

Business Review

Delivering value Living our values

The Group's financial performance is underpinned by its commitment to excellent service, innovation, investment in people, fair business practices and exemplary governance.

Our strategy drives value creation by combining operational efficiency with corporate responsibility and employee engagement, and the links between these elements are becoming ever stronger.

We are an increasingly well-balanced bank, strengthened through the diversity of our geography and products, our earnings streams and our people. At the heart of how we drive performance are our values to be Responsive, Trustworthy, Creative, International and Courageous.

How we participate

The Group's strategy in its markets is one of driving organic growth, supplemented by strategic acquisitions and alliances. In 2005 Standard Chartered made progress on both these fronts.

SC First Bank

The biggest event of the year for the Group was the acquisition in April of Korea First Bank – now named SC First Bank. The integration of SC First Bank with Standard Chartered's branch in Korea ahead of schedule exemplifies many of the features that contribute to the Group's success.



The largest dealing room in Korea opens for business

SC First Bank's dealing room is the largest in Korea. It was opened with a traditional Korean ceremony in October 2005. The scale of the operation reflects the opportunity for Wholesale Banking to enhance service and drive product innovation in Korea. The successful launch demonstrated the Group's commitment to Korea.

As an overseas bank buying a trusted Korean financial institution, it is essential that we uphold our reputation and that of SC First Bank with customers, employees and other stakeholders in Korea.

Our people ensured the rebrand and merger went ahead without disruption to customers. In welcoming more than 5,000 SC First Bank employees we established positive labour relations by respecting existing agreements and building new ones. SC First Bank's Board is equally balanced between Korean and non-Korean members.

Investment in product innovation and service are central to the Group's success. In the last three months of 2005, we conducted over 10,000 training days at SC First Bank, representing a 20 per cent increase in classroom training. SC First Bank was awarded an A rating by the Korean government in recognition of the quality of e-learning,

the first such award to a financial services organisation.

At a time of rapid growth it is particularly important that we share our values and strategy with our new employees. SC First Bank was included in our employee survey in 2005 with a 98 per cent voluntary response rate and engagement in line with Group levels. SC First Bank's participation in the International ShareSave Scheme is the highest in the Group at 92 per cent.

Employee engagement has been strengthened by the Group's community programmes. In Korea we launched Seeing is Believing, our campaign to combat avoidable blindness, at the SC First Bank Family Day in July. Employee and matching Group contributions from the annual staff salary donation totalled \$713,000, which was donated to the Community Chest of Korea and Seeing is Believing.

SC First Bank launches new brand in Korea ▶

The new Korean brand, SC First Bank, was chosen after listening to stakeholders' views. The roll out of the new brand identity across the entire network of 407 branches was one of the largest re-branding initiatives ever to be carried out in Korea and was completed over a single weekend.



Investment in China

Standard Chartered has been in China for almost 150 years. The Group has 10 branches in China, seven of which have been granted licences to provide yuan banking services to corporate clients. The Group was given approval in October to open three more sub-branches in Shanghai, Beijing and Shenzhen in the first quarter of 2006, representing a significant step in our expansion plans.

In December Wholesale Banking gained approval for the Shanghai branch to be an inter-bank foreign exchange market maker. The reputation of Wholesale Banking's capital markets services won it the leading role on China Construction Bank's groundbreaking RMB3 billion mortgage-backed securitisation.

In September the Group bought a 19.99 per cent stake in China Bohai Bank, the first

national joint-stock commercial bank headquartered in the province of Tianjin.

China Bohai Bank aims to leverage Standard Chartered's international banking experience to achieve long-term growth and offer innovative products in Wholesale and Consumer Banking. The investment complements our organic strategy in China.

Asian growth markets

One of the Group's biggest opportunities in Asia is India. In 2005 we continued to build our presence. Consumer Banking added five new branches, 17 ATMs and six consumer finance centres in India.

Wholesale Banking performed strongly in India in 2005, driven by growth in client revenue. Standard Chartered was ranked top in mergers and acquisitions involving Indian companies for 2005, advising on transactions valued at a total of \$3 billion.



Investment in China Bohai Bank

In September we signed an agreement to invest \$123 million for a 19.99 per cent stake in China Bohai Bank, the first new national joint stock commercial bank in the People's Republic of China since 1996. The signing ceremony was witnessed by Premier Wen Jiabao of China and British Prime Minister the Rt. Hon. Tony Blair MP.

Opportunities for growth extend across Asia with the Other Asia Pacific region showing strong performance in both businesses in countries such as Indonesia, Thailand and Taiwan.

The Group invested in Vietnam in 2005 by buying a minority holding in Asia Commercial Bank. We were the first foreign institution to acquire a stake in a domestic Vietnamese bank. In Thailand, Standard Chartered took full control of Standard Chartered Nakornthon Bank. We now have 41 branches and corporate offices, and almost 1,700 employees, in Thailand.

The Group performed well in established markets such as Hong Kong, its biggest market.

Consumer Banking in Hong Kong benefited from decisions we made on costs in late 2004 and 2005. In a rising interest rate environment, the business refocused on wealth management and SMEs to drive strong liability growth.

Wholesale Banking's income in Hong Kong rose strongly as it focused on middle-market clients. Global markets and cash products had strong volume growth.

As a UK-based bank with deep roots in Asia, we are helping to build links between Britain and Asia. Our Chairman, Bryan Sanderson, and the UK

Secretary of State for Trade and Industry, the Rt. Hon. Alan Johnson MP, co-chair the Asia Task Force, a group of British business leaders set up by the UK Chancellor of the Exchequer, the Rt. Hon. Gordon Brown MP, to strengthen business ties between Britain and Asia.

Leadership in Africa

Africa is an important part of the Group's history and future. Despite challenges of poverty and governance, Africa is rich in resources and has a dynamic culture. With a strong presence and deep roots in Asia and in Africa, we are ready to capitalise on increasing activity in the trade corridors between these continents.

Standard Chartered supports local businesses and communities in Africa through its operations in 13 countries, and the Group is playing a part in Africa's success stories.

South Africa is a key market for our African strategy. We re-entered South African Consumer Banking in 2003 and have repositioned the business from savings to mortgages to play to our strengths.

We increased our capital in Nigeria by \$140 million in 2005 to support our ambitions



Product campaigns drive Hong Kong Consumer Banking

Consumer Banking's strong performance in Hong Kong was supported by new product campaigns in credit cards and wealth management. This push continued in 2006 with this eye-catching promotion for the Marathon Savings Account.

Business Review continued

To capitalise on opportunities in dynamic markets, we must provide innovative products.

in Africa's second-fastest growing economy. We are confident about Nigeria's long-term prospects.

Last year Africa rose to the top of the international political agenda as governments of leading economic nations sought to establish a long-term plan for economic revival.

Standard Chartered played a leading role in the Commission for Africa, working with the UK Government on recommendations to strengthen SMEs across the region. This coincided with the relaunch of our SME business in Africa. We are also playing a leading role in Business Action for Africa, an international coalition of businesses committed to ending poverty in the region.

MESA – region of opportunity

In the Middle East and Other South Asia region we achieved double digit income growth in both businesses and almost all geographies. Wholesale Banking showed good growth in client income in transactional banking, capital markets and corporate finance. In Consumer Banking, income growth was driven by wealth management, credit cards and SMEs.

The United Arab Emirates (UAE), our biggest market in

the region, produced a strong performance driven by robust economic growth from infrastructure, tourism and trade. UAE is establishing itself as a regional and financial hub.

Pakistan produced strong growth for the Group in 2005. Standard Chartered has been in Pakistan for more than 140 years and has taken a leading role in the development of the country's banking sector.

We have doubled the number of branches in Pakistan in the past two years to 44 in 10 key cities and increased the number of employees to 1,000 from 700 a year ago.

The Bank's commitment to Pakistan was underlined by its contribution of \$1 million to rebuilding efforts following the earthquake in October 2005.

Standard Chartered celebrated 100 years in Bangladesh in 2005 and consolidated its position as the country's largest foreign bank by acquiring the commercial banking business of American Express Bank in Bangladesh.

The MESA region is growing quickly, based on the strong oil price and rapidly expanding economies. With growth comes competition for talent and rising employee costs.

We will continue to invest at a measured pace and preserve our cost discipline.

Americas and the UK

Our operations in the Americas and the United Kingdom remain a key part of our strategy.

The Group's New York business is a leading dollar clearer, providing an important service to corporate clients trading in our markets.

Our businesses in Latin America position us to benefit as economies such as Brazil strengthen and trade with countries in our other regions.

The UK is a hub for the Group's global account management of European businesses and positions us competitively as these companies increasingly want to trade in our markets.

Our UK business plays a vital role in providing governance and regulatory standards across the Group as regulation of the financial services industry is tightened through initiatives such as the Basel II bank capital accord.

How we compete

To capitalise on opportunities in dynamic markets as competition increases, we must provide innovative products and as full a range of services as possible to meet the needs of clients.

The savings market in Singapore was revolutionised when the Group launched its e\$aver and e\$aver Kids savings accounts. The products had higher interest rates with no minimum deposit and balance, no monthly fee and no fixed term. The 18-month sales targets were achieved in less than a month.

Standard Chartered has also set a new standard in online banking in Singapore and South East Asia through its smartphone Mobile Banking and the unique eCheque payment channel. These innovations underscore the Group's use of technology to meet customers' increasingly sophisticated needs.

A major opportunity in our markets is in Islamic banking products to meet the needs of Muslim clients. We have Islamic banking operations in five countries.



Local teams in UAE

Standard Chartered's Emiratisation programme is an integral part of the Group's strategy in UAE. We now have almost 400 Emirati employees across all management levels in Standard Chartered Dubai, underlining the Group's belief in drawing on local talent.



In Malaysia we produced QuickCash Islamic personal loans, developed to meet Shariah laws. We will build on this success in Malaysia with further Islamic banking products in 2006.

A distinguishing feature of successful banks is their technology platforms. A key element of our strategy is to deploy technology to delight customers and challenge competitors with innovative products.

For example, in Singapore the innovative eSaver product was launched two months after its inception. To stay at the forefront of technological change, the Group has joined with Singapore Management University to create an Innovation Centre to foster technology research.

Alliance strategies

In 2005 the Group entered a number of alliances that will allow it to gain competitive advantage and add services.

Wholesale Banking serves many ultra-high net worth owners of family businesses. We announced in December a partnership with Fleming Family & Partners Limited (FF&P), a leading family wealth office, to provide these clients with wealth management planning tailored for families in Asia and the Middle East.

The FF&P partnership will complement our own private banking business, which will be launched in 2006.

In 2005 the Group bought a six per cent stake in Travelex, the world's largest non-bank foreign exchange specialist.

The Group's alliance with Travelex allows Standard Chartered to offer additional innovative products and gives Travelex access to markets in Asia. In early 2006 in China, Standard Chartered and Travelex launched Easigo, an electronic travellers cheque that can be used worldwide.

Revitalised brand

The Group's drive for innovation and diversified earnings is supported by an increasingly visible and trusted brand. We have targeted sponsorship opportunities in key markets.

In 2005 we sponsored Tottenham Hotspur, one of English football's most prestigious teams, when they travelled to Korea to play in the Korea Peace Cup. Spurs players took part in activities involving Standard Chartered employees and customers, helping to build the Group's profile in Korea.

Standard Chartered also built on its long relationship with Disney to be the official bank



Standard Chartered Kenya wins product innovation award

Beatrice Maingi, Secured Lending Manager in Nairobi, holding the award for Most Innovative Product 2005 – Standard Chartered Kenya's Fixed Rate Home Loan – at the Institute of Financial Services/ Deloitte Financial Innovation Awards 2005 in London.

sponsor for Hong Kong Disneyland, which opened in September 2005.

In MESA, Standard Chartered was the premier sponsor in 2006 of the Abu Dhabi Golf Championship, helping to build relationships with stakeholders and raise brand awareness.

Our flagship sponsorship is the Greatest Race on Earth, a series of four Standard Chartered marathons in Nairobi, Singapore, Mumbai and Hong Kong with a \$1.575 million prize pool. The series, which entered its second year in 2005, underpins our brand and values, reinforces our commitment to our communities, and involves our employees who represent Standard Chartered in teams at each race. The race is also linked to Seeing is Believing through the involvement of Henry Wanyoike, our global ambassador for the campaign.

Leadership drive

We have become a bigger and more complex bank and we must ensure we have the right leaders to drive the business now and in future.

In 2005 the senior management population was expanded to 350 from 230. The Group strengthened its succession plans for key roles and Group-wide leadership development programmes.

In addition, 90 emerging leaders were selected in 2005 to receive focused development to accelerate their inclusion into succession plans for key roles.

We increased recruitment of Graduate Associates. These employees receive structured career development, stretching roles and international experience in preparation for accelerated career progression.

In an increasingly competitive market for talent, the appeal of the Group's distinctive approach to corporate responsibility stands out. Recent research shows that 50 per cent of the Group's graduate recruits cite corporate responsibility as a factor in their decision to join Standard Chartered.



◀ Sponsorship of Spurs' visit to Korea

We sponsored Tottenham Hotspur (Spurs), one of English football's most prestigious teams, during the club's recent trip to Seoul for the Korea Peace Cup, which they won.

Standard Chartered sponsors Disneyland Hong Kong ▶

Standard Chartered's relationship with Disney goes back to the 1960s, making it the ideal bank sponsor of Hong Kong Disneyland, which opened in 2005. Standard Chartered has targeted sponsorship opportunities in key markets to build its brand and capture the imagination of current and potential customers.

Business Review continued

We aim to use honest, clear marketing to build credibility as a responsible financial institution and drive our brand values.

Our commitment to our customers

Standard Chartered wants to be known for excellent service and for treating customers according to its values.

At the core of the Group's promise to be The Right Partner to our customers is Outserve – a set of initiatives started in 2004 to make Standard Chartered renowned for customer service by 2008. We want Outserve to be a source of distinction to build customer loyalty, increase revenue and create value.

Outserve has four components: listening to the Voice of the Customer, process improvements, metrics and measurements, and change management and communication.

The Group has made good progress against the four commitments made on Outserve for 2005.

Implementation of the Outserve model, which covered 10 countries in 2004, was expanded to the global network in 2005.

Both Consumer Banking and Wholesale Banking apply service metrics globally. These are reviewed at the highest level in each business.

Improved data from Voice of Customer surveys, better capture of customer opinions and complaints, and standardised service metrics have driven improvements throughout the Group.

Training employees plays a key role in service. In 2005, employees completed 250,000 e-learning courses, a 260 per cent increase on 2004.

In 2005, 7,000 employees took part in ideas sessions that produced almost 3,200 improvements across the Group. The global Innovation Week produced 2,500 employee ideas posted online.

Customers are starting to feel the benefit of initiatives including later cut-off times for delivery of cash, faster delivery of new credit cards and more informative and timely statements.

There are 50 full-time Outserve champions across the Group's markets and businesses, reporting directly to the country chief executive or business head. A further indication of Outserve's

importance is that 90 per cent of employees completed online Outserve training in 2005.

The Group undertook analysis in 2005 in Consumer and Wholesale Banking to identify what behaviour differentiates the best customer-facing employees. We are using this work to recruit, develop, train and reward employees in key roles to improve the experience of the customer.

Support functions such as Risk Management and Human Resources joined the frontline business in the Outserve initiative in 2005 with the aim of treating stakeholders such as regulators, shareholders and employees as we do our customers.

Treating customers fairly

Standard Chartered's primary regulator is the UK Financial Services Authority (FSA), one of the world's leading regulators. The FSA introduced a Treating Customers Fairly (TCF) initiative in 2004 and the Group has applied its principles globally for both Consumer and Wholesale Banking.

Responsible selling has long been part of the Group's practice. In 2005, a high-level working group reviewed the products, policies and processes in light of the FSA's

initiative. The working group approved policies on governance, data protection, complaints and mis-selling.

Standard Chartered applies TCF to all employees, third-party direct sales agents, external collectors of overdue payments and training and recruitment agencies.

As the financial services industry becomes more competitive, sales techniques are increasingly aggressive and many customers do not trust financial services marketing. This creates an opportunity for Standard Chartered to differentiate itself.

We aim to use honest, clear marketing to build credibility as a responsible financial institution and drive our brand values of being Responsive, Trustworthy and Courageous.

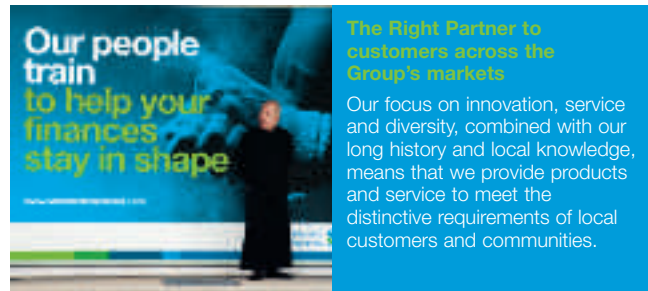
Our Product Risk Committee reviews all risks related to Consumer Banking products and new product programmes. All Consumer Banking products go through the Committee.

Because there is a higher risk of mis-selling complex wealth-management products, these must be approved at Group level for appropriateness, pricing and proposed marketing channels.



Country Bank of the Year Awards

Standard Chartered was named Bank of the Year 2005 for Zimbabwe, Côte d'Ivoire, Tanzania, Sierra Leone, Botswana, Afghanistan and Brunei by The Banker magazine, recognising the Group's excellence in these markets.



Our commitment to our people

The changing demographics in our markets serve to fuel competition for talent, making it more important than ever to attract, develop and retain talent.

Standard Chartered employs almost 44,000 people. The workforce increased by 14 per cent in 2005, excluding employees of SC First Bank and adjusted for leavers. As a rapidly growing international organisation, we aim to attract people with the right capabilities, develop their talents and reward them based on their contribution.

The Group's rapid growth presents challenges as well as opportunities in terms of filling roles with the right people, maintaining positive labour relations and retaining talented employees.

We have a company-wide process for identifying talent so that we can accelerate the development of our best people.

This process, combined with a reward and recognition approach that differentiates high performance, helps us retain high-performing and high-potential people. Employee turnover is three per cent for

high performers and six per cent for high potential talent, significantly below the Group's overall average. The competition for talent in key growth markets will lead to a greater focus on employee retention in 2006.

We believe in opportunities for growth through international and cross-functional development moves. In 2005, nearly 40 per cent of high-potential employees had a development move, 16 per cent internationally. As a result, 60 per cent of senior managers and 10 per cent of junior managers have worked in more than one country in the network.

Each business area has a Business Risk Committee to identify areas of risk, including people risks. Resourcing and succession plans, data collation and reporting, and performance and reward strategies reduce employee-related risks globally.

Leveraging diversity

We want all levels of the workforce to reflect the Group's diversity, to draw on the talents of all employees and to have strong teams who understand customers, regulators and communities. Deep local knowledge helps us create opportunities and reduce risk.

We are represented by 89 nationalities, across 56 countries and territories, and have close to 50 per cent female representation globally. Diversity and inclusion are intrinsic and distinctive elements of our brand, core to our values and to our approach to corporate responsibility.

Diversity through inclusion will enable us to understand and serve our stakeholders and make us the preferred employer in our markets. We are focusing initially on gender and nationality.

Female representation at senior levels remained stable in 2005 at 15 per cent. When adjusted for turnover and growth in the workforce, senior female representation rose 19 per cent in 2005. There are 45 nationalities in senior management and we continue to build senior local talent across our markets.

In 2005 the Group's Diversity and Inclusion Council established a framework of aspirations, principles and standards. We also focused on external benchmarking of best practice, establishing a baseline of diversity metrics and engaging senior managers in sponsorship and implementation. In 2006 the Group will do more to leverage its natural strength in diversity.

The Right Partner to customers across the Group's markets

Our focus on innovation, service and diversity, combined with our long history and local knowledge, means that we provide products and service to meet the distinctive requirements of local customers and communities.

Helping employees balance work and personal commitments is important. In 2006 the Group will develop a framework for flexible working and will seek to be sensitive to individual needs and help employees balance their work and personal lives.

A motivated workforce

High levels of employee engagement lead to lower employee turnover, higher productivity and better financial performance.

In Hong Kong, branches with high employee engagement had 46 per cent lower employee turnover and produced 16 per cent higher profit margin growth than those with lower engagement.

A fifth year of measuring employee engagement globally yielded a 96 per cent voluntary participation rate and a continued improvement in engagement.

The Group seeks to maintain a culture primed for high performance. Of the Group's eligible employees, 98 per cent received a twice-yearly performance appraisal in 2005, to recognise high performance and help identify poor performance.



First sports-themed credit cards in UAE

Standard Chartered introduced the first sports-themed credit cards in UAE in 2005. The cards tap into the growing interest in sports in UAE, with cardholders receiving lifestyle privileges connected with the sports. These innovative credit cards demonstrate Standard Chartered's leadership in the industry in UAE.



Business Review continued

Investing in the health, skills and education of communities makes good business sense, promoting sustainable development of the economy.

As a result of coaching and action planning, 74 per cent of 2004's underperformers are now competent or high achievers.

The first annual survey to evaluate the performance-management process showed that 83 per cent of employees received guidance to help improve their performance. An initiative for 2006 is to set objectives as early as possible in the year.

Rewarding performance

We are committed to rewarding employees competitively. We offer a combination of market based salaries and benefits, cash bonuses and share awards.

To motivate and keep key individuals, the Group introduced a half-year share award in 2005. We will monitor the impact of this initiative on performance and employee turnover in 2006.

Base salaries, retirement benefits, bonuses and share awards are benchmarked against key competitors and our core benefits are provided across our businesses and geographies.

All employees may participate in the Group's ShareSave schemes and receive an award under one or more discretionary share plans depending on performance and potential. In 2005, 44 per cent of employees participated in the ShareSave schemes, a 22 per cent increase from 2004, and 3,100 employees received share awards in 2005, an increase of 23 per cent. The Group is looking to increase employee shareholding so that more employees share in our success.

Standard Chartered performed well in 2005 and there are many opportunities to carry on delivering for shareholders. Our markets are growing fast and we are intensifying work to give us the right products, people and processes to take advantage of our opportunities. With deep roots in our markets and through our relentless focus on innovation, service and diversity, we aim to be The Right Partner and Lead by Example.

This drive is underpinned by a desire to respond to challenges faced by our communities, allowing us to make a difference in a way that benefits all our stakeholders.

Commitment to communities

Long-term growth depends not just on financial performance but on working in partnership with stakeholders to build on the Group's brand promise to Lead by Example and Be The Right Partner in the communities in which it operates.

As we focus on growing our business, we must also respond to the long-term challenge of promoting sustainable growth and be ready to react to unexpected events.

Supporting communities

The Group's strong performance allows it to support its host communities. In 2005 Standard Chartered invested \$22.4 million, or 0.84 per cent of profit before taxation, in community programmes and partnerships.

Investing in the health, skills and education of communities makes good business sense by promoting sustainable development of the economy, the essential context for long-term prosperity. Contributing to communities also helps forge links with customers, governments and regulators and motivates employees.

In 2005 the Group agreed a new framework for selecting community projects which includes where to invest and selection criteria for new and existing programmes. We want our activities to identify us as a bank committed to making a lasting difference to communities.

Any investment must:

- Achieve long-term, sustainable and measurable benefits for the community
- Involve employees, customers and suppliers
- Allow the Group to play to its strengths and use its expertise

Standard Chartered has for many years encouraged employees to take part in community projects and it includes employee time, estimated at \$6.3 million for 2005, in the annual community investment calculation.

Our most prominent programmes cover the global issues of avoidable blindness and HIV/AIDS.

Seeing is Believing

Of the world's estimated 37 million blind people, 75 per cent suffer from avoidable blindness.

◀ The Standard Chartered Nairobi Marathon makes a difference

The Standard Chartered Nairobi Marathon made a difference to the life of Samson Barmao (left), the Kenyan athlete who won the race. With his winnings of \$18,750, Samson Barmao plans to improve the life of his family by building his mother a new house and buying some land. The Group builds community activities and youth involvement around its marathons (right).



Seeing is Believing is our campaign, in partnership with Sight Savers International, ORBIS International and VISION 2020, to raise enough money for one million sight restorations. The funds raised go towards cataract operations, training eye doctors and building training facilities and vision centres through 12 projects in Africa and Asia.

Standard Chartered raised money last year through the generosity of employees, our flagship sponsors, customers, shareholders and other stakeholders. The \$3 million fundraising target was reached one year early in 2005.

Total funds raised were \$3.8 million through activities such as corporate sponsorships, auctions, staff events and donation boxes in almost 600 branches.

Country-level activities included:

- Asia – a golf day in Singapore helped to raise over \$100,000, and a 'push the bus' event in Indonesia raised \$10,000
- Africa – Sight Savers Sierra Leone has restored 707 sights since May 2005,

funded through activities such as the Freetown Marathon, which raised \$35,000

- Middle East – The Qatar 'Cricket with a Cause' initiative attracted pledges for every run scored by the Standard Chartered cricket team
- Employees in over 40 countries raised money through the sale of blue and green Seeing is Believing wristbands

Our aim is not only to raise awareness among customers and suppliers but more broadly to increase public awareness of avoidable blindness. The Group produced 'Seeing is Believing: the Story of VISION 2020', a documentary film presented by the Rt. Hon. Sir John Major, the former British Prime Minister, who is an ambassador for VISION 2020. The programme was broadcast globally in October 2005 on BBC World to mark World Sight Day.

In 2006, the Group will ensure the campaign's sight restoration target is met and decide on a strategy for the future of Seeing is Believing.

Living with HIV

HIV/AIDS affects many of our markets in Africa and Asia. Our response to managing HIV/AIDS in the workplace is based on a commercial



UNICEF award for the Group's Living with HIV programme

UNICEF awarded the Advance Humanity Corporate Award to Standard Chartered in Malaysia for the Group's efforts to increase understanding of HIV/AIDS through its Living with HIV programme. Standard Chartered is the first corporate recipient of the award.

imperative – to ensure that we have a healthy and stable workforce – and reflects our drive for employee diversity and engagement.

In 2006 we will invigorate the campaign and ensure that we have a consistent approach across our markets. We will further align the programme to our business and use our expertise and networks in the fight against HIV/AIDS. The Group will produce its first bi-annual Living with HIV Report in 2006 to communicate the global HIV/AIDS situation and the achievements and goals of the programme.

We want to be respected by our peers as a business leading by example and to encourage other companies to respond to this global challenge. Our Living with HIV programme has helped strengthen links with customers, suppliers and national authorities by sharing best practice and helping with initiatives. For example, our Living with HIV champions have conducted HIV/AIDS awareness sessions for the British Embassy and corporate clients in Malaysia.

Helping economies grow

Supporting economic development in countries in Africa and Asia is a top priority for the Group that ties in with its belief in

corporate responsibility. Healthy economies are also good for our business.

We help economies to grow through the services we offer, the jobs we create and the taxes we pay.

Last year was the United Nations International Year of Microcredit. Governments, especially those in the developing world, have identified microcredit, also known as microfinance, as a way to promote financial inclusion and alleviate poverty.

In 2005 the Group introduced a more formalised approach to microfinance to build on past progress. Among programmes we started in 2005 were partnerships with microfinance institutions in India and Ghana.

As well as providing funding, the Group will seek in 2006 to share its skills and knowledge with microfinance institutions in three principal ways:

- Helping microfinance institution staff to develop financial skills, for example credit evaluation and financial management
- Developing staff volunteering programmes with microfinance institutions to mentor promising entrepreneurs within their customer base

Seeing is Believing hits target one year early

Employees, customers, shareholders and flagship sponsors helped the Group achieve its \$3 million fundraising target for Seeing is Believing one year ahead of schedule.



Asian Corporate Social Responsibility Award

The Asian CSR Award for Poverty Alleviation went to Standard Chartered Hong Kong for community initiatives undertaken throughout 2005 to raise funds for Seeing Is Believing. It was chosen from 160 projects submitted by 91 companies across 12 countries in Asia.



Business Review continued

Standard Chartered is part of the communities in which it operates and it is committed to helping them grow sustainably.

- Providing thought leadership by organising forums for global experts and practitioners to discuss and recommend responses to industry challenges. An example is the seminar held in Delhi in September 2005, 'Banking the Missing Middle: Strategies for Expanding Microfinance', in collaboration with the UK Foreign Policy Centre and the Confederation of Indian Industry

Health, safety and security

The health and safety of our employees and the integrity of our business are of the utmost importance. Health and safety in the Group evolved in 2005 from a 'programme' to 'business as usual'. This included the launch of a global management system and the training of country health and safety coordinators and key stakeholders in each market.

An e-learning course on health policy, responsibilities, fire safety and first aid achieved 85 per cent completion. All further information is centralised on a Group intranet page, which has averaged over 800 visits a month since it was launched.

In 2005 we responded to the threat posed to our employees

and business by any future avian 'flu pandemic. Based on experience of the SARS virus, which also affected our markets, the Group has put in place a comprehensive business continuity plan.

In 2005 the Group introduced Travel Tracker, an online management system that allows it to monitor employee travel and locate employees immediately in a crisis. Travel Tracker has been implemented across the Group and was used to locate employees during the London, Bangladesh and Jordan bombings and during the flood in India.

The Group will take further action to protect itself in 2006. We will be rolling out enhanced e-learning programmes on the prevention of money laundering and terrorist financing and will install a specially trained transaction analysis team in our Chennai processing centre to support new transaction-monitoring capabilities.

Know Your Customer, the Group's lead programme to combat financial crime and terrorist funding, has been upgraded and integrated into day-to-day business

processes to vet customers. Standard Chartered supports the United Nations Global Compact, which includes a principle on tackling corruption and is a member of the UK Forum of the Global Compact.

The environmental challenge

The Group has had an environment programme for some time. Climate change and other environmental issues are increasingly important. As a global company we have a responsibility to minimise the environmental impact of our activities and build standards into how we do business.

The Group's commitment to environmental issues was highlighted by Group Chief Executive Mervyn Davies's participation in the UK Corporate Leaders Group on Climate Change. This group of business leaders was formed to provide the UK government with an informed position on tackling climate change.

The group reported to the Prime Minister on the need for a policy framework for business to invest with confidence in technology opportunities to tackle climate change. In 2006 this group will contribute to other environmental debates, including the Stern Review on the economics of climate change.

Our key internal platforms for managing the Group's direct

impacts on the environment are our Global Environmental Management Systems (GEMS) and GEMS-lite. We use these to measure and manage environmental impacts such as energy use, greenhouse gas emissions, paper use, waste and water.

The number of offices reporting under GEMS increased to 36 in 2005 from 27 in 2004, representing an extra 3,851 employees covered by the plan.

The percentage of people covered by GEMS rose to 65 per cent, not including SC First Bank, which will be integrated in 2006.

GEMS-lite is a compact e-learning version of GEMS designed to train employees in more than 500 small offices.

The Group's response to the social and environmental impacts of its lending activity has been consistently highlighted as one of the most important elements of its corporate responsibility agenda.

Standard Chartered adopted the Equator Principles in 2003. The Equator Principles are a set of guidelines adopted by financial institutions for addressing environmental and social concerns in major infrastructure projects. The Group's project and export finance team has developed



Employee volunteering exceeds 44,000 days

Standard Chartered employees worldwide spent over 44,000 days on volunteer work in 2005. The work covered all types of community service, from planting trees to support the environment to social activities focusing on youth, health and education.

Disaster response

Employee action

Standard Chartered's work after the Asian tsunami and the Pakistan earthquake shows how it can combine Group level financial support, the spirit of its employees and its network to make a difference to communities in crisis.

a specific policy and set of procedures to assess, categorise and manage environmental and social risks in project finance transactions.

Standard Chartered has had a policy on environmental risk in lending since 1995 and the Group added social and ethical factors after a review in 2003. Every credit application, regardless of size, is subject to the same standards. Social or environmental risk is identified, evaluated and, if necessary, mitigated.

Standard Chartered has made great progress in its approach to corporate responsibility in lending. Practice in this area is developing rapidly and in 2005 the Group started a review to align policies and business strategy with its principles. The review aims to ensure consistent policies that take into account stakeholder views and reporting recommendations from the UNEP Financial Institutions/Global Reporting Initiative Task Force. For more information, visit www.globalreporting.org

The Group intends to remain at the forefront of organisations tackling the issue of climate change. In 2006, alongside other initiatives, the Group will launch a focused

campaign for the reduction of energy use. Read more on www.standardchartered.com/corporateresponsibility

Responding to crisis

In a world that has become more interlinked and volatile, people will look to global companies to contribute when communities are damaged by unexpected events.

In 2005 the Group showed how companies can respond to crisis in the wake of the Asian tsunami and the Pakistan earthquake.

We acted quickly to contribute and raise money to make a difference to individuals and communities by utilising the reach of our network and the passion of our people.

Standard Chartered is part of the communities in which it operates and it is committed to helping them grow sustainably. In 2006 we will work to instil our principles of corporate responsibility more deeply while aligning our community activities more closely with our business to share the benefits of growth with all our stakeholders.

Rebuilding communities ▶

Standard Chartered employees played a part in building the Rajaprananugrah school in Thailand which will house and educate 1,000 tsunami orphans.



Asian tsunami

The Asian tsunami of 26 December 2004 damaged many countries where the Group does business – Indonesia, Sri Lanka, India, Thailand and Malaysia – and tragically two employees were killed and a number of our people lost family members. At Group level, Standard Chartered donated \$5 million to reconstruction after the tsunami. Our employees contributed a further \$450,000 which, together with matching funds from countries, resulted in a total of more than \$5.8 million. Most of the funds raised in the network were pledged to NGOs such as the Red Cross and Christian Aid.

In all affected countries, employees collected and distributed essential items such as food and clothing. The Group also used its branch network to aid relief efforts. In Indonesia, our Medan branch was established as a control centre, operating a helpline to track down relatives of employees, and helping with travel arrangements out of Aceh.

Other branches in Indonesia opened at the weekend to ensure swift processing of relief payments for NGO and development organisation clients. In Thailand, employees provided translation services and general assistance at the British Embassy. The Group continued its work during 2005 and was part of an International Business Leaders Forum task force that visited Sri Lanka, Thailand and India to assess the lessons of the tsunami and how business could continue to contribute to rebuilding efforts.



Money was spent on rebuilding schools and health clinics for the benefit of local communities.

Pakistan earthquake

In October, Pakistan was devastated by an earthquake and the Group was again quick to react. We contributed \$500,000 for immediate relief through the President's earthquake relief fund and NGOs, and have set aside an additional \$500,000 to support continuing relief work. We are looking to support projects aimed at the most vulnerable and disadvantaged.

Employees round the world took part in the Group's Pakistan earthquake relief fund week, raising \$91,000 in 2005. Separately, SC First Bank employees raised more than \$40,000. In Pakistan, Standard Chartered employees have supported relief projects. The Group has been active in raising funds from the public, for example through the customer SMS donation appeal and donations through the Standard Chartered website. All cash machines across the country display the earthquake appeal message.

To learn the lessons of these events and prepare the Group so that it can help in future, Standard Chartered's development organisations unit will formalise a crisis response plan in 2006.