Chairman's letter

"The Board took the opportunity to examine some of the broader global trends shaping the industry and impacting our business"

Dear Shareholder,

This year, the Board, alongside the Management Team, has been focused on delivering stronger performance with the ultimate objective of achieving our purpose – driving commerce and prosperity through our unique diversity. We have continued to make significant progress in reshaping and strengthening the Group through 2018, improving financial returns, enhancing the Group's resilience and strengthening the performance culture and overall culture in line with the Group's valued behaviours. As a Board, one of our key responsibilities is to set the strategic direction for the Group, approve the strategy and hold management accountable for its execution.

During 2018, the Board also took the opportunity to examine some of the broader global trends shaping the industry and impacting our business – including geopolitical and economic factors, cyber threats, the rapidly changing nature of technology and the increasing competition coming from the fintech and Big Tech sectors. This has helped us develop a clearer vision of the Group over the long term and better orientate the evolution of our strategy. Some of the key areas discussed and reviewed by the Board during the year are detailed on page 66.

While the composition of the Board remained unchanged during the year, the Governance and Nomination Committee spent a significant amount of time discussing Board succession, in particular identifying an independent non-executive director with a diverse and varied background from the Greater China and North Asia region. This wide-ranging search culminated in the appointment of Carlson Tong to the Board on 21 February 2019. Carlson has over 30 years' experience operating in one of our key regions and with significant experience and knowledge of the financial services sector in mainland China and Hong Kong. More details on Carlson and the other Board members can be viewed on pages 57 to 59.

Alongside Carlson's appointment we announced Dr Han Seung-soo's retirement from the Board. I would like to take this opportunity to thank Dr Han for his substantial contributions to the Group over the past nine years, as well as his considerable insight into Asia, particularly Korea. Om Bhatt also stepped down from the Board as an independent non-executive director. I would like to thank Om for his important contribution to the Group over the past six years, in particular his insight into banking and India.

During the year, the Board continued to deepen its insight into our markets and understand the opportunities and the progress we are making in delivering on our strategic priorities. More detail can be found on pages 18 and 19. As a Board, we collectively visited three very different markets during 2018, holding our meetings in India, Nigeria and Korea. Alongside these Board and committee meetings we also met with our clients and other stakeholders, including engaging with our local colleagues.

The UK's Corporate Governance framework has continued to evolve with the Financial Reporting Council's publication of its new UK Corporate Governance Code. The new Code places more emphasis on the application of an updated set of principles focused on the value of good corporate governance to companies' long-term success. The Governance and Nomination Committee, on behalf of the Board, oversaw the work to assess the impact of the new Code on the Group. This included a focus on stakeholders, particularly formalising a mechanism for an effective two-way engagement with our workforce. Further details on the review can be found on page 87. We will report against the new Code in full in next year's Corporate Governance report; however, where practical to do so we have measured ourselves against the new Code this year.

As a Group we have taken measures to ensure that following the UK's departure from the European Union in 2019, we can continue supporting our clients across Europe. Securing a full banking licence for our new subsidiary in Germany strengthens our footprint in Europe and supports the growth we expect to achieve in our European business.

The Board delegates certain responsibilities to its committees for their more detailed oversight and receives updates throughout the year on how they discharge their responsibilities. Further details on the areas each committee has considered during 2018 can be found in the individual committee sections within this report.

José Viñals
Group Chairman

Board of Directors

Committee key

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

José Viñals (64)
Group Chairman

Appointed: October 2016 and Group Chairman in December 2016

Experience: José has substantive experience in the international regulatory arena and has exceptional understanding of the economic, financial 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. 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 (57)
Group Chief Executive

Appointed: June 2015

Experience: Bill is a career banker with significant frontline global banking experience and a proven track record of leadership and financial success. He has extensive experience of working in emerging markets and a proven record in spotting and nurturing talent.

Career: Bill began his career with JP Morgan, where he went on to become one of its top five most senior executives and later co-chief executive officer at the investment bank 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 in 2013.

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

Bill Winters leads the Management Team

Andy Halford (59)
Group Chief Financial Officer

Appointed: July 2014

Experience: Andy has a strong finance background and deep experience of managing complex international businesses across dynamic and changing markets.

Career: Andy was finance director at East Midlands Electricity plc prior to joining Vodafone in 1999 as financial director for Vodafone Limited, the UK operating company. Andy was later appointed financial director for Vodafone's Northern Europe, Middle East and Africa region, and later the chief financial officer of Verizon Wireless in the US. He was a member of the board of 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, 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.

Andy Halford also sits on the Management Team

Naguib Kheraj (54)
Deputy Chairman

Appointed: January 2014 and Deputy Chairman in December 2016

Experience: Naguib has significant banking and finance experience.

Career: Naguib began his career at Salomon Brothers in 1986 and went on to hold senior positions at Robert Fleming, Barclays, JP Morgan Cazenove and Lazard. Over the course of 12 years at Barclays, Naguib served as group finance director and vice-chairman and in various business leadership positions in wealth management, institutional asset management and investment banking. Naguib was also a Barclays' nominated non-executive director of ABSA Group in South Africa and of First Caribbean International Bank. He also served as chief executive officer of JP Morgan Cazenove.

Naguib is a former non-executive director of NHS England and served as a senior 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. He was appointed a member of the Board of Governors of the Wellcome Trust with effect from 1 January 2019 and is a member of its investment committee. He is also 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

David Conner (70)

Independent Non-Executive Director

Appointed: January 2016

Experience: David has significant global and corporate, investment and retail banking experience, strong risk management credentials and an in-depth knowledge of Asian markets.

Career: David spent his career in the financial services industry, living and working across Asia for 37 years, for both Citibank and OCBC Bank. He joined Citibank in 1976 as a management trainee and went on to hold a number of Asia-based senior management roles, including chief executive officer of Citibank India and managing director and marketing manager at Citibank Japan, before leaving Citibank in 2002. David joined OCBC Bank in Singapore as chief executive officer and director in 2002. He implemented a strategy of growth and led the bank through a period of significant turbulence. David stepped down as chief executive officer in 2012 but remained as a non-executive director on the board of OCBC Bank, before leaving the group in 2014.

External appointments: David is a non-executive director of GasLog Ltd

Committees: Ri A N C

David is also a member of the Combined US Operations Risk Committee of Standard Chartered Bank

Christine Hodgson (54)

Senior Independent Director

Appointed: September 2013 and Senior Independent Director in February 2018

Experience: Christine has strong business leadership, finance, accounting and technology experience.

Career: Christine held a number of senior positions at Coopers & Lybrand and was corporate development director of Ronson plc before joining Capgemini in 1997, where she held a variety of roles including chief financial officer for Capgemini UK plc and chief executive officer of technology services for North West Europe. Christine was previously a trustee of MacIntyre Care and was a non-executive director of Ladbrokes Coral Group plc.

External appointments: Christine is chair of Capgemini UK plc, 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.

Committees: R A V N C

Jasmine Whitbread (55)

Independent Non-Executive Director

Appointed: April 2015

Experience: Jasmine has significant business leadership experience as well as first-hand experience of operating across our markets.

Career: Jasmine began her career in international marketing in the technology sector and joined Thomson Financial in 1994, becoming managing director of the Electronic Settlements Group. After completing the Stanford Executive Program, Jasmine set up one of Oxfam's first regional offices, managing nine country operations in West Africa, later becoming international director responsible for Oxfam's programmes worldwide. Jasmine joined Save the Children in 2005, where she was responsible for revitalising one of the UK's most established charities. In 2010, she was appointed as Save the Children's first international chief executive officer, a position she held until she stepped down in 2015.

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. She is also a non-executive director of BT Group plc.

Committees: V R N

Gay Huey Evans, OBE (64)

Independent Non-Executive Director

Appointed: April 2015

Experience: Gay has extensive banking and financial services experience with significant commercial and UK regulatory and governance experience.

Career: Gay spent over 30 years working within the financial services industry, the international capital markets and with the financial regulator. Gay spent seven years with the Financial Services Authority from 1998 to 2005, where she was director of markets division, capital markets sector leader, with responsibility for establishing a market-facing division for the supervision of market infrastructure, oversight of market conduct and developing markets policy. From 2005 to 2008, Gay held a number of roles at Citibank, including head of governance, Citi Alternative Investments, EMEA, before joining Barclays Capital where she was vice chair of investment banking and investment management. She was previously a non-executive director at Aviva plc and the London Stock Exchange Group plc. She received an OBE for services to financial services and diversity in 2016.

External appointments: Gay is a non-executive director of ConocoPhillips and Bank Itau BBA International plc, is deputy chair of the Financial Reporting Council and in January 2019 was appointed a non-executive member of HM Treasury.

Committees: C Ri

Dr Louis Cheung (55)

Independent Non-Executive Director

Appointed: January 2013

Experience: Louis has a wide breadth of knowledge and experience of financial services, particularly in a Greater China context.

Career: Louis was a global partner of McKinsey & Company and a leader in its Asia Pacific financial institutions practice prior to joining Ping An Insurance Group in 2000. Louis worked in several senior roles at Ping An, including chief financial officer, before becoming group president in 2003 and executive director from 2006 to 2011.

External appointments: Louis is managing partner of Boyu Capital Advisory Co, a China-focused private equity investment firm, independent non-executive director of Fubon Financial Holding Company. He is also a Fellow and Council Member of the Hong Kong Management Association and a director of The Friends of Cambridge University in Hong Kong.

Committees: R

Dr Byron Grote (70)
Independent Non-Executive Director

Appointed: July 2014

Experience: Byron has broad and deep commercial, financial and international experience.

Career: From 1988 to 2000, Byron worked across BP in a variety of commercial, operational and executive roles. He was appointed as chief executive of BP Chemicals and a managing director of BP plc in 2000 and had regional group-level accountability for BP's activities in Asia from 2001 to 2006. Byron was chief financial officer of BP plc from 2002 until 2011, subsequently serving as BP's executive vice president, corporate business activities, from 2012 to 2013 with responsibility for the group's integrated supply and trading activities, alternative energy, shipping and technology. Byron was a non-executive director at Unilever plc and Unilever NV before stepping down in 2015.

External appointments: Byron is senior independent director of Anglo American plc, a non-executive director of 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

Dr Ngozi Okonjo-Iweala (64)
Independent Non-Executive Director

Appointed: November 2017

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 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 was appointed an independent director of Twitter, Inc in 2018. Ngozi is also 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 Lazard and the Asian Infrastructure Investment Bank and holds advisory panel and chair positions at a range of global institutions, including charitable foundations, non-governmental organisations and intergovernmental organisations. Ngozi chairs the African Risk Capacity, a weather based insurance organisation of the African Union. She is a member of the G20 Eminent Persons Group reviewing Global Financial Governance and is an ambassador of the Open Government Partnership.

Committees: V

Carlson Tong (64)
Independent Non-Executive Director

Appointed: February 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 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 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, Chair of the University Grants Committee and a member of the Hong Kong Exchange Fund Advisory Committee.

Committees: A Ri C

Liz Lloyd, CBE (47)
Group Company Secretary

Appointed: Liz was appointed Group Company Secretary in January 2016. Liz will step down as Group Company Secretary in 2019.

Liz joined Standard Chartered in 2008, initially within Group Compliance, focused on regulatory risk and regulatory relationships, before being appointed as Group Head of Public Affairs, responsible for coordinating the Group's policies and positioning on all political and regulatory matters. In 2013, she was appointed Chief Executive Officer of Standard Chartered Bank Tanzania, a position she held until October 2015. She received a CBE in 2008.

Management Team

Bill Winters, CBE (57)
Group Chief Executive

Andy Halford (59)
Group Chief Financial Officer

Tracy Clarke (52)
Regional CEO, Europe & Americas and CEO, Private Bank

Appointed: Tracy was appointed CEO, Europe & Americas in October 2015 and assumed her additional role of CEO, Private Bank in March 2018.

Career: Tracy joined Standard Chartered in 1985 and has held a number of roles in Retail, Commercial and Corporate Banking, in addition to Group functions, both in the UK and in Hong Kong. From 2013 until 2015, Tracy led a broad portfolio including Legal and Compliance, Human Resources, Corporate Affairs and Brand & 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.

Tracy was appointed as a Director of Standard Chartered Bank in January 2013, became Regional CEO, Europe & Americas in October 2015 and CEO of the Private Bank in March 2018. Tracy was an independent non-executive director of Sky plc from 2012 until it was taken private in 2018.

External appointments: Tracy is an independent non-executive director of Inmarsat plc and sits on the board of England Netball. She is also a director of City UK.

Simon Cooper (51)
CEO, Corporate, Commercial & Institutional Banking

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 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.

External appointments: Simon is a member of the advisory board of the Lee Kong Chian School of Business.

Benjamin Hung (54)
Regional CEO, Greater China & North Asia and CEO Retail Banking and Wealth Management

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, commercial and retail banking in the UK and Hong Kong. From 2008 to 2014, he was the CEO of Standard Chartered Bank (Hong Kong) Ltd. Ben was previously a board member of the Hong Kong Airport Authority, the Hong Kong Hospital Authority and a Council Member of the Hong Kong University.

External appointments: Ben is a member of the Hong Kong Chief Executive's Council of Advisers on Innovation and Strategic Development and the Financial Services Development Council. He also sits on the Exchange Fund Advisory Committee and is a member of the General Committee of the Hong Kong General Chamber of Commerce and Hong Kong Trade Development Council Belt and Road Committee.

Judy Hsu (55)
Regional CEO, ASEAN & South Asia

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

Career: Judy joined Standard Chartered in December 2009 as the Global Head of Wealth Management. She led the strategic advancement of the Group's wealth and bancassurance business for six years before assuming the role of CEO, Singapore in 2015. Prior to joining Standard Chartered, Judy spent 18 years at Citibank, where her last role was the Regional Head of Retail Bank Asia Pacific and Country Business Manager for International Personal Banking in Singapore.

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

Sunil Kaushal (53)
Regional CEO, Africa & Middle East

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

Career: Sunil has nearly 30 years of banking experience in diverse markets across Asia and Africa & Middle East and has been with Standard Chartered for more than 20 years, holding senior roles across the Wholesale and Consumer Bank. Sunil has rich experience across the Group's footprint, having served as the Head of Corporate Banking in UAE, Head of Originations and Client Coverage in Singapore, Global Head, Small and Medium Enterprises and New Ventures in Singapore and Chief Executive Officer of Standard Chartered Bank (Taiwan) Ltd and Regional CEO, South Asia and CEO, India. Before joining Standard Chartered in 1998, Sunil held various banking positions at a number of leading international financial institutions.

External appointments: None

David Fein (58)
Group General Counsel

Appointed: David joined the Group in September 2013 as Group General Counsel, advising the Board and the Court of the Bank on all material legal matters. He oversees Standard Chartered's Legal function, Group Corporate Secretariat and Shared Investigative Services. David also serves as Chairman of Seeing is Believing, the Group's flagship philanthropic effort dedicated to eliminating avoidable blindness.

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 has extensive experience fighting financial crime and a track record of forming and supporting public-private partnerships.

External appointments: David is Vice Chair of the United for Wildlife Financial Taskforce and a member of the board of directors of Guiding Eyes for the Blind

Dr Michael Gorriz (58)
Group Chief Information Officer

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 most recently vice president and CIO with responsibility for the smooth operation of all Daimler systems and the management of IT projects globally. He has held various CIO roles within the Daimler group and has spent many years working across our footprint.

External appointments: None

Tanuj Kapilashrami (41)
Group Head, HR

Appointed: Tanuj joined the Management Team as Group Head, HR in November 2018. She joined the Group 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, Tanuj 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: None

Tracey McDermott, CBE (49)
Group Head, Corporate Affairs, Brand & Marketing, Conduct, Financial Crime and Compliance

Appointed: Tracey was appointed Group Head of Corporate, Public and Regulatory Affairs in March 2017; Brand & Marketing was added to her portfolio in December 2017. In March 2018, she assumed her additional role of Group Head, Compliance which expanded to include Conduct and Financial Crime in January 2019.

Career: Prior to joining the bank, 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 Regulatory 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. She received a CBE in 2016.

External appointments: Tracey is a board member of UK Finance; a member of the International Regulatory Strategy Group Council; and an Honorary Professor at the Centre for Commercial Law Studies, Queen Mary University of London.

Management Team continued

Mark Smith (57)
Group Chief Risk Officer

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

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: None

David Whiteing (50)
Group Chief Operating Officer

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

Career: David joined Standard Chartered from the Commonwealth Bank of Australia (CBA) where he was the Group CIO, responsible for all of the technology and operations teams of the Group and for delivering the Group's strategic pillar of 'world leading application of operations 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.

Pam Walkden was Group Head, HR during the year before stepping down from the Management Team in November 2018, and retiring from the Group on 31 December 2018. Tanuj Kapilashrami was appointed Group Head, HR in November 2018.

Doris Honold stepped down as Group Chief Operating Officer on 9 January 2019 and from the Management Team on 15 January 2019.

Corporate governance

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 72

Board Risk Committee

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

Read more on page 77

Brand, Values and Conduct Committee

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

Read more on page 83

Governance and Nomination Committee

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

Read more on page 85

Board Financial Crime Risk Committee

Oversight and review of all financial crime compliance matters.

Read more on page 89

Remuneration Committee

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

Read more on page 91

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 60 to 62.

+ 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 and 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 independent oversight and stewardship. Details of the main topics discussed by the committees in 2018 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 reviewed annually against industry best practice and corporate governance provisions and guidance, including the Prudential Regulation Authority (PRA) Supervisory Statement on Board Responsibilities. With the exception of the Governance and Nomination Committee, which in line with best practice is chaired by the Group Chairman, and the Board Financial Crime Risk Committee, which includes three external adviser members, all of the Board committees comprise solely 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.

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

Code compliance

The UK Corporate Governance Code 2016 (the Code) and the Hong Kong Corporate Governance Code contained in Appendix 14 of the Hong Kong Listing Rules (HK Code) are the standards against which we measured ourselves in 2018. While the UK Corporate Governance Code 2018 (2018 Code) does not come into effect until 1 January 2019, where practical to do so we have applied some provisions of the 2018 Code early.

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 an insight of how governance operates within the Group and our application of the principles set out in the Code and 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

Board composition, roles and attendance in 2018

	AGM	Attendance Scheduled	Responsibilities
Chairman J Vi als	✓	8/8	Responsible for leading the Board, the development of the Group's culture and ensuring its 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.
Deputy Chairman N Kheraj	✓	8/8	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, staff, 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	✓	8/8	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 Governance and Nomination Committee when considering succession of the Chairman.
Executive directors			
Group Chief Executive W T Winters	✓	8/8	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.
Group Chief Financial Officer A N Halford	✓	8/8	Responsible for Finance, Corporate Treasury, Group Corporate Development, Group Investor Relations, Property and Supply Chain Management functions.
Independent non-executive directors			
O P Bhatt	✓	8/8	Independent non-executive director: Provide an independent perspective, constructive challenge, and monitor the performance and delivery of the strategy within the risk appetite and controls set by the Board.
Dr L Cheung	✓	8/8	
D P Conner	✓	8/8	
Dr B E Grote	✓	8/8	
Dr Han Seung-soo, KBE	✓	7/8[1]	
G Huey Evans, OBE	✓	8/8	
Dr N Okonjo-Iweala	✓	8/8	
J M Whitbread	✓	8/8	

* As Senior Independent Director, Christine Hodgson is available to shareholders if they have concerns that cannot be resolved or for which the normal channels would be inappropriate. She may be contacted via the Group Company Secretary at 1 Basinghall Avenue, London EC2V 5DD

1 Dr Han Seung-soo, KBE was unable to attend the Board meeting held on 13 December 2018 due to a prior arranged business commitment

In 2018, the Group held one general meeting, our Annual General Meeting, on 9 May 2018, which was attended by all of the directors. Ngozi Okonjo-Iweala was proposed for election and all other directors were proposed for annual re-election. Ngozi Okonjo-Iweala and all other directors were successfully elected/re-elected.

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

Independence of directors

The Chairman is committed to ensuring that the Board comprises a majority of independent non-executive directors. In determining whether a non-executive director is independent, the Board considers each individual against the criteria set out in the UK Corporate Governance Code and 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.

It was announced on 18 February 2019 that Dr Han Seung-soo would retire from the Board on 23 February 2019 having served as an independent non-executive director for nine years. It was also announced that Om Bhatt would step down from the Board, after six years as an independent non-executive director, with effect from 23 February 2019.

All of the directors will stand for re-election at the 2019 Annual General Meeting (AGM) with the support of the Board.

On 18 February 2019, it was also announced that Carlson Tong would join the Board as an independent non-executive director with effect from 21 February 2019. Carlson will stand for election at the 2019 AGM.

Board meetings

To enable the Board to use its time most effectively, 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 key matters at the appropriate time. The Board also schedules a number of informal sessions, during which Board members 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 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 the key risks.

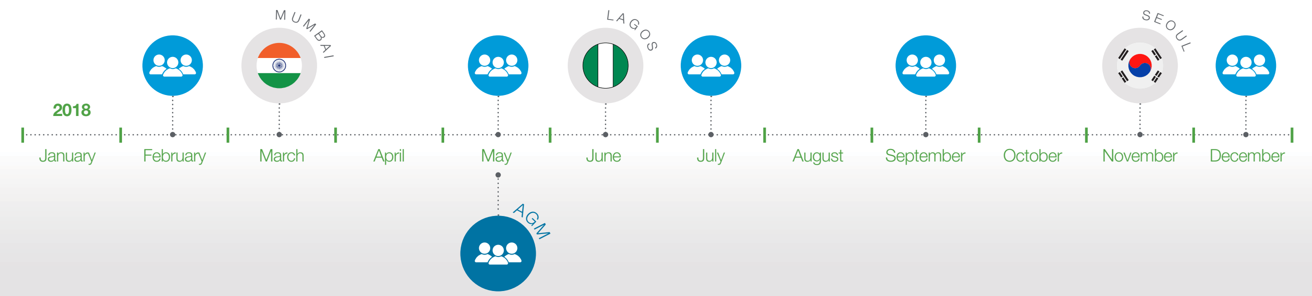
Sir Iain Lobban, who is engaged by the Board to act as an independent adviser to the Board and its committees on cyber security and cyber threat management, attended a number of Board and committee meetings to provide an independent and current view on the Group's progress in this area. The Board continues to find Sir Iain's input challenging and practical. Sir Iain's appointment was renewed at the end of 2018 for a further 12-month term.

Detail of the key activities considered by the Board in 2018 is set out on page 66. Some of these items were considered at each meeting and others reviewed periodically throughout the year.

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 126 to 132.

Board activities in 2018

In 2018, the Board held eight scheduled meetings, including three meetings held outside the UK in Mumbai, Lagos and Seoul.



The key activities considered by the Board during 2018 are set out on page 66.

The Board recognises the value of maintaining close relationships with its stakeholders, understanding their views and the importance of these relationships in delivering our strategy and the Group's purpose. The Group's key stakeholders and their differing perspectives are taken into account as part of the Board's discussions.

Delivering value for shareholders and other key stakeholders

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 communities' perspective and the environment
- Positive social and economic contributions
- Strong community outreach and sustainability programme

Our shareholders' perspective
- Strong performance
- Increased income, profit and return on investment

Our suppliers' perspective
- Open, transparent and consistent tender process
- Willingness to adopt supplier driven innovations

Our employees' perspective
- Fair and competitive remuneration
- Engaged and diverse workforce

Key focus of the Board in 2018

Group strategy

- Reviewed and approved the five-year corporate plan, as a basis for preparation of the 2019 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
- 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
- Monitored and assessed the strength of the Group's capital and liquidity positions
- Received regular corporate development updates
- Monitored the delivery of the IT and Operations strategy for the Group
- Approved the establishment of a Global Business Services Centre in Poland
- Approved the sale of the Group's Principal Finance businesses
- Received an update and progress on:
  - GCNA and Korea
  - the priorities for the ASEAN & South Asia region, including an update on the India and Indonesia strategy
  - executing the strategy in Africa & Middle East and Nigeria
  - the execution of the Corporate Plan in Europe and Americas
  - the delivery of the Group's Retail Banking and Private Banking strategy
  - the Corporate & Institutional Banking and Commercial Banking business
  - the Group's technology strategy
- Approved the renewal of the Liverpool Football Club shirt sponsorship
- Considered the value of the Group's network

Risk management

- Received regular risk reports from the Group Chief Risk Officer
- Considered and endorsed the Group's information and cyber security transformation and remediation programme, received updates on progress and approved the investment plan and three-year roadmap to address the key cyber security risks
- Approved the renewal of the Group's insurance policies for 2018/19 including the purchase of cyber insurance
- Members of the Board took part in a cyber crisis simulation (further details below)

Budget and performance oversight

- Approved the Group's 2019 budget
- Monitored the Group's financial performance
- Noted that management had made presentations to the Bank of England in respect of the 2018 stress test submission
- 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
- Received updates on the Group's investment portfolio for 2018
- Approved contributions into the Standard Chartered Bank UK Pension Fund
- Reviewed People, Culture and Values
- Discussed the launch of the Group's new Valued Behaviours which support the Group's Purpose
- Reported on the launch of the Group's Global Diversity & Inclusion Council
- Approved the Group's Modern Slavery Statement
- Reviewed and endorsed the approach to advancing the Group's sustainability strategy, including its approach on climate change and sustainable finance and embedding the Sustainability Aspirations
- Received an update on succession planning for the Management Team
- Noted the development of the people strategy and the engagement of our people
- Discussed productivity measurements
- Received initial impressions on operations from the new Chief Operating Officer

External environment

- Received internal and external briefings, input and discussions across a range of topics including:
  - market perceptions on the Group
  - exponential thinking discussion
  - future of banking discussion
  - insight and training on emerging technologies
  - IBOR transition

Governance

- Approved the separation of the roles of Deputy Chairman and Senior Independent Director and appointed Christine Hodgson as Senior Independent Director
- Noted progress against the 2017/18 Board Effectiveness action plan and discussed the observations and themes arising from the 2018 Board and committee effectiveness review and approved the 2019 Action Plan
- Received reports at each meeting from the Board Committee Chairs on key areas of the focus for the committee
- Received an update on the impact of the UK Corporate Governance Code 2018 and approved the mechanisms to ensure Board engagement with the workforce
- Reviewed the Group's corporate entity structure and discussed re-organisations for proposed hub entity structure
- Approved revisions to the Board Diversity Policy
- Approved the re-appointment of Sir Iain Lobban as an independent external adviser on cyber

Shareholder and stakeholder engagement

- Engaged with investors, held meetings with brokers, discussed the views of institutional shareholders and responded to retail shareholders' questions at the Annual General Meeting
- Received an update on the Group's brand and corporate narrative
- As part of their overseas travel, some Board members participated in community engagement activities and projects
- Engaged with the PRA on the findings of the 2018 Periodic Summary Meeting Letter
- Engaged with our key regulators, including the PRA and FCA, on the structure and governance of the Group's proposed legal entity changes
- Focused on the client proposition and how to ensure clients are at the heart of decisions
- Met with clients across our markets both collectively and individually
- Engaged with regulators in our markets
- Discussed periodic updates from Investor Relations which included receiving updates on the share price, performance metrics and investor and analyst sentiment
- Noted regulatory developments, throughout the year including in respect to the ongoing investigations conducted by certain US authorities

For a detailed overview of Our strategy see pages 16 to 19

Information and cyber security – crisis simulation

In November 2018, members of the Board took part in a crisis exercise to simulate scenarios in a real life information and cyber security attack.

The purpose of the Board's involvement was to enhance its understanding of the processes, the expectations and demands on the Board and to rehearse the actions required during a severe, but plausible hypothetical incident.

Information and cyber security is one of the Group's Principal Risk Types and is a crucial area of focus for the Board and the Board Risk Committee. Sir Iain Lobban has been active in advising the Board and the Board Risk Committee as well as providing input on the cyber scenarios used for crisis exercises.

More information on the issues considered by the Board Risk Committee can be found on page 77.

STAKEHOLDER ENGAGEMENT

Engaging in our markets

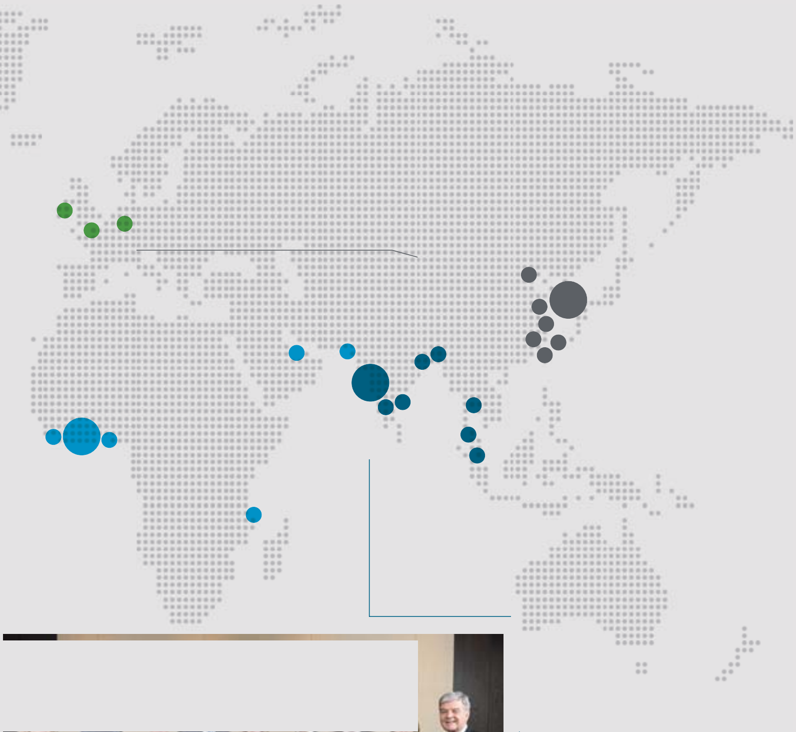
Our independent non-executive directors have full, transparent and wide-ranging access to management and information across our markets, which assists in maintaining a high level of governance across the Group.

In 2018, our independent non-executive directors made a significant number of visits to our markets both collectively as a Board and independently. These trips continue to provide the independent non-executive directors with a significant on-the-ground understanding of the markets, the opportunities and the risks we face, and to test the Group's strategy. In addition, the overseas Board meetings and adjoining organised programmes enable the Board to meet with the Group's senior management, and key internal and external stakeholder groups throughout the network, including clients, employees, regulators, shareholders and others.

In 2018, the Chairman, our independent non-executive directors and the external adviser members to the Board Financial Crime Risk Committee made 85 visits across our markets, which included three overseas Board meeting programmes, held in Mumbai, Lagos and Seoul.

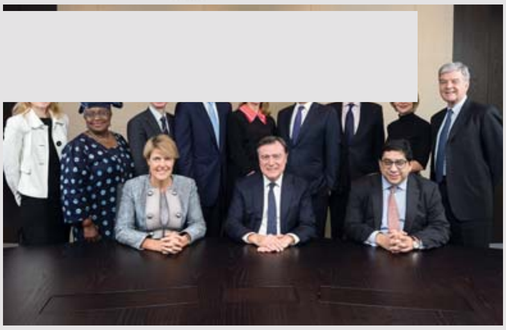
Seoul, South Korea

The Board met with some major technology client companies and took the opportunity to engage directly with local employees on a range of topics.



Lagos, N

As part of the Board's visit to Nigeria, directors took part in an interactive session with participants of the Goal programme, which aims to empower girls with confidence, knowledge and skills they need to fulfil their economic and leadership potential.



Mumbai, India

Directors discussed some of the key tech projects which are improving our client experience and received a demonstration of our real-time on-boarding and live account opening solution.

Europe & Americas	Visits
Dublin, Ireland	2
Washington DC, US	2
New York, US	6
San Francisco, US	1
Frankfurt, Germany	1
St Helier, Jersey	1

Africa & Middle East	Visits
Lagos, Nigeria	14
Abidjan, Cote d'Ivoire	4
Accra, Ghana	1
Zanzibar, Tanzania	1
Doha, Qatar	1
Karachi, Pakistan	2

Greater China & North Asia	Visits
Beijing, China	1
Hong Kong	4
Seoul, South Korea	10
Shenzhen, China	1
Hangzhou, China	1
Suzhou, China	1
Taipei, Taiwan	3

ASEAN & South Asia	Visits
Kuala Lumpur, Malaysia	3
Mumbai, India	10
Chittagong, Bangladesh	1
Dhaka, Bangladesh	4
Singapore	6
Chennai, India	2
Bangalore, India	1
Bangkok, Thailand	1

External directorships and other business interests

Board members hold external directorships and other outside business interests. We recognise the benefits that greater boardroom exposure provides our directors. However, we closely monitor the number of directorships our directors take on to satisfy ourselves that any appointment will not adversely impact their role at Standard Chartered and that all of our Board members are compliant with the PRA requirements and shareholder advisory groups' 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.

Details of the directors' external directorships can be found in their biographies on pages 57 to 59. Before committing to an additional appointment, directors confirm the existence of any potential or actual conflicts; that the role will not breach their limit as set out by the PRA; and provide the necessary assurance that the appointment will not adversely impact their ability to continue to fulfil their role as a director of the Group. The Board's executive directors are permitted to hold only one non-executive directorship. Of our executive directors, Bill Winters is a non-executive director of Novartis International AG, listed on SIX Swiss Exchange and Andy Halford is the senior independent director at Marks and Spencer Group plc, listed on the FTSE 100.

Time commitment

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

Ongoing development plans

Training and development of our directors does not end following their induction; ongoing and continual development of our Board directors is crucial to ensure that they remain highly engaged, effective and well-informed. In addition, mandatory training and ongoing engagement plans are a key element of director's fit and proper assessment as required under the Senior Managers Regime. During the year, all directors received a combination of mandatory training, briefings, presentations, guest speakers and papers on a range of subjects to ensure that each director's contribution to the Board remains relevant, that they are updated of their duties, responsibilities and obligations as directors and are well informed of changes to the regulatory environment. In addition, this year the Board took the opportunity to consider some of the broader issues impacting the industry and the business across its markets over the medium to long term.

Director's ongoing training took the form of: refresher training on their statutory duties, responsibilities and obligations; a review of the changes to corporate governance in 2018, with a particular focus on the introduction of the new UK Corporate Governance Code 2018; managing conflicts of interest; briefings on the market perceptions of the Group; a discussion on the future of banking; training and insight into emerging technologies; IBOR transition training; and a presentation from the Singularity University. The table below details who received these briefings.

Support is provided to the directors by the Group Company Secretary and the Group Corporate Secretariat team. Directors also have access to independent professional advice at the Group's expense where they judge it necessary to discharge their responsibilities.

Directors' induction and ongoing development in 2018

	Induction training[1]	Directors' duties and regulatory updates	Visits to our markets and meetings with local management	Market perceptions of the Group[2]	Future of banking discussion	Exponential thinking discussion[2]	INED IBOR transition training[2]	Insight and training on emerging technologies[2]
J Vi als	N/A	✓	✓	✓	✓	✓	✓	✓
W T Winters	N/A	✓	✓	✓	✓	✔	N/A	✓
A N Halford	N/A	✓	✓	✓	✓	✓	N/A	✓
O P Bhatt	N/A	✓	✓	✓	✓	✓	✓	✓
Dr L Cheung	N/A	✓	✓	✓	✓	✓	✓	✓
D P Conner	N/A	✓	✓	✓	✓	✓	✓	✓
Dr B E Grote	N/A	✓	✓	✓	✓	✔	✓	✓
Dr Han Seung-soo, KBE	N/A	✓	✓	✓	✓	✓	✔	✔
C M Hodgson	N/A	✓	✓	✓	✓	✓	✓	✓
G Huey Evans, OBE	N/A	✓	✓	✓	✓	✓	✓	✓
N Kheraj	N/A	✓	✓	✓	✓	✓	✓	✓
Dr N Okonjo-Iweala	✓	✓	✓	✓	✓	✔	✔	✓
J M Whitbread	N/A	✓	✓	✓	✓	✔	✓	✓

1 Applicable to directors who received induction training during 2018

2 These briefings took the form of a combination of presentations and discussions

✓ Director attended the session

✔ Director did not attend the session but received the accompanying material

Board and committee effectiveness

The annual Board Effectiveness Review provides the Board with an opportunity to consider and reflect on the effectiveness of its decision-making, the range and level of discussion, the quality of its decision-making and for each member to consider their own contribution and performance. Following last year's externally facilitated review, this year the review was facilitated internally by the Group Company Secretary, who is well placed as an independent sounding board to the process. The approach we took was to explore some of the themes from last year's action plan and design a questionnaire to understand where improvements had been made and where further focus is needed. The responses to the questionnaire were supplemented with a one-to-one meeting between each Board member and the Chairman, with additional input from the Senior Independent Director. These meetings took place during November and December 2018. The key themes were shared with the Board along with a 2019 action plan.

Board Effectiveness Review

Key observations from the Board Effectiveness Review	Board action plan 2019
i) Continued focus on ensuring the optimum balance between geographical representation and other expertise, particularly technology, on the Board	→ Ensure succession plans strike the right balance of skills, knowledge, experience, diversity, geographical and other representations to support the Board's composition
ii) Further exploration into the strategy of key businesses	→ Make sufficient space on the Board agenda for broad strategic discussion as well as deeper dives into the strategy of the Group's key businesses
iii) Enable Board members to maximise their engagement at meetings	→ Review rolling agendas and the scheduling of future Board and committee meetings
iv) Maintain the collegiate, open and inclusive culture which exists on the Board	→ Continue to hold regular Board dinners and events and ensure that the Board programmes include sufficient time for open discussion
v) Focus on ensuring Board and committee meetings are conducted with greater efficiency	→ Committee chairs to make agendas as strategically focused as possible in order to make best use of available time. Chair and members to use pre-meetings to agree the key areas for focus
vi) Greater clarity where strategic input is required from the Board	→ Produce revised principles for Board and committee paper authors, providing greater clarity on drafting papers to facilitate strategic discussion including questions where appropriate

Committee Effectiveness Review

Throughout the year, the committees provide real time feedback on the quality of the management information they receive and provide input into the rolling agenda through requests for updates on particular matters or enhanced reporting

In 2018, to supplement the ongoing feedback, this year's Committee Effectiveness Reviews took a similar approach to the Board and consisted of questions relating to the individual committees and how they operate. The Brand, Values and Conduct Committee took a slightly different approach and held a discussion based on a number of themes. The key observations from each of these reviews can be seen in the table below.

Key observations arising from the 2018 Committee Effectiveness Review

Audit Committee	The broad message was that the Committee continued to be thorough and effective and that following feedback received as part of the 2017 Committee Effectiveness Review, management reporting to the Committee had been enhanced. Work to improve the quality of the management reporting to the Committee will continue to be an area of focus in 2019
Board Risk Committee	Overall, the Committee is viewed as managing risk in a sensible and diligent manner. It was acknowledged that there is a requirement for the Committee to consider a number of regulatory matters. While the quality of the reporting to the Committee has continued to improve, there remains a need for continued focus on the level of detail and volume of reporting to the Committee so as to assist it in effectively discharging its responsibilities
Board Financial Crime Risk Committee	The Committee has continued to be successful in discharging its responsibilities. The geographical representation and diverse background of the three adviser members provides valuable input and allows for different perspectives to be considered
Governance and Nomination Committee	The main observation is that the Committee is operating well and that there is a healthy and open atmosphere which promotes honest discussion. Three themes arising from the feedback concerned ensuring greater flexibility within the agenda; maintaining sufficient time for effective discussion; and delivering agreed outputs swiftly
Brand, Values and Conduct Committee	The Committee's discussion provided a number of positive observations and suggestions for further enhancing its operations; these included increased focus on the Group's sustainability agenda; and expanding the Committee's remit to ensure effective reporting of the workforce policy requirements in the new 2018 UK Corporate Governance Code
Remuneration Committee	Overall, it is recognised that the Committee is operating effectively, demonstrating strong leadership. Management information it receives is very good and well balanced. The key themes emerging from the review were the need for sufficient historical information to provide context and sufficient information on regulatory issues and social trends

Directors' performance

During 2018, José Vi als met with each of the directors to evaluate their individual performance. The performance reviews are used as the basis for recommending the re-election of directors by shareholders and to assist the Chairman in assessing whether each director continues to contribute effectively and demonstrate their commitment to the role, including time commitment for Board and committee meetings and other duties.

For each of the independent non-executive directors, the discussion between the independent non-executive directors and the Chairman included consideration of:

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

Chairman's performance

The Senior Independent Director met with each of the independent non-executive directors separately, to seek their views on the Chairman's performance. These meetings took place before the independent non-executive directors met collectively at a private meeting without the Chairman present, to evaluate his performance. The views of the executive directors were taken into account as part of this evaluation. The feedback was collated and given to José Viñals.

Engagement with shareholders: what we did in 2018

February	March	April	May	June	August	September	October	November
2017 Full year results	Conferences and roadshows	Q1 Interim management statement	AGM Retail Banking investor seminar	Conferences and roadshows	2018 Half year results	Chairman's stewardship and strategy forum	Q3 Interim management statement	Conference and roadshows

Engagement with shareholders

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 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 secure our foundations and the steps being taken to reposition the Group for improved returns.

José Vi als and other independent non-executive directors spent a time engaging with shareholders including at the AGM and the Chairman's annual stewardship and strategy forum. In addition, Christine Hodgson, Chair of the Remuneration Committee, continued to discuss with and collect feedback from shareholders on remuneration matters.

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 either roadshows or at investor conferences. In addition, each member of the Management Team responsible for a client segment or a geographic region 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 first hand.

Institutional shareholders programme

The Group maintains a diverse, high-quality and predominantly institutional shareholder base. The Investor Relations team has primary responsibility for managing day-to-day 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.

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

Debt investor programme

Our Treasury team has primary responsibility for managing the Group's relationships with debt investors and the three major rating agencies with country chief executives and chief financial officers leading on subsidiary ratings. In 2018, management met with debt investors across Europe, North America and Asia and maintained a regular dialogue with the 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 an important part of the external perception of our financial strength and creditworthiness.

+ Further information can be viewed at sc.com/investors

Retail shareholders programme

The Group Company Secretary oversees communication with our retail shareholders. Our AGM held on 9 May 2018 provided an opportunity for the Board to meet with our retail shareholders, listen to their views and respond to their questions. It was well-attended and all of the proposed resolutions were passed with shareholder support for each ranging from 95.35 to 99.95 per cent.

+ The results of the voting on each resolution at the 2018 AGM can be viewed at sc.com/investors

Board committees

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

In addition, the committees strive to ensure that appropriate linkages are in place with the subsidiary board committees. This is achieved in a variety of ways:

i) During the year, the Audit Committee held an annual call hosted by the Audit Committee Chair and attended by the chairs of subsidiary audit committees. The Chief Financial Officer, Group Head of Internal Audit, Group Head, Compliance, lead audit partner of the Group's statutory auditor and the Group Company Secretary also participated in the call.

ii) 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 where the Group's subsidiaries do not have a risk committee, the chairs of the board audit committees. The Group Chief Risk Officer and Group Company Secretary also participated in the call.

iii) In September 2018, the Group Chairman hosted an annual call with the independent directors of the Group's banking subsidiaries. The Group Company Secretary also participated in the call.

Audit Committee

> "Through its work in 2018, the Committee has provided assurance to the Board regarding the quality and effectiveness of financial reporting and on regulatory, compliance and internal audit matters, thereby protecting the interests of shareholders"

Committee composition

	Scheduled meetings
N Kheraj (Chair)	**8/8**
D P Conner	**8/8**
C M Hodgson	**8/8**
Dr B E Grote	**8/8**

Other attendees at Committee meetings in 2018 included: Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Head of Internal Audit; Group General Counsel; Group Head Compliance; Treasurer; Group Statutory Auditors; Group Company Secretary.

The Chair of the Board Financial Crime Risk Committee, Gay Huey Evans and the Chair of the Brand, Values and Conduct Committee, Jasmine Whitbread also attended one of the Committee meetings in 2018 as part of their ongoing engagement plans.

As part of, and in addition to, each scheduled Committee meeting, the Committee had private members-only meetings. The Committee also met privately with the Group Head of Internal Audit and with the Group's Statutory Auditors.

The Committee members have detailed and relevant experience and bring an independent mindset o their role. The Board is satisfied that Naguib Kheraj has recent and relevant financial experience and that all other Committee members have a broad experience and knowledge of financial reporting in international business.

Details of their experience can be found on pages 57 to 59. 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 LLP (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

As Chair of the Audit Committee, I am pleased to present the Audit Committee's report for the year ended 31 December 2018.

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

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. Particular areas considered for the year ended 31 December 2018 included impairment of loans and advances, goodwill impairment, valuation of financial instruments held at fair value, provisions for legal and regulatory matters, carrying value of investments in associates and joint ventures, ship and aircraft leasing assets and the recoverability of parent company investments in subsidiaries.

As this was the first year following the implementation of IFRS 9, the Committee spent significant time on the results and operation of the new models and methodology.

The Committee has exercised judgement in deciding which of the issues we considered in the financial statements as being significant and this report sets out the material matters that we have considered in these deliberations and details of the action taken for these key areas can be found on page 73 of this report.

Following the decision taken in 2017 to change external auditors, in 2018, the Committee received progress reports on the transition to EY as the Group's auditor by 2020 including their meeting of independence requirements by 1 January 2019 (for certain engagements) and completely by June 2019.

We have continued to receive and discuss regular updates on the Group's Speaking Up programme and have discussed the annual report on the operation and effectiveness of the programme that was subsequently tabled to the Board.

Through its work in 2018, the Committee has provided assurance to the Board regarding the quality and effectiveness of financial reporting and on regulatory, compliance and internal audit matters, thereby protecting the interests of shareholders.

Naguib Kheraj
Chair of the Audit Committee

Activities in the year

<table>
<tr><td>Financial reporting</td><td>

→ 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 Disclosure Code for Financial Reporting Disclosure and the Financial Reporting Council (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 2018 included:

<table>
<tr><th>Key area</th><th>Action taken</th></tr>
<tr><td>Impairment of loans and advances</td><td>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, 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</td></tr>
<tr><td>Goodwill impairment</td><td>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</td></tr>
<tr><td>Valuation of financial instruments held at fair value</td><td>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 in respect of Level 3 instruments and the use of non-market-based unobservable inputs</td></tr>
<tr><td>Taxation</td><td>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 co-ordination 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</td></tr>
<tr><td>Provisions for legal and regulatory matters</td><td>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 304 and 305</td></tr>
<tr><td>Carrying value of investments in associates and joint arrangements</td><td>Reviewed and considered management's carrying value assessments on the Group's investments in PT Bank Permata and China Bohai Bank, covering key assumptions and potential sensitivity to changes</td></tr>
<tr><td>Recoverability of parent company's investment in subsidiaries</td><td>Discussed and received confirmation from management that they had adequately assessed the recoverability of investments in subsidiaries, together with any intercompany indebtedness</td></tr>
</table>

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 244
</td></tr>
<tr><td>Going concern and viability statements</td><td>→ Reviewed management's process, assessment and conclusions with respect to the Group's viability statement, including principal risks and uncertainties and key assumptions (including the potential impact of Brexit). Ensured that the viability statement is consistent with the Group's Strategic report and other risk disclosures. Further details can be found on page 53</td></tr>
<tr><td>Fair, balanced and understandable</td><td>→ The Committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy and the business risks it faces. The statement is underpinned by the Committee's, and the Board's, belief that 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</td></tr>
<tr><td>Deeper discussions into specific topics</td><td>

→ **Tax:** Discussed the Group's tax exposures and deferred tax assets as at 31 March 2018 and emerging taxation issues

→ **Pensions:** Received and discussed an update on financial risks relating to pensions including the key judgements and assumptions made in the preparation of the Group's financial statements

→ **Balance sheet reconciliation and substantiation:** Received and discussed an overview of the Group's financial control framework and sought and gained assurance of management's focus on the balance sheet reconciliation and substantiation process and the initiatives underway to continuously enhance related controls

→ **Hedge accounting:** Received and discussed the control enhancements to the Group's hedge accounting practices to address KPMG's 2017 audit observations and the refinement of valuation methodologies to ensure the Group is in line with good market practice
</td></tr>
</table>

Activities in the year continued

Group statutory auditor	Overseen the work undertaken by KPMG as the Group's statutory auditor. In particular: → Discussed the risks covered by KPMG's audit planning, seeking and receiving assurance that these risks have been properly addressed in the audit strategy and plan reviewed by the Committee → Enquired and 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 → Performed an annual review of the performance and effectiveness of KPMG. Input was received from Committee members, chairs of Group subsidiary audit committees, the Group's Management Team, country chief executive officers, regional/country chief financial officers, members of the Group Finance management team and country heads of audit. The results of the input were discussed by the Committee. Overall, it was felt that KPMG is considered to be effective, objective and independent in its role as Group statutory auditor → Received overviews from KPMG's local regional partners from Bangladesh, Korea, Pakistan and Hong Kong which provided insight into the challenges faced in the Group's markets from a statutory audit perspective and providing the Committee with the local audit partner's assessment of the Group's control systems and infrastructure 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 with local regulators → The Committee has also met privately with the lead audit engagement partner and also met with the Global Chairman of KPMG and the Senior Partner of KPMG UK to seek assurances on steps being taken by KPMG to strengthen its international audit practices → As Audit Committee Chair, Naguib has 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 over 25 years. During 2018, the lead audit engagement partner was rotated, the previous rotation having taken place in 2015. The new lead audit 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 two updates on the status of the transition to EY as the Group's auditor by 2020 and to meet independence requirements by 1 January 2019 (for certain engagements) and completely by 1 June 2019
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 → Approved a revised non-audit services policy and satisfied itself that all the requirements of the non-audit services policy have been met → In 2018, the Group spent $0.6 million on non-audit services provided by KPMG and $7.0 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 329, and the Group's approach to non-audit services on page 132.
Internal controls	→ Discussed reports from Group Internal Audit (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 discuss 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 provide 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 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 Considered reports requested by the Committee from management in respect of the control environment concerning: → Third-party risk management → Retail Banking credit card and personal loan onboarding process → UK booking model framework and governance Further details on internal controls can be found on page 129.

Activities in the year continued

Group Internal Audit	Received and discussed a supplemental report from GIA providing additional information on significant areas referred to in the GIA report including: → Summaries of the control environment grade from audits over the past 12 months → Management Control Approach (MCA) opinions. Quarterly MCA scorecards enable GIA to provide management with summaries of their areas of responsibility in order to support good risk and control governance, and give recognition where key risks are well understood, controls are regularly reviewed for effectiveness and control weaknesses have been identified and are being rectified. This is separate to the opinion given in the GIA report on the state of the Group's control environment → Group high-risk issues identified since the last report to the Committee → Open Group high-risk issues and overdue audit issues → Audit reports issued since the last report to the Committee GIA identified seven themes to be covered in the 2018 audit plan. The objective was to ensure that there was sufficient audit coverage for GIA to provide an opinion on each of these key risk areas. Updates on these themes have been provided through GIA reporting to the Committee throughout the year The seven themes were: – Quality of Income and Risk Appetite – Client Outcomes – Enterprise Wide Risk Management – Regulatory Change, Expectations and Compliance – Information and Cyber Security – IT Change – Data Quality Governance During 2018, for the most significant matters being monitored by GIA, business and/or regional management has been invited to attend meetings to provide updates on the steps being taken to enhance the control environment and address internal audit findings. → Reviewed the 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, including reviewing and monitoring GIA's progress against its 2018 audit plan and the review and monitoring of post-audit actions. In 2019, an external assessment of GIA will be undertaken in accordance with the Institute of Internal Audit's Internal Standards for Professional Practice Framework requirements. The Committee considered and approved the proposed coverage and approach for this assessment and will discuss the findings and any recommended action during 2019 → Considered and approved GIA's 2019 audit plan → Received a report from the Head of GIA Quality Assurance → Conducted an annual review of and approved GIA's charter → The Committee is satisfied with the independence of the GIA function. Throughout the year, Naguib has met regularly with the Group Head of Internal Audit, the Head Quality and Assurance Group Internal Audit and the Group Internal Audit Management Team. The Committee has also met privately with the Group Head of Internal Audit
Group compliance	Regular compliance reporting to the Committee describes the work being undertaken by Compliance and any significant compliance and regulatory risks facing the Group, together with key actions being taken to address or mitigate these risks In particular, the Committee received updates on: → The Group's programme to improve compliance effectiveness and efficiency → Supervisory themes and regulatory relationships → The General Data Protection Regulation → The Second Payment Services Directive → The Group's compliance with the Volcker Rule → The Group's compliance with MiFID II → Transaction reporting → Reviewed and discussed the functional agenda and annual plan for Group Compliance As Committee Chair, Naguib has met regularly throughout the year with the Group Head, Compliance

Activities in the year continued

Speaking Up programme	The Group's Speaking Up programme has been designed to comply with the Group's UK lead regulators, the PRA and the Financial Conduct Authority Whistleblowing Rules Our whistleblowing channels, (sc.com/speakingup) 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 is provided with an update on the number of Speaking Up disclosures received, referral rates and the number of open Speaking Up investigations and the time taken to close such investigations Over the course of the year, Naguib met regularly with the Group Head, Speaking Up and also met with a number of Speaking Up advocates in several of the Group's jurisdictions. He was also personally involved in overseeing a number of cases which were referred to him in his capacity as the Board's Whistleblowing Champion The Committee discussed an annual report on the operation and effectiveness of the Speaking Up programme that was subsequently tabled to the Board. The report provided the Committee with assurance of the Group's ongoing compliance with the Whistleblowing Rules
Interaction with regulators	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. As Committee Chair, Naguib also attends a trilateral meeting with KPMG and the PRA as well as periodic individual meetings with the PRA

Committee effectiveness review

Observations from the 2018 effectiveness review, undertaken by the Committee, can be found on page 69 of the Directors' report.

Board Risk Committee

> "The Group's risk framework provides guiding principles for the behaviours expected from our people when managing risk"

Committee composition

	Scheduled meetings	Ad hoc
D P Conner (Chair)	**7/7**	1/1
O P Bhatt	**7/7**	1/1
G Huey Evans, OBE	**7/7**	1/1
N Kheraj	**7/7**	1/1

Other attendees at Committee meetings in 2018 included: Group Chairman; Group Chief Executive; Group Chief Financial Officer; Group Chief Risk Officer; Group Head of Internal Audit; Group General Counsel; Treasurer; Group Statutory Auditors; Group Company Secretary and Sir Iain Lobban.

Patrick Obath, one of the independent non-executive directors of Standard Chartered Bank Kenya Limited, also attended a Committee meeting as an observer and met privately with David Conner.

As part of, and in addition to, each scheduled Committee meeting, the Committee had 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 57 to 59.

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 thereon 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.

* 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 cover 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 processes by which reputational risk is managed.

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

The Committee's role is to exercise oversight on behalf of the Board of Group-wide risks,* and to provide assurance to the Board that the overall framework for complying with the Risk Management Principles and the Board approved Risk Appetite Statement is operating effectively.

Risk management is essential to consistent and sustainable performance for all of our stakeholders. Throughout 2018 and through management reporting to the Committee, it is clear that awareness of the Group's Enterprise Risk Management Framework has increased, leading to a stronger risk culture across the three lines of defence. The Group's risk framework provides guiding principles for the behaviours expected from our people when managing risk.

The Committee has discussed the steps taken by Management in 2018 to maintain lower credit impairment and improvements in asset quality, thereby strengthening the Group's risk position.

Although the Group's portfolios remain strong and well diversified the Committee has discussed the broader geopolitical uncertainties that continue to affect sentiment in some of the Group's markets. Through a combination of Management reporting and specific Committee requests, the Committee has discussed Management's focus on early identification of emerging risks across all of the Group's portfolios to ensure that any areas of weakness are being managed on a proactive basis.

The Committee considers both financial and non-financial risk, we have sought and received assurance that Management has and continues to consider risk throughout the Group's business and that areas which require improvement are receiving appropriate Management attention and new threats to the Group's business are identified and addressed.

One particular area of focus for the Committee has been the threat posed by Information and Cyber Security across many industries including financial services. Information and Cyber Security Risk was identified as one of the Group's Principal Risk Types in 2017. In 2018 the Committee discussed the work undertaken to increase capabilities and enhance operating models to better manage this risk. Sir Iain Lobban, who is the Board Adviser on Cyber and an Adviser member of the Board Financial Crime Risk Committee has participated in the Committee's discussions on this topic and both the Committee and Management have benefited from Sir Iain's external expertise in this area. Although there is still work to be done to enhance capabilities, this will further strengthen the Group's defences and assist in keeping pace with the evolving cyber threat landscape.

We have discussed the principal uncertainties that the Group faces and the steps being taken to manage them, further details of which can be found on page 41.

The Committee's discussions included an overview of the changes to the Risk function in 2018 and Management's forward-looking view of the Risk function over the next five to 10 years designed to enable the Risk function to evolve significantly as it enables business strategy and reacts to the changing external environment.

The following pages provide further insight into the workings of the Committee and its activities for the year.

David Conner
Chair of the Board Risk Committee

Activities in the year

Risk Appetite	Closely followed 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 Principal Risk Types Considered and recommended to the Board for approval the Group's Risk Appetite Statement. As part of the 2018 review of Risk Appetite, emphasis was placed on leading indicators and inherent risk metrics to support a more informed risk decision-making process. New metrics were proposed to and approved by the Committee for Capital and Liquidity to capture Interest Rate Risk in the banking book, double leverage and minimum requirement for own funds and eligible liabilities As Financial Risk Appetite metrics are now considered more mature and well embedded within the Group, greater focus was given to developing metrics for non-financial Principal Risk Types to align with the roll out of the Group's new Risk Type Frameworks and to take into account increased regulatory scrutiny on operational resilience and heightened Information and Cyber Security risks New inherent risk metrics were proposed and approved for Information and Cyber Security, Operational Risk (to focus on operational resilience associated with system obsolescence and critical third-party risks), Compliance (to provide insight to material regulatory actions and adverse regulatory relationships) and for Financial Crime (to measure the level of concentration to higher-risk-rated clients) Monitored actual exposures relative to Risk Appetite limits using regular risk information reports provided by management Tracked a wide range of risk metrics that are periodically reported to the Committee Further details of the Group's Risk Appetite are set out on page 194
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 to this reporting, the Committee has had deeper discussions on the following topics: → **Information and Cyber Security Risk:** Information and Cyber Security Risk is the potential for loss from a breach of confidentiality, integrity and availability of the Group's information systems and assets through cyber-attack, insider activity, error or control failure. The Group has continued its increased focus on cyber risk management capabilities. Cyber risk is a continually evolving threat for the financial services industry and high-profile security breaches were a recurring focus in the media and among regulators throughout 2018 The Committee discussed reports from management on the work to improve the Group's defences and create a stronger control framework. In addition to this reporting, the Committee discussed: → An external assessment by Booz Allen Hamilton of the Group's Information and Cyber Security controls → The Marsh and TheCityUK Report on Governing Cyber Risk – A Guide for Company Boards Sir Iain 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 Information Officer and the Chief Information Security Officer → **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 The Committee: – Reviewed and recommended to the Board new metrics for Operational Risk to focus on operational resilience associated with system obsolescence and critical third-party risks – Received updates on Operational Risk Events requiring root cause reviews including trend analysis and themes → **Capital Risk and Liquidity Risk:** Capital Risk is the potential for insufficient level or composition 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 regulatory submissions of the Group's Internal Capital Adequacy Assessment Process (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) and the Group's Individual Liquidity Adequacy Assessment Process (which considers the Group's liquidity position, its framework and whether sufficient liquidity resources are being maintained to meet liabilities as they fall due) Further details concerning the Group's Liquidity Coverage Ratio are set out on page 185 and details concerning Capital are set out on page 218

Activities in the year continued

Principal Risk Types continued	→ **Credit Risk** Credit risk is the potential for loss due to the failure of a counterparty to meet its obligations to pay the Group. Credit exposures arise from both the banking and trading books. The Committee: Received and discussed updates on changes in the Credit Risk portfolio. Such discussions were further enhanced through deep dives → **Country Risk** Country Risk is defined as the potential for default or losses due to political or economic events in a country. The Committee: → Discussed Country Cross Border Risk, sovereign and financial institution exposures across the Africa portfolio; specifically, in relation to rising debt levels across the continent → Received an overview of recent enhancements within the Group Country Risk function and key country risk themes across the Group's four regions → **Traded Risk** Traded Risk is the potential for loss resulting from activities undertaken by the Group in financial markets. Under the Risk Management Framework, the introduction of the Traded Risk Framework in 2018 sought to bring together all risk types exhibiting risk features common to Traded Risk. The Committee: Discussed the new Traded Risk Framework together with an update on market conditions, the Group's exposures and stress testing, the control environment and Traded Risk Management projects. The discussion also covered the overall XVA (Credit and Funding Valuation Adjustment) Risk profile and hedging thereof Further details on the Group's Principal Risk Types can be found on page 40
Stress testing	Provided oversight and challenge for stress testing scenario design and test execution and reviewed the outcomes of the expanded 2018 Bank of England Stress Test scenario (Annual Cyclical Scenario) which the Group, along with the other largest UK banks, was required to undertake Reviewed the results of the 2018 reverse stress rest prior to regulatory submission Discussed the findings of the Group's Cyber Security stress test and the resulting management actions Further details of stress testing are set out on page 195
Internal controls	Discussed reports from the Group Head of Internal Audit on her assessment of controls across key risks subject to the Committee's oversight, together with key risk issues identified by Group Internal Audit'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 Group Internal Audit's appraisal of controls across key risk types subject to each 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	Ensured the Group Chief Risk Officer advised the Remuneration Committee concerning the risk factors to be taken into account by the Remuneration Committee in determining the incentive structure for the Group Chief Executive, the executive directors and such other senior executives as appropriate. 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 noted the results of the annual self-assessment of compliance with the BCBS 239 Principles which was submitted to the Prudential Regulation Authority (PRA) on 28 February 2018 The results of this assessment confirmed the Group continues to be materially compliant with all 11 principles → **Annual resolution letter from the Bank of England** Considered the annual resolution letter from the Bank of England and agreed that the resolution work-plan for the Group remained appropriate → **Recovery Plan** The Committee received a briefing on the main components of the Group Recovery Plan Framework ahead of the discussion and subsequent approval of the submission to the PRA of the 2018 Group's Recovery Plan, further details of which can be found on page 204

Activities in the year continued

Deeper discussions into specific topics

→ **Korea deep dive and geopolitical risks**

In view of heightened geopolitical risks over the Korean peninsula earlier in the year, the Committee discussed the Group's exposures to South Korea. The discussion included management's assessment of geopolitical risks, a review of the Group's exposures, and management actions to mitigate these as well as updated stress testing results on a highly unlikely, but extreme scenario of military conflict

→ **Commercial Real Estate Risk Strategy and portfolio review**

Discussed the Group's Commercial Real Estate business, with a specific focus on strategy, returns, risks and opportunities

→ **Increase in Turkish interest rates**

Following the increase of interest rates by 625bps to 24 per cent on 13 September 2018 by the Central Bank of Turkey, the Committee discussed the Group's exposure and the resulting management actions

→ **Commodities**

Discussed the Group's Commodities portfolio including the market overview, business strategy and risk and mitigants

→ **Credit and Portfolio Management**

Discussed a progress report on the Credit and Portfolio Management three-year programme to improve first-line ownership of risk, reduce profit and loss volatility and optimise capital and liquidity for Corporate & Institutional Banking, and therefore, the Group

→ **PRA's Programme Management Review feedback**

Following the PRA's review of the Programme Management Framework and alignment of investments to strategy in the second quarter of 2017, the Committee discussed the issues raised and the action to be taken to address these

→ **Use of Cloud – governance and mitigation**

Discussed the strategy, business case, risks and governance for Cloud use in support of the Group's digitisation strategy including the rationale and benefits of the long-term objective of moving to the Cloud, the major risks and challenges with the proposed approach together with the actions to address the challenges and to strengthen the governance, implementation and security of Cloud based services

→ **Commercial Banking loan impairments and downgrades in 2017 and 2018 – challenges and forward priorities**

The Group undertook a credit risk management transformation in Commercial Banking from 2015 to 2017. The Committee discussed the trends observed for Loan Impairment and downgrades to Credit Grade 12–14 with a focus on the fourth quarter of 2017 and the 2018 challenges and forward priorities

→ **Sensitivity to a strengthening US dollar**

Discussed a country level view of the impact on loan impairment charges and sovereign debt levels arising from a strengthening USD and rising US interest rates

→ **Enterprise Risk Management Framework**

The Group's Enterprise Risk Management Framework (ERMF) was launched in 2018 through which enterprise-wide risks are managed with the objective of maximising risk-adjusted returns while remaining in the Group's risk appetite. The ERMF Effectiveness Review process will provide the Committee with an objective baseline against which progress can be measured over the coming years

→ **Output from Enterprise Risk Management Forum**

The Enterprise Risk Management Forum provides an integrated platform for all the Risk Framework Owners and the regional and client-business Chief Risk Officers to discuss the key themes relevant to the Group's Principal Risk Types. Global Research, Group Strategy, Corporate Communications and Business representatives also participate and provide insights from an external lens perspective on risk themes, threats and opportunities. The outputs are used to maintain a dynamic risk inventory for the Group covering the 10 Principal Risk Types and the relative movements in their sub-types, emerging risks and principal uncertainties. Reporting to the Committee covered the key risk themes emerging from the Forum's discussions that were deemed to be moderate or potentially material for the Group and actions that are being undertaken to understand these better

The Forum identified Africa as a region with elevated macroeconomic, fiscal and operational risk challenges and initiated a review on the concentration risks the Group faces across the continent which led to a paper on concentration risk across Africa in relation to rising sovereign debt levels coming to the Committee

→ **Evolution of the Treasury function**

Towards the end of 2016, the Group's balance sheet, liquidity and capital management activities were integrated within one Treasury function. The Committee discussed an update on the evolution of the Treasury function and management's response to the PRA's review of the Treasury function. The Committee was supportive that the changes made provided comfort that risk and control in Treasury is being satisfactory managed and the Committee discussed how management intended to address the areas for improvement

Activities in the year continued

Deeper discussions into specific topics continued

→ **Group Special Asset Management review**

Received and discussed two papers over the course of the year concerning Group Special Asset Management (GSAM). The Committee's first discussion focused on a review of the GSAM portfolio covering Credit Grade 12 and Non-Performing Assets (Credit Grade 12–13) flows, impairments and recoveries. The second discussion covered GSAM's organisation structure, resources and operations

→ **Enterprise Risk Management Function**

At the beginning of the year, the Committee discussed the future remit of the Enterprise Risk Review Function (ERR) that included the expansion of the formal remit of the review team's activity and proposed schedule of activity for 2018. At a subsequent meeting, the Committee discussed an update on the reviews undertaken by ERR of China Corporate & Institutional Banking and Commercial Banking, the Private Bank, US Corporate & Institutional Banking and the Group's Aviation portfolio. A common theme arising from the reviews was that there was an acceptable credit control environment with improvements seen in most reviews, albeit the pace of improvement varied

→ **Brexit impact**

Received and discussed an update on the level of preparedness of the Group's Brexit programme to mitigate the risks of a disorderly Brexit; a legal assessment of the specific Brexit impact to contractual continuity; currency clearing and cross border services, and its impact to the Group's business operations and a macro level assessment of the impact of a hard Brexit or no-deal Brexit scenario to the Group's market and liquidity risk positions using stress scenarios

→ **Forbearance Risk in relation to Refinancing Risk**

In response to a request from the Audit Committee, the Committee was provided with and discussed an internal assessment of the Group's risk management approach and practices in identifying and managing forbearance in Corporate & Institutional Banking and Commercial Banking. Refinancing Risk is now recognised as one of the five risk sub-types within the Credit Risk Type Framework. Management are also exploring establishing metrics covering refinancing risk through the Risk Appetite framework.

→ **Cross-border risk and returns**

Discussed how management analyses the Group's risk-return profile through client relationships, network income, country cross-border limits, exposure and returns and cost of funds

→ **SC Ventures governance**

SC Ventures is a business unit created to promote innovation, invest in disruptive financial technology and explore alternative business models. SC Ventures will operate within the overall Group Risk Appetite. The Committee discussed the risk management framework for SC Ventures which will be managed in line with the Group's Enterprise Risk Management Framework

→ **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) after 2021, signalling that LIBOR may cease to exist, at least in its current form, beyond that date. The Committee was apprised of the background of the transition away from LIBOR to Risk-Free Rates and the risk associated with this transition both to the Group's processes and transactions and how those risks are being managed

→ **Internal Ratings Based (IRB) models status and performance**

Received and discussed an update on the status and performance of the IRB models and sought and received assurance that the IRB models continue to perform adequately and remain conservative against actual performance

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 and receives regular reports on risk management and tracks a wide range of risk metrics through a 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.

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 Accounts and the Half Year Report and has also reviewed and approved the disclosures regarding the work of the Committee.

Interaction with the Group Chief Risk Officer

As Committee Chair, David Conner meets individually with the Group Chief Risk Officer and the Committee has also met privately with the Group Chief Risk Officer without other members of management being present. These meetings allow open discussion of any matters relating to issues arising from the Committee's formal discussions.

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.

Interaction with regulators

As Committee Chair, David Conner meets periodically with one of the Group's UK lead regulators, the Prudential Regulation Authority (PRA). In addition, and 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 prudential focused topics.

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 2018 and management's forward-looking view of the Risk function over the next five to 10 years.

Committee effectiveness review

Observations from the 2018 effectiveness review, undertaken by the Committee, can be found on page 69 of the Directors' report.

Brand, Values and Conduct Committee

"We aim to demonstrate our leadership in sustainability with continued progress on all facets of Environmental, Social and Governance standards across the Group"

Committee composition

	Scheduled meetings
J M Whitbread (Chair)	**4/4**
Dr Han Seung-soo, KBE	**3/4***
C M Hodgson	**4/4**
O P Bhatt	**4/4**
Dr N Okonjo-Iweala	**4/4**

* Dr Han Seung-soo was absent from the December Committee meeting due to prior arranged business commitments

Other attendees at Committee meetings in 2018 included: Group Chairman; Group Chief Executive; Group Head, Human Resources, the Group Head Corporate Affairs, Brand & Marketing and Compliance and the Group Company Secretary.

Dr B E Grote attended one of the Committee meetings in 2018 as part of his ongoing engagement programme.

Details of the Committee members' experience can be found on pages 57 to 59.

Main responsibilities of the Committee

The Committee has responsibility for reviewing the Group's brand, culture, valued bahaviours and conduct, as well as the processes by which the Group identifies and manages 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

The area of most significant progress was Sustainability. In March 2018, the Board agreed a refreshed Sustainability Philosophy and strategy to support sustainable and responsible growth through our operations, client relationships and community programmes. We aim to demonstrate our leadership in sustainability with continued progress on all facets of Environmental, Social and Governance standards across the Group. We have also refreshed our framework of Position Statements, making explicit the challenges and trade-offs we need to consider, and taking a forward-leading position on fossil fuels that was generally well received by our stakeholders.

Having paid particular attention to Culture in previous years, we received regular reports on how the Group's Valued Behaviours are being embedded and the resulting outcomes. We spurred on the crystallisation of our desired culture and continued with our regular review of the Group Culture Dashboard designed to help assess progress against this. To complement this view, we encouraged the development of a Group Conduct Dashboard; the intention being to regularly review these two views of the business in conjunction. We gave input to a working demonstration of this new Dashboard and look forward to future reports on how this is used to highlight areas of attention and best practice at all levels within the Group.

We followed through on last year's review of how the Group manages Reputational Risk, monitoring the fulfilment of recommendations in 2017 from Group Internal Audit, in particular the development and implementation of a Reputation Risk Framework, which we now use to assess how well this risk is managed by the Group.

The Committee continued to seek assurance more broadly from Group Internal Audit, where the approach to assessing culture continues to develop using a mix of quantitative and anecdotal evidence. We also considered the Speaking Up and Grievance reports prepared for the Audit Committee, as well as the My Voice employee engagement survey and results from other tools to inform our assessment of performance and risk across our remit.

We discussed the progress on the Brand Refresh Campaign, the Group's first major global brand campaign since 2014, which saw a continuation of our Here for good brand promise. We reviewed the performance of the campaign against the agreed brand metrics and considered how the Group plans to maximise the potential of its future marketing efforts.

One of our Committee meetings in 2018 was held in India, which provided the opportunity to engage with employees and partner organisations to obtain first hand insights on brand, culture and reputational matters at a local level. In addition, Committee members between them visited 11 other countries, furnished with a readout of the culture dashboard for that market, prompting rich dialogue with local management and stakeholders.

Committee members also participated in the Group's Community Engagement work, including the celebrations of the 15-year anniversary of Seeing is Believing (SiB), our global programme to tackle avoidable blindness and visual impairment, and the announcement that we surpassed our $100 million fundraising target for SiB and reached 176 million people from 2003 to 2018. With this SiB milestone achieved, the Committee endorsed the Group' s new Community Engagement strategy that aims to tackle inequality and promote economic inclusion for disadvantaged young people in our markets.

We continue to strive to raise the bar to ensure the Committee is adding value. Outside of Committee meetings we held discussions on external reviews of culture in the banking sector, on triangulation with other committees, and on our own ways of working to inform our plans for the year ahead.

Jasmine Whitbread
Chair of the Brand, Values and Conduct Committee

Activities in the year

Culture and Valued Behaviours	→ Regularly reviewed the Group's Culture Dashboard and provided feedback on how the metrics can be enhanced, including discussions on how the Group proposed to embed a high-performance culture into its employee lifecycle and the next steps for the Dashboard in 2019 → Provided feedback on the Group's Diversity and Inclusion Strategy and discussed the results from the employee My Voice survey → In India, the Committee held a discussion with representatives from the local management team to understand the initiatives underway to build a high-performance culture → Discussed the challenges of embedding the Group's Valued Behaviours across the Group → Received and discussed a report covering a thematic review of the Speaking Up, Business Referral and Grievance Processes and their insights on the Group's Culture
Brand	→ Received and discussed a progress report on the Brand Refresh Campaign with a focus on achievements against the metrics established for the campaign → Discussed the Group's forward-looking approach to marketing, focusing on how the Group is maximising the potential of its marketing effort to drive business → In India, the Committee discussed brand metrics, social media sentiment, and reviewed the India Retail Banking digital capabilities campaign
Conduct	→ Received an update on the analytical tools currently used by the Group to identify patterns of behaviour to detect Conduct-related issues → The Committee was also provided with demonstrations on the ongoing development of a prototype of a revised Group Conduct Dashboard which will help identify indicators of potential trends which reflects adverse Conduct Risk outcomes across the three lines of defence → Discussed the findings of the Banking Standard Board (BSB) Assessment of the Group. The BSB was established in 2015 to promote high standards of behaviour and competence across UK banks and building societies. The feedback in the BSB report was aligned to the employee My Voice survey findings. The Committee discussed the findings from the report and the management action plans to address the areas where improvements are needed
Reputational Risk management	The Group's Reputational Risk Policy (effective as of 5 November 2018), established the Group's new governance approach and management of Reputational Risk, and addressed issues previously identified by Group Internal Audit. Reputational Risk reporting will be further enhanced in 2019 to provide insights and thematic areas for consideration The Committee: → Reviewed the processes by which the Group manages Reputational Risk in an effective and transparent manner, consistent with the Board approved Group Risk Appetite Statement → Received an overview of the key Reputational Risk decisions made in 2017 → Requested that for future reporting, more thematic issues be brought to the Committee for discussion → Sought and received assurance on how the Group's Position Statements are aligned to the Group's Risk Appetite. + Further details on the Group's Statements can be found on page 48 and in the separate Sustainability Summary at sc.com/sustainabilitysummary
Sustainability	The Group's sustainability strategy is framed by a new Sustainability Philosophy and a refresh of its Position Statement framework. The Committee: → Received updates on actions taken since the Board meeting in March 2018 to deliver the revised strategy and on 2019 priorities → Reviewed and provided feedback on progress in delivering the Group's sustainability strategy, including the Group's approach to managing key environmental and social risks thorough its environmental and social risk management framework and Position Statements → Discussed a range of means by which the Group can measure its progress in becoming a more sustainable organisation which will be used to develop a sustainability dashboard for the Group which will be presented to the Committee going forward → Discussed and provided feedback on the Group's new global initiative, Futuremakers by Standard Chartered, which aims to tackle inequality and promote greater economic inclusion. Further details can be found on page 51
Government and regulatory relationships	→ Reviewed the Group's approach to its main government and regulatory relationships across the Group's key markets, focusing on the quality of these relationships and engagement in place → Provided input on the areas of priority for 2019, including regulatory reform, Brexit, Belt & Road, climate change, fintech and innovation, and country/regional specific issues

Committee effectiveness review

Observations from the 2018 effectiveness review, undertaken by the Committee, can be found on page 69 of the Directors' report.

Governance and Nomination Committee

> "Ensuring we have a truly diverse Board comprising a range of perspectives, experiences, knowledge and skills is key to the Board's continuing effectiveness"

Committee composition

	Scheduled meetings	Ad hoc
J Viñals (Chair)	**3/3**	1/1
N Kheraj	**3/3**	1/1
C M Hodgson	**3/3**	1/1
J M Whitbread	**3/3**	1/1
D P Conner	**3/3**	1/1

Other attendees at Committee meetings in 2018 included: Group Chief Executive; Group Head, HR; Group Company Secretary

Biographical details of the Committee members can be viewed on pages 57 to 59

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, it takes into account the Group's strategy and challenges and makes recommendations to the Board in respect to any adjustments to the Board's composition.

It 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 our Board members; and 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

The Committee has been active across all areas of its responsibility during 2018, with a particular focus on further strengthening the composition and succession plans for the Board and its committees. Ensuring we have a truly diverse Board comprising a range of perspectives, experiences, knowledge and skills is key to the Board's continuing effectiveness. The Board Diversity Policy, which sets out our approach to diversity on the Board, was once again reviewed by the Committee this year to ensure that we continue to enhance progress in this area.

While the composition of the Board remained unchanged during 2018, the Committee, conscious of Dr Han Seung-soo's tenure on the Board, commissioned a wide-ranging search for an independent non-executive director with particular expertise in the Greater China & North Asia region. Carlson Tong emerged from that search as a very credible and well respected candidate. He has significant experience and insight of operating in mainland China and Hong Kong and will bring a fresh perspective to the Board. The Committee recommended his appointment to the Board in January 2019 and he joined on 21 February 2019. Dr Han Seung-soo retired and Om Bhatt stepped down from the Board as independent non-executive directors on 23 February 2019.

Our focus on succession planning was not confined to discussions on the Board and its committees, we also considered succession readiness and plans for the executive directors and other senior executives, to assure ourselves that key roles have plans in place for the medium term and in the immediate term if required.

The Committee also provided oversight of the annual Board and committee effectiveness reviews, which were internally facilitated in 2018. More details on the themes and outcomes can be reviewed on page 69.

Throughout 2018, we also provided support for the implementation of the Group's International Advisory Council (IAC). This new initiative will provide significant strategic insight into the changing dynamics of our markets and further enhance the Group's relationship with our stakeholders. The Committee provided oversight of the IAC's development and reviewed potential Council members. The IAC, chaired by Dominic Barton had its inaugural meeting on 4 February 2019.

The Committee also spent a great deal of time overseeing its governance responsibilities, which included reviewing the regional subsidiary governance processes, considering changes to the Group's corporate governance arrangements to reflect the proposed new hub entity structure and overseeing the Group's approach to compliance with the new UK Corporate Governance Code 2018. The Committee paid particular attention to the development of initiatives to enable the Board to engage effectively and directly with our workforce. We will report against the new Code in full in next year's report.

José Viñals
Chair of the Governance and Nomination Committee

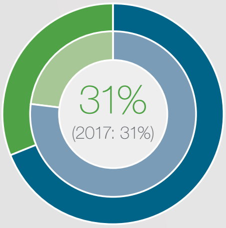
Board composition as at 31 December 2018

Gender diversity

Board

Female 4

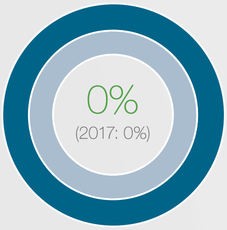
Male 9



Executive

Female 0

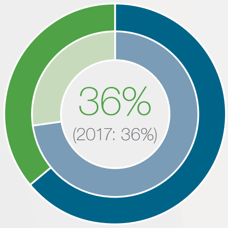
Male 2



INED (including Chair)

Female 4

Male 7



Further details on the work of the Governance and Nomination Committee can be found below

Activities in the year

Board and senior talent succession planning

- Considered the existing and future shape of the Board's composition as part of its effective succession planning, taking into account the skills, experience, knowledge, diversity (in the widest sense), time commitment and length of service of the current independent non-executive directors. Identified where the immediate gaps exist, whilst also mapping succession opportunities in the medium to longer term
- 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, experience, knowledge and perspectives
- Agreed the need for an additional independent non-executive director, with deep knowledge, experience and perspective of the Greater China & North Asia region
- Engaged the executive search firms Heidrick & Struggles* and Egon Zehnder*, to review the market, which resulted in the emergence of Carlson Tong as a sought-after candidate
- Provided oversight of the detailed Executive and Management Team succession plans, including diversity
- Reviewed succession plans for the committee chair roles, to ensure that appropriate individuals with the necessary skills have been identified, to cover roles in an emergency situation and on a longer-term basis
- Considered the UK Corporate Governance Code provision that at least one member of the Board has recent and relevant financial experience, resulting in the recommendation to the Board that it is satisfied that Naguib Kheraj meets this requirement

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

Board and committee effectiveness review

- Noted progress against the Committee's 2017/18 action plan
- Provided oversight of a formal and rigorous internal Board and committee effectiveness review in 2018
- Reviewed the themes and recommendations arising from the Board and the committees' reviews as well as their proposed action plans for 2019
- Details of the process, the themes from the review and the resulting 2019 action plan can be found on page 69

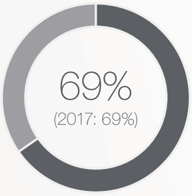
Board Diversity Policy

- Reviewed progress 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
- Reviewed and discussed the Board Diversity Policy and its purpose to assist the Board in driving further progress in this area while taking into account regulation and recommendations, specifically in the areas of gender and ethnicity
- Considered and recommended revisions to the Board Diversity Policy to reflect changes to the UK Corporate Governance Code 2018. See page 88

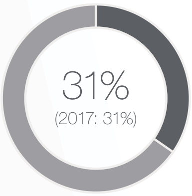
Further details of progress the Board has made against the key objectives set out in the Board Diversity Policy are set out on page 88

Experience

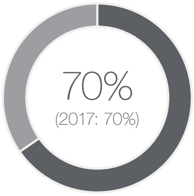
International experience



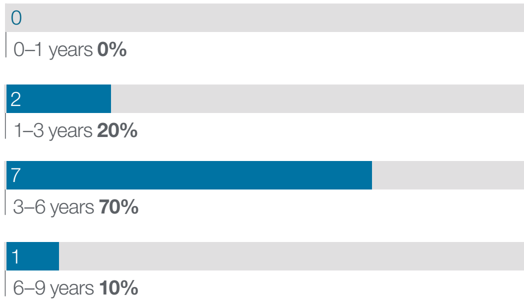
Representation from key markets



Banking, risk, finance, accounting experience amongst INEDs



INED tenure



Activities in the year continued

International Advisory Council	→ Continued to provide oversight of the development of an International Advisory Council to support the Group in its strategic thinking → Provided feedback on the longlist of chair candidates and considered the candidates on the final shortlist → Discussed and provided comments on the Council membership shortlist and provided input on the areas of expertise
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
Subsidiary governance	→ Received updates from the four Regional CEOs on the Group's approach to corporate governance. Received assurance of the effective oversight and compliance with the Subsidiary Governance Policy → Discussed current linkages between banking subsidiaries and the Group and the escalation of key risks through the structure → Consideration was given to the formal and informal enhancements made to improve the flow of information, including the committee Chairs hosting calls throughout the year and engagement with the subsidiaries by directors as they travel across the Group's markets → Commented on other practical ways to enhance and further strengthen the links, communication and information flows between the Group and the subsidiaries → Considered changes to the Group's corporate governance arrangements to reflect the proposed hub entity structure, including the Board structure and composition of Standard Chartered Bank
2018 UK Corporate Governance Code preparation	→ Reviewed key changes introduced by the 2018 UK Corporate Governance Code and a detailed gap analysis between the 2016 and 2018 Codes to understand where amendments to the existing processes were required → Considered the new workforce engagement provision within the 2018 Code, discussed the methods and alternative options and recommended a proposed alternative mechanism which would enable genuine engagement between the Board and the Group's global workforce
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 as well as aligning it to the new 2018 UK Corporate Governance Code

Implementation of the Board Diversity Policy

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

We strive to maintain a diverse Board, recognising the benefits of having a Board made up of individuals with a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attributes, skills and experience. This diversity provides a mix of perspectives which contribute to the effective Board dynamics.

Aligned to this broad objective, the Policy has five specific objectives which the Board is 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 2018, to ensure that it continues to drive diversity in its broadest sense, while continuing to take account of best practice initiatives, most recently the Parker Report into ethnic diversity, the Hampton-Alexander Review on women in leadership positions and the new 2018 UK Corporate Governance Code.

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

Details of the Board's diverse composition are set out on pages 57 to 59 of this report, and the diverse make up of Management Team can be found on pages 60 to 62. Gender representation across the Group can be found on page 44 of this report.

+ A copy of the full Board Diversity Policy can be viewed at sc.com/boarddiversitypolicy

Progress against the key objectives set out in the Board Diversity Policy is 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	Achieving a more balanced gender representation on the Board is an integral part of the Board's succession planning process. The target to have a minimum of 33 per cent female representation on the Board is now a realistic and welcome reality. The Board has seen female representation increase from 10 per cent in 2014 to 31 per cent today
Ensuring that the Board reflects the diverse markets in which we operate	What sets us apart is our diversity of people, cultures and networks. At the end of 2018 the Board had representation from a mix of our regions in which we operate, including the UK, US, India, Korea, Hong Kong and Nigeria. As part of the Committee's Board succession planning discussions it has considered a range of potential future INED candidates from across our markets
Ensuring that the Board comprises a good balance of skills, experience, knowledge, perspective and varied backgrounds	Throughout the year the Committee has focused on balancing the composition and make up of the Board, identifying where skills, experience, knowledge and diversity gaps exist, both immediately and in the longer term, and systematically reviewed candidate longlists to strengthen the pipeline of potential future INEDs
Only engaging search firms who are signed up to the Voluntary Code of Conduct for Executive Search firms	We continue to only engage search firms signed up to the Voluntary Code of Conduct. During 2018, the Committee engaged Egon Zehnder and Heidrick & Struggles to assist in identifying potential INED candidates and build a pipeline of high quality individuals. Egon Zehnder and Heidrick & Struggles are both signed up to the Voluntary Code and are committed in supporting our ambitions to widen all aspects of diversity on the Board
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	We have continued to improve our oversight of Board and senior talent succession planning as well as highlighting the importance and value placed on diversity in its broadest sense in the boardroom to continue to ensure that the Board's effectiveness is enhanced

Committee effectiveness review

Observations from the 2018 effectiveness review, undertaken by the Committee, can be found on page 69 of the Directors' report.

Board Financial Crime Risk Committee

"The Group's refreshed financial crime mission is 'Partnering to lead in the fight against financial crime'"

Committee composition

	Scheduled meetings
G Huey Evans, OBE (Chair)	4/4
D P Conner	4/4
C M Hodgson	4/4
N Kheraj	4/4
External adviser members	
B H Khoo	4/4
Sir Iain Lobban	4/4
F Townsend	4/4

Other attendees at Committee meetings in 2018 included: Group Chairman; Group Chief Executive; Group Chief Risk Officer; Group Head of Internal Audit; Group General Counsel; Global Head, Financial Crime Compliance; Group Head Compliance; Group Company Secretary.

Dr Ngozi Okonjo-Iweala also attended a Committee meeting as part of her ongoing engagement programme.

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

The Committee's membership comprises four independent non-executive directors and three 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 57 to 59.

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

Since 2012, the Group has implemented programmes of remediation and enhancement in managing financial crime risk. The Financial Crime Risk Mitigation Programme (FCRMP) was set up to deliver a significant improvement in the Group's financial crime risk management consistent with our strategic aspiration "to prove that Standard Chartered is leading the way in combating financial crime, while providing quality service for our clients." Five years later, we assess that – while there is always more to do – the Group's financial crime controls framework has been substantially transformed through a combination of business as usual enhancements and the workstreams initiated under the FCRMP.

Today, the Group expects to benchmark as being industry leading in the areas of financial crime compliance governance, risk assessment, client risk assessment within customer due diligence, and reporting. The Group also aspires to be industry leading in assurance but it is not yet there and the Committee will continue to monitor progress against achieving this.

The Group's refreshed financial crime mission is "partnering to lead in the fight against financial crime." Through its work, the Committee has sought and received assurances that the Group has the right foundations to succeed in this objective which contains three core elements. First, 'partnering' recognises that financial crime risk management requires more than a financial crime compliance function; we need to collaborate closely with the businesses and functions within the Group. It is also necessary to partner with external parties such as peer banks, clients, policy makers and law enforcement. 'Lead' maintains the Group's desire to be operating beyond a minimum acceptable level. The Group aims to raise standards in its markets, leading the industry in specific areas of focus and seeking to make financial crime compliance a source of competitive advantage. The third core element, 'fight against financial crime', is recognition that the Group aspires to do more than regulatory compliance. Standard Chartered aims to be active in denying financial criminals access to the financial system. This element is directly relevant to the Group's purpose of "driving commerce and prosperity through our unique diversity" as financial crime undermines prosperity.

Towards the end of 2017, Management prepared a Financial Crime Compliance Global Threat Assessment, designed to identify and evaluate the most significant financial crime threats faced by the Group and to develop a set of key recommendations in response to these threats. In 2018, the Committee discussed the financial crime future threats posed by virtual currencies, the illegal wildlife trade, and the broader money laundering and sanctions threats linked to Russia. The Group's global footprint means that we are well placed to offer a unique perspective on this last issue.

At the end of 2018, John Cusack stepped down as the Group's Global Head of Financial Crime Compliance (FCC) and Patricia Sullivan and David Howes were appointed Co-Heads of FCC. I would like to thank John for his work in helping the Committee discharge its responsibilities since its formation in 2015 and welcome David and Patricia to their new roles.

Gay Huey Evans, OBE
Chair of the Board Financial Crime Risk Committee

Activities in the year

Financial Crime Risk Mitigation Programme and US Supervisory Remediation Programme	→ Exercised ongoing oversight of the Group's FCRMP → Discussed and challenged progress reports as to the status of the FCRMP and discussed the findings of the independent testing that has been undertaken on the FCRMP → Received and discussed proposals from the Group Chief Information Officer on the FCRMP technology project deliverables and enhancements to embed more effective control over end-to-end data quality in support of financial crime risk management → Exercised oversight of the activity required to comply with the requirements of the US Deferred Prosecution Agreements (DPAs). More information about the DPAs can be found in Note 26 on page 305 → Exercised oversight of the Group's enhanced sanctions compliance programme
Assessment of financial crime risk	→ Discussed reports on the financial crime risks faced by the Group across a number of the Group's client segments and the regions in which it operate, and seeking and receiving assurance on the actions taken and being taken to strengthen controls in relation to these risks in a number of the Group's markets
Financial crime risk control environment	→ Discussed Group Internal Audit's view on the Group's control environment relating to financial crime risk. Such discussions include the grading of audit reports across the financial crime compliance risk themes, gaps and deficiencies that have been identified and sought and received assurance concerning management's response and resulting management actions → Discussed the continuing importance of employee engagement with regard to the seriousness of financial crime risk and how this can be embedded in a sustainable way as part of business as usual
Financial crime future threats	→ The Group has a Financial Crime Compliance Global Threat Assessment, designed 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 2018, the Committee discussed the financial crime future threats posed by virtual currencies, the illegal wildlife trade and the broader money laundering and sanctions threats linked to Russia
Group Risk Appetite Statement in relation to financial crime	→ Considered, discussed and recommended to the Board the Group's Risk Appetite Statement in relation to financial crime risk → Reviewed metrics to measure against Financial Crime Risk Appetite
Financial crime compliance Speaking Up	The ability of employees to disclose genuine concerns, including breaches of regulatory requirements, is essential to the maintenance of the Group's values. The principles and requirements relating to Speaking Up are detailed in the Group Speaking Up Policy and, specifically for financial crime, the Group Anti-Money Laundering and Counter Terrorist Financing Policy → Received and discussed a report on escalations relating to financial crime. One route for financial crime Speaking Up escalations is through Suspicious Activity Reports (SARs). The number of SARs demonstrates a good level of employee awareness regarding the need to raise concerns. Further details of the Group's Speaking Up programme can be found on pages 48 and 49
Financial Crime Compliance Function	The Committee discussed: → The refreshed mission of "Partnering to lead in the fight against financial crime" and the challenges to delivering this mission → The eight key objectives for the Financial Crime Compliance function for the next one to three years, proposed as part of the transition of Financial Crime Compliance to new leadership. At the beginning of 2019, Financial Crime Compliance will also refresh its self-assessment against the industry benchmarking criteria developed by EY to evaluate the FCRMP
Financial Crime information sharing	→ Received updates on significant financial crime compliance-related matters, including information-sharing initiatives in which the Group is playing a leading role. This includes the UK's Joint Money Laundering Intelligence Taskforce, Hong Kong's Fraud & Money Laundering Intelligence Taskforce and Singapore's Anti-Money Laundering and Countering the Finance of Terrorism Industry Partnership → Received updates on the principal partnerships in which the Group participates that aim to protect the integrity of the global financial system and improve the effectiveness of the contributions of financial institutions to fighting financial crime
Committee meetings held overseas	Committee meetings as part of the overseas Board visits enable the Committee members to engage with local management and local Financial Crime Compliance teams outside of formal Committee meetings One of the four Committee meetings in 2018 was held as part of the overseas Board visit to Nigeria. While in Nigeria, the Committee met with various local experts to discuss financial crime in Nigeria. The Committee also met with local management, business heads and the Financial Crime Compliance team to discuss an overview of the Nigeria risk environment, local financial crime risks, local Financial Crime Compliance audit findings, correspondent banking and the management of suspicious activities, transaction monitoring and name and transaction screening

Committee effectiveness review

Observations from the 2018 effectiveness review, undertaken by the Committee, can be found on pages 69 of the Directors' report.

Directors' remuneration report

"Delivering fair, transparent and competitive remuneration, rewarding improved financial and strategic performance"

Committee composition

	Scheduled meetings
C M Hodgson (Chair)	5/5
Dr L Cheung	5/5
Dr B E Grote	5/5
N Kheraj	5/5
J M Whitbread[1]	4/5

1 Jasmine Whitbread was unable to attend the meeting held on 25 July 2018 due to a prior arranged business commitment

Other attendees for relevant parts of Committee meetings in 2018 included: Group Chairman; Group Chief Executive; Group Head, HR; Global Head, Performance, Reward and Conduct; Group Company Secretary; Group Chief Financial Officer; Group Chief Risk Officer; Group General Counsel; Group Head of Compliance.

+ 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 colleagues. The Committee is already well positioned against the requirements of the revised UK Corporate Governance Code. In particular, the Committee:

- Determines and agrees with the Board the remuneration framework and policies for the Group Chairman, executive directors and other senior executives, taking into account workforce remuneration and the alignment of incentives and reward with culture
- Approves Group discretionary incentives, including risk adjustment
- 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
- 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

Highlights

- The Committee considered the improved financial and strategic performance in 2018 alongside other factors and concluded that remuneration outcomes should reflect a Group scorecard assessment of 55 per cent of the maximum
- 2018 Group discretionary incentives of $1,179 million which are 3 per cent higher than in 2017, compared with a 28 per cent increase in underlying profit
- Annual incentive award of 50 per cent of fixed remuneration for Bill Winters, Group Chief Executive, and 48 per cent of fixed remuneration for Andy Halford, Group Chief Financial Officer
- Good progress made on delivering against the commitments set out in our Fair Pay Charter
- A new directors' remuneration policy will be proposed for implementation in 2019, subject to shareholder approval at the Annual General Meeting (AGM). The key elements of the proposed policy are:
  - Simplified structure of fixed remuneration
  - Alignment of pension contribution for new directors to the contribution level for UK employees
  - Unchanged structure of variable remuneration
  - In certain specific retirement situations the Committee will have the flexibility to choose to disapply the time proration of long-term incentive plan (LTIP) awards. This will not be automatic and the Committee will consider the circumstances of each case at the relevant time
  - Significantly increased shareholding requirements
  - Introduction of post-employment shareholding requirements

Introduction

On behalf of the Remuneration Committee, I am pleased to present the directors' remuneration report for the year ended 31 December 2018.

This directors' remuneration report is subject to two shareholder votes at the 2019 AGM:

- The application in 2018 of the existing directors' remuneration policy is subject to an advisory vote
- A binding vote on the proposed directors' remuneration policy which, if approved, will apply from the date of the AGM. The policy sets out the framework for directors' remuneration for up to three years

Our Fair Pay Charter sets out the principles we use to make remuneration decisions that are fair, transparent, competitive and strongly reflect business and individual performance, supporting us in embedding a high performance culture. Our approach to remuneration promotes long-term focus and alignment with shareholder interests, and reflects the achievement of financial and strategic results as well as the demonstration of our valued behaviours in pay decisions. We seek to keep remuneration as simple as possible, ensure we meet all regulatory requirements and incorporate evolving best practice. In making decisions on remuneration for 2018 for all colleagues, and in setting the direction for 2019, the Committee considered these principles as well as the progress made since 2015, the overall performance of the Group in 2018 and our refreshed strategic priorities for 2019 to 2021.

We believe that our decisions deliver competitive remuneration, fairly differentiated to reward colleagues for the financial and strategic performance which has delivered the fundamentally stronger platform off which to grow and transform the business further.

For the year ahead, remuneration decisions will reflect our refreshed strategy for 2019 to deliver our next phase of growth. The strategy seeks to improve productivity significantly and to deliver strong results to our stakeholders.

Our Fair Pay Charter

Attracting, retaining and motivating a diverse, future-ready workforce is essential to delivering on our purpose, long-term strategy and shareholder returns. In support of this, in 2017 the Committee developed our Fair Pay Charter which sets out the principles we use to determine and deliver pay for all colleagues globally, including senior management and executive directors. We are proud to share in this report more details about how we meet the commitments in the Charter and our plans for making further progress against the stretching goals we have set ourselves. One of these goals is to pay a living wage across all 60 of our markets. During 2018, we developed our understanding of living wages and took action to pay all employees at or above this level, meeting our commitment one year ahead of our target. We have also developed our wellbeing programme with benefits which underpin our four pillars: mental, physical, social and financial wellbeing, and have begun a multi-year programme introducing flexibility to allow colleagues to tailor their benefits to their individual needs.

Remuneration outcomes for 2018

In 2015, we announced a strategic plan to secure the Group's foundations, get lean and focused, and invest and innovate. Substantial progress has been made in executing the strategy. Underlying profit is four times higher and return on equity (RoE) on an underlying basis has increased to 4.6 per cent. The quality of our loan portfolio is greatly improved and our Common Equity Tier 1 (CET1) ratio has reached 14.2 per cent, which – together with our improved profitability – allowed us to reinstate the full year and interim dividends during 2018. The progress made in building a fundamentally stronger platform is a critical enabler to delivering sustainable returns above the cost of capital over the medium term. When determining 2018 remuneration outcomes, the Committee:

- Considered the importance of rewarding employees for the improved strategic and financial performance in the year. Underlying profit has increased by 28 per cent year-on-year. Organic capital generation and enhanced risk management have further increased the Group's resilience. Strategic progress has been made including improved client satisfaction, credit quality and cost savings, growth in digital volumes and significant improvements in innovation
- Acknowledged the disappointing share price performance in 2018 and, that despite improved profitability, returns are not yet above the cost of capital
- Took account of current and future risks identified by the Group's Principal Risk Types including operational, conduct, information and cyber security and financial crime risks
- Considered the wage inflation pressures in many of the emerging markets in which we operate. 95 per cent of colleagues are based outside of Europe & Americas

Considering these factors, the Committee concluded that remuneration outcomes should reflect a Group scorecard assessment of 55 per cent of the maximum. This resulted in discretionary incentives in 2018 of $1,179 million, representing an increase of 3 per cent on 2017 compared with a 28 per cent increase in underlying profit.

The status of historical financial crime controls was taken in to consideration by the Committee when determining historical incentives and risk adjustments were made at that time. The ongoing remediation of financial crime control issues formed part of the scorecards used to determine 2018 remuneration outcomes, and maintaining and enhancing effective financial crime compliance controls is also reflected in the scorecards that will be used to determine 2019 remuneration outcomes. The Committee will continue to monitor the resolution of the US investigation and the FCA process and consider it as part of remuneration decision-making as new information comes to light.

Directors' remuneration in 2018

Under the existing policy, approved by shareholders in May 2016, executive directors were eligible for a maximum annual incentive of 80 per cent of fixed remuneration (see 2018 annual incentive awards below) and a maximum long-term incentive plan award of 120 per cent of fixed remuneration (see 2019–21 LTIP awards to be granted in March 2019 below) in respect of 2018.

2018 annual incentive awards

The Committee determined that Bill and Andy should receive annual incentives of 50 and 48 per cent of fixed remuneration respectively based on Group and individual performance (compared with 61 per cent in 2017). Notwithstanding the improvement in Group performance and the strong personal performance against their objectives, the more stretching targets set for 2018 and the Committee's consideration of other factors including share price performance during the year resulted in a 17 per cent year-on-year reduction in the annual incentive award for Bill and an 18 per cent year-on-year reduction for Andy. Further information on the determination of the annual incentive awards is provided on pages 97 to 99.

2019–21 LTIP awards to be granted in March 2019

2019–21 LTIP awards will be granted in March 2019, delivered in ordinary shares and with a value of 120 per cent of fixed remuneration at the time of award. Depending on performance over the next three years, awards will be deferred over seven years and an additional one-year retention period will apply post-vesting. Performance will be assessed based on return on tangible equity (RoTE) (with a CET1 underpin), total shareholder return (TSR) relative to a peer group, and the achievement of strategic measures that are aligned to the Group's refreshed strategic priorities; to deliver our network and grow our affluent business; transform and disrupt with digital; and purpose and people.

RoTE is one of the financial KPIs that will be used to measure progress against our refreshed strategic priorities (see pages 17 to 19). 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 2019–21 LTIP awards is 8 to 11 per cent, which has been set considering the Group's current financial position and plan, and the market environment and outlook. The broadly equivalent RoE range is 7 to 10 per cent which represents a continued increase in the stretch of our performance targets over recent years, from an RoE target range of 5 to 8 per cent for the 2017–19 LTIP and from a range of 6 to 9 per cent for the 2018–20 LTIP. Further information on the grant of the 2019–21 LTIP awards is provided on pages 99 to 100.

2016–18 LTIP awards vesting in May 2019

The 2016–18 LTIP awards are due to vest in May 2019 and are subject to performance over three years from 2016 to 2018. Following an assessment of the performance conditions, 27 per cent of these awards are expected to vest. This reflects zero vesting for the RoE and TSR measures which are below the threshold targets set and strong performance against our strategic objectives, securing the foundations needed to deliver higher returns in the medium-term.

Further information on the vesting of the 2016–18 LTIP awards is provided on pages 100 to 101.

Single total figure of remuneration for 2018

The 2018 single total figure of remuneration consists of fixed remuneration received in 2018, annual incentives relating to 2018 performance (see above section on 2018 annual incentive awards), and long-term incentives where 2018 is the last year of the performance cycle (see above section on 2016–18 LTIP awards vesting in May 2019). The single figure for Bill for 2018 is £5,950,000 and for Andy is £3,645,000.

This represents a year-on-year increase of 27 and 28 per cent respectively, reflecting the first LTIP awards vesting to Bill and Andy since their appointments in 2015 and 2014 respectively.

A significant portion of their total remuneration is delivered in shares which will be released over the next five years. The deferral, retention and recovery provisions reinforce continued alignment with shareholder interests and the Group's long-term performance. Further information on the single total figure of remuneration is provided on page 101.

Proposed new directors' remuneration policy

We will be proposing a new directors' remuneration policy to shareholders for approval at the AGM in May 2019. The Committee conducted a detailed review of the directors' remuneration policy in 2018 and considered views of shareholders, our refreshed strategic priorities, market benchmarking and best practice.

The current policy is well-supported by shareholders (receiving a 94 per cent vote in favour when it was implemented in 2016) and continues to support the delivery of our long-term strategy. During our review of the policy, alternative variable remuneration structures were considered, such as removing the long-term incentive component and introducing restricted shares. Following careful consideration, the Committee decided to retain the key features of the current policy, and to enhance some components in order to achieve further simplicity, increase shareholder alignment and reinforce sustained long-term focus on our strategic priorities. The refreshed policy ensures continued regulatory compliance and reflects evolving best practice in many areas. The key features of the new policy are:

- A simplified fixed pay structure combining salary and fixed pay allowances (FPA) into 'total salary' delivered as a combination of cash and shares. This reflects that both of these elements are considered when determining the pay of the executive directors for their role, skills and experience
- For future directors we will set the pension contribution at 10 per cent of total salary in line with the pension contribution rate for all employees in the UK. For the existing directors, to deliver the current contractual value and to reflect the change to total salary, pension will be set at 20 per cent of total salary
- Significantly increased shareholding requirements to 250 per cent of total salary for the Group Chief Executive and 200 per cent of total salary for the Group Chief Financial Officer. This significantly increases the value of the required holding and changes the structure of the requirement from a specified number of shares to a percentage of total salary, which is more common practice
- A new post-employment shareholding requirement of 100 per cent of the shareholding requirement in place for one year and 50 per cent of the requirement in place in the second year following cessation of employment

Currently, if an executive director retires, their LTIP awards vest on a pro rata basis depending on time served during the performance period. The Committee has carefully considered, and discussed with major shareholders, the inclusion of a provision in the policy to provide them with the flexibility to disapply time proration on the vesting of LTIP awards in certain circumstances. This would reinforce the alignment of executive directors' remuneration with the Group's financial and strategic performance and shareholders' interests beyond their tenure. Before considering whether to exercise their discretion to disapply proration to the vesting of LTIP awards the Committee would need to be satisfied that the executive director:

- Has more than five years' service on the Board
- Is retiring from full-time employment in financial services and comparable roles in other industries
- Has demonstrated satisfactory conduct and achieved their performance objectives
- Has a Board approved handover plan in place to support the transition to an identified successor

If these criteria have been met the Committee would then carefully consider using its discretion to disapply time proration on a case-by-case basis, taking into account all of the circumstances at that time. If the flexibility were to be used, typically, there would be no LTIP award in the final year of employment or additional payments in lieu of notice and there will be clear and detailed disclosure in the subsequent directors' remuneration report explaining the circumstances and why the decision was made. If an executive director retires and subsequently takes up comparable executive employment again, unvested awards that had proration disapplied will lapse and the executive will be expected to re-pay any vested awards.

Details of the proposed directors' remuneration policy for 2019 and how it will be implemented are set out on pages 108 to 117.

Directors' remuneration for 2019

Following a review of fixed remuneration, the Committee noted that there had been no increase for Bill since his appointment in June 2015. Taking this into account, together with his development in the role since joining the Group and his remuneration compared with global peers, the Committee awarded a total salary increase of 3 per cent, from £2,300,000 to £2,370,000, with effect from 1 April 2019. In making this decision the Committee also took into account the pay increases made to the broader employee population, which have been, on average, 4 per cent per year since 2015.

Following the review, no increase was made to fixed remuneration for Andy. His fixed remuneration components will be rebalanced to maintain the same total fixed remuneration and a similar proportion of cash under the new policy as currently (details are provided on page 116).

The Committee will continue to review fixed remuneration annually. The structure of remuneration in 2019 will be set by the new directors' remuneration policy being proposed at the May 2019 AGM, which is summarised above with full details on pages 108 to 115.

We have consulted shareholders extensively as part of reviewing our directors' remuneration policy and I would like to thank them for their engagement and valuable contribution. I look forward to further engagement with stakeholders during 2019 and hearing your views.

Christine Hodgson
Chair of the Remuneration Committee

Remuneration summary

Variable remuneration awarded to directors in respect of 2018

In 2018, the annual incentive opportunity for executive directors was a maximum of 80 per cent of fixed remuneration. The annual incentive reflects the Group scorecard outcome of 55 per cent of the maximum and the executive director's personal performance in their respective areas of responsibility. Executive directors will also receive an LTIP award of 120 per cent of fixed remuneration, subject to three-year RoTE performance (with a CET1 underpin), relative TSR and a combination of strategic measures focused on the delivery of the strategic priorities. Detailed information on the determination of individual variable remuneration awards can be found on pages 97 to 101.

	W T Winters		A N Halford	
	2018	2017	**2018**	2017
Annual incentive (£000)	**1,391**	1,678	**850**	1,039
Annual incentive as a percentage of fixed remuneration (excluding benefits)	**50%**	61%	**48%**	61%
LTIP award (value of shares subject to performance conditions) (£000)	**3,312**	3,312	**2,118**	2,051
LTIP award as a percentage of fixed remuneration	**120%**	120%	**120%**	120%
Total variable remuneration as a percentage of fixed remuneration	**170%**	181%	**168%**	181%
Total variable remuneration (£000)	**4,703**	4,990	**2,968**	3,090

New directors' remuneration policy for 2019

At our May 2019 AGM we will propose a new directors' remuneration policy. Full details of the policy are set out on pages 108 to 115 of this report. The following table sets out the key elements of the proposed policy and an explanation of the changes being made.

Summary of the proposed new directors' remuneration policy

	Element of proposed policy	Summary	Details
Fixed remuneration	Total salary	A combination of existing cash salary and fixed pay allowance, to be delivered part in cash paid monthly and part in shares to be released over five years	New structure for 2019 to simplify the labelling of fixed pay
	Pension	20 per cent of total salary for existing directors and 10 per cent of total salary for new directors	The policy for new directors is in line with the pension contribution rate for all UK employees
	Benefits	Benefits package which supports directors to carry out their duties effectively	Unchanged from previous policy
Variable remuneration	Annual incentive award	Based on the Group scorecard of a combination of financial and strategic targets and personal performance, measured over one year Maximum opportunity of 80 per cent of fixed remuneration (defined as total salary and pension) to be delivered as a combination of cash and shares subject to holding requirements	Unchanged from previous policy
	Long-term incentive plan award	Awards to be granted annually and subject to performance measured over three years Maximum opportunity of 120 per cent of fixed remuneration with phased vesting over three to seven years	Unchanged from previous policy
		Total variable remuneration cannot exceed 200 per cent of fixed remuneration	Unchanged from previous policy
Other elements	Shareholding requirements	Increased to 250 per cent of total salary for the CEO and 200 per cent of total salary for the CFO	The new policy introduces significantly increased requirements and is set as a proportion of total salary rather than a number of shares to align with market practice
	Post-employment shareholding requirement	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	New provision for 2019 to increase alignment with shareholder interests and long-term focus
	Leaver provisions	The Committee will have the discretion to disapply proration for time not served during the performance period to the vesting of LTIP awards, in specific retirement situations and on a case-by-case basis, when specific criteria have been met	New provision for 2019 to provide the Committee with the ability to reinforce that directors' remuneration supports robust succession and transition planning and sustained long-term focus

Executive directors' remuneration structure in 2019

The following table illustrates the structure of the new policy, demonstrating the long-term delivery of remuneration:

Element	2019	2020	2021	2022	2023	2024	2025	2026	2027	Implementation for 2019
Total salary cash	Total salary shares (phased release) (2020–2024)									→ **Bill Winters:** £2,370,000 (an increase of 3 per cent with effect from 1 April 2019), delivered 50 per cent in shares, 50 per cent in cash → **Andy Halford:** £1,471,000 delivered 33 per cent in shares and 67 per cent in cash → Total salary shares allocated during 2019 and released from 2020 over five years
Pension and benefits										→ Pension of 10 per cent of total salary for any new executive director appointed → Pension of 20 per cent of total salary for existing executive directors to fulfil existing contractual requirements: £474,000 for Bill and £294,000 for Andy → A benefits package that supports executives to carry out their duties effectively
Annual incentive		Awarded								→ Maximum of 80 per cent of fixed remuneration → Determined based on a balanced scorecard and personal performance → The Group scorecard is weighted 50 per cent financial measures and 50 per cent strategic measures. Further details can be found on page 117 → Delivered in March 2020 following year end → Subject to ex-post risk adjustment provisions
LTIP		Performance period (2020–2022)			Phased vesting (2023–2027)					→ Maximum of 120 per cent of fixed remuneration → Award deferred for three to seven years, with performance measured over 2020 to 2022 and vesting between 2023 and 2027 → Performance measures for LTIP awards to be granted in March 2020 will be disclosed in the 2019 annual report → Subject to ex-post risk adjustment provisions

Remuneration approach for all employees

Employees typically receive salary, pension and other benefits and are eligible to be considered for variable remuneration (determined based on both business and individual performance). To support transparent communication with colleagues on pay, we are publishing our first internal Fair Pay Report which will update colleagues on how the Fair Pay Charter is being met through our reward and performance approach, as well as highlighting areas of the Charter where the Group intends on making further progress in meeting its objectives.

Our Fair Pay Charter and a summary of the Fair Pay Report, together with details of our Group-wide remuneration approach and how it applies to different groups of employees, is provided on pages 103 to 104.

Element	Operation
Total salary	→ Salaries reflect the skills and experience of the individual and are reviewed annually, taking into account market information, the individual's personal performance and affordability → Group-wide principles are applied when salaries are set and reviewed and apply to all employees, including executive directors → Salaries are typically delivered in cash monthly. For executive directors a portion of salary is delivered as shares over five years to enhance alignment with shareholder interests
Pension and benefits	→ Benefits are provided depending on local market practice and typically comprise company-funded elements such as pension schemes, private medical insurance, permanent health insurance, life assurance and cash allowances → Pension levels differ globally to be competitive and to meet regulatory requirements in our different markets, and there is therefore no single pension level across the Group
Discretionary variable remuneration	→ Employees are typically eligible to be considered for variable remuneration based on Group, business and individual performance → The same Group scorecard is used for all those eligible including the executive directors → Annual incentives are delivered in cash up to certain limits and the balance is deferred in shares and/or cash

The Remuneration Committee

The Committee is responsible for overseeing the remuneration of all colleagues including determining the framework and policies for the remuneration of the Group Chairman, the executive directors and other senior management, and overseeing workforce remuneration, ensuring 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[1] at the AGM in May 2018 on remuneration-related matters. The binding vote on the directors' remuneration policy at the May 2016 AGM received a vote in favour of 94 per cent.

	For	Against	Withheld
Advisory vote on the 2017 remuneration report	629,891,075 (96.66%)	21,735,458 (3.34%)	11,506,710

1 Number of votes is equal to number of shares held

During 2018, the Committee consulted with shareholders on the development of the new directors' remuneration policy and the performance measures used to determine variable remuneration outcomes and sought feedback. The proposed policy has been refined and finalised taking shareholder feedback into consideration. In particular, key areas of focus for shareholders were shareholding requirements, pension contribution levels and the introduction of discretion to disapply time proration to the vesting of LTIP awards for retiring executive directors in certain circumstances.

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 £137,231 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 (included in the above fee) and from Willis Towers Watson.

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

Priorities for the Committee in 2019

Specific priorities for the Committee in 2019, in addition to its usual scheduled activities, will be to:

- Implement the 2019 directors' remuneration policy for executive directors
- Continue to review the implementation of the Fair Pay Charter and alignment of workforce policies and practices with the 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 a high performance, client focused, innovation culture and the delivery of the strategy
- Ensure compliance with the requirements of the 2018 UK Corporate Governance Code and the additions to the Directors' Remuneration Report Regulations for financial years starting on 1 January 2019

Committee effectiveness review

Observations from the 2018 effectiveness review undertaken by the Committee can be found on page 69 of the Directors' report.

Committee activities in the year	16 January	30 January	25 July	2 October	28 November
Consideration of financial performance and risk, control and conduct matters	✓	✓	✓	✓	✓
Summary of engagement with shareholders and regulators, and consideration of feedback, emerging regulatory, investor, political and governance trends, and AGM outcomes	✓	✓	✓	✓	✓
Executive directors' remuneration:					
Review of the directors' remuneration policy			✓	✓	✓
Review of fixed and variable remuneration	✓				✓
Annual and long-term incentive performance measures, targets and outcomes	✓	✓		✓	✓
Senior management remuneration:					
Review remuneration proposals on recruitment and on termination of senior employees			✓	✓	
Review of fixed and variable remuneration for senior management	✓				✓
Identification of material risk takers and review of fixed and variable remuneration	✓			✓	✓
Annual and long-term incentive performance measures, targets and outcomes	✓	✓			✓
All employee remuneration:					
Group-wide discretionary incentives	✓		✓	✓	✓
Outcomes from the annual performance and reward review	✓				
Annual and long-term incentive performance measures, targets and outcomes		✓			
The Fair Pay Charter and the gender pay gap	✓		✓	✓	

The Committee held an additional meeting in 2018 to discuss strategic matters relating to the Group's approach to performance management and remuneration with particular focus on the changing nature of the workforce and workplace and on how we reward our colleagues.

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

Directors' remuneration in 2018

This section sets out how the remuneration policy approved by shareholders in 2016 was applied during 2018 and, together with the section on 2018 fees for the Group Chairman and independent non-executive directors (INEDs), is subject to an advisory shareholder vote at the 2019 AGM. Standard Chartered's remuneration policy in place for 2018 for executive directors, the Group Chairman and INEDs was approved at the AGM held on 4 May 2016 and applies for three years from that date. The full policy can be found on pages 105 to 114 of the 2015 Annual Report.

Annual incentive awards for the executive directors (audited)

Annual incentive awards for all eligible employees are based on the assessment of the Group scorecard, an assessment of individual performance and, for most employees, an assessment of the performance of their business area or function. The same Group scorecard is used for the executive directors and other employees.

For Bill Winters and Andy Halford, the Committee considered Group performance, the performance of each of them, 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 achieved good financial performance during 2018 in challenging operating conditions, delivering improved income, operating profit and RoE. Specific strategic achievements included improved client satisfaction, credit quality and cost savings, growth in digital volumes and significant improvements in innovation.

Measures	Weighting	Target[4, 5]	Assessment of achievement	Outcome
Total income[1]	10%	→ Threshold: $14.5 billion → Mid-point of target range: $15 billion → Maximum: $15.5 billion	$15 billion	5%
Operating profit[1]	10%	→ Threshold: $3.1 billion → Mid-point of target range: $3.45 billion → Maximum: $3.8 billion	$3.9 billion	10%
RoE plus CET1 underpin[2]	20%	→ Threshold: 4% → Mid-point of target range: 4.5% → Maximum: 5%	RoE of 4.6% CET1 of 14.2%	10%
Funding optimisation[3]	10%	→ Threshold: 3 basis points (bps) → Mid-point of target range: 5 bps → Maximum: 7 bps	4.2 bps	4%
Focus on clients and growth, and drive cross-bank collaboration	10%	→ Improve client satisfaction rating → Deliver client growth in target segments → Increase segmental collaboration	→ Client satisfaction improved and targets exceeded across Commercial and Private Banking client segments → Client growth just behind target and further improvement required in segmental collaboration	5%
Strengthen foundations in risk and control	10%	→ Improve credit quality → Maintain effective and sustainable anti-money laundering (AML) and sanctions controls → Successfully deliver cyber risk management plan milestones	→ Exceeded targeted improvement in credit quality → Achieved targets for AML and sanctions controls → Slightly behind target in achievement of cyber risk management plan milestones	5%
Improve efficiency, productivity and service quality	10%	→ Achieve gross cost savings and cost-to-income ratio targets → Improve productivity → Improve client on-boarding turnaround time	→ Client on-boarding turnaround times improved as targeted → Gross cost savings of $527m exceeded a target of $450m and risk adjusted revenue measures per FTE ahead of targets set → Cost-to-income ratio of 68% is behind threshold level	7%
Embed innovation, digitisation and analytics	10%	→ Deliver growth in digital volumes → Drive innovation through new products, solutions and services to clients	→ Target achieved in growth in digital volumes → Significant improvements made in innovation exceeding initial targets set against an index	7%
Invest in people, strengthen culture and conduct	10%	→ Improve management diversity → Improve scores against employee engagement and culture of inclusion metrics	→ Employee net promoter score of 11.3 exceeded a target of 7.5 and sustainability targets exceeded → Satisfactory progress made on conduct plans as targeted → Diversity and culture of inclusion metrics behind target	6%
Total	**100%**		**Total scorecard assessment**	**59%**
The Committee considered underlying business performance, shareholder returns and current and future risks identified by the Group's Principal Risk Types including operational, conduct, information and cyber security and financial crime risks and concluded that annual incentives should reflect a scorecard outcome of 55 per cent. The Committee recognises that share price performance during 2018 was disappointing, and took this into account when finalising the overall annual incentive outcomes for the executive directors and other employees.				
			Total scorecard outcome for the executive directors and other employees	**55%**

Notes to the 2018 Group scorecard assessment

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 246
2 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 underpin was set at the higher of 12 per cent or the minimum regulatory level as at 31 December 2018 (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. 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 were 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

The Committee assessed Bill as having outstanding personal performance against his personal objectives during 2018 and in role modelling the valued behaviours expected by the Board. During 2018, Bill's leadership has secured the improved performance reflected in the scorecard, as well as broader successes in strengthening the Group's foundations and in the increased impetus to becoming a simpler, more productive and more innovative organisation.

Taking this into account, the Committee considered an adjustment of 8 percentage points to be appropriate and determined to award an annual incentive of 63 per cent of the maximum opportunity. This equates to 50 per cent of fixed remuneration (61 per cent in 2017).

Key objectives	Achievement
Lead by example and role model the Group's valued behaviours	→ The Committee considered Bill as having role modelled the conduct and behaviour expected by the Board, setting the very strong tone from the top and the high bar on conduct, which have been instrumental in delivering the 2018 financial and strategic objectives → This is supported by feedback from colleagues across the Group, the leadership team and the Board, showing that Bill is a very effective, respected and trusted executive leader
Embed culture change, instilling a challenging, high performance culture	→ During 2018, Bill continued to build on his efforts in 2017 to strengthen the culture across all levels and areas of the business. He personally led the refresh and launch of our valued behaviours and has devoted considerable time and effort to embedding these → Bill's energy and focus has had positive results, with the stronger performance culture evident to the Board, both in improved performance and in day-to-day operations → Bill personally led initiatives to embed a new approach to problem-solving that increases simplicity and speed in client processes and injected a new focus on innovation, meeting key objectives set by the Board
Develop refreshed long-term vision and strategy for the Group	→ During 2018, Bill met his objective to better understand the long-term challenges the Group is facing from external domains and to put plans in place to turn these into opportunities for longer-term growth. The results of this are evident in the refreshed strategic priorities
Maintain effective and constructive relationships with our stakeholders	→ The Committee considered Bill to have delivered against this objective based on regulatory, investor and client feedback → Bill took significant time personally to cultivate and maintain important client relationships

Andy Halford

The Committee assessed Andy as having made a strong personal performance during 2018 against his personal objectives and in demonstrating the valued behaviours expected by the Board. During 2018 Andy led the successful design of key strategic initiatives for the Group, improving efficiency and productivity. Taking these achievements into account, alongside Andy's personal contribution to the scorecard outcome, the Committee considered an adjustment of 5 percentage points to be appropriate and determined to award an annual incentive of 60 per cent of the maximum opportunity. This equates to 48 per cent of fixed remuneration (61 per cent in 2017).

Key objectives	Achievement
Lead by example and role model the Group's valued behaviours	→ The Committee considered that Andy continues to foster a positive culture, setting the tone from the top by demonstrating very high standards of conduct and behaviour → He maintains strong relationships with stakeholders and colleagues, and constructively challenges and contributes to the Management Team and the Board's decision-making
Deliver agreed 2018 plans for Corporate Development, Strategy, Property and Treasury	→ Andy exceeded targets for Strategy and Corporate Development, with executable plans in place for nine key growth markets and relevant corporate transactions delivered effectively → Andy met Treasury targets, enhancing quality, reducing the costs of the liabilities base and making strong progress on improving portfolio risk/return → Andy met Property targets, reducing Property costs per employee
Deliver improved productivity	→ Andy has dedicated significant time and effort to driving the shift from efficiency to productivity in 2018, with signs of early progress and foundations in place for 2019 → Gross cost reductions for 2018 exceeded targets set. Andy enhanced and simplified reporting and tracking in 2018, operationalising new productivity metrics in line with targets set → Key milestones on IFRS9 were met → In 2018, Andy made a significant contribution to creating a Hong Kong hub entity structure to enhance further capital and liquidity utilisation across the Group → Net interest margins continued to improve in 2018
Deliver on people and conduct plans for functions in his portfolio	→ Andy delivered a material improvement in employee net promoter score, in the culture of inclusion and on female management diversity metrics for his functions, exceeding the targets set → He has delivered the people development plans across his portfolio, including very good progress in developing a strong leadership team
Maintain effective and constructive working relationships with stakeholders	→ The Committee considered Andy to have delivered against this objective based on regulatory and investor feedback and progress on relevant regulatory matters and transactions

Long-term incentive plan awards for the executive directors to be granted in 2019

LTIP awards for the 2018 performance year will be granted to Bill and Andy in March 2019 with a value of 120 per cent of fixed remuneration (£3.3 million and £2.1 million respectively).

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 2022 to March 2026) subject to meeting the performance measures set out below at the end of 2021. All vested shares are subject to a 12-month retention period.

The Committee's starting point for determining performance measures and target levels was to review the financial plan and the Group's strategic priorities. The Committee also balanced the Group's current financial position and the market environment and outlook with ensuring the executive directors are incentivised in a challenging yet realistic manner.

Performance for 2019–21 LTIP awards will be assessed based on RoTE (with a CET1 underpin), TSR relative to a peer group, and the achievement of strategic measures. This aligns with the Group moving to reporting RoTE, rather than RoE, as it is a more commonly used metric. The equal weighting of the measures provides a balanced performance assessment, giving an appropriate focus on execution of the strategy, investor returns and prudent risk-taking.

The RoTE target range for 2019–21 LTIP awards is 8 to 11 per cent, which has been set considering the financial plan and market outlook. The equivalent RoE range is broadly 7 to 10 per cent which represents a continued increase in the stretch of our performance targets over recent years, from an RoE target range of 5 to 8 per cent in the 2017–19 LTIP and from a range of 6 to 9 per cent in the 2018–20 LTIP.

The criteria used to select the comparator group for the calculation of the relative TSR performance measure are companies with generally comparable business activities, size or geographic spread to Standard Chartered or companies with which the Group competes for investor funds and talent. In aggregate, the comparator 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 2019–21 LTIP awards will be the same as for the 2018–20 LTIP and is detailed overleaf. 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 2019–21 long-term incentive plan awards

Conduct gateway requirement to be met in order for awards to vest
An appropriate level of individual valued behaviours and conduct have to be exhibited before the vesting of awards is considered.

Measure	Weighting	Amount vesting (as a % of total award)	Threshold performance target	Maximum performance target
1. RoTE[1,2] in 2021 plus CET1 underpin of the higher of 13% or the minimum regulatory requirement	One-third	→ Maximum – 33.3% → Threshold – 8.3% → Below threshold – 0%	8%	11%
2. Relative TSR[3] against peer group	One-third	→ Maximum – 33.3% → Threshold – 8.3% → Below threshold – 0%	Median	Upper quartile
3. Strategic measures	One-third	→ Maximum – 33.3% → Minimum – 0%	→ Performance against each component of the scorecard will be assessed by the Committee using proof points to determine the percentage of the award that may vest	
Deliver our network and grow our affluent business			→ Improve client satisfaction rating → Deliver client growth in target segments → Capitalise on China opportunities including through RMB and mainland wealth growth → Develop Africa through digital growth, increasing the number of clients and improving client satisfaction → Maintain credit quality	
Transform and disrupt with digital			→ Use partnership, platforms and technologies to improve client experience → Deliver progression through growth in digital volumes	
Purpose and people			→ Enhance compliance and financial crime compliance controls → Successfully deliver cyber risk management plan milestones → Develop Human Capital by improving diversity, employee engagement and culture of inclusion metrics and by delivering conduct plans	

1 Normalised RoTE is based on profit attributed to ordinary shareholders, adjusted, on a tax-affected basis, for any fair value changes relating to gains/losses on disposals, exceptional transactions and restructuring gains and losses, expenses and impairments that are significant or material in the context of the Group's normal business for the period, 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 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 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 to that of the comparators positioned immediately above and below it and straight-line vesting applies

The comparator group for the TSR measure in the 2019–21 LTIP is set out below:

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

Performance outcomes for 2016–18 long-term incentive plan awards

LTIP awards were granted to Bill and Andy in 2016 with a face value of 200 per cent of fixed remuneration, to reinforce the achievement of the business turnaround and incentivise the new executive directors. The Committee determined there would be no annual incentives in respect of 2015 due to the Group's financial performance.

The award was 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 threshold RoE target has not been achieved and the relative TSR threshold target will be measured in March 2019 but is estimated not to have been achieved and, therefore, there will be no vesting for the 66.6 per cent of the awards subject to these measures. The strategic element of the LTIP was designed to measure progress against key elements of the strategic objectives set out for the Group in 2015. The Committee considered performance against the proof points as set out in the table below and determined that in the majority of cases the targets set had been met or exceeded, with good progress being made in other areas, reflecting strong overall performance across the scorecard. The Committee believes this is consistent with the Group's very strong overall progress against these strategic objectives over the period 1 January 2016 to 31 December 2018 which is crucial in laying the foundations for future sustainable returns. The Committee recognises that this has not yet translated into RoE above 7 per cent or shareholder returns above median, and on this basis the Committee determined that the overall vesting of the LTIP would be 27 per cent.

The awards will vest pro rata over 2019 to 2024 and shares will be subject to a six-month retention period post-vesting. Malus and clawback provisions apply. The table below summarises the performance measures, targets and performance outcomes.

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2016–18 LTIP outcome
RoE[1] in 2018 plus CET1 underpin	One-third	7%	10%	RoE 4.6% and CET1 14.2% therefore 0% vested
Relative TSR performance against comparator group	One-third	Median	Upper quartile	Positioned below the median therefore 0% vested (estimated outcome as final TSR performance will be measured in March 2019)
Strategic measures	One-third			Following the assessment shown below 27% of the total award vested

	Proof point	Assessment
Conduct and financial crime remediation	→ Successfully execute the Group's financial crime risk and other conduct-related mitigation and remediation programmes	→ The Group has made significant progress in successfully executing against the Financial Crime Risk and other conduct-related mitigation and remediation programmes
Secure the foundations	→ Liquidate and exit identified non-strategic assets: $25 billion of risk-weighted assets (RWA) to nil by end of 2018	→ $25 billion of non-strategic RWA exited as at 31 December 2018 meeting the stretching target set
	→ Cost discipline: deliver $2.3 billion gross efficiency target	→ $3.1bn of gross efficiency savings have been delivered as at 31 December 2018, significantly exceeding the original target of $2.3 billion
Get lean and focused	→ Retail: progress towards achieving a cost income ratio of c.55% by 2020	→ The Retail cost to income ratio has not yet materially improved. 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 50bps between 2016 and the end of 2018, meeting targeted returns from the revised strategic focus
	→ Restructure of Corporate & Institutional Banking and Commercial Banking: achieve $50 billion of RWA optimisation by 2018	→ Corporate & Institutional Banking and Commercial Banking RWA optimisation and efficiency significantly improved in each performance year during the period
Invest and innovate	→ Private Banking and Wealth Management – grow assets under management (AUM) by $25 billion	→ Private Banking and Wealth Management AUM grew by $16 billion, which was below the initial target of $25 billion, impacted by general market conditions
	→ Retail Banking: achieve over 40% of income from priority clients	→ Continued improvement in income generated from Retail priority clients, from 39% in 2016 to 47% in 2018, significantly above the 40% target
	→ Deliver market share gains across Africa region	→ Improvement in market share position in the most sizeable markets in Africa (Nigeria and Kenya) in line with the targets set
	→ Maintain leadership position on the internationalisation of renminbi	→ Maintained leadership on the internationalisation of renminbi, demonstrated through the introduction of the largest number of investors to the Bond Connect programme in 2018, and the winning of key industry awards including, "Best RMB Bank" overall, and also in Singapore, Hong Kong and Taiwan

1 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 underpin was set at the higher of 12 per cent or the minimum regulatory level as at 31 December 2018 (taking into account any transition rules or material changes in regulatory rules)

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

This table sets out salary, fixed pay allowances, pensions, benefits and annual incentives receivable in respect of 2018 and estimated values of 2016–18 LTIP awards vesting. All figures are in £000s.

	W T Winters		A N Halford	
	2018	2017	**2018**	2017
Salary	**1,150**	1,150	**880**	850
Fixed pay allowance	**1,150**	1,150	**519**	519
Pension	**460**	460	**352**	340
Benefits	**210**	245	**96**	109
Annual incentive award	**1,391**	1,678	**850**	1,039
Vesting of LTIP award				
Value of vesting awards based on performance	**1,516**	–	**905**	0
Value of vesting awards based on share price growth	**73**	–	**43**	0
Total	**5,950**	4,683	**3,645**	2,857

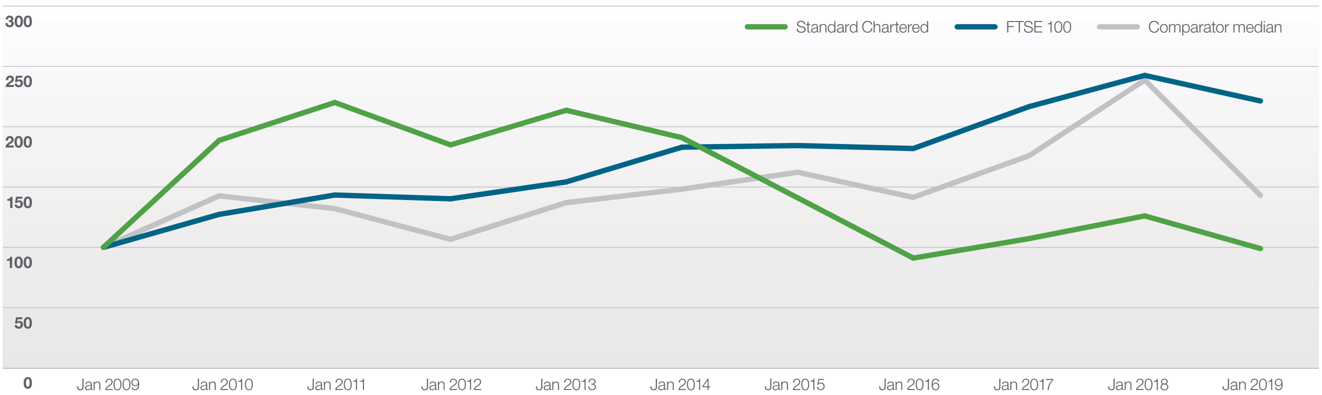
Additional information on the elements of remuneration in the single total figure table (audited)

- Fixed pay allowances are paid in shares, subject to a retention period and released over five years. The number of shares allocated is determined by the monetary value of the allowance and the prevailing market price of the Group's shares on the date of allocation
- Executive directors receive benefits, such as private medical cover, life assurance, permanent health insurance, a cash benefits allowance and the use of a company vehicle and driver for business purposes. 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 support with the preparation of his annual tax returns. The benefits figures refer to UK tax years 2017/18 and 2016/17 respectively
- In 2017, the Group scorecard outcome was 66 per cent of the maximum and the personal performance adjustment was 10 percentage points. In 2018, the Group scorecard outcome was 55 per cent of the maximum and the personal performance adjustment was 8 percentage points for Bill and 5 percentage points for Andy
- Executive directors' annual incentive awards in respect of 2018 are delivered 50 per cent in cash paid in March 2019 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 97 to 99. Awards will be subject to clawback for up to 10 years
- The LTIP awards granted in May 2016 are due to vest in May 2019, based on performance over the years 2016 to 2018. Following an estimated assessment of the performance measures (RoE with CET1 underpin, relative TSR and strategic measures), 27 per cent of these awards will vest. The final assessment of relative TSR performance will be conducted in March 2019, the end of the three-year performance period. Based on a share price of £5.83, the three-month average to 31 December 2018, the estimated value to be delivered is £1,589,000 to Bill and £948,000 to Andy. The final value will be restated in the 2019 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 100 to 101
- The estimated amount of the LTIP award attributable to share price appreciation is calculated based on the total value of the award vesting minus dividend equivalents minus the face value of the award at the time of grant multiplied by the percentage of the award that vested
- For 2017, the LTIP performance measures were not met for awards granted in March 2015, so the awards lapsed for Andy. Bill did not participate in the March 2015 LTIP

Group performance versus the Group Chief Executive'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 Group Chief Executive. The FTSE 100 provides a broad comparison group against which shareholders may measure their relative returns.

Total shareholder returns since 2009



	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
Single figure of total remuneration £000										
P A Sands (CEO until 10 June 2015)	7,135	7,970	7,779	6,951	4,378	3,093	1,290	–	–	**–**
W T Winters (appointed CEO on 10 June 2015)	–	–	–	–	–	–	8,399[1]	3,392	4,683	**5,950**
Annual incentive as a percentage of maximum opportunity										
P A Sands	64%	70%	70%	63%	50%	0%	0%	–	–	**–**
W T Winters	–	–	–	–	–	–	0%	45%	76%	**63%**
Vesting of LTIP awards as a percentage of maximum										
P A Sands	81%	90%	90%	77%	33%	10%	0%	0%	–	**–**
W T Winters	–	–	–	–	–	–	–	–	–	**27%**

1 Bill's single figure of total remuneration in 2015 includes his buy-out award of £6.5 million to compensate for the forfeiture of share interests on joining from his previous employment

Group-wide remuneration in 2018

Our Fair Pay Charter

We know that fairness is important to colleagues and that it can mean different things to different people. That is why, in February 2018, we launched our Fair Pay Charter to our stakeholders, including colleagues, to set out clearly the principles we use to guide performance and reward decision-making globally, including how we define fairness.

We are publishing 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. A summary of how we apply these principles is set out below. We will continue to make progress against our commitments in 2019 and beyond, and a further update will be included in next year's report.

	Fair Pay Charter principle	How do we meet the 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	→ During 2018, we worked with the Fair Wage Network, a non-governmental organisation, to develop our understanding of living wages for each of our markets. We then conducted an analysis of our salary levels against the living wage benchmarks and incorporated living wage reviews into our 2018 year-end pay decisions → As we expected, salaries in many of our markets are already well above living wage rates. We will continue to ensure that employees are paid a living wage through our pay review and hiring processes. Our approach to determining pay at a market competitive level continues alongside our living wage commitment → For 2019, all employees are paid above a living wage → During 2019, we will conduct a review to assess the potential to incorporate living wages in to parts of our supply chain, starting with non-employed workers
2	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	→ Global pay guidelines support our hiring teams and people leaders in ensuring an appropriate balance between salary and bonus opportunity depending on the role and location. We conduct assurance on this as part of our hiring and pay review processes → We provide core benefits to all employees globally, covering retirement savings, medical insurance and life assurance, the details of which vary depending on country market practice → Our wellbeing vision is to empower our people through encouraging better living. The benefits provided under our four wellbeing pillars – mental, physical, social and financial – allow us to provide support to employees at every stage of their lives → During 2018, we aligned our wellbeing provisions to the four pillars, put in place employee wellbeing champions which now cover 99 per cent of all colleagues, and extended our Employee Assistance Programme, which provides support and advice to colleagues in times of need, from 26 countries in 2017 to more than 35 in 2018 → 2018 was the first year that we asked colleagues how they felt about wellbeing support in our engagement surveys and, globally, 81 per cent of colleagues felt positive → To support our wellbeing pillars we run country specific and global communication campaigns on different topics including mental health awareness and financial wellbeing
3	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	→ Our global flexible working practices standard ensures that flexible working opportunities are available to colleagues in all markets and our global standard for parental leave is market-leading across much of our footprint. In our engagement survey, 76 per cent of colleagues said they feel supported to work flexibly and we are committed to taking action to continue to improve this score over time → The launch of the first phase of our revised benefits strategy in March 2019 will provide colleagues in Singapore and the UK with the opportunity to select and adjust benefits to meet their personal needs, with further countries to follow in later phases. To enable greater flexibility employees can choose the combination and level of benefits that best meets their personal needs
4	Pay is well administered with colleagues paid accurately, on time and in a way that is convenient	→ Our payroll accuracy is already above 99 per cent and work to automate further our processes is ongoing, to ensure we can maintain this high standard. When colleagues have questions about their monthly pay, our HR service desk responds within one day
5	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	→ We continue to focus on ensuring market competitive levels of pay. For all roles at all levels, we use externally sourced market data to help guide pay decisions, alongside other factors such as skills and experience, performance, affordability and availability of talent → During 2018, we adjusted our hiring processes in the US, to remove the need for candidates to share existing compensation data on hiring, to ensure packages are being set with reference to benchmark data and relevant skills and experience rather than historical pay levels. We will use our experience of this change to inform thinking on whether we can extend the practice to additional locations in the future
6	The structure of pay and benefits is consistent for colleagues based on their location and role, with a clear rationale for exceptions	→ We are redesigning our benefits offering in a phased approach by location, to bring consistency to what we offer to all employees based on their role and location, regardless of their seniority or tenure. → For example, in the UK the annual leave entitlement has been harmonised and is now the same regardless of seniority or tenure

	Fair Pay Charter principle	How do we meet the principle?
7	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	→ During 2018, we took steps to enhance our support for people leaders through the introduction of the Inclusive Leadership Programme, which is designed to support all people leaders in understanding the importance of developing an inclusive work environment and equipping them with skills and capabilities to drive change → We carry out assurance as part of our annual pay review cycle on areas of potential gender bias in both performance and pay and we have developed analytics to check globally for equal pay by gender. The outcomes from this review are shared with the Committee and Management Team → Where available, pay assurance based on diversity characteristics is carried out at a country level. We recognise that this is a difficult area to assure, and we look to further enhance our position as we develop new ways of gathering and recording diversity data, where regulations allow us to do so and where colleagues are happy to provide it
8	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	→ Our approach to determining variable pay is consistent across the Group, and considers achievement and demonstration of our valued behaviours in support of the high performance culture we want to embed → In particular, our incentive plans have a clear link to Group and business performance, through published scorecards, and each individual's performance including conduct and achievement against personal objectives is assessed at least annually → The same Group scorecard is used for all colleagues including the executive directors
9	We set clear expectations for how colleagues are rewarded and the principles guiding decisions, including clear personal objectives and feedback	→ Each employee has a people leader who supports their performance management, including setting and reviewing personal objectives, providing advice through regular discussions and holding structured performance and development conversations at mid-year and year end → We encourage continuous feedback at all levels of the organisation. During 2018, we launched a new integrated colleague feedback tool, including an app delivered on corporate iPhones and iPads, which has made it even easier for colleagues to give and request feedback at any time
10	We provide clear communication of pay and performance decisions, and seek feedback and input from colleagues on our pay structures and outcomes	→ We send Group communications on pay review outcomes to all colleagues, and feedback is actively sought through our engagement surveys, including a survey dedicated to employee experience of the performance and pay review process each March → Our communications explain the principles people leaders use to make salary and variable pay decisions, helping to 'demystify' how pay is determined → Where colleagues do not feel decisions have been made fairly or explained clearly, there are mechanisms in place to raise and resolve grievances, ranging from support from people leaders, HR and, if needed, through our formal and confidential Speaking Up programme

Remuneration approach for all employees

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

Element	Operation	Alignment between different groups of employees
Salary	→ Salaries reflect the skills and experience of the individual and are reviewed annually against market information and in the context of the annual performance assessment and affordability → Increases may occur where there is a role change, increased responsibility or to ensure market competitiveness → Salaries are typically delivered in cash monthly. For executive directors a portion of salary is delivered as shares over five years to enhance alignment with shareholder interests	→ **Executive directors:** Yes → **Material risk takers:** Yes → **Other employees:** Yes
Pension and benefits	→ Benefits are provided with the details depending on local market practice. Employees have access to country-specific, company-funded benefits such as pension schemes, private medical insurance, permanent health insurance, life insurance and cash allowances. The cost of providing the benefits is defined and controlled → Pension and benefit levels differ globally to be competitive in different markets, and there is no single pension level across the Group → Employees who are relocated or spend a substantial portion of their time in more than one jurisdiction for business purposes may be provided with mobility benefits. If employees incur tax charges when travelling overseas in performance of their duties, these costs may be met by the Group → Sharesave is an all-employee plan where participants are able to open a savings contract to fund the exercise of an option over shares. The option price is set at a discount of up to 20 per cent of the share price at the date of invitation (or such other discount as may be determined by the Committee). An equivalent cash or share plan is offered in some countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues)	→ **Executive directors:** Yes → **Material risk takers:** Yes → **Other employees:** Yes

Element	Operation	Alignment between different groups of employees
Discretionary variable remuneration	→ Employees are typically eligible to be considered for variable remuneration → Individual incentives are determined with reference to Group, business area and individual performance considering both what they have achieved and their demonstration of our valued behaviours → Balanced scorecards are used to assess Group, business and individual performance. The scorecards include financial and strategic measures and are designed to drive the right outcome for clients while ensuring prudent risk-taking → Discretionary variable remuneration is delivered in the form of an annual incentive and, for eligible employees, an LTIP award → Annual incentives are delivered in the form of cash, shares and/or deferred shares and deferred cash → Typically awarded to senior management, LTIP awards are delivered in shares and subject to long-term performance measures → The variable remuneration of employees in the Audit, Risk and Compliance functions is set independently of the business they oversee → Senior management incentives are deferred for up to seven years → When determining levels of variable remuneration, the Group considers the overall level of performance and risk events in the year → The proportion of variable to fixed remuneration is carefully monitored to ensure compliance with regulatory requirements → All incentives are subject to the Group's ex-post risk adjustment of remuneration policy. This provides the Group with the ability to reduce or revoke variable remuneration in respect of a risk, control or conduct issue, event or behaviour	→ **Executive directors**: Yes, annual incentive (cash and shares) and LTIP award → **Material risk takers:** Yes, annual incentives (paid in cash up to certain limits and the balance deferred in shares and/or cash for between three and seven years) and/or an LTIP award. At least 50 per cent of discretionary variable remuneration is delivered in shares. Material risk takers are subject to the 2:1 maximum ratio of variable to fixed remuneration → **Other employees:** Yes, most employees are considered for an annual incentive (paid in cash up to certain limits and the balance is deferred over three years in shares and/or cash) and/or LTIP award

Approach to risk adjustment

At an individual level, variable remuneration is aligned with the long-term interests of the business and the timeframe 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	→ 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 → The individual failed to meet appropriate standards of fitness and propriety	→ 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	→ Material restatement of the Group's financials → Significant failure in risk management → Discovery of endemic problems in financial reporting → As a result of financial losses, due to a material breach of regulatory guidelines → The exercise of regulatory or government action to recapitalise the Group following material financial losses	→ In-year adjustment, malus and clawback may be applied to all or part of an award at the Committee's discretion

Determining Group-wide 2018 discretionary incentives

In determining 2018 incentives, the Committee considered:

- → 2018 performance measured using the Group and business scorecards, ensuring risk-taking did not exceed the Group's Risk Appetite
- → Strong financial performance with improving profitability and rising return on equity despite difficult operating conditions
- → Improved client satisfaction, credit quality and cost savings, growth in digital volumes and significant improvements in innovation
- → The importance of rewarding and incentivising colleagues to execute the Group's long-term goals and of driving sustainable growth for our shareholders
- → 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 Types including operational, conduct, information and cyber security and financial crime risks

In determining the Group's total incentives, the Committee used its judgement to establish the right balance between the performance of the Group and its ability to attract and retain talent that will drive the delivery of the Group's strategy. In 2018, the Committee took into account Group, business and regional scorecards which were aligned to the Group's strategy, a range of risk-adjusted metrics and advice from both the Group Chief Financial Officer and Group Chief Risk Officer on performance. The Committee recognises that share price performance during 2018 was disappointing and took this into account when finalising the overall annual incentive outcomes.

The Committee determined that total discretionary incentives in 2018 should be $1,179 million. This represents an increase of 3 per cent on 2017 and a reduced ratio of variable compensation to pre-variable compensation PBT from 28 to 24 per cent, in light of the material increase in the Group's underlying profitability in 2018.

The total incentives figure for 2018 includes i) the 2019–21 LTIP awards, the value of which will be determined by Group performance over the period 2019 to 2021 and ii) incentive awards made to individuals who left the Group during 2018 as part of restructuring, who were in service for at least nine months of the year.

Incentives trend 2013 to 2018

Income statement charge for Group discretionary incentives

	2018 $million	2017 $million
Total discretionary incentives	**1,179**	1,146
Less: deferred discretionary incentives that will be charged in future years	**(135)**	(134)
Plus: current year charge for deferred discretionary incentives from prior years	**114**	96
Total	**1,158**	1,108

	Actual		Expected	
Year in which income statement is expected to reflect deferred discretionary incentives	2017 $million	**2018 $million**	2019 $million	2020 and beyond $million
Discretionary incentives deferred from 2016 and earlier	96	**55**	18	10
Discretionary incentives deferred from 2017	49	**51**	33	31
Discretionary incentives deferred from 2018	–	**50**	54	71
Total	145	**156**	105	112

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				
	2018 $million	2017 $million	2016 $million	2015 $million	2014 $million	**2018 %**	2017 %	2016 %	2015 %	2014 %
Staff costs	**7,074**	6,758	6,303	7,119	6,788	**75**	83	87	71	63
Corporate taxation including levy	**1,763**	1,367	983	1,113	1,896	**19**	17	13	11	18
Paid to shareholders in dividends	**561**	0	0	1,778	2,095	**6**	0	0	18	19

The relationship between the remuneration of the Group Chief Executive 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 Group Chief Executive 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
- Each individual's performance, including conduct and achievement against personal objectives, is assessed at least annually and drives incentive decisions
- The same Group scorecard is used to determine incentives for colleagues including the Group Chief Executive
- 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 approach to Group-wide remuneration and how we meet the principles set out in our Fair Pay Charter can be found on pages 103 to 105.

In our 2017 directors' remuneration report we voluntarily disclosed the ratio of the pay of the Group Chief Executive to that of the average UK employee. We have restated the 2017 ratio following publication of the calculation methodology by the UK Government in 2018. Employee pay is calculated to be comparable with the calculation of the CEO single figure; this is 'Option A' under the reporting requirements and was selected to take account of investor guidance stating a preference for this option.

In line with the legislation, the pay ratios have been calculated by reference to UK employees and the Group Chief Executive's pay which has been compared to that of the UK lower quartile, median and upper quartile employees. We employ more than 85,000 people in 60 markets around the world with different market rates of pay and there are varied requirements in the provision and tax treatment of benefits across different jurisdictions.

Ratio of the pay of the Group Chief Executive to that of the UK lower quartile, median and upper quartile employees

		Pay ratio		
Year	Method	25th percentile	50th percentile (median)	75th percentile
2018	A	**76:1**	**48:1**	**29:1**
2017	A	**61:1**	**39:1**	**23:1**

Additional information on the ratio of the pay of the Group Chief Executive to that of employees

- 2017 ratios are restated to be in line with the published methodology, using Option A
- The ratio published for 2017 in the 2017 directors' remuneration report was 47:1 and was based on comparing the Group Chief Executive single figure of total remuneration with the median average of UK employee remuneration. The methodology used this year and restated for 2017 uses a median and quartile analysis of the single figure for all employees.
- Employee pay data is based on full time equivalent pay for UK employees as at 31 December 2018 and as at 31 December 2017, for 2018 and 2017 respectively. For each employee, total pay is calculated in line with the single figure methodology (i.e. fixed pay 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. No other calculation adjustments or assumptions have been made
- CEO pay is as per the single total figure of remuneration for 2018 and for 2017, as disclosed on page 101
- The 2018 ratio will be restated in the 2019 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 2017 and 2018 and believes that it fairly reflects 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

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 2018 pay ratios.

	CEO £000	25th percentile £000	50th percentile (median) £000	75th percentile £000
Total salary[1]	**2,300**	**53**	**91**	**152**
Total remuneration (single figure)	**5,950**	**78**	**123**	**208**

1 Total salary includes FPA for the Group Chief Executive and the Group Chief Financial Officer which are paid in shares, subject to a retention period and released over five years

Our long-term incentive plan 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. Therefore, participation is 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 long-term incentive plan. With a significant proportion of the pay of our Group Chief Executive linked to performance and share price over the longer-term, 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 below the quartile and median pay ratios for 2018 and 2017 covering total salary and total salary plus annual incentive, with all UK employees being eligible to be considered for an annual incentive based on Group, business and individual performance.

The year-on-year increase in the pay ratios in the tables below will be significantly influenced by the increase in the CEO single total figure of remuneration which reflects the first LTIP award vesting to Bill since his appointment in 2015.

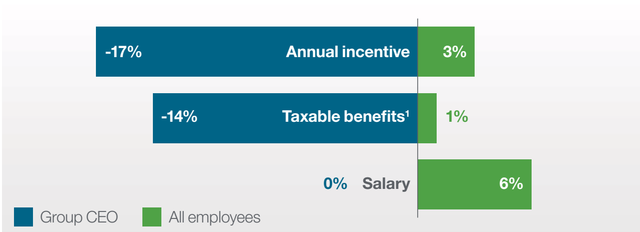
Additional ratios of pay based on total salary and total salary plus annual incentive

		Pay ratio		
2018	**CEO £000**	**25th percentile**	**50th percentile (median)**	**75th percentile**
Total salary	**2,300**	**43:1**	**25:1**	**15:1**
Total salary plus annual incentive	**3,691**	**52:1**	**33:1**	**19:1**
Total remuneration (single figure)	**5,950**	**76:1**	**48:1**	**29:1**
2017				
Total salary	2,300	42:1	28:1	19:1
Total salary plus annual incentive	3,978	58:1	39:1	22:1
Total remuneration (single figure)	4,683	61:1	39:1	23:1

The chart opposite shows the percentage change in remuneration between the 2017 and 2018 performance years for the Group Chief Executive and the wider employee population. The Committee awarded an annual incentive of 50 per cent of fixed remuneration to the Group Chief Executive for 2018, compared with 61 per cent for 2017.

1 For the 'all employees' group, the percentage change in salary represents the difference in the salary component of staff costs in 2017 and in 2018 for the global employee population. The taxable benefits comparison is based on UK employees as it is deemed the most appropriate comparison for the Group Chief Executive given the varied requirements in the provision and tax treatment of benefits across different jurisdictions. The annual incentive data is based on the global employee population who are eligible to receive annual incentives

Group CEO and all employee percentage change in remuneration 2017 to 2018



Proposed new directors' remuneration policy

This section sets out the revised directors' remuneration policy which will be put forward to shareholders at the AGM for a binding vote and, if approved, will apply from 8 May 2019 for up to three years.

The current remuneration policy for executive directors, the Chairman and independent non-executive directors was approved at the AGM held on 4 May 2016 and has applied for three years from that date. The policy was well supported by shareholders and continues to support the delivery of our strategy.

The Board and the Committee conducted a detailed review of the policy in 2018 and considered the views of shareholders, the strategic objectives of the Group, the remuneration of all colleagues, market benchmarking and best practice. Following careful consideration, the Committee decided to retain the current policy, and to enhance some components in order to achieve further simplicity, increase shareholder alignment and reinforce sustained long-term focus on our strategic objectives. Within this framework, several changes are being made which are summarised in the table opposite. The refinements to the remuneration policy will ensure it continues to reinforce achievement of the business strategy and shareholder value creation, and promote alignment with colleagues. The refreshed policy ensures continued regulatory compliance and alignment with evolving best practice in many areas.

Consideration of stakeholder views

The Committee Chair maintains regular contact with the Group's major shareholders on remuneration and ensures the Committee is informed of their views. During 2017 and 2018, shareholders representing approximately 70 per cent of our share register were consulted during the development of the new policy proposals. The shareholder feedback has been considered and reflected in the proposed remuneration policy, with some elements of the policy being changed in response to specific feedback.

The remuneration of the Group Chairman, executive directors, senior management and all colleagues was considered in the development of the new policy. The Committee considered the remuneration of the wider workforce to provide greater alignment with Group-wide remuneration arrangements. The policy is designed to reflect the Group's purpose, valued behaviours and culture ambitions as well as following the principles of the Fair Pay Charter used to make remuneration decisions for all colleagues in the Group.

When determining pay levels, the Committee takes account of pay increases across the Group, particularly for those employees based in the UK. Variable pay outcomes are based on Group and business performance, based on measures cascaded from the Group scorecard, and each individual's performance is determined based on achievement of their objectives, conduct and valued behaviours.

The Group seeks feedback from all colleagues on remuneration as well as on other workforce policies and practices through a wide range of mechanisms, including:

- Board engagement sessions with colleagues when travelling to our markets
- Employee focus groups such as our Employee Representative Groups and our partnerships with our recognised unions and work councils
- Feedback from our Group and Country Diversity and Inclusion Councils responsible for promoting diversity and inclusion across the Group
- Feedback mechanisms such as Speaking Up where employees can raise concerns in confidence
- Biannual engagement surveys of all colleagues on reward, workforce practices and culture and an annual survey dedicated to the employee experience of the performance and pay review process each March
- Forums with our Board and/or with management such as town halls

The key components of the directors' remuneration policy will be explained to the workforce following the AGM.

Key elements and changes to the executive directors' remuneration policy

Element of pay	Current policy	Proposed policy for 2019
Fixed remuneration	Comprises salary, pension, benefits and fixed pay allowances (FPA) The FPA is delivered to executives in shares over five years with 20 per cent released annually An annual pension allowance or contributions of up to 40 per cent of salary is payable	→ A simplified policy, combining salary and FPA into 'total salary'. This is to simplify the labelling of fixed pay and reflect that total salary is considered when determining levels of pay for the executive directors for the size and scope of the role and their skills and experience → Total salary will be delivered part in cash and part in shares with the share element being released over five years with 20 per cent released each year → For existing directors, pension will be set at 20 per cent of total salary to meet existing contractual commitments → For new directors, the pension will be 10 per cent of total salary, which is the same contribution rate for all UK employees
Variable remuneration	Variable remuneration cannot exceed 200 per cent of fixed remuneration. It is delivered in two distinct parts, an annual incentive and an LTIP award: Annual incentive: → Maximum opportunity of 80 per cent of fixed remuneration (defined as total salary and pension) → Performance scorecard based on a combination of financial performance and strategic measures and personal performance, measured over a one-year period → Delivered as a combination of cash and shares with a retention period LTIP award: → Maximum opportunity of 120 per cent of fixed remuneration (defined as total salary and pension) → Delivered in shares → LTIP vesting is subject to stretching future performance conditions, measured over at least three years → Vesting over three to seven years → The delivery of the annual incentive in combination with the LTIP satisfies the regulatory deferral requirements	→ The structure and operation of the variable element of remuneration will remain unchanged in the new policy → The Committee considers it appropriate that variable remuneration is subject to the achievement of stretching performance conditions and with at least 60 per cent subject to performance over the long term, and with a significant proportion of variable pay delivered in shares over a period of up to seven years plus a further 12-month retention period, to reinforce alignment of interests with those of our shareholders and meet regulatory requirements → Alternative variable remuneration structures were considered as part of the review and it was concluded to retain the current structure. This follows a rebalancing of variable pay over several years → The current structure was well supported by shareholders and continues to be supportive of our strategy
Shareholding requirements	Executive directors are required to build up and hold a specified number of shares The implementation of the policy sets out shareholding requirements of: → Group Chief Executive: 250,000 shares → Group Chief Financial Officer: 150,000 shares	The implementation of the policy will be amended to reflect the shareholding requirement as a percentage of total salary and increase the total requirement to: → Group Chief Executive: 250 per cent of total salary → Group Chief Financial Officer: 200 per cent of total salary These result in material financial increases of four times the current requirements for the CEO and three times the current requirements for the CFO and a move away from a number of shares to a percentage of total salary, in line with market practice The shareholding requirements have been significantly increased following a review of best practice and have been determined in line with shareholder feedback
Post-employment shareholding requirement	No current policy	→ A new post-employment shareholding requirement is being introduced to ensure executive directors continue to be aligned to shareholder interests and long-term performance after leaving the Group → 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 → The Committee considered it appropriate to set the requirement at this level. This takes into account evolving best practice, balanced with the overall level of the proposed shareholding requirements and the combined eight-year deferral and retention period that applies to LTIP awards

Element of pay	Current policy	Proposed policy for 2019
Leaver provisions	The Committee has the discretion under the relevant plan rules to determine how eligible leaver status should be applied on termination, including the ability to award eligible leaver status in respect of some but not all of an executive director's unvested awards	Typically, when a director leaves, LTIP awards would be prorated for time served. To reinforce a long-term strategic focus for retiring executive directors, the Committee will introduce the flexibility to disapply proration for time not served during the performance period to the vesting of LTIP awards in certain retirement situations (where specific criteria have been met). Following engagement with our largest shareholders, the criteria below would need to be met as a minimum before the Committee would consider the disapplication of proration: → The executive director has more than five years' service on the Board → The executive director is retiring from full-time employment in financial services and comparable roles in other industries → The executive director has demonstrated satisfactory conduct and has achieved their performance objectives → A clear, Board approved, handover plan is in place to transition to an identified successor If these criteria have been met the Committee would then carefully consider using its discretion to disapply time proration on a case-by-case basis, which we expect to be rare, taking into account all of the circumstances at that time. If the flexibility were to be used, typically, there would be no LTIP award in the final year of employment or additional payments in lieu of office. If the individual leaves and subsequently takes up executive employment unvested awards that had proration disapplied will lapse and the executive will be expected to re-pay any vested awards. There will be no change in performance conditions nor any acceleration of vesting.

Proposed executive directors' remuneration policy

The proposed executive directors' remuneration policy, to be effective from the date of the Group's AGM in May 2019 and beyond, is set out in the following table.

Fixed remuneration

Element and purpose in supporting the Group s strategic objectives	Operation	Additional detail including maximum value and performance measures
Total salary Support the recruitment and retention of executive directors, recognising the size and scope of the role and the individual's skills and experience Set at a level, together with other fixed remuneration, that enables the Group to operate fully flexible variable remuneration	→ Delivered part in cash and part in shares → The share element is subject to a holding period of five years, with 20 per cent being released annually → Reviewed annually with increases generally applying from April → When determining total salary levels, consideration is given to the following: – The size and scope of the role – The individual's skills and experience – Pay at international banks of a similar size and international scope – Pay within large UK-listed companies (including the major UK-listed banks)	→ Increases may be made at the Committee's discretion to take account of circumstances such as: – Increase in scope or responsibility – Increase to reflect the individual's development in role (e.g. for a new appointment where salary may be increased over time rather than set directly at the level of the previous incumbent or market level) – Alignment to market-competitive levels – Consideration to increases given in the context of salary increases across the Group
Pension The pension arrangements comprise part of a competitive remuneration package and facilitate long-term retirement savings for directors	→ Normally paid as a cash allowance or contribution to a defined contribution scheme → Pension contributions may also be made in lieu of any waived salary (and the cash amount of any annual incentive)	→ An annual pension allowance or contributions of up to 20 per cent of total salary are payable to the executive directors appointed to the Board prior to 2019 → For future directors, an annual pension allowance or contributions of up to 10 per cent of total salary will be payable

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

Variable remuneration

Element and purpose in supporting the Group s strategic objectives	Operation	Additional detail including maximum value and performance measures
Annual incentive Performance-based remuneration linked to measurable performance criteria Links total remuneration to achievement of the Group's strategy in the short-term	→ Annual incentive awards are determined annually based on Group and individual performance → Annual incentives are delivered as a combination of cash, shares subject to holding requirements and deferred shares → Deferral proportions and vesting profiles will be structured so that, in combination with any LTIP award: – The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent) – The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (currently pro rata over years three to seven after award) → The Committee can, in specified circumstances, apply malus or clawback to all or part of annual incentive awards. Details on how malus and clawback operate currently are provided on page 105 → Deferred annual incentive awards will be granted as conditional share awards or nil-cost options → The Committee may apply discretion to adjust the vesting of deferred annual incentive awards and/or the number of shares underlying a deferred annual incentive award on the occurrence of corporate events and other reorganisation events	→ The maximum value of an annual incentive award granted to any executive director cannot exceed 80 per cent of that executive director's fixed remuneration (defined as total salary and pension). For this purpose, annual incentive awards may be valued in line with the relevant remuneration regulations → Annual incentive awards can be any amount from zero to the maximum → The determination of an executive director's annual incentive is made by the Committee based on an assessment of a balanced Group scorecard containing a mix of financial and other long-term strategic measures and personal performance. Financial measures will comprise at least 50 per cent of the scorecard. The measures, individual personal performance weightings and targets will be set annually by the Committee → The targets, together with an assessment of performance against those targets, will be disclosed retrospectively → The Committee will review the scorecard annually and may vary the measures, weightings and targets each year → Discretion may be exercised by the Committee to ensure that the annual incentive outcome is a fair and accurate reflection of business and individual performance and any risk-related issues (but it will not exceed the maximum opportunity)

Element and purpose in supporting the Group s strategic objectives	Operation	Additional detail including maximum value and performance measures
LTIP Performance-based remuneration linked to measurable, long-term performance criteria Ensures a market-competitive remuneration package Links total remuneration to achievement of the Group's long-term strategy	→ LTIP awards are granted annually, with award levels set to provide appropriate levels of long-term incentives to executive directors, with performance of the Group and of the individual considered in determining the award level → LTIP awards are delivered in shares and may be subject to holding requirements → Vesting profiles are structured so that no LTIP award vests before the third anniversary of grant and in combination with any annual incentive award: – The proportion of variable remuneration that is deferred is no less than required by the relevant remuneration regulations (currently 60 per cent) – The deferred remuneration vests no faster than permitted under the relevant remuneration regulations (currently pro rata over years three to seven after award) → The Committee can, in specified circumstances, apply malus or clawback to all or part of any LTIP awards. Details on how malus and clawback operate currently are provided on page 105 → LTIP awards will be granted as conditional share awards or nil-cost options → The Committee may apply discretion to adjust the vesting of LTIP awards and/or the number of shares underlying an LTIP award on the occurrence of corporate events and other reorganisation events	→ The maximum value of an LTIP award granted to any executive director cannot, in combination with the annual incentive opportunity in respect of any particular year, exceed 200 per cent of that executive director's fixed remuneration (defined as total salary and pension) → For this purpose, LTIP awards may be valued in line with the relevant remuneration regulations → The Committee will, for each year, determine the split of the overall variable remuneration opportunity between the LTIP award and annual incentive opportunity at the start of the year and disclose this split in advance. The maximum LTIP award will form at least 120 per cent of fixed remuneration (i.e. at least 60 per cent of the maximum variable remuneration opportunity for any financial year), so that the majority of the variable remuneration opportunity is based on long-term performance → LTIP awards can be any amount from zero to the maximum → LTIP awards will be subject to long-term performance measures, measured over a period of at least three years → The long-term performance measures may be a mix of financial measures and other long-term strategic measures. Financial measures will comprise at least 50 per cent of the performance measures. Weightings and targets will be set in advance of each grant by the Committee and disclosed prospectively, and performance against those measures will be disclosed retrospectively. For financial measures, vesting will be on a sliding-scale basis between threshold and maximum with no more than 25 per cent vesting at threshold performance
Shareholding requirement A requirement for executive directors to hold a specified value of shares to ensure 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 timeframe from the date of appointment as an executive director (or, if later, from the date of any changes to the terms of the shareholding requirement) → Shares that count towards the requirement are beneficially owned shares including the share element of total salary and vested share awards subject to a retention period and unvested share awards for which performance conditions have been satisfied (on a net-of-tax basis)	→ The shareholding requirement is expressed as a percentage of total salary and is reviewed by the Committee on an annual basis
Sharesave Provide an opportunity to invest voluntarily in the Group	→ Sharesave is an all-employee plan where participants (including executive directors) are able to open a savings contract to fund the exercise of an option over shares → The option price is set at a discount of up to 20 per cent of the share price at the date of invitation, or such other discount as may be determined by the Committee → An equivalent cash or share plan is offered in some countries where Sharesave may not be offered (typically due to tax, regulatory or securities law issues)	→ Savings per month of between £5 and the maximum set by the Group which is currently £250
Legacy arrangements Honour existing payments	→ Any previous commitments or arrangements entered into with current or former directors will be honoured, including remuneration arrangements entered into under the previously approved directors' remuneration policy	→ In line with existing commitments

Remuneration approach on recruitment of an executive director

The Group's approach to remuneration reflects the fact that many of its colleagues bring international experience and expertise and that the Group recruits from a global marketplace. The Committee's approach to recruitment is to pay competitive remuneration that reflects the Group's international nature and enables it to attract and retain key talent.

Any new executive director's remuneration package would include the same elements and be subject to the same variable remuneration maximums as those for the existing executive directors. The pension provision for new executive directors is 10 per cent of total salary, consistent with the contribution rate for all UK employees. The policy is summarised below.

Policy	Details
Total salary	→ Set to reflect the role and the skills and experience of the candidate. Total salary is delivered part in cash and part in shares with the shares being released to the director in equal tranches over five years
Benefits	→ Dependent on circumstances but typically includes benefits allowance, car and driver (or other car-related service), private medical insurance, permanent health insurance, life insurance, financial advice and, for international hires, expatriate benefits
Pension	→ 10 per cent of total salary
Variable remuneration	→ Dependent on circumstances but no more than 200 per cent of fixed remuneration
Shareholding requirements	→ Executive directors are required to hold a specified level of shares, to be built up over a reasonable timeframe from the date of appointment as an executive director (or, if later, from the date of any changes to the terms of the shareholding requirement) → Shares that count towards the requirement are beneficially owned shares including any vested share awards subject to a retention period and unvested share awards for which performance conditions have been satisfied (on a net-of-tax basis)
Buy-out awards	→ The Committee may consider buying out forfeited remuneration and forfeited opportunities and/or compensating for losses incurred as a result of joining the Group subject to proof of forfeiture or loss → The value of any buy-out award will not exceed, in broad terms, the value of the remuneration forfeited → Any award will be structured within the requirements of the applicable remuneration regulations, and will be no more generous overall than the remuneration forfeited in terms of the existence of performance measures, timing of vesting and form of delivery → The value of buy-out awards is not included within the maximum variable remuneration level where it relates to forfeited remuneration from a previous role or employer
Legacy matters	→ Where a senior executive is promoted to the Board, his or her existing contractual commitments agreed prior to their appointment may still be honoured in accordance with the terms of the relevant commitment, including vesting of any pre-existing deferred or long-term incentive awards

Notes to the remuneration policy for executive directors

Committee's judgement and discretion

In addition to assessing performance and making judgements on the appropriate levels of annual incentive awards and LTIP awards, the Committee has certain operational discretions that it may exercise when considering directors' remuneration, including but not limited to:

i. Determining whether a leaver is an eligible leaver under the Group's share plans and treatment of remuneration arrangements

ii. Amending LTIP performance measures following a corporate event to ensure a fair and consistent assessment of performance

iii. Deciding whether to apply malus or clawback to an award

Ability for the Committee to amend the policy for emerging and future regulatory requirements

The Committee retains the discretion to make reasonable and proportionate changes to the remuneration policy if the Committee considers this appropriate in order to respond to changing legal or regulatory requirements or guidelines (including but not limited to any Prudential Regulation Authority revisions to its remuneration rules and any changes to regulations caused by the UK leaving the European Union). This includes the ability to make administrative changes to benefit the operation of the remuneration policy and/or to implement such changes ahead of any formal effective date, ensuring timely compliance. Where proposed changes are considered by the Committee to be material, the Group will consult its major shareholders and any changes would be formally incorporated into the policy when it is next put to shareholders for approval.

Executive directors' contracts, outside appointments and payments on loss of office or change of control

The Group's approach to executive directors in respect of service contracts, notice periods and payments on loss of office and change of control reflects market practice and is set out below. In the event of termination for gross misconduct, no notice is given and no payments will be made.

Policy	Details	Other provisions
Executive directors' service contracts Maximum of 12 months' notice from the company and the executive director	→ May be required to work and/or serve a period of garden leave during the notice period and/or may be paid in lieu of notice if not required to remain in employment for the whole notice period	
Outside appointments To encourage self-development and allow for the introduction of external insight and practice	→ Executive directors may accept appointments in other organisations subject to relevant Board approval. Executive directors tend to be limited to one non-executive directorship in another listed company. Fees may be retained by the executive director	
Compensation for loss of office in service contracts Dependent on an individual's contract but in any event no more than 12 months' total salary, pension and benefits	→ Payable quarterly (other than the share element of total salary which is allocated annually) and subject to mitigation if the executive director seeks alternative employment → Not in addition to any payment in lieu of notice or if the individual remains in employment for the whole notice period	→ In the event of a settlement agreement, the Committee may make payments it considers reasonable in settlement of potential legal claims, including potential entitlement to compensation in respect of statutory rights under employment protection legislation → The Committee may also include in such payments reasonable reimbursement of professional fees, such as legal fees and tax advice (and any associated tax), in connection with such arrangements. Career transition support may also be provided
Treatment of variable remuneration on termination Variable remuneration is awarded at the Committee's discretion	→ Eligible leavers (as determined by the Committee) may be eligible for variable remuneration although there is no automatic entitlement → The Committee has discretion to reduce the entitlement of an eligible leaver in line with performance and the circumstances of the termination	→ On a change of control, typically the amount is pro rata to the period of service during the year. The Committee may alter the performance period, measures and targets to ensure the performance measures remain relevant but challenging
Treatment of unvested awards on termination under the share plan rules The Committee has the discretion under the relevant plan rules to determine how eligible leaver status should be applied on termination, including the ability to award eligible leaver status in respect of some but not all of an executive director's unvested awards The current approach is that eligible leaver status will generally be given in cases such as death, disability, retirement and redundancy. Discretion is applied as to awarding eligible leaver status in cases of mutual separation. In addition, eligible leaver status will be given (other than in cases of termination for cause) where the date of termination is five years or more after the date of grant	→ For eligible leavers, awards not subject to long-term performance measures vest in full over the original timescale and remain subject to the Group's claw-back arrangements. The Committee has discretion to reduce the level of vesting → Awards subject to long-term performance measures will typically vest subject to those performance measures and on a pro rata basis (reflecting the proportion of the relevant financial performance period that the executive director has been employed) and remain subject to the Group's claw-back arrangements → The Committee has the flexibility to disapply time proration on the vesting of LTIP awards in certain circumstances, on a case-by-case basis, taking into account all of the circumstances at that time. The following minimum criteria need to be met before the Committee can consider using this flexibility: – The executive director has more than five years' service on the Board – The executive director is retiring from full-time employment in financial services and comparable roles in other industries – The executive director has demonstrated satisfactory conduct and has achieved their performance objectives – A clear, Board-approved, handover plan is in place to transition to an identified successor → If the flexibility were to be used, typically, there would be no LTIP award in the final year of employment or additional payments in lieu of office → If an individual leaves and subsequently takes up executive employment, unvested awards that had proration disapplied will lapse and the executive will be expected to re-pay any vested awards. → Vesting may be subject to non-solicit and non-compete requirements → Awards lapse for employees not designated eligible leavers	→ On a change of control, awards become exercisable and vest to the extent performance measures are met (either at the change of control or later). The Committee may allow awards to continue or roll-over in agreement with the acquirer, taking into account the circumstances, and may alter the performance period, measures and targets to ensure the performance measures remain relevant

Policy	Details	Other provisions
Post-employment shareholding requirement	→ On cessation of employment executive directors will be required to hold 100 per cent of the shareholding requirement in place for one year and 50 per cent of the requirement in the second year (or, if lower, the actual shareholding on departure).	

Chairman and independent non-executive directors' remuneration policy

During 2018, the Board reviewed the remuneration policy for independent non-executive directors (INEDs) and determined there would be no change to the fee structure.

Element and purpose in supporting the Group's strategic objectives	Operation	Additional detail including maximum value and performance measures
Fees		
Attract a Chairman and INEDs who, together with the Board as a whole, have a broad range of skills and experience to determine Group strategy and oversee its implementation	→ Fees are paid in cash or shares. Post-tax fees may be used to acquire shares → The Chairman and INED fees are reviewed periodically. The Board sets INED fees and the Committee sets the Chairman's fees. The Chairman and INEDs excuse themselves from any discussion on their fees → INEDs may also receive fees as directors of subsidiaries of Standard Chartered PLC, to the extent permitted by regulation	→ Overall aggregate base fees paid to the Chairman and all INEDs will remain within the limit stated in the Articles of Association (currently £1.5 million) → Fees are set at a level which reflect the duties, time commitment and contribution expected from the Chairman and INEDs → Fees are reviewed and appropriately positioned against those for the Chairman and INEDs in banks and other companies of a similar scale and complexity → There are no recovery provisions or performance measures
Benefits		
Attract a Chairman and INEDs who together with the Board as a whole have a broad range of skills and experience to determine Group strategy and oversee its implementation	→ The Chairman is provided with benefits associated with the role, including a car and driver and private medical insurance, permanent health insurance and life insurance. Any tax costs associated with these benefits are paid by the Group. Any future Chairman based outside of the UK may receive assistance with their relocation consistent with the support offered to individuals under the Group's international mobility policies → The INEDs are paid fees for chairmanship and membership of Board committees and for the Deputy Chairman and Senior Independent Director roles → The Chairman and INEDs are reimbursed for expenses, such as travel and subsistence (and including any associated tax), incurred in the performance of their duties, and may receive tax preparation and tax return assistance → In exceptional circumstances the Chairman and INEDs may be accompanied by their spouse or partner to meetings or events. The costs (and any associated tax) are paid by the Group	→ There are no performance measures

Approach on recruitment for Chairman or INEDs

Fees and benefits for a new Chairman or INED will be in line with the Chairman and independent non-executive directors' remuneration policy.

Service contracts and policy on payment for loss of office for the Chairman and INEDs

The Chairman is provided a notice period of up to 12 months and is entitled to a payment in lieu of notice in respect of any unexpired part of the notice period at the point of termination.

INEDs are appointed for a period of one year unless terminated earlier by either party with three months' written notice. No entitlement to the payment of fees or provision of benefits continues beyond termination of the appointment and INEDs are not entitled to any payments for loss of office (other than entitlements under contract law, such as a payment in lieu of notice if notice is not served).

2019 policy implementation for executive directors

The structure of remuneration in 2019 will be in line with the new directors' remuneration policy as detailed on pages 108 to 115 of this report subject to shareholder approval at the May 2019 AGM. The key elements of remuneration will include total salary (delivered in cash and shares), pension, benefits, an annual incentive and a long-term incentive plan award.

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 2019, the Committee determined that an increase to total salary for Bill Winters from £2,300,000 to £2,370,000 (an increase of 3 per cent) with effect from 1 April 2019 was appropriate. In making the decision, the Committee noted that his fixed remuneration was below that of some of his global peers, that he had not received a salary increase since his appointment in 2015 and his development in the role since that time. The Committee also took into account the average salary increase made to the broader employee population since 2015 which was, on average, 4 per cent each year.

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

For 2019, the Committee determined that there should be no change to the quantum of fixed remuneration for Andy Halford.

Andy's pension will continue to be delivered as a cash allowance. The components of Andy's fixed remuneration will be rebalanced with no change to the overall quantum that he is contractually entitled to. Total salary will increase by 4 per cent and the proportion of total salary delivered in cash will increase to offset the 17 per cent reduction in the pension cash allowance. As a result of the rebalancing, the proportion of total fixed pay delivered in cash will increase by 1 per cent.

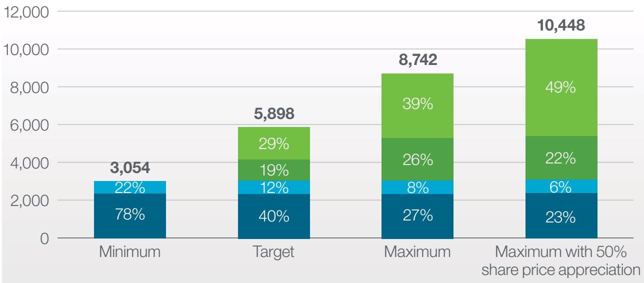
Details of fixed remuneration for Bill and Andy are set out below. All figures are in £000s.

	W T Winters			A N Halford		
	2019	2018	% change	**2019**	2018	% change
Total salary in cash	**1,185**	1,150	3%	**986**	890	11%
Total salary in shares	**1,185**	1,150	3%	**485**	519	(6%)
Total salary	**2,370**	2,300	3%	**1,471**	1,409	4%
Pension	**474**	460	3%	**294**	356	(17%)
Total fixed pay	**2,844**	2,760	3%	**1,765**	1,765	0%
Proportion of total fixed pay paid in cash	**58%**	58%		**72%**	71%	
Proportion of total fixed pay paid in shares	**42%**	42%		**28%**	29%	

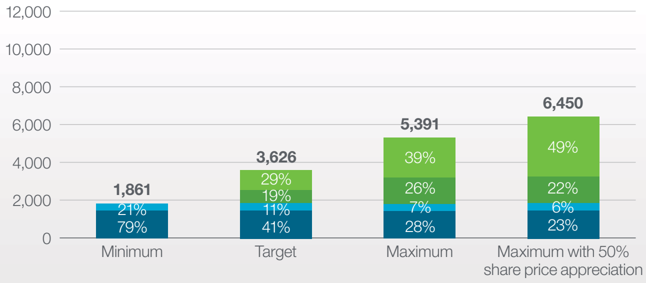
Illustration of application of the 2019 remuneration policy

The charts below illustrate the potential outcomes under the proposed directors' remuneration policy being put to shareholders for approval at the AGM in May 2019 (i.e. for awards that would be made in March 2020, based on 2019 total fixed pay). 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 2019 remuneration (£'000)



Andy Halford 2019 remuneration (£'000)



2019 total salary | Pension and benefits | 2019 Annual incentive award | 2020–22 LTIP award

1 Total salary as at 1 April 2019

2 Benefits based on 2018 single figure. Actual fixed pay in 2019 will be dependent on the cost of benefits

3 Minimum performance assumes no annual incentive is awarded and no LTIP award vests

4 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

5 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

6 Maximum performance with 50 per cent share price appreciation is as footnote 5, plus a 50 per cent share price appreciation in the value of the vested LTIP award since the time of grant

2019 annual incentive scorecard

The measures in the scorecard reinforce the delivery of the refreshed strategic priorities. 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 2019 Annual Report alongside the level of performance achieved.

Financial measures make up 50 per cent of the annual incentive scorecard. Some of the strategic measures are also financial in nature, and all 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

Step 2: Measurement of performance against financial and other strategic measures

Financial measures	Weighting	Target
Income[1]	7%	→ Target to be disclosed to shareholders retrospectively
Costs	7%	→ Target to be disclosed to shareholders retrospectively
Operating profit[1]	10%	→ Target to be disclosed to shareholders retrospectively
RoTE[2] plus CET1[3] underpin of the higher of 13% or the minimum regulatory requirement	20%	→ Target to be disclosed to shareholders retrospectively
Funding optimisation[4]	6%	→ Target to be disclosed to shareholders retrospectively
Other strategic measures	**Weighting**	**Target**
Deliver our network and grow our affluent business	15%	→ Improve client satisfaction rating → Deliver client growth in target segments → Capitalise on China opportunities including through RMB and mainland wealth growth → Develop Africa through digital growth, client growth and improved client satisfaction → Maintain credit quality
Transform and disrupt with digital	15%	→ Develop ventures beyond 'traditional' business model and products → Deliver client-facing system stability and availability targets → Use partnerships, platforms, and technologies to improve client experience → Deliver growth in digital volumes → Improve data analytics to develop new products and attract new clients
Improve productivity	5%	→ Successfully deliver key milestones to create a Hong Kong hub entity structure → Execute organisation design and strategic people initiatives
Purpose and people	15%	→ Maintain effective compliance and financial crime compliance controls → Successfully deliver cyber risk management plan milestones → Develop human capital by improving diversity, employee engagement and culture of inclusion metrics and by delivering conduct plans

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 colleagues, the Committee can make a positive adjustment to the annual incentive if the executive director's performance is considered strong 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 is based on profit attributed to ordinary shareholders, adjusted, on a tax-affected basis, for any fair value changes relating to gains/losses on disposals, exceptional transactions and restructuring gains and losses, expenses, impairments that are significant or material in the context of the Group's normal business for the period, 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 and the minimum regulatory level as at 31 December 2019 (taking into account any transition rules or material changes in regulatory rules). In addition, the Committee has the discretion to take into account at the end of the performance period any changes in regulatory capital and risk-weighted asset requirements that might have been announced and implemented after the start of the performance period

4 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

Additional remuneration disclosures

Remuneration arrangements for the Chairman and independent non-executive directors (INEDs)

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

José Vi als was appointed as the Chairman on 1 December 2016. His annual fee is £1,250,000 and he receives benefits including access to a car and driver, private healthcare and life assurance.

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 2018 and 2017.

	Fees £000		Benefits £000[6,7]		Total £000		Shares beneficially held as at 31 December 2018[8]
	2018	2017	**2018**	2017	**2018**	2017	
Chairman							
J Vi als[1]	**1,250**	1,250	**73**	36	**1,323**	1,286	18,500
Current INEDs							
N Kheraj[2]	**353**	390	**4**	3	**357**	393	40,571
O P Bhatt	**160**	160	**32**	51	**192**	211	2,000
Dr L Cheung	**130**	130	**5**	11	**135**	141	2,571
D P Conner	**265**	265	**1**	2	**266**	267	10,000
Dr B E Grote	**160**	160	**–**	–	**160**	160	60,041
Dr Han Seung-soo, KBE	**130**	130	**69**	83	**199**	213	3,474
C M Hodgson[3]	**302**	265	**2**	2	**304**	267	2,571
G Huey Evans, OBE	**190**	190	**2**	1	**192**	191	2,615
Dr N Okonjo-Iweala[4]	**130**	22	**4**	–	**134**	22	2,034
J M Whitbread[5]	**205**	228	**1**	2	**206**	230	3,615
Dr K M Campbell[7]	**–**	74	**2**	7	**2**	81	–

1 The increase in José Vi als' benefits from 2017 to 2018 is due to the inclusion of the full year benefit of his chauffeur and fees paid for tax services in the 2018 figure. José Vi als joined the Group on October 2016 so his 2017 benefits figure included part-year use of a chauffeur during the 2016/17 tax year

2 The decrease in fees from 2017 to 2018 for Naguib Khejab was due to his change in Board responsibilities. He ceased to be the Senior Independent Director on 1 February 2018

3 Christine Hodgson was appointed Senior Independent Director on 1 February 2018

4 Dr Ngozi Okonjo-Iweala joined the Board on 1 November 2017

5 The decrease in fees from 2017 to 2018 for Jasmine Whitbread was due to the change in her committee responsibilities. Jasmine stepped down from the Board Financial Crime Risk Committee on 30 September 2017

6 Benefits primarily consist of travel and subsistence costs in relation to Board and Committee meetings and other Board-related events which are taxable in the UK. Partners may also accompany the directors to meetings. These costs (and any associated tax costs) are paid by the Group. The INEDs' 2018 benefits figures shown are in respect of the 2017/18 tax year. This provides consistency with the reporting of similar benefits in previous years and with those received by executive directors

7 Dr K M Campbell stepped down from the Board on 26 July 2017 and received taxable benefits of £2,346 in respect of the 2017/18 tax year

8 The beneficial interests of directors and connected persons in the ordinary shares of the Company are set out above. The directors do not have any non-beneficial interests in the Company's shares. None of the directors used ordinary shares as collateral for any loans. 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 2018 or on the retirement of a director unless otherwise stated

Independent non-executive directors' letters of appointment in 2019

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

Fees (audited)

The Board reviewed the fee levels as it does regularly, considering market data and the duties, time commitment and contribution expected. The last increase to the base fee was in 2009. The Board determined that an increase to the base fee of 5 per cent was appropriate and begins to reflect the significant increase in time commitment since 2009. Increases to fees levels for the roles of Remuneration Committee Chair, Audit Committee member and Risk Committee member were also considered appropriate. The revised fees are set out in the table below:

	As at 1 January 2019 £000	As at 1 January 2018 £000
Board member	**105**	100
Additional responsibilities		
Deputy Chairman	**75**	75
Senior Independent Director	**40**	40
Chair		
– Audit Committee	**70**	70
– Board Risk Committee	**70**	70
– Remuneration Committee	**70**	60
– Board Financial Crime Risk Committee	**60**	60
– Brand, Values and Conduct Committee	**60**	60
Membership		
– Audit Committee	**35**	30
– Board Risk Committee	**35**	30
– Board Financial Crime Risk Committee	**30**	30
– Brand, Values and Conduct Committee	**30**	30
– Remuneration Committee	**30**	30
– Governance and Nomination Committee	**15**	15

Service contracts for executive directors

Copies of the executive directors' service contracts are available for inspection at the Group's registered office. These contracts have rolling 12-month notice periods and the dates of the executive directors' service contracts are shown below. Executive directors are permitted to hold non-executive directorship positions in other organisations (but no more than one position with a FTSE 100 company). Where such appointments are agreed with the Board, the executive directors may retain any fees payable for their services. 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[1]	**Details of any non-executive directorship**	**Fees retained for any non-executive directorship (local currency)**
W T Winters	8 April 2016	Novartis International AG	CHF 325,000
A N Halford	10 February 2016	Marks and Spencer Group plc	£88,750

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

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

Executive directors are required to hold a certain number of shares, to be built up over a reasonable timeframe from the date of appointment as an executive director (or, if later, from the date of any change to the terms of the shareholding requirement). Shares that count towards the requirement are beneficially owned shares including any vested share awards subject only to a retention period. The shareholding requirement for 2018 was expressed as a number of shares, set as 250,000 shares for the Group Chief Executive and 150,000 shares for the Group Chief Financial Officer. Both Bill Winters and Andy Halford have met their shareholding requirement as outlined below.

In addition to the shareholding requirement, executive directors held a considerable number of fixed pay allowance (FPA) shares which are released over five years. Unreleased FPA shares were not counted towards the 2018 shareholding requirements. The levels of unreleased FPA shares as at 31 December 2018 were: Bill: 249,250; and Andy: 111,079.

	Shareholdings[1]			**Share awards[1]**			
	Shares held beneficially[2]	**Shareholding as a percentage of salary[3]**	**Actual shareholding requirement in number of shares**	**Alignment to requirement**	**Vested but unexercised share awards**	**Unvested share awards not subject to performance measures**	**Unvested share awards subject to performance measures**
W T Winters[3]	**1,148,875**	**609%**	**250,000**	**Met**	**–**	**314,916**	**2,127,423**
A N Halford	**476,374**	**326%**	**150,000**	**Met**	**1,612**	**–**	**1,295,328**

1 All figures are as at 31 December 2018 unless stated otherwise. There were no changes to any executive director's interests in ordinary shares between 31 December 2018 and 26 February 2019. No director had either (i) an interest in Standard Chartered PLC's preference shares or loan stocks of any subsidiary or associated undertaking of the Group or (ii) any corporate interests in Standard Chartered PLC's ordinary shares

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

3 Shareholding as a percentage of salary is calculated using the closing share price on 31 December 2018 (£6.09)

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 2018						
	As at 1 January	Awarded[1]	Dividends awarded[7]	Exercised[2]	Lapsed	As at 31 December[8]	Performance period end date	Vesting date
W T Winters[3]								
Restricted shares (buy-out)	314,822	–	8,440	323,262	–	–	–	22 Sep 2018
	314,916	–	–	–	–	314,916	–	22 Sep 2019
LTIP 2016–18	496,390	–	–	–	–	496,390	11 Mar 2019	4 May 2019
	124,097	–	–	–	–	124,097	11 Mar 2019	4 May 2020
	124,097	–	–	–	–	124,097	11 Mar 2019	4 May 2021
	124,097	–	–	–	–	124,097	11 Mar 2019	4 May 2022
	124,100	–	–	–	–	124,100	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
A N Halford								
LTIP 2015–17[4]	28,529	–	–	–	28,529	–	31 Dec 2017	19 Mar 2020
LTIP 2016–18[5]	296,417	–	–	–	–	296,417	11 Mar 2019	4 May 2019
	74,104	–	–	–	–	74,104	11 Mar 2019	4 May 2020
	74,104	–	–	–	–	74,104	11 Mar 2019	4 May 2021
	74,104	–	–	–	–	74,104	11 Mar 2019	4 May 2022
	74,105	–	–	–	–	74,105	11 Mar 2019	4 May 2023
LTIP 2017–19[5]	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[5]	–	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
Deferred shares 2014[4]	12,936	–	259	13,195	–	–	–	19 Mar 2018
Underpin shares 2015–17[4]	14,264	–	–	–	14,264	–	31 Dec 2017	19 Mar 2018
	14,264	–	–	–	14,264	–	31 Dec 2017	19 Mar 2020
Sharesave[6]	1,612	–	–	–	–	1,612	–	1 Dec 2018

1 For the 2018–20 LTIP awards granted to Bill and Andy on 9 March 2018, 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 2018–20 LTIP awards. The share price at grant was the closing price on the day before the grant date

2 On 24 September 2018, restricted share awards vested to Bill over a total of 323,262 shares. The closing share price on the day before vesting was £6.48. On 19 March 2018, Andy Halford received deferred share awards over a total of 13,195 shares. The closing share price on the day before exercise was £7.67

3 The unvested share awards held by Bill are conditional rights under the 2011 Plan. Bill does not have to pay towards these awards

4 The 2015–17 LTIP awards, deferred shares 2014 and underpin shares 2015–17 held by Andy are nil cost options under the 2011 Plan

5 The 2016–18, 2017–19, and 2018–20 LTIP awards held by Andy are conditional rights under the 2011 Plan. Andy does not have to pay towards these awards 6 The Sharesave option held by Andy is under the 2013 Sharesave Plan at an exercise price of £5.58 per share

7 Dividend equivalent shares may be awarded on vesting for awards granted prior to 1 January 2018

8 There were no changes to any executive director's scheme interests in ordinary shares between 31 December 2018 and 26 February 2019

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 an independent trustee 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 310

Historical long-term incentive plan awards

The current position on vesting for all unvested LTIP awards from the 2016 and 2017 performance years based on current performance and share price as at 31 December 2018 is set out in the tables below.

Current position on the 2017–19 LTIP award: projected partial vesting

Measure	Weighting	Performance for minimum vesting (25%)	Performance for maximum vesting (100%)	2017–19 LTIP current assessment
RoE[1] in 2019 with CET1 underpin	One-third	5%	8%	RoE currently below threshold therefore 0% vesting
Relative TSR performance against comparator group	One-third	Median	Upper quartile	Currently positioned below the median therefore 0% vesting based on TSR performance as at 31 December 2018
Strategic measures	One-third	Targets set for strategic measures linked to the business strategy		Currently tracking for above target performance therefore partial vesting

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 current assessment
RoE[1] in 2020 with CET1 underpin	One-third	6%	9%	RoE currently below threshold therefore 0% vesting
Relative TSR performance against comparator group	One-third	Median	Upper quartile	Currently positioned below the median therefore 0% vesting based on TSR performance as at 31 December 2018
Strategic measures	One-third	Targets set for strategic measures linked to the business strategy		Currently tracking for above target performance therefore partial vesting

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

The comparator group for the TSR measure in the 2017–19 and 2018–20 awards is set out below:

ANZ[1]	Barclays	Deutsche Bank	KB Financial Group	UBS
Banco Santander	BNP Paribas[2]	HSBC	Oversea Chinese Banking Corporation	United Overseas Bank
Bank of America	Citigroup	ICBC	Société Générale	
Bank of China	Credit Suisse	ICICI	Standard Bank	
Bank of East Asia	DBS Group	JPMorgan Chase	State Bank of India	

1 ANZ is in the comparator group for the 2017–19 LTIP awards only

2 BNP Paribas is in the comparator group for the 2018–20 LTIP awards only. BNP Paribas replaced ANZ for the 2018–20 LTIP awards as it was deemed to be a more appropriate comparator

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

Identification of material risk takers

The table opposite summarises the groups of employees who have been identified in accordance with regulatory requirements as material risk takers for remuneration purposes. Individuals have been identified as material risk takers in alignment with the qualitative and quantitative criteria set out in the European Banking Authority's Regulatory Technical Standard (EU 604/2014 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 staff 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
- Senior management (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, 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.

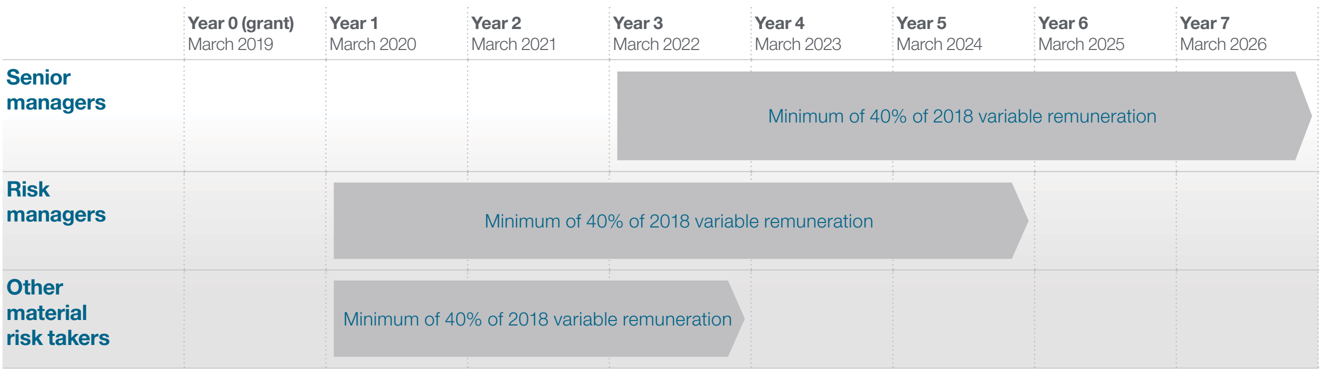
Material risk takers' remuneration delivery

Remuneration for material risk takers was delivered in 2018 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 2018 performance year, the following will apply to variable remuneration awarded to material risk takers in accordance with the regulations:

- At least 40 per cent of a material risk taker's variable remuneration will be deferred over a minimum period of three years depending on the category of material risk taker (see chart on page 123)
- 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 2018 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' deferred variable remuneration delivery



Material risk takers' deferred remuneration in 2018

	Senior management $000			All other material risk takers $000		
	Total	Cash	Shares	**Total**	Cash	Shares
Start of the year (1 January)	**81,309**	5,726	75,583	**269,907**	70,991	198,916
Impact of changes to material risk taker population including leavers during 2017 and joiners in 2018	**(3,867)**	(583)	(3,284)	**(45,043)**	(9,730)	(35,313)
Start of the year (1 January) (after adjustments)	**77,442**	5,143	72,299	**224,864**	61,261	163,603
Awarded during the year	**45,117**	7,124	37,993	**149,829**	55,818	94,011
Total reduction during the year due to malus or clawback; or performance measures not being met	**(7,013)**	(309)	(6,704)	**(7,265)**	(2,718)	(4,547)
Total deferred remuneration paid out in the financial year	**(10,341)**	(2,712)	(7,629)	**(58,664)**	(22,366)	(36,298)
Close of the year (31 December)	**105,205**	9,246	95,959	**308,764**	91,995	216,769

Material risk takers' 2018 fixed and variable remuneration

	Senior management $000	**All other material risk takers $000**
Fixed remuneration[1]		
Number of employees	32	598
Total fixed remuneration	39,797	312,271
Cash-based	37,561	312,271
Of which deferred	–	–
Shares or other share-linked instruments	2,236	–
Of which deferred	–	–
Other forms	–	–
Of which deferred	–	–
Variable remuneration[2,3]		
Number of employees	19	548
Total variable remuneration	45,890	215,099
Cash-based	14,596	114,354
Of which deferred	5,954	48,955
Shares or other share-linked instruments	31,294	100,744
Of which deferred	22,652	48,912
Other forms	–	–
Of which deferred	–	–
Total remuneration	**85,687**	**527,370**

1 Fixed remuneration includes salary, cash allowance and fixed pay allowance (FPA) and, in the case of the Chairman and INEDs, any fees

2 For some material risk takers, part of their 2018 variable remuneration may be delivered in share awards, 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

3 The ratio between fixed and variable remuneration for all material risk takers in 2018 was 1:0.74

Material risk takers' aggregate 2018 remuneration by business

	Corporate & Institutional Banking $000	Commercial Banking $000	Private Banking[1] $000	Retail Banking $000	Central management & other[2] $000
2018	**274,669**	**9,177**	**23,044**	**24,713**	**281,454**

1 Private Banking includes Wealth Management

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

Material risk takers' sign-on and severance payments in 2018

	Senior management		All other material risk takers	
	Number of employees	Total amount $000	Number of employees	Total amount $000
Sign-on payments/guaranteed incentives	–	–	–	–
Guaranteed incentives	–	–	–	–
Severance payments (highest award ($2,010)	–	–	**4**	**4,547**

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	83
1,500,001 – 2,000,000	22
2,000,001 – 2,500,000	8
2,500,001 – 3,000,000	6
3,000,001 – 3,500,000	6
3,500,001 – 4,000,000	5
5,000,001 – 5,500,000	3
5,500,001 – 6,000,000	1
7,500,001 – 8,000,000	1
Total	**135**

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 2018.

Components of remuneration	Five highest paid[1] $000	Senior management[2] $000
Salary, fixed pay allowances and benefits in kind	15,359	24,140
Pension contributions	2,397	4,516
Variable remuneration awards paid or receivable[3]	19,007	40,213
Payments made on appointment	–	970
Remuneration for loss of office (contractual or other)	2,010	–
Other	–	–
Total	**38,773**	**69,839**
Total HK dollar equivalent	**303,980**	**547,540**

1 For 2018, the five highest-paid individuals include Bill Winters and Andy Halford

2 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2018

3 Variable remuneration paid or receivable excludes any performance awards or commissions linked to profits generated by the individual collectively or with others engaged in similar activities. No such performance awards or commissions were awarded in 2018. It includes the deferred element of any variable remuneration and LTIP awards. Any buy-out award made on joining is included in payments made on appointment

The table below shows the emoluments of i) the five highest-paid employees; and ii) senior management for the year ended 31 December 2018.

Remuneration band HKD	Remuneration band USD equivalent	Number of employees: Five highest paid	Number of employees: Senior management[1]
9,000,001 – 9,500,000	1,147,959 – 1,211,735	–	1
19,500,001 – 20,000,000	2,487,245 – 2,551,020	–	1
20,500,001 – 21,000,000	2,614,796 – 2,678,571	–	1
21,000,001 – 21,500,000	2,678,572 – 2,742,347	–	1
21,500,001 – 22,000,000	2,742,347 – 2,806,122	–	1
23,500,001 – 24,000,000	2,997,449 – 3,061,224	–	1
24,000,001 – 24,500,000	3,061,225 – 3,125,000	–	1
28,500,001 – 29,000,000	3,635,204 – 3,698,980	–	1
30,500,001 – 31,000,000	3,890,306 – 3,954,082	–	1
33,500,001 – 34,000,000	4,272,959 – 4,336,735	–	1
34,500,001 – 35,000,000	4,400,510 – 4,464,286	–	1
35,500,001 – 36,000,000	4,528,061 – 4,591,837	–	1
37,000,001 – 37,500,000	4,719,388 – 4,783,163	–	1
46,500,001 – 47,000,000	5,931,123 – 5,994,898	1	–
50,500,001 – 51,000,000	6,441,327 – 6,505,102	1	1
51,000,001 – 51,500,000	6,505,102 – 6,568,878	1	–
74,500,001 – 75,000,000	9,502,551 – 9,566,327	1	1
80,500,001 – 81,000,000	10,267,857 – 10,331,633	1	1
Total		**5**	**16**

1 Senior management comprises the executive directors and the members of the Group Management Team at any point during 2018

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.

	2018	2017
EUR	**0.8782**	0.8455
GBP	**0.7464**	0.7796
HKD	**7.8400**	7.7915

Christine Hodgson
Chair of the Remuneration Committee

26 February 2019

Other disclosures

The Directors' report for the year ended 31 December 2018 comprises pages 56 to 132 of this report (together with the sections of the Annual Report and Accounts incorporated by reference). Both the Strategic report and the Directors' report have been drawn up and presented in accordance with 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 and Accounts, information required by Listing Rule 9.8.4 to be included in the Annual Report and Accounts where applicable, is set out in the table below and cross-referenced.

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

Relevant Listing Rule	Page
LR 9.8.4 (1) (2) (5-14) (A) (B)	N/A
LR 9.8.4 (4)	119 to 120

Principal activities

Standard Chartered is a leading international banking group, with more than 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 comprises a network of more than 944 branches and outlets in 60 markets.

Further details on our business can be found within the Strategic report on pages 1 to 53

Fair, balanced and understandable

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

Code for Financial Reporting Disclosure

The Group's 2018 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.

Viability

The directors' viability statement in respect to the Group can be found in the Strategic report on page 53.

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 \$1.56 billion (2017: \$1.47 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 2018.

Directors and their interests

The membership of the Board, together with their biographical details, are given on pages 57 to 59. Details of the directors' beneficial and non-beneficial interests in the ordinary shares of the Company are shown in the Directors' remuneration report on pages 91 to 125. 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 on page 316

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 actual or potential conflicts of interest annually to consider if they continue to be appropriate, and also to revisit the terms upon which they were provided. The Board is satisfied that our processes in this respect continue to operate effectively.

Subject to company law, the Articles of Association and the authority granted to directors in general meeting, the directors may exercise all the powers of the Company and may delegate authorities to committees. The Articles of Association contain provisions relating to the appointment, re-election and removal of directors. 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, all directors will stand for annual (re) election at the 2019 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 2018, and remain in force at the date of this report.

Significant agreements

The Company is not party to any significant agreements that would take effect, alter or terminate following a change of control of the Company. The Company does not have agreements with any director or employee that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Future developments in the business of the Group

An indication of likely future developments in the business of the Group is provided in the Strategic report.

Results and dividends

2018: paid interim dividend of 6 cents per ordinary share (2017: nil interim dividend paid)
2018: proposed final dividend of 15 cents per ordinary share (2017: paid 11 cents per ordinary share)
2018: total dividend of 21 cents per ordinary share (2017: total dividend, 11 cents per ordinary share)

Share capital

The issued ordinary share capital of the Company was increased by 12,239,341 shares during the year. 10,008,515 ordinary shares were issued under the Company's employee share plans at prices between nil and 620 pence. The Company has one class of ordinary shares, which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for every $2 nominal value of share capital held. The issued nominal value of the ordinary shares represents 87 per cent of the total issued nominal value of all share capital. The remaining 13 per cent comprises preference shares, which have preferential rights to income and capital but which, in general, do not confer a right to attend and vote at our general meetings.

Further details of the Group's share capital can be found in Note 28 to the financial statements on page 308

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

Articles of Association

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

Authority to purchase own shares

At the AGM held on 9 May 2018, our shareholders renewed the Company's authority to make market purchases of up to 660,126,858 (US$330,063,429) ordinary shares, equivalent to approximately 10 per cent of issued ordinary shares as at 15 March 2018, and up to all of the issued preference share capital. These authorities were not used during the year and remained in force at 31 December 2018.

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 on page 308

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 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 2018, 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 website.

As at 21 February 2019, 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 2018. 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 (5.01%) Securities Lending (0.39%) Contracts for Difference (0.14%)
Norges Bank	99,314,269	3.002	Direct

Related-party transactions

Details of transactions with directors and officers and other related parties are set out in Note 36 on page 328.

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 Listing Rules of The Stock Exchange of Hong Kong Limited (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 19 October 2015, the HKSE extended a waiver ('the 2015 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 2015 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 2018 on the conditions that:

a) The Company will disclose details of the 2015 Waiver (including nature of the revenue banking transactions with Temasek and reasons for the 2015 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 2018 to ensure that the 5 per cent threshold for the revenue ratio will not be exceeded

The main reasons for seeking the 2015 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 2018, 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 2015 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 2018 were below the 5 per cent threshold for the revenue ratio test under the HK Listing Rules

The Company therefore satisfied the conditions of the 2015 Waiver.

On 27 December 2018, the HKSE extended the 2015 Waiver for another three years ending 31 December 2021 ('the 2018 Waiver'). Further details of the 2018 Waiver will be disclosed in subsequent annual reports. 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.

Fixed assets

Details of additions to fixed assets are presented in Note 18 on page 299.

Loan capital

Details of the loan capital of the Company and its subsidiaries are set out in Note 27 on page 307.

Debenture issues and equity-linked agreements

During the financial year ended 31 December 2018, 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 and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The Risk review and Capital review on pages 136 to 223 sets out the principal risks and uncertainties, our approach to risk management, including our risk management principles, an overview of our Enterprise Risk Management Framework and the policies and practices for each principal risk type. The Board-approved Risk Appetite Statement can be found on page 193

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. The effectiveness of our internal control system is reviewed regularly by the Board, its committees, the Management Team and Group Internal Audit. The Audit Committee has reviewed the effectiveness of the Group's system of internal control during the year ended 31 December 2018. The Committee's review was supported by an annual business self-certification process, which was managed by Group Internal Audit. Group Internal Audit monitors compliance with policies and standards and the effectiveness of internal control structures across the Group through its programme of audits. The work of Group Internal Audit is focused on the areas of greatest risk as determined by a risk-based assessment methodology. 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 196 describes the Group's risk management oversight committee structure

Our business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. 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 and financial crime 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 colleagues are kept informed about matters affecting or of interest to them, but more importantly to provide opportunities for feedback and dialogue. We have a clear set of communications mechanisms that are used to inform colleagues of key business activity at a global, regional, business and function level. We continue to evolve and develop our internal communications following feedback from colleagues. 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 colleagues continues to be the Bridge – our business collaboration platform. The Bridge provides global, local, business and function communications and allows our people to collaborate, exchange ideas, feedback, comment, innovate, communicate, and find experts all through one space, wherever they are located.

The Bridge is supported by Group, local and business newsletters, targeted audio calls, videos, success story bulletins, town halls and engagement events including brown bag lunches, leadership events, regional meetings, and focus groups. Business or time-critical information is sent directly to 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. Across the organisation, team meetings with People Leaders, one-to-one discussions, and management meetings enable our people to discuss and clarify anything they have heard or read and address any questions they may have. The individual performance reviews also provide the opportunity to discuss how individuals, the team and the business area contributed to our overall performance and how any compensation awards relate to this.

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.

Colleagues, past, present and future are able to follow our progress through social networks including the Group's LinkedIn network, Facebook page and Twitter stream. As well as capturing our people's feedback and views through team meetings, two-way communications and day-to-day dialogue, our employee engagement survey has been an important way for us to gather feedback on how our colleagues feel about the organisation, the challenges we are facing and how we can make the Group a better place to work. More information on the engagement survey and its results can be found within the Colleagues section of the Strategic Report.

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.

In June 2018, we integrated the components of our Group Equal Opportunities, Diversity, Inclusion and Dignity at Work Policy into our Group Code of Conduct. Everyone who works at Standard Chartered is bound by the Code, whether they are full-time, fixed term, a director, a contractor, a subcontractor, a secondee, a temporary employee or a voluntary worker, working in any subcontracted company and in any capacity. The Group Code of Conduct is well understood throughout the Group, supported by significant Group communication, and this is evident through our last My Voice Survey results where 96 per cent of colleagues responded saying that they understood what the Group Code of Conduct meant for them in their role.

Holistically, the Group Code of Conduct reinforces our commitment to providing equality of opportunity and fair treatment in employment. We do not accept unlawful discrimination in our recruitment and employment practices, terms, procedures, processes and decisions 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 veteran status flexibility of working arrangements, religion, or belief.

The Group will strive for recruitment, employment, redundancy and redeployment training, development, succession planning and promotion practices that are free of barriers, both systemic and deliberate, and do not directly or indirectly discriminate.

Recruitment, employment, training, development and promotion decisions are based on existing skills, knowledge and behaviour required to perform the role to the Group's standards. Implied in all terms is the commitment to equal pay for equal work. Employees are rewarded in a way that is free from discrimination. Their potential, conduct and valued behaviours should be considered as set out in the Fair Pay Charter.

The Group aims to be a disability confident organisation with a focus on removing barriers and increasing accessibility. The Group shall make reasonable workplace adjustments, including for disabilities and religious practices. If colleagues become disabled, efforts are made to ensure their employment continues, with appropriate training and workplace adjustments where necessary. This is supported by the Global Guideline and Process for Workplace Adjustment that was re-launched in 2016 to support colleagues with disabilities.

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 because misconduct issues and performance (where required by law to follow a disciplinary process) are governed by the Group Disciplinary Policy and Procedure with clear standards. 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.

The Group has a Flexible Working Practices Policy which was rolled out in 2017, allowing colleagues a range of flexible working options– this includes flexible time, working from home or part-time working. Our global Parental Leave Benefits were also revised in 2017, to support working parents no matter where they are across the Group. We now provide a minimum of 20 calendar weeks fully paid maternity leave, a minimum of leave of two calendar weeks for spouses or partners, and two calendar weeks for adoption leave. Combined, this places the Group above the International Labour Organisation minimum standards.

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. 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 1.8 per cent of our total operating income in the year ended 31 December 2018.

Major Suppliers

Our five largest suppliers together accounted for less than 15 per cent of purchases in the year ended 31 December 2018.

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 2018 Modern Slavery Statement will be issued in line with the Annual Report and Accounts. This document will give further detail on how the Group has managed social risks in its supply chain during 2018.

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

Product responsibility

We design and offer products and services based on an understanding of our client needs and best interests; we aim to treat our clients fairly at all times; we protect client privacy; we manage potential conflicts of interest, and we seek and use client feedback and complaints to improve our products. The Group has in place policies and procedures to ensure products and services are sold to suitable target markets, deliver fair outcomes to clients, and comply with relevant laws and regulations.

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 core values. It has been communicated to all directors and employees, all of whom are expected to observe high standards of integrity and fair dealing in relation to customers, 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 2018.

Environmental impact of our operations

We aim to minimise the environmental impact of our operations as part of our commitment to being a responsible company. We report on energy, water, paper and 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.

Total scope 1, 2 and 3 Greenhouse Gas emissions for 2017 and 2018

Indicator	2018	2017	Units
Full-time employees (FTE) covered by reporting	**85,402**	86,021	FTE
Net internal area of occupied property covered by reporting	**1,185,929**	1,194,363	m^2
Annual operating income (1 October to 30 September)	**14,958**	14,614	$million
Greenhouse Gas emissions			
Scope 1 emissions (combustion of fuels)	**8,584**	7,922	tonnes CO_2eq/year
Scope 2 emissions (purchased electricity)	**139,366**	180,014	tonnes CO_2eq/year
Total Scope 1 & 2 emissions	**147,950**	187,936	tonnes CO_2eq/year
Scope 3 emissions without distance uplift (air travel)	**62,113**	59,179	tonnes CO_2eq/year
Scope 3 emissions with distance uplift (air travel)	**67,704**	64,505	tonnes CO_2eq/year
Scope 3 emissions (outsourced data centre)	**21,523**	23,904	tonnes CO_2eq/year
Total Scope 1, 2 & 3 emissions	**210,063**	247,115	tonnes CO_2eq/year
Total Scope 1, 2 & 3 emissions/FTE	**2.46**	2.87	tonnes CO_2eq/FTE/year
Total Scope 1, 2 & 3 emissions/m^2	**177**	207	kg CO_2eq/m^2/year
Total Scope 1, 2 & 3 emissions/operating income	**14.04**	16.91	tonnes CO_2eq/$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

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 2018 Emissions Factors and the UK Government's 2018 GHG Conversion Factors for Company Reporting, emissions are reported in metric tonnes of carbon dioxide equivalent (CO_2e), 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.

Despite the amendment issued to the GHG Protocol in 2015, we report Scope 2 emissions under location-based methods and have decided not to use market-based emission factors where they are available to us based on our reservations concerning the attribution of reduced electricity emissions and the potential for 'double-counting' in some markets. We will continue to monitor the development of Scope 2 Quality Criteria, as well as the development of residual mixes by national agencies.

The Group does not 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 2017 to 30 September 2018. This allows sufficient time for independent assurance to be gained prior to the publication of results. Accordingly, the operating income used in this inventory corresponds to the same time period rather than the calendar year used in financial reporting.

Assurance

Our Scope 1 and 2 emissions are assured by an independent body, The Carbon Trust, against the requirements of 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 and local communities. The Board recognises its responsibility to manage these risks and that failure to manage them adequately could have adverse impact.

The Board receives information to identify and assess significant risks and opportunities arising from environmental and social matters, including climate change. These issues are overseen by the Brand, Values and Conduct Committee. The 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 addition, the Group Head, Corporate Affairs, Brand and Marketing, Conduct, Financial Crime and Compliance leads a cross-business Sustainability Forum to develop and deliver the Group's broader sustainability strategy.

The Board welcomed the 2017 recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). In 2018, the Group set out how climate change considerations are being incorporated into its governance, strategy, risk management and target-setting activities in its first stand-alone Climate Change Disclosure, aligned to the TCFD recommendations. This was provided to the Board before publication and is available at sc.com/tcfd

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 the Stakeholders and responsibilities section on page 42.

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 and A.16 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 384.

+ 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 2019 AGM will be held at 11:00am (UK time) (6:00pm Hong Kong time) on 8 May 2019 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 2019 Notice of AGM.

Our 2018 AGM was held on 9 May 2018 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 on 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 case-by-case approach best accommodates (i) the need for the appropriate rigour and challenge to be applied to each request for KPMG to provide non-audit services while (ii) preserving sufficient flexibility for the Group to engage KPMG to provide non-audit services where they are able to deliver particular value to the Group and where the proposed services can be provided without compromising KPMG's objectivity and independence.

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 2018 the ratio was 2 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 on page 329.

Auditor

The Audit Committee reviews the appointment of the Group statutory auditor, its effectiveness and its relationship with the Group, which includes monitoring our use of the auditors for non-audit services and the balance of audit and non-audit fees paid.

Following a review of the independence and effectiveness of our Group statutory auditor (details of which can be found on page 74), resolutions to appoint KPMG and to determine its remuneration will be proposed at the 2019 Annual General Meeting.

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

By order of the Board

Liz Lloyd
Group Company Secretary

26 February 2019

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

By order of the Board

Andy Halford
Group Chief Financial Officer

26 February 2019