

C L I F F O R D

C H A N C E



ANNUAL REVIEW 2016

We will be the global law firm of choice for the world's leading businesses of today and tomorrow.

We always strive to exceed the expectations of our clients, whether from business government or the not-for-profit sector, and provide the highest quality service and legal insight.

We pride ourselves on our approachable, collegial and team based culture, and the commitments we make to our people and the wider world.

3,000 lawyers

6,200 colleagues

35 offices in 25 countries

No.1 in Chambers Global Top 30

Over 75% of our top 50 clients worked with us across at least 20 of our offices

£1,390m in annual revenues

Under the rules of certain US jurisdictions, this document may constitute attorney advertising. Prior results do not guarantee a similar outcome.

SUSTAINABLE PROGRESS AN UPDATE FROM OUR MANAGING PARTNER MATTHEW LAYTON

Our vision and strategy provides us with clarity in the decisions we make across the firm in terms of how we manage our business and deliver to our clients.

Last year's financial performance is a positive indicator of the progress we are making, particularly our focus on the types of work where our platform, market strength, and expertise can contribute real value to our clients and their strategic success.

Driven by some excellent high-profile, market-changing mandates, we achieved our best ever global revenues, with annual growth of 3% to £1,386 million. We saw particularly strong growth in the Americas (13%) and Asia (9%), reflecting the maturity, strong-standing and client support for our international offering.

Our success depends on our ability to deliver the best outcomes for our clients – outcomes based on deep insight and understanding of each client's culture and strategic

objectives; and focused on solutions that provide demonstrable value with high levels of efficiency. This constantly challenges us to look for smarter ways to work, identifying how we can deploy the wealth of knowledge that sits across our firm, in conjunction with the right teams, the best processes and the most effective technology.

In support of this 'Best Delivery' approach, we have set ourselves a demanding innovation agenda. This has resulted, for example, in the introduction of new technology, such as the artificial intelligence system Kira that will enable us to improve the level of speed, efficiency and quality around certain processes, including due diligence and contract reviews.

“Our position, as a leading professional services firm, creates expectations about how we run our business and how we behave as individuals. Setting – and meeting – high standards is integral to developing and maintaining the trust and confidence of all of our stakeholders.”



SUSTAINABLE PROGRESS AN UPDATE FROM OUR MANAGING PARTNER MATTHEW LAYTON CONTINUED

Large multinational organisations operate in an increasingly complex and uncertain environment and are subject to higher levels of scrutiny than ever before, which creates new risks and opportunities. Helping our clients navigate these business-critical challenges lies at the heart of our firm. Ensuring we are best-placed to provide them with the support they need shapes our investments. For example, the extensive work we undertook in advance of the UK Referendum to understand the potential implications of a Brexit scenario has helped us to provide early, crucial insights to clients as they start to

grapple with the many complexities of what this development means for their businesses.

We face many of the same challenges as our clients. Our position, as a leading professional services firm, creates expectations about how we run our business and how we behave as individuals. Setting – and meeting – high standards is integral to developing and maintaining the trust and confidence of all of our stakeholders.

In response, we have evolved how we think about our wider responsibilities, ensuring that we

are explicit about our commitments to run our business ethically and sustainably in the long-term interests of our clients, our people and our communities. You can read more about this in our Responsible Business report.

As we look ahead, we believe our vision and strategy will enable us to plot a successful path for our business, deepening our relationships with our stakeholders, delivering more for our clients and continuing to set the agenda for our industry.

WORKING ALONGSIDE CLIENTS ON THEIR MOST COMPLEX AND BUSINESS CRITICAL MATTERS

HIGHLIGHTS INCLUDE:

- Advising the key Anheuser-Busch InBev shareholders in relation to financing its bid for SAB Miller plc, the biggest brewing takeover in history. The deal strengthened AB InBev's position in key emerging regions with strong growth prospects such as Asia, Central and South America, and Africa, creating the world's first truly global brewer.
- Advised Poste Italiane, Italy's national postal service company and financial services provider, in relation to its IPO, the biggest in Europe during 2015. The disposal of up to 38% in Poste was Italy's biggest state sale in a decade and allowed the Treasury to pocket up to €3.4 billion to trim its public debt.
- Advising the bondholders of, and certain investors in, the Abengoa Group, a major international energy renewables group headquartered in Seville, in relation to the multi-jurisdictional restructuring of the company's EUR 20 billion financial indebtedness in what is Europe's largest ever restructuring.
- Advising EDF on proposals for China General Nuclear Power Corporation to invest GBP 6bn in the Hinkley Point C nuclear power project.
- Advised the joint global coordinators on Bank of China's USD 3.55 billion innovative four currency multi-tranche bond issuance. The multiple series of notes were issued under Bank of China Limited's USD 20 billion Medium Term Note Programme.
- Represented Citi on the bank's successful defence against Terra Firma's GBP 1.5bn law suit before Mr Justice Burton in the High Court in London. During its eight year life, over 50 Clifford Chance partners advised on the case, from across every practice and from every region.
- Advised GE in relation to the landmark Phase II antitrust clearance of its acquisition of the power and grid businesses of Alstom, including the submission of a remedies package to the European Commission.
- Advising Sainsbury's on its successful bid for Home Retail Group.
- Advised CVC Capital Partners on its partnership with Singapore's sovereign wealth fund, GIC, leading CVC to become a co-shareholder in the RAC through the purchase of Carlyle's stake in the RAC. The investment was the very first made from CVC's Strategic Opportunities Platform, established in response to growing demand from large investors to be able to invest for the long term in stable, high quality businesses.
- Advised Canadian property investor Brookfield Property Partners on the acquisition of the Potsdamer Platz portfolio in Berlin. The portfolio is known as a prime site in the real estate community, and includes office spaces, a shopping centre, cinemas, a theatre, a hotel and some 30 restaurants and cafes. The transaction is known as one of the largest in Germany since 2008.

HOW WE MANAGE OUR FIRM

We are a single global profit-pool, lockstep partnership. Our ambition is to work collaboratively across geographies, practices, product areas and sectors to deliver the best advice and support to our clients and to create a dynamic, rewarding, collegial environment for our people. Our governance aims to support this ambition.

The Executive Leadership Group, chaired by the firm's managing partner, sets the firm's strategy and oversees its implementation. The effectiveness of the Executive Leadership Group is reviewed by the Partnership Council, led by the firm's senior partner.

The firm's constitution is governed by our Partnership Agreement. This requires that certain issues are subject to a vote of partners, including the election of the managing partner, the senior partner and the Partnership Council. Partners also vote on the admission of new partners, mergers or acquisitions and other major investments, and changes to the Partnership Agreement itself. Each partner has a single vote, although on certain matters (such as the arrangements for remunerations of equity partners) only equity partners are entitled to vote.

GOVERNANCE AND MANAGING RISK

The Executive Leadership Group is chaired by the managing partner and its members represent the breadth of the firm's services across geographies, as well as senior representatives leading on legal issues, risk, talent, finances and operational execution.

The Executive Leadership Group meets regularly in person and is responsible for our strategy, the development of our competitive position, our relationship with clients, mid- and long-term business planning, the performance of the

various parts of the firm, and its financial management.

Partnership Council

The Partnership Council is an elected body, chaired by the senior partner and currently comprising six other elected members and one external member to provide an independent perspective.

The Partnership Council meets regularly in person to review the effectiveness of the firm's leadership and management. The Council also ensures that appointments to leadership roles are handled effectively and with due regard to the interests of the partnership.

Ethics, risk management and compliance

This is the responsibility of the firm's general counsel, who reports to the managing partner and Executive Leadership Group. The general counsel's remit covers conflict management, client acceptance, risk management, compliance, insurance and regulatory or legal issues facing the firm. The general counsel is supported by a central team, which coordinates closely with the managing partners of the firm's offices globally, and others with compliance responsibility around the firm.

We establish and promote market-shaping practices in relation to ethics, professional standards and risk management. We are proud to have been one of the first firms to adopt a formal human rights policy in 2013 and to have been closely involved in the development of the

UN Guiding Principles on Business and Human Rights, as part of our longstanding commitment to the UN Global Compact.

Since the publication of our Annual Review 2015, we have implemented procedures to ensure that modern slavery is not present in any part of our business and supply chain, following the introduction of the Modern Slavery Act. These stand alongside existing, strict policies on anti-bribery and corruption, anti-money laundering, confidentiality and data privacy, conflicts of interest, human rights and shares/security dealing.

Although the professional codes of conduct which govern us as lawyers require us all to act with integrity, and similarly there are laws regulating our business in the many countries in which we operate, the detail varies from one jurisdiction to another. Our approach has been to apply the same, highest possible, standards to every part of our business, to every office and every member of the firm, whether or not required by local law.

For example, we have robust conflict clearance and management processes. While the laws and regulations governing conflicts differ significantly from one country to another, given much of our work is multijurisdictional, we apply the rules of the country where they are most restrictive.

We seek to manage risk proactively: a full annual review of the key risks facing the firm seeks to ensure that appropriate mitigation is in place. Our

risk approach is reviewed annually by the Audit and Risk Committee.

Financial management

Clifford Chance is a UK Limited Liability Partnership. Every year, we publish on our website summary financial information based on the audited statutory consolidated financial statements of Clifford Chance LLP, prepared in accordance with International Financial Reporting Standards.

Monthly updates on the firm's finances at an office and practice area level are made available to all partners, complemented by a series of conference calls where budgets and financial performance are discussed in detail.

The firm's finances are subject to review by the Audit and Risk Committee.

Audit and Risk Committee

The Audit and Risk Committee has five members, including one from outside the firm to provide an independent perspective.

The Committee reviews and approves the firm's accounts and recommends which firm should be appointed as auditors. It also monitors the firm's risk management processes. It reports to the Partnership Council.

Partner promotions, recruitment, performance management and remuneration

The processes around partner promotion and recruitment are robust and transparent to the partnership.

The Partner Selection Group assesses the personal qualities of all candidates to ensure they meet the high professional standards we expect of our partners. The Partner Selection Group reports to the Partnership Council.

The firm has an annual Partner Appraisal process, where each partner has an opportunity to review their contribution, the strategy of their practice and their team, and their wider roles within the firm. The process includes discussion of client reviews and feedback, peer feedback and upward feedback and contribution is assessed against a range of criteria relevant to the firm's mid-to long-term ambitions. The firm has express processes for partners who need to improve their performance or practice, including appeal to the Partnership Council if there are any concerns about how performance is being managed.

Partner remuneration is transparent to the partnership. Equity partners are paid a proportion of the firm's global profits according to their position on the lockstep. As our equity partners are the owners of the firm as well as executives, their compensation reflects their shareholder dividend as well as pay. Equity shareholders do not receive options or incentives of any sort and no equity partner has any guaranteed earnings.

HOW WE MANAGE OUR FIRM CONTINUED

EXECUTIVE LEADERSHIP GROUP MEMBERS

Evan Cohen	Regional Managing Partner – Americas
Peter Dieners	Regional Managing Partner – Germany
Caroline Firstbrook	Chief Operating Officer
Patrick Glydon	Chief Financial Officer
Geraint Hughes	Regional Managing Partner – Asia Pacific
Laura King	Global Head of People and Talent
Matthew Layton	Managing Partner
Rob Lee	Global Business Unit (GBU) Leader: Global Financial Markets
Guy Norman	Global Business Unit (GBU) Leader: Global Transactions & Advisory
Chris Perrin	Executive Partner (General Counsel)
Jeremy Sandelson	Global Business Unit (GBU) Leader: Global Risk Management & Dispute Resolution
Yves Wehrli	Regional Managing Partner – Continental Europe

PARTNERSHIP COUNCIL MEMBERS

Malcolm Sweeting	Senior Partner (Chair)
Neeraj Budhwani	Hong Kong
Jeremy Connick	London
Giuseppe De Palma	Rome
Barbara Mayer-Trautmann	Munich
Kate McCarthy	Washington
Tim Wang	Beijing
Jane Barker	(non-executive member)

HOW WE PERFORMED

The summary financial information below is based upon the audited statutory consolidated financial statements of Clifford Chance LLP, which are prepared in accordance with International Financial Reporting Standards (IFRS). Further information regarding the financial performance of the firm can be found in the related press release.

REVENUE BY REGION

	2016	2015
	£m	£m
Americas	175	156
Asia Pacific	224	205
Continental Europe	452	469
Middle East	46	43
United Kingdom	489	477
	1,386	1,350

CONSOLIDATED INCOME STATEMENT

	2016	2015
	£m	£m
Year ended 30 April		
Revenue	1,386	1,350
Operating costs		
Staff and related costs	(609)	(598)
Other operating costs	(274)	(340)
	(883)	(938)
Operating profit	503	412
Financing costs	(12)	(13)
Profit before tax for the financial year before members' remuneration and profit shares	491	399
Members' remuneration charged as an expense	(23)	(25)
Profit before tax for the financial year available for profit share among members	468	374
Taxation	(15)	(11)
Profit for the financial year available for profit share among members	453	363

CONSOLIDATED BALANCE SHEET

	2016	2015
	£m	£m
As at 30 April		
Assets		
Property plant and equipment	78	38
Intangible assets	–	2
Deferred tax asset	8	8
Total non-current assets	86	48
Accrued income	248	228
Receivables	476	442
Amounts due from members	16	42
Cash at bank and in hand	183	127
Total current assets	923	839
Total assets	1,009	887
Liabilities excluding members' interests classified as liabilities		
Trade and other payables	335	290
Provisions	18	22
Current liabilities	353	312
Long term payables	36	38
Provisions	416	439
Non-current liabilities	452	477
Total liabilities excluding members' interests classified as liabilities	805	789
Net assets attributable to members	204	98
Represented by:		
Provisions for annuities due to current members	109	113
Members' capital	160	168
Members' interests classified as liabilities	269	281
Reserves	(65)	(183)
	204	98

HOW WE PERFORMED CONTINUED

CONSOLIDATED CASH FLOW STATEMENT

	2016	2015
Year ended 30 April	£m	£m
Net cash generated from operating activities	472	418
Cash flows from investing activities		
Purchase of tangible fixed assets	(48)	(12)
Proceeds from sale of plant and equipment	–	1
Net cash used in investing activities	(48)	(11)
Cash flows from financing activities		
Drawings, distributions and remuneration of members	(365)	(388)
Capital net repayments to members	(8)	–
Net cash used in financing activities	(373)	(388)
Net increase in cash and cash equivalents	51	19
Cash and cash equivalents at beginning of year	127	110
Effects of foreign exchange rate changes	5	(2)
Cash and cash equivalents at end of year	183	127

PROFIT ATTRIBUTABLE TO EQUITY PARTNERS

	2016	2015
Year ended 30 April	£m	£m
Profit before tax for the financial year before members' remuneration and profit shares on the basis of IFRS	491	399
Adjustments for partnership structure and accounting policies	3	51
Amounts payable to equity partners and annuitants before tax	494	450

The profit on the basis of IFRS is attributable to those partners of the firm who are members of Clifford Chance LLP. However, certain members of Clifford Chance LLP are not equity partners in the firm and certain equity partners of Clifford Chance LLP are not members of it.

In addition, the profit on the basis of IFRS is determined in accordance with accounting policies which differ from those applicable under the partnership agreement. The principal differences relate to the accounting treatment of annuities, pension schemes and property leases.

Accordingly, in order to arrive at the amounts payable to equity partners and annuitants before tax, adjustments are made to the IFRS profit to reflect the equity partnership structure instead of the membership structure and to reflect the differences between the accounting policies applicable under the partnership agreement and IFRS.

The average number of equity partners during the year was 402 (2015: 403). The average profit per equity partner based on the profit before tax for the financial year attributable to equity partners excluding annuities amounts to £1.23 million (2015: £1.12 million).

STATUTORY ACCOUNTS

The financial information included in this statement does not constitute the statutory accounts of Clifford Chance LLP within the meaning of the Companies Act 2006. Statutory accounts for the financial year ended 30 April 2015 have been delivered to the Registrar of Companies. Statutory accounts for the financial year ended 30 April 2016 have not yet been delivered to the Registrar of Companies. The auditors have reported on the accounts for both such financial years; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 (2) or (3) Companies Act 2006, as applicable to limited liability partnerships.

OUR GLOBAL OFFICE NETWORK



Abu Dhabi	Casablanca	Jakarta*	New York	Seoul
Amsterdam	Doha	London	Paris	Shanghai
Bangkok	Dubai	Luxembourg	Perth	Singapore
Barcelona	Düsseldorf	Madrid	Prague	Sydney
Beijing	Frankfurt	Milan	Riyadh	Tokyo
Brussels	Hong Kong	Moscow	Rome	Warsaw
Bucharest	Istanbul	Munich	São Paulo	Washington, D.C.

*Linda Widyati and Partners in association with Clifford Chance. Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.

CLIFFORD CHANCE

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Clifford Chance LLP is a limited liability partnership registered in England and Wales under number OC323571.

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We use the word 'partner' to refer to a member of Clifford Chance LLP, or an employee or consultant with equivalent standing and qualifications.

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