

C L I F F O R D
C H A N C E



ANNUAL REVIEW 2017

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

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

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

A STRONG AND WELL-BALANCED PERFORMANCE

AN UPDATE FROM OUR
MANAGING PARTNER,
MATTHEW LAYTON

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

The firm delivered a strong and well-balanced financial performance for for the tax year ended 30 April 2017, despite a number of geo-political and economic headwinds over the past year, underlining our continued progress towards our vision of becoming the global law firm of choice for the world's leading businesses of today and tomorrow.

Even taking currency fluctuations into account, the firm has followed a strong growth trajectory over the past 24 months. Our client-driven strategy and investment in products and expertise in geographies where our clients need us most drove an 11% rise in global revenues (£1,540 million) and increases in profitability across all practice areas.

Our strength in traditional markets and growing economies provides solid foundations for success.

In Asia Pacific, the firm enjoyed revenue growth of 23% for the year, underlining the importance of building a broad and deep bench of expertise and listening to and aligning our platform with our clients' needs.

Greater China, with its One-Belt, One-Road strategy, and Singapore continue to be important motors of regional growth.

Despite a period of market uncertainty immediately after the UK's decision to leave the EU, our London practice has demonstrated its resilience, securing a significant number of Brexit-related mandates from banks, financial investors and corporate clients, plus from leading trade bodies and associations.

In the Americas, we hold market-leading positions in a number of

“Our strength in traditional markets and growing economies provides solid foundations for success.”



**A STRONG AND
WELL-BALANCED PERFORMANCE**
AN UPDATE FROM OUR
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CONTINUED

practice areas. We have a clear strategy for continued growth in the region and we are making the necessary investments, including lateral partner appointments, to increase the depth of resource available for servicing leading domestic and international clients in those areas where our expertise and platform can deliver the greatest value.

There is every reason for optimism about the future success of the firm. But we also recognise that we are operating in an

increasingly competitive market, one that is subject to disruption and near-constant change. Politically, socially and economically there remains a great deal of uncertainty wherever you look. Our clients are operating under the same pressures and we are committed to making the right decisions and investment choices so that we can best advise our clients to manage these challenges and achieve their own strategic goals.

Clients, rightly, come to us with high expectations. They not only

expect first-class legal advice, insight and service, though these are, of course, essential to what we do. Our clients are also looking to us for a true partnership and for a firm that will work closely alongside them to find creative solutions for their most complex challenges. For us as a firm, this means continuing to invest in our talent, our capabilities, our technology and business processes, and – most critically – in our relationships. Ensuring we meet and go beyond all of these expectations will be fundamental to our future success.

HOW WE MANAGE OUR FIRM

Our firm is owned by our partners, who are remunerated from a global profit pool. Partners share the profits under a modified lockstep system. Our profit-sharing, governance and strategy supports our vision to be the global law firm of choice for the world's leading businesses of today and tomorrow.

Governance

The Executive Leadership Group, chaired by the firm's Global Managing Partner, is responsible for managing the firm and implementing its strategy. The performance of the Executive Leadership Group is monitored by the Partnership Council, led by the firm's Senior Partner.

The firm's constitution is governed by our Partnership Agreement, which makes certain decisions subject to a vote of the partners.

Executive Leadership Group

The Executive Leadership Group comprises the elected managing partner and appointed regional managing partners and global business unit leaders, the CFO, COO, General Counsel and Global Head of People and Talent.

Partnership Council

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

The Partnership Council monitors the performance of the ELG and its members and ensures that appointments to leadership roles are handled effectively and with due regard to the interests of the partnership.

Ethics, risk management and compliance

This is the responsibility of the firm's General Counsel, who reports to the managing partner and Executive Leadership Group. The General Counsel's remit covers conflict

management, client acceptance, risk management, compliance, insurance and regulatory or legal issues facing the firm. The General Counsel is supported by a central team, which coordinates closely with the managing partners of the firm's offices globally, and others with compliance responsibility around the firm.

We establish and promote market-shaping practices in relation to ethics, professional standards and risk management. We are proud to have been one of the first firms to adopt a formal human rights policy in 2013 and to have been closely involved in the development of the UN Guiding Principles on Business and Human Rights, as part of our longstanding commitment to the UN Global Compact.

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

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

HOW WE MANAGE OUR FIRM CONTINUED

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

We seek to manage risk proactively: a full annual review of the key risks facing the firm seeks to ensure that appropriate mitigation is in place. Our risk approach is reviewed annually by the Audit and Risk Committee.

Financial management

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

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

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

Audit and Risk Committee

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

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

Partner promotions, recruitment, performance management and remuneration

The processes around partner promotion and recruitment are robust and transparent to the partnership. The Partner Selection Group assesses the personal qualities of all candidates to ensure they meet the high professional standards we expect of our partners. The Partner Selection Group reports to the Partnership Council.

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

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

EXECUTIVE LEADERSHIP GROUP MEMBERS

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

PARTNERSHIP COUNCIL MEMBERS

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

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). Further information regarding the financial performance of the firm for the year ended 30 April 2017 can be found in the related press release.

REVENUE BY REGION

	2017	2016
	£m	£m
Americas	202	175
Asia Pacific	276	224
Continental Europe	506	452
Middle East	49	46
United Kingdom	507	489
	1,540	1,386

CONSOLIDATED INCOME STATEMENT

	2017	2016
	£m	£m
Year ended 30 April		
Revenue	1,540	1,386
Other operating income	22	16
Operating costs		
Staff and related costs	(693)	(609)
Other operating costs	(327)	(290)
	(1,020)	(899)
Operating profit	542	503
Financing costs	(10)	(12)
Profit before tax for the financial year before members' remuneration and profit shares	532	491
Members' remuneration charged as an expense	(38)	(23)
Profit before tax for the financial year available for profit share among members	494	468
Taxation	(17)	(15)
Profit for the financial year available for profit share among members	477	453

CONSOLIDATED BALANCE SHEET

	2017	2016
	£m	£m
As at 30 April		
Assets		
Property plant and equipment	84	78
Deferred tax asset	9	8
Total non-current assets	93	86
Accrued income	281	248
Receivables	515	476
Amounts due from members	8	16
Cash at bank and in hand	249	183
Total current assets	1,053	923
Total assets	1,146	1,009
Liabilities excluding members' interests classified as liabilities		
Trade and other payables	353	335
Provisions	41	18
Current liabilities	394	353
Long term payables	50	36
Deferred tax liability	1	-
Provisions	581	416
Non-current liabilities	632	452
Total liabilities excluding members' interests classified as liabilities	1,026	805
Net assets attributable to members	120	204
Represented by:		
Provisions for annuities and other due to current members	115	109
Members' capital	162	160
Members' interests classified as liabilities	277	269
Reserves	(157)	(65)
	120	204

CONSOLIDATED CASH FLOW STATEMENT

	2017	2016
Year ended 30 April	£m	£m
Net cash generated from operating activities	521	472
Cash flows from investing activities		
Purchase of tangible fixed assets	(23)	(48)
Proceeds from sale of plant and equipment	5	–
Net cash used in investing activities	(18)	(48)
Cash flows from financing activities		
Drawings, distributions and remuneration of members	(448)	(365)
Capital net repayments from/(to) members	2	(8)
Net cash used in financing activities	(446)	(373)
Net increase in cash and cash equivalents	57	51
Cash and cash equivalents at beginning of year	183	127
Effects of foreign exchange rate changes	9	5
Cash and cash equivalents at end of year	249	183

PROFIT ATTRIBUTABLE TO EQUITY PARTNERS

	2017	2016
Year ended 30 April	£m	£m
Profit before tax for the financial year before members' remuneration and profit shares on the basis of IFRS	532	491
Adjustments for partnership structure and accounting policies	22	3
Amounts payable to equity partners and annuitants before tax	554	494

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

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

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

The average number of equity partners during the year was 403 (2016: 402). The average profit per equity partner based on the profit before tax for the financial year attributable to equity partners excluding annuities amounts to £1.375 million (2016: £1.23 million).

STATUTORY ACCOUNTS

The financial information included in this statement does not constitute the statutory accounts of Clifford Chance LLP within the meaning of the Companies Act 2006. Statutory accounts for the financial year ended 30 April 2016 have been delivered to the Registrar of Companies. Statutory accounts for the financial year ended 30 April 2017 have not yet been delivered to the Registrar of Companies. The auditors have reported on the accounts for both such financial years; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their reports and did not contain statements under Section 498 (2) or (3) Companies Act 2006, as applicable to limited liability partnerships.

WORKING ALONGSIDE CLIENTS ON THEIR MOST COMPLEX AND BUSINESS CRITICAL MATTERS

RECENT HIGHLIGHTS INCLUDE:

- Advising FairSearch on the European Commission investigation leading it to impose the record EUR€2.4 billion EU fine on Google for illegal search manipulation practices in a key online sector, comparison shopping – a service that allows users to compare product features, prices, and availability from a wide selection of online retailers.
- Advising international energy renewables business Abengoa Group bondholders and investors in relation to restructuring the company's EUR€20bn indebtedness. The multi-jurisdictional project remains Europe's largest ever financial restructuring.
- Advising FTSE100-listed Informa PLC on its acquisition of Penton Business Holdings for USD\$1.558 billion. The deal is one of the most high-profile UK to US acquisitions in recent years.
- Advising ABN AMRO on the sale of its private banking operations in Asia and the Middle East to international private banking and asset management group LGT. The transaction involved the divestment of ABN AMRO's Asia and Middle East operations which manage around US\$20 billion of client assets as the group seeks to strengthen and grow its Northwest Europe private banking operations.
- Advising Rocket Internet on the successful closing of its Rocket Internet Capital Partners fund at the hard cap of US\$1.0 billion. The fund invests in market-leading, high growth Internet related businesses. This makes it Europe's largest fund focused on the internet sector.
- Advising the Government of the Sultanate of Oman on its largest ever debt capital markets issuance.
- Advising MBK Partners and TPG Capital on their acquisition through a special purpose vehicle of Wharf T&T from Wharf Holdings. The transaction valued Wharf T&T, Hong Kong's largest purely enterprise-focused telecom service provider, at HK\$9.5 billion.
- Advising IRUS European Retail Property Fund, one of the largest pan-European private-capital property investment funds specialising in outlet centres, sponsored and managed by NEINVER Group, on two concurrent pan-European sales of ten outlet centres at a combined value of EUR€1.28 billion.
- Successfully representing Sberbank in the Appellate Court in a landmark derivatives case, resulting in the court's dismissal of Transneft's US\$1.1 billion claim for invalidation of FX barrier options.
- Advising the underwriters on the international aspects of the US\$184 million (Rs 12.4) initial public offering of BSE Ltd. (formerly the Bombay Stock Exchange), Asia's oldest stock exchange. The IPO was the first listing of a stock exchange in India and was oversubscribed by 51 times.
- Advising Deutsche Bank, ING, Natixis and UniCredit in their capacity as the coordinating committee for the pre-export finance banks in connection with the successful implementation of a US\$2.3 billion debt restructuring for Metinvest.
- Advising the underwriters, including China International Capital Corporation, Morgan Stanley, Bank of America Merrill Lynch, Goldman Sachs, JP Morgan, as the Joint Sponsors on the US\$8 billion listing on the Hong Kong Stock Exchange of Postal Savings Bank of China Co., Ltd.

C L I F F O R D

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This publication does not necessarily deal with every important topic nor cover every aspect of the topics with which it deals. It is not designed to provide legal or other advice.

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Clifford Chance has a co-operation agreement with Abuhimed Alsheikh Alhagbani Law Firm in Riyadh.

Clifford Chance has a best friends relationship with Redcliffe Partners in Ukraine.