

Report of the Directors

The directors have pleasure in submitting their report and the accounts of the Company and its subsidiaries for the year ended 31 December 2002.

Activities

The Company is a holding company co-ordinating the activities of its subsidiary undertakings which are principally engaged in the business of banking and the provision of other financial services.

The Chairman's Statement on pages 4 to 7 and the Group Chief Executive's Review on pages 8 to 12 contain a review of the business of the Group during 2002, of recent events and of likely future developments.

Results

The results for the year are set out in the consolidated profit and loss account on page 60.

Share Capital

On 31 October 2002 the Company listed its ordinary share capital on the Stock Exchange of Hong Kong and 35,000,000 shares were issued in Hong Kong at a price of HK\$84.00 per share. Details of the share issue in Hong Kong can be found in note 36 to the accounts.

During the year 2,021,131 ordinary shares were issued under the Company's share option schemes at prices from 116.875 pence to 808.5 pence.

On 17 May 2002, 1,622,990 ordinary shares were issued instead of the 2001 final dividend. On 15 October 2002, 728,338 ordinary shares were issued instead of the 2002 interim dividend.

At the AGM in May 2002 the shareholders authorised the Company to buy back up to 113,098,213 of the Company's ordinary shares. This was approximately ten per cent of the Company's issued ordinary share capital as at 28 February 2002. The Company did not purchase any of its own ordinary shares during 2002 and the directors would only use this authority if they considered that the purchase would benefit the Company and shareholders.

At an EGM held in October 2002, shareholders authorised the Company to buy back up to all of the Company's preference share capital. On 4 December 2002 the Company repurchased and cancelled 659,126 of its 8.9 per cent preference shares of \$5 each. The US dollar preference shares had originally been issued at \$1,000 per share and the repurchase price was \$1,110 per share. Following the repurchase and cancellation, 340,874 US dollar preference shares remain in issue.

Dividends

The directors recommend the payment of a final dividend of 32.9 cents per ordinary share to be paid on 13 May 2003 to shareholders on the register on 28 February 2003. The interim dividend of 14.1 cents per ordinary share was paid on 15 October 2002, making a total of 47.0 cents for the year.

The ordinary shareholders will again be offered the choice to receive their cash dividends in sterling or US dollars and, following the listing and issue of shares in Hong Kong, in Hong Kong dollars. It is also intended that the share dividend alternative to the cash dividend will be offered during 2003.

Substantial Shareholdings

As far as the directors are aware Tan Sri Khoo Teck Puat was the only shareholder as at 31 December 2002 with an interest of more than ten per cent in the Company's issued ordinary share capital. At 19 February 2003, the Company had been notified of the following interests of three per cent or more in its issued ordinary share capital.

Shareholder	Number of ordinary shares	Percentage of issued ordinary share capital
Tan Sri Khoo Teck Puat	157,329,714*	13.45*
Capital Group Companies	39,477,548	3.37
Legal and General Investment Management Ltd	39,250,232	3.35

* Unchanged since 31 December 2002.

Loan Capital

Details of the loan capital of the Company and its subsidiaries are set out in note 34 to the accounts.

Fixed Assets

Details of the fixed assets of the Company are set out in note 22 to the accounts. Details of the fixed assets of the Group are set out in notes 23 and 24 to the accounts.

Directors

The directors of the Company at the date of this report are listed on pages 40 and 41.

All of the directors, with the exception of Mr P A Sands, Mr R H Meddings and Mr B K Sanderson held office throughout the year. Mr Sands and Mr Meddings were appointed as executive directors on 14 May and 16 November 2002 respectively and Mr Sanderson was appointed as a non-executive director on 9 December 2002. It is intended that Mr Sanderson will be appointed as Chairman of the Company when Sir Patrick Gillam retires in May 2003.

Mr P N Kenny and Mr K A V Mackrell resigned as directors on 30 April and 2 May 2002, respectively.

Mr D G Moir and Mr K S Nargolwala retire from office by rotation and will offer themselves for re-election at this year's AGM, in accordance with the Company's articles of association. Sir Patrick Gillam and Mr A W P Stenham will retire from office at this year's AGM and will not stand for re-election.

Sir Ralph Robins was 70 on 16 June 2002, and in accordance with the Companies Act 1985 he is vacating office at this year's AGM. Special provisions apply to the reappointment of a director once he has reached the age of 70. The Company has received special notice in accordance with section 293 of the Companies Act 1985 to propose the reappointment of Sir Ralph Robins as a director. The Board is supporting this resolution because it considers that Sir Ralph brings a wealth of knowledge and experience to its business deliberations. His knowledge of the Company and the markets in which it operates mean that he will make a significant contribution in the year ahead.

Mr Meddings, Mr Nargolwala and Mr Sands have service contracts, with a notice period of one year, except in the year following a change of control of the Group when their notice periods would be two years. Mr Moir, Sir Ralph Robins and Mr Sanderson are non-executive directors and do not have service contracts.

Directors' Interests

The directors' beneficial interests in the ordinary shares of the Company as at 31 December 2002 are shown in the remuneration report on pages 46 to 56.

Significant Contracts

There were no contracts of significance during the year in which any of the directors were materially interested.

Employees

The Group employs some 29,000 staff in 51 countries. The average number of people employed by the Group in the United Kingdom during the year was 1,098 and their total remuneration for the year was \$168 million. Employees in all the territories where the Group operates have the opportunity to participate in the Group's sharesave schemes. This encourages their contribution to the Group's performance. Further details of the schemes are given on pages 48 to 50 and in note 36 to the accounts.

The employment policies of the Group are designed to meet the relevant social, statutory and market conditions and practices in each country where the Group operates. The Group communicates systematically with its employees on a wide range of issues. This is done by briefings to managers who are encouraged to hold subsequent meetings with staff and by circulars, publications and videos.

The Group recognises its social and statutory duty to employ disabled people and has followed a policy in the United Kingdom of providing, wherever possible, the same employment opportunities for disabled people as for others. If employees become disabled every effort is made to ensure their employment continues, with appropriate training where necessary.

Areas of Operation

The Group has over 520 offices, as shown on pages 110 and 111.

Major Customers

Taken together, the five largest customers of the Group did not account for more than 2.2 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2002.

Creditor Payment Policy

Operating businesses are responsible for agreeing the terms and conditions with their suppliers in the economies where they conduct business. It is the Group's policy to pay creditors when the amounts fall due for payment.

Standard Chartered PLC is a holding company and does not trade. Therefore, it is not considered meaningful to give a number of days' purchases outstanding at 31 December 2002. For the Group's operations in the United Kingdom, there were 23 days' purchases outstanding at 31 December 2002.

Community Investment

The Group recognises its responsibility to invest in the communities where it operates and to act as a good corporate citizen. In 2002, the Group gave \$3.9 million to fund the work of non-governmental organisations (of which \$1.7 million was given to United Kingdom registered charities, focusing on supporting their work outside the United Kingdom). Further details of community projects can be found on pages 20 to 23.

Environmental Policy

The Group recognises that it should minimise any adverse impact of the conduct of business on the environment. It therefore aims to manage its businesses according to best practice with regard to the use of energy and other resources and by disposing of waste responsibly; by encouraging its customers to ensure that their products, processes and businesses do not damage the environment unnecessarily; and by taking environmental considerations into account in business decisions.

A copy of the Group's environmental report is available to shareholders on the Company's website at:

www.standardchartered.com/ourbeliefs.

Social, Ethical and Environmental (SEE) Responsibilities

A report on SEE responsibilities can be found on page 45 and details of the Group's policies on SEE risk can be found on the Company's website:

www.standardchartered.com/ourbeliefs.

Corporate Governance

A report on corporate governance is included on pages 44 and 45.

Auditors

A resolution will be proposed at the AGM to reappoint KPMG Audit Plc as auditors of the Company.

Annual General Meeting

The Company's AGM will be held at 12 noon on Thursday 8 May 2003 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB.

By order of the Board

G A Bentley, Group Secretary

19 February 2003