial crime risks faced by the Group across a number of the Group's client segments and geographies
- → Assurance was sought and received on the actions underway to strengthen controls in relation to these risks

#### **Financial crime** risk control environment

- → Reviewed Group Internal Audit's view on the Group's control environment relating to Financial Crime Risk, Discussions included the grading of audit reports across FCC risk themes, gaps and deficiencies that have been identified. Assurance was sought and received concerning management's response and resulting management actions
- → Discussed an annual report from the Money Laundering Reporting Officer covering: responsibilities across the Group for anti-money laundering systems and controls and the structure within which they operate; an overall assessment of the FCC programme; an assessment on the operation of systems and controls; a summary of business issues; recommendations for action and a report from the Nominated Officer
- → Received regular reports from the Global Co-Heads, FCC setting out status updates on the financial crime objectives and key risks involved. In particular, progress being made to embed the Group's Effective and Sustainable standards was discussed. The Committee noted that the Group ended the year with Effective FCC programmes in all but one of its markets, but with further work to do in 2020 to support a conclusion that its FCC programmes are Sustainable
- → Discussed the action plans in place for data quality management relating to Financial Crime Risk in Transaction Banking and Retail Banking
- → Discussed an update on the risks and impacts of potential US secondary sanctions
- → Received an update on the future strategy for Transaction Monitoring capabilities across the Group's people, processes and technology

#### Financial crime future threats

- → The Group has a Financial Crime Compliance Global Threat Assessment that looks at trends emerging from significant investigations and external events, to identify and evaluate the most significant financial crime threats faced by Standard Chartered, and to develop a set of key recommendations in response to these threats
- → In 2019, the Committee discussed thematic areas of exposure including: transnational money laundering operations; sanctions exposure and terrorist financing; bribery and corruption; illegal wildlife trade, and; cyber enabled fraud. The Committee probed into the actions in place to manage these risks

#### **Group Risk Appetite** Statement in relation to financial crime

- → Reviewed and recommended to the Board the Group's Risk Appetite Statement, metrics and thresholds in relation to Financial Crime Risk
- → Regularly reviewed metrics measuring against Financial Crime Risk Appetite

#### **Financial Crime Compliance** function

- → Discussed a report from the Global Head, Conduct and Financial Crime Compliance Assurance on the function, taking into account the current operating model and feedback from key stakeholders
- → Regularly discussed the engagement of people and the impacts of the Conduct, Financial Crime and Compliance Transformation Programme and actions to manage the risks

#### **Financial crime** compliancerelated matters

→ Received and discussed updates on significant FCC-related matters

## Activities during the year continued

# Financial crime compliance information

- → Discussed reports on FCC information sharing initiatives to which the Group contributes, in order to protect the integrity of the global financial system and improve the effectiveness of the contributions of financial institutions in fighting financial crime
- sharing initiatives

  Discussed how the Group contributes to industry thinking on reform and information sharing partnerships in a number of markets, as well as working with international fora such as the Wolfsberg Group
  - → Discussed the Group's role in partnering with industry peers, non-governmental organisations and government officials, to engage in coordinated efforts to combat some of the world's most pernicious crimes, including human trafficking, terrorism, illegal wildlife trafficking and transnational organised money laundering networks

# Committee meeting held overseas

- → One of the four Committee meetings in 2019 was held as part of the overseas Board visit to Germany. During this visit, the Committee attended a roundtable discussion with FCC senior leaders to discuss the newly formed team, the regulatory environment in Germany, and in particular, implications for the Group's processes around Transaction Monitoring
- → At the end of the year, a topic-focused discussion was held with a representative from the National Crime Agency, as a guest speaker. An interactive discussion was held on UK efforts in fighting financial crime

## Committee effectiveness review

As part of the 2019 external effectiveness review, a review of the Committee was conducted by IBE.

#### Key observations from the 2019 external effectiveness review

The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted that:

- → The Chair takes the Committee's work seriously and her commitment is appreciated by the rest of the Board
- → There is some duplication between the Committee, the Board Risk Committee and the Brand, Values and Conduct Committee

### 2020 Action Plan

- → Keep under review the Committee's role and composition
- → Ensure papers support constructive discussion and are clearly aligned to the Committee's remit on FCC and the forward-looking agenda

## **Directors' remuneration report**



"Listening to stakeholder feedback to improve the clarity of disclosure and strengthen alignment with shareholders and the wider workforce"

#### **Committee composition**

	Scheduled meetings	Ad hoc
C M Hodgson, CBE (Chair)	6/6	1/1
L Cheung	6/6	1/1
B E Grote	6/6	1/1
N Kheraj	6/6	1/1
J M Whitbread	6/6	1/1

Other attendees for relevant parts of Committee meetings in 2019 included: Group Chairman; Group Chief Executive; Group Head, HR; Global Head, Performance, Reward and Employee Relations; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel; Group Head, Conduct, Financial Crime and Compliance; Group Company Secretary.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

## Main responsibilities of the Committee

The Committee is responsible for setting the governance framework for remuneration for all employees. The Committee is well positioned against the requirements of the UK Corporate Governance Code to oversee workforce reward and related policies and ensure the alignment of reward and incentives with our culture. In particular, the Committee:

- → Reviews and approves the Group's Fair Pay Charter which includes oversight of the development and implementation of workforce remuneration policies and practices, ensuring they are consistent with sound and effective risk management, the Group's culture and valued behaviours and long-term sustainable success
- → Approves Group discretionary incentives, including adjustment for current and future risks
- → Determines and agrees with the Board the remuneration framework and policies for the Group Chairman, executive directors and other senior executives, using the Fair Pay Charter principles and taking into account workforce remuneration and the alignment of incentives and reward with culture
- → Oversees the identification of material risk takers and ensures their incentives are structured in accordance with the requirements of the prevailing remuneration rules

#### Directors' remuneration report

Page 111 Remuneration alignment
Page 114 The Remuneration Committee

Page 116 Group-wide remuneration in 2019

Page 119 Directors' remuneration in 2019

Page 128 2020 policy implementation for directors Page 131 Summary of the directors' remuneration policy

Page 133 Additional remuneration disclosures

#### Introduction

On behalf of the Remuneration Committee, I am pleased to present the directors' remuneration report for the year ended 31 December 2019. This report provides an overview of the Committee's work in the year both in relation to executive director and wider workforce remuneration.

### **Our Fair Pay Charter**

Our Fair Pay Charter, introduced in 2018, sets out the principles we use to make remuneration decisions across the Group that are fair, transparent and competitive in order to support us in embedding a performance-oriented, inclusive and innovative culture and in delivering a differentiated employee experience. We have strengthened alignment to our principles in 2019 and are delighted to confirm that our first step in our living wages commitment has been met in all 59 markets where we have employees. We have further work to do against the stretching objectives the Committee has set.

On page 116 we set out our Fair Pay Charter principles and a summary of our progress implementing these across the Group. We will be publishing our first external Fair Pay Report in 2020 which sets out more detail around the work we are doing for employees globally.

## Engagement with stakeholders to understand views on the directors' remuneration policy

In 2018 and early 2019 we conducted an extensive consultation exercise with shareholders to understand their views on our proposed directors' remuneration policy and our final policy took into account feedback received.

At the AGM, our new directors' remuneration policy received the support of only 64 per cent of shareholders. Following the meeting, we acknowledged that more needed to be done to understand and address the concerns raised by some shareholders on specific areas of the policy in the lead up to the AGM, particularly in respect of pensions.

We re-engaged with shareholders who represent approximately 60 per cent of our issued share capital, with the Investment Association who represents over 250 UK investment management firms, with other major shareholder advisory bodies and with other small shareholders who provided feedback to us.

- → The majority of shareholders we engaged with supported the existing overall quantum and structure of total remuneration offered to the current executive directors in absolute terms and relative to peers. Notwithstanding this, they wished to see the concerns of some shareholders in relation to pension allowances resolved, while keeping the executive directors engaged and focused on the delivery of the strategy
- → Where shareholders had concerns, these primarily related to the lack of alignment between pension arrangements for our current executive directors and the wider workforce. However, shareholders appreciated our commitment to move to a pension of 10 per cent of salary for new executive directors in the new policy
- → Notwithstanding the executive directors' contractual entitlements, a number of shareholders expected a reduction in pension for our current executive directors
- → Some shareholders expressed concerns that we had not explained as clearly as we could the structure of salary and pension arrangements and how they align with the wider workforce and the UK Corporate Governance Code
- → A small number of shareholders had concerns over the introduction of the flexibility for the Committee to disapply proration for time on the vesting of long-term incentive plan (LTIP) awards in specific retirement circumstances. While the Committee did expect some concerns on this aspect of the policy, we consulted widely with major shareholders to explain the rationale and included additional clarity on the

circumstances in which this flexibility might be used based on their feedback. The Committee is also committed to providing clear and detailed disclosure in the event that it is used

The views of the workforce were also considered. For further information see page 112.

## **Executive director pensions and salary in 2020**

We considered carefully the feedback received during the engagement process, and the guidance on pensions published by the Investment Association in September 2019. The Committee reflected on the strength of stakeholders' views on executive pensions, balanced with the principles applied to the wider workforce in similar circumstances. Taking all of this into consideration, the Committee concluded that we should implement a change to resolve concerns as swiftly as possible.

In November 2019, the Committee announced that the pension allowance for Bill Winters, Group Chief Executive (CEO), and Andy Halford, Group Chief Financial Officer (CFO), would be reduced from 20 per cent of salary to 10 per cent of salary with effect from 1 January 2020, a reduction of 8 per cent in fixed pay. Our remuneration policy defines variable pay levels as a multiple of fixed pay, therefore this change also resulted in a reduction in the maximum variable pay opportunity of 8 per cent. This change aligned the executive directors' pension arrangement with all UK employees of Standard Chartered from the start of 2020. The Board agreed with this approach and is grateful to Bill and Andy for their willingness to accept the decision.

The pension allowance is set as a percentage of salary, both the cash and shares components. This is key to the alignment of the current executive directors' remuneration to other UK employees. Pension allowances as a percentage of only the cash part of salary would not be aligned to the wider workforce. In line with the UK Corporate Governance Code, only salary is pensionable.

Salary for executive directors is set in the same way as for all employees being contractually fixed, based on the role, the skills and experience of the individual, and reviewed annually with reference to relevant market benchmarks. The approach to setting salary levels for the executive directors conforms with the Investment Association's principle on base pay. The only difference in the way salary is operated between executive directors and other employees is that executive directors receive part of their salary in shares to increase alignment with shareholders.

The Committee decided, following its annual review of salary, that there should be no change to Bill's salary for 2020. The Committee awarded a salary increase of 3 per cent to Andy, from  $\mathfrak{L}1,471,000$  to  $\mathfrak{L}1,515,000$ , with effect from 1 April 2020. In making this decision the Committee took into account Andy's development in role, including his responsibility for the finance, treasury, corporate development, strategy, investor relations, property and supply chain management functions, benchmarking against other FTSE and banking CFOs, and the fact that his last increase in April 2018 was his only one since appointment in 2014

The Committee also considered the increases awarded to all employees in the UK as part of the 2019 review process which, on average, were 3.2 per cent. The salary increase for Andy is not compensation for the reduction in his pension allowance.

Fixed pay for Bill and Andy from 1 April 2019 and 1 April 2020 is illustrated below:

## Salary | Pension | ## Salary | Pension | ## Salary | Pension | Pension | ## Salary |

The structure of variable remuneration in 2020 continues to be set by the directors' remuneration policy approved at the May 2019 AGM, which is summarised on pages 131 to 132. Further information on the alignment of executive director pay with the wider workforce is set out on pages 112 to 113.

## Our performance in 2019

In February 2019, we announced our refreshed strategic priorities, building on our strengthened foundations to generate significantly and sustainably higher returns in the medium term. We will invest to accelerate growth in our differentiated international network and affluent client businesses, eliminate residual drags by optimising our low-returning markets, streamline operations to enhance client satisfaction and drive productivity, and embrace digitisation and partnerships to reinforce our competitive advantage. The execution of these priorities is underpinned by an inclusive, innovative, performance culture that emphasises sustainability and conduct.

These priorities were incorporated into the 2019 annual incentive scorecard and into the performance measures of LTIP awards to incentivise the delivery of the refreshed strategy over the short and long term. When determining 2019 remuneration outcomes, the Committee evaluated performance against the Group's scorecard and considered:

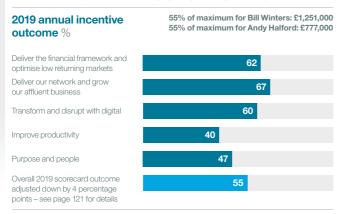
- → The improved financial performance of the Group, despite ongoing geopolitical and macroeconomic headwinds in the market: income growth of 2 per cent year-on-year or 4 per cent at constant currency, operating profit growth of 9 per cent year-on-year, and increased return on tangible equity (RoTE) (up 130 bps to 6.4 per cent)
- Strategic achievements including improved productivity, achievement of data analytics targets, out-performance of system stability targets and growth in our affluent business income (6 per cent year-on-year)
- → Other achievements including the corporate entity reorganisation, which will lower costs of funding
- → The share price performance in 2019
- → The resolution of legacy sanctions compliance and financial crime controls investigations in the US and UK, and the historical remuneration adjustments made in respect of these matters
- → The current and future risks identified by the Group's Principal Risk Type framework



The Group scorecard assessment was 59 per cent. In reviewing the scorecard outcome, the Committee considered the underlying business performance, current and future risks identified by the Group's Principal Risk Type framework, performance against the Board approved risk appetite, absolute levels of performance and the broader macroeconomic environment. The Committee considered carefully the balance between rewarding colleagues for stronger performance and delivering sustainable growth for shareholders. Considering performance and the overall competitiveness of total compensation across the Group, the Committee applied judgement to award incentives at a lower level, at a scorecard outcome of 55 per cent. This results in discretionary incentives in 2019 of \$1,278 million, representing an increase of 8 per cent on 2018 compared with a 9 per cent increase in underlying operating profit and no change to the ratio of variable compensation to pre-variable compensation profit before tax of 24 per cent.

## **2019** annual incentive awards for executive directors (further information on pages 120 to 122)

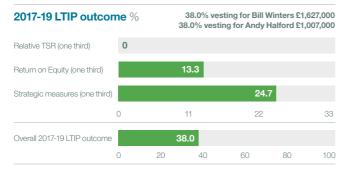
In combination with the Group performance outlined on page 109 the Committee considered individual performance to determine annual incentive outcomes. The Committee determined that Bill and Andy should receive annual incentives of 55 per cent of the maximum based on Group and individual performance (compared with 63 per cent and 60 per cent respectively in 2018). This results in an annual incentive award of 44 per cent of fixed pay for both Bill and Andy (compared with 50 and 48 per cent of fixed pay respectively in 2018).



## 2017–19 LTIP awards vesting in March 2020

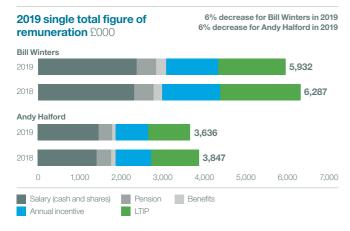
(further information on pages 123 to 124)

The 2017–19 LTIP awards are due to vest in March 2020 subject to performance over three years from 2017 to 2019. The chart below shows the level of vesting expected following an assessment of the performance conditions. This reflects total shareholder return (TSR) performance below median, an achievement of return on equity (RoE) of 5.6 per cent and improved performance against our strategic priorities, underpinning our progress towards our target to deliver higher returns in the medium term.



## **Single total figure of remuneration for 2019** (further information on page 119)

The 2019 annual incentive and expected 2017-19 LTIP vesting results in a 2019 single figure for Bill of £5,932,000 and for Andy of £3,636,000. This represents a year-on-year decrease for both of 6 per cent.



A significant portion of Bill and Andy's total remuneration is delivered in shares which will be released over the next eight years. The deferral, retention and recovery provisions reinforce continued alignment with shareholder interests and the Group's long-term performance. As at 31 December 2019, both Bill and Andy had significantly exceeded their shareholding requirement as outlined below. Shares purchased voluntarily from their own funds are equivalent to 93 and 69 per cent of salary for Bill and Andy respectively.



## 2020–22 LTIP awards to be granted in March 2020

(further information on pages 122 to 123)

In accordance with UK banking regulations, the Committee considered performance in 2019 in order to determine the face value of the 2020–22 LTIP awards to be granted in March 2020. These will be 120 per cent of fixed pay at 31 December 2019 for both Bill and Andy. Depending on performance over the next three years, awards will vest and be deferred over seven years and an additional one-year retention period will apply post-vesting. Performance will be assessed based on RoTE with a Common Equity Tier 1 (CET1) underpin, TSR relative to a peer group, and the achievement of measures that are aligned to the Group's refreshed strategic priorities.

RoTE is one of the financial KPIs used to measure progress against our strategy (see page 111). The Committee considers target setting carefully before each grant and is committed to setting targets that are challenging and act as an effective incentive for executive directors to execute the strategy. The RoTE target range for 2020–22 LTIP awards is 8.5 to 11.0 per cent, which has been set considering the Group's current financial position and plan, and the market environment and outlook. This represents a continued increase in the stretch in threshold performance over recent years, most recently from an RoTE target range of 8.0 to 11.0 per cent for the 2019–21 LTIP.

The relative position of TSR compared with the peer group must be at least median for any amount to vest, and at upper quartile for full vesting.

For a number of years we have supported the use of environmental, social and governance (ESG) metrics by including them in the 'Purpose and People' component of the strategic measures. This year we are increasing our focus on sustainability metrics, in support of our commitment to the UN's sustainable development goals and the Paris climate agreement. Both the 2020 annual incentive scorecard and the 2020-22 LTIP will include metrics that embed sustainable and responsible practices into our business operations in relation to climate, infrastructure, environment and community engagement.

In the rest of this report we present the disclosures required by regulations, as well as additional information to explain how our executive remuneration aligns with our strategy, with shareholder interests, and with wider workforce pay.

I would like to thank all stakeholders who have provided their valuable input during 2019 and look forward to further engagement in 2020.



**Christine Hodgson**Chair of the Remuneration Committee

All disclosures in the Directors' remuneration report are unaudited unless otherwise stated. Disclosures marked as audited should be considered audited in the context of the financial statements as a whole.

## **Remuneration alignment**

During our consultation in 2019, a number of shareholders asked for greater clarity over the structure of remuneration, particularly fixed remuneration, for our executive directors. The remuneration decisions made by the Committee align with our strategy, our shareholders' interests to deliver long-term sustainable value and with the wider workforce in line with the principles set out in our Fair Pay Charter as illustrated below.

## How does our executive remuneration align to our strategy?

Our strategy is focused on capturing the existing growth opportunities in our footprint, by developing deep, long-term relationships with our clients and helping them connect across our markets. The diagram below sets out how we align our strategy with the measures that determine variable remuneration for executive directors and the wider workforce.

In February 2019 we announced our six refreshed strategic priorities:

How we align our strategy and remuneration measures



Optimise lowreturning markets Improve productivity Transform and disrupt with digital

Purpose and people

The performance measures for our incentive scorecards are set across each of the strategic priorities...

Annual incentive and LTIP performance measures sit under each priority...

- → Client satisfaction
- → Network income growth
- → Affluent business growth
- → Income
  → Costs
- → Growth of high quality liabilities
- → Working profit per FTE
   → Delivery of digital platforms/ partnerships
  - → Cash transactions digitally initiated→ Improve data analytics
- → Diversity→ Inclusion
- → Sustainability→ Employee
  - → Employee engagement

The combination of these metrics help us to deliver shareholder returns...

...to drive shareholder returns...

- → Operating profit
- → Total shareholder return
- → Return on tangible equity

And additional risk and control measures embedded in the annual incentive and LTIP support the sustainability of our business through good management of risk...

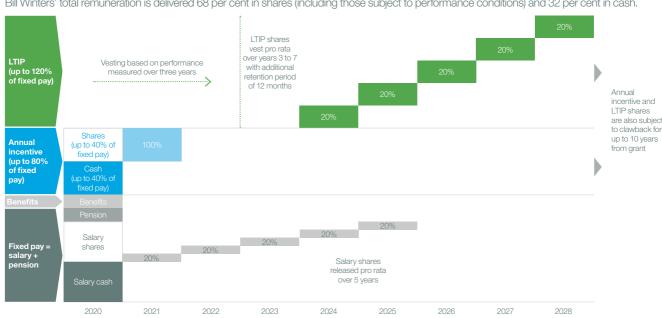
...within our risk and control framework

- → Manage elevated residual risks
- → Audit performance
- → Maintain risk profile within risk appetite
- → Risk and conduct management

#### How does our executive remuneration align with shareholder interests?

The diagram below shows how a portion of fixed pay, annual incentive and long-term incentive is paid in shares which are released up to eight years following grant, so that the final component of pay granted in 2020 is released in 2028.

This creates strong alignment between the interests of executives and shareholders to create long-term value. On a maximum opportunity basis, Bill Winters' total remuneration is delivered 68 per cent in shares (including those subject to performance conditions) and 32 per cent in cash.



## How does our executive remuneration align with the workforce?

The Group's approach to remuneration is consistent for all employees and is designed to help ensure pay is fair and competitive in line with our Fair Pay Charter principles which apply globally. As we say in Principle 6 of the Charter, pay structure varies according to location. The diagram below shows how our executive director remuneration aligns with our UK workforce, being the most relevant market, as this is where they are based.

	All UK employees		Executive directors and the Management Team	Executive directors only
Salary	Pension: 10% of salary for all UK employees	Annual incentive	LTIP	Shareholding requirement
<ul> <li>→ Salary is the contractually fixed amount paid and set based on role, skills and experience</li> <li>→ It is set and reviewed annually against relevant market benchmarks for all employees</li> <li>→ Executive director salary is paid in a combination of cash and shares to align with shareholder interests</li> <li>→ For other employees, salary is paid 100% in cash in line with market norms</li> </ul>	<ul> <li>→ Pension is set as a percentage of salary for all employees (both the cash and shares components)</li> <li>→ In line with the UK Corporate Governance Code, only salary is pensionable</li> <li>→ The pension level of 10% of salary is the same across the UK workforce, aligned to the provisions of the UK Corporate Governance Code</li> </ul>	<ul> <li>→ All UK employees participate in the annual incentive</li> <li>→ The same Group scorecard is used to determine incentives for executive directors and other UK employees</li> <li>→ Annual incentives are subject to risk adjustment provisions</li> </ul>	→ LTIP awards are granted to senior executives who have clear line of sight to influence the targets linked to the long-term performance of the Group  → The grant of awards is dependent on performance in the year and the vesting of awards is dependent on performance over a three-year post grant period  → LTIP awards are subject to risk	<ul> <li>→ Executive directors have a shareholding requirement of 250% of salary for the CEO and 200% for the CFO</li> <li>→ A post employment shareholding requirement equal to the full shareholding requirement for one year and 50% for an additional year applies to the executive directors</li> </ul>
Ben	efits	Sharesave	adjustment provisions	
<ul> <li>→ The core benefits offered to other employees are the sainsurance, life assurance, in accidental death and disabcash benefits allowance</li> <li>→ Executive directors receive allowance than other UK error of their salary</li> <li>→ Executive directors have a use of a company vehicle a security and privacy require</li> <li>→ The CEO is entitled to a coof his annual tax returns ow his tax affairs, in part due to Group business</li> <li>→ Employees are eligible for the year of an international complexity of their returns in</li> </ul>	ame: private medical noome protection, polity insurance and a a lower cash benefits imployees as a percentage role based provision of the and driver on account of the ements of the role intribution to the preparation ving to the complexity of the extensive travel on the extensive travel on the relocation owing to the complexity of the extensive travel on the relocation owing to the	→ All UK employees are eligible to participate in the Sharesave plan, which enables employees to share in the success of the Group at a discounted share price		

#### How do we understand the views of our workforce?

The key components of the directors' remuneration policy were explained to the workforce through the Fair Pay Report published in 2019. Employees were encouraged to provide feedback on the report and how we are delivering on their expectations through our engagement surveys and directly using the Group's intranet where there is a Fair Pay Charter page.

In response to the UK Corporate Governance Code, we have reviewed how the Board engages directly with the workforce, experimenting with two interactive online sessions, details of which are set on page 48. These supplement the wide range of existing mechanisms that the Group uses to seek feedback from colleagues on remuneration as well as on other workforce policies and practices. In line with our commitment under our Fair Pay Charter to deliver fair and competitive reward to all colleagues, in 2019 our engagement survey included for the first time 3,000 non-employed workers as well as over 71,000 employees. The survey asked colleagues how they feel about different areas of reward, to help us understand the impact of our Fair Pay Charter:

- → Their overall satisfaction with reward
- → The Bank's support for their wellbeing and whether colleagues feel supported to work flexibly by their People Leader
- → Their experience of giving and receiving constructive feedback about work performance
- → The culture of inclusion and respect at work regardless of who they are (including seniority, age, gender, and physical capabilities)

We also conduct a survey that asks employees about their experience of the performance and pay review process, including whether they understand variable pay, whether they believe variable pay is fair, and whether they understand and have made decisions in line with the principles of our Fair Pay Charter. The results from both of these engagement surveys are analysed by various demographics, and summary trends and key findings on year-on-year movements in sentiment are presented to the Remuneration Committee for discussion. Results are also shared with the workforce along with relevant commentary on action being taken based on findings in our Fair Pay Reports. Further information on our workforce engagement framework is included in our Brand, Values and Conduct Committee report on pages 98 to 100.

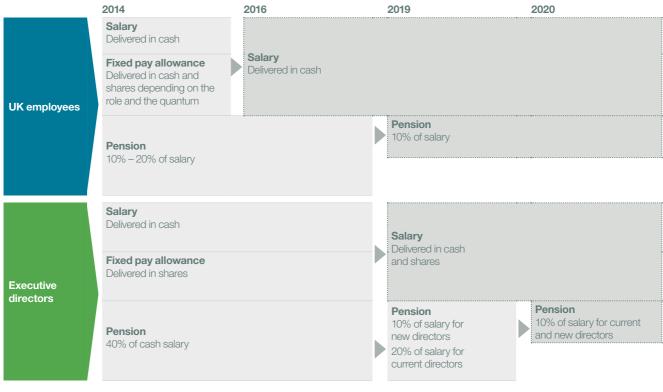
## How is the executive directors' salary and pension structure aligned with the wider workforce?

During our stakeholder engagement process we committed to provide further clarity on the structure of salary and pension, and how it aligns with other employees and complies with the UK Corporate Governance Code and other investor guidance.

Salary is set in the same way for all employees. The changes we made to salary in our remuneration policy in 2019 were in line with the approach taken for other employees in 2016 when allowances and cash salary were combined. The only difference between the executive directors and the wider workforce is that part of their salary is delivered in shares, reinforcing alignment with shareholder interests. The diagram below illustrates the changes made since 2014 and how the approach for executive directors is aligned with the wider workforce.

Following the introduction of the maximum ratio between fixed and variable remuneration in 2014, in common with other banks we introduced fixed pay allowances as a new element of pay to ensure that total remuneration could remain competitive while complying with regulation. Following further guidance from the European Banking Authority (EBA) in 2015, it became clear that legally the fixed pay allowances needed to have equal contractual rights to salary, and as such were substantially indistinguishable from salary. To simplify pay and increase transparency, in 2016 we consolidated these allowances into salary for employees across the Group. In 2019, we aligned pension contributions at 10 per cent of salary for all UK employees, compensating employees where necessary if pension contributions were reduced so that their total fixed remuneration remained unchanged. Following this change, the executive directors were the only employees still receiving separate cash salary and share allowances, and our remuneration policy was changed to align the approach for executive directors with the wider workforce in 2019.

Following the reduction in executive director pension contributions, the way salary and pensions are operated across the Group is identical with two exceptions. Firstly, executive directors receive part of their salary in shares to increase alignment with shareholders. Secondly, unlike all other employees, executive directors have not been compensated for the reduction in their pension allowance and as a consequence have also seen a reduction in their variable pay opportunity.



EU regulations, Capital Requirements Directive IV (CRD IV), were introduced with a limit on variable pay of 200 per cent of fixed pay. Fixed pay allowances were introduced for specific roles. The allowances were subject to forfeiture and adjustment, making them different to salary.

The EBA guidance clarified that forfeiture and adjustment should not apply to allowances; they should be treated the same as salary. Fixed pay allowances therefore became part of salary for all employees except the executive directors who were subject to the directors' remuneration policy in place.

Pension for UK employees was aligned to 10 per cent of salary. For employees who previously received more, their contractually committed level of fixed pay was maintained through a salary or benefits allowance increase. Fixed pay components changed to align the structure of salary for executive directors with other employees, with part of salary delivered in shares for executive directors to maintain shareholder alignment.

Pension for current executive directors was aligned to 10 per cent of salary with no offsetting changes to other elements of pay.

## **The Remuneration Committee**

The Committee is responsible for overseeing the remuneration of all colleagues, which includes determining the framework and policies for the remuneration of the Group Chairman, the executive directors and other senior management, and overseeing workforce remuneration, for alignment of reward, incentives and culture.

The Committee has written terms of reference that can be viewed at sc.com/termsofreference

#### Shareholder voting and shareholder engagement

The table below shows the votes cast<sup>1</sup> at the AGM in May 2019 on remuneration-related matters.

	For	Against	Withheld
Advisory vote on the 2018 remuneration report	583,988,637 (89.24%)	70,448,005 (10.76%)	4,932,769
Binding vote to approve the 2019 directors' remuneration policy	410,304,458 (63.80%)	232,788,744 (36.20%)	15,950,874

1 Number of votes is equal to number of shares held

As explained on page 108, during 2019 the Committee engaged extensively with shareholders on the development of the directors' remuneration policy, on the final policy proposals and after the AGM to listen to the concerns which influenced the voting results above. We sought feedback to understand the concerns, in particular in relation to the pension arrangements for our current executive directors. Some shareholders had concerns over the introduction of the flexibility for the Committee to disapply proration for time on the vesting of LTIP awards in specific retirement circumstances. The Committee took account of the feedback and introduced a set of criteria to be met first, before then making the decision on a case-by-case basis. The vesting of LTIP awards would not be accelerated.

#### **Advice to the Committee**

The Committee was assisted in its considerations by PricewaterhouseCoopers LLP (PwC) who were formally re-appointed by the Committee as its remuneration adviser in 2017. It is the Committee's practice to undertake a detailed review of potential advisers every three to four years.

PwC is a signatory to the voluntary Code of Conduct in relation to remuneration consulting in the UK. PwC also provides professional services to the Group in the ordinary course of business including assurance, advisory, tax advice and certain services relating to Human Resources. The Committee considered PwC's role as an adviser to the Group 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 £100,000 which includes advice to the Committee relating to executive directors' remuneration and regulatory matters. Management's advice to the Committee was also supported by the provision of market data from PwC and from Willis Towers Watson.

The CFO and Group Chief Risk Officer provided the Committee with regular updates on finance and risk matters respectively. 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 their own remuneration.

Committee activities in the year	15 January	31 January	25 February	25 July	30 September	28 November
Consideration of risk, control and conduct matters	✓	1		1	1	✓
Summary of engagement with shareholders and regulators, and consideration						
of feedback, and regulatory, investor, political and governance developments	✓	✓		1	<b>✓</b>	✓
Executive directors' remuneration						
Review of the directors' remuneration policy and implementation approach	1	1		1	1	✓
Review of fixed and variable remuneration	1				✓	✓
Annual and long-term incentive performance measures, targets and outcomes	1	1	/		✓	1
Senior management remuneration						
Review of remuneration proposals on recruitment and on termination of senior						
executives	✓	✓		1	✓	✓
Review of fixed and variable remuneration for senior management	1				✓	✓
Identification of material risk takers				1		
Annual and long-term incentive performance measures, targets and outcomes	1	1	1		/	1
All employee remuneration						
Group-wide discretionary incentives	1			1	✓	✓
Outcomes from the annual performance and reward review	/					
Annual and long-term incentive performance measures, targets and outcomes	/	/	1			<b>✓</b>
Group-wide reward strategy, the Fair Pay Charter and the gender pay gap		/		1		/
Review and consolidation of Group-wide remuneration policies				1		

The Committee held an additional meeting in 2019 to discuss strategic matters relating to the Group's approach to fair pay, wellbeing and the implications of the changing nature of work on remuneration. The Committee also held one additional meeting as a conference call.

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

#### Committee effectiveness review

As part of the 2019 external Board effectiveness review conducted by Independent Board Evaluation (IBE) and separately but in parallel, the PRA, a review was also conducted on the effectiveness of the Remuneration Committee.

The review highlighted that:

- → The Committee is well organised. Meetings are run with clear focus, Committee processes are well structured, and members are well supported by the Group reward team
- → Board members recognised the considerable work and time required by Committee members and the extensive engagement undertaken over the past year
- → Board members appreciate the full and frequent briefings from the Committee on its activities

The 2020 action plan for the Committee reflects the feedback from the review and will focus on continuing to:

- → enhance the clarity of disclosures
- → ensure regular engagement with shareholders
- → work closely with the Brand, Values and Conduct Committee on common topics around culture, values and brand

#### **Priorities for the Committee in 2020**

Specific priorities for the Committee in 2020, in addition to its usual scheduled activities, will be to:

- → Review and approve the Group's share plan ahead of the shareholder vote at the 2021 AGM
- → Continue to review the implementation of the Fair Pay Charter and the alignment of workforce policies and practices with its principles
- → Monitor market trends to ensure the Group's remuneration remains competitive, in the context of improving performance and productivity
- → Continue to assess the alignment between Group incentives and the delivery of the strategy and our desired performanceoriented, innovative, inclusive culture underpinned by conduct and sustainability
- → Prepare to comply with the European Capital Requirements Directive V

# How does our directors' remuneration policy address the key factors set out in the UK Corporate Governance Code?

#### **Risk**

- → The Committee considers risk adjustment in respect of the Group scorecard and has a track record of applying discretion appropriately. Information on the 2019 adjustment is set out on page 121
- → The rules of the LTIP give the Committee the necessary discretion to adjust vesting outcomes if it considers that they are inconsistent with underlying business performance
- → Malus and clawback operate in respect of our annual incentive and LTIP
- → The variable remuneration of employees in the audit, risk and compliance functions is set independently of the business they oversee

#### Alignment to culture

- → As set out on page 111, the performance metrics used to determine variable pay outcomes directly align with our business strategy
- → In line with our Fair Pay Charter, our incentive plans support us in embedding a performance-oriented culture and our principle that colleagues should share in the success of the Group. Our scorecard includes financial and strategic measures and all employees' performance is assessed by what is achieved and how it is achieved in line with our valued behaviours
- In combination with our risk procedures, our remuneration structure ensures that our valued behaviours are appropriately recognised and rewarded

### **Proportionality**

- In line with our commitment to pay for performance, a significant proportion of executive director pay is delivered through variable remuneration based on performance metrics aligned to our strategy
- → Executive directors are further aligned to long-term shareholder interests through the deferred release of salary, annual incentive and LTIP share awards over a period of 1-8 years with incentive awards also being subject to clawback for up to 10 years from grant
- → Additional shareholding requirements are in place for executive directors to build and maintain a significant shareholding in company shares whilst in employment and post-employment for two years. Both executive directors currently significantly exceed the shareholding requirements

## **Predictability**

- → The range of possible rewards to individual executive directors is set out in the scenario charts on page 128 where we also demonstrate the impact of a 50 per cent share price appreciation over the three-year performance period of the LTIP
- → Maximum award levels under all incentives are capped at twice fixed pay. Other than vesting levels which are driven by performance outcomes, the only source of variation in final payouts is the fact that a significant part of the variable remuneration is awarded in shares and so linked to the share price

#### Simplicity and clarity

- → Simplicity is a key driver for the structure of our executive pay as far as possible, notwithstanding the complexity of operating as a European regulated bank
- → In 2019, we received feedback from shareholders that our disclosure of the alignment of executive and wider workforce pay could be clearer, particularly with respect to salary and pension
- → We have therefore set out additional information on the alignment of executive and wider workforce pay on pages 112 to 113 in support of our commitment to clarity

## **Group-wide remuneration in 2019**

## **Our Fair Pay Charter**

Our Fair Pay Charter sets out the principles we use to guide performance and reward decision-making globally, in support of our commitment to deliver fair and competitive reward to all colleagues.

We have made further progress in implementing the principles of our Charter during 2019, with a focus on activities to increase alignment within employee populations, and to increase transparency for People Leaders and colleagues, including:

- → Introducing salary ranges in several markets, including Brunei, China, Indonesia, Nepal, Pakistan, Taiwan and Vietnam, to increase clarity for People Leaders, to enable greater consistency in decision-making, and to help mitigate the potential for bias in hiring decisions. Learning from the pilot roll-out in 2019 we will extend the practice to further markets in 2020
- → Global implementation of living wages for employees, with work underway to assess the potential to extend the Group's living wage commitment to non-employed workers and other third parties
- → Continuing the redesign of our benefits offering in a phased approach by location, to bring consistency to what we offer to

employees regardless of their seniority or tenure. During 2019, this included the introduction in Singapore and the UK of mybenefits, a flexible benefits offering which enables colleagues to choose the combination and level of benefits which best suit their individual needs, and the removal of seniority-based pension benefits for our most senior employees globally, to create greater alignment with the wider employee population

In March 2019 we published our first Fair Pay Report internally to all colleagues to explain how our performance and reward approach meets the principles of the Charter, and to provide an update on areas where we are working to enhance our approach. In addition to responses to engagement surveys, colleague feedback on the Fair Pay Report has helped to identify areas of focus for the Committee and HR as we work to embed further the Charter principles.

The second annual Fair Pay Report will be published internally in February 2020 alongside, for the first time, an external Fair Pay Report where you can read further details on our progress. Our Strategic report contains further information on colleagues, including a summary of our gender pay gap on page 49. Our full gender pay gap report is also available on our website.

#### Fair Pay Charter principle

- 1 We commit to pay a living wage in all our markets by 2020 and seek to go beyond compliance with minimum wage requirements
- We provide an appropriate mix of fixed and variable pay and a core level of benefits to ensure a minimum level of earnings and security to colleagues and to reflect the Group's commitment to wellbeing
- We support colleagues in working flexibly, in ways that balance both business needs and their personal circumstances, and provide colleagues with the opportunity to select the combination and level of benefits that is right for them
- 4 Pay is well administered with colleagues paid accurately, on time and in a way that is convenient for them
- We provide a competitive total fixed and variable pay opportunity that enables us to attract, motivate and retain colleagues based on market rates for their role, location, performance, skills and experience

#### Fair Pay Charter principle

- The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions
- We are committed to rewarding colleagues in a way that is free from discrimination on the basis of diversity, as set out in our Group Code of Conduct
- We ensure pay decisions reflect the performance of the individual, the business they work in and the Group, and recognise the potential, conduct, behaviours and values demonstrated by each individual
  - We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback
- We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes

### **Determining Group-wide 2019 discretionary incentives**

In determining 2019 incentives, the Committee considered:

- → 2019 performance measured against the Group and business scorecards, and whether any risk-taking exceeded the Group's risk appetite
- → Strategic achievements including improved productivity, data analytics targets met, out-performance of system stability targets and growth in affluent business income
- → The need to position remuneration in the Group to pay good performers competitively and recognising the demonstration of valued behaviours
- → Continued focus on competitive levels of pay and of taking a global approach to remuneration, considering wage inflation pressures in many of the emerging markets in which the Group operates
- → The Group's capital position and current and future risks identified by the Group's Principal Risk framework
- → The resolution of legacy sanctions compliance and financial crime controls investigations in the US and UK, and the historical remuneration adjustments made in respect of these matters

The Committee used its judgement to establish the right balance between total incentives that reflect the performance of the Group and its ability to attract, retain and reward colleagues that will drive the delivery of the Group's strategy and sustainable growth for shareholders.

To determine risk adjustment to Group-wide discretionary incentives, the Committee reviews material events, historical events, risk appetite breaches and emerging areas of risk at each meeting. In 2019, the Committee assessed the operation and management of the principal risks and determined that risk adjustment to 2019 total discretionary incentives was appropriate to reflect the improvements that are required in 2020.

The Committee determined that total discretionary incentives in 2019, post the application of risk adjustment, should be \$1,278 million. This represents an increase of 8 per cent on 2018 and no change to the ratio of variable compensation to pre-variable compensation profit before tax of 24 per cent. The Committee believes that the total discretionary incentives for 2019 demonstrate a disciplined approach to pay in the context of the improved financial performance delivered and strong progress against our strategic priorities.

The total incentives figure for 2019 includes i) LTIP awards, the value of which will be determined by Group performance over the period 2020 to 2022 and ii) incentive awards made to individuals who left the Group during 2019 as part of restructuring, who were in service for at least nine months of the year.

## The relationship between the remuneration of the Group Chief Executive (CEO) and all employees

The Group's approach to remuneration is consistent for all employees and is designed to help ensure pay is fair and competitive in line with our Fair Pay Charter. For the CEO and all colleagues:

- → Externally sourced market data is used to help guide pay decisions
- → Our incentive plans have a clear link to Group and business performance, through published scorecards
- → The same Group scorecard is used to determine incentives for colleagues including the CEO
- → Each individual's performance, including conduct and achievement against personal objectives, is assessed at least annually and drives incentive decisions
- → LTIP awards are granted to senior executives who have clear line of sight to influence the targets linked to the long-term performance of the Group

Further details on the alignment of executive director and wider workforce remuneration is set out on pages 112 to 113.

#### Ratio of the total remuneration of the CEO to that of the UK lower quartile, median and upper quartile employees

		CEO		Pay ratio	
Year	Method	2000	25th percentile	50th percentile (median)	75th percentile
2019	А	5,932	72:1	46:1	28:1
2018	А	6,287	80:1	51:1	30:1
2017	А	4,683	61:1	39:1	23:1

#### Additional ratios of pay based on salary and salary plus annual incentive

	CEO	Pay ratio				
Salary	£000	25th percentile	50th percentile (median)	75th percentile		
2019	2,353	36:1	26:1	18:1		
2018	2,300	39:1	27:1	16:1		
2017	2,300	42:1	28:1	19:1		
Salary plus annual incentive						
2019	3 604	40-1	33:1	19-1		

2019	3,604	49:1	33:1	19:1
2018	3,691	52:1	35:1	20:1
2017	3,978	58:1	39:1	22:1

- → The pay ratios are calculated in line with the published methodology, using Option A to identify the UK lower quartile, median and upper quartile employees, in line with investor guidance stating a preference for this option
- → Employee pay data is based on full-time equivalent pay for UK employees as at 31 December of the relevant year
- → For each employee, total pay is calculated in line with the single figure methodology (i.e. fixed remuneration accrued during the financial year and the value of performance-based incentive awards vesting in relation to the performance year)
- → Employee pay data excludes leavers, joiners and employee transfers in or out of the UK during the year, to help ensure data is on a like-for-like basis, and data for life assurance and long-term illness cover are based on the value of notional premia. 2019 salaries are reported excluding cash allowances following improvements to reporting capabilities as the result of the introduction of mybenefits in the year. The salaries and associated ratios for 2017 and 2018 have been re-calculated on this basis for consistency. No other calculation adjustments or assumptions have been made
- → CEO pay is as per the single total figure of remuneration for 2019 and restated for 2018 to take account of the actual LTIP vesting in 2019. Further information on the single total figure is on page 119
- → The 2019 ratio will be restated in the 2020 directors' remuneration report to take account of the final LTIP vesting data for eligible employees and for the CEO

- → The Committee has considered the pay data for the three individuals identified for 2019 and believes that it is a fair reflection of pay at the relevant quartiles among the UK employee population. Each of the individuals identified was a full-time employee during the year and received remuneration in line with the Group remuneration policy, and none received exceptional pay
- → Our LTIP is intended to link total remuneration to the achievement of the Group's long-term strategy and to reinforce alignment between executive remuneration and shareholder interests
- → As set out on page 112, participation is therefore typically senior employees who have line of sight to influence directly the performance targets on the awards. The lower quartile, median and upper quartile employees identified this year are not participants in the LTIP
- → The year-on-year decrease in the total remuneration pay ratio is primarily due to the CEO's lower LTIP vesting value reported in 2019 compared with 2018. This is due to the lower grant value of the 2017-19 LTIP award compared with the 2016-18 LTIP award (160 and 200 per cent of fixed pay respectively) and the decrease in share price over the vesting period of the 2017-19 award
- → It is expected that the ratio will depend materially on long-term incentive outcomes each year, and accordingly may fluctuate. Therefore, the Committee also discloses the median pay ratios covering salary and salary plus annual incentive, as UK employees are eligible to be considered for an annual incentive based on Group, business and individual performance. These show a more consistent ratio over time

#### Salary and total remuneration used to calculate the ratio of pay

To provide further context, the table below shows the CEO and the employee percentile pay used to determine the 2019 pay ratios.

	CEO £000	25th percentile £000	50th percentile (median) £000	75th percentile £000
Salary	2,353	65	90	128
Salary plus annual incentive	3,604	73	109	187
Total remuneration (single figure)	5,932	83	128	212

### **Group performance versus the CEO's remuneration**

The graph below shows the Group's TSR performance on a cumulative basis over the past 10 years alongside that of the FTSE 100 and peer banks, and the table below shows the historical levels of remuneration of the CEO as well as the pay ratios described on the previous page. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns.

#### **Total shareholder returns since 2010**



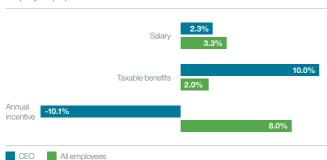
The table below shows the single figure of total remuneration for the CEO since 2010 and the variable remuneration delivered as a percentage of maximum opportunity.

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
7,970	7,779	6,951	4,378	3,093	1,290	-	_	-	-
_	_	_	_	_	8,3991	3,392	4,683	6,2872	5,932
num oppo	rtunity								
70%	70%	63%	50%	0%	0%	_	_	_	-
_	_	_	_	_	0%	45%	76%	63%	55%
maximum									
90%	90%	77%	33%	10%	0%	0%	_	_	-
_	_	_	_	_	_	_	_	27%	38%
	7,970 	7,970 7,779  num opportunity  70% 70%  maximum	7,970 7,779 6,951   num opportunity  70% 70% 63%   maximum	7,970 7,779 6,951 4,378   num opportunity  70% 70% 63% 50%   maximum	7,970 7,779 6,951 4,378 3,093   num opportunity  70% 70% 63% 50% 0%	7,970 7,779 6,951 4,378 3,093 1,290  8,399¹ num opportunity  70% 70% 63% 50% 0% 0%  0% maximum	7,970 7,779 6,951 4,378 3,093 1,290 −  8,399¹ 3,392  num opportunity  70% 70% 63% 50% 0% 0% −  0 0% 45%  maximum	7,970 7,779 6,951 4,378 3,093 1,290 — — — — — — — 8,399¹ 3,392 4,683  num opportunity  70% 70% 63% 50% 0% 0% — — — — — — 0% 45% 76%  maximum	7,970 7,779 6,951 4,378 3,093 1,290 — — — — — — — — — — — — — — — — — — —

<sup>1</sup> Bill's single figure of total remuneration in 2015 includes his buyout award of £6.5 million to compensate for the forfeiture of share interests on joining from his previous employment

#### CEO and all employee percentage change in remuneration 2018 to 2019

The chart below shows the percentage change in remuneration between the 2018 and 2019 performance years for the CEO and the wider employee population.



For the 'all employee' group, the percentage change in salary represents the Group's aggregate salary increase for the global employee population.

The taxable benefits comparison is based on UK employees as it is deemed the most appropriate comparison for the CEO given the varied requirements in the provision and tax treatment of benefits across different jurisdictions.

The reason for the increase in the taxable benefits for the CEO is set out in the notes to the single figure table on page 120.

The annual incentive data is based on the global employee population who are eligible to receive annual incentives.

<sup>2</sup> The 2018 single figure for Bill has been restated based on the actual vesting and share price when the 2016-18 LTIP awards vested in May 2019

## **Directors' remuneration in 2019**

This section sets out how remuneration was delivered to the executive directors under the remuneration policy approved by shareholders in 2016 and, from May 2019, under the remuneration policy approved by shareholders at the 2019 AGM. It also sets out the 2019 fees paid to the Group Chairman and the independent non-executive directors (INEDs). Notwithstanding the change to executive director pensions effective 1 January 2020, the Committee was satisfied that the policy operated as intended in 2019 in terms of Group performance and quantum.

This section is subject to an advisory shareholder vote at the 2020 AGM.

Standard Chartered's remuneration policy was approved at the AGM held on 8 May 2019 and applies to the executive directors, the Group Chairman and INEDs for three years from that date. A summary is set out on pages 131 to 132. The full policy can be found on pages 108 to 115 of the 2018 Annual Report and on the Group's website.

## Single total figure of remuneration for 2019 (audited)

The following table sets out the single total figure of remuneration for 2019 for the CEO and the CFO. The single figure consists of salary, pension, benefits and annual incentives receivable in respect of 2019 and the estimated values of 2017–19 LTIP awards vesting. All figures are in £000s. The diagram below shows the value of each element of Bill's single figure of remuneration and the relevant year of release.

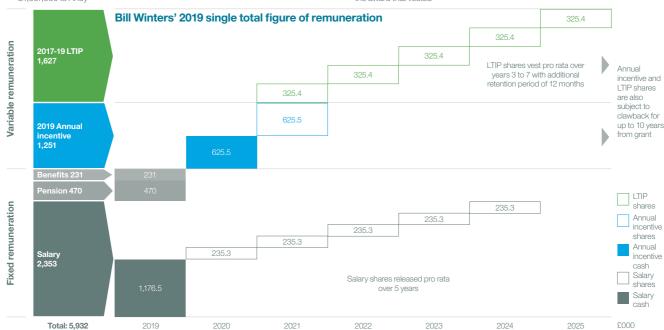
	Bill Wi	Bill Winters		alford
	2019	2018	2019	2018
Salary	2,353	2,300	1,450	1,399
Pension	470	460	315	352
Benefits <sup>1</sup>	231	210	87	96
Total fixed remuneration	3,054	2,970	1,852	1,847
Annual incentive award <sup>2</sup>	1,251	1,391	777	850
Vesting of LTIP award <sup>3</sup>				
Value of vesting awards based on performance <sup>4</sup>	1,627	1,546	1,007	923
Value of vesting awards based on share price growth <sup>5,6</sup>	_	380	_	227
Total variable remuneration	2,878	3,317	1,784	2,000
Single total figure of remuneration	5,932	6,287	3,636	3,847

#### Notes to the single figure table:

- 1 The benefits figures refer to UK tax years 2018/19 and 2017/18 respectively
- 2 Executive directors' annual incentive awards in respect of 2019 are delivered 50 per cent in cash paid in March 2020 and 50 per cent in shares subject to a minimum 12-month retention period. The detail of how directors' annual incentive awards are determined is set out on pages 120 to 122. Awards are subject to clawback for up to 10 years
- 3 The LTIP awards granted in March 2017 are due to vest in March 2020, based on performance over the years 2017 to 2019. Following an estimated assessment of the performance measures (RoE with CET1 underpin, relative TSR and strategic measures), 38 per cent of these awards are expected to vest. The final assessment of relative TSR performance will be conducted in March 2020, the end of the three-year performance period. Based on a share price of £6.92, the three-month average to 31 December 2019, the estimated value to be delivered is £1,627,000 to Bill and £1,007,000 to Andy

The final value will be restated in the 2020 directors' remuneration report based on final TSR performance and the share price at vesting. Awards are subject to malus and clawback for up to 10 years from grant. Further details are provided on pages 123 to 124

- 4 The values of vesting awards for 2018 have been restated based on the actual share price of  $\mathfrak{L}6.91$  when the awards vested in May 2019
- 5 The share price used to estimate the value of vesting of the 2017-19 LTIP awards is lower than the share price on the award date of  $\Sigma$ 7.45 and therefore the value attributable to share price growth is nil. The value of the awards vesting is reduced by  $\Sigma$ 119,000 and  $\Sigma$ 74,000 for Bill and Andy respectively when compared to the value at grant
- 6 The estimated amount of the LTIP award attributable to share price appreciation in 2018 is calculated based on the total value of the award minus dividend equivalents minus the face value of the award at the time of grant multiplied by the percentage of the award that vested



Salary	Salary is the contractually fixed amount paid and set based on the role, and the skills and experience of the individual. It is set and reviewed annually against relevant market benchmarks. The same approach is used for all employees.  For executive directors part of salary is paid in cash and part is paid in shares, to align with shareholder interests, which are subject
	to a retention period of five years with 20 per cent released annually. The number of shares allocated is determined by the monetary value and the prevailing market price of the Group's shares on the date of allocation. Bill's salary is paid 50 per cent in cash and 50 per cent in shares and Andy's salary is paid 67 per cent in cash and 33 per cent in shares.  Bill's salary was increased 3 per cent effective 1 April 2019.
Pension	Pension is set as a percentage of salary and can be delivered as a contribution to the UK pension fund or paid as a cash allowance. Pension for Bill is delivered as a cash allowance and a £10,000 contribution to the UK pension fund. For Andy, the pension is delivered as a cash allowance. In line with the UK Corporate Governance Code, only salary is pensionable.
Fixed pay	Fixed pay, on which executive directors' variable remuneration is based, is the total of salary and pension.
Benefits	The core benefits provided to executive directors and other UK employees are the same: private medical insurance, life assurance, income protection, accidental death and disability insurance and a cash benefits allowance. Executive directors receive a lower cash benefits allowance than other UK employees as a percentage of their salary.
	In addition, the executive directors have the use of a company vehicle and driver. In line with Principle 6 of our Fair Pay Charter, this is a role-based provision given their executive role and the associated security and privacy requirements. The increase in Bill's benefits in 2019 was due to an increase in the value of the car benefit. In 2020, the value of the car benefit is expected to reduce through the transition to an electric vehicle, in line with our commitments to sustainability.
	Executive directors occasionally use a Group car service for travelling and their partners may travel to accompany attendance at Board or other similar events. The Group covers any tax liability that arises on these benefits.
	Bill is entitled to a contribution to the preparation of his annual tax returns owing to the complexity of his tax affairs, in part due to his extensive travel on Group business.
Fixed remuneration	Fixed remuneration is the total of fixed pay and benefits.

## Total variable remuneration awarded to directors in respect of 2019 (audited)

	Bill Wir	nters	Andy Half	ord
	2019	2018	2019	2018
Annual incentive (£000)	1,251	1,391	777	850
Annual incentive as a percentage of fixed pay	44%	50%	44%	48%
LTIP award (value of shares subject to performance conditions) (£000)	3,413	3,312	2,118	2,118
LTIP award as a percentage of fixed pay <sup>1</sup>	120%	120%	120%	120%
Total variable remuneration as a percentage of fixed pay	164%	170%	164%	168%
Total variable remuneration (£000)	4,664	4,703	2,895	2,968

<sup>1</sup> LTIP awards for the 2019 performance year will be granted to executive directors in March 2020 and are based on their 2019 fixed pay (as at December 2019)

#### Annual incentive awards for the executive directors (audited)

Annual incentive awards for executive directors are based on the assessment of the Group scorecard and an assessment of individual performance. The same Group scorecard is used for the executive directors and other employees.

For Bill and Andy, the Committee considered Group performance, their individual performance, and risk, control and conduct-related matters (with input from Risk and other control functions). The Committee followed a three-step process for determining annual incentive awards.

- 1. Consider eligibility: The Committee considered that each director had exhibited an appropriate level of conduct against targets set and was deemed to have met the gateway requirement to be eligible for an incentive.
- 2. Evaluate performance against the Group's scorecard: The Group reported improved financial performance in 2019 despite the particularly challenging geopolitical and macroeconomic headwinds in the market. The impact of international trade tensions, low interest rates and social unrest in Hong Kong in the medium-term outlook were unanticipated at the time targets were set. Despite this, income, underlying profit before tax and RoTE all showed promising growth while cost discipline was maintained. Specific strategic achievements included improved client satisfaction, the performance against our digital transformation targets and the productivity benefits delivered through our corporate re-organisation. Over-and-above the scorecard outcome, we were pleased to return \$1 billion to shareholders through our share buy-back programme and to register share price growth during the year. Furthermore, the agreement to sell Permata Bank will release capital for reinvestment or further returns to shareholders.

### Assessment of the 2019 Group scorecard (audited)

Financial measures	Weighting	Threshold (0%)	Mid-point of target range	Maximum (100%)	Achievement	Outcome
Income <sup>1</sup>	7%	\$15.0bn	\$15.6bn	\$16.3bn	\$15.3bn	2%
Costs	7%	\$10.4bn	\$10.1bn	\$9.8bn	\$10.1bn	4%
Operating profit <sup>1</sup>	10%	\$3.9bn	\$4.3bn	\$4.7bn	\$4.2bn	5%
RoTE plus CET1 underpin <sup>2</sup>	20%	5.2%	5.8%	6.4%	6.4%	20%
Funding optimisation <sup>3</sup>	6%	1.6bp	2.0bp	2.4bp	-16.8bps	0%
		market condition of this, the Ground realisation of no	timisation targets were not met, p ons not foreseen when targets we up did deliver strong liability growl ormal levels of asset margins desp c liquidity challenges in the year.	ere set. In spite th, enabling the		

Other strategic measures	Weighting	ı Tarqet <sup>4,5</sup>	Assessment of achievement	Outcome
Deliver our network and grow our affluent business	15%	<ul> <li>→ Improve client satisfaction rating</li> <li>→ Deliver client growth in target segments</li> <li>→ Capitalise on China opportunities including through RMB and mainland wealth growth</li> <li>→ Develop Africa through digital growth, client growth and improved client satisfaction</li> <li>→ Ensure credit quality</li> </ul>	<ul> <li>Client satisfaction improved, exceeding targets set.         Further progress required in client growth despite         strong performance in Retail and Private Banking</li> <li>China performance on target illustrated by key industry         awards for RMB and Belt &amp; Road Initiatives and positive         Greater China Qualified Priority Banking client growth</li> <li>Exceeded targets for Africa, with significant client and         digital growth; number one ranked bank for Debt         Capital Markets and Transaction Banking as judged         by external agencies</li> <li>Exceeded targeted improvements on credit quality:         asset quality improved with no new areas of stress</li> </ul>	10%
Transform and disrupt with digital	15%	<ul> <li>→ Develop ventures beyond 'traditional' business model and products</li> <li>→ Deliver client-facing system stability and availability targets</li> <li>→ Use partnerships, platforms, and technologies to improve client experience</li> <li>→ Deliver growth in digital volumes</li> <li>→ Improve data analytics to develop new products and attract new clients</li> </ul>	<ul> <li>Progress on new ventures development marginally behind target</li> <li>Exceeded system stability and availability targets</li> <li>Client experience targets exceeded, development of over 60 emerging technology applications that reached the proof of concept stage</li> <li>Successful online adoption growth and digital sourcing initiatives in Retail Banking, however overall digital volume growth marginally behind target</li> <li>Targeted improvements in use of data analytics achieved</li> </ul>	9%
Improve productivity	5%	<ul> <li>→ Successfully deliver key milestones to create a         Hong Kong hub entity structure</li> <li>→ Execute organisation design and strategic people         initiatives</li> </ul>	Programme to create Hong Kong entity delivered milestones ahead of target  Progress on organisational design and strategic people initiatives	2%
Purpose and people	15%	<ul> <li>→ Maintain effective compliance and financial crime compliance controls</li> <li>→ Successfully deliver cyber risk management plan milestones</li> <li>→ Develop human capital by improving diversity, employee engagement and culture of inclusion metrics and by delivering conduct plans</li> </ul>	Exceeded target on compliance and achieved target for financial crime control     Slightly behind target in delivery on milestones within cyber risk management plan     Diversity targets met, slightly behind on employee net promoter score target, culture of inclusion and conduct targets exceeded	7%
Total	100%	, , ,	Total scorecard assessment	59%

In reviewing the scorecard outcome, the Committee considered the underlying business performance, current and future risks identified by the Group's Principal Risk Type framework and against the Board approved risk appetite, absolute levels of performance and the broader macroeconomic environment. The Committee considered carefully the balance between rewarding colleagues for stronger performance and delivering sustainable growth for shareholders. Considering performance and the overall competitiveness of total compensation across the Group, the Committee applied judgement to award incentives at a lower level, at a scorecard outcome of 55 per cent.

Total scorecard outcome for the executive directors and other employees

55%

- 1 Total income and operating profit are on an underlying basis. Certain items are presented as restructuring and other items that are excluded from the underlying results of the Group. These are income, costs and impairment and resulting operating profit relating to identifiable business units, products or portfolios from the relevant dates that they have been approved for restructuring, disposal, wind down or redundancy. This includes realised and unrealised gains and losses from management's decisions to dispose of assets as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios. See Note 2 page 265
- 2 Normalised RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. The CET1 underpin was set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2019 (taking into account any transition rules or material changes in regulatory rules). Unaudited
- 3 Funding optimisation was an initiative that targets an efficient level and mix of funding (liabilities) to support the Group's growth aspirations. Measured in basis points reduction in funding costs relative to a normalised benchmark, which excludes the impact of interest rate movement, but requires a minimum level of growth in quality funding. Unaudited
- 4 A maximum/minimum performance threshold was set for each performance measure. For strategic measures, the Committee used its judgement to determine scorecard outcomes within this range (with a higher than 50 per cent outcome for performance above target and a lower than 50 per cent outcome for below target performance)
- 5 Strategic targets are aligned to internal scorecards measuring in-year progress on multi-year initiatives. Unaudited

**3.** Assess personal performance and finalise awards: As outlined in the policy, the Committee can make an upwards or downwards adjustment to the scorecard outcome for personal performance, consistent with the approach for other employees who are eligible to be considered for discretionary incentives. When considering whether such an adjustment is appropriate, the Committee considers the particular areas of responsibility of the executive director together with the objectives that they were asked to prioritise for the year and their personal contribution to the scorecard outcome. The adjustment will usually be in the range of +/- 10 percentage points to the scorecard outcome.

#### **Bill Winters**

A summary of some of Bill's 2019 achievements against his key personal objectives are set out below:

- → Bill has delivered improved performance despite the significant macroeconomic and geopolitical headwinds that the business has faced in 2019 which is testament to the actions he has taken since appointment to create a stronger and more resilient bank
- → This improved performance has been achieved under a continued focus on further enhancements to our risk and control framework, including the resolution of legacy sanctions compliance and financial crime controls investigations in the US and UK
- → Bill has instilled discipline and a higher performance culture through the articulation of the refreshed people strategy

The Committee noted Bill's performance across each of his key objectives in 2019. Taking into account areas for further improvement, the Committee determined that neither an upwards nor downwards adjustment to the overall Group scorecard outcome was appropriate for 2019. Bill's annual incentive for 2019 was 55 per cent of the maximum opportunity. This equates to 44 per cent of fixed pay (50 per cent in 2018).

## **Andy Halford**

A summary of some of Andy's 2019 achievements against his key personal objectives are set out below:

- → Andy has built on the stronger foundations laid over the last two years and shown a tireless commitment to delivering the improvements to efficiency that are now flowing through to financial results
- → Andy has led the drive to restructure the Group's legal entities, bringing about material financial benefits. This required substantial oversight of complex restructuring and careful management of key stakeholders including regulators, clients and investors
- → Andy has strengthened his management team with key hires who bring both experience and additional diversity to his functions

The Committee noted Andy's performance against his key objectives in 2019. Taking into account areas for further improvement, the Committee determined that on balance neither an upwards nor downwards adjustment to the overall Group scorecard outcome was appropriate for 2019. Andy's annual incentive was 55 per cent of the maximum opportunity. This equates to 44 per cent of fixed pay (48 per cent in 2018).

#### LTIP awards for the executive directors to be granted in 2020 (unaudited)

The size of the award has been determined based on Group and individual performance during the year. LTIP awards for the 2019 performance year will be granted to Bill and Andy in March 2020 with a value of 120 per cent of fixed pay (£3.4 million and £2.1 million respectively). This is the maximum amount receivable, unless the share price appreciates. The amount that the executive directors will receive is dependent on the extent to which the performance conditions are met and the future share price.

Remuneration regulations for European banks mean that dividend equivalent shares are not permitted to be awarded on vesting. The number of shares awarded in respect of the LTIP will take into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall market value of the award is maintained.

These awards will vest in five annual tranches beginning after the third anniversary of the grant (i.e. March 2023 to March 2027) subject to meeting the performance measures set out below at the end of 2022. All vested shares are subject to a 12-month retention period.

The performance measures for the 2020-22 LTIP awards are set out in the table on the next page and will be the same as the previous cycle.

The RoTE target range for 2020-22 LTIP awards is 8.5 to 11.0 per cent, which has been set considering the Group's current financial position and plan, and the market environment and outlook. This represents a continued increase in the stretch in threshold performance over recent years, most recently from an RoTE target range of 8.0 to 11.0 per cent for the 2019-21 LTIP.

The criteria used to select the peer 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 with which the Group competes for investor funds and talent. In aggregate, the peer group is intended to be representative of the Group's geographic presence and business operations. The constituents of the comparator group are reviewed annually, prior to each new LTIP grant.

The TSR comparator group for 2020-22 LTIP awards will be the same as for the 2019-21 LTIP and is detailed on the next page. 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 which starts from the date of grant.

## Performance measures for 2020-22 LTIP awards

Measure	Weighting	Amount vesting (as a % of total award)	Threshold performance target	Maximum performance target	
1. RoTE <sup>1,2</sup> in 2022 plus	One-third	Maximum – 33.3%	8.5%	11.0%	
CET13 underpin of the		Threshold – 8.3%			
higher of 13% or the minimum regulatory requirement		Below threshold – 0%			
2. Relative TSR <sup>4</sup>	One-third	Maximum – 33.3%	Median	Upper quartile	
against the peer group		Threshold – 8.3%			
		Below threshold - 0%			
3. Strategic measures	One-third	Maximum - 33.3%	Performance against each component of	the scorecard will be assessed by the	
		Minimum – 0%	Committee using proof points to determine	e the percentage of the award that may vest	
Deliver our network and grow our affluent business		→ Improve client satisfaction rating			
			→ Deliver network growth in target segme	nts	
			→ Deliver affluent growth in target markets		
Transform and disrupt w	ith digital		→ Successfully deliver key digital partnerships, platforms and technologies		
			→ Improve data analytics to develop new p	products and attract new clients	
Improve productivity			→ Improve working profit per FTE		
Purpose and people			→ Improve diversity, employee engagement and culture of inclusion		
			→ Successfully embed sustainable and re-	sponsible practices in relation to climate,	
			infrastructure, environment and commu	nity engagements	
Risk and controls			→ Successfully deliver milestones within the	ne risk management plan	
			→ Enhance compliance control effectivene	ess	
			→ Maintain risk profile within Group's risk a	appetite	

- 1 Normalised RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Normalised RoTE normally excludes regulatory fines but, for remuneration purposes, this would be subject to review by the Remuneration Committee
- 2 If RoTE reaches 8.5 per cent then 8.3 per cent of the award vests. If RoTE reaches 11 per cent then 33.3 per cent of the award vests. If RoTE is between the threshold and maximum, vesting is calculated on a straight-line basis between these two points
- 3 The CET1 underpin will be dynamically set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2022 (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, for example, in relation to Basel IV
- 4 Relative TSR is measured against a comparator group. If the Group's TSR performance is at least equivalent to the median ranked company then 8.3 per cent of the award vests. If the Group's TSR performance is at least equal to the upper quartile ranked company then 33.3 per cent of the award vests. Between these points, the Group's TSR is compared with that of the comparators positioned immediately above and below it and straight-line vesting applies
- 5 An example of sustainability metrics is set out on page 129

The peer group for the TSR measure in the 2020-22 LTIP is unchanged from the 2019-21 award and is set out below:

Banco Santander	Credit Suisse	KB Financial Group
Bank of America	DBS Group	Oversea Chinese Banking Corporation
Bank of China	Deutsche Bank	Société Générale
Bank of East Asia	HSBC	Standard Bank
Barclays	ICBC	State Bank of India
BNP Paribas	ICICI	UBS
Citigroup	JPMorgan Chase	United Overseas Bank

#### Performance outcomes for 2017–19 LTIP awards (audited)

The single total figure of remuneration table shows that LTIP awards will vest in March 2020 with an estimated value of  $\Omega$ 1,627,000 and  $\Omega$ 1,007,000 for Bill and Andy respectively. Based on European regulations, the grant of LTIP awards takes into consideration performance during the year and forms part of variable remuneration for the year, as well as being subject to performance over the next three years. These LTIP awards were granted to Bill and Andy in 2017 with a face value of 160 per cent of fixed pay, to incentivise the continued execution of the strategy over the three-year period 2017 to 2019.

The awards were share-based and subject to the satisfaction of stretching performance measures over three years. The conduct gateway requirement must be met before any awards would vest. The awards were then subject to RoE and relative TSR targets and a qualitative and quantitative assessment of the strategic measures.

The Committee concluded that Bill and Andy exhibited appropriate conduct during the performance period and therefore the conduct gateway was met. The table below sets out the performance required, the 2017-19 performance achieved and the LTIP vesting outcome.

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	Assessment of achievement	Vesting outcome
1. RoE¹ in 2019 plus CET1 underpin of the higher of 12% or the minimum regulatory requirement	One-third	5.0%	8.0%	RoE 5.6% and CET1 13.8%	13.3%
2. Relative TSR against the peer group	One-third	Median	Upper quartile	Performance currently estimated below median. TSR performance will be measured in March 2020	0.0%
3. Strategic measures	One-third			Improved performance against our strategic priorities	24.7%
Total 2017-19 LTIP awards	s vesting outc	ome			38.0%

Strategic measure	Proof point	Assessment
Strengthen foundations in risk and control including financial crime remediation	→ Successfully execute the Group's financial crime risk, remediation, and unified conduct and culture programmes	→ The Group has made significant progress in successfully executing against the Financial Crime Risk and other conduct-related mitigation and remediation programmes. Historical conduct and control issues were settled in early 2019. The Bank has taken further steps to satisfy the various requirements of the Settlement Agreement, demonstrating our Sanctions Compliance controls across the Group
	→ Liquidate and exit identified non-strategic assets	→ The Group exited \$25bn of the liquidation portfolio during the performance period. Significant progress is being made towards optimising RWA efficiency through various divestment and optimisation initiatives. In 2019, the Bank successfully entered into an agreement to sell off its stake in the Indonesian Bank Permata
Focus on clients and growth, and drive cross-bank collaboration	→ Grow Private Banking net new money and new to wealth clients in Retail Banking	→ Improved growth in new to wealth (Priority) clients in Retail Banking, from 55,500 clients in 2016 to 74,000 clients in 2019. Private Banking delivered positive inflows for three consecutive years over 2017 to 2019 totalling \$5.5bn of net new money. The 2019 net new money performance was impacted by an outflow of \$0.8bn due to the business decision to exit the wealth intermediary business in 2019
	→ Maintain leadership position on the internationalisation of renminbi	<ul> <li>Enhanced leadership on the internationalisation of renminbi, demonstrated by winning key industry awards including "Best RMB Bank" overall and in eight key markets in 2019, "Best Overall International Bank for the Belt &amp; Road Initiative" in 2018 and "Best International Bank in the Region for Belt and Road Initiative" in 2019</li> <li>China's management income has grown significantly over the performance period from \$0.7bn to \$0.9bn reflecting a +8% annual growth rate. Good progress has also been made on Greater China Qualified Priority Banking client growth</li> </ul>
	→ Retail Banking: achieve over 40% of income from Priority clients	→ Continued improvement in income generated from Retail Priority clients, from 40% at 2016 year-end to 48% in 2019, significantly above the 40% target
	→ Deliver market share gains across Africa region	→ Some progress in market share growth and strength of brand demonstrated by winning key industry awards including "Best Retail Bank Africa, Global Retail Banking Innovations Awards" and "Best Consumer Digital Bank, Global Finance Awards" in eight key African markets, laying the foundations for further growth
Improve efficiency, productivity, and service quality	→ Improve client satisfaction rating	→ Client satisfaction has improved over the performance period. CIB client engagement survey scores have exceeded the targets set in each year, and progress has been achieved in Retail, Commercial and Private Banking against targets set
	→ Cost discipline: deliver gross efficiency target	→ \$3.2bn of gross efficiency savings were delivered during the performance period, exceeding targets set. The 2019 operating costs are in line to meet the target set for the year
	→ Retail: progress towards achieving a cost income ratio of c.55% by 2020	→ The Retail cost to income ratio has not achieved the target of 55%. The focus of the Retail strategy shifted during 2018, to target higher returns from growth in the affluent client base. Return on RWA in Retail improved by 74bps between 2016 and the end of 2019, meeting targeted returns from the revised strategic focus
Embed innovation, digitisation, and analytics	→ Drive innovation through new products, solutions and services for clients	→ Significant progress made in driving innovation to improve the client experience.  Performance measured with reference to an Innovation Index which has exceeded the targets set in each performance year
	→ Grow percentage of Retail Banking clients with online/ mobile adoption	→ Continued growth in Retail Banking clients adopting online and mobile platforms from 40% at 2016 year-end to 54% at 2019 year-end
Invest in people, strengthen culture and conduct	→ Improve net promoter score within Group's employees	→ Material improvement in employee net promoter score from +2.4 in 2016 to +11.5 in 2019 reflecting the progress made in our cultural transformation and improving the employee experience
	→ Strengthen leadership succession and improve diversity as a percentage of the management population	→ Gender diversity and African and China talent metrics improved over the performance period. Succession plans are in place for all critical roles

<sup>1</sup> 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. The CET1 underprin was set at the higher of 12 per cent or the minimum regulatory level as at 31 December 2019 (taking into account any transition rules or material changes in regulatory rules).

The Committee recognises that the performance has not yet translated into shareholder returns above median, and on this basis the Committee determined that the overall vesting of the LTIP would be 38 per cent. No discretion has been applied to the vesting outcome of the LTIP in respect of performance targets or share price movement.

The awards will vest pro rata over 2020 to 2024 and shares will be subject to a six-month retention period post-vesting. Malus and clawback provisions apply.

The Committee considered the performance against the ESG metrics within the people and purpose element of the annual incentive scorecard and 2017-19 LTIP strategic measures, as well as the Group's wider progress on ESG metrics (further details on pages 43 to 56), and determined that the outcomes were appropriate and that the incentive structures do not raise ESG risks by motivating irresponsible behaviour.

#### **Historical LTIP awards**

The current position on vesting for all unvested LTIP awards from the 2017 and 2018 performance years based on current performance and share price as at 31 December 2019 is set out in the tables below. The TSR peer group for both awards is as set out on page 123.

#### Current position on the 2018–20 LTIP award: projected partial vesting

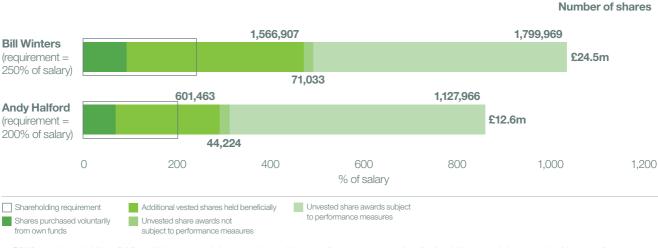
Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2018-20 LTIP assessment
RoE in 2020 with CET1 underpin	One-third	6.0%	9.0%	RoE currently below threshold therefore indicative 0% vesting
Relative TSR performance against comparator group	One-third	Median	Upper quartile	Currently positioned above median therefore indicative partial vesting based on TSR performance as at 31 December 2019
Strategic measures One-third		Targets set for strategic business strategy	measures linked to the	Currently tracking above target performance therefore indicative partial vesting

#### Current position on the 2019-21 LTIP award: projected partial vesting

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2019-21 LTIP assessment
RoTE in 2021 plus CET1 underpin of the higher of 13% or the minimum regulatory requirement	One-third	8.0%	11.0%	RoTE currently below threshold therefore indicative 0% vesting
Relative TSR performance against comparator group	One-third	Median	Upper quartile	Currently positioned above median therefore indicative partial vesting based on TSR performance as at 31 December 2019
Strategic measures	One-third	Targets set for strategic business strategy	measures linked to the	Currently tracking above target performance therefore indicative partial vesting

## Executive directors' shareholdings and share interests including share awards (audited)

Executive directors are required to hold a specified level of shares, to be built up over a reasonable time frame 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 requirements are beneficially owned shares, including any vested share awards subject only to a retention period, and unvested share awards for which performance conditions have been satisfied (on a net-of-tax basis). The shareholding requirement for 2019 was expressed as a percentage of salary, set as 250 per cent of salary for the CEO and 200 per cent of salary for the CFO. As at 31 December 2019, both Bill and Andy had significantly exceeded their shareholding requirement as outlined below. Shares purchased voluntarily from their own funds are equivalent to 93 and 69 per cent of salary for Bill and Andy respectively. The following chart summarises the executive directors' shareholdings and share interests':



- 1 Bill Winters: shares held beneficially 1,566,907; unvested share awards not subject to performance measures (net of tax) 71,033; unvested share awards subject to performance measures 1,799,969. Andy Halford: shares held beneficially 601,463; unvested share awards not subject to performance measures (net of tax) 44,224; unvested share awards subject to performance measures 1,127,966
- 2 All figures are as at 31 December 2019 unless stated otherwise. There were no changes to any executive directors' interests in ordinary shares between 31 December 2019 and 27 February 2020. 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. The closing share price on 31 December 2019 was £7.124
- 3 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
- 4 The shares held beneficially include shares awarded to deliver the executive directors' salaries
- 5 As Bill and Andy are both UK taxpayers, tax on Sharesave is assumed at 0 per cent and marginal combined PAYE rate of income tax at 45 per cent and employee National Insurance contributions at 2 per cent (total 47 per cent) is assumed to apply to other unvested share awards rates may change

## 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 investment strategies with regards to their Standard Chartered PLC shares, including hedging against the share price of Standard Chartered PLC shares.

Changes in interests during the period 1 January to 31 December
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	Changes in interests during the period 1 January to 31 December 2019						nber 2019		
	As at 1 January	Awarded <sup>1</sup>	Dividends awarded <sup>2</sup>	Exercised <sup>3</sup>	Lapsed	As at 31 December <sup>6</sup>	Performance period end	Vesting date	
Bill Winters <sup>4</sup>									
Restricted shares (buy-out)	314,916	_	17,226	332,142	_	-	_	22 Sep 2019	
LTIP 2016-18	496,390	_	4,710	138,735	362,365	_	11 Mar 2019	4 May 2019	
	124,097	_	_	_	90,591	33,506	11 Mar 2019	4 May 2020	
	124,097	_	_	_	90,591	33,506	11 Mar 2019	4 May 2021	
	124,097	_	_	_	90,591	33,506	11 Mar 2019	4 May 2022	
	124,100	_	_	_	90,593	33,507	11 Mar 2019	4 May 2023	
LTIP 2017-19	118,550	_	_	_	_	118,550	13 Mar 2020	13 Mar 2020	
	118,550	_	_	_	_	118,550	13 Mar 2020	13 Mar 2021	
	118,550	_	_	_	_	118,550	13 Mar 2020	13 Mar 2022	
	118,550	_	_	_	_	118,550	13 Mar 2020	13 Mar 2023	
	118,551	_	_	_	_	118,551	13 Mar 2020	13 Mar 2024	
LTIP 2018-20	108,378	_	_	_	_	108,378	9 Mar 2021	9 Mar 2021	
	108,378	_	_	_	_	108,378	9 Mar 2021	9 Mar 2022	
	108,378	_	_	_	_	108,378	9 Mar 2021	9 Mar 2023	
	108,378	_	_	_	_	108,378	9 Mar 2021	9 Mar 2024	
	108,379	_	_	_	_	108,379	9 Mar 2021	9 Mar 2025	
LTIP 2019-21	_	133,065	_	_	_	133,065	11 Mar 2022	11 Mar 2022	
	_	133,065	_	_	_	133,065	11 Mar 2022	11 Mar 2023	
	_	133,065	_	_	_	133,065	11 Mar 2022	11 Mar 2024	
	_	133,065	_	_	_	133,065	11 Mar 2022	11 Mar 2025	
		133,067	_	_	_	133,067	11 Mar 2022	11 Mar 2026	
Andy Halford <sup>5</sup>		·				·			
LTIP 2016-18	296,417	_	2,812	82,844	216,385	_	11 Mar 2019	4 May 2019	
	74,104	_	_	_	54,096	20,008	11 Mar 2019	4 May 2020	
	74,104	_	_	_	54,096	20,008	11 Mar 2019	4 May 2021	
	74,104	_	_	_	54,096	20,008	11 Mar 2019	4 May 2022	
	74,105	_	_	_	54,096	20,009	11 Mar 2019	4 May 2023	
LTIP 2017-19	73,390	_	_	_	_	73,390	13 Mar 2020	13 Mar 2020	
	73,390	_	_	_	_	73,390	13 Mar 2020	13 Mar 2021	
	73,390	_	_	_	_	73,390	13 Mar 2020	13 Mar 2022	
	73,390	_	_	_	_	73,390	13 Mar 2020	13 Mar 2023	
	73,394	_	_	_	_	73,394	13 Mar 2020	13 Mar 2024	
LTIP 2018-20	67,108	_	_	_	_	67,108	9 Mar 2021	9 Mar 2021	
	67,108	_	_	_	_	67,108	9 Mar 2021	9 Mar 2022	
	67,108	_	_	_	_	67,108	9 Mar 2021	9 Mar 2023	
	67,108	_	_	_	_	67,108	9 Mar 2021	9 Mar 2024	
	67,108	_	_	_	_	67,108	9 Mar 2021	9 Mar 2025	
LTIP 2019-21	-	85,094	_	_	_	85,094	11 Mar 2022	11 Mar 2022	
	_	85,094	_	_	_	85,094	11 Mar 2022	11 Mar 2023	
		85,094	_	_	_	85,094	11 Mar 2022	11 Mar 2024	
		85,094	_	_	_	85,094	11 Mar 2022	11 Mar 2025	
		85,096	_	_	_	85,096	11 Mar 2022	11 Mar 2026	
Sharesave	1,612	_	_	1,612	_	_		1 Dec 2018	
Sharesave	1,807	_	_		_	1,807	-	1 Dec 2022	
	.,					.,			

<sup>1</sup> For the LTIP 2019-21 awards granted to Bill Winters and Andy Halford on 11 March 2019, the values granted were: Bill Winters: £3.3 million; Andy Halford: £2.1 million. The number of shares awarded in respect of the LTIP took into account the lack of dividend equivalents (calculated by reference to market consensus dividend yield) such that the overall value of the award was maintained. Performance measures apply to 2019-21 LTIP awards. The share price at grant was the closing price on the day before the grant date (further details are included in Note 31, Share-based payments, on pages 345 to 349)

<sup>2</sup> Dividend equivalent shares may be awarded on vesting for awards granted prior to 1 January 2018

<sup>3</sup> On 1 March 2019, Andy Halford exercised a Sharesave option under the 2013 Sharesave Plan at an exercise price of £5.5776 per share. The closing share price on the day before exercise was £6.016. No shares were sold following this exercise and therefore no gain was realised. On 7 May 2019, Bill Winters exercised the 2016-18 LTIP award over a total of 138,735 shares and Andy Halford exercised the 2016-18 LTIP award over a total of 82,844 shares. The closing share price on the day before exercise was £6.882

<sup>4</sup> The unvested share awards held by Bill Winters are conditional rights under the 2011 Plan. Bill does not have to pay towards these awards

<sup>5</sup> The unvested share awards held by Andy Halford are conditional rights under the 2011 Plan. Andy does not have to pay towards these awards

<sup>6</sup> There were no changes to any executive director's scheme interests in ordinary shares between 31 December 2019 and 27 February 2020.

**Shares** 

#### 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' current service contracts are shown below. Their contracts were updated effective 1 January 2020 to amend their pension allowance. 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. Both executive directors served as non-executive directors elsewhere and received fees for the period covered by this report.

	Date of Standard Chartered employment contract	Details of any non-executive directorship	Fees retained for any non-executive directorship (local currency)		
Bill Winters	1 January 2020	Novartis International AG	CHF353,333		
Andy Halford	1 January 2020	Marks and Spencer Group plc	£101,250		

#### **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.

The Group has two employee benefit trusts that are administered by independent trustees and which hold ordinary shares to meet various obligations under the Group's share plans. As each executive director is within the class of beneficiary of these trusts, they are deemed, for the purposes of the Companies Act 2006, to have an interest in the trusts' shares.



Details of the trusts' shareholdings are set out in Note 28 to the financial statements on page 337

## Single figure of remuneration for the Chairman and INEDs (audited)

The Chairman and INEDs were paid in monthly instalments during the year. The INEDs are required to hold shares with a nominal value of \$1,000.

The table below shows the fees and benefits received by the Chairman and INEDs in 2019 and 2018.

	Fees £	Fees £000		Benefits £000 <sup>8</sup>		Total £000	
	<b>2019</b> <sup>7</sup>	2018	2019	2018	2019	2018	<b>2019</b> <sup>9</sup>
Group Chairman							
J Viñals¹	1,250	1,250	49	73	1,299	1,323	18,500
Current INEDs							
O P Bhatt <sup>2</sup>	26	160	21	32	46	192	-
L Cheung	135	130	9	5	144	135	2,571
D P Conner <sup>3</sup>	275	265	2	1	277	266	10,000
B E Grote	170	160	-	-	170	160	60,041
C M Hodgson, CBE	325	302	2	2	327	304	2,571
G Huey Evans, OBE	200	190	2	2	202	192	2,615
N Kheraj	360	353	4	4	364	357	40,571
N Okonjo-lweala	135	130	4	4	139	134	2,034
Dr Han Seung-soo, KBE4	20	130	69	69	89	199	-
D Tang <sup>5</sup>	75	_	-	-	75	_	2,000
C Tong <sup>6</sup>	176	_	1	-	177	_	2,000
J M Whitbread	210	205	2	1	212	206	3,615

- 1 The decrease in José Viñals' benefits from 2018 to 2019 is due to the removal of his tax return costs which the Group agreed to pay for two years (2017 and 2018)
- 2 Mr Om Bhatt stepped down from the Board on 23 February 2019. His reported fee for 2019 of £26,000 is in respect of the period 1 January 2019 to 23 February 2019. His benefits for 2019 of £21,000 are in respect of the period from 6 April 2018 to 23 February 2019, in line with the approach to disclose INED benefits in respect of the relevant tax year (see note 8)
- $3\,\,$  Mr David Conner's fee includes his role on the Combined US Operations Risk Committee
- 4 Dr Han Seung-soo retired from the Board on 23 February 2019. His reported fee for 2019 of £20,000 is in respect of the period 1 January 2019 to 23 February 2019. His benefits for 2019 of £69,000 are in respect of the period from 6 April 2018 to 23 February 2019, in line with the approach to disclose INED benefits in respect of the relevant tax year (see note 8)
- 5~ Mr David Tang was appointed to the Board on 12 June 2019
- 6 Mr Carlson Tong was appointed to the Board on 21 February 2019
- 7 The fees for all INEDS increased from £100,000 to £105,000 per annum effective 1 January 2019
- 8 The INEDs' 2019 benefits figures are in respect of the 2018/19 tax year to provide consistency with the reporting of similar benefits in previous years and with those received by executive directors. The costs of benefits (and any associated tax costs) are paid by the Group. The benefits reported for 2019 were delivered under the previous directors' remuneration policy and primarily consisted of travel and subsistence costs in relation to Board and Committee meetings and other Board-related events which are taxable in the UK. Partners were also able to accompany the directors to meetings. Under the new directors' remuneration policy approved on 8 May 2019, this benefit is limited to exceptional circumstances
- 9 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. 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 2019 or on the retirement of a director unless otherwise stated

## 2020 policy implementation for directors

Remuneration for the executive directors in 2020 will be in line with the directors' remuneration policy as summarised on pages 131 to 132 of this report and set out in full on pages 108 to 115 of the 2018 Annual Report with the exception of the implementation of the pension provision.

The policy is also set out on the Group's website: sc.com

The key elements of remuneration for 2020 include salary (delivered in cash and shares), pension, benefits, an annual incentive award and an LTIP award.

Following the approval of the directors' remuneration policy at the AGM in May 2019 and the subsequent shareholder engagement carried out in 2019, the Committee has determined to make a change to the implementation of the policy in 2020. This has been done following consideration of the feedback received to address shareholder concerns on the pension element of the policy. Full details of the engagement process and outcome are set out on pages 108 to 109 and our announcement of the changes made can be found on our website.

The contractual terms and conditions for Bill and Andy have changed and their pension allowance reduced from 20 per cent of salary to 10 per cent of salary with effect from 1 January 2020. This aligns the executive directors' pension arrangement with all UK employees of Standard Chartered from the start of 2020 and means that:

→ Bill's pension allowance reduced by 50 per cent from £474,000 to £237,000 on 1 January 2020 → Andy's pension allowance reduced by 50 per cent from £294,000 to £147,000 on 1 January 2020

Variable pay for Bill and Andy is set as a multiple of fixed pay, defined as salary and pension, therefore this change results in a reduction in variable opportunity of 8 per cent.

Bill's pension continues to be delivered as a contribution to a defined contribution plan and as a cash allowance. Andy's pension continues to be delivered as a cash allowance.

A portion of executive directors' salaries is paid in shares to strengthen shareholder alignment. The pension allowance is set as a percentage of salary (both the cash and shares components).

The Committee reviews the salaries of the executive directors on an annual basis, taking into account changes to the scope or responsibility of the role, the individual's development in the role, and alignment to market-competitive levels. The Committee also takes into account the average salary increases made to the broader employee population.

For 2020, the Committee determined that there should be no change to salary for Bill which would continue to be £2,370,000.

The Committee considered Andy's development in role, benchmarking against other FTSE and banking CFOs and the fact that his last and only increase since his appointment in 2014 was in April 2018. The Committee also considered the increases awarded to all UK employees and awarded a salary increase of 3 per cent from  $\mathfrak{L}1,471,000$  to  $\mathfrak{L}1,515,000$  with effect from 1 April 2020.

Details of fixed pay for Bill and Andy with effect from 1 April 2020 are set out below. All figures are in £000s.

	Bill Winters			Andy Halford			
	2020	2019	% change	2020	2019	% change	
Salary	2,370	2,370	0%	1,515	1,471	3%	
of which cash	1,185	1,185	0%	1,015	986	3%	
of which shares	1,185	1,185	0%	500	485	3%	
Pension	237	474	-50%	151	294	-49%	
Total fixed pay	2,607	2,844	-8%	1,666	1,765	-6%	
Proportion of total fixed pay paid in cash	55%	58%	-5%	70%	72%	-3%	
Proportion of total fixed pay paid in shares	45%	42%	7%	30%	28%	7%	

#### Illustration of application of the remuneration policy in 2020

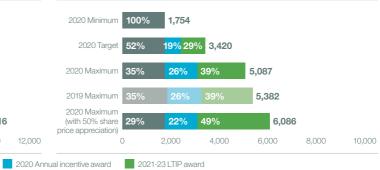
The charts below illustrate the potential outcomes under the directors' remuneration policy approved by shareholders at the AGM in May 2019 based on the implementation of the policy in 2020 (i.e. for awards that would be made in March 2021, based on 2020 fixed pay) and fixed remuneration with effect from 1 April 2020. They also show the maximum opportunity in 2019, illustrating the reduction in variable pay opportunity following the reduction in pension.

The charts show potential remuneration outcomes for each executive director in four performance scenarios: minimum, on-target, maximum performance and maximum performance with 50 per cent share price appreciation in line with reporting requirements. The percentages shown in each bar represent the amount of total remuneration provided by each element of pay.

#### Bill Winters 2020 remuneration (£'000)

#### 2.838 2020 Minimum 100% 2020 Target 52% 19% 29% 5.445 2020 Maximum 2019 Maximum 2020 Maximum (with 50% share 9,616 price appreciation 2,000 4,000 6,000 8,000 10,000 12,000 2020 Fixed remuneration

## Andy Halford 2020 remuneration (£'000)



- 1 Fixed remuneration includes salary as at 1 April 2020, benefits (based on 2019 single figure, actual fixed remuneration in 2020 will be dependent on the cost of benefits) and pension
- 2 Minimum performance assumes no annual incentive is awarded and no LTIP award vests
- 3 Target performance assumes an annual incentive of 50 per cent of the maximum opportunity and LTIP vesting at 50 per cent of the total award, i.e. an annual incentive award of 40 per cent of fixed pay and the vesting of the LTIP at 60 per cent of fixed pay
- 4 Maximum performance assumes the maximum annual incentive opportunity and LTIP vesting in full, i.e. an annual incentive of 80 per cent of fixed pay and an LTIP award of 120 per cent of fixed pay
- 5 Maximum performance with 50 per cent share price appreciation is as footnote 4, plus a 50 per cent share price appreciation in the value of the vested LTIP award since the time of grant

#### 2020 annual incentive scorecard

The measures in the scorecard reflect the refreshed strategic priorities set out in 2019. The targets are set annually by the Committee and take into account the Group's annual financial plan, the Group strategy 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 2020 Annual Report alongside the level of performance achieved.

Financial measures make up 50 per cent of the annual incentive scorecard. Strategic measures are assessed by the Committee using a quantitative and qualitative framework.

#### STEP 1: Conduct gateway requirement to be met in order to be eligible for any annual incentive

Appropriate level of individual valued behaviours and conduct exhibited during the course of the year

Financial measures	Weighting	Target
Income <sup>1</sup>	7%	
Costs	7%	
Operating profit <sup>1</sup>	10%	→ Targets to be disclosed to shareholders retrospectively
RoTE <sup>2</sup> plus CET1 <sup>3</sup> underpin of the higher of 13% or the minimum regulatory requirement	20%	— Fraigots to be disclosed to strateflolders retrospectively
Growth of high-quality liabilities <sup>4</sup>	6%	
Other strategic measures	Weighting	Target
Purpose and people	10%	→ Develop human capital by improving employee engagement, diversity and inclusion
		→ Successfully embed sustainable and responsible practices in relation to climate, infrastructure, environment and community engagement <sup>5</sup>
Deliver our network and grow our affluent business	10%	→ Improve client satisfaction rating
		→ Deliver Network growth in target segments
		→ Deliver Affluent growth in target markets
Improve productivity	5%	→ Improve efficiency and quality of client transformation experience
		→ Improve Working Profit per FTE
Transform and disrupt with digital	10%	→ Manage key digital platforms and partnerships to improve client experience
		→ Grow cash transactions initiated by clients through digital channels
		→ Improve data analytics to develop new products and attract new clients
Risk and controls	15%	→ Manage elevated residual risks with effective controls in place
		→ Successfully deliver milestones within the risk management plan
		→ Maintain effective risk and control governance
		→ Maintain the risk profile within the Group Risk Appetite boundaries
		→ Maintain an effective Conduct Risk Management Framework to ensure there is a continuous process to identify and manage conduct risks

### STEP 3: Assessment of personal performance

The Committee reviews the individual performance of each executive director in their areas of personal responsibility. Consistent with the Group's treatment of all employees, the Committee can make an adjustment to the annual incentive if the executive director's performance is considered improved and is not fully reflected in the scorecard outcome (and vice versa), if appropriate. The Committee will generally consider personal performance adjustments in the range of up to +/- 10 percentage points on the scorecard outcome.

- 1 Income, costs and impairment and resulting operating profit relating to identifiable business units, products or portfolios from the date that have been approved for restructuring, disposal, wind down or redundancy are presented as restructuring and excluded from the underlying results of the Group. This includes realised and unrealised gains and losses from management's decisions to dispose of assets as well as residual income, direct costs and impairment of related legacy assets of those identifiable business units, products or portfolios
- 2 Normalised RoTE represents the ratio of the current year's profit available for distribution to ordinary shareholders, to the weighted average ordinary shareholders' equity less the average goodwill and intangibles for the reporting period. Normalised RoTE normally excludes regulatory fines but, for remuneration purposes, this would be subject to review by the Committee.
- 3 The CET1 underpin will be dynamically set at the higher of 13 per cent or the minimum regulatory level as at 31 December 2020 (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 Initiative that targets an efficient level and mix of funding (liabilities) to support the Group's growth aspirations. Measured in basis points reduction in funding costs relative to a normalised benchmark, which excludes the impact of interest rate movement, but requires a minimum level of growth in quality funding
- 5 For a number of years we have supported the use of ESG metrics by including them in the purpose and people component of the strategic measures. In line with our strategy, this year we are increasing our focus on metrics that embed sustainable and responsible practices into our business operations across the following four areas. Climate: provide significant project financing services, M&A advisory, debt structuring, transaction banking and lending services for renewable energy projects that align to our verified green and sustainable product framework. Infrastructure: provide financing to microfinance institutions extending access to finance for microenterprises throughout Asia and Africa. Environment: reduce our value chain emissions from business flights. Community engagement: increase the proportion of employees who participate in employee volunteering. Targets to be disclosed retrospectively

## Independent non-executive directors' letters of appointment

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 69 to 71. INEDs are appointed for a period of one year, unless terminated earlier by either party with three months' notice.

### Independent non-executive director fees

The fee levels are based on market data and the duties, time commitment and contribution expected for the PLC Board and, where appropriate, subsidiary boards. The Chairman and the INEDs are eligible for benefits in line with the directors' remuneration policy. Neither the Chairman or the INEDs receive any performance related remuneration.

	Effective
	1 January 2019 £000
Board member	105
Additional responsibilities	
Deputy Chairman	75
Senior Independent Director	40
Chair	
- Audit Committee	70
- Board Risk Committee	70
- Remuneration Committee	70
- Board Financial Crime Risk Committee	60
- Brand, Values and Conduct Committee	60
Membership	
- Audit Committee	35
- Board Risk Committee	35
- Board Financial Crime Risk Committee	30
- Brand, Values and Conduct Committee	30
- Remuneration Committee	30
- Governance and Nomination Committee	15

## Summary of the directors' remuneration policy

The forward-looking remuneration policy for executive directors and INEDs was approved at the AGM held on 8 May 2019 and applies for three years from that date. A summary of the policy, including the key remuneration elements, is set out below and is provided for information only. The full policy, including recruitment and leaver provisions, can be found on pages 108 to 115 of the 2018 Annual Report and on the Group's website.



The full policy is available on the Group's website at sc.com

## Summary of the remuneration policy for executive directors

#### **Fixed remuneration**

#### Remuneration element Operation Opportunity Performance required Alignment with UK employees Delivered part in cash and Increases may occur where Any increase to salary is set The process of setting and Salary there is a role change. in the context of the annual annually reviewing salaries part in shares Set to reflect the role, increased responsibility performance assessment against market information is To maintain alignment with or to ensure market of the individual the same for all employees shareholders, the share experience of the individual, following competitiveness The only difference for element is subject to a holding period of five years, executive directors is that part the Group-wide with 20 per cent being of executive director salaries is principles which apply to all employees released annually delivered in shares The same approach For other employees salary is would be followed on delivered only as cash the recruitment of an executive director Normally paid as a cash For new executive N/A The contribution rate of Pension allowance or contribution directors the maximum 10 per cent of salary to be applied in 2020 for the current to a defined contribution is an annual pension allowance or contribution executive directors is aligned with UK employees of 10 per cent of salary For the current directors, a competitive remuneration package and facilitate long-term from 2020, an annual pension allowance or contribution of 10 per cent of salary will be payable

#### Fixed pay for determining variable remuneration

The combined value of salary and pension form fixed pay on which variable remuneration is calculated

A range of benefits are provided (e.g. standard benefits such as holiday and sick pay, 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)

The 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

Core benefits are aligned with all employees

Some additional, role specific benefits are received by the current executive directors (see page 120 for details)

#### Variable remuneration

#### Remuneration element Operation Opportunity Performance required Alignment with UK employees Annual incentive awards The maximum value of an Awards are determined by The annual incentive plan is **Annual incentive** are delivered as a annual incentive award the Committee, based on operated for all employees, Performance cannot exceed 80 per cent combination of cash the assessment of the paid in cash to certain limits dependent and shares subject to of fixed pay (defined as Group scorecard which with the balance deferred over holding requirements salary and pension) and contains a mix of financial at least three years in shares and deferred shares can be any amount from (at least 50 per cent of the and/or cash zero to the maximum scorecard) and strategic linked to the Group's measures, as well as the

#### LTIP

one year

Performance long-term performance criteria LTIP awards are granted annually, based on the assessment of performance of the Group and the individual in the relevant year to determine the award size

LTIP awards are delivered in shares and may be subject to holding requirements Following the grant of awards, Group performance is measured over three years with no award vesting before the third anniversary of the grant

The maximum value of an LTIP award cannot exceed 120 per cent of fixed pay and can be any amount from zero to the maximum

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

personal performance of

the individual

Members of the Management Team are also eligible for LTIP awards, operated on the same basis but with a lower maximum opportunity

**Total variable** remuneration (annual incentive and LTIP)

The combined maximum variable opportunity of the annual incentive and the LTIP cannot exceed 200 per cent of fixed pay. The LTIP forms at least 60 per cent of the maximum variable remuneration opportunity so that the majority of variable remuneration is based on long-term performance

The same approach for variable remuneration would be followed on the recruitment of an executive director

#### Other remuneration

Remuneration element	Operation	Opportunity	Performance required	Alignment with UK employees
Sharesave Provides an opportunity for all employees to invest voluntarily in the Group	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 the invitation to participate	Savings per month of between £5 and the maximum set by the Group which is currently £250	N/A	All employees are eligible to participate on the same basis
Shareholding requirements A requirement for executive directors to hold a specified value of shares for alignment with the interests of shareholders during employment	Executive directors are required to hold a specified level of shares, to be built up over a reasonable time frame from the date of appointment.  Under the policy, in 2019 and 2020, the CEO and the CFO are required to hold 250 per cent and 200 per cent of salary in Group shares respectively	N/A	N/A	Formal shareholding requirements are operated for the executive directors only. However, other employees hold Group shares as part of the deferral and retention requirements
Post- employment shareholding requirement	Shares to be held of 100 per cent of the shareholding requirement in place for one year and 50 per cent of the requirement in place for the second year following cessation of employment	N/A	N/A	Policy applies to executive directors only

## **Additional remuneration disclosures**

## Approach to risk adjustment

At an individual level and for all employees, variable remuneration is aligned with the long-term interests of the business and the time frame over which financial risks crystallise through:

- → A proportion of variable remuneration being delivered in the form of deferred awards: having an appropriate level of variable remuneration deferred for a sufficient period of time that can have risk adjustments 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 in-year adjustments, malus and clawback is summarised in the following table:

	Criteria includes	Application
Individual level	<ul> <li>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 valued behaviours or applied a lack of appropriate supervision</li> <li>The individual failed to meet appropriate standards of fitness and propriety</li> </ul>	→ In-year adjustment, malus and clawback may be applied to all or part of an award at the Committee's discretion
Business unit and/or Group level	<ul> <li>Material restatement of the Group's financials</li> <li>Significant failure in risk management</li> <li>Discovery of endemic problems in financial reporting</li> <li>As a result of financial losses, due to a material breach of regulatory guidelines</li> <li>The exercise of regulatory or government action to recapitalise the Group following material financial losses</li> </ul>	→ In-year adjustment, malus and clawback may be applied to all or part of an award at the Committee's discretion

The approach used to determine Group-wide total discretionary incentives in 2019 is explained on page 116 of this report. The following tables show the income statement charge for these incentives.

## Income statement charge for Group discretionary incentives

	2019 \$million	2018 \$million
Total discretionary incentives	1,278	1,179
Less: deferred discretionary incentives that will be charged in future years	(155)	(135)
Plus: current year charge for deferred discretionary incentives from prior years	123	114
Total	1,246	1,158

	Act	ual	Expected		
Year in which income statement is expected to reflect deferred discretionary incentives	2018   2019	2020 \$million	2021 and beyond \$million		
Discretionary incentives deferred from 2017 and earlier	106	59	21	15	
Discretionary incentives deferred from 2018	50	54	33	31	
Discretionary incentives deferred from 2019	_	64	68	79	
Total	156	177	122	125	

## Allocation of the Group's earnings between stakeholders

When considering Group variable remuneration, the Committee takes account of shareholders' concerns about relative expenditure on pay and determines the allocation of earnings to expenditure on remuneration carefully, and has approached this allocation in a disciplined way over the past five years. The table below shows the distribution of earnings between stakeholders over the past five years. The amount of corporate tax, including the bank levy, is included in the table because it is a significant payment and illustrates the Group's contribution through the tax system.

	Actual				Allocation					
	2019 \$million	2018 \$million	2017 \$million	2016 \$million	2015 \$million	<b>2019</b> %	2018 %	2017 %	2016 %	2015 %
Staff costs	7,122	7,074	6,758	6,303	7,119	74	75	83	87	71
Corporate taxation including levy	1,720	1,763	1,367	983	1,113	18	19	17	13	11
Paid to shareholders in dividends	720	561	0	0	1,778	8	6	0	0	18

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

#### Identification of material risk takers

Individuals have been identified as material risk takers in accordance with the qualitative and quantitative criteria set out in the European Banking Authority's Regulatory Technical Standard (EU 604/2014 adopted by the UK Prudential Regulatory Authority) that came into force in June 2014.

#### Quantitative criteria

The quantitative criteria identify employees who:

- → Have been awarded total remuneration of EUR500,000 or more in the previous financial year
- → Are within the 0.3 per cent of the number of employees on a global basis who have been awarded the highest total remuneration in the preceding financial year
- → Were awarded total remuneration in the preceding financial year that was equal to or greater than the lowest total remuneration awarded that year to certain specified groups of employees

Employees identified by only the quantitative criteria can be excluded from being identified as material risk takers if it can be evidenced that they do not have the ability to have a material impact on the Group's risk profile.

#### **Qualitative criteria**

The qualitative criteria broadly identifies the following employees:

- → Directors (both executive and non-executive) of Standard Chartered PLC
- → A member of senior management, which is defined as one or more of the following:
  - A Senior Manager under the Prudential Regulation Authority or Financial Conduct Authority Senior Manager Regime
  - A member of the Group Management Team
- → The level beneath the Management Team
- → Senior employees within the audit, compliance, legal and risk functions
- → Senior employees within material business units
- → Employees who are members of specific committees
- → 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

For the purpose of the Pillar 3 tables on pages 135 and 136, unless otherwise stated, senior management is defined as directors of Standard Chartered PLC (both executive and non-executive), senior managers under the PRA or FCA Senior Manager Regime and members of the Group Management Team.

## Material risk takers' remuneration delivery

Remuneration for material risk takers was delivered in 2019 through a combination of salary, pension, benefits and variable remuneration.

Variable remuneration for material risk takers is structured in line with the PRA and FCA's remuneration rules. For the 2019 performance year, the following structure applies 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 shares, subject to a minimum 12-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 12-month retention period (with the exception of deferred shares awarded to risk managers, which are subject to a six-month minimum retention period) in line with the regulations
- → For some material risk takers, part of their 2019 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 remuneration adjustment provisions. This provides the Group with the ability to reduce or revoke variable remuneration in respect of a risk, control or conduct issue, event or behaviour
- → Material risk takers are subject to the 2:1 maximum ratio of variable to fixed remuneration

### Material risk takers' deferred variable remuneration delivery

	<b>Year 0 (grant)</b> March 2020	Year 1 March 2021	<b>Year 2</b> March 2022	<b>Year 3</b> March 2023	<b>Year 4</b> March 2024	<b>Year 5</b> March 2025	<b>Year 6</b> March 2026	<b>Year 7</b> March 2027		
Senior managers					Minimum of	40% of 2019 varia	ble remuneration	1		
Risk managers		Minimum of 40% of 2019 variable remuneration								
Other material risk takers		Minimum of	40% of 2019 varia	ble remuneration	<b>)</b>					

## Material risk takers' deferred remuneration in 2019

	Senior	management \$	000	All other material risk takers \$000			
	Total	Cash	Shares	Total	Cash	Shares	
Start of the year (1 January)	105,205	9,246	95,959	308,764	91,995	216,769	
Impact of changes to material risk taker population including leavers during 2018 and joiners in 2019	(19,840)	(1,798)	(18,042)	(49,444)	(15,764)	(33,680)	
Start of the year (1 January) (after adjustments):							
Unvested	85,274	7,448	77,826	251,023	76,231	174,792	
Vested and unexercised	91	_	91	8,297	_	8,297	
Awarded during the year	33,336	4,519	28,817	133,071	50,660	82,411	
Total reduction during the year due to malus or clawback; or performance measures not being met	(8,462)	_	(8,462)	(11,536)	(2,166)	(9,370)	
Total deferred remuneration paid out in the financial year	(14,292)	(727)	(13,565)	(100,161)	(28,679)	(71,482)	
Close of the year (31 December):							
Unvested	95,828	11,240	84,588	274,009	96,046	177,963	
Vested and unexercised	119	_	119	6,685	_	6,685	

## Material risk takers' 2019 fixed and variable remuneration

	Senior management \$000	All other material risk takers \$000
Fixed remuneration <sup>1</sup>		
Number of employees	27	587
Total fixed remuneration	35,328	304,302
Cash-based	33,198	304,302
Of which deferred	_	-
Shares or other share-linked instruments	2,130	-
Of which deferred	_	_
Other forms	_	_
Of which deferred	_	_
Variable remuneration <sup>2,3</sup>		
Number of employees	16	553
Total variable remuneration	47,217	254,232
Cash-based	15,540	131,858
Of which deferred	6,669	61,689
Shares or other share-linked instruments	31,677	122,374
Of which deferred	22,805	61,724
Other forms	_	_
Of which deferred	_	_
Total remuneration	82,545	558,534

 $<sup>1 \</sup>quad \hbox{Fixed remuneration includes salary and cash allowances and, in the case of the Chairman and INEDs, any fees} \\$ 

<sup>2</sup> For some material risk takers, part of their 2019 variable remuneration may be delivered in share awards, with vesting subject to performance measures. These awards are shown on a face value basis. As INEDs are not eligible to receive variable remuneration they are not included in this data

<sup>3</sup> The ratio between fixed and variable remuneration for all material risk takers in 2019 was 1:0.89

## Material risk takers' aggregate 2019 remuneration by business

	Corporate & Institutional Banking	Commercial Banking	Private Banking¹	Retail Banking	Central management & other <sup>2</sup>
	\$000	\$000	\$000	\$000	\$000
2019	296,990	7,241	23,808	19,084	293,956

<sup>1</sup> Private Banking includes Wealth Management

### Material risk takers' sign-on and severance payments in 2019

	Senior man	agement	All other material risk takers	
	Number of employees	Total amount \$000	Number of employees	Total amount \$000
Sign-on payments	-	_	_	_
Guaranteed incentives	-	_	_	_
Severance payments (highest award \$385,000)	-	_	2	692

## Remuneration at or above EUR1 million

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

Remuneration band EUR	Number of employees
1,000,000 – 1,500,000	119
1,500,001 – 2,000,000	42
2,000,001 – 2,500,000	13
2,500,001 – 3,000,000	6
3,000,001 – 3,500,000	4
3,500,001 – 4,000,000	6
4,000,001 – 4,500,000	2
4,500,001 – 5,000,000	3
5,000,001 - 6,000,000	1
7,000,001 – 8,000,000	1
9,000,001 – 10,000,000	2
Total	199

## 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 2019.

Components of remuneration	Five highest paid¹ \$000	Senior management <sup>2</sup> \$000
Salary, cash allowances and benefits in kind	12,702	23,932
Pension contributions	1,169	1,972
Variable remuneration awards paid or receivable	25,367	40,098
Payments made on appointment	5,769	_
Remuneration for loss of office (contractual or other)	_	_
Other	_	_
Total	45,007	66,002
Total HK dollar equivalent	352,799	517,370

 $<sup>1\</sup>quad \hbox{The five highest-paid individuals include Bill Winters and Andy Halford}$ 

<sup>2</sup> Central management & other includes Group executive directors, INEDS, control functions, support functions and central roles

<sup>2</sup> Senior management comprises the executive directors and the members of the Group Management Team at any point during 2019

The table below shows the emoluments of i) the five highest-paid employees; and ii) senior management for the year ended 31 December 2019.

		Number of employees	
Remuneration band HKD	Remuneration band USD equivalent	Five highest paid	Senior management <sup>1</sup>
22,000,001 – 22,500,000	2,806,588 – 2,870,374	_	1
25,500,001 – 26,000,000	3,253,090 – 3,316,876	_	1
27,000,001 – 27,500,000	3,444,449 – 3,508,235	_	1
29,000,001 – 29,500,000	3,699,593 – 3,763,379	_	1
29,500,001 – 30,000,000	3,763,379 – 3,827,165	_	1
30,000,001 – 30,500,000	3,827,165 – 3,890,951	_	1
33,000,001 – 33,500,000	4,209,882 – 4,273,668	_	1
36,000,001 – 36,500,000	4,592,598 – 4,656,384	_	1
38,000,001 – 38,500,000	4,847,743 – 4,911,529	_	2
47,000,001 – 47,500,000	5,995,892 – 6,059,678	1	1
66,000,001 – 66,500,000	8,419,763 – 8,483,549	1	_
76,500,001 – 77,000,000	9,759,271 – 9,823,057	1	1
79,500,001 – 80,000,000	10,141,988 – 10,205,774	1	_
82,000,001 – 82,500,000	10,460,918 - 10,524,704	1	1
Total		5	13

<sup>1</sup> Senior management comprises the executive directors and the members of the Group Management Team at any point during 2019

#### 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 the disclosures to US dollars are set out in the table below.

	2019	2018
EUR	0.8930	0.8782
GBP	0.7858	0.7464
HKD	7.8387	7.8400

**Christine Hodgson** 

Chair of the Remuneration Committee

27 February 2020

## Other disclosures

The Directors' report for the year ended 31 December 2019 comprises pages 66 to 145 of this report (together with the sections of the Annual Report incorporated by reference). Both the Strategic report and the Directors' report have been drawn up and presented in accordance with 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 Guidance and Transparency Rules relating to the Annual Report, information required by Listing Rule 9.8.4 to be included in the Annual Report where applicable, is set out in the table below and cross-referenced.

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

Relevant Listing Rule	Page
LR 9.8.4 (1) (2) (5-14) (A) (B)	N/A
LR 9.8.4 (4)	125

## **Principal activities**

Standard Chartered is a leading international banking group, with over 160-years of history in some of the world's most dynamic markets. Our purpose is driving commerce and prosperity through our unique diversity. 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 in Asia, Africa and the Middle East. The Group operates in the UK and overseas through a number of subsidiaries, branches and offices.



#### Fair, balanced and understandable

On behalf of the Board, the Audit Committee has reviewed the 2019 Annual Report and the process by which the Group believes that the Annual Report, 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.

## **Events after the balance** sheet date

For details on post balance sheet events, see Note 37 to the financial statements.

#### **Code for Financial Reporting Disclosure**

The Group's 2019 financial statements have been prepared in accordance with the principles of the UK Finance Disclosure 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 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. For more information, refer to the viability statement in the Strategic report.

#### **Viability**

The directors' viability statement in respect to the Group can be found in the Strategic report.

#### 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 \$1.60 billion (2018: \$1.56 billion) 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 2019.

#### **Directors and their interests**

The membership of the Board, together with their biographical details, are given on pages 69 to 71. 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 108 to 137. 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 31 to the financial statements

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.

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 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 existing conflicts of interest annually to consider if they continue to be conflicts of interest, and also to revisit the terms upon which they were determined to be. 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. Newly appointed directors retire at the AGM following appointment and are eligible for election. All directors are nominated for annual re-election by shareholders subject to continued satisfactory performance based upon their annual assessment.

Non-executive directors are appointed for an initial period of one year and, subject to (re)election by shareholders at AGMs. In line with the UK Corporate Governance Code 2018, all directors will stand for annual (re) election at the 2020 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 2019 and remain in force at the date of this report.

## Qualifying pension scheme indemnities

Qualifying pension scheme indemnity provisions (as defined by section 235 of the Companies Act 2006) were in force during the course of the financial year ended 31 December 2019 for the benefit of the UK's pension fund corporate trustee (Standard Chartered Trustees (UK) Limited), 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 yest 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.

#### Results and dividends

2019: paid interim dividend of 7 cents per ordinary share (2018: paid interim dividend of 6 cents per ordinary share)

**2019:** proposed final dividend of **20 cents per ordinary share** (2018: paid final dividend of 15 cents per ordinary share)

2019: total dividend of 27 cents per ordinary share (2018: total dividend, 21 cents per ordinary share)

## Share capital

The issued ordinary share capital of the Company was reduced by a total of 112,734,907 over the course of 2019. This number is the net position following the issuance of 3,368,576 ordinary shares under the Company's employee share plans at a price between nil and 620 pence, and the cancellation of 116,103,483 ordinary shares as part of the Company's share buy-back programme. 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 85 per cent of the total issued nominal value of all share capital. The remaining 15 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 28 to the financial statements

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. Adoption of new Articles of Association are being proposed at the 2020 AGM, details of which can be found in the Notice of Meeting.

## Authority to purchase own shares

At the AGM held on 8 May 2019, our shareholders renewed the Company's authority to make market purchases of up to 330,996,724 ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 14 March 2019, and up to all of the issued preference share capital. The authority to make market purchases up to 10 per cent of issued ordinary share capital was used during the year following the announcement in April 2019 that the Company would commence a \$1 billion share buyback programme. The resolution of legacy conduct and control issues means that the Company can manage its capital position more dynamically, maintaining the strategic investment programme while returning capital and creating long-term shareholder value. The share buyback programme was launched on 2 May 2019 and completed on 25 September 2019. A total of 116,103,483 ordinary shares with a nominal value of \$0.50 were re-purchased for an approximate aggregate consideration paid of \$1 billion.

A monthly breakdown of the shares purchased during the period including the lowest and highest price paid per share is set out in Note 28 to the financial statements.

All ordinary shares which were bought back were cancelled.

In accordance with the terms of a waiver granted by The Stock Exchange of Hong Kong Limited (HKSE) as subsequently modified, the Company will comply with the applicable law and regulation in the UK in relation to holding of any shares in treasury and with the conditions of granting the waiver by the HKSE. No treasury shares were held during the year.

Further details can be found in Note 28 to the financial statements

## **Authority to issue shares**

The Company is granted authority to issue shares by the shareholders at its AGM. The size of the authorities granted depends on the purposes for which shares are to be issued and is within applicable legal and regulatory requirements.

## Shareholder rights

Under the Companies Act 2006, shareholders holding 5 per cent or more of the paid-up share capital of the Company carrying the right of voting at general meetings of the Company are able to require the directors to hold a general meeting.

A request may be in hard copy or electronic form and must be authenticated by the shareholders making it. Where such a request has been duly lodged with the Company, the directors are obliged to call a general meeting within 21 days of becoming subject to the request and must set a date for the meeting not more than 28 days from the date of the issue of the notice convening the meeting. Under the Companies Act 2006, shareholders holding 5 per cent or more of the total voting rights at an AGM of the Company, or 100 shareholders entitled to vote at the AGM with an average of at least £100 paid-up share capital per shareholder, 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 also 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 2019, 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.

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's

As at 20 February 2020, the Company has been notified of the following information, in accordance with DTR 5, from holders of

notifiable interests in the Company's issued share capital. The information provided below was correct at the date of notification; however, the date received may not have been within 2019. It should be noted that these holdings are likely to have changed since the Company was notified. However, notification of any change is not required until the next notifiable threshold is crossed.

Notifiable interests	Ordinary shares	Percentage of capital disclosed	Nature of holding as per disclosure
Temasek Holdings (Private) Limited	517,051,383	15.77	Indirect
BlackRock Inc.	183,640,172	5.55	Indirect (5.015%) Securities Lending (0.392%) Contracts for Difference (0.146%)
Norges Bank	100,926,382	3.05	Direct

## **Related-party transactions**

Details of transactions with directors and officers and other related parties are set out in Note 36 to the financial statements.

## Connected/continuing connected transactions

By virtue of its shareholding of over 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 HK Listing Rules respectively (together 'the Rules'). The Rules are intended to ensure that there is no favourable treatment to Temasek or its associates to the detriment of other shareholders in the Company. Unless transactions between the Group and 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 27 December 2018, the HKSE extended a waiver ('the Waiver') it previously granted to the Company for the revenue banking transactions with Temasek which do not fall 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) requirements under Chapter 14A for the three-year period ending 31 December 2021 on the conditions that:

- a) The Company will disclose details of the Waiver (including nature of the revenue banking transactions with Temasek and reasons for the Waiver) in subsequent annual reports
- b) The Company will continue to monitor the revenue banking transactions with Temasek during the three years ending 31 December 2021 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded

The main reasons for seeking the Waiver were:

- → 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
- → It would be impracticable 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 revenues generated from revenue banking transactions were 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 2019, the Group provided Temasek with money market placement products and services that were 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. The Company confirms that:

- → The revenue banking transactions entered into with Temasek in 2019 were below the 5 per cent threshold for the revenue ratio test under the HK Listing Rules
- → It will continue to monitor revenue banking transactions with Temasek during the three years ending 31 December 2021 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded

The Company therefore satisfied the conditions of the Waiver.

## **Fixed assets**

Details of additions to fixed assets are presented in Note 18 to the financial statements.

## **Loan capital**

Details of the loan capital of the Company and its subsidiaries are set out in Note 27 to the financial statements.

## **Debenture issues and** equity-linked agreements

During the financial year ended 31 December 2019, the Company made no issuance of debentures or equity linked agreements.

### Risk management

The Board is responsible for maintaining and reviewing the effectiveness of the risk management system. 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, emerging risks and material crosscutting risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.



The Risk review and Capital review on pages 148 to 241 sets out the principal risks, emerging risks and material cross-cutting risks, our approach to risk management, including our risk management principles, an overview of our Enterprise Risk Management Framework and the risk management and governance practices for each principal risk type. The Board-approved Risk Appetite Statement can be found on page 208

In accordance with Article 435(e) of the Capital Requirements Regulation, the Board Risk Committee, on behalf of the Board, has considered the adequacy of the risk management arrangements of the Group and has sought and received assurance that the risk management systems in place are adequate with regard to the Group's profile and strategy.

#### Internal control

The Board is responsible for maintaining and reviewing the effectiveness of the internal control system. Its effectiveness is reviewed regularly by the Board, its committees, the Management Team and Group Internal Audit.

For the year ended 31st December 2019, the Board Risk Committee has reviewed the effectiveness of the Group's system of internal control. As part of this review, confirmation was received that the Group Chief Risk Officer is satisfied that the Group's risk management and internal control framework is materially effective and adequately highlights risks and improvement areas for management attention. 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. The Board considers the internal control systems of the Company to be effective and adequate.

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 Enterprise Risk Management Framework. The Audit Committee monitors the integrity of the Company's financial reporting, compliance and internal control environment.

The risk management approach on page 206 describes the Group's risk management oversight committee structure

Our business is conducted within a developed control framework, underpinned by policy statements and written procedures. There are written policies and procedures designed to ensure the identification and management of risk, including credit risk, country risk, traded risk, capital and liquidity risk, operational risk, reputational risk, compliance risk, conduct risk, information and cyber security risk, financial crime risk and model risk. The Board has established a management structure that clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated. Executive risk committees regularly review the Group's risk profile. The performance of the Group's businesses is reported regularly to senior management and the Board. Performance trends and forecasts, as well as actual performance against budgets and prior periods, are monitored closely. Financial information is prepared using appropriate accounting policies, which are applied consistently.

Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls include appropriate segregation of duties, the regular reconciliation of accounts and the valuation of assets and positions. In respect of handling inside information, we have applied relevant controls on employees who are subject to handling inside information, including controls over the dissemination of such information and their dealings in the Company's shares. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## Employee policies and engagement

We work hard to ensure that our employees are kept informed about matters affecting or of interest to them, but more importantly to provide opportunities for feedback and dialogue. Through our annual MyVoice survey, our employees told us in 2018 that the Group can feel too complicated. During 2019, all 17 Group Human Resources' policies were reviewed, their language simplified, and all content aligned to the Group's valued behaviours. The review also challenged the number of policies and we have explored other methods of communicating the key information employees need to do their jobs effectively (e.g. people leader briefing calls).

We continue to listen to ensure internal communications remain impactful, meaningful and support the Group's strategy and transformation. The primary channel for communicating with our employees continues to be the Bridge – our business collaboration platform. The Bridge provides global, local, business and function communications and allows our people to exchange ideas, feedback, comment and communicate all through one space, wherever they are located.

The Bridge is supported by Group, local and business newsletters, targeted audio calls, videos, success story bulletins, town halls and engagement events. Business or time-critical information is sent directly to our people's inboxes through a measurable email platform.

Our senior leaders and people leaders continue to have a critical role to play in engaging our people, ensuring that they are kept up to date on key business information, our performance and strategy, their role in executing the strategy and ensuring that they consult and listen to their teams' views, feedback and concerns. In 2019 we included questions about our strategy into the annual MyVoice survey; pleasingly over 80 per cent responded to say their people leader and team had discussed the strategic priorities and how their team will bring them to life. More information on the engagement survey and its results can be found within the employees' section of the Strategic report.

Across the organisation, team meetings with People Leaders, one-to-one discussions, and management meetings enable our people to discuss and clarify matters of concern to them as employees. There are global communications from our Group Chief Executive, supported by local meetings with regional and country CEOs to discuss the annual financial results and overall performance. Performance conversations provide the opportunity to discuss how individuals, the team and the business area have contributed to our overall performance and, in full year conversations, how any compensation awards relate to this.

During 2019 we improved the mechanisms for Board engagement with employees. In addition to management reporting on employee matters and townhalls when the Board travels overseas, we now have interactive calls and online discussions where the Board can hear from employees. Initial sessions demonstrate employee interest in engaging with the Board and output will be used to inform future engagements with employees.

Employees, past, present and future can follow our progress through social networks including the Group's LinkedIn network and Facebook page.

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

We want to be able to support our employees so they can thrive at work and in their personal lives. We have a flexible working practices policy allowing employees a range of flexible working options. We also provide a minimum of 20 calendar weeks fully paid maternity leave, a minimum of two calendar weeks of leave for spouses or partners, and two calendar weeks for adoption leave. Combined, this is above the International Labour Organisation minimum standards.

We seek to build productive and enduring partnerships with various employee representative bodies (including unions and work councils). In our recognition and interactions, we are heavily influenced by 1948 United Nations Universal Declaration of Human Rights (UDHR), and several International Labour Organisation (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). Additionally, we abide by all local country labour laws and acts that protect employees' rights to organise.

The Group Grievance Standard provides a formal framework to deal with concerns that employees have in relation to their employment or another colleague, which affects them directly, and cannot be resolved through informal mechanisms, e.g. counselling, coaching or mediation. This can include bullying, harassment or discrimination situations, and concerns around conditions of employment (e.g. health and safety, work relations, new working practices or working environment). There is a distinct Speaking Up policy which covers instances where an employee suspects actual, planned or potential wrongdoing on the part of another employee, or the Company.

The Group's approach to misconduct issues (including dismissals) is guided by the Fair Accountability principles which endorse thoughtful judgement, proportionality, procedural appropriateness and fairness of outcomes. Dismissals due to misconduct issues and/or performance (where required by law to follow a disciplinary process) are governed by the Group Disciplinary Standard. Where local law or regulation requires a different process with regards to dismissals and other disciplinary actions, country procedures vary accordingly to account for local law and regulation.

Our Group Diversity and Inclusion Standard (the Standard) has been developed to ensure a respectful workplace, with fair and equal treatment, diversity and inclusion, and the provision of opportunities for employees to participate fully and reach their full potential in an appropriate working environment. All individuals are entitled to be treated with dignity and respect, and to be free from harassment, bullying, and discrimination. This helps support effective and productive working conditions, decreased staff attrition, high morale and engagement, maintains employee wellbeing, and reduced risk.

The Group is committed to diversity and inclusion and policies, standards and practices that provide equality of opportunity for all, protect the dignity of employees and promote respect at work. All employees and contractors are required to take personal and individual responsibility to comply with the Standard, behave in a non-discriminatory way and not to participate in acts of inappropriate behaviour or conduct, harassment or bullying.

The Group is committed to provide equal opportunities and fair treatment in employment. We do not accept unlawful discrimination in our recruitment or employment practices on any grounds including but not limited to; sex, gender, nationality, ethnicity, race, colour, native or indigenous origin, disability, age, marital or civil partner status, pregnancy and maternity, sexual orientation, gender identity, expression or reassignment, HIV or AIDS status, parental status, employment status, military and veterans status, flexibility of working arrangements, religion or belief.

We strive for recruitment, employment, redundancy and redeployment, training, development, succession planning and promotion practices that are free of barriers, both systemic and deliberate; and that do not directly or indirectly discriminate.

Recruitment, employment, training, development and promotion decisions are based on the existing skills, knowledge and behaviour required to perform the role to the Group's standards. Implied in all employment terms is the commitment to equal pay for equal work. We will also make reasonable workplace adjustments (including during hiring), including for disabilities and religious practices. If employees become disabled, efforts are made to ensure their employment continues, with appropriate training and workplace adjustments where necessary.

As part of our engagement with the 'Valuable 500' we are committed to have each country in our network complete an internal disability assessment and incorporate areas of improvement into their local diversity and inclusion plans. This disability benchmark will help every market measure and demonstrate progress towards becoming disability confident by reviewing inclusive processes and practices, infrastructure accessibility, client accessibility and impact in communities.

### **Health and safety**

Our Health and Safety (H&S) programme covers both mental and physical wellbeing. The Group complies with both external regulatory requirements and internal policy and standards for H&S in all markets. It is Group policy to ensure that the more stringent of the two requirements is always met, ensuring our H&S practices meet or exceed the regulatory minimum. Compliance rates are reported quarterly to each country's management team. H&S performance and risks are reported annually to the Group Risk Committee and the Board Risk Committee. Based on our risk profile, our H&S standards define our requirements for H&S governance and assurance, workstation ergonomics, fire safety, first aid, indoor air quality and the work environment, vehicle and driving safety, incident reporting and investigation, and accessible design.

## **Major customers**

Our five-largest customers together accounted for 2.0 per cent (2018: 1.8 per cent) of our total operating income in the year ended 31 December 2019.

## **Major suppliers**

Our five-largest suppliers together accounted for less than 15 per cent of purchases in the year ended 31 December 2019.

## Supply chain management

For information about how the Group engages with suppliers on environmental and social matters, please see our Supplier Charter. As set out under the UK Modern Slavery Act 2015, the Group is required to publish a Modern Slavery Statement annually. The Group's 2019 Modern Slavery Statement will be issued at the same time as the Annual Report. This document will give further detail on how the Group has managed social risks in its supply chain during 2019.

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

Details of how we create value for our stakeholder groups can be found on page 43 to 56

## **Product responsibility**

We aim to treat our clients fairly at all times. We design and offer products based on an understanding of our client needs, protect client privacy and manage potential conflicts of interest. We seek and use client feedback to improve our products and services. The Group has in place policies and procedures to ensure products are sold to suitable target markets, comply with relevant laws and regulations and complaints are identified and resolved.

#### **Group Code of Conduct**

The Board has adopted a Group Code of Conduct (the Code) relating to the lawful and ethical conduct of business and this is supported by the Group's valued behaviours. 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, employees 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 2019.

### **Environmental impact of our** operations

We aim to minimise the environmental impact of our operations as part of our commitment to be a responsible company. We report on energy, water, paper and non-hazardous 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. In 2019, we updated our Scope 3 methodology to reflect the impact of radiative forcing. As a result, we have restated Scope 3 emissions for 2018 and 2017.

Total scope 1, 2 and 3 Greenhouse Gas emissions for 2018 and 2019

Indicator	2019	2018	Units
Headcount (30 September 2019)	84,398	85,402	Headcount
Net internal area of occupied property covered by reporting	1,154,999	1,185,929	m <sup>2</sup>
Annual operating income (1 October to 30 September)	15,200	14,958	\$million
Greenhouse Gas emissions			
Scope 1 emissions (combustion of fuels)	4,542	8,584	tonnes CO₂eq/year
Scope 2 emissions (purchased electricity)	141,771	139,366	tonnes CO₂eq/year
Total Scope 1 & 2 emissions	146,313	147,950	tonnes CO₂eq/year
Scope 3 emissions with distance uplift (air travel)	96,196	124,966	tonnes CO₂eq/year
Scope 3 emissions (outsourced data centre)	46,362	21,523	tonnes CO₂eq/year
Total Scope 1, 2 & 3 emissions	242,509	272,917	tonnes CO2eq/year
Total Scope 1, 2 & 3 emissions/Headcount	2.87	3.20	tonnes CO2eq/Headcount/year
Total Scope 1, 2 & 3 emissions/m <sup>2</sup>	210	230	kg CO <sub>2</sub> eq/m <sup>2</sup> /year
Total Scope 1, 2 & 3 emissions/operating income	15.95	18.25	tonnes CO2eq/\$m/year

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

For more information, review the reporting criteria at sc.com/environmentcriteria



Disclosures related to the Group's environmental policies and performance are included in the Sustainable and responsible business section of the Strategic report on page 55

Our reporting methodology is based upon the World Resources Institute/ World Business Council for Sustainable Development Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (Revised Edition).

We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations. Using conversion factors from the International Energy Agency 2019 Emissions Factors and the UK Government's 2019 GHG Conversion Factors for Company Reporting, emissions are reported in metric tonnes of carbon dioxide equivalent ( $\mathrm{CO}_2\mathrm{e}$ ), encompassing the six Kyoto gases.

Our definition of different emission sources is provided below.

#### 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 consumption of purchased electricity and heat, during the use of property occupied by the Group.

Considering the amendment issued to the GHG Protocol in 2015, we report Scope 2 emissions under location-based and market-based methods. We continue to monitor the development of Scope 2 Quality Criteria, as well as the development of residual mixes by national agencies. We have recently added market-based reporting as we have found data has become more available on emissions.

The Group does not currently use any form of offset such as carbon credits 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 currently reports on Scope 3 emissions arising from air travel and our outsourced data centres globally.

## **Reporting period**

The reporting period of our environmental data is from 1 October 2018 to 30 September 2019. 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, Global Documentation, against the requirements of ISO14064.

## Managing environmental and social risk

The Board is responsible for ensuring that high standards of responsible business are maintained and that an effective control framework is in place. This encompasses risk associated with clients' operations and their potential impact on the environment, including climate change, and local communities.

The Board recognises its responsibility to manage these risks and that failure to manage them adequately could have adverse impact on stakeholders as well as the Group. The Board, via the Brand, Values and Conduct Committee, reviews sustainability priorities, and oversees the development of, and delivery against, public commitments regarding the activities and/or businesses that the Group will or will not accept in alignment with our Here for good brand promise.

At a management level, the CEO, Corporate & Institutional Banking is responsible for sustainable finance, which incorporates E&S risk management. In 2019, this included the development of the Group's Green and Sustainable Bond Framework, and Green and Sustainable Product Framework. The Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance leads a cross-business Sustainability Forum to develop and deliver the Group's broader sustainability strategy. In addition, climate change is being integrated into the Group-wide approach to risk management as a material cross-cutting risk to be considered alongside designated risk types.

The Board welcomed the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). In 2019, the Group set out how climate change considerations are being incorporated into its governance, strategy, risk management and target-setting activities in its stand-alone Climate Change Disclosure, aligned to the TCFD recommendations. This was approved by the Board before publication.

## **Community engagement**

We collaborate with local partners to support social and economic development in communities across our markets. For more on how we engage with communities go to page 56 of the Sustainable and Responsible Business section.

#### **ESG Reporting Guide**

We comply with the requirements for environmental, social and governance reporting under Appendix 27 of the Hong Kong Listing Rules with the exception of A1.3 on hazardous waste and A1.6 on production and handling of hazardous waste and A2.5 on packaging. As an office-based financial services provider, we generate minimal hazardous waste or packaging material. As such, these issues are not material and we do not report them.

#### **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 408.

Shareholders are also able to vote electronically on the resolutions being put to the AGM through our registrars' website at investorcentre.co.uk

#### **Annual General Meeting**

Our 2020 AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 6 May 2020 at etc.venues, 200 Aldersgate, St Paul's, London EC1A 4HD. Detail of the business to be conducted at the meeting is contained in the 2020 Notice of AGM. Our 2019 AGM was held on 8 May 2019 at 11:00am (London time) (6:00pm Hong Kong time) at etc.venues, 200 Aldersgate, St Paul's, London EC1A 4HD. Special business at the meeting included the approval of the power to allot ECAT1 Securities for cash without certain formalities. All resolutions were passed at the meeting, the details of which can be viewed our website.

#### **Non-audit services**

The Group's non-audit services policy (the policy) was reviewed and approved by the Audit Committee on 28 November 2018.

The policy is based on an overriding principle that, to avoid any actual or perceived conflicts of interest, the Group's auditor should only be used when either there is evidence that there is no alternative in terms of quality and there is no conflict with their duties as auditor. KPMG can be used where the statutory auditor is required to be used due to regulatory or legal requirements.

The policy clearly sets out the criteria for when the Audit Committee's prior written approval is required. The policy requires a conservative approach to be taken to the assessment of requests for KPMG to provide non-audit services. Subject to the overriding principle, the Audit Committee's view is that KPMG can be of value in a range of non-audit service activities and should be allowed to tender subject to the terms of the policy. The Group is required to take a conservative approach to interpreting the potential threats to auditor independence and requires commensurately robust safeguards against them.

EU legislation and guidance from the Financial Reporting Council (FRC) sets out threats to audit independence including self-interest, self-review, familiarity, taking of a management role or conducting advocacy. In particular, maintaining KPMG's independence from the Group requires KPMG to avoid taking decisions on the Group's behalf. It is also recognised as essential that management retains the decision-making capability as to whether to act on advice given by KPMG as part of a non-audit service. This means not just the ability to action the advice given, but to have sufficient knowledge of the subject matter to be able to make a reasoned and independent judgement as to its validity. All of this is contained within the policy.

By way of (non-exhaustive) illustration of the application of the principles set out in the policy, the following types of non-audit services are 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
- → Internal control review services
- → 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 caseby-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.

There is a cap on non-audit services provided by KPMG and such fees cannot exceed 70 per cent of the average Group audit fee from the previous three consecutive financial years, excluding audit related non-audit services and services carried out pursuant to legislation. For 2019 the ratio was 1 per cent.

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 38 to the financial statements.

#### **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 an annual performance and effectiveness review of KPMG, it was felt that KPMG is considered to be effective, objective and independent in its role as Group statutory auditor.

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 the Group statutory auditor is made aware of any pertinent information.

KPMG will be available at the 2020 AGM to answer any questions about their audit of the financial statements.

In view of the external Audit tender conducted in 2017, where it was agreed that EY be appointed as the Group's statutory auditor for the financial year ending 31 December 2020, KPMG will resign as the Group's statutory auditor from the conclusion of the 2019 audit; and, the Board will resolve to appoint EY to fill the casual vacancy. A resolution to appoint EY as auditor will be proposed at the Group's 2020 AGM.

By order of the Board

AMellor

Amanda Mellor Group Company Secretary 27 February 2020 Standard Chartered PLC Registered No. 966425

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare 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 as adopted by the European Union (IFRSs as adopted by the 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 period. 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, relevant and reliable;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU;
- → Assess the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies 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.

Responsibility statement of the directors in respect of the annual financial report

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; and
- → 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

We consider that the Annual Report, 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.

By order of the Board

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**Andy Halford**Group Chief Financial Officer
27 February 2020