CLIFFORD CHANCE

Breaking new ground

Clifford Chance LLP Annual review 2012

Breaking new ground

What's in this report

This Annual review and our Corporate responsibility report are also available interactively at www.cliffordchance.com

About Clifford Chance

Clifford Chance is one of the world's leading law firms, with legal resources across the key markets of the Americas, Asia Pacific, Europe, the Middle East and Africa. Our ambition is to become the leader of the elite group of international law firms that we believe will emerge in the coming years. This requires unrelenting investment in our strategic goals. We want to be the law firm of choice for all of our clients, working alongside them to achieve their goals and helping them to compete more successfully in their local markets and around the world.

Our principles

Exceeding clients' expectations

Local excellence, global standards

An ambition for success

Investing in talent

An adaptable and approachable team

Thinking ahead

Strength through diversity

Community

Read more about our principles at **www.cliffordchance.com**

Key statistics

£1,303m

revenues up 7% on 2010/11

54,357

pro bono and volunteering hours by partners or staff

39

clients worked with us across 20 or more offices

37

community collaborations with 27 clients

Cover image: Istanbul, where we opened an office in 2011

This is our third Annual review where we have focused on those issues that we believe most preoccupy our clients as they guide their businesses through an uncertain and fast-changing landscape.

Against a background of accelerating market globalisation and an ever-more complex regulatory environment, businesses are constantly being driven to break new ground. For our clients, identifying new opportunities, entering new markets, mitigating new risks and developing new ways of working are part of their daily routine. They look to us for support in facing these challenges.

As a result, we must also pay careful attention to our own evolution to ensure that we continue to meet their needs. That means continuously enhancing our technical, legal and commercial know-how; developing new products; expanding our capabilities in key jurisdictions; engaging effectively with policymakers and improving the quality and efficiency of our service delivery. As an ambitious firm, committed to exceeding our clients' expectations, the emphasis is equally on us to break new ground.

Malcolm Sweeting
Senior Partner

David Childs
Managing Partner

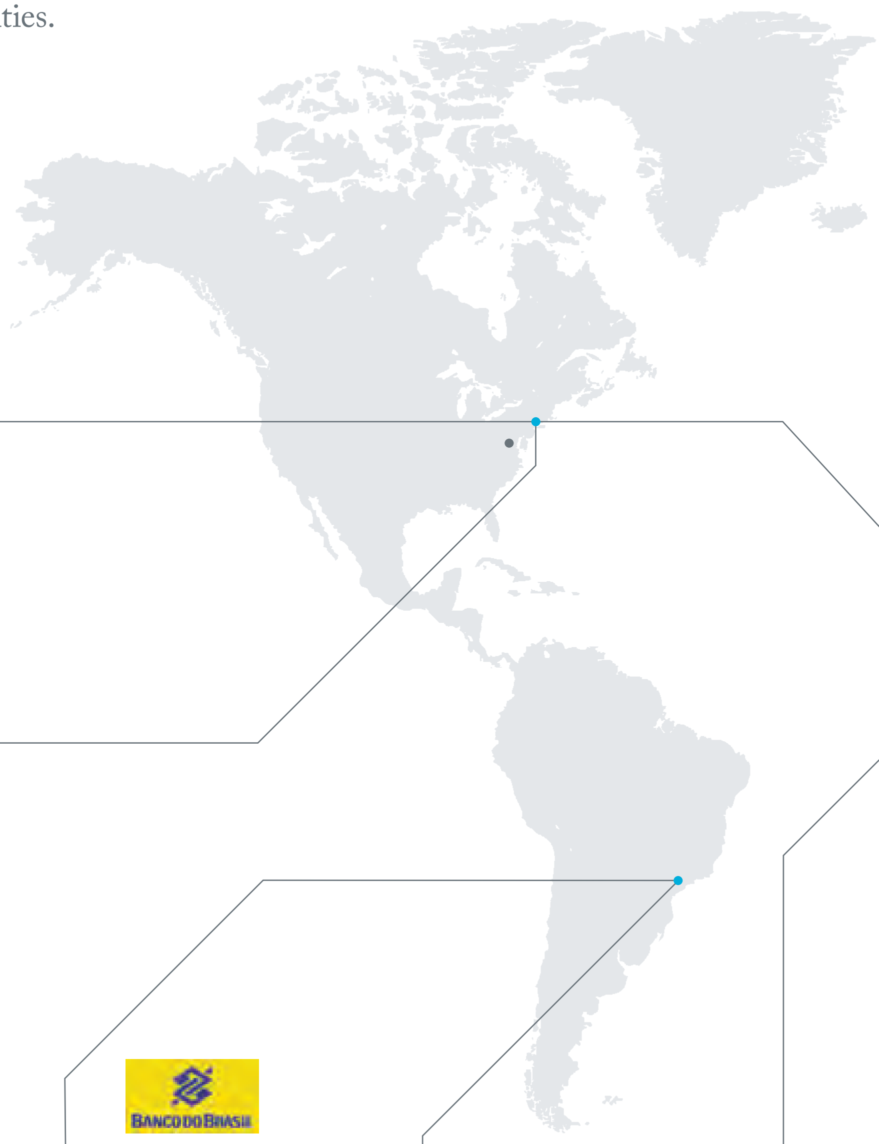
Local expertise across global markets

The global economic landscape is undergoing radical change. In these challenging times we are using our deep sector focus, technical expertise and international coverage to help our clients address complex and critical legal, financial, business and regulatory risks and opportunities.

Tier 1

Top of the Top Tier in Chambers Global 2012

We achieved more Tier 1 cross-border rankings than any other firm in *Chambers Global 2012*



Client highlight

Republic of Namibia

Advised the managers on the Republic's debut Eurobond issue of US$500m. The offering was conducted in the United States under 144A and outside the United States under Regulation S (Euromoney Deal of the Year – 2011).

Client highlight

Empire State seeks to go public

Advising Empire State Realty Trust on its proposed consolidation of a portfolio of 18 properties (which includes the Empire State Building) and IPO of common stock to be listed on the NYSE.

Client highlight

Pfizer/Nestlé

Advised Pfizer on the US$11.85bn sale of its Nutrition business to Nestlé

Client highlight

LATAM Airlines Group

Advised TAM, Brazil's largest airline, on its combination with Chile-based carrier LAN, to create South America's largest airline group

Client highlight

Banco do Brasil

Advised Banco do Brasil, Latin America's largest bank in terms of assets, on the issuance of US$1bn 9.250% perpetual non-cumulative junior subordinated securities

Local market expansion

African adventure

Our newly opened Casablanca office puts our Africa Group – recognised for legal expertise across the entire continent – firmly on the map

Client highlight

Barclays Private Equity spin-off

Advised Barclays Private Equity, newly named Equistone Partners Europe, on its spin-out from Barclays Bank

Client highlight

Thames Water stake to CIC

Advised Santander on the sale of its stake in Thames Water to China Investment Corporation

Client highlight

European Financial Stability Facility

Our cross-practice, multi-jurisdictional team continued to advise the EFSF on financial assistance to Euro area Member States

Global expertise

Debating with the World Economic Forum

Clifford Chance remains the only law firm to be a Strategic Partner of the World Economic Forum, taking a key role at its annual meeting in Davos and at regional meetings in Asia, the Middle East, Africa and Latin America

Client highlight

Standard Chartered invests in Cinda

Advised Standard Chartered Bank on its RMB10.37bn (US$1.64bn) investment in China Cinda Asset Management Co. Ltd, along with three other strategic investors. This was the first-ever foreign investment in a Chinese financial asset management company

Client highlight

NEC/Lenovo

Advised on the landmark joint venture between NEC and Lenovo

Local market expansion

Istanbul opening

Building on 30 years' experience in Turkey, we established a presence on the ground in Istanbul

Local market expansion

Middle East focus

We opened our third office in the region, in Qatar, compounding our market-leading position in the Middle East

Local market expansion

Expanding down under

In 2011 we merged with two of Australia's leading boutique law firms to create a fully integrated, high-end presence

Client highlight

Listing of L&T Finance Holdings

Our India desk in Singapore advised the lead managers on L&T Finance Holdings Limited's INR12.36bn listing on the Bombay Stock Exchange and the National Stock Exchange of India

Ambition: Senior and Managing Partners' introduction

Our performance last year showed that the firm's strategy is delivering, as investment in key areas of our business bears fruit.

Investing for the future

As global, regional and local regulators debate and introduce a swathe of new legislation, businesses across all sectors and around the world face mounting pressure. While they strive to negotiate a global economic landscape undergoing significant long-term change, they must also navigate the complexities and nuances of new and far-reaching regulation, often extending across national boundaries.

Many of these businesses are our clients. They look to Clifford Chance for advice on how to chart their course ahead. Such a fluid and unpredictable environment presents challenges both for our clients and for us. But it also presents many opportunities. Last year we achieved solid growth, increasing both revenues and profits as clients again turned to us for support on some of their most complex business issues.

The strength of our position today results from sustained investment in support of our long-held ambition to build a firm that will lead the emerging international legal elite. Our strategy is focused on ensuring we have the right depth and breadth of expertise to provide the highest quality advice and insight to clients at all times, across all key geographies, markets, sectors and products. To do this we put great emphasis on fostering a diverse, high performance culture – where service is delivered consistently and cohesively across the globe, where efficiency is maximised, and where operating responsibly is an embedded part of our culture.

Malcolm Sweeting
Senior Partner

David Childs
Managing Partner

How we are run

Governance for the long term

In securing our long-term future, we believe a robust approach to governance is as important as a clear strategy. As a single lockstep partnership we base our governance around strong oversight of decision-making, a considered approach to risk, and transparency about our business performance.

Most importantly, we always look to the long term. As we shape Clifford Chance today, we keep a watchful eye on clients' developing needs and aspirations. We are investing now to build our practices in the areas that we anticipate will be most critical to our clients' success, and our own, in 10, 15 or 20 years' time.

In pursuing our long-term strategy, we must also be ready to adapt quickly to external developments affecting us and our clients today. In the past year, for example:

- To ensure we operate as efficiently as we can, we continued to invest in our offshore Knowledge Centre in India. This has now grown to nearly 60 skilled people providing support work to our legal teams outside India, and will continue to expand. Our business support operation at our Global Shared Service Centre in India now houses some 16 per cent of our non-secretarial business services staff and we are investing in the roll-out of a continuous improvement programme (see p42).
- The onslaught of complex regulatory change has demanded outstanding education and knowledge management processes to ensure we stay up to speed. Our partners have run regular training programmes for associates (see p14 in our Corporate responsibility report for an example), and collaborated closely to identify and address challenges our clients face, such as those considered in this Review. Meanwhile, we have been further upgrading our know-how systems to make knowledge easier to find and share.
- Consistent global standards across the firm have become increasingly important, as most of our key clients now work with us across multiple offices. We have been investing heavily in developing firm-wide deal processes and documentation, supported by global IT systems.

At the heart of the firm's progress, two crucial factors remain constant. One is the continued trust that clients place in Clifford Chance. The firm takes great pride in its relationships with its clients; and we thank them for giving us the opportunity to work on exciting mandates that frequently break new ground. The other is the commitment and dedication of our people. We thank them all for helping to make us the firm we are today – and the firm we aspire to be in the future.

Strategic progress highlights

Building the depth and breadth of our expertise to meet client needs

Americas

Major lateral partner hires into our Litigation & Dispute Resolution and M&A practices

Advised on high profile US domestic and major US cross-border mandates

Asia Pacific

28 per cent increase in regional revenues; particularly fast growth in China, Singapore and SE Asia

Full integration of new offices in Sydney and Perth

Plans announced to open in Seoul

Growth markets

New offices in Istanbul, Doha and Casablanca

Advice to corporates

Led Mergermarket's league table of legal advisers for Global M&A by value

Worked on five of Mergermarket's top 10 deals in the first half of 2012

Worked for more than half the companies on the world's leading indices, such as the Fortune 500

Fostering a diverse, high performance culture

Diversity

Our well-respected US/UK LGBT network, Arcus, rolled out internationally

Learning & Development

11 per cent increase in participants in the Clifford Chance Academy's revised and updated Global Curriculum

Principles

Our Principles set the tone for how we do business and pursue our strategy.

Strategy

Our strategy – and progress against it at regional, practice, sector and client-level – is subject to regular, detailed review by the firm's Management Committee. The Partnership Council also considers key strategic areas and reviews management's performance in leading strategic change. These reviews are made available to the full partnership.

Finances

Monthly updates on the firm's finances are made available to all partners, complemented by a series of conference calls where firm-wide budgets and financial performance are discussed in detail. The firm's finances are subject to review by an Audit Committee which includes a member from outside the firm to provide an independent perspective.

Partner performance

All partners are subject to mandatory annual appraisals which review their individual contribution against a wide range of criteria including the development of our work for clients, our people and our knowledge, as well as support for our CR initiatives. We have clear processes for partners who need to improve their performance or practice, including appeal to the firm's Partnership Council if there are concerns about how performance is being managed.

Partner recruitment and remuneration

The processes around partner recruitment and promotion are transparent to the partnership. So is remuneration. Equity partners are paid a proportion of the firm's 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 partners do not receive pensions, options or incentives of any sort and no equity partner has any guaranteed earnings.

Risk management and compliance

We take a sophisticated approach to risk management and compliance. Experts in our clearance centres assess all new clients and matters. We have robust conflict management processes and manage risk proactively: a full annual review of the key risks facing the firm ensures that appropriate mitigation is in place. Our risk approach is reviewed annually by the Audit Committee.

View more details on our governance structures online at www.cliffordchance.com/governance

Our clients: Global outlook on cross-border M&A

Complexity rises

Cross-border M&A has entered a dynamic new era. Deals are becoming more competitive, and complex opportunities in overseas markets are presenting increased cultural, financial, legal and political risks.

As the complexity of cross-border M&A rises, how do businesses balance these risks against the potential for growth? To assess and navigate the complex M&A environment successfully they need not only sound, commercial legal advice but also regulatory, market and cultural insights.

Key statistics

No.1

Mergermarket ranked Clifford Chance as No.1 legal adviser for global M&A in H1 2012, advising on 102 deals worth £101.7 billion

Clifford Chance also topped the European (by value), UK (by value), France (by volume and value), Nordic region (by value), Benelux (by value), the Germanic region (by value) and China (by volume) tables (source: *Mergermarket*)

Tier 1

Clifford Chance is ranked Tier 1 for Global Corporate/M&A in *Chambers Global 2012*

Clifford Chance was also ranked Tier 1 for Corporate/M&A in Asia, Europe, Middle East, Africa-wide and the UK (source: *Chambers Global 2012*)

1st

PLC Which lawyer? ranked Clifford Chance first in the Private Equity Super League 2012

Clifford Chance is also ranked Tier 1 for Global Private Equity in *Chambers Global 2012* and was named European Law Firm of the Year 2011 (Transactions) (for the 11th year running) (*Private Equity International Awards*), European Law Firm of the Year 2011 (for the second year running) (*PEI Infrastructure Investor Awards*) and Law Firm of the Year 2011 (*Deutsche unquote" Private Equity Awards*)

Our Clients: Global outlook on cross-border M&A

Cross-border views

Creating international advantage

2011/12 was a challenging year for M&A. There was continued uncertainty and confidence was hampered by the eurozone crisis. Nevertheless, appetite for deal-making – particularly in high-growth economies – remained strong as businesses sought to position themselves for future growth.

Cross-border M&A continues to be a key driver of overall M&A activity, comprising 43 per cent of all M&A. Yet, with a global economic slowdown generating volatility in the equity and financial markets, volumes have slowed since the middle of 2011.

In this challenging environment, with many businesses constrained by liquidity issues, Clifford Chance's ability to enable clients to move quickly when windows of opportunity open has become increasingly important – likewise the firm's approach to forming effective and efficient teams on mandates, drawing on deep benches of expertise to give clients an edge.

As clients develop their businesses they must seize strategic opportunities as they arise. Clifford Chance will continue to leverage its network to support its clients on those critical mandates, by providing not only legal advice but also the sector, regulatory, market and cultural insights that are crucial to winning in the current volatile environment.

Market pulse

What are the opportunities and where are the risks? Clifford Chance undertook a research study, Cross-border M&A: Perspectives on a changing world, to take the pulse of the market.

“US businesses that need to achieve international scale acknowledge the marked difference in approaches to M&A, both technically and culturally, in foreign jurisdictions.”

Sarah Jones Partner, New York

Reporting on the views of around 400 senior executives from the world's leading companies, the study revealed a consensus on the strategic importance of cross-border M&A: 78 per cent of respondents to this global study considered cross-border M&A (as opposed to domestic M&A) as their key strategic priority.

The study identified accessing emerging, high-growth economies; developing core business, and using joint ventures and other risk-sharing structures as key themes. Addressing the challenge presented by financing M&A was revealed as a major concern.

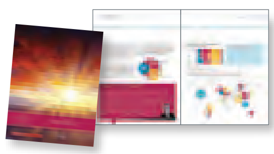
Availability of financing is not the only hurdle to making deals happen. Shareholders are increasingly exercised by M&A decisions and outcomes, as shareholders' influence on the boardroom becomes more apparent. Another key issue was the risk of protectionism and political pressure.

US insight

US companies took a rather cautious approach to M&A activity in 2011/12, including cross-border opportunities. They see cross-border deals as presenting heightened risk, and view the increasingly active role of shareholders in companies' M&A strategies as a key feature of the US market. These were amongst the US findings from research Clifford Chance carried out in early 2012 on the global M&A market, which we discussed with our US clients during tailored briefings on specific trends in the US M&A market.

The sense of caution in US M&A is reflected in the volume statistics: deal value in North America was down 34 per cent in the first half of 2012 versus the same period in 2011, the lowest half-year total (US$320 billion) since 2003.

“US outbound M&A activity has been increasing over the past few years, but from a relatively low base,” explains Sarah Jones, Corporate partner, New York. “After all, US Inc does not have to be outward-facing. Businesses here have a huge domestic market to tap. Those that need to achieve international scale, however, acknowledge the marked difference in approaches to M&A, both technically and culturally, in foreign jurisdictions. They also recognise the advantage of 'speaking the speak', particularly in competitive situations.”



To read more about the study and to download the report, visit **www.cliffordchance.com/globalM&Atoolkit**

The spectre of protectionism

Protectionism and foreign ownership restrictions present a multi-faceted challenge to businesses expanding to new jurisdictions. Respondents to the study on M&A trends that Clifford Chance carried out (see far left), for instance, singled this out as the top political risk factor for cross-border M&A activity. The spectre of protectionism has local nuances, as Clifford Chance partners from China, Russia and the US explain.

“A cultural compass always helps – a Russian ‘nyet’ often doesn’t actually mean ‘no’, but rather represents an invitation to start negotiations.”

Torsten Syrbe Partner, Moscow

The view from Russia

“It would be wrong to say that Russia is free of protectionism, however in many ways foreign investors are less exposed to legal and political uncertainties than domestic players. Yes, initiatives are underway to localise production in Russia; the country’s separate regulatory regime for foreign investments in so-called ‘strategic industries’ is applied very broadly, and the clearance process can be frustrating, but logistical issues such as the responsible committee only convening once a quarter are more likely to be at the root cause of delays than political factors. A cultural compass always helps – a Russian ‘nyet’ often doesn’t actually mean ‘no’, but rather represents an invitation to start negotiations.”

The view from China

“Protectionism in the emerging markets used to manifest itself through the blunt tool of foreign ownership limits or the outright prohibition of foreign participation in a market. Nowadays, it is more likely to play out through the discriminatory use of local capital reserve requirements, foreign exchange restrictions, reimbursement policies or antitrust rules. Multinationals are being forced to rethink the fundamentals of their business to either appear, or be, more local.”

The view from the US

“While protectionism in US M&A is rarely observed, poster-child cases have helped to foster the impression of barriers. This misperception does not reflect the material risks. The CNOOC-Unocal and Dubai Ports cases, for instance, were media events more than legal precedents. It is useful to distinguish here the two main forms of M&A review. In competition review, anti-foreign sentiment is virtually never seen at the enforcement agencies. If anything, foreign firms are preferred buyers, being less likely to have market overlaps. Foreign status is a more significant factor at the heart of national security – so-called CFIUS or FINSA – reviews, yet even there it is not generally an impediment. The process is optimised to encourage foreign investment in the US; consequently, interventions, particularly complete prohibitions, are limited.”

“Multinationals are being forced to re-think the fundamentals of their business to either appear, or be, more local.”

Emma Davies Partner, Shanghai

“While protectionism in US M&A is rarely observed, poster-child cases have helped to foster the impression of barriers.”

Bill Blumenthal Partner, Washington, DC

Our clients: Global outlook on cross-border M&A

Banks adapt to the scale of change

Supporting strategic bank asset sales and acquisitions in 2011/12 demanded fast moving, cross-border teamwork that made the best use of our multi-disciplinary skills. Partners and associates with deep financial services sector experience – as well as experience in key industries including energy and resources, TMT, insurance, aviation and investment funds – worked alongside clients, advisers and other key stakeholders as a fully integrated team.

Helping Standard Bank around the world

Clifford Chance has worked closely with Standard Bank on a series of strategic initiatives, supporting this leading African banking group in its international operations and in several emerging markets.

In September 2009 Clifford Chance advised Standard Bank on its ground-breaking alliance with Troika Dialog, Russia's leading independent investment bank, in a complex US$300 million investment comprising US$200 million in cash and the net asset value of the group's wholly owned Russian subsidiary, ZAO Standard Bank.

Two years later, we advised Standard Bank in respect of the transaction through which Sberbank acquired Troika Dialog for a minimum price of US$1 billion. More recently, Clifford Chance has advised Standard Bank on corporate matters across four continents.

Standard Bank

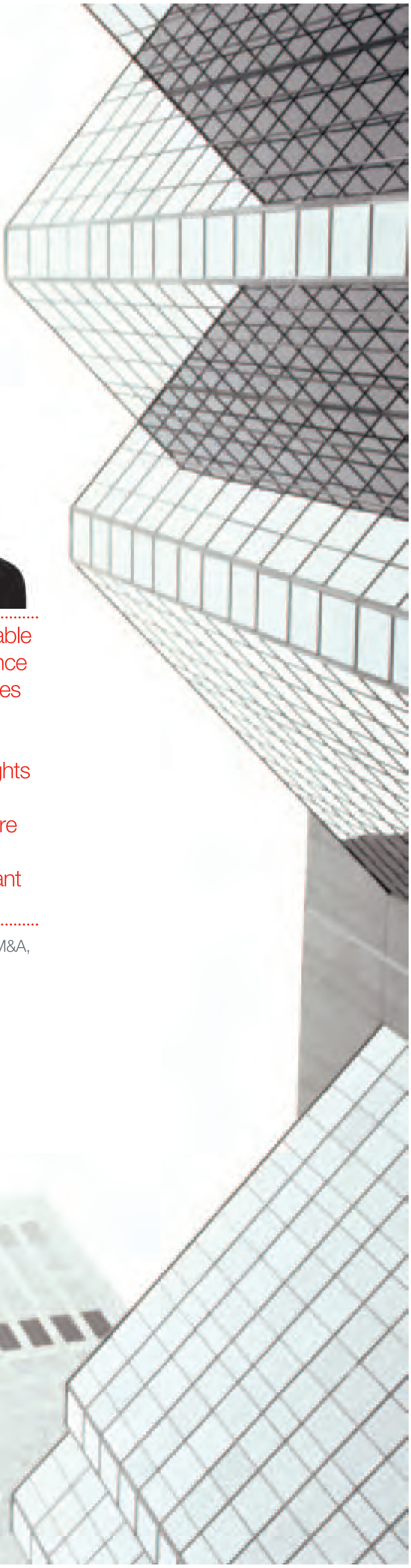
Aviation asset disposal for RBS

Advising Royal Bank of Scotland Group plc on the sale of RBS Aviation Capital, the largest ever aircraft leasing company disposal, was one of our most complex instructions in 2011/12. The competitive auction process resulted in the world's fourth largest commercial jet aircraft operating lease company, with a fleet of over 200 aircraft, being sold to a consortium led by Sumitomo Mitsui Banking Corporation for US$7.3 billion.

Against a backdrop of challenging market conditions, Clifford Chance aligned cutting edge corporate, antitrust, tax and finance experience with aviation sector leadership, through a London-based team drawing on colleagues in New York, Tokyo, Sydney and Shanghai.

"The very high level of support provided by Clifford Chance allowed us to run a competitive process efficiently and very quickly. The Clifford Chance team were very impressive under pressure and we are delighted with the outcome," said Mark Bailie, deal leader, RBS Group plc.

RBS
The Royal Bank of Scotland



Strategic transactions for HSBC Group

A cross-border team advised HSBC and separately listed Hang Seng Bank on the sale of their general insurance businesses in Hong Kong, Singapore, Argentina and Mexico and exclusive 10-year distribution agreements in Argentina, Mexico and various countries in Asia. This complex instruction involving multiple asset and share transfers was a strategic transaction for HSBC.

Our Hong Kong, London and Singapore team advised on the structuring and regulatory aspects of the transactions, evaluation of multiple bids for the business as a whole, and separate combinations, and on the subsequent negotiations and sales of the businesses to the two chosen buyers.

“On this key mandate, we were able to deploy our experience in insurance M&A, competitive auction processes and bancassurance arrangements in a cohesive cross-border team. By combining these skills and insights with the client's team across the many jurisdictions involved, we were delighted to be able to get these strategic deals done for an important client.”

Roger Denny Partner, Hong Kong, Head of M&A, Asia and team leader of this project

Our clients: Global outlook on cross-border M&A

Global strategies in the energy and resources sector

Energy, mining and utilities continue to dominate M&A activity, with deals in the first half of 2012 totalling US$258 billion. There is a continued focus on emerging markets and investments that are tightly aligned to core strategies. Those strategies often feature broadening geographic distribution, in established and emerging markets, and, where necessary, the use of joint venture structures in tapping new sources of energy.

"The sector is a hot spot though there is still difficulty in finding financing. Macroeconomic pressures are slowing the impact of continued decarbonisation policies aimed at driving renewables initiatives, while activity in the nuclear sector, if considerable, is somewhat reduced following the Fukushima disaster. Overall, question marks remain over the trajectory of a sector that is undergoing rapid change and is intimately connected to the geopolitical overlay."

Andrew Grenville Partner, London, Head of Global Energy and Resources Group

Securing a broader reach

Clifford Chance's dedicated Energy and Resources sector team aligns market-leading projects experience with tier one cross-border M&A expertise. This presents clients looking at opportunities in new and growth markets with a broad perspective on the developments they face as the industry changes shape.

A team from Europe, the US, and Asia Pacific advised International Power plc in connection with the £6.4 billion offer by Electrabel SA, a wholly-owned subsidiary of GDF SUEZ S.A, to acquire the ordinary share capital of International Power not already owned by GDF SUEZ. The deal simplifies GDF's operating model and enables International Power to increase its emerging market presence and accelerate future growth.

Clifford Chance also advised Éléctricité de France on the takeover of Edison through the joint venture company Transalpina di Energia – and the subsequent mandatory offer for Edison for the remaining outstanding share capital not already owned by EDF. As a result of the transactions, EDF has gained full control of Edison, as the new second largest electricity and gas player in Italy.

Tapping Guatemala's potential

Clifford Chance has helped pan-emerging market private equity firm Actis, a longstanding client, to tap Central America's growth markets. The firm advised on the purchase by Actis from Gas Natural Fenosa, a leading multinational in the gas and electricity sector, of a group of companies dedicated to the transportation and supply of electricity to 1.4 million customers in Guatemala, for US$345 million plus assumed debt. This was the first leveraged buy-out in Guatemala's history.

The core of the business acquired lies in two electricity distribution and supply companies, DEOCSA and DEORSA, which together supply electricity to 20 of the 22 departments in Guatemala. The country's energy sector is amongst the fastest growing in Central America.

Australia mines new resources

Clifford Chance's Australian resources team has been working on every stage of the country's mining boom – from pit to port, and from concept to courtroom.

Global demand for resources has encouraged acquisitions, joint ventures and investments, such as the team's work for Australia's Hancock Prospecting Group on the sale to India's GVK Group of two of the company's coal projects and associated rail and port infrastructure rights in Queensland, the single largest Indian investment in Australia.

Clifford Chance also advised Sumitomo Corporation on its investment and participation in the A$5 billion Wiggins Island Coal Export Terminal and associated rail and port infrastructure arrangements, a deal that was named PFI Asia Pacific Infrastructure Deal of the Year 2011.

And with demand for assets high, disputes can increase. The Perth team is advising Lanco Infratech Limited on matters relating to its acquisition of Griffin Coal in Western Australia, while Sydney is assisting Vale on its disputes with Aquila Resources over their joint coal interests in Queensland.

Our clients: Risk management

Prevention is better than cure

Since the financial crisis, multinational companies have been coming under increasing pressure from policymakers and regulators to strengthen their corporate compliance practices.

A crucial component of such an approach is to develop risk and crisis management programmes that enable the business to manage differences in law and regulation in the various jurisdictions in which it operates.

Key statistics

Tier 1

Clifford Chance is ranked Tier 1 for Europe-wide Dispute Resolution in *Chambers Global 2012*

Clifford Chance is also ranked Tier 1 for Dispute Resolution in the Middle East, UK, Poland, Russia, China and the United Arab Emirates (source: *Chambers Global 2012*)

Global coverage

Clifford Chance has more than 500 litigation and dispute resolution lawyers working in 24 offices across the world

The team includes former regulators and prosecutors from some of the world's leading regulatory and law enforcement agencies, including the UK Financial Services Authority, UK Office of Fair Trading, the European Commission and the US Department of Commerce

Advising Transparency International

Clifford Chance is honorary solicitor to leading anti-corruption organisation Transparency International

The firm has assisted Transparency International with the drafting of its guidance on 'adequate procedures' for compliance with the UK Bribery Act

Our clients: Risk management

Transparency and accountability

Corporate governance, risk management and compliance have come to dominate the agendas of international businesses. Company executives and board members need to show that they are well able to deal with their corporate compliance-related responsibilities and the challenges they present.

Daniela Weber-Rey Partner, Frankfurt

The credit crisis that began in 2007 has exposed many shortcomings in the financial sector. Today, its broader repercussions continue to have far-reaching consequences for all businesses.

Increasing management scrutiny

Issues such as corporate governance, risk management and compliance (together often referred to as corporate compliance) that came to global prominence in the debate over the conduct of banks now dominate the agendas of senior management teams and boardrooms of international businesses in every major industrial sector.

As strategic legal advisers to the world's leading companies, we regularly encounter legal texts that are filled with terms such as 'tone from the top', 'walk the talk', 'constructive challenge' and 'act against groupthink'. In addition to 'risk management', we now also see 'risk governance'.

These had not been considered legal technical terms prior to the renewed debate on corporate governance and risk management that followed the financial crisis.

But our understanding of these issues and the crucial role they play in creating better-managed, more responsible businesses has changed a great deal since that time. What we are seeing is a move away from a purely quantitative or figure-based view of board challenges to a qualitative view that makes it necessary to deal not only with hard criteria but also with soft criteria i.e. governance challenges.

Questions that executives and board members frequently ask include:

How do we create top-down risk awareness in a company or group of companies? Is an improved discussion culture in boards helpful?

If diversity, in terms of internationality, gender, professional background and age, is crucial in acting against groupthink and thus enabling further constructive challenge, what can we do to promote it?

How can we improve the composition of boards?

What should be the role of non-executive members?

It is the general conviction among regulators that it is not sufficient to deal with the core challenges of our time by relying on technical requirements, ticking the box, and leaving compliance to the experts. We must raise the standing of the risk and compliance function and the gravitas of its leaders so that face-to-face personal exchanges become an established feature of the interaction with senior executive management as well as with members of the board.

Driving growth while managing risk

We have to build new lines of information and communication while curbing regulators' appetite for creating more and more regulation. Business comes with risk. You cannot build growth without risk. What we need to achieve is better risk awareness so that risk is brought in line with the chosen business strategy.

The soft criteria mentioned earlier are very difficult to supervise. Regulation is not always the answer. Nor is it always helpful to create swathes of cascading supervisory responsibilities. Too much regulation and ever more levels of control may well have the consequence of leading to the opposite of what was intended. We may not achieve good corporate governance and better risk management, but rather run the risk of a 'deresponsibilisation' of those in charge under our existing corporate and supervisory structures, namely the executives and board members. Regulation must tread the fine line of covering the necessary while not overdoing it.

Business and human rights: Embracing the challenge

Human rights risk management is set to have a far-reaching impact on businesses across the world, following the international endorsement of the 2011 UN Guiding Principles on Business and Human Rights.

Rae Lindsay Partner, London

No business can afford to ignore human rights risk management. What was once seen as a legal and compliance issue in relatively few sectors is fast becoming a fundamental part of every organisation's strategy.

The international endorsement of the 2011 UN Guiding Principles on Business and Human Rights has further amplified the importance of this issue, placing it firmly on the priority list of those pushing for progressive policy making across the world.

Governments in Europe, the Americas and beyond are developing national strategies towards implementation of the Guiding Principles. The impact on business worldwide is set to be far-reaching and inevitable. Enlightened boards are recognising the potential knocks to reputation and brand for failing to respect human rights as the Guiding Principles require.

Managing human rights effectively

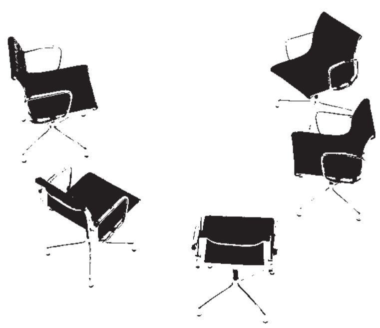
To counter the risks, human rights due diligence, targeted policy development, risk mitigation and remediation strategies are becoming more commonplace within transactions and daily operations. Those who adopt such measures are better prepared for the expected increase in regulation designed to provide a tangible framework for businesses to respect human rights: in particular, increased transparency and accountability, achieved through specific human rights reporting requirements, are likely to be the order of the day.

Wholesale integration of standards throughout organisations is needed and the tone from the top is vital as external scrutiny and pressure for regulatory intervention intensifies.

Executive responsibility

Taking the lead in the boardroom

Executives and board members must take greater ownership for building better awareness of today's challenges and for their particular responsibility in dealing with them. Executives and boards can show law-makers and regulators that they are well able to deal with their responsibilities and take control of corporate compliance themselves. Business and entrepreneurship are driven by responsible managers and good corporate governance, not by ever more regulation.



Our clients: Risk management

Approach with care

There is no one-size-fits-all approach to conducting an internal investigation. A coherent strategy that is underpinned by careful planning is essential to achieve a targeted, proportionate approach to risk mitigation.

Crisis management

When failings occur, as they inevitably do, an effective internal investigation, frequently cross-border, is an essential part of crisis management – but it can also be a hazardous undertaking for any company.

A poorly implemented investigation that has no clearly defined goals can be costly, time consuming and damaging to the business.

Tailored planning

A coherent strategy that is underpinned by careful planning is essential. There is no one-size-fits-all approach to conducting an investigation.

The shape of an investigation will be a function of the level of interest by the authorities, the number of authorities involved, if any, and the local laws applying to the issues. In every case, a company will want to ensure that its response is proportionate.

Complex challenges

Issues such as the treatment of whistleblowers, rules relating to information gathering and data protection as well as the extent to which legal privilege is recognised, are typical of the organisational challenges that will require consideration and management to ensure compliance with the specific requirements of relevant jurisdictions.

Balancing the moving parts of an investigation is a dynamic process but the aim is always consistent – a targeted, proportionate approach to risk mitigation.

Global perspectives on compliance and regulatory enforcement

Europe

“Enforcement risk may have been invented in the US but it has become a prominent global issue. Across Europe, governments and regulators are continuing to respond to the perceived issues emerging from the financial crisis with a raft of wide-ranging national and supranational measures that are likely to enable, and in some cases, encourage more vigorous tactics by prosecutors who are looking to make a name for themselves. In this new environment, it has never been more important for companies and their senior management to ensure they have a coherent approach to risk and crisis management.”

Luke Tolaini Partner, London

US

“The compliance burden facing US businesses, particularly those with international operations in high-risk parts of the world, has never been greater, encompassing many aspects of business conduct that, in the past, had not been scrutinised. The threat of becoming entangled in complex enforcement matters before the world’s most aggressive government regulators and prosecutors is an increasingly significant business risk for any company doing business in the US and with US-based subsidiaries or employees.”

Ed O’Callaghan Partner, New York

Asia Pacific

“Not infrequently, the concept of ‘tone from the top’ commitment to compliance has been met with scepticism and sometimes rejection by Asia Pacific managers and senior board directors. The reaction partly comes from the harsh reality that – at least in some Asia Pacific markets – bribery and corruption are so pervasive as to be believed not only inevitable but also critical to winning business. However, this attitude is changing fast. As Asian Pacific companies seek to enter Western markets and stock exchanges, or seek Western investors and business partners, the understanding that effective risk and crisis management are integral components of a culture of good and responsible corporate management is rapidly becoming the norm.”

Wendy Wysong Partner, Washington, DC and Hong Kong

Global corporate compliance

Helping a leading consumer goods company to comply

Clifford Chance is helping a UK-based leading global consumer goods company to implement a coherent approach to corporate compliance.

One of the principal goals of this initiative is the development of an ongoing programme of policies and procedures that enable the company to identify the changing regulatory and business risks that could affect its global operations.

As part of this wide-ranging initiative, Clifford Chance is working with the company to review the way it does business, its supply chain and its routes to market, to assess where risks emerge – and then developing responses to these risks in its day-to-day practices.

Our clients: Risk management

Managing risk

Companies everywhere are coming under increasing pressure from policymakers and regulators to make risk and compliance an integral part of the roles and responsibilities of their senior management teams. Clifford Chance partners Peter Dieners and Amy Mahon look at the issues facing two major industries.

Peter Dieners Partner, Düsseldorf

Healthcare

In recent years, the healthcare sector has rightly recognised the need to invest in risk management and corporate compliance as one of its most pressing business challenges. Indeed, few sectors are as acutely aware of the consequences of not prioritising this issue.

As pharmaceutical and medical devices companies have come under mounting pressure to make risk and compliance an integral part of the roles and responsibilities of their senior management teams, establishing a clear and effective system to delegate these duties across the entire organisation has become a crucial boardroom challenge.

In the event of a compliance violation taking place within a foreign subsidiary or a contract partner, it is essential that healthcare companies can prove that the violation represents only a deviation from an otherwise fully functioning compliance organisation.

Failure to do so may be costly – particularly for healthcare companies that operate internationally. Any compliance violation may expose such companies to a wide range of criminal and civil sanctions that may be applicable across the various jurisdictions involved.

Private equity

Increasing political desire for greater levels of risk and crisis management is presenting a significant challenge to the private equity (PE) industry. The intricate web of regulation surrounding the industry is placing more demands on PE fund managers, who are already facing a competitive environment with diminished sources and levels of leverage and a shallow pool of quality assets.

Fundraising for PE houses has never been more challenging, as increasingly hesitant investors adopt a wait-and-see approach in the current climate of macroeconomic uncertainty. The US Dodd-Frank Act has resulted in many banks limiting their role as a significant source of funding and also becoming unable to promote private equity funds.

The Alternative Investment Fund Managers Directive has brought increased reporting requirements with associated costs. The private equity investor base is sophisticated and most would say the sector has already achieved the desired balance of reporting rigour. The increased reporting requirements merely increase costs, thereby reducing returns.

These difficult challenges are further complicated by the uniquely complex risk management requirements facing PE houses.

Often holding complex portfolios of businesses, each with differing regulatory risk profiles, PE investors are presented with the challenge of understanding the particular risks of each business.

The PE house will also have, at least, half an eye to the value depleting consequences of potentially lax risk management in a portfolio company.

These factors, married with sensitivities around regulatory obligations, mean that PE houses are becoming increasingly focused on regulatory risk with every investment.

Amy Mahon Partner, London

Internal corruption investigation

Advising a listed global manufacturer in an investigation across five continents

The investigation emerged from the arrest of an employee and raids made on commercial premises in the US. In investigating these matters internationally, live and systemic corruption issues became apparent across the global manufacturing business.

On discovery of these concerns, Clifford Chance was, on a short timetable, able to impose centralised cross-border management of the issues and immediate engagement with relevant authorities directly or, in a few cases, through local counsel.

In particular, Clifford Chance's lawyers advised and engaged with regulators and prosecutors under different criminal and civil regimes across the globe, as well as advising on self-reporting in the UK, and dealing with subsequent litigation in various jurisdictions.

Our clients: Banking and financial markets

Responding to change

The global banking and financial markets are facing a period of unprecedented regulatory change and economic upheaval.

Clifford Chance is playing a leading role in supporting its clients, helping them to identify the real issues, assess the long-term strategic implications for their organisations, and respond to the transformational challenges facing the financial sector and the wider global economy.

Key statistics

No.1

Clifford Chance is named international law firm of the year at the 2012 *International Financial Law Review (IFLR) Europe* awards

This is one of 11 awards won by Clifford Chance at the *IFLR Europe* awards. The firm was also named securitisation and finance team of the year as well as restructuring team of the year. In addition, Clifford Chance won equity deal of the year; high yield deal of the year; project finance deal of the year and restructuring deal of the year as well as a number of other categories

No.1

Clifford Chance has come first in the *EMEA* borrower legal adviser by value rankings in the *Thomson Reuters Syndicated Loan* league tables for H1 2012

Clifford Chance has also been ranked second in the EMEA lenders legal adviser by value category, first in the Asia Pacific & Japan lenders legal adviser by value category, and fourth in the Asia Pacific & Japan borrower legal adviser by value category (source: *Thomson Reuters Syndicated Loan Legal Advisory Review First Half 2012*)

1st

Clifford Chance advises HSBC on the issuance of the first retail RMB-denominated bond targeted at the European market

Clifford Chance's work on ground-breaking dim sum bond issuances by various high-profile European issuers marks a major turning point in the internationalisation of RMB

Our clients: Banking and financial markets

Rewriting the rules

Overview

The response of supranational bodies, governments and regulators to the trauma of the financial crisis was to regulate the world economy and in particular the financial sector, back to health. Leaving aside the efficacy of such a substantial wave of new regulations, the sheer volume – according to Thomson Reuters, there were 14,215 global regulatory announcements in 2011* alone – has made it difficult for those involved in the financial markets to identify and then get to grips with what the changes mean for their business. Add to this other politically-driven reforms with global effect, such as FATCA, and the ever-present eurozone crisis, and our financial sector clients want us to spot the crucial changes for them, to assess what they should be doing, and to help them conceive how their businesses need to adapt and even change in response. Our clients need us to distil what is important for them, from the blizzard of new laws, rules, regulations and codes of conduct which are piling up at their doors and on their desks, and help them to navigate a way through.

Kate Gibbons Partner, London

* Source: Companies hit with 14,215 regulatory announcements globally in 2011 up 16 per cent, says *Thomson Reuters GRC*, press release, 1 February 2012, *Thomson Reuters*.

The network effect: Regional viewpoints

US

“A remarkable thing about post-crisis financial regulation is how aggressively extra-territorial it is. Before the Dodd-Frank Act, financial services firms operating entirely outside the United States never expected to be subject to US registration and reporting obligations. Now, particularly among fund managers and users of OTC derivatives, our non-US clients are having to deal with SEC and CFTC regulations that are both highly prescriptive and poorly adapted to market practice abroad. On top of a compliance burden, it's a culture shock.”

Jeff Berman Partner, New York

Europe

“This prolonged period of regulatory and economic upheaval is having a profound and permanent effect on Europe's banks, requiring them to reshape their commercial strategies, business models and their approach to risk management. Under the current proposals on bank restructuring and crisis management, banks need to submit resolution and recovery plans to their regulators who may require action on the basis of such plans without the hint of a crisis. Even for a regulated industry, the management demands which this exerts are unprecedented. We have been assisting our clients with planning and drafting their resolution and recovery plans accordingly.”

Marc Benzler Partner, Frankfurt

Asia Pacific

“At the same time as agreeing to adopt the G-20 financial markets reform initiatives, the Asia Pacific countries decided to push their own agendas for market reform – especially around OTC derivatives clearing and trade reporting. The cross-border implications of these changes are formidable. As businesses across the world race to unravel this complex regulatory web, we are advising our banking, funds and corporate clients on the critical issues that will help them operate within the new regimes and maintain a competitive edge.”

Paget Dare Bryan Partner, Hong Kong

Middle East

“As the Middle Eastern economies become more connected to the global markets, the support and advice we provide to our banking and corporate clients is shaped not only by the increasingly complex regional banking and financial markets but is also directed by the ongoing regulatory reform across the globe. As a result, we are working closely with our clients to ensure they can understand and overcome the challenges so that they can meet both their short-term aims and their long-term commercial objectives.”

Qudeer Latif Partner, Dubai

Strategic adviser to the Loan Market Association

Nicola Wherity Partner, London

A market undergoing change

A cross-practice team, led by global head of finance Mark Campbell and banking and finance partner Nicola Wherity, has been advising the Loan Market Association (LMA) on all aspects of legal and regulatory change affecting the syndicated loan market. Whether it is drafting changes to standard form documents, preparing explanatory notes for members to deal with issues such as the US Foreign Account Tax Compliance Act (FATCA) (led by tax partner Dan Neidle) and the Basel III capital and liquidity requirements (led by banking and finance partner Simon Gleeson), discussing the risks presented by the eurozone crisis or analysing the current and long-term implications of a broad range of other challenges faced by the loan market, Clifford Chance is committed to ensuring that this influential trade body for the loan market is kept fully up to speed with developments. The resulting documentary changes that flow from this work and the lobbying that the firm is involved with on the association's behalf with governmental, supranational and other bodies both in London and Continental Europe ensure that Clifford Chance is at the forefront of the initiatives shaping the loan market.

Advising non-US fund management clients on the Dodd-Frank Act

As many of our clients have come to discover, the Dodd-Frank Act's so-called 'private fund adviser' exemption is really not an 'exemption' at all.

Investment advisers within its scope – 'exempt reporting advisers' (ERAs) – are exempt from registration under the Investment Advisers Act. But they are not exempt from the SEC's reporting requirements, nor are they exempt from SEC examination for cause, the practical risk of which remains to be seen.

Interpreted by the SEC to include virtually every non-US private fund manager with no or only limited advisory operations in the United States – no matter the size of the fund portfolios managed on US investors' behalf – the private fund adviser exemption is very broad, giving rise to a very large number of non-US ERAs.

Before Dodd-Frank, many of these ERAs had no expectation of ever being subject to supervision in the United States – and are finding their first encounter with the SEC's regulatory and enforcement apparatus puzzling, to say the least.

Meeting the deadline

Clifford Chance's US Financial Services Regulatory team worked to help several of its non-US fund manager clients meet the 31 March Form ADV filing deadline under the Investment Advisers Act. Clients the firm has assisted in registering with the SEC or as exempt reporting advisers include: Bridgepoint, BC Partners, InfraRed, Argyle Street Management Limited, Bouwfonds, CVC, Gramercy, Star Asia and Tata.

Our clients: Banking and financial markets

Regulatory transformation

“Banks and the financial markets are entering the critical implementation phase of a ‘once-in-a-generation’ transformation of the financial world.”

Michael Bray Consultant, London

Finding the right balance

Banks and the financial markets are entering the critical implementation phase of a ‘once-in-a-generation’ transformation of the financial world. But the omens are not good. The knee-jerk reaction to the financial crisis has been to regulate. Layer upon layer of rules have been created. Too often they conflict with one another or approach the same problem from different angles, when one consistent approach is required.

Now that the time has come to implement these reforms, there is a tangible risk that they will fail to achieve the goals that led, in the first instance, to their creation. Unless there is a change of approach.

Policymakers and regulators need to find a balance between prudent and coherent regulation and prudent risk-taking which is necessary to support growth. But other agendas seem to take priority. The crisis and its aftermath have put enormous strains on the bonds that should exist between regulators in different parts of what is, after all, a global market. And the LIBOR crisis is currently reinforcing that tension.

In order to drive cultural and behavioural change while allowing bankers and business people sufficient flexibility to operate productively, policymakers need to separate issues of accountability from the detailed content of the regulatory regimes. These need to be balanced to promote prudent risk-taking and avoid strangling the financial markets.

“As we migrate to that changed world of greater clearing, reporting and risk mitigation of derivatives, the work required to keep pace will only intensify.”

Jeremy Walter Partner, London

Regulatory reform of OTC derivatives

Since the G20 pronouncement in 2009 firing the starting gun on global regulatory reform of OTC derivatives markets, there has been a steadily growing wave of legislative and rule making measures.

The US led the way with Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act. This was followed by the European Market Infrastructures Regulation and many other measures that are now taking shape elsewhere across the globe.

The entire market, from clearing houses to financial intermediaries to end users of derivatives, is already running hard to come to terms with these seismic changes, even before the legislation and regulations are finalised. As we migrate to that changed world of greater clearing, reporting and risk mitigation of derivatives, the work required to keep pace will only intensify.

Chief among the issues facing our clients are changes to their entire library of documentation for existing and new counterparties, restructured counterparty risk and collateral arrangements, and the difficulties of fitting existing global business structures into overlapping and potentially conflicting national or regional regimes.

Our clients: Banking and financial markets

Renminbi takes to the international stage

It is just three years since Beijing first allowed Chinese companies to settle their foreign bills in Renminbi (RMB). Since then, the growth and transformation of RMB into a leading currency has triggered a wave of global interest.

Fast-moving environment

The internationalisation of the Renminbi is well under way. We have seen this in increased deposits in foreign jurisdictions, the explosion of dim sum bonds, and financial capitals around the world vying for the opportunity to become offshore RMB centres.

Understandably, this surge in the growth of RMB has created a certain degree of uncertainty among our clients dealing with global currency markets.

We have been working closely with them to identify the potential opportunities and likely challenges and develop their plans in this fast-moving environment.

It is critically important to develop a meaningful strategy in response to RMB's swift internationalisation.

Local expertise

Our capital markets teams are playing a crucial role in supporting our clients by drawing on our close working relationship with the world's leading regulators, and our long-standing experience and presence in the Greater China and Asia Pacific region to provide the most accurate analysis of the current and emerging issues that will shape RMB's future role in the international markets.

> "The internationalisation of the RMB is well under way. We have seen this in increased deposits in foreign jurisdictions, the explosion of dim sum bonds, and financial capitals around the world vying for the opportunity to become offshore RMB centres."

Connie Heng Partner, Hong Kong

Adapting to change

Clifford Chance partners highlight some of the most significant issues facing global financial services organisations and explain how the firm is helping its clients to understand the practical requirements of these regulatory changes and to map out their long-term strategic consequences.

Insurance

"The ups and downs of Solvency II, the Test Achat judgment and the Retail Distribution Review are typical of the challenges that are leading insurers to rethink some of the fundamentals of their business. The industry is undergoing a wave of business reorganisations and sales or risk transfer arrangements in response to these issues."

Clare Swirski Partner, London

Funds and Investment Management

"Our funds and investment management sector clients are facing a vast array of regulatory reforms from all corners of the globe – ranging from FATCA and Dodd-Frank in the US, to European initiatives such as AIFMD and MiFID, to significant changes to the regulatory regime for investment managers in Australia and Singapore. The regulation of shadow banking is high on the regulatory agenda. Against this backdrop, and in the current competitive environment, the challenges facing the sector have never been greater."

Mark Shipman Partner, Hong Kong

Wealth management

"The wealth management industry is facing a period of huge transformational change. In the UK alone, the introduction of the Retail Distribution Review is set to shake the foundations of the entire sector, forcing wealth managers to retrain their sales teams, review their product portfolios and reconsider their future revenue streams."

Monica Sah Partner, London

Our clients: Financing options for corporates

The financing challenge

Corporate treasurers are finding that they have to work harder for their money.

The market conditions in which they have to operate have never been more volatile.

The need for a clear funding strategy that takes into account the full complement of financing options available through a range of banking and capital markets products has never been more pressing.

Key statistics

Tier 1

Clifford Chance is ranked Tier 1 for Global Banking & Finance in *Chambers Global 2012*

US$46 trillion

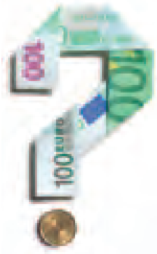
Approximately US$43–46 trillion of global corporate borrowings will have to be financed between 2012 and 2016. This includes US$30 trillion of outstanding debt that has to be refinanced and an estimated US$13–16 trillion in incremental commercial debt financing needed by corporates to spur growth (source: *The Credit Overhang: Is a $46 Trillion Perfect Storm Brewing?* 9 May 2012, *Standard & Poor's Ratings Services*)

Tier 1

Clifford Chance is ranked Tier 1 for Global Capital Markets: Debt in *Chambers Global 2012*

Clients: Financing options for corporates

Financing in flux



Corporate treasurers are having to operate in unprecedented market conditions. The turbulence in the global economy continues unabated. Although the picture varies from region to region, confidence and liquidity ebb and flow across the international markets with alarming velocity.

Simon Sinclair Partner, London

Derwin Jenkinson Senior Associate, London

Global context

In Europe and the US, political uncertainty – with the impending US presidential elections and the crisis in the eurozone – has created a general climate of caution and corporate conservatism.

Even regions such as Asia Pacific and the Middle East, where relatively greater liquidity is available, are not totally immune.

Meanwhile banks, which have traditionally provided the principal source of funds for most corporates, are undergoing a period of unprecedented change and deleveraging that is constraining their ability to lend on the same scale as before the financial crisis.

Strategies for financing

As the impact of global regulatory reforms, such as the Basel III capital requirements and the US Dodd-Frank Act, accelerates the long-term business model transformation of banks, the need for corporate treasurers to develop a broad financing strategy, based on all of the bank, bond and other options available to them, has never been greater.

But a wait-and-see strategy may be precisely the wrong approach at this juncture in the global funding markets. The need to act is becoming urgent. According to Standard & Poor's Ratings Services, the amount of money required over the next five years to refinance existing debt and to fund corporate growth is likely to total between US$43 trillion and US$46 trillion. That means companies will be competing for funding against a huge number of other borrowers.

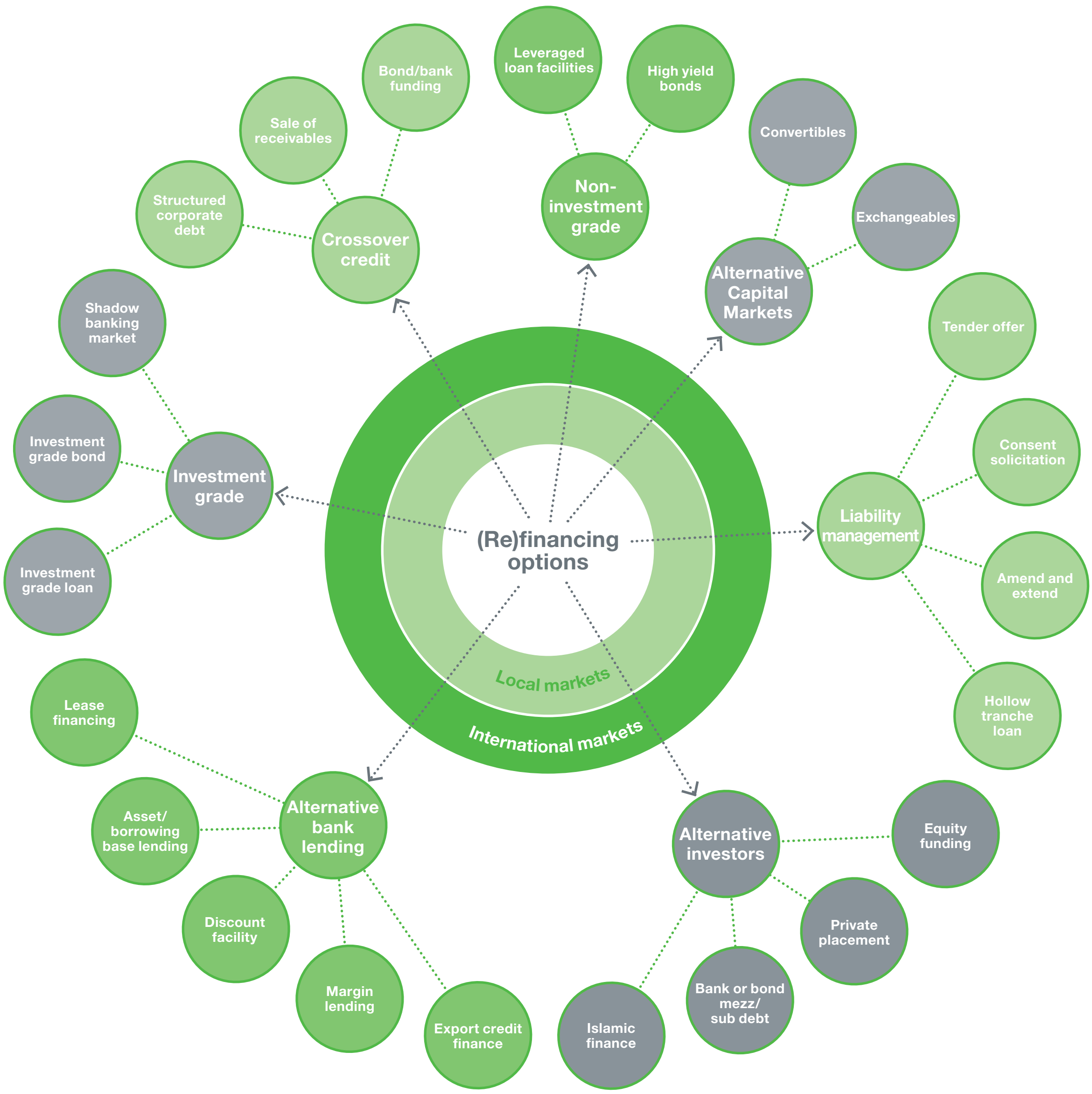
A positive outlook

Despite the difficult market conditions, the funding outlook remains remarkably positive for corporate treasurers who are willing to plan early and balance tried and tested funding models with more innovative approaches. Banks are still willing to lend under the right circumstances. And the bond markets are still eager for the right deal.

Funding options for corporate treasurers

Some corporates will be able to continue financing as they have always done. For others, it will be necessary to explore alternative sources of finance. Many corporate treasurers should consider various sources of finance to ensure they have optimised their funding strategies.

It seems clear that an increasing number of borrowers are going to be chasing after a limited amount of debt capacity, so treasurers will be well advised to consider their approach now and get in ahead of the chasing pack.



Our clients: Financing options for corporates

Regional perspectives

Over the following pages, partners from across Clifford Chance's global network share their views on some of the most significant financing trends in their regions and highlight some of the notable deals on which the firm has advised.

Latin America

"From cement, banking and telecommunications to food, beverages and restaurants, Latin American 'Multilatinas' are taking on the world. More and more, we are seeing Central and South American based companies that previously operated solely in their home countries expanding across Latin America and into the United States and other markets. A number of positive factors in the region, including economic and political reforms, as well as advances in education, technology and management skills, have provided a fertile environment for Multilatinas to expand globally. This expansion has occurred both organically and through acquisitions, and has required, and will continue to require, the raising of new capital, including in the international markets."

Alex Camacho Partner, New York

Advising AJE Group on its high yield bond issue

Clifford Chance advised Ajecorp BV, a finance vehicle of AJE Group, a Peruvian based producer and distributor of beverages, on the issue of US$300 million 6.50 per cent senior notes due 2022. This was AJE Group's first transaction in the international capital markets.

It was a complex and notable bond placement involving approximately 30 different guarantors in multiple Latin American, European and Asian jurisdictions and more than a dozen local counsel.

Bank of America Merrill Lynch, Banco Internacional del Perú, Jefferies & Company, Rabo Securities US and Santander Investment Securities acted as initial purchasers on the deal, which was very well received by the market.

This transaction underlines a prolific year of Latin American deals for Clifford Chance. The firm's Latin American practice marked the start of 2012 by advising 12 clients on eight Latin American debt deals in four weeks. The closed transactions had a total value of US$3.95 billion.

UK

“We are seeing a more flexible approach to structuring corporate debt raisings with structured corporate debt no longer a standardised category of funding but a dynamic continuum. Market participants tailor transactions to the needs of the business and target investor base. Depending on the relative strength of the underlying business, the company and its advisers can select from a menu of structural enhancements to achieve the desired rating, pricing, leverage and covenant package for the business as a whole.”

Steve Curtis Partner, London

Advising on the establishment of £5 billion funding platform by Associated British Ports

Clifford Chance advised 11 funding banks (acting in various bank, bond and hedging capacities) on the establishment of a debt issuance platform by Associated British Ports (ABP), the UK's largest ports group. The transaction raised £2.36 billion of senior bank and bond debt to refinance previous bank debt facilities that were put in place at the time of ABP's acquisition in 2006.

The platform includes the establishment of a Euro Medium Term Note programme, from which it issued a debut £500 million 6.25 per cent bond due 2026.

The completion of the refinancing, despite very challenging market conditions at the end of 2011, demonstrates the robustness of high-quality infrastructure assets from a debt financing perspective.

In addition, the transaction highlights the continuing emergence of structured corporate bonds as a leading asset class and illustrates that there are a range of structured debt solutions available to investment grade borrowers in the banking and capital markets.

Our clients: Financing options for corporates

Regional perspectives continued

Europe


“At a time when banks are reducing their lending capacities and the cost of funding is increasing, market participants are looking for alternative and more flexible ways to raise funding. Bearer bonds offer the opportunity to provide capital without the requirement for a banking licence.”

Sebastian Maerker Partner, Frankfurt

Advising Pandios Comm. on €60 million German bearer bond

Clifford Chance advised Belgium-based Pandios Comm. VA, a subsidiary of Rabobank, in its role as sole investor in a €60 million bearer bond governed by German law and issued by a privately held German corporate.

A notable feature of this deal was that the parties agreed to use Loan Market Association financial and other covenants, which are standard in the loan market, for the terms and conditions of the bond. As the transaction was structured as a private placement, no prospectus was required and disclosure and transparency standards common in the loan market were agreed.

Middle East


Debashis Dey Partner, Dubai

“Despite the volatile performance of the global markets, Middle East issuers are in a relativaly fortunate position, having access to a concentrated pool of liquidity from Shari’a compliant investors when compared to currently available conventional sources. However, sourcing large-scale funding in the Middle East poses its own challenges – such as finding the right balance between the often complex and divergent needs of international investors and those in the local markets.”

Advising Jebel Ali Free Zone on a landmark refinancing

Clifford Chance advised Jebel Ali Free Zone FZE, one of the leading owners and managers of a Dubai-based free trade zone, on the successful refinancing of JAFZ’s AED7.5 billion sukuk which was due to mature in November 2012.

The refinancing involved the use of a dual-funding structure comprising an Islamic bank facility and the issuance of a new sukuk.

Proceeds from the Islamic facility, which made available AED4.4 billion, and the new sukuk, which contributed almost AED2.4 billion, were used, along with a supplement from JAFZ’s cash reserves, to fund the early redemption of the 2007 sukuk.

A notable feature of the refinancing was the intercreditor arrangement between the facility providers and the new sukuk investors as well as a consent solicitation of the holders of certificates in the 2007 sukuk that ultimately enabled JAFZ to be in control of determining the final maturity date.

Asia Pacific

“Since the Asian financial crisis of the late 1990s, Asian countries have focused on the development of local currency financial markets in order to be less reliant on US dollar currency funding. This policy has stood Asian economies in good stead during the latest financial crisis, when the issue has been not so much the weakness of Asian currencies, but the lack of availability of US dollars. In fact, even for financial institutions with good local currency liquidity, US dollar funding remains tight due to factors outside Asia.”

Huw Jenkins Partner, Hong Kong

Advising on a series of landmark RMB bonds

Galaxy Casino is a good example of a capital intensive start up that is reliant on debt funding. Galaxy Casino was successful in winning one of the concessions to operate gaming in Macau. When it came to financing its mega casino resort, it did not turn to the US markets. Instead, it turned to the local banking markets and raised, on a club basis, a HK$9 billion loan. It then used a similar covenant package, supported by some of the same institutions, to launch a RMB1.38 billion bond. The Galaxy bond was reputed to be the first high yield bond in the offshore RMB market.

Galaxy Casino highlights the increasing use of RMB as an international currency *(see p28)*. There are no restrictions on entities established outside of China borrowing RMB and there are growing pools of RMB liquidity looking to earn a higher yield, as the market outside of China invests in a strengthening currency and RMB is increasingly used to settle international trade. Indeed, the offshore RMB bond market of so called ‘dim sum’ bonds has now arrived in Europe with the HSBC retail RMB bond launched in London earlier this year. This trend looks set to continue.

Elsewhere in Europe, Clifford Chance has advised BSH Bosch und Siemens Hausgeräte GmbH on the issuance of three series of bonds denominated in RMB. The transaction was the first issuance of a bond by BSH and was arranged by a banking consortium consisting of Deutsche Bank and HSBC. The transaction comprised three series of bonds totalling two billion RMB (approximately €230 million). This was the second bond issued in RMB by a German company and followed the issuance of a dim sum bond by Volkswagen. Clifford Chance advised the banking consortium on the Volkswagen transaction.

Our people: How we work

Innovation and teamwork

At Clifford Chance, combining outstanding technical expertise with deep client and sector knowledge is at the heart of all we do. But as an ambitious firm, committed to leading the international legal elite, we must also be innovative when working alongside clients on their most complex and critical legal instructions.

That innovation takes many forms. It involves bringing together the highest quality teams, with the right mix of skills and experience from across our firm to bring unique insights to the specific opportunities or challenges that our clients face. And it is also about the systemic implementation of ground-breaking initiatives that improve the quality, consistency and efficiency of our services.

Key statistics

1,200+

More than 1,200 classroom or virtual classroom courses on specific legal skills were run internally within the firm last year

The classes ranged from immersion courses focusing on critical technical knowledge to briefings on the broader implications of new regulation or legal precedents

16%

Of our non-secretarial business services staff are now based at our Global Shared Service Centre (GSSC) in Delhi

The GSSC has over 300 colleagues working across areas such as finance, IT, HR, research and administration

27

The Knowledge Centre for Transaction and Case Support, our offshore centre in India, provided support work to our legal teams in 27 offices outside of India

The Knowledge Centre team is over 60 strong and supported on a total of 850 matters providing almost 50,000 hours of support to London, Singapore, Paris, New York, Amsterdam, Washington, Hong Kong, Milan, Dubai, Madrid and Abu Dhabi

Our people: How we work

Working as one with ONO

ONO, Spain's second largest provider of broadband, fixed telephony and pay television services, has been a client of the firm since its incorporation. In 2009, at the height of the financial crisis, ONO faced a looming US$3.5 billion debt wall and a group of lenders unlikely to be able to refinance its existing senior credit facility. With innovation, teamwork and client knowledge, we helped ONO to address this problem, giving it the financial headroom to continue to meet its business plan, hit its financial targets, pay down debt and deliver value to its shareholders.

“The Clifford Chance team know the high yield market inside out. They provided us with commercially focused, top quality legal advice having considered all the issues relevant to our business in the context of the transaction. The team were also well co-ordinated and ‘joined up’ in their approach on what was a complex multi-jurisdictional multi-product financing.”

Carlos Sagasta Chief Financial Officer, ONO

Innovation and teamwork Advising on multi-stage refinancing for ONO

The successful completion of the multi-stage refinancing in June 2012, against the backdrop of the eurozone crisis, has strengthened ONO’s financial position significantly and extended its debt maturities to 2017 and beyond.

Before the refinancing process began, the Clifford Chance team worked with ONO for over nine months to design a unique framework that would be commercially acceptable to investors. This included devising an innovative, orphan ‘SPV’ issuer structure to lend into the existing bank facility, balancing the requirements of high yield investors with those of the existing bank lenders. This new financing structure enabled ONO to be on the front foot and take advantage of several narrow windows of opportunity when the European and US capital markets were open and attractive. As a result, the client was able to tap the market with ‘bite-size’ high yield bond issues, which slowly reduced the outstanding bank indebtedness under the senior credit facility (see timeline). Once the target for reducing the bank debt was met, the remainder was refinanced in full by a new senior credit facility.

Each stage of the refinancing presented unique challenges. For instance, the original intention was to issue high yield bonds in Euros. Due to the market conditions in the eurozone and the strength of the Dollar market however, several of the offerings were amended to be US Dollar-denominated. In addition, the eurozone crisis also necessitated that the new senior facility be governed by English law (the existing facility was Spanish law governed). This change in law required careful analysis to ensure that the orphan bond structure and intercreditor arrangements could be transferred to the new facility. The multi-faceted nature of the transactions involved balancing the demands of the numerous stakeholders involved, with Clifford Chance providing advice on US federal securities, New York, Spanish and English law as well as Spanish tax, US tax, telecoms regulatory and ERISA advice. Few firms would be able to offer such integrated specialist advice to a client.

Over the course of the refinancing transactions, ONO was upgraded three notches by Standard & Poor’s and one notch by Moody’s. The broadband provider now has time to utilise its cash-flow to reduce its indebtedness, which will make future refinancings much less challenging.

The deal is a great example of how to proactively address the refinancing wall faced by many corporates through careful planning. It has been recognised in the market as a standout transaction, having been voted *The Banker’s* 2012 European Deal of the Year.

“Working in partnership with a cross-border, cross-practice Clifford Chance team, we put a long-term strategy in place with the client to scale its refinancing wall through a range of innovative measures, allowing ONO to face the challenge head on.”

John Connolly Head of the US Securities Group, London

“We have known ONO since its inception and our journey alongside them gave us the vital insight to build the right team around the client and, as a team, to deliver the cutting edge legal thinking and financing options required in turbulent markets.”

Carlos Hernández-Canut Finance and Banking Partner, Madrid

“Ultimately this came down to planning, engineering and problem solving that assessed where the issuer would be on a forward looking timeline, and then executed against the schedule in a way that leveraged the plan we put in place, in the face of immense external pressures from challenging market conditions.”

Michael Dakin Head of High Yield, London

“Each time ONO recalibrated its refinancing plan due to the unrelenting market turbulence, this gave rise to a new set of complex legal puzzles which we worked to solve in real time, making this a uniquely interesting and satisfying transaction.”

George S. Georgiev Senior Associate, US Securities Group, London

The refinancing process 2010–2012

May 2010:	October 2010:	January 2011:	July 2011:	February 2012:	Spring 2012:	June 2012:
Amendment to senior bank facility to allow orphan issuer structure.	First issuance of senior secured high yield bonds under the orphan issuer structure – raising €700 million.	Refinancing of €460 million existing subordinated high yield bonds.	Second issuance of senior secured high yield bonds, raising €300 million.	Third issuance of US$1 billion of senior secured bonds under orphan structure.	New senior credit facility and final issuance of US$310 million of senior secured bonds.	The transactions close in the midst of the eurozone crisis.

Our people: How we work

Continually improving

Clifford Chance has a well-established track record for introducing new ways of working that keep us at the leading edge of the high-end legal sector. Efficiency and effective cost management are areas of critical importance.

We have become one of the first law firms to invest in the process of Continuous Improvement – adding greater value to clients by applying efficiency techniques honed in manufacturing and service industries to the ways in which we provide legal advice.

Hundreds of staff have now been through the firm's Continuous Improvement training and more than 50 projects have been completed or are underway.

Client-led improvement

With clients challenging Clifford Chance to move more quickly and push harder at achieving 'more for less', the firm has invigorated its drive towards client-led efficiency and consistency, through a Continuous Improvement approach that analyses each link in the chain of any given legal process to establish how it can be simplified or otherwise improved upon.

Continuous Improvement projects have included speeding up crucial document review and redaction in litigations; making specific types of legal instruction more cost-effective, such as loan agreements; and fine-tuning key areas of service delivery – for instance ensuring deal documents are electronically bundled for clients on a more timely and efficient basis.

"We are amongst the first in the legal sector to put a marker down in this space," explains Oliver Campbell, global head of business transformation, "and we're off to a flying start, tailoring techniques that underpin Continuous Improvement, 'Lean' (doing the right things) and 'Six Sigma' (doing those things well), to produce compelling results for clients."

The 'green belt' experience

To embed a culture of Continuous Improvement, business services professionals and some lawyers are undertaking what's known as a 'green belt' qualification, earned through the experience of running a project.

For Heidi Wang-Hyman, senior operations analyst in New York, this experience was about more than achieving enhanced efficiency (in this case, an 80 per cent reduction in the time it took to process paperwork for new paralegal hires): "Completing my first Continuous Improvement project has enabled me to view processes in a new light. Now I continually ask: 'Could this be done better?'"

The sky's the limit with GECAS

For many years, Clifford Chance has advised GE Capital Aviation Services (GECAS) on aircraft leasing, working alongside the client at the forefront of innovation in financing techniques in the aviation sector. We took our Continuous Improvement ideas to GECAS for the client perspective on the efficiencies that we had identified.

"The aircraft lease transfers that we work on for GECAS are highly complex instructions, and for various reasons they can take a long time to close, creating inefficiencies along the way," notes William Glaister, partner, London. "Given that GE are strong proponents of Six Sigma, applying Continuous Improvement to these deals was the obvious way forward and we are delighted with the results."

16
Different Clifford Chance offices undertaking Continuous Improvement initiatives

35
People qualified or qualifying as a 'green belt' in Continuous Improvement

290
Lawyers involved in Continuous Improvement projects

Efficiency of process for Nomura

The Clifford Chance derivatives team in Hong Kong often works on derivatives and financing transactions related to shares in listed companies. These deals can raise some complex regulatory issues, which are not always clear-cut and can slow things down when they emerge.

"Analysing the process using Continuous Improvement helped us uncover where these issues commonly occur," notes Francis Edwards, partner, Hong Kong. "Using this information, we designed an efficient approach for helping our clients work through these issues early on in the transaction, which we recently applied on a deal for Nomura."

"Clifford Chance did an excellent job on this transaction. They were proactive in flagging potential regulatory issues at the outset, which enabled us to proceed with the deal smoothly and within a short timeline."

Kevin Yeung Senior Legal Counsel, Nomura

NOMURA

Highlights

Deals and accolades

Deals highlights from 2011/12 included advising:

A consortium comprising Mannai Corporation QSC and EFG Hermes on its US$445m recommended cash bid for Damas International Limited, the leading Middle East jewellery and watch retailer. One of the largest ever public M&A transactions in the Middle East. (Dubai)

Bumi Armada, the Malaysian oil and gas services company, on its MYR2.66bn listing on the main market of Bursa Malaysia Securities Berhad, one of the country's biggest initial public offerings since Petronas Chemicals raised US$4.15bn in November 2010. (Hong Kong)

Changi Airports International, Singapore and Sberbank on their joint 50% investment into Basic Element's airport holding group, the largest inward investment into Russia by a Singaporean company. (Moscow)

Cinven and Warburg Pincus on the IPO of the Netherlands' largest cable operator Ziggo N.V. on NYSE Euronext in Amsterdam. Total offering size c.€804m, the largest in the Netherlands since 2009. (Amsterdam, London, New York)

Clayton Dubilier & Rice with Axa Private Equity and Caisse de dépôt et placement du Québec on the €2.1bn acquisition of Spie Group, from PAI Partners, the largest French buyout in the previous three years and the largest LBO acquisition financing post Lehman. (London, Luxembourg, Paris)

Commerz Real AG and a consortium of institutional investors on their acquisition of a 74.9% stake in Amprion GmbH, an 11,000km extra-high voltage transmission system servicing industry and households in Germany and beyond. (Düsseldorf, Frankfurt)

Deutsche Bank, Numis Securities and SHUAA Capital as underwriters on the first premium listed, FTSE index eligible equity raising by an Abu Dhabi business on the London Stock Exchange, NMC Health plc. (Dubai, London)

The lenders in relation to the financing of the design, construction, maintenance, repair, operation and transfer of the Gebze-Orhangazi-Izmir Motorway BOT Project, including the Izmit Bay Crossing Bridge (3.3km suspension bridge) and access roads in Turkey. (Frankfurt, Istanbul, London, Paris)

FLY Leasing Limited, one of the world's leading aircraft lease managers, as buyer's counsel in the US$1.4bn acquisition of a portfolio of 49 Boeing and Airbus aircrafts, which grew its fleet by more than 80%. (New York, Sydney)

Goldman Sachs and Scotiabank in Terminales Portuarios Euroandinos Paita's US$110m offering of 25-year project bonds on the international capital markets in April 2012, the first project bond issued to a port in Latin America. (New York, Washington D.C.)

Haitong Securities Company Limited on its US$1.68bn H share offering, at the time the largest IPO listing on the Hong Kong Stock Exchange in 2012. (Beijing, Hong Kong, Shanghai)

HSBC, Standard Chartered Bank and Raiffeisen Bank International AG on the issuing of RMB750m bond denominated for Raiffeisen Bank International AG, the first RMB bond issued by an Austrian company. (Frankfurt, Hong Kong)

Investec Bank (Australia) Ltd on the financing for Akara Mining Limited, Thailand's major gold mining company. (Bangkok, Hong Kong)

Morgan Stanley Real Estate Fund VII, a Morgan Stanley real estate fund (MSREF) on the acquisition of the shopping mall in St Petersburg, representing the largest single asset deal in Europe for two years, and the largest single property transaction in Russia in 2011. Best Investment Transaction of the Year, CRE Awards 2012. (London, Moscow, Paris)

Nakheel PJSC, Dubai real estate company and Dubai World subsidiary, on the successful consensual restructuring of liabilities in excess of US$16bn. (Dubai, London)

Norges Bank on a joint venture with AXA REIM and the acquisition from AXA REIM of a 50% interest in a portfolio of seven prime office buildings valued at €1.4bn, representing the largest transaction on the French market in 2011. (Paris)

Permira on the acquisition of a stake of up to 61% in Netafim Ltd., a global leader in the provision of smart drip and micro irrigation solutions for sustainable agriculture. (Amsterdam, Istanbul, Kyiv, London, Luxembourg, Milan, Moscow, New York, Sydney)

PKN ORLEN S.A., the largest Polish oil and gas group, on the sale of its stake of shares in Polkomtel S.A., the largest Polish mobile network operator. Understood to be the largest M&A transaction in the CEE region in 2011. (Warsaw)

Statoil ASA as the company made its first investment in the Australian oil and gas sector. (London, Perth)

The banking consortium on the restructuring of Rodenstock by an English scheme of arrangement. (Frankfurt, London)

The banks on the US$12.5bn acquisition facility for SABMiller plc in connection with its takeover bid for Foster's Group Limited. (London, Sydney, New York)

The Carlyle Group on its acquisition of a circa 42% investment in Alamar Foods, the franchise operator of Domino's pizza and Wendy's hamburgers in the Middle East. (Dubai, Riyadh, Washington DC)

The financing of a 100MW power plant, marine landing site and related methane gas extraction and production facilities in Kibuye, Lake Kivu, Rwanda. The project sponsor is ContourGlobal. Africa Power Deal of the Year 2011, Euromoney Project Finance Magazine. (Paris)

The lenders (led by ING Bank N.V. and BNP Paribas SA as documentation agents) on a US$4.75bn syndicated pre-export finance facility refinancing the existing international debt of UC Rusal Plc, the world's largest aluminium producer. (Moscow)

UBS on the issue of US$2bn Tier 2 Subordinated Notes due 2022, in what was the first low-trigger Contingent Capital issue from Switzerland. (London)

US Department of Energy, as loan guarantor, on six renewable energy transactions totalling 1,778MWs of power – including one of the largest photovoltaic power projects in the world – and covered over US$4.7bn of guaranteed loans. (Washington, DC)

Volkswagen AG on the creation of the Integrated Automotive Group with Porsche Automobil Holding SE (Porsche SE). Volkswagen will hold, through an intermediate holding company, all shares in Porsche AG. (Frankfurt)

Accolades from 2011/12 include:

Chambers Asia Pacific Awards 2012: Asia Pacific Law Firm of the Year, China: International Law Firm of the Year

Environmental Finance and Carbon Finance 12th Annual Market Survey 2011: Best Law Firm Weather Risk Management Global; Best Law Firm Renewable Energy Finance Europe

IFLR Americas Awards 2012: Equity deal of the year (Nielsen IPO)

IFLR Asia Awards 2012: China Practice of the Year, Restructuring Team of the Year, Restructuring deal of the year; Equity deal of the year

IFLR Europe Awards 2012: International Law Firm of the Year; National Winners for Belgium; National Winners for Poland; National Winners for Russia; Restructuring Team of the Year; Securitisation and Structured Finance Team of the Year

IFLR Middle East Awards 2011: IFLR Middle East Law Firm of the Year; Restructuring Team of the Year. Al-Jadaan & Partners Law Firm, with whom Clifford Chance has a co-operation agreement in Saudi Arabia, won Saudi Arabian Law Firm of the Year

Islamic Finance Deals of the Year 2012: Mudarabah Deal of the Year; Sovereign Deal of the Year; Malaysia Deal of the Year; Trade Finance Deal of the Year

Jane's Transport Finance Awards 2011: Rail Finance Law Firm of the Year 2011; Aircraft Debt Deal of the Year – Europe; Aircraft Debt Deal of the Year – Middle East and Africa; Shipping Debt Deal of the Year

Legal Business Awards 2012: Restructuring Team of the Year

LatinFinance Magazine Awards 2012: Best Cross-Border M&A Deal: AEI sale of Latin American assets; Best Primary IPO: Arcos Dorado IPO; Best Private Equity Deal: Banco BTG Pactual U.S.$1.8bn stake purchase

Luxembourg Finance Management Awards 2011: Best Finance Law Firm

Managing Intellectual Property Global Awards 2012: Spanish Law Firm of the Year 2011

PEI Awards 2011: European Law Firm of the Year (transactions)

PERE (Private Equity Real Estate) Awards 2011: European Law Firm of the Year 2011: Fund Formation; North American Law Firm of the Year 2011: Fund Formation

Project Finance Magazine Asia Pacific Deals of the Year 2011: Asia Pacific Mining Deal of the Year: Akara Mining); Asia Pacific Telecoms Deal of the Year (Aircel Consolidated); Asia Pacific Refinancing Deal of the Year (Sasan UMPP)

Real Deals Private Equity Awards 2012: Pan-European Legal Adviser of the Year

The Lawyer Awards 2011: Banking & Finance Team of the Year

People and community awards

International Senior Lawyers Project (ISLP) 2011: Global Pro Bono Visionary Law Firm

Visit **www.cliffordchance.com/awards** for more details.

Our global office network

Visit www.cliffordchance.com for all our office contact details

Australia
Perth
Sydney

Belgium
Brussels

Brazil
São Paulo

Czech Republic
Prague

France
Paris

Germany
Düsseldorf
Frankfurt
Munich

Grand-Duché de Luxembourg
Luxembourg

Hong Kong SAR
Hong Kong

Italy
Milan
Rome

Japan
Tokyo

Morocco
Casablanca

The Netherlands
Amsterdam

People's Republic of China
Beijing
Shanghai

Poland
Warsaw

Qatar
Doha

Romania
Bucharest

Russia
Moscow

Kingdom of Saudi Arabia
Riyadh*

Singapore
Singapore

Spain
Barcelona
Madrid

Thailand
Bangkok

Turkey
Istanbul

Ukraine
Kyiv

United Arab Emirates
Abu Dhabi
Dubai

United Kingdom
London (Upper Bank Street
and Coleman Street)

US
New York
Washington, DC

*Clifford Chance has a co-operation agreement with Al-Jadaan & Partners in Riyadh.

How we performed

Financial information

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).

Revenue by region was as follows:

	2012 £m	2011 £m
Americas	144	140
Asia Pacific	185	145
Continental Europe	492	467
Middle East	39	37
United Kingdom	443	430
	1,303	1,219

Overall revenue was 7 per cent higher than the previous year. Revenue grew by 28 per cent in Asia Pacific (including the effects of the mergers in Australia), by 5 per cent in both Continental Europe and the Middle East and by 3 per cent in both the Americas and the United Kingdom. The changes in revenue include the effect of movements in average foreign exchange rates relative to Sterling. The movements in the average exchange rates for the main currencies broadly offset each other; compared to the previous year, Sterling depreciated by 1 per cent relative to the Euro and appreciated by 2 per cent relative to the US Dollar.

Operating costs increased by 4 per cent in Sterling. Staff and related costs account for 65 per cent of these costs and increased by 5 per cent in Sterling. Average headcount increased by 3 per cent.

Profit for the financial year before members' remuneration and profit shares on the basis of IFRS increased by 15 per cent compared to the previous year.

Consolidated income statement

Year ended 30 April	2012 £m	2011 £m
Revenue	1,303	1,219
Expenditure		
Staff and related costs	(566)	(537)
Other operating costs	(304)	(300)
	(870)	(837)
Profit from operations	433	382
Investment income	1	1
Financing costs	(10)	(13)
Profit before tax for the financial year before members' remuneration and profit shares	424	370
Members' remuneration charged as an expense	(28)	(17)
Profit before tax for the financial year available for profit share among members	396	353
Taxation	(13)	(13)
Profit for the financial year available for profit share among members	383	340

Consolidated balance sheet

As at 30 April	2012 £m	2011 £m
Assets		
Property plant and equipment	45	53
Intangible assets	17	22
Total non-current assets	62	75
Accrued income	207	198
Receivables	397	393
Amounts due from members	64	102
Cash at bank and in hand	120	67
Total current assets	788	760
Total assets	850	835
Liabilities		
Bank overdrafts	–	2
Payables	255	259
Provisions	23	21
Total current liabilities	278	282
Long-term payables	40	42
Provisions	234	229
Total non-current liabilities	274	271
Total liabilities excluding members' interests classified as liabilities	552	553
Net assets attributable to members	298	282
Represented by:		
Loans and other debts due to members:		
Members' capital – current liability	169	160
Provisions for annuities due to current members		
Non-current liability	97	84
	266	244
Equity:		
Other reserves classified as equity	14	5
Foreign exchange reserve	18	33
Total equity	32	38
	298	282

Consolidated cash flow statement

Year ended 30 April	2012 £m	2011 £m
Net cash from operating activities	377	320
Investing activities		
Investment income received	1	1
Purchase of tangible fixed assets	(12)	(9)
Proceeds from sale of plant and equipment	1	1
Net cash used in investing activities	(10)	(7)
Financing activities		
Borrowings paid	–	(92)
Net cash used in financing activities	–	(92)
Transactions with members		
Drawings, distributions and remuneration of members	(317)	(269)
Capital net contributions by members	8	2
Net cash paid to members	(309)	(267)
Net increase/(decrease) in cash and cash equivalents	58	(46)
Cash and cash equivalents at beginning of year	64	112
Effects of foreign exchange rate changes	(2)	(1)
Cash and cash equivalents at end of year	120	65

Profit attributable to equity partners

Year ended 30 April	2012 £m	2011 £m
Profit before tax for the financial year before members' remuneration and profit shares on the basis of IFRS	424	370
Adjustments for partnership structure and accounting policies, excluding partnership restructuring costs and annuities	7	11
Profit before tax for the financial year attributable to equity partners excluding partnership restructuring costs and annuities	431	381
Partnership restructuring costs	–	(8)
Annuities	(21)	(19)
Profit before tax for the financial year attributable to equity partners	410	354

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 attributable to equity partners is determined in accordance with the accounting policies applicable under the partnership agreement, which differ from IFRS. The principal differences relate to the accounting treatment of annuities, pension schemes, property leases, foreign exchange differences and restructuring costs.

Accordingly, in order to arrive at the profit attributable to equity partners, 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 400 (2011: 379). The average profit per equity partner based on the profit before tax for the financial year attributable to equity partners excluding partnership restructuring costs and annuities amounts to £1.1 million (2011: £1.0 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 years ended 30 April 2011 and 30 April 2012 have 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.

C L I F F O R D

C H A N C E

www.cliffordchance.com

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C022913

This report has been printed on Hello Silk a paper which is certified by the Forest Stewardship Council®. The paper is made at a mill with EMAS and ISO 14001 environmental management system accreditation. This report was printed using vegetable oil based inks and by a CarbonNeutral® printer certified to ISO 14001 environmental management system and registered to EMAS the Eco Management Audit Scheme.

Designed and produced by Radley Yeldar. www.ry.com