

# 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 2003.

## 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 and 5 and the Group Chief Executive's Review on pages 6 to 16 contain a review of the business of the Group during 2003, 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 64.

## Share Capital

During the year 2,010,942 ordinary shares were issued under the Company's share option schemes at prices from 175.375 pence to 808.5 pence.

On 13 May 2003, 1,897,212 ordinary shares were issued instead of the 2002 final dividend. On 10 October 2003, 858,819 ordinary shares were issued instead of the 2003 interim dividend.

At the annual general meeting (AGM) in May 2003 the shareholders authorised the Company to buy back up to 117,010,076 of the Company's ordinary shares. This was approximately ten per cent of the Company's issued ordinary share capital as at 25 February 2003. The Company did not purchase any of its own ordinary shares during 2003 and the directors would only use this authority if they considered that the purchase would benefit the Company and shareholders.

In addition, at the AGM in May 2003, the shareholders authorised the Company to buy back up to all of the Company's issued preference share capital. During 2003 the Company repurchased and cancelled 9,486 of its 8.9 per cent preference shares of \$5 each and 4,715,000 of its sterling preference shares. Details of the repurchases of preference shares can be found in note 36 to the accounts. Following the repurchases and cancellations, 331,388 US dollar preference shares and 195,285,000 sterling preference shares remain in issue.

## Dividends

The directors recommend the payment of a final dividend for 2003 of 36.49 cents per ordinary share to be paid on 14 May 2004 to shareholders on the register on 27 February 2004. The interim dividend of 15.51 cents per ordinary share was paid on 10 October 2003, making a total of 52.0 cents for the year.

The ordinary shareholders will again be offered the choice to receive their cash dividends in sterling, Hong Kong dollars or US dollars. It is also intended that the share dividend alternative to the cash dividend will be offered during 2004.

## Substantial Shareholdings

As far as the directors are aware Tan Sri Khoo Teck Puat was the only shareholder as at 31 December 2003 with an interest of more than ten per cent in the Company's issued ordinary share capital.

At 18 February 2004, 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*	13.39*
Fidelity Investments	58,961,702	5.02
The Capital Group Companies, Inc.	39,477,548	3.36
Legal & General Investment Management Ltd	39,250,232	3.34
Prudential PLC	35,122,756	3.00

\*Unchanged since 31 December 2003.

## 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 Ms R Markland and Mr P D Skinner, held office throughout the year. Ms Markland and Mr Skinner were appointed as non-executive directors on 3 November 2003.

Sir Patrick Gillam, Mr R C Chan and Mr A W P Stenham resigned as directors on 8 May 2003, and Mr B Clare resigned as a director on 31 July 2003.

Mr E M Davies, Mr M B DeNoma, Mr R H P Markham, Mr H E Norton and Lord Stewartby 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. Mr D G Moir and Sir Ralph Robins will retire from office at this year's AGM and will not stand for re-election.

Mr Davies and Mr DeNoma have service contracts, with a notice period of one year. Mr Markham, Ms Markland, Mr Norton, Mr Skinner and Lord Stewartby 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 2003 are shown in the directors' remuneration report on pages 49 to 60.

### 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 30,000 staff in 56 countries. The average number of people employed by the Group in the United Kingdom during the year was 1,100 and their total remuneration for the year was \$222 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 50 to 54 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. Further details of the Group's employees can be found in Our People on pages 18 and 19.

### Areas of Operation

The Group has over 510 offices, as shown on pages 118 and 119.

### Major Customers

Taken together, the five largest customers of the Group account for 2.00 per cent of the total interest income and other operating income of the Group in the year ended 31 December 2003.

### 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 2003. For the Group's operations in the United Kingdom, there were 29 days' purchases outstanding at 31 December 2003.

### Community Investment

The Group recognises its responsibility to invest in the communities where it operates and to act as a good corporate citizen. In 2003, the Group gave \$16.6 million to fund the work of non-governmental organisations (of which \$1.4 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.

### HIV/AIDS Policy

The Group is committed to addressing social, health and human rights issues confronting its employees, their families and the communities in which it operates. The Group recognises that the principle competitive advantage of any business is gained through its employees, and this advantage is only sustainable if they are healthy, skilled and motivated. HIV/AIDS directly and indirectly impacts the Group's staff and therefore its business.

A policy on HIV/AIDS has been developed by the Group to be adopted across all the countries in which the Group operates and will apply to all staff and their families in a manner consistent with existing medical cover. A copy of the Group's HIV/AIDS policy is available to shareholders on the Company's website at: [www.standardchartered.com/global/csr/com/com\\_hiv.html](http://www.standardchartered.com/global/csr/com/com_hiv.html).

### 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](http://www.standardchartered.com/ourbeliefs).

### Social, Ethical and Environmental (SEE) Responsibilities

A report on SEE responsibilities can be found on page 48 and details of the Group's policies on SEE risk can be found on the Company's website: [www.standardchartered.com/ourbeliefs](http://www.standardchartered.com/ourbeliefs).

### Corporate Governance

A report on corporate governance is included on pages 46 to 48.

### 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 Tuesday 11 May 2004 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB.

By order of the Board

### D J Brimacombe

Group Secretary  
18 February 2004