

Leading the way

in Asia, Africa and
the Middle East

Leading the way

Our aim in building a sustainable business is to deliver value to customers and shareholders whilst helping to address the significant social, economic and environmental issues the world is facing. Standard Chartered is well placed to achieve this in Asia, Africa and the Middle East through its longstanding relationships and deep involvement in these regions.

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Many of these countries are major engines of the world's future growth and prosperity. Often they are also the most adversely impacted by environmental and social changes. Our role, therefore, is to create wealth through practices that are environmentally responsible and socially inclusive.

In this report, we review progress made in delivering our sustainable business strategy. It is the second Sustainability Review and the seventh year of non-financial reporting. You will find performance data and activities carried out in 2007 (unless stated otherwise within this report) in more than 50 countries where the Bank operates.

More detailed information is available on our website including:

- The Global Reporting Initiative and UNEP Finance Initiative recommendations for financial sector reporting index; and
- The United Nations Global Compact guidelines for Communication on Progress.

 For more information visit: www.standardchartered.com/sustainability

Financial highlights

Operating income

\$11,067m

2006 – \$8,620m
2005 – \$6,861m

Profit before taxation

\$4,035m

2006 – \$3,178m
2005 – \$2,681m

Total assets

\$329bn

2006 – \$266bn
2005 – \$215bn

Non-financial highlights

Employees

70,000

2006 – 59,000
2005 – 44,000

Countries and territories

57

2006 – 56
2005 – 56

Nationalities

115

2006 – 105
2005 – 89

Throughout this document, unless another currency is specified, the word 'dollar' or symbol '\$' means United States dollar and the word 'cents' or symbol 'c' means one-hundredth of one United States dollar.

Within this document the Hong Kong Special Administrative Region of the People's Republic of China is referred to as 'Hong Kong'; The Republic of Korea is referred to as Korea or South Korea; 'Middle East and other South Asia' (MESA) includes: Pakistan, the United Arab Emirates ('UAE'), Bahrain, Jordan and Bangladesh; 'Other Asia Pacific' includes: China, Indonesia, Thailand, Taiwan and the Philippines.

Meeting the challenge



“In our markets lie the greatest social and environmental risks and also the greatest opportunities for new solutions, services and ways to grow our business.”

Mervyn Davies, CBE, Chairman

Looking forward to the next 10 years, we can be certain of one thing: there will be substantial growth in our markets. With China and India setting the pace, and Africa expected to grow rapidly, there will be huge opportunities for trade, knowledge and skills transfer as well as wealth creation in the countries in which we operate.

A well-functioning financial services system has always played a key role in both driving and supporting growth by providing capital, facilitating trade and financing infrastructure and innovation. Financial institutions must play a pivotal role in providing innovative solutions to the significant social, economic and environmental challenges the world faces. Today, 2.7 billion people have no access to financial services.¹ Over one billion people have poor access to water, rising to 1.8 billion by 2050.² Soil erosion, floods, droughts and pollution threaten the livelihoods of 2.6 billion people³ and more than 13 football fields of forest are cut down each minute.⁴

Many of these challenges are already being experienced in the countries in which we operate. We are aware of the urgent need to find ways to support sustainable growth that benefits economies, the environment and society as well as the need to uphold good governance. In our markets lie the greatest social and environmental risks and also the greatest opportunities for new solutions, services and ways to grow our business.

We believe there are four ways to be a force for good whilst delivering value to shareholders:

1. Leadership

We can help bring sustainable solutions to our markets by using our experience of providing financial services for over 150 years. I have been involved in the Corporate Leaders Group on Climate Change and the Bank was a signatory to the Bali communiqué from UK business leaders to international political leaders, supporting international agreement ahead of the United Nations Climate Change Conference in Bali in December 2007.

At Standard Chartered, leadership also means leading by example. This is why we pay so much attention to responsible business practice and on reducing our own environmental impacts.

2. Delivering new products to new markets

At the Clinton Global Initiative, in September 2007, we committed to take a lead role in the financing of new renewable and clean energy projects in Asia, Africa and the Middle East. These projects will have a total value of \$8-10 billion over a five-year period from 2008-12. We are committed to addressing issues that are meaningful to the countries in which we operate.

3. Being the right partner

Sustainability extends beyond Standard Chartered itself to include our relationships with governments, customers, communities and suppliers. We partner with like-minded organisations such as the Clinton Global Initiative, the World Economic Forum and the Global Business Coalition, amongst others, to ensure we turn aspiration into tangible results.

We remain committed to upholding the 10 principles of the United Nations Global Compact and believe that it is through partnerships with business, governments, civil society and the United Nations (UN) that we will contribute to the achievement of the UN Millennium Development Goals. We believe our focus to date on increasing access to financial services; educating one million people on HIV/AIDS; empowering socially-excluded women in India through sports; committing to diversity and inclusion in the workplace, as well as funding clean energy sources, is already contributing towards these goals.

4. Being successful

Our success allows us to contribute to local economies by facilitating trade, increasing human resource capabilities, supporting businesses and investing in local communities.

I am proud of what we have achieved this year. I am particularly proud of how we have turned our thinking and ambition to be a force for good into tangible business opportunities. Global sustainability is not an easy goal to achieve, but financial services will be key to its delivery. We will continue to focus on a comprehensive agenda to build a sustainable business.

E. Mervyn Davies, CBE
Chairman
26 February 2008

1 Consultative Group to Assist the Poor (CGAP), 2007

2 United Nations, Global Outlook, 2007

3 United Nations Development Programme (UNDP) Annual Report, 2007

4 UNEP Global Environment Outlook, 2007. This includes more than 50,000 km² of primary rain forest each year

Catalyst for change



“We have a key role to play in stimulating economic and social development through the services we provide and by being a force for good. The success of our business depends on this.”

Peter Sands, Group Chief Executive

At Standard Chartered, we are determined to lead by example within the markets in which we operate. As well as contributing to economic growth through our core business activities, we want to help protect the environment and to have a broader positive impact on the societies in which we live and work. And as we engage as a partner with governments and communities in addressing these wider challenges, we are learning more about how the issues interact with each other and our core business objectives.

By being a high-performing bank, helping people and companies borrow, save and make transactions, we naturally play a role in creating wealth and stimulating growth. From the perspective of shareholder value creation, the more successful a country becomes, the more successful we can be. But long-term growth depends on how well we all manage risk, including the social and environmental issues that can impede or undermine sustainable growth.

So why is sustainability important to us? With our business spread across Asia, Africa and the Middle East, the Bank is hosted by communities that are the most vulnerable to climate change and widening social and economic disparities. We have a key role to play in stimulating economic and social development through the services we provide and by being a force for good. The success of our business depends on this.

Standard Chartered has long valued relationships with customers, governments, social organisations and regulators that we have built over 150 years of business experience in these markets. This puts us in a strong position to collaborate effectively with various stakeholders to respond to the challenges faced. The issues present both risks and opportunities for us.

We apply three tests to decide which areas of sustainability to focus on: first, we ensure that what we do is relevant to the markets we operate in; second, we

Our sustainable business priorities

want to do things which leverage our capabilities and infrastructure; and third, we focus on where we can add distinctive value both for our business and the countries in which we operate.

I believe this year we have started to deliver real examples that have met the three tests. The examples that I am particularly proud of include:

Access to financial services

Banking is in its infancy in the vast rural areas in India, China and Africa. We have a chance to work hand in hand with regulators in these markets to create supportive regulatory frameworks that help bring modern financial services to millions of new customers. For instance, we are developing models to invest in agricultural finance in India and China.

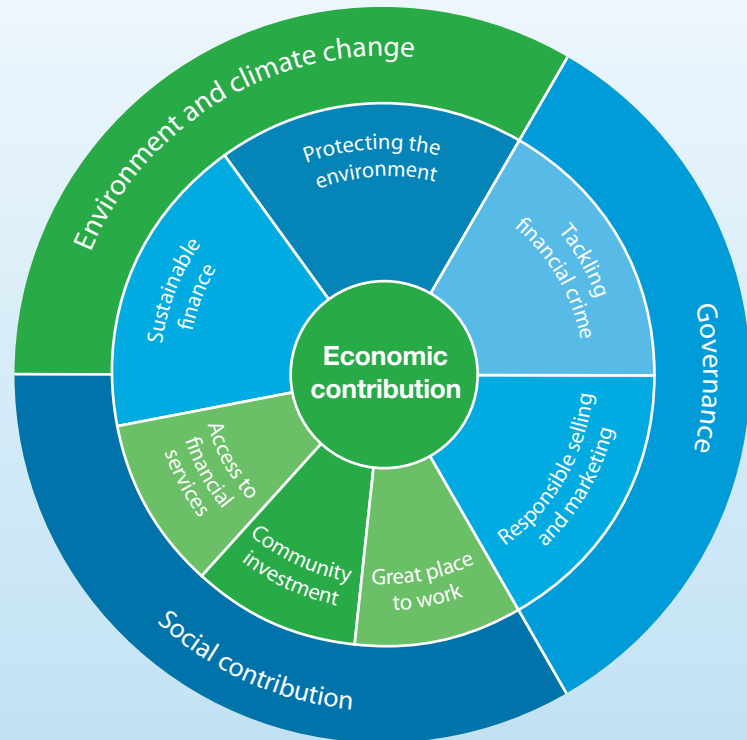
In 2007, we started working to provide credit facilities to support microfinance projects in China. We signed loan and cooperation agreements with the China Foundation for Poverty Alleviation in January 2008 at a meeting attended by Premier Wen Jiabao of the People's Republic of China and the Prime Minister of the United Kingdom, Gordon Brown. This is the first time an international bank has provided such a facility. I am very excited about our work on microfinance and the role we can play in helping to tackle poverty and promote growth.

Our partnership with 41 microfinance institutions has enabled the Bank to disburse \$170 million in 2007 to over 13 countries, which will improve the livelihoods of 1.2 million people and stimulate grassroots enterprise. We are on track to deliver on our commitment to originate and distribute \$500 million by 2011.

Sustainable finance

Whilst climate change is one of the most critical challenges the world faces, it also presents us with commercial opportunities through which we can be a force for good. Clean and renewable energy technologies are developing rapidly and we want to play a role in advancing change and accelerating their deployment.

In May 2007, we financed the world's largest photovoltaic plant in South Korea, a project which will reduce greenhouse gas emissions and generate new jobs and industries. In September 2007, at the Clinton Global Initiative, I committed on behalf of Standard Chartered \$8-10 billion over the next five years to finance renewable energy and clean technology projects in Asia, Africa and the Middle East.



By being a high-performing bank, we can provide services that help protect the environment, spread the social benefits of economic growth and contribute to better governance. We have identified seven inter-connected sustainable business priorities for achieving this.

By making our commitment public, we hope to be a catalyst for change, influencing businesses to invest in the transition to a low-carbon future. The prize for the Bank is that we have scaled up our renewables business whilst looking for creative solutions to find cleaner energy sources.

We are also minimising the environmental impact of what we do and influencing our customers and suppliers to do likewise through our sustainable lending practices and our procurement processes. However, we recognise that as a financial institution, the biggest impact we have on society and the environment is through the financing we provide to our clients.

Community investment

Our work on HIV/AIDS education, the prevention and treatment of reversible blindness amongst 10 million people and the prevention of malaria by providing one million mosquito nets in African countries are good examples of how we are making a difference to the lives of many people. This work is helping to create healthy and stable workforces, which are critical for sustaining economic growth.

Delivering our agenda

We have worked hard to put the building blocks in place to deliver our key objectives of building a sustainable business. These include establishing good governance, ensuring engagement and following these up with robust monitoring and reporting processes. Let me explain each one of them in more detail:

Governance

In 2007, the Bank reshaped the strategic direction of the two-year-old Corporate Responsibility and Community Committee and renamed it the Sustainability and Responsibility Committee. The change in the name was deliberate. The role of the Committee is to stretch the Bank's ambition to build a sustainable business that delivers long-term shareholder value, challenges current practice and identifies the critical trends, issues and opportunities that we need to address. The Committee also oversees delivery against the Bank's seven sustainable business priorities, which are: Sustainable Finance, Access to Financial Services, Protecting the Environment, Responsible Selling and Marketing, Tackling Financial Crime, Community Investment and a Great Place to Work.

The second change on the governance front last year involved setting up the Wholesale Banking Sustainable Business Council. The Council will identify and respond to commercial opportunities that help address sustainability challenges.

We have also set up specialised committees looking at key areas of sustainability: the Environment Committee and the Group Financial Crime Risk Committee both chaired by Dr Tim Miller, director, People, Property and Assurance.

Engagement

The only way we can deliver on our plans is if our 70,000 employees, who are in more than 50 countries, use their skills and talent to address the issues. It is not an easy task but we significantly stepped up efforts to get everyone on board by:

- Employee volunteering: thousands of our employees have participated. My executive team and I have also volunteered our skills; and
- Educating customers, employees and the public on ways to reduce their impact on the environment by making personal pledges to take simple actions such as switching off lights before leaving the room and turning off the tap when brushing their teeth. Over one million pledges have been made to date.

Measurement and review

This year we developed targets and measures around our commitments to the environment. We also reviewed progress against external measures and commitments made, such as the Global Reporting Initiative, the Global Compact and the Equator Principles, reporting progress against each of these on our website.

This year, our internal audit team reviewed our management and reporting approach to sustainability, including how information is collated and presented. We chose to work with our internal audit team to ensure we incorporate evaluation of progress on sustainability into our regular business review process. We will continue to embed this process in 2008.

Others have also evaluated our performance and I am proud to report that this year we were included in the Climate Leadership Index for our reporting to the Carbon Disclosure Project and that we won the Global Business Coalition Business Excellence Award for using our core competencies in addressing HIV/AIDS.

Conclusion

Given the sheer scale of the challenges of social and economic development, of health and the environment, we know we must choose where to focus our efforts and be realistic about what we can achieve. Moreover, we recognise that we must work with other private companies, with governments, non-governmental organisations (NGOs) and communities themselves. By working together we can maximise the impact of our collective efforts.

There are powerful linkages between the issues of poverty, health, human rights, security, access to financial services and the environment. Sometimes this makes the challenges appear intractable and progress frustratingly slow. But it also means that it is possible to create an accelerating virtuous circle, where the benefits of each intervention are magnified by interaction with each other. By focusing on what we do well, leveraging our distinctive capabilities and infrastructure, and by working with partners with complementary skills and capabilities,

we can create such virtuous circles. As a results focused organisation, it is this prospect that attracts us and shapes our sustainability agenda.

We welcome your input and ideas as we continue to learn and make progress on this agenda.



Peter Sands,
Group Chief Executive
26 February 2008

Feedback on our reporting on sustainability activities

The Bank continues to learn a lot from external partners and stakeholders, such as investors, governments and NGOs. This year we complemented feedback received year-round with a focused workshop on the way we report our progress against our sustainable business strategy.

What our stakeholders liked about our reporting:

- Our focus on material issues that are relevant to our markets;
- Our comprehensive sustainability strategy focusing on delivering business, social and environmental outcomes;
- Use of financial capabilities to deliver sustainable value; and
- Use of progress tables to compare our achievements against commitments made.

What our stakeholders want more of:

- Our thinking on strategic opportunities and key risks, challenges and dilemmas;
- How we are making sustainability profitable;
- Targets and data;
- The business context of the unique markets that we operate in; and
- Verification of our reporting.

Next steps:

We still have some way to go if we are going to deliver solutions required for long-lasting growth within our markets. Some of our priorities for 2008 include:

- Defining our long-term strategic direction for a sustainable business over the next 15 years;
- Articulating our approach to sectors that are material to our business;
- Delivering innovative consumer products;
- Outlining long-term targets for more of our sustainability pillars; and
- Incorporating sustainability into our regular business review process.

Enabling development

“It may be hard to see how a simple loan of \$150 could help reduce poverty, but it has been shown that a 10 per cent increase in private credit relative to the size of the economy can lift three per cent of the population out of poverty.” Gareth Bullock, Group Executive Director, Middle East, Africa, Americas and Europe

“Of the 1.2 million people Standard Chartered supported through microfinance loans this year, 80 per cent are women. This was their first step to financial independence.” Jaspal Bindra, Chief Executive Officer, Asia

2007 Highlights

\$170m

current microfinance portfolio, which doubled in 2007

41

the number of microfinance partners who work with the Bank to provide credit

1.2m

people benefited from microfinance loans; 80% are women

As a provider of financial services, Standard Chartered has the opportunity to unlock the full economic potential of our markets, empowering individuals, families and communities and to stimulate grassroots enterprise. By offering financial services tailored to the Islamic community, we also ensure that faith is not a barrier to the financial development of individuals and businesses.

Microfinance

The goal of microfinance is to make sure individuals, families and communities move from subsistence loans to enterprise loans, and eventually graduate to accessing formal banking services. Microfinance provides the poor with an opportunity to grow their enterprises, increase income, pay for emergencies and invest in the health and education of their families.

Standard Chartered has been attracted to microfinance because of several factors: the market opportunity is tremendous; there is a replicable and scalable business model in place; there are a growing number of robust Microfinance Institutions (MFIs) intermediaries; and investors see this market as a great way to earn sustainable profits. As a result, in September 2006,

at the Clinton Global Initiative, the Bank committed to establish a \$500 million microfinance facility over a five-year period. This facility will provide MFIs, development organisations and fund managers with credit and financial instruments as well as technical assistance. It is expected to benefit four million borrowers across Asia and Africa.

In 2007, the Bank delivered \$170 million of this commitment in four ways:

1. Partnering

We partnered with MFIs, providing them access to local currency funding, transaction banking services and products from our Global Markets business. We are now working with 41 partner MFIs who follow a range of business models, including individual lending, the Grameen model, lending to self-help groups and micro-enterprise financing. Our network now covers 13 countries across Asia and Africa.

2. Training and capacity building

We frequently engage with microfinance experts to invest in technical assistance and capacity building for the microfinance



Providing FX solutions in Kenya

Standard Chartered worked with microfinance client, Faulu Kenya Limited, to manage the potential foreign exchange risk from a \$7 million commitment the MFI received from an international investor. The microfinance loans will benefit many small business owners in Kenya.



Supporting start-up MFIs in India

Standard Chartered partnered with Opportunity International and World Vision to provide cross-border security solutions to independent start-up MFIs in India.



Financing farmers in China

Standard Chartered, in strategic partnership with Esquel, aims to assist cotton farmers in China to enhance productivity, increase income and improve living standards.

This is the first time a foreign bank has been involved in establishing a complete microfinance programme lending directly to farmers in China. Standard Chartered and Esquel will launch a pilot operation in Baishaiirike village, Wuluquele town and Awati County in the Akesu District of China's Xinjiang Uygur Autonomous Region. Standard Chartered will contribute by setting up the credit policy framework, credit assessment and loan management processes and cooperation strategies with credit cooperatives. This joint programme will initially provide working capital loans, without pledge or guarantee, to local cotton farmers. The loans will be disbursed through an entrustment loan arrangement with the local Awati Credit Cooperatives.

For more information visit:

www.standardchartered.com/sustainability

sector. Some examples of initiatives in 2007 include:

- Holding a workshop in India on the use of cash management tools for MFIs; and
- Sponsoring Srijan – a microfinance business plan competition – which sought to identify and incubate MFI start-ups.

We plan to formalise a technical assistance strategy in 2008. In partnership with experts, we hope to provide training, technical assistance and thought leadership to MFIs in areas where the Bank has natural skills sets such as credit, operations, processes and governance.

3. Innovative products and structures

We leverage our alliances with development organisations and multilateral and bilateral agencies to participate in innovative risk management solutions and asset distribution deals. We are currently seeking investor participation to distribute microfinance assets through capital markets structures such as securitisation, asset assignments and local currency bond issuances. This will enable us to accelerate our support to MFIs and will provide a platform for investors to participate in the microfinance sector in Asia and Africa through our network. At the same time, we are keen to ensure MFIs have access to alternate sources of funds.

“We began our relationship with Standard Chartered Bank a year ago and have seen our credit lines grow substantially within this period. They represented some really innovative thinking with their loan facility – for example, by stressing that it be used in states where our operations were still new. They're also fairly creative with their industry initiatives, including governance workshops for MFIs and an upcoming microfinance bond issue.”

Mr N.V. Ramana, Group CEO, BASIX



Loan syndications for Bangladesh's largest MFI

The \$55 million loan to BRAC by a consortium led by Standard Chartered which included development organisations was unusual being a seven-year unsecured facility.

4. Policy advocacy

We also engaged with governments and regulators to look at ways to strengthen regulatory frameworks within the microfinance industry.

For example, Standard Chartered organised a workshop on the role of corporate governance in managing growth for the microfinance sector in India. We took the lead with the objective of building a multi-stakeholder perspective on corporate governance and enhancing the adaptability of MFIs to their new governance framework. The seminar, targeted at the top management of leading MFIs in India, engaged thought leaders, academics and industry heads, with the objective of encouraging best practices in corporate governance in this sector.

Islamic finance

Islamic Banking is a growth sector, expanding 15 per cent a year. Standard & Poors estimates that \$750 billion in assets are under shariah-compliant management. The World Bank reports that more than 300 institutions provide shariah-compliant financial services. Banks with shariah-compliant products can provide financial services to people whose faith prevents them from using conventional financial products.

Currently, Standard Chartered provides Islamic Banking services through its Wholesale and Consumer Banking businesses in four countries – the UAE, Pakistan, Bangladesh and Malaysia.

Innovative products and services

The Bank has also completed a number of significant transactions in Saudi Arabia, Bahrain and Singapore. Some of these transactions were the first of their kind in market. Examples of innovation include an alternative investment product based on yield differentials for emerging markets and

G10 currencies. This is a true first-to-market structure which provides Islamic investors with the opportunity to participate in asset investment strategies that were previously not available to them.

Governance

Standard Chartered has a Shariah Supervisory Board which includes two eminent scholars in the field of Islamic banking. They act as independent advisors, guiding the Bank on ways to develop and execute products and transactions in accordance with shariah principles.

We are also actively involved in shaping the industry by engaging with regulatory bodies

in different countries. For example, we are working with the Islamic Finance Experts Group in the UK, a task force of the Hong Kong Government and the Advisory Council of Dubai International Financial Centre for Islamic Finance to develop Islamic regulations and solutions.

More information on the following topics is available on our website:

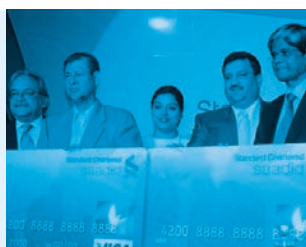
- How we take decisions on microfinance;
- Our governance structure;
- Approach to Islamic banking; and
- Clinton Global Initiative.

Our goals and achievements in 2007

Our goals for 2007	Status	What we have done
To develop and implement a training programme for our microfinance customers in East Africa and South Asia	Ongoing	Three events in the form of training, seminars and conferences were hosted in South Asia
To originate microfinance assets of up to \$200 million across Africa, Asia and the Middle East	Completed	Originated microfinance assets over \$200 million. Portfolio outstanding is \$170 million as at December 2007
To penetrate new markets for microfinance	Completed	We now support MFIs in 13 countries across our network (from 10 in 2006)
Distribute \$125 million of microfinance assets across investors	Ongoing	Distribution in progress, expected to complete in H1 2008

Our priorities in 2008

- To formalise a training and technical assessment strategy and build partnerships with microfinance experts and technical assistance providers to facilitate training and thought leadership
- To expand our microfinance initiatives into new markets, including China, the Philippines and Nigeria
- To expand our geographical reach of Islamic Banking products where we see demand



Saadiq Credit Card

The Bank launched the Saadiq Islamic Credit Card in the UAE, Pakistan, Bangladesh and Malaysia. The card operates on the 'Ujrah' principle; cardholders only have to pay a monthly fee if they do not clear outstanding balances.

“Standard Chartered is one of our most innovative supporters. They led in a landmark deal – a seven-year term loan facility of \$55 million to us. It will help us extend credit to 400,000 borrowers, changing the lives of over two million people in Bangladesh.”

S.N. Kairy, Finance Director, BRAC

Advancing change

“ Many of Standard Chartered’s markets are already experiencing major environmental challenges and are forecast to be among the most affected by climate change. Banks need to manage these risks and can also play a meaningful role in helping the transition to a low-carbon, low-pollution economy.” Dr Tim Miller, Director, People, Property and Assurance

For more information visit: www.standardchartered.com/sustainability

2007 Highlights

\$1m

donated to WWF as part of the Greatest Race on Earth: Race for a Living Planet

90%

rating achieved in Carbon Disclosure Project. Included in the Climate Leadership Index

17%

reduction in CO₂ emissions from energy use per full-time employee (FTE) (2006-7)

20%

reduction in paper consumption per FTE (2006-7)

The World Bank has estimated that the economic cost of environmental degradation in developing countries has reached four to eight per cent of GDP annually.¹ In 2007, Bangladesh was hit by devastating cyclones and flooding, while Kenya has been experiencing severe drought. Air and water pollution also present significant challenges across our markets.

Mitigation of climate change will be achieved primarily through deployment of carbon-reducing or carbon-replacing technologies, now anticipated on a massive scale. For example, by 2050, the world must generate twice the amount of power with less than half the current carbon emissions for it to maintain economic growth and limit CO₂ concentrations to manageable levels. Banks will play an important role in financing environmental solutions to these problems.

Our strategy, approved by our Executive and Board committees this year, is framed around four interdependent areas for action:

- Operational impact: leading by example through reducing the environmental impact of the Bank’s own activities, in line with our targets;

- Sustainable lending: building upon our Environment and Social Risk Policy implemented 10 years ago. We have an objective to be a ‘force for good’ by further integrating environmental stewardship, including climate change, in our lending policies, client relationship management and risk approval processes (see section on Sustainable Finance);
- Sustainable finance: facilitating environmental risk management and the evolution towards low-pollution, low-carbon and resource-efficient economies by adapting existing products and services and developing new ones (see section on Sustainable Finance); and
- Engagement: raising awareness among employees and wider stakeholders about the consequences of poor environmental stewardship, the importance of environmental protection and what they can do to make a difference.

Governance

The Group Environment Committee oversees delivery of the Bank’s environment strategy and policy. Chaired by the director, People, Property and Assurance, the Committee further comprises the chief operating officers of Wholesale Banking and Consumer Banking, heads of regional

¹ Environment Matters, World Bank, 2006

Included in FTSE4Good Environment Leaders Europe 40 index



Saving energy in India

Following an energy survey of our Global Shared Service Centre site in Chennai, we identified actions with a payback period of 16 months. These were implemented at the Haddows Road campus saving one million kWh per annum.

governance, Risk, Corporate Real Estate Services, Group Technology and Operations and Corporate Affairs functions, together with a former group non-executive director and an external environmental advisor. A key strength of the Committee is its senior management representation and ability to drive integrated cross-functional action across the business.

Reducing operational impact

Across the Group we have set targets to reduce our CO₂ emissions and paper consumption. By the end of 2008 we will:

- Reduce CO₂ emissions from both energy consumption and air travel by 10 per cent per FTE*; and
- Reduce paper consumption by 20 per cent per FTE*.

To help deliver our targets and monitor our overall impacts on the environment, we have undertaken a comprehensive review and update of our Global Environmental Management System (GEMS), modelled broadly on ISO 14001, the international environment management standard. GEMS aims to deliver:

- Consistent environmental policy commitments and international environmental standards;
- A framework for setting and reviewing environmental targets consistent with environmental, cultural, political and regulatory circumstances or requirements; and
- Accurate and consistent data on our environmental performance, enabling us to set targets and track progress.

Offices report environmental data and compliance status annually. In 2007, the number of GEMS buildings reporting environmental data increased from 43 to 52 covering 38,850 employees. The increase in employees and buildings covered

* Targets based on 2006 base year data



Impact reduction

In the UK, paper usage has declined by 11 per cent on an FTE basis from 2006. All paper procured for office use is recycled paper. 80 per cent of electricity comes from renewable sources. Removal of personal bins has contributed to a waste reduction of 48 per cent.



Action on climate change

The Greatest Race on Earth: Race for a Living Planet enables us to share best practice on environment with our employees, customers and the public. To date we have generated over one million pledges worldwide.

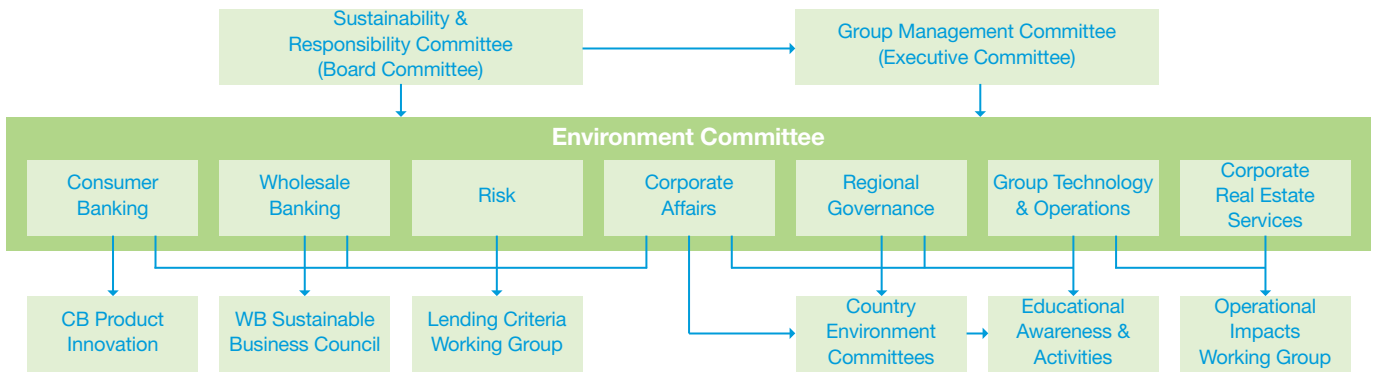
This year, Standard Chartered signed the Corporate Leaders Group-led Bali Communiqué on Climate Change, calling for an international and legally binding United Nations agreement to reduce greenhouse gas emissions, which will provide businesses with the certainty needed to scale up global investment in low-carbon technologies. Our chairman, Mervyn Davies, is a member of the Corporate Leaders Group.

We are members of the UNEP Finance Initiative (UNEPFI) working group on climate change. In 2007, we signed the UNEP FI Declaration on Climate Change ahead of the G8 summit and contributed to the executive briefing issued for the United Nations Climate Change Conference in Bali, Indonesia.

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The Group Environment Committee oversees delivery of the Bank's environment strategy and policy

resulted in an absolute increase in energy consumption of six per cent. However, through energy audits and efficiency programmes, total energy consumption per unit area has decreased by 11 per cent.

This year, a significant campaign has been put in place to engage employees and reduce environmental impacts. All GEMS offices have been developing energy management plans to meet the emissions and consumption targets stated above.

Between 2006 and 2007, CO₂ emissions associated with air travel and energy use decreased by 19 and 17 per cent per FTE. Paper use decreased by 20 per cent per FTE, meaning we met or exceeded the reduction targets set. Actions such as default double-sided printing, altering building temperature to maximise efficiency and introducing tighter criteria for approving air travel have been major contributors to meeting our reduction targets.

In 2008, new engineering standards for new buildings will continue to improve environmental performance. Staff education programmes will be expanded to broaden awareness on adopting environmentally efficient behaviour in everyday activities,

reinforced through the formation of Country Environment Committees to drive local environmental initiatives. We will continue to roll out technological improvements to reduce paper consumption and energy use to complement behavioural change.

Since the Bank started reporting its direct environmental effects in 2001, the data have been limited to GEMS buildings. We recognise that obtaining performance data for some of our smaller offices and branches can be challenging.

This year, to obtain a greater awareness of the Bank's global environmental footprint, we undertook a separate study to estimate the total environmental effects associated with the operation of our office and branch network. This study provides an estimate based on sample data from over 120 branches across all our regions. The data will be used in subsequent reviews to provide a baseline for future comparison of our performance. We will also dedicate resources to further strengthen the collection of emissions data in 2008.

In early 2008, all key performance metrics will be migrated to a web-based information management system to enable quarterly

reporting that will provide a global picture on a timely basis and help us share good management practices across the Group.

Engagement

We need engaged and motivated employees to deliver our operational impact targets, to further integrate environment into our lending processes and to develop innovative products and services. Our global reach and strong partnerships gave us an opportunity to engage with internal and external stakeholders and support worldwide government action to tackle environmental degradation and climate change.

Our engagement programme was informed by our involvement in the Forge V Climate Change project in 2007, working with a group of other financial institutions on identifying sector best practice approaches to integrate climate change into financial institutions' operations, including employee engagement.

During 2007, we launched the Environment Challenge as part of our unique team marathon series, The Greatest Race on Earth: Race for a Living Planet. This aimed to raise awareness of global environmental



www.thegreatestrace.com/pledgenow
Country CEOs used The Greatest Race on Earth site to pledge to take a more environmentally friendly approach to their day-to-day lives.



India – a lot of hot air!
One morning, staff across offices in India found red or green balloons on their desk depending on whether they had left their monitors on overnight. Related greenhouse gas emissions were calculated and communicated.

Our goals and achievements in 2007

issues and how individual behaviour can make a difference. People were encouraged to make a commitment to change simple things in their everyday lives, such as switching off the lights when leaving the room or turning the tap off while brushing teeth, that cumulatively make a significant contribution to environmental protection. To reinforce the message, environmental savings related to the pledge activities were updated live so that people could see the collective impact of their pledges. Pledges, which total over one million,¹ were made in support of a national team.

Individual pledges have the potential to deliver annual savings of three billion litres of water, over 45,000 tonnes of CO₂ and 140,000 trees. Visit www.thegreatestrace.com/pledgenow to find out more and make your pledge.

WWF provided support and advice through this initiative and will receive a \$1 million donation from the Bank at the race conclusion to support vital environment conservation projects benefiting the three countries with the most pledges per capita. The winning countries will be announced in April 2008.

Focusing on education, the site also hosts educational tools. We developed a carbon calculator for over 50 countries across our footprint, enabling people to evaluate their personal footprint. We also created the award winning 'My environment', which highlights the environmental impacts we have through our everyday actions.

More information is available on our website on the following topics:

- Environment policy;
- Supply chain policy and procedure;
- Background on GEMS;
- Carbon calculator;
- My environment; and
- Greatest Race on Earth: Race for a Living Planet.

¹ As at 26 February 2008



SC First Bank donation

SC First Bank, Korea, donated \$106,300 to Taaan residents who were affected by the worst oil spill in the nation's history. Additionally, over 50 staff members volunteered to clean up a local beach.

Our goals for 2007	Status	What we have done
Implement the Bank's environment strategy	 Completed	Strategy has been implemented across the Group, addressing all key areas of focus. During 2008 we will revise the strategy and define what success will look like for us by 2011
Embed consistent policies and procedures to screen environmental risk	 Completed	Our existing Group Environment Policy has been reviewed. Development of position statements is in progress (see Sustainable Finance)
Implement a minimum set of environmental standards and checklists for each country	 Completed	A checklist identifying how to reduce the Bank's operational impact is being implemented in all countries
Launch an environmental communications campaign	 Completed	Communication and engagement programme targeting employees, customers, clients and the public has been launched; i.e. the Greatest Race on Earth: Race for a Living Planet Environment Challenge
Complete the roll out of GEMS to eligible buildings	 Completed	GEMS has been updated and rolled out to all eligible buildings. A web-based information management system has been developed

Our priorities in 2008

- Establish a vision and environment strategy for 2011
- Launch an interactive social networking environment portal for employees
- Establish Country Environment Committees across the Group
- Exceed agreed environment targets – 10 per cent reduction targets per FTE have been set for CO₂ emissions related to air travel and energy use, 20 per cent reduction for paper use using 2006 baseline data
- Migrate environment information management system to a web-based quarterly reporting platform

“ WWF-UK are pleased to be working with Standard Chartered Bank to promote environmental awareness globally and work towards better practices in the banking sector. ”

David Nussbaum, WWF-UK Director

Financing growth

“The economies we operate in depend on a strong financial system to ensure sustainable growth. Our presence gives us the opportunity to build international standards into our financing practice that help protect the environment and contribute to social development. As a bank, we make a real difference by acting as a catalyst to facilitate early adoption of low-carbon and resource-efficient alternatives.” **Mike Rees, CEO, Wholesale Banking**

 For more information visit: www.standardchartered.com/sustainability

2007 Highlights

\$8-10bn

committed to finance renewable and clean energy projects in Asia, Africa and the Middle East

Reviewed risk exposure to climate change

Advised on financing the world's largest photovoltaic power plant in South Korea

Developed a Consumer Banking 'green product innovations guide' for country implementation

Developing sector guidelines for critical sustainability issues and sectors

Standard Chartered provides financial services which help bring to market the natural resources, products and services that sustain economic growth. In so doing, we have a responsibility to ensure environmental protection and social impacts are fully integrated into our business decisions.

Our markets face challenges on several fronts – from poverty and economic inequality to the inefficient use of natural resources and climate change. But these challenges also provide us with an opportunity to develop and refine new forms of financial services and open up new markets that will enable our customers and by extension, our own business, to stand the test of time.

In 2007, one such opportunity was the financing of renewable energy projects, where we made a commitment of \$8-10 billion over the next five years at the Clinton Global Initiative.

Sustainable lending

At times we face challenging situations when our business decisions have the potential to detrimentally affect communities or the wider environment. It gets more difficult when environmental and social standards in certain markets fall short of international standards.

These situations can present both credit and reputational risks to Standard Chartered. Importantly, they simply do not fit with the values of our organisation.

For example, Standard Chartered was offered the role of arranging project finance for a gas/diesel dual-fired thermal power plant in Pakistan. An independent consultant certified the project would comply with the Equator Principles (EP) only if the customer carried out certain mitigation measures.

The customer subsequently decided not to incur the additional costs involved in meeting the EP because the project already met local environmental regulations and the loan was oversubscribed by local banks. Standard Chartered's commitment to the EP led to our withdrawal from the transaction.

At times, such challenges provide the Bank with an opportunity to work with clients, helping them to improve the social, environmental and economic outcome of a project. That is because, in the long term, most customers realise that this will benefit them as well.

We understand that such an approach to business needs wide-ranging reforms in the regulatory environment and takes time. We are also aware that we need to build up



Financing renewables

In May 2007, we advised on the development, structuring and financing of the world's largest photovoltaic power plant (19.6MW) in South Korea.

Employees trained in social, environmental and ethical risks in 2007

2,122

2006: 1,500
2005: 2,995

our internal capacity to achieve sustainable risk management.

Our relationship managers, the Bank's central point of contact for each client and deal, are trained to implement the Group Environmental and Social Risk Policy, in place now for 10 years. The policy lays down methods to assess the client's capacity and commitment to manage environmental and social risks, look for patterns of environmental or social breaches (such as labour standards) and encourage clients to follow internationally accepted guidelines, exceeding local regulatory requirements where practicable.

To provide further clarity to our client relationship managers, we are currently developing and implementing a series of position statements that provide social and environmental 'yardsticks' on key sustainability issues and for particular commercial sectors.

We have drafted statements setting out our standards on child labour, climate change, dams, forestry and palm oil, fossil-fuelled power generation, gaming and gambling, mining and metals, nuclear power, oil and gas, ship breaking, tobacco and transportation of hazardous materials. The Bank will engage external stakeholders in 2008 for input before finalising and implementing the papers.

A series of practitioner guides will accompany the statements, supported by training of our front-line relationship managers, credit risk officers and portfolio managers. Our lending criteria will apply to Wholesale Banking and small and medium-sized enterprise (SME) clients. SME implementation will present a particular challenge, given the relatively limited resources of these entities and that in certain markets the regulations governing SMEs may not be as stringent as the standards set out in our position statements. Where this is the case, the



Financing renewables

At the Clinton Global Initiative in September 2007, we committed \$8-10 billion over the next five years to finance renewable energy and clean technology projects in Asia, Africa and the Middle East.

With a focus on wind, hydro, geothermal, solar, biomass and coal bed methane, the development of renewable energy projects will help mitigate the effects of climate change, a stated goal for a number of our markets.

It will also contribute to greater economies of scale in the renewable energy sector, thereby helping drive down unit costs of clean energy and deliver the much needed growth in energy supply which many emerging economies require to alleviate poverty and deliver stable economic growth.

For more information visit:

www.standardchartered.com/sustainability

Equator Principles
projects completed in 2007

34

2006: 20
2005: 18



Table 1: Breakdown of 34 Equator Principle projects approved in 2007 by risk category

	Number approved	% of projects approved	% of Bank's share of project value
Category A	8	23%	6.6%
Category B	22	65%	6.3%
Category C	4	12%	9.2%

Table 2: Breakdown of Equator Principle projects by geographic region closed in 2007

	Middle East	Asia	Africa	Americas, UK and Europe
Category A	5	1	2	0
Category B	15	4	1	2
Category C	0	2	0	2

Table 3: Breakdown of Equator Principle projects approved by sector closed in 2007

	% of projects approved	Project value (\$ million)	Bank's share of project value
Oil & Gas	23%	8,015	509
Chemicals*	12%	2,422	200
Infrastructure	6%	763	193
Power	29%	11,876	465
Mining	12%	4,835	398
Renewables	15%	1,838	204
Biofuels	0%	–	–
Other	3%	290	25

*Chemicals – Includes petrochemical plants, chemicals and fertiliser (Urea based) facilities

relationship managers will work with the client to determine a pragmatic timeline for compliance, with withdrawal seen only as a last resort.

Climate change risk review

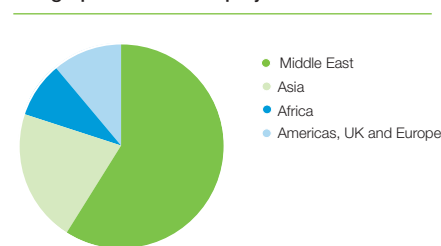
As part of our broader risk and strategy management process, we have assessed the exposure of our various markets, products and services, and several business sectors to a range of climate change-related risks. These include regulation and related market mechanisms, climatic events, and changing stakeholder expectations. The findings from this work will inform our position statement on climate change and overall strategic direction.

Equator Principles

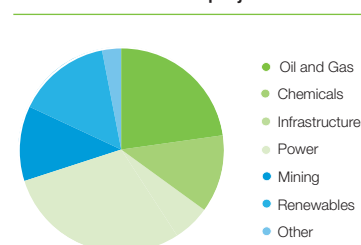
Standard Chartered applies the Equator Principles (EP) to all project finance and advisory engagements, irrespective of the capital cost. This goes beyond the EP requirements, which apply only to transactions with a capital cost of \$10 million or more.

In 2007, we provided financing to 34 projects, with a total project capital cost of over \$30 billion. In 2007, we ranked second among the Equator Principles Financial Institutions (EPFI) as lead arranger for most number of projects in non-Organisation for Economic Co-operation and Development (OECD) countries, with an underwriting exposure

Geographic location of projects %



Sector breakdown of projects %



of \$1.13 billion, according to the *Infrastructure Journal*.

Under the EP, financial institutions oversee the project sponsor's integration of environmental and social issues from the initial classification of a transaction to a monitoring programme which continues until the debt facility is closed-out. Any breaches of an environmental or social covenant by a client are considered a condition for default.

Table 1 indicates that Standard Chartered has 23 per cent Category A projects, which is a reflection of our strong presence in emerging markets and our rigorous approach to categorising projects.

We strive to equip front-line and risk management staff with skills to carry out



Climate change risk review

Completed the climate change risk review of our lending portfolio, including project finance and mortgages.



Equator Principles

We are ranked second among the EPFI as lead arranger for most number of projects in non-OECD countries. (*Infrastructure Journal*)

Flowchart – Applying the Equator Principles

The Bank has a policy and procedures for the implementation of the EP. Training is an important part of the embedding process to help staff understand our commitment under the EP. Projects are categorised into Category A (high environmental and social risk), Category B (medium risk) or Category C (low risk). The following illustrates this process:



environmental and social risk screening. We have developed a new training programme with a focus on EP II which will be rolled out in 2008.

Financing for sustainable development

Standard Chartered recognises the enormous opportunity for banks to facilitate a shift to a low-pollution and resource-efficient economy. We are getting involved in the following three ways:

1. Wholesale Banking Sustainable Business Council

In February 2007, the Wholesale Banking Sustainable Business Council was established to conduct research, develop new commercially viable propositions, build

internal capacity and strengthen relevant stakeholder relations, including with governments. Where commercially feasible, the findings of the Council will be commercialised into financial products or services for piloting and rolling out in appropriate markets during 2008.

2. Renewable and clean energy finance

Standard Chartered's renewable energy team was formed in 2005 and is active in more sectors and geographies than many of our peers. The team has completed or is executing over 20 transactions in South Korea, Indonesia, the UAE, Pakistan, Uganda, Germany, UK, Italy and the US, in sectors ranging from wind, solar, run-of-river hydro to geothermal. Our commitment

towards the Clinton Global Initiative will be pivotal to this effort.

While economic development is currently significantly dependent upon fossil fuel-based energy generation in the majority of Standard Chartered's markets, we are committed to acting as a catalyst in facilitating the transition to a low-carbon economy.

The low-carbon and renewable energy sectors are regulatory driven, and in most cases, commercially reliant upon market intervention. The regulatory frameworks currently in place do not yet support the scale of shift to low-carbon technologies necessary to tackle climate change. This means that organisations like ours

Renewables investment

The total value of renewable projects the Bank has financed or advised on in 2007

\$1,500m

2006: \$800m
2005: \$300m



Project Finance Magazine Awards:

Asia Pacific Renewable Energy Award – Sinan Solar, South Korea

Africa Power Deal of the Year – Bujagali, Uganda

Our goals and achievements in 2007

face a tension between our ongoing financing of fossil fuel-based energy, which current regulatory frameworks encourage, and our desire to support the shift to low-carbon alternatives.

In May 2007, we advised on the development, structuring and financing of the world's largest photovoltaic power plant (19.6 MW) in Sinan-gun, South Korea. The transaction won Project Finance Magazine Asia Pacific Renewable Energy award, while our run-of-river hydro transaction in Uganda won Africa Power deal of the year 2007. The transaction came on the heels of our exceptional record in financing renewable energy in both OECD and developing countries. Furthermore, we financed a 94MW wind farm for UK-based Fenland Windfarms, which at the time of closing the transaction equalled 10 per cent of the country's installed wind power capacity. We also acted as financial advisor for a 50MW wind project in Pakistan for Axor/Dawood in 2007, which was among the first wind power projects in the country.

We are in the final phase of our plan to open a carbon trading desk, enabling the Bank to support our emerging market customers in managing their carbon emissions and gaining access to global carbon markets.

3. Consumer Banking products and services

Retail demand for green and sustainability-focused financial products and services may still be relatively low in many of our markets, but the importance of environmental protection and social development resonates with our customers and employees.

Our goals for 2007	Status	What we have done
Complete a policy review of social and environmentally sensitive business sectors and issues to introduce any changes within the business	Completed	Reviewed sensitive business sectors and issues. Drafted 12 position statements. Finalising practitioners' guidelines, training programmes and client monitoring procedures
Embed sustainable lending training in core risk management training	Completed	Developed module within the core credit risk training programme covering environmental and social risks
Review our approach to climate risk, including raising levels of awareness amongst appropriate staff on how to assess climate risk	Completed	Climate change risk review completed. The findings are being integrated into business processes
Upgrade the social, ethical and environmental (SEE) e-learning. Get external stakeholders' input for graduate training	Completed	Upgraded e-learning modules to be rolled out in February 2008. External support provided by a non-profit organisation in Asia to enhance graduate training

Our priorities in 2008

- Roll out training on sector guidelines and implement position statements
- Integrate climate change risk review findings into relevant business processes
- Roll out the upgraded e-learning programme on managing SEE risks
- Launch new environment-oriented consumer banking products and campaigns
- Commercialise the Wholesale Banking Sustainable Business Council research

Our Consumer Banking business continues to build on its work in influencing consumer attitudes to environmental issues in emerging markets. As part of this effort, the Bank developed the 'green product innovations guide', a tool to help generate ideas for environment-oriented products and services in our markets.

We are currently rolling out our 'Go Green' campaign, prototyped in Malaysia, to Pakistan, the UAE and South Korea.

More information is available on our website on the following topics:

- Our governance approach, committee memberships and terms of reference;
- Environmental and Social Risk Policy;
- Statement on human rights;
- Policy on defence and armaments;
- Policy on oppressive regimes;
- Approach to developing sector and issue policies; and
- Performance against the Global Reporting Initiative (G3).



Go Green campaign

In Malaysia, we donated RM3 to the Malaysian Nature Society Tree Planting Programme for every customer who activated their online banking before 20 January 2008.

“ Standard Chartered is ideally placed to facilitate a shift to a low-carbon economy in Asia, Africa and the Middle East through its sustainable banking initiatives. The Bank has shown strategic foresight to finance renewable and clean energy projects, allowing itself to establish first mover advantage. ”

Emma Howard Boyd, Director, Jupiter Asset Management Limited

Supporting customers

“The markets we compete in account for over 60 per cent of the world’s population with over half the population under 30. We’ve been in these markets for over 150 years and believe it is our responsibility to ensure we not only provide our customers with transparent and helpful banking advice and products, but also educate them to better understand and manage their financial needs as they grow.” Mike DeNoma, Group Executive Director, Consumer Banking

For more information visit: www.standardchartered.com/sustainability

2007 Highlights

84%
Consumer Banking Loyal and Positive Index

98%
Wholesale Banking Service Quality Index

20,000
employees completed e-learning on treating customers fairly

Supporting our customers to make the right financial decisions sits at the core of our business. It is in our own interest to provide individuals and communities with every opportunity to prosper because, in the long term, this will help the Bank grow.

This is why we work hard not only to deliver a culture that treats customers fairly, but also to improve the ‘financial literacy’ in the countries where we work. This is of particular importance for many people in markets where financial independence, managing wealth or even access to financial services are relatively new concepts.

Setting high standards

Standard Chartered aims to embed a sales culture that delivers these high standards in every country we work in, so that products meet genuine customer needs and that customers have sufficient information to make the right choice.

Our standards are aligned with the UK Financial Services Authority’s ‘Treating Customers Fairly’ guidelines and supported by our own ‘Outserve Plus’ programme which focuses on enhancing customer service. Our standards cover product design, marketing and promotion, sales and advisory processes, remuneration and after-sales information, as well as

building customer loyalty through excellent service experiences.

Mike DeNoma, group executive director, Consumer Banking, is the Board sponsor for initiatives related to the fair treatment of customers. In 2007, he brought in a focus on customer experience as an end-to-end process, from product design and delivery through to after-sales service.

The initiative helped ensure that everyone in the Bank is empowered to act as the ‘customers’ bankers’ instead of purely focusing on product sales.

At the heart of our approach is the Bank’s Code of Conduct, which includes a focus on mis-selling. All front-line staff in Consumer Banking are required to successfully complete training on Treating Customers Fairly (TCF) within three months of joining the Bank. From June 2007, all Consumer Banking staff are required to undergo TCF e-learning.

The Consumer Banking Product and Reputational Risk Committee reviews risks related to sophisticated and complex consumer banking products. Senior product managers are responsible for ensuring that product development and product standards pay due regard to TCF issues.



Complaints management

Sharing of best practices saw Nigeria take the lessons learnt from Botswana’s continuous improvement programme in complaints management and further improve the process so that today 95 per cent of complaints are resolved within 24 hours.



Financial literacy

In Malaysia we teamed up with the central bank, local government authorities and the Ministry of Education to develop a financial literacy programme for schools. This programme will be rolled out to 81 schools in 2008.



Creating customer loyalty

The Outserve Plus initiative has led to several improvements in day-to-day operations as well as in broad-based transformational programmes to enhance the level of service to our customers. For example:

- In the UAE, a real-time, virtual application barcode system tracks the flow of all Direct Banking applications across the Bank's network. Productivity and performance can be tracked and error rates can be measured. The error rate for Business Instalment Loans has reduced significantly; and
- A Rapid Response Unit has been established in Wholesale Banking to work with countries to tackle issues that generate inefficiency, poor client service and unnecessary risk.

For more information visit:

www.standardchartered.com/sustainability

In 2007, the Bank introduced the following improved processes around TCF:

- Credit scoring, credit decisions and sale of credit products are undertaken after customer debt capacity analysis and appropriate use of credit bureau data;
- New standards on transparency around the sale of lending or credit products were introduced. For instance, key terms and risks are outlined in an 'Important Information Document'. Loan documents now set out interest rates, fees and their method of calculation more clearly; and
- Sales scorecards were revised to mitigate the risk of churning of investment sales and to include the impact of customer complaints on incentives and compensation.

Assessing customer debt

The Bank is proactive in preventing over-borrowing by focusing on a thorough credit evaluation of the customer's total borrowing exposure. Positive credit bureaus have become effective tools in our markets in this regard. Unlike negative credit reference bureaus which only alert a financial institution when a customer has defaulted on payments, positive bureaus offer a comprehensive view of the customer's exposure to debt, allowing the Bank to make sure that it does not over-burden the customer. In 2007, the Bank continued to collaborate in industry initiatives by participating in Asia Pacific credit bureau conferences. We also have a continuing engagement in this regard in Singapore, Thailand, Malaysia, Hong Kong, India, Korea, Taiwan and China.

Education and financial literacy

Whilst we recognise our responsibility to treat customers fairly, every individual has a responsibility to manage their own finances. In this respect, we believe that a financially literate society benefits everyone because it is better placed to contribute to long-term economic growth.



Attack on madness

This is a global ideas scheme within Wholesale Banking to fight bad work bugs (issues) that get in the way of service and/or operational excellence. In 2007, one thousand ideas were generated from 27 countries.



The Bank can raise financial literacy by educating customers about financial products. In Hong Kong, Consumer Finance led the finance industry in introducing a domestic helpers' card, to prevent over-borrowing. In our Consumer Finance business, customer references and testimony are key to business referrals. Almost 40 per cent of our customers are repeat borrowers.

Standard Chartered also conducts consumer education through brochures and conducting seminars on how to manage debt and avoid over-borrowing. In 2007, Malaysia developed a training programme that will extend financial literacy training to schools to build a future customer base who invest and spend responsibly.

Continuous improvement through Outserve Plus

One of the Bank's five strategic priorities is to continuously improve the way we work to achieve operational excellence. Outserve Plus is our umbrella programme of continuous improvement and measurement. It aims to delight customers with the quality of our service.

The information we collect from our annual customer surveys across 26 countries helps us develop products that meet our customers' needs and exceed their expectations.

As a result, our Consumer Banking Loyal and Positive Index score has increased from 66 per cent to 84 per cent over the past five years.

We have also introduced a sales performance scorecard and we include indicators such as customer complaints in our sales incentive and reward programme. There have been no audit or regulatory findings of systemic issues relating to mis-selling.

Complaints are tracked and monitored from the time the complaint is logged through to its resolution. We aim to ensure all post-sales services including collections practices and the complaint-lodging process are fair and accessible.

More information is available on our website on the following topics:

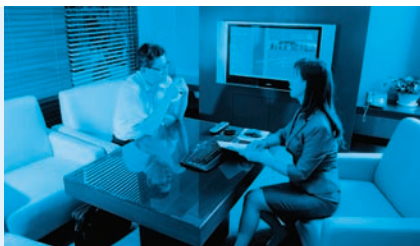
- Group Code of Conduct; and
- Access to Finance.

Our goals and achievements in 2007

Our goals for 2007	Status	What we have done
Consumer Banking aims to sustain its Loyal and Positive Index at over 80 per cent and will focus on improving the share of 'loyal' customers	✓ Completed	Achieved a Loyal and Positive Index of 84 per cent in 2007, up from 83 per cent in 2006
Through Outserve Plus we will seek to improve quality, reduce cycle time and increase productivity while maintaining effective controls	✓ Completed	Several improvement projects across the Bank implemented, achieving operational efficiency and customer service gains
In addition to superior customer experience resulting from our operational excellence initiatives, there will be increased focus on improving the post-sales experience of customers	➔ Ongoing	We have enhanced our post-sales services which include collections practices and complaint-lodging

Our priorities in 2008

- Consumer Banking aims to sustain its Loyal and Positive Index above 80 per cent
- Continuously improve processes to reduce complaint rates, and to re-engineer solutions into the underlying processes
- Strengthen financial literacy programmes to enable customers to manage their assets in volatile markets



Customer-friendly account opening forms

Wholesale Banking Account Opening and Services Agreement forms have been simplified into plain language.

A trustworthy partner

“The Bank’s reputation for being a trustworthy partner depends on its exemplary governance and ethical standards. A tough stance on tackling financial crime (money laundering, terrorist financing, fraud and corruption) is essential in maintaining strong partnerships.”

Vis Shankar, Group Head, Origination and Client Coverage

For more information on Standard Chartered’s code of conduct on this issue, visit: www.standardchartered.com/sustainability/tackling-financial-crime

2007 Highlights

Improved governance through the new Group Financial Crime Risk Committee

Renewed and relaunched all financial crime risk policies

Implemented new, risk-based, Customer Due Diligence procedures

Automated transaction monitoring system live in eight more countries

Enhanced ‘thought leadership’ through local and international forums

Criminal activity related to financial services not only affects the Bank’s business, but also hurts our customers and the communities where we do business. It can undermine the sustainability of our own growth and, by fuelling poverty and inequality, that of the economies we operate in.

International Monetary Fund (IMF) estimates suggest that money laundering globally accounts for between two and five per cent of the world’s GDP annually,¹ so tackling the threat is a major challenge for the entire financial sector. The banking industry needs to respond to this threat through industry-wide cooperation and constructive partnership with governments.

Standard Chartered monitors financial crime risk management through the Audit and Risk Committee and specialist Group and business committees at various levels including on-the-ground Country Operational Risk Groups.

Anti-money laundering (AML) and terrorist financing

Money laundering is the process through which the proceeds from crime are disguised and concealed. At each stage of our operations, Standard Chartered

strives to minimise the risk of our products and services being used by money launderers. During 2007, we launched revised, more risk-based, ‘Customer Due Diligence’ (CDD) standards across Consumer Banking.

Once an account is opened, the Bank uses sophisticated systems to detect suspicious transactions. The Norkom transaction monitoring system went ‘live’ across eight more countries in 2007, with enhanced reporting procedures for exceptional transactions implemented in more than 25 other countries.

Despite such automated systems, the vigilance of our staff remains critical. Our employee induction programmes make these responsibilities clear to new recruits. The Bank now passes several thousand suspicious activity reports to the relevant authorities every year.

In 2007, the Bank completed a programme to enhance payments screening in all processing centres and to improve its ability to identify transactions that may be linked to a terrorist suspect.

The Bank works closely with regulators, other banks and industry bodies, such as the Wolfsberg Group, to ensure that its

¹ Financial Action Task Force (FATF), Money Laundering FAQ, January 2008



Monitoring systems

Over the last three years, Standard Chartered has invested over \$55 million in improved AML monitoring systems and automated surveillance for terrorist finance-related transactions.



Hong Kong Monetary Authority (HKMA)

Standard Chartered Bank Hong Kong led a group of 20 financial institutions under the chairmanship of the HKMA to study specific AML and terrorist financing issues. The group will monitor regulatory changes and their effect on business. It has issued a guidance paper on the handling of public officials.

AML control framework continues to reflect international best practice.

The Bank has also contributed to the development of new laws and industry guidelines in several countries, such as 'Know Your Customer' and transaction disclosure requirements issued by the South Korean authorities and the new Hong Kong industry guidance. In early 2007, the Bank joined representatives of the Basle Committee to train regulators from across Africa, who are in the process of implementing their own AML standards.

We recognise, however, that AML is a fast-evolving field. In late 2007, we engaged the services of the Promontory Financial Group, a leading consultancy, to ensure we keep pace with developments, continue to meet the expectations of our regulators and stay at the forefront of international best practice. We plan to refine our AML operating model based on their recommendations in 2008.

Fraud and corruption

Aside from the obvious financial impact on the Bank itself, we have a wider responsibility to protect customers from fraud and to contribute to the security and stability of the financial sector.

While fraud levels in the Bank have remained stable in recent years (indeed, they have fallen relative to the size of our business), we remain on our guard against new methods of attack and strive to reduce our losses. Like the Bank's AML regime, our approach to fraud reduction uses a series of preventive barriers from front-line controls to a risk-focused internal audit programme.




To reduce the risk of employee fraud, in early 2007, the Group rolled out new procedures for staff screening and vetting at the point of recruitment. The Bank also reviewed its 'Speaking Up' programme,

which provides employees with a confidential channel to raise concerns they may have about possible malpractice, with an aim to combat corruption. In 2007, over 25 reports were made, which helped the Bank to improve controls and reduce fraud.

 **More information is available on our website on the following topics:**

- Group code of conduct.

Our goals and achievements in 2007

Our goals for 2007	Status	What we have done
Migrate Norkom monitoring system to other major centres, including Singapore and Hong Kong	 Completed	Implemented in Hong Kong, Singapore and six other countries
Deliver an anti-fraud action plan across Africa	 Completed	Achieved a measurable impact on the incidence of serious fraud
Complete roll out of improved sanctions screening systems to all payments centres	 Completed	All payments centres now 'live'

Our priorities in 2008

- Norkom roll out across additional countries, products and services
- Identify and address other areas of fraud vulnerability across the Group
- Review application of sanctions screening systems to other banking services
- Implement consultancy recommendations on anti-money laundering
- Launch new Financial Crime Risk training programme

“The automated transaction monitoring system, employed in the UK since April 2007, has proved to be an invaluable tool in assisting us in the fight against money laundering, and in helping us to meet our related regulatory and legal obligations.”

Dave Alonzo, Head of compliance, Private and International Banking UK

Addressing local challenges

“ Sustainable economies rely on healthy and productive people. That is why we invest in programmes that address the root cause of community issues, using our core skills, networks and resources.”

Peter Sands, Group Chief Executive

For more information visit: www.standardchartered.com/sustainability

2007 Highlights

Winner

Global Business Coalition on HIV/AIDS, Tuberculosis and Malaria's Business Excellence Award for using Core Competencies

\$10m

raised for Seeing is Believing to make a positive contribution to the lives of 10 million people in 20 countries

Launched Clinton Global Initiative commitment to educate one million people on HIV/AIDS

Rolled out London Benchmarking Group model to capture community expenditure

For us, to be a successful business in the long term, healthy workforce communities and economies are essential. Our work with local communities also helps to engage our employees, provide opportunities for product innovation and differentiate our brand. We capitalise on our core skills and resources, such as training employees to become peer educators to fight HIV/AIDS.

We use criteria within our Community Evaluation Framework to help us identify initiatives that bring real community and economic benefit. This Framework acts as a checklist to ensure each programme addresses employee engagement, skill development, customer involvement and brand development. The Framework helps shape our work around two global programmes, Living with HIV and Seeing is Believing; a regional programme in Africa called Nets for Life; and Goal – aimed at empowering women.

We understand the need to continuously assess our community commitments, so this year we started to roll out the London Benchmarking Group (LBG) model. This helps us to measure community inputs, outputs and impacts. Helping countries accurately report community inputs was the first step. In 2008, we will focus on reporting outputs and impacts.

Living with HIV

It is estimated that there were 2.5 million new HIV infections in 2007, many of which were in the communities where we operate. With neither a cure nor vaccine probable in the near future, we believe education and testing remain crucial in order to win the fight against HIV/AIDS. That is why we have made a commitment through the Clinton Global Initiative to educate one million people on HIV/AIDS before the end of 2010. We will achieve this ambitious target through partnering with other organisations to help them educate their own workforce using our volunteer HIV Champion peer educators. This year we formed a number of partnerships to achieve our target.

For example, our HIV Champions in Hong Kong started training employees of Crown Worldwide in September 2007 to become HIV Champions. Crown Worldwide, in turn, will train its remaining 4,500 employees throughout 2008.

Our new partnership with the Virgin Group will educate their global workforce of 50,000 employees.

We are also working with our SME Banking clients offering training resources to help them manage HIV/AIDS in their workplaces. We have also formed a global partnership with AIESEC, the world's largest student



Volunteering at Sightsavers

“Volunteering is a great way for you to apply and enhance your business skills while helping your community. It is a win-win situation.” Tracy Clarke, Group Head of Human Resources, who volunteered at Sightsavers International.



AIESEC partnership

“The Standard Chartered and AIESEC partnership helps us achieve our mission of educating today's youth, who we aim to develop into tomorrow's leaders, about critical issues, like HIV/AIDS, which plague our world today.” Rishabh Chopra, AIESEC International.

organisation, to educate 300,000 students, who are potential customers and recruits.

Seeing is Believing

Seeing is Believing (SiB) is now in its fifth year of helping to tackle preventable blindness. In Phase I, SiB restored the eyesight of 56,000 people through cataract operations. Phase II helped restore the sight of a million people.

The goal of Phase III of SiB was to raise \$10 million by 2010 to make a difference to the lives of 10 million people across 20 countries. We have already met this fundraising target, three years ahead of schedule, and have a portfolio of 35 projects across 17 countries with projected beneficiaries numbering 10.3 million.

Even at this early stage of implementation, the benefit is apparent. For example, the programme in Kwara State, Nigeria, has already treated 130,000 people for river blindness (800,000 people are likely to be treated by the end of the project year), performed 1,300 cataract operations (78 per cent of this year's target for that area), distributed vitamin A tablets to over 350,000 people and performed 455 refractive error treatments, as well as trained 15 nurses in primary eye care and trained four ophthalmologists.

In 2008, we will launch SiB Phase IV – a more ambitious programme of sustainable eye care targeted at the poor, marginalised communities in cities where the Bank has a presence. This will have a sharp focus on the sustainability of its projects and link more closely with business priorities. Projects will be guided by the International Agency for Prevention of Blindness/World Health Organization Vision 2020's comprehensive eye care strategy which builds in sustainability as a key feature.



Seeing is Believing credit card

A Seeing is Believing credit card was launched in Thailand. The credit card offers customers 10 per cent cash back with two per cent going towards Seeing is Believing. The proceeds of THB741,240 (\$25,000) went to the Thai Red Cross eye care projects.



Working with SMEs to combat HIV/AIDS

As HIV/AIDS often has a more significant impact on SMEs, we want to share what we have learnt with this important customer segment.

We are partners with the World Economic Forum's Global Health Initiative on their 'Beyond Big Business' programme, which aims to help SMEs benefit from multinational HIV/AIDS workplace programmes. This year, we have piloted and refined our programme, working with SME clients. In June 2007, our workshop in Tanzania reached out to 20 SME banking clients on HIV/AIDS business risk awareness. A similar workshop was held in Singapore. A further 120 clients from across Africa attended our workshop during the World SME Expo in Hong Kong. 80 per cent of them requested the programme be implemented in their country. We aim to build on this model by rolling it out across our African SME business in 2008.

"SMEs face a number of barriers in implementing HIV workplace programmes. Standard Chartered is contributing to HIV/AIDS education resources to help SME clients be more sustainable."
Richard Samans, Managing Director, World Economic Forum.

For more information visit:

www.standardchartered.com/sustainability



Our goals and achievements in 2007

Goal

Goal, our women's empowerment programme, was inspired by the fact that sustained economic development requires women to play an active role. Goal uses sports as a platform to bring young women together to gain the skills and confidence they need to become leaders in their communities – for example, through training in healthcare, personal finances and communications.

In 2007, we completed the pilot for Goal in partnership with the International Federation of Netball Associations and Naz, the NGO which implements the project on our behalf. We engaged community elders and the participants' parents to build community support. Our employees have also played a key role in the design and delivery of some of the training modules.








Nets for Life

Launched in 2006, Nets for Life aims to distribute one million long-lasting insecticide treated mosquito nets across 16 African countries by the end of 2008 as part of our efforts to fight malaria. Over the last two years, the programme has distributed over 680,000 nets and trained 5,000 people to teach their communities about malaria prevention in partnership with Episcopal Relief and Development (ERD). Evaluation has shown a noticeable improvement in the levels of knowledge on malaria, an increase in households in possession of nets, and an increase in children and pregnant women sleeping under nets. Work has started on the next phase of Nets for Life, refining the model to allow for more staff engagement opportunities.

 **More information on the following topics is available on our website:**

- Our Community investment approval and local case studies; and
- Seeing is Believing.

Our goals for 2007

Our goals for 2007	Status	What we have done
Launch Clinton Global Initiative commitment to educate one million people about HIV/AIDS by end 2010	 Completed	Launched partnerships with AIESEC, Virgin and Crown; commissioned review of our existing training material; ran SME programmes; increased number of HIV Champions
Set up a Phase III campaign to raise \$10 million by 2010 to make a difference to the lives of 10 million people across 20 countries	 Part completed	We have already raised \$10 million and partnered with the International Agency for Prevention of Blindness. 35 projects set up to benefit 10 million people
Take 60 young women from under-privileged communities in Delhi through Goal	 Completed	Pilot completed with 70 girls participating. Evaluation shows positive impact on confidence and behaviour. Second phase design complete
Assist a delegation of emerging Chinese women leaders to attend the 2007 Vital Voices Pan-African Women's Leadership summit in Cape Town	 Completed	Supported the delegation to foster partnerships between African and Chinese women leaders. Sponsored African business women to attend the follow-up 'Women as an Economic Force' programme in Shanghai
Distribute one million long-lasting insecticide treated nets in Africa by the end of 2008	 Completed	Launched in 11 African countries with positive results. Over 500,000 nets distributed in 2007
Pilot the employee volunteering development scheme and complete the reward scheme pilot	 Completed	Development and reward pilot completed. Commenced review
Develop robust policy and guidelines for our response to disasters	 Ongoing	Policy to be implemented April 2008

Our priorities in 2008

- Launch Seeing is Believing Phase IV
- Roll out 'Reward' tier for employee volunteering in more countries
- Implement Disaster Response guidelines
- HIV Champions to grow by 50 per cent to 750
- Implement Living with HIV Clinton Global Initiative commitment
- Commence measurement of community programme outputs and impacts



Women's empowerment programme

"My daughter has become more outspoken and confident. She is very motivated to get educated. I feel great that I donated a piece of my land to this programme." Parent of a Goal programme participant.



Employee volunteering

Sixteen staff in New Delhi, India, volunteered and contributed their skills to Save the Children. Aparna Arora, Marketing Manager from Save the Children commented, "We appreciate the skill sharing from these driven volunteers. The extra help we received was vital for us."

Developing our talent

“With rapid growth across our franchise and changing customer and employee demographics, the Bank believes that our innovative and sustainable approach to managing our people is a source of competitive advantage.” Tracy Clarke, Group Head of Human Resources

For more information visit: www.standardchartered.com/sustainability

2007 Highlights

70,000

number of employees at the end of 2007, up from 59,000 in 2006

95%

voluntary participation in the employee engagement survey

42%

of our eligible employees participate in our Sharesave scheme

5,500

people managers participated in the Great Manager Programme

At Standard Chartered we recognise that it is increasingly important to have a diverse, talented and engaged workforce to drive the many growth opportunities we have in our markets.

In 2007, we made good progress in three key areas as part of our approach to managing our people: Diversity and Inclusion (D&I), Employee Engagement and Health and Safety.

Diversity and Inclusion

We took several steps in 2007 as part of our ongoing commitment to create an inclusive environment for our people, customers and communities.

We have in place executive succession plans for over 200 critical leadership roles globally and our aim is to build a leadership pipeline that reflects the diversity of the markets we operate in. Over 40 nationalities across our global network are represented in the succession pool.

The International Graduate Programme enables us to develop our leaders of tomorrow. In 2007, over 300 graduates from 28 countries joined the programme.

In 2007, the Bank introduced part-time and flexible-time working arrangements

in Ghana, Singapore, the United Kingdom and the United States as part of a pilot programme to create a flexible working environment.

During 2008, the flexible working framework will be extended to more countries. Our medium-term goal is to make this policy available to all employees across the Bank and to expand our flexible working arrangements to include other opportunities, such as working from home. This will help improve our ability to retain employees, increase engagement and attract a larger and more diverse pool of talent.

To further increase employees' understanding around D&I, the Bank began to raise awareness across our markets, by creating and piloting an education programme. In 2008, we aim to roll out the programme globally so that all employees understand what D&I means, why it is important and what they can do to create a more inclusive working environment within the Bank.

2007 also saw good progress in the Bank's gender diversity strategy from a customer, community and workplace perspective. We organised our second Global Women's Forum, partnered with the Global Banking Alliance for Women,



“I work better in the mornings so I have the space to really focus. I also study in the evenings so flexible working gives me more time to spend with my family before taking time for myself.”

Hind Naciri, UK Corporate Affairs

Learning @ Standard Chartered

The one-stop learning portal offers every employee access to the latest learning tools and solutions. Individual Learning Development Plans enable our people to tailor their development.



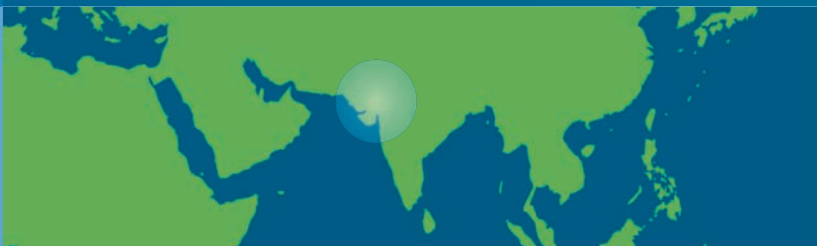
Raising the bar on people management

The Great Manager Programme was rolled out across the Bank in 2007 to improve the way people managers engage their teams for high performance.

5,500 people managers have attended the programme so far. Whether it is listening to a podcast, attending a workshop or visiting the website, the Great Manager Programme is about encouraging great conversations with team members about their development, performance and strengths. This programme applies to each and every people manager, regardless of whether someone has been managing people for years or whether he or she is in their first managerial position. Raza Ali Sadiq, Operational Risk Manager in Standard Chartered Pakistan, has participated in the programme, commenting: "I have been practising to listen to my team more intently over the last five months than I used to do before. I have, as a result, become much more effective in generating the type of results I desire and building my credibility further."

For more information visit:

www.standardchartered.com/sustainability



increased our focus on microfinance (of which 80 per cent of the beneficiaries are women) and we continue to drive women's empowerment in the community through sports-based development.

Employee Engagement

To provide a work environment where every employee is engaged remains high on our agenda. In our seventh year of measuring employee engagement, 10,000 more employees participated in the annual Q12 survey, a 25 per cent increase from 2006. Overall, employee engagement rose for a seventh consecutive year from 3.99 in 2006 to 4.02 in 2007 on a scale of 1 to 5. Our focus in 2008 will be on the development and implementation of team action plans to continuously improve engagement.

Engaging employees is key to retaining our talent. After recognising high market attrition rates in our India retail business, we developed and piloted an integrated approach to engage employees. The pilot programme will be extended in 2008 to the UAE and other key markets. We are pleased to report that only three per cent of our leavers in 2007 were classed as high-potential, high-performing employees. In addition, to improve the focus on emerging talent, the Bank implemented a process whereby high-potential employees at middle management level have access to increased development opportunities and targeted career workshops.

We offer the opportunity for all our employees to benefit from the success that they help create for the Bank. Our Sharesave scheme offers eligible employees the opportunity to save for the future and invest in the Bank. The 2007 participation in the scheme was 42 per cent.

A comprehensive review process of all global HR policies incorporating the Equal Opportunities, Diversity and Dignity at Work Policy, took place in all of our markets, involving union representatives,



Global Women's Forum

The second Global Women's Forum was held in Dubai in 2007, involving over 100 of Standard Chartered's emerging women leaders from across 37 countries.

Our goals and achievements in 2007

governmental departments and other bodies such as employers' federations. These more concise and inclusive policies increase our employees' understanding of the Bank's values and standards.

Health and Safety (H&S)

In 2007, we continued to work on increasing awareness around H&S procedures worldwide with an emphasis on managing risks at the workplace, ensuring a safe and healthy working environment for all staff.

We also adopted a new risk management process for all countries to ensure comprehensive security risk reporting for our people. We will continue to monitor the threats and risks faced by the Bank and embed this process in 2008.

Our revised global H&S standards were launched this year setting out the minimum requirements for all countries along with guides to help countries achieve these standards. H&S coordinators are now in place in each of our markets, ensuring that our H&S standards are embraced in all our branches and offices globally.

In 2007, our HIV/AIDS Policy was incorporated within the Group's new Equal Opportunities, Diversity and Dignity at Work Policy. The Bank believes an effective HIV workplace programme depends upon an atmosphere of trust, openness and respect for the basic rights of those affected by HIV/AIDS. Any stigma or discrimination compromises employee welfare and leads to a lack of consistent and fair treatment for employees. This will not be tolerated by the Bank. The policy will be assured using the Group's standard risk assurance tools.

Our goals for 2007

Launch the Great Manager Programme, to improve manager capability

Status



Completed

What we have done

5,500 people managers across 35 locations through more than 700 workshops

Roll out our D&I awareness programme and country action plans globally



Ongoing

Initiated our awareness-raising programmes and implemented action plans for all our 48 Country Champions

Support managers in fostering a flexible working environment



Ongoing

Flexible working piloted in four markets – Ghana, Singapore, the UK and the US

Develop the Bank's disability strategy from a customer, community and workplace perspective



Ongoing

Continued to raise awareness through D&I Champions to provide an inclusive and accessible environment for our customers and employees

Develop and implement an integrated approach to managing employee retention



Ongoing

Piloted a programme to reduce attrition rates in India

Awards in 2007



2007 Personnel Today Award for HR Measurement



Hewitt Best Employers in India 2007 Study awarded to SCOPE International



Singapore HRM Award for Best Training, Learning and Development Practices



ACCA Award for the development of employees in Uganda

Our priorities in 2008

- Meeting the growth agenda by tapping into diverse talent pools both inside and outside the Bank
- Continue to drive employee engagement by strengthening our people management using the Great Manager Programme
- Roll out D&I awareness-raising programme across all markets
- Expand implementation of flexible working to include new markets and/or new kinds of flexible working arrangements
- Ensure all new employees are educated on HIV/AIDS



Communication in non-English speaking markets

In 2007, learning materials became available in four additional languages – Korean, Chinese, Thai and Bahasa Indonesia – to ensure all employees have access to training regardless of language.



Welcoming our newest employees

Dustin Woods, Manager, Organisation Learning, ran engagement workshops in Pakistan during the Union Bank acquisition.

"It's all in the dialogue. Through sharing stories of 'Me At My Best', individuals build a common understanding of what they want from the workplace. This leads to a collective vision of the future for the 'new' organisation."

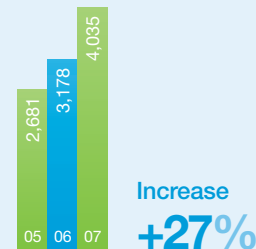
Group

Measure	2005	2006	2007
Operating income	\$6,861m	\$8,620m	\$11,067m
Profit before taxation	\$2,681m	\$3,178m	\$4,035m
Total assets	\$215bn	\$266bn	\$329bn
Return on equity	18.0%	16.9%	15.6%
Dividend per share	64.0 cents	71.04 cents	79.35 cents
Normalised earnings per share	153.7 cents	170.7 cents	197.6 cents
Staff costs	\$2,145m	\$2,913m	\$3,949m
Taxes paid	\$611m	\$903m	\$1,097m

Income by region

Asia	\$4,940m	\$6,331m	\$8,392m
Africa	\$553m	\$640m	\$795m
Americas, UK and Europe	\$556m	\$579m	\$452m
Middle East and other South Asia	\$812m	\$1,070m	\$1,428m

Profit before taxation \$m



Sustainable Finance

Measure	2005	2006	2007
Social and environmental risks in lending			
Number of people trained on sustainable lending	2,995	1,500	2,122
Graduates trained on sustainable lending	200	280	460
Equator Principles			
Number of people trained on the Equator Principles	65	20	0*
Number of Category A transactions approved	5	5	8
Number of Category B transactions approved	10	12	22
Number of Category C transactions approved	3	3	4
Products and services			
Investment in renewables	\$300m	\$800m	\$1,500m
Number of renewable energy deals closed	4	8	8

Equator Principles categories

Category A: High Risk

Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented

Category B: Medium Risk

Projects with potential limited adverse social and environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures

Category C: Low Risk

Projects with minimal or no social or environmental impacts

* We have developed a new training programme with a focus on EPII and this will be rolled out in 2008.

Loans and advances (\$m) to customers by each principal category of borrowers' business or sector

Principal category	2005	2006	2007
Agriculture, forestry and fishing	646	793	1,601
Construction	713	1,165	1,421
Commerce	7,077	9,721	12,885
Electricity, gas and water	1,527	1,708	2,779
Financing, insurance and business services	8,886	12,452	14,629
Loans to governments	4,874	6,997	7,809
Mining and quarrying	1,128	2,495	3,454
Manufacturing	11,343	17,368	19,905
Commercial real estate	3,480	3,366	4,298
Transport, storage and communication	3,390	4,327	4,351
Other	1,293	1,961	2,123
Wholesale Banking total	44,392	62,353	75,255

Community Investment

Measure	2005	2006	2007
Cash contributions	\$12.7m	\$14.2m	\$18.2m
Employee time	\$6.3m	\$4.0m	\$2.8m
Gifts in kind	\$0.05m	\$0.08m	\$0.0*
Management costs	\$3.4m	\$2.8m	\$3.4m
Total	\$22.4m	\$21.2m	\$24.5m
Profit before taxation	\$2,681m	\$3,178m	\$4,035m
% same year's operating profit	0.86%	0.67%	0.61%
% based on previous year's operating profit (PYOP)	1.04%	0.79%	0.77%

* In 2005 and 2006, all the Bank's desktop computers were replaced. The computers were donated to community organisations and the value of the depreciated assets was included as part of our community expenditure.

Cash contributions \$m



Tackling Financial Crime

Measure	2005	2006	2007
Countries using automated monitoring or enhanced exception reporting for anti-money laundering	4	24	35

Access to Financial Services

Measure	2005	2006	2007
Loans extended to Microfinance Institutions	\$24m	\$70m	\$170m
Average loan size to Microfinance Institution	\$1m	\$2m	\$4m
Number of individuals impacted	250,000	600,000	1.2m
Number of Microfinance Institution partners	21	35	41

Responsible Selling and Marketing

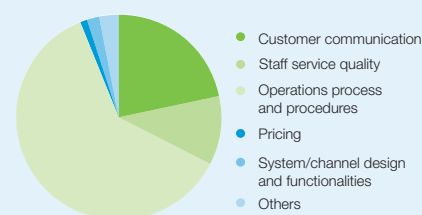
Measure	2005	2006	2007
Customer – General			
Wholesale Banking Service Quality Index	93%#	97%*	98%
Consumer Banking Loyal and Positive Index (independent Market Probe survey)	80%	83%	84%
Customer Service			
Number of complaints per 1,000 customers per month	WB: 3.5 CB: 4	WB: 9.3** CB: 3.6	WB: 10.3 CB: 3.2
Complaints resolution	Target 80% <2 days	Average 54% in 2 days	Average 78% in 2 days
Complaint Type			
Customer communication	WB: 7% CB: 24%	WB: 18% CB: 23%	WB: 22% CB: 20%
Staff service quality	WB: 5% CB: 12%	WB: 5% CB: 15%	WB: 11% CB: 15%
Operations process and procedures	WB: 76% CB: 23%	WB: 61% CB: 22%	WB: 62% CB: 20%
Sales and marketing	WB: n/a CB: 6%	WB: n/a CB: 6%	WB: n/a CB: 7%
Pricing	WB: n/a CB: 7%	WB: n/a CB: 8%	WB: 1% CB: 6%
System/channel design and functionalities	WB: 10% CB: 12%	WB: 12% CB: 8%	WB: 2% CB: 10%
Others	WB: 2% CB: 16%	WB: 4% CB: 15%	WB: 3% CB: 22%

Wholesale Banking Service Quality Index (WB SQ Index) for 2005 is based only on a survey conducted in Asia by Greenwich Associates covering our Global Corporate clients.

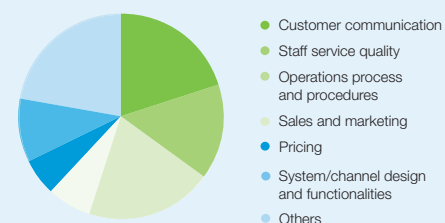
* In 2006 the WB SQ Index was re-calibrated to include feedback from additional satisfaction surveys covering both Global Corporate clients and Local Corporate reflecting a larger share of client revenues.

** The complaints index has increased due to the introduction of a new complaint management system which has improved data capture.

Wholesale Banking complaint type 2007 %



Consumer Banking complaint type 2007 %



People

Measure	2005	2006	2007
Number of employees¹			
Global	43,899	58,821	69,612
Consumer Banking	19,271	25,610	34,798
Wholesale Banking	7,944	8,832	9,490

Employee distribution by region

South-East Asia and other South Asia	24%	20%	20%
North-East Asia	30%	30%	30%
India	23%	26%	28%
Africa	12%	8%	8%
Middle East and Pakistan	6%	12%	11%
Americas, UK and Europe	4%	3%	3%

Nationality representation by geographic region

South-East Asia and other South Asia	21%	22%	18%
North-East Asia	27%	26%	28%
India	31%	27%	30%
Africa	11%	10%	8%
Middle East and Pakistan	5%	11%	8%
Americas, UK and Europe	4%	4%	4%

Recruitment

Employee growth rate – growth in headcount, adjusted for joiners and leavers	11%	15%	20%
High potential growth rate – growth in high potential headcount, adjusted for joiners and leavers	9%	7%	3%
Number of international graduates (IG) joining	190	260	332
Number of nationalities represented in the IG programme	22	25	28

Diversity and Inclusion

% female representation globally	48%	47%	46%
% female – senior management	15%	16%	15%
Number of nationalities represented globally	89	105	115
Number of nationalities represented at senior management	45	56	61

International mobility

Number of employees on international assignment	599	735	776
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Employee engagement

% participation	96%	97%	95% ²
Engagement score (/5)	3.96	3.99	4.02

Attrition

High performers and high-potential employees	4%	3%	3%
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Performance management

% eligible employees receiving a performance rating	98%	98%	100%
% reviewed against agreed objectives ³	90%	90%	90%

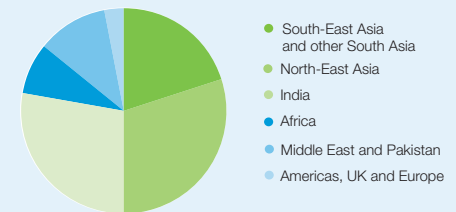
Shares

Number of employees receiving discretionary share awards	3,100	3,077	3,167
% participation in Sharesave scheme ⁴	44%	47%	42%

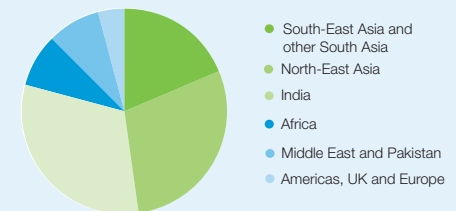
Learning and development

Total learners ⁵	124,979	418,174	534,777
Learning days	126,168	361,523	387,905
% employees receiving training	80%	73%	85%
Average training days per employee	2.4 days	3.4 days	4 days
% of high-potential employees receiving training	92%	94%	95%

Employee distribution by region %



Nationality representation by geographic region %



Notes

- 1 Includes all wholly owned subsidiaries of the Bank, including SC First Bank, Union Bank and Hsinchu International Bank.
- 2 Ten thousand additional employees were included in our employee engagement survey in 2007 due to growth in headcount and inclusion of wholly owned subsidiaries.
- 3 Annual survey conducted in April of each year.
- 4 Data taken at year end.
- 5 Total number of learning courses attended (includes e-learning).

* In line with age legislation introduced in the UK in 2006, we no longer report either internally or externally on the age distribution of our employees.

Environment and Climate Change

GEMS reports on the environmental impact of our large buildings (those over 25,000 ft²). In 2007, the number of buildings reporting increased from 43 to 52, covering 38,850 full-time employees (FTEs). To obtain a greater awareness of the Bank's global environmental footprint, in 2007 we undertook a separate study to estimate the environmental effects associated with the operation of our office and branch network. Raw data for the footprint calculation has been obtained either through direct measurement or local estimation. GEMS data, which covers 62 per cent of the Bank's floor space, was used to provide regional data for all Bank offices. See section on 'Protecting the Environment' for more information about our management systems.

Measure	Units	2005	2006	2007	2007 total emissions (GEMS + estimation) ¹
Number of offices reporting		34	43	52	
Net internal area of reporting offices covered	m ²	300,602	401,185	480,985	
FTEs covered	FTE	20,946	28,453	38,850	

Energy consumption & GHG emissions

Total energy consumption	GWh/year	113	152	161	440
Total energy consumption/m ²	kWh/m ² /year	376	379	335	328
Scope 1 emissions (electricity generated on site)	tonnes CO ₂ /year	757	1,397	4,977	11,436
Scope 2 emissions ² (imported electricity)	tonnes CO ₂ /year	62,769	85,138	92,576	209,127
Total Scope 1 & 2 emissions	tonnes CO ₂ /year	63,526	86,535	97,553	220,563
Total Scope 1 & 2 emissions/FTE	tonnes CO ₂ /FTE/year	3.03	3.04	2.51	
Scope 3 emissions ³ (travel & freight)	tonnes CO ₂ /year	44,090	40,240	33,296	58,354
Total CO ₂ emissions	tonnes CO ₂ /year	107,616	126,775	130,849	278,917
Total CO ₂ emissions/FTE	tonnes CO ₂ /FTE/year	5.14	4.46	3.37	

Air travel

Air travel emissions ⁴	tonnes CO ₂		29,475	27,508	
Air travel/FTE	tonnes CO ₂ /FTE		0.97	0.79	

Paper

Total paper consumption	ktonnes/year	1.7	1.7	1.8	3.1
Total paper consumption/FTE	kg/FTE/year	79	59	47	45

Waste

Total solid waste	ktonnes/year	1.8	2.8	2.8	4.4
Total solid waste/FTE	kg/FTE/year	88	98	73	63

Percentage solid waste reused or recycled	%	50	25	25	
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Water

Total water consumption	ML/year	508	677	873	1,980
Total water consumption/FTE	m ³ /FTE/year	24	24	22	28

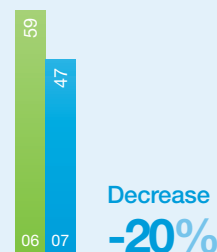
Legal Compliance

Reported environmental prosecutions		none	none	none	
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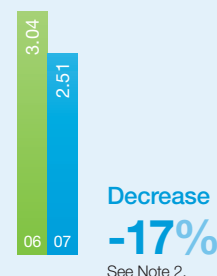
Suppliers

Number of suppliers		24,000	23,373	20,417	
Total spent on procurement		\$1.2bn	\$1.5bn	\$2.0bn	

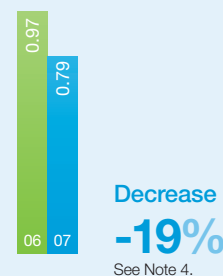
Paper consumption per full-time employee (kg/FTE)



CO₂ emissions (Scope 1&2) tonnes CO₂/FTE



CO₂ air travel emissions tonnes CO₂/FTE



Notes

1 The separate study of the branch network included measurement at 126 branches, accounting for 24% of the network. Further data, for example on air travel and paper use, was obtained at a Group level. Data associated with energy, water, paper and greenhouse gas emissions associated with energy use (Scopes 1 and 2) are considered to be reliable estimates, coming largely from metered sources. Indirect greenhouse gas emissions such as freight use and air travel and waste data are less reliable due to difficulties in collecting such data, although they are considered to be indicative. Further work to strengthen all data sources will be undertaken during 2008.

2. Some GEMS offices are unable to obtain energy data relating to air conditioning units as this is not provided as part of the service contract.

3. Scope 3 emissions altered to reflect the GHG Protocol requirements with the removal of refrigerant gases. The travel and freight figures were estimated from data obtained from Hong Kong, India, Korea, Singapore and the United Kingdom, which represent the Bank's largest operations. The data are considered indicative of the Bank's indirect emissions. Data for 2006 have been restated to use the same countries.

4. Travel data for 2006 and 2007 are based on reliable data obtained from Hong Kong, India, Korea, Singapore and the United Kingdom. FTE figures are based on total Bank staff populations for these operations rather than just the populations of the GEMS offices.

* Graphs above are based on GEMS data.

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