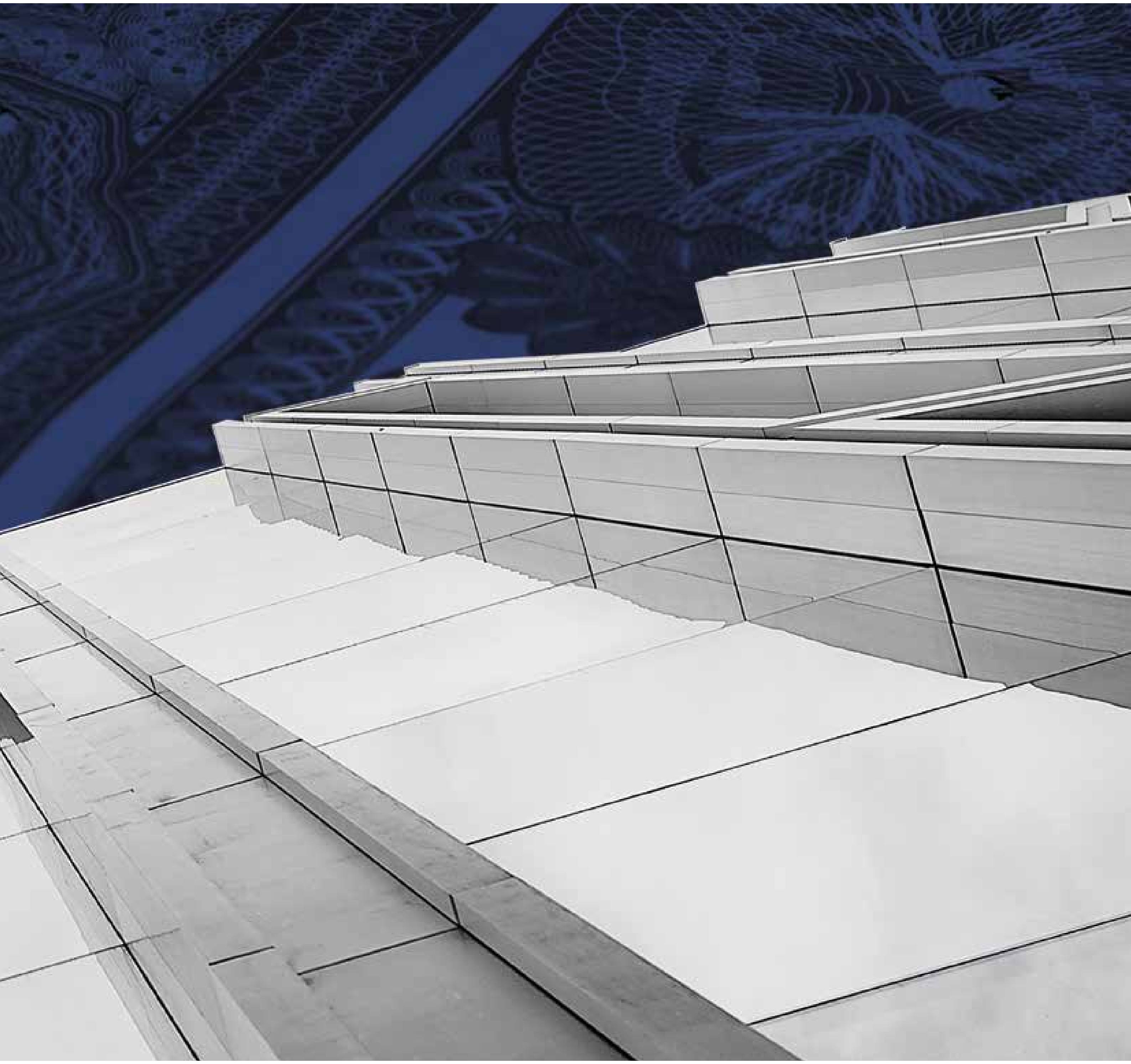
Rothschild & Co
Annual Report 2019



Rothschild & Co

Our unique heritage and outstanding record of achievement are driven by a strong values-driven culture, captured in our Guiding Principles: **Thoughtful, Principled and Creative**

Contents

Message from the Chairman of the Supervisory Board

Dear Shareholders,

Firstly, I would like to thank the Board members for their continued support and engagement with Rothschild & Co. We all benefit hugely from their experience and wisdom both during and outside our Board meetings.

The Managing Partner, represented by Alexandre de Rothschild, Executive Chairman, and the three Managing Partners, Marc-Olivier Laurent, Robert Leitão and François Pérol, has delivered robust results in a more complex market environment than 2018 which was a record year for the Group. Beyond 2019 and the current year 2020, the Management Team are working hard together to build a clear but nevertheless ambitious strategy in order to bring long-term value for shareholders.

In April, Rothschild & Co Concordia SAS ("Concordia"), the family holding company and main shareholder of Rothschild & Co announced a reorganisation of its share capital. The French branches of the Rothschild family, that of Eric de Rothschild and that which I represent, agreed to acquire a major part of the Concordia shares held for the benefit of the English branch of the Rothschild family. We, the French branch, have also contributed shares directly held in Rothschild & Co to Concordia, thereby making Concordia the main shareholder in Rothschild & Co. This operation is in line with our desire to make a long-term commitment at the head of Rothschild & Co to better pursue its development.

It is the Supervisory Board's responsibility to ensure that corporate governance standards and recommendations are respected. The Supervisory Board exercises permanent oversight of the Company's management, including in particular its financial reporting system and internal control mechanisms.

At the Annual General Meeting held on 16 May 2019, the shareholders approved the re-election of Angelika Gifford, Luisa Todini, Carole Piwnica, Arielle Malard de Rothschild, Daniel Daeniker and Adam Keswick as members of the Supervisory Board, and François Henrot as *censeur*.

In addition, to reflect the importance the Group gives to Corporate Responsibility, Lucie Maurel-Aubert has accepted to act as the lead director for this area and as correspondent of the Board for the Executive Management team. A Board Committee has been created for this purpose. Furthermore, we have published a Corporate Responsibility report with the Annual Report, which you can also find on our website.

I must also advise you that Peter Smith, who has been a member of the Supervisory Board for eight years announced his decision to retire. Peter has been Chairman of the Audit Committee and member of the Remuneration and Nomination Committees as well as member of the Risk Committee. Prior to joining the Supervisory Board of Rothschild & Co, Peter served 19 years on the Board of NM Rothschild & Sons Limited, and 12 years on the Board of Rothschild & Co Bank AG and was a member of its Audit Committee. It is difficult to detail the immensely positive impact that Peter has had over his long period with the Group. His pertinent advice, his astute observations and his keen mind will be deeply missed and I would like to thank him, on behalf of the Board, for the important role he has played for the Group over this period.

Sir Peter Estlin has joined the Board following Peter Smith's departure. Sir Peter's track record in the financial markets is exceptional and includes the role of CFO for Salomon Brothers Asia, for Citigroup Investment Banking and for Barclays plc. In addition, he is a former Lord Mayor of the City of London and currently an Alderman of the City of London Corporation. We are delighted that he has accepted our invitation to join the Board and we very much look forward to working with him.

I am delighted at the prospect of working with this strong team and benefitting from their sound advice.

In this Annual Report, as well as on the Company's website, you will find detailed information on the composition of the Supervisory Board and its specialised committees, as well as the other directorships held by the Board members.

In our Annual General Meeting document to be published soon on our website, you will find the information required by law about the members of the Board due to be re-elected at this year's Annual General Meeting.

Last, but not least, I would like to thank you as always for your constant support for Rothschild & Co.

David de Rothschild
Chairman of the Supervisory Board of Rothschild & Co

Message from the Managing Partners

Dear Shareholders,

Following a record year for the Group in 2018, we are pleased that Rothschild & Co has again in 2019 produced good results thanks to our outstanding employees, balanced business mix, broad client reach and underlying strong European position.

Our Global Advisory business performed well despite lower market activity. We continue to advise on more transactions than any other adviser in Europe, providing solid revenue streams and placing us in a unique position to understand market trends and enabling us to provide the best advice to our clients.

Global Advisory delivered record quarterly revenue of €394 million in the fourth quarter of 2019, up 16% QoQ, reflecting continued momentum in the business. For the full year of 2019, revenue was €1,160 million, 9% lower than 2018 which was our record year. For the twelve months to December 2019, we ranked 7th globally by financial advisory revenue[1].

Operating income for 2019 was €182 million, representing an operating income margin of 16%.

M&A advisory revenue for the year was €875 million, down 7% compared to last year but compared favourably to a 14% fall in global M&A activity[2]. For 2019, we maintained our market leading position ranking 2nd globally and 1st in Europe by number of completed transactions[3].

Financing Advisory revenue decreased by 14% to €285 million. This reflected more challenging equity markets and cyclically low levels of corporate restructuring activity. Despite this, we continued to be highly active in large and complex debt advisory and restructuring situations. Once again, we advised on more European equity assignments than any other independent adviser[4] during the year. In addition, our relatively new Investor Advisory business continues to grow successfully.

During 2019, we promoted 19 new MDs across the business, demonstrating our focus on growing talent from within. In addition, we recruited new MDs into our German, Asian and French businesses, as well as a new Head of Sovereign Advisory and a new Co-Head of Shareholder Engagement to enhance our Investor Advisory practise. We also continued our ongoing strategic investment in North America, with five new MDs joining.

During the last quarter of 2019, Global Advisory completed the acquisition of Livingstone in the United Kingdom. The acquired business, which focuses on the UK lower-mid market segment, has been renamed Arrowpoint Advisory and will give us a unique opportunity for us to take advantage of a significant transactional flow. Also, in the same quarter, we acquired a significant minority investment in Redburn, an independent producer of premium European equity research and agency execution services.

Our Wealth and Asset Management business continues to attract new clients thanks to our long-term investment approach. The business model, based on organic growth and helped significantly by the synergies between our three businesses, continues to flourish.

(1) Source: Company filings.
(2) Source: Refinitiv.
(3) Source: Refinitiv, completed transaction, excludes accountancy firms.
(4) Source: Dealogic.

Net New Assets (NNA) were strong at €2.4 billion. All European countries in Wealth Management saw positive net inflows, with a record year in France. Assets under Management (AuM) increased by 17% to €76.0 billion as at 31 December 2019. The growth was driven both by strong NNA as well as more favourable market conditions, which recovered during 2019 following the decline in the fourth quarter of 2018.

Wealth and Asset Management delivered strong quarterly revenue of €134 million in the fourth quarter of 2019 up 12%. For the full year of 2019, revenue was €497 million, up 3%. Operating income for 2019 was €73 million representing an operating margin of 15%.

Merchant Banking enjoyed another strong year with positive developments across all of our strategies. The division continued to perform strongly during 2019, generating revenue of €197 million, up 13%. When compared to the average full-year revenue for the last three years, revenue is up 20%.

Carried interest in 2019 was higher than last year as several funds achieved their respective carried interest accrual thresholds during the year. The combined contribution of carried interest and investment income demonstrates the ongoing strong performance of the Merchant Banking funds in 2019.

Operating income was €111 million in 2019, up 9%, representing a 56% operating margin. Investment performance-related revenue from core strategies remained strong in 2019, as Merchant Banking's flagship European mid-market private equity funds, FAPI I and FAPI II, continued to deliver successful exits as well as generating significant unrealised gains on their existing investments.

The alignment of interests between the Group and our third-party investors remains a key differentiator for this business. During 2019 the Group's share of the capital deployed by the division amounted to €126 million and receipts of €104 million following the sale of the underlying funds.

Merchant Banking's AuM were €14 billion as at 31 December 2019, up 27%, mainly due to new fund launches FAPI III and FASO V, and new CLO vehicles in Europe and the US.

Outlook

At the start of 2020, the outlook for our three businesses was positive with a strong pipeline in Global Advisory and the expectation of good AuM growth in both Wealth and Asset Management and Merchant Banking. However, since the announcement of our results on the 10 March, the impact of Covid-19 has worsened significantly resulting in further declines in financial markets and increased volatility. Further, the measures taken in many countries to counteract the virus are having a major impact on economic activity. Although there is still significant uncertainty around how this will develop and, hence, the degree to which this will impact our 2020 financial results, it is clear that the effect will be materially detrimental compared to 2019.

Despite the difficult trading environment, the Group benefits from a strong balance sheet with a capital ratio of 19% and a significant level of liquidity. We are confident that we will see a significant improvement in performance once markets start to return to a more normal situation.

At Rothschild & Co we take pride in attracting the industry's brightest minds to form our distinct perspectives. It is this diverse set of skills, personalities and experiences that allows us to achieve such strong results and I would like to take this opportunity to thank all our colleagues across the world for their hard work and dedication during this year.

Alexandre de Rothschild
Executive Chairman of Rothschild & Co Gestion

Marc-Olivier Laurent
Robert Leitão
François Pérol
Managing Partners of Rothschild & Co Gestion

We place high emphasis on **good conduct, personal accountability and commitment** in the way we work with each other and our clients.

1

Overview

Overview

Key figures for 2019 (versus 2018)

Revenue
€1,872m -5%

Net profit – Group shares[1]
€233m -23%

EPS (Earnings per share)[1]
€3.24 -21%

ROTE (Return on Tangible Equity)[1]
12.6%

Shareholders' equity – Group share
€2,240m +10%

Number of employees
3,559 -2%

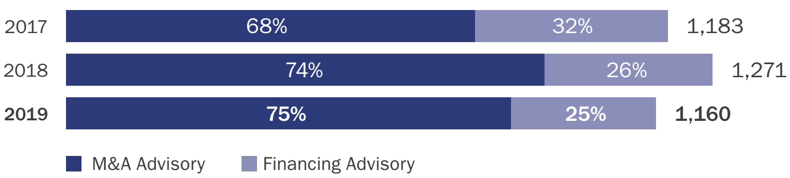
Global Advisory

- **M&A and Strategic Advisory**
- **Financing Advisory**
  - **Debt Advisory and Restructuring**
  - **Equity Advisory**
- Worldwide platform with a presence in over 40 countries
- 1,163 bankers, of which 239 are Managing Directors
- Advisor on 581 transactions with a total value of US$480 billion

2nd globally and 1st in Europe
by number of completed M&A transactions[2]

7th globally by revenue
(12 months to December 2019)

Revenue
(in millions of euros)



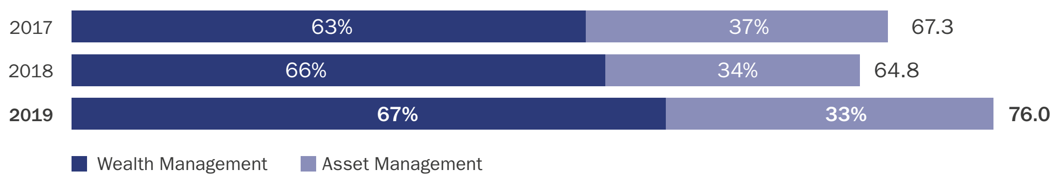
(1) Excluding exceptional items. For more information, please refer to page 48.
(2) Source: Refinitiv.

Wealth and Asset Management

- **Wealth Management**
- **Asset Management**
- Strong European presence
- 226 client advisors for Private Wealth
- 53 investment managers for Asset Management

€76.0bn
Assets under management
(as at 31 December 2019)

Assets under management
(in billions of euros)

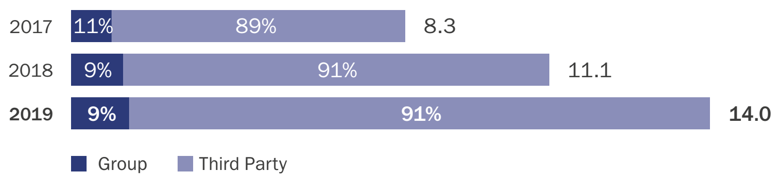


Merchant Banking

- **Corporate private equity**
- **Secondaries, multi-manager funds and co-investments**
- **Direct lending**
- **Credit management**
- Solid position in Europe
- 91 investment professionals

€14.0bn
Assets under management
(as at 31 December 2019)

Assets under management
(in billions of euros)



Rothschild & Co business model

Our purpose

With 200 years of experience we provide a distinct perspective that makes a meaningful difference to our clients' business and wealth

Values-driven culture

We promote a culture of responsible business and long-term value creation for our clients, stakeholders and investors

Thoughtful
Considered
Strategic
Long-term

Principled
Responsible
Empathetic
Committed

Creative
Innovative
Collaborative
Entrepreneurial

Three established businesses

One group consisting of three established businesses

43
countries

62
locations

3,559
employees

Key differentiators

Long-term view

We are a long-standing and trusted partner to large institutions, families, individuals and governments:

- We are an independent, family-controlled business and our focus is on long-term growth
- We are unconstrained by short-term thinking and can take a long-term view in order to deliver the objectives of each client and offer sustainable shareholder return

Enduring relationships

Talented and motivated employees are the lifeblood of our business and the foundation of everything we provide to our clients:

- We focus on creating an inclusive culture that encourages the highest standards of quality, professionalism and ethics. Our culture is built on the quality of our people, who embody our values
- The dedication and knowledge of our workforce enables us to create real value for all our stakeholders

Culture of responsible business

We encourage a culture of responsible business and proactively take responsibility for the impact we have as a business on our:

- People
- Industry
- Environment
- Communities

Business aligned strategy

Sustainable value creation

Three established businesses with strong synergies between them focused on long-term growth

Balanced growth

Stable growth across our three businesses mitigating the effects of cyclical markets

Shareholder returns

By focusing on an efficient use of capital, we generate a sustainable profit and can ensure a progressive dividend policy

World presence

An unrivalled network of specialists at the centre of the world's financial markets, combining scale with deep local knowledge.

62 locations

43 countries


Stockholm
Tallinn[1]
Riga[1]
Moscow
Copenhagen
Vilnius[1]
Manchester
Leeds
Minsk[1]
Birmingham
Amsterdam
Warsaw
London
Düsseldorf
Brussels
Frankfurt
Guernsey
Luxembourg
Prague[1]
Kiev[1]
Paris
Zurich
Lyon
Geneva
Milan
Bordeaux
Aix-en-Provence
Marseille
Monaco
Sofia[1]
Istanbul
Madrid
Lisbon
Athens
Tel Aviv
Beijing
Seoul[1]
Tokyo
Shanghai
Doha
Dubai
Abu Dhabi
Hong Kong
Mumbai
Manila
Kuala Lumpur
Singapore
Jakarta
Johannesburg
Sydney
Melbourne
Auckland[1]
Wellington[1]

Corporate governance

Managing Partner

At the date of the present report, Rothschild & Co Gestion is the Managing Partner (*Gérant*) of Rothschild & Co, responsible for the overall management of the Company, the Group's lead holding company.

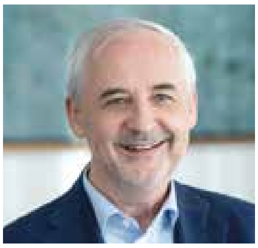
This includes, among other things, establishing the strategic direction of the business, supervising the accounting and financial information, and directing the internal control framework for Rothschild & Co and the Group entities on a consolidated basis. The Managing Partner relies on the Management Board (*Conseil de Gérance*) to fulfil its role.

The Management Board comprises:

Alexandre de Rothschild
Executive Chairman

Marc-Olivier Laurent
Managing Partner

Robert Leitão
Managing Partner
Co-chairman of the GEC



François Pérol
Managing Partner
Co-chairman of the GEC

Group Executive Committee

14
members

At the date of the present report, the Group Executive Committee (GEC), whose members are the most senior corporate officers of the Group's business and support divisions, is the senior executive committee at Rothschild & Co. In its role, the GEC participates in the overall management and definition of the strategy of the Group, represented by the Executive Chairman and Managing Partners, so that Rothschild & Co can ensure proper implementation of this strategy across the Group.

Co-chaired by Robert Leitão and François Pérol, the GEC comprises:

Paul Barry
Group Human Resources Director

Grégoire Chertok
Head of Global Advisory, France
Deputy Head, Global Advisory

Mark Crump
Group Chief Financial Officer
Group Chief Operating Officer

Laurent Gagnebin
Head of Rothschild & Co Bank AG
Co-Head, Wealth Management

Javed Khan
Head of Merchant Banking
Chairman of the Merchant Banking Management Committee

Marc-Olivier Laurent
Managing Partner
Executive Chairman of Merchant Banking

Alain Massiera
Head of France Wealth and Asset Management

Jimmy Neissa
Head of Rothschild & Co, North America
Deputy Head, Global Advisory

Gary Powell
Executive Chairman of Wealth Management

Martin Reitz
Head of Rothschild & Co, Germany
Deputy Head, Global Advisory

Helen Watson
Head of Wealth Management, UK
Co-Head, Wealth Management

Jonathan Westcott
Group Head of Legal and Compliance

Supervisory Board and specialised committees

At the date of the present report, the Supervisory Board exercises permanent oversight of the management of the Company, including in particular the Company's financial accounting reporting system and its internal control mechanism.

The Supervisory Board relies on four specialised committees: the Audit Committee, the Remuneration and Nomination Committee, the Risk Committee and the Corporate Responsibility Committee. At the date of this report, the composition of the Supervisory Board and its specialised committees is shown in the table below:

Members	Supervisory Board	Specialised committees: Audit Committee	Specialised committees: Remuneration and Nomination Committee	Specialised committees: Risk Committee	Specialised committees: Corporate Responsibility Committee
David de Rothschild – French	Chairman, Non-independent member				
Lucie Maurel-Aubert – French	Vice-chairman, Non-independent member				Chairman, Non-independent member
Eric de Rothschild – French	Vice-chairman, Non-independent member				
Adam Keswick – British	Vice-chairman, Independent member				
Dr. Daniel Daeniker – Swiss	Independent member				
Anthony de Rothschild – British	Non-independent member				Non-independent member
Angelika Gifford– German	Independent member				
Sylvain Héfès – French	Non-independent member		Chairman, Non-independent member		
Suet-Fern Lee – Singaporean	Independent member	Independent member		Independent member	
Arielle Malard de Rothschild – French	Non-independent member	Non-independent member		Non-independent member	
Carole Piwnica – Belgian	Independent member		Independent member		Independent member
Sipko Schat – Dutch	Non-independent member	Non-independent member		Chairman, Non-independent member	
Sir Peter Estlin – British	Independent member	Chairman, Independent member		Independent member	
Luisa Todini – Italian	Independent member		Independent member		
François Henrot – French	Non-voting member				

- Chairman
- Vice-chairman
- Independent member
- Non-independent member
- Non-voting member *(Censeur)*

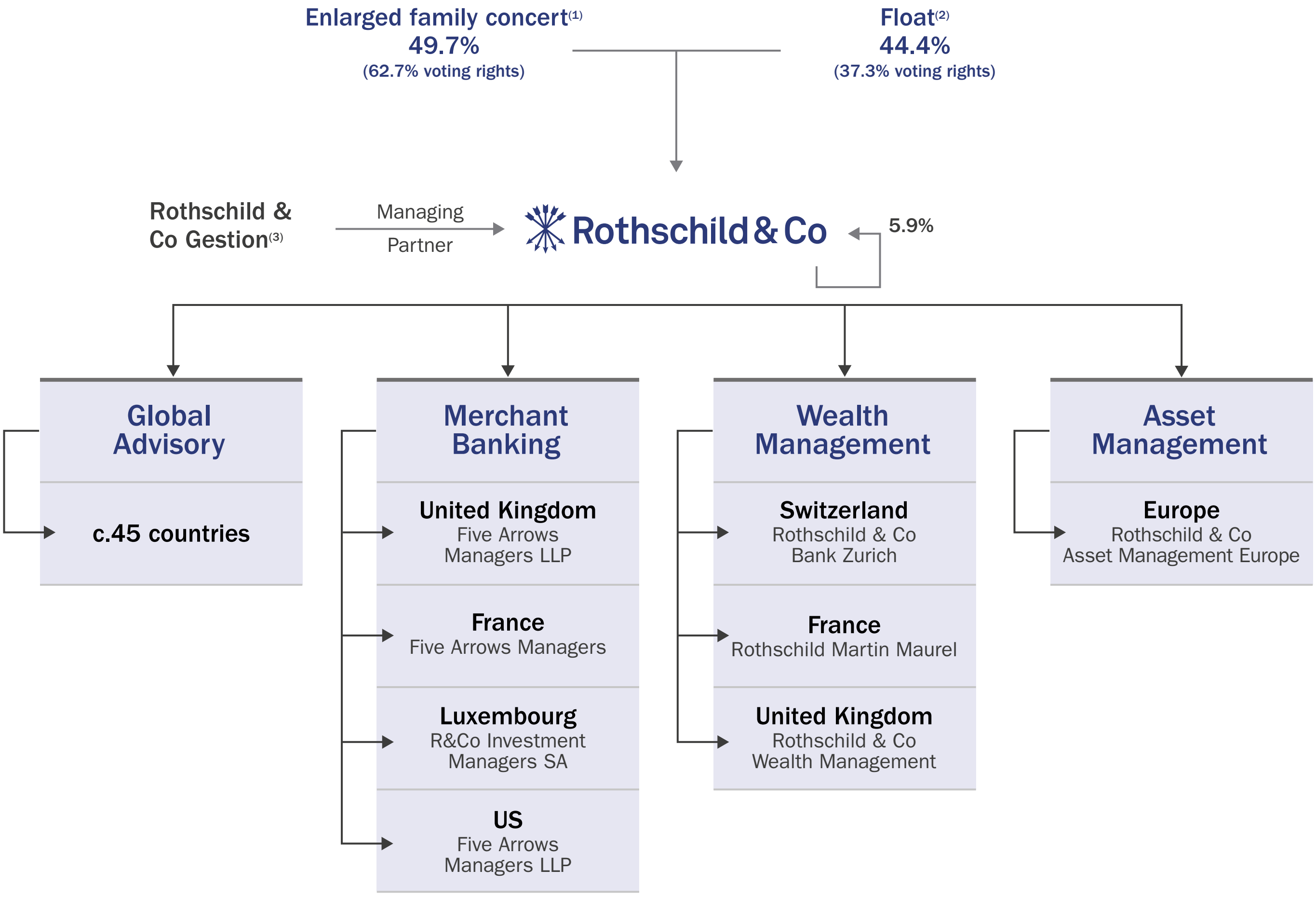
14
board members

7
independent members

8
nationalities

43%
of women

Organisation chart as at 31 December 2019



(1) See details on page 60.
(2) Including Jardine Strategic Holdings Luxembourg Sàrl.
(3) Controlled by the Rothschild family.

The impact we have as a business on our people, our industry, the communities and our planet through the responsible management of our operations and resources plays a fundamental part in our approach to business and towards reaching our long-term strategic objectives.

Our Corporate Responsibility strategy defines a clear commitment to the way we do business and sets out our ambitions and activities across five pillars:

Fostering responsible business practices

We place high emphasis on good conduct, emphasising personal accountability and commitment in the way we work with each other and our clients; this includes

- safeguarding confidentiality
- effective compliance systems and technology
- implementing stringent anti-corruption and anti-bribery standards
- impactful governance and oversight

Cultivating a responsible people culture

We aim to attract and retain the most talented people from a diverse range of backgrounds, cultures and experiences by creating an environment that empowers our people to grow, deliver, and excel; this includes

- providing talent development opportunities, feedback and assignments that ensure they get the best out of their careers
- empowering our people to balance their lives through a flexible working approach
- ensuring equal opportunities for all via development, an effective reward strategy and transparency in promotions

"We encourage a culture of responsible business and proactively take responsibility for the impact we have as a business on our people, our industry, our communities and our planet."

3,559
employees, creating a diverse workforce

43
countries, with a global team of employees

Creating responsible investment solutions

We want to play an active role in influencing business practices and drive investment towards the most sustainable market participants by

- integrating ESG criteria in our investment decisions to create long-term value for investors and support the development of a sustainable economy
- pursuing an engagement policy that favours constructive dialogue with companies on ESG issues
- developing investment solutions that contribute to Sustainable Development Goals achievement

Taking responsibility for our environment

We are strongly committed to contributing to a more environmentally sustainable economy and limiting our environmental impact by

- considering the environmental risks and opportunities of our business activities
- responsibly managing greenhouse gas emissions and proactively reducing our negative environmental impact
- championing responsible consumption and resource use

Taking responsibility for our communities

We want to effect positive change in our communities and help make a meaningful difference to young people from disadvantaged backgrounds by

- providing financial support to charities and social enterprises, as well as to individuals
- offering our professional expertise to social purpose organisations, helping them to drive change for young people
- encouraging our people to volunteer, using their skills to help young people to succeed in life

c.80%
of R&Co AM Europe's AuM integrate ESG criteria

All relevant business divisions to become UNPRI signatories in 2020

61%
reduction in scope 1 GHG emissions

56%
of electricity from renewable sources

>900,000
disadvantaged children and young people supported

>30%
of employees engaged in Community Investment activities

Market data

Key share data

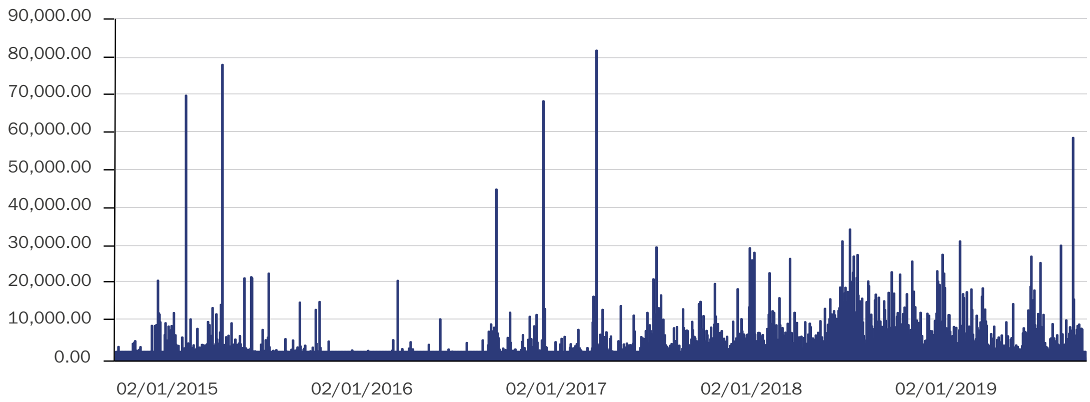
	2015/16 (12 months to March)	2016/17 (12 months to March)	2017 (12 months to December)	2018 (12 months to December)	2019 (12 months to December)
Market capitalisation (in millions of euro)	1,546	2,077	2,364	2,391	**1,987**
Share price (in euro)					
At the end of the financial year	21.7	26.9	30.5	30.9	**25.6**
Maximum	30.1	28.0	32.5	37.3	**31.0**
Minimum	19.1	20.2	25.6	28.4	**24.0**
Yearly average	24.5	23.3	29.2	31.6	**27.5**
Number of shares					
Issued	71,137,036	77,290,012	77,407,512	77,512,776	**77,617,512**
Of which treasury shares	*551,434*	*1,054,574*	*909,770*	*3,023,132*	***4,151,321***
Capital (in euros)	142,274,072	154,580,024	154,815,024	155,025,552	**155,235,024**
ISIN Code					**FR000003184**

Rothschild & Co share price evolution

Shareholder scorecard

	2015/16 (12 months to March)	2016/17 (12 months to March)	2017 (12 months to December)	2018 (12 months to December)	2019 (12 months to December)
Dividend per share	0.63	0.68	0.72[1]	0.79	–[2]
Earnings per share	3.37	2.64	3.18	3.88	3.38
EPS excluding exceptional items	1.95	2.74	3.33	4.10	3.24
Market data					
Total value traded (in millions of euro)	307.0	151.2	355.1	773.3	**451.2**
Total trading volume	12,636,659	6,369,137	12,056,919	23,934,305	**15,056,967**
Average daily traded volume	49,556	24,497	47,279	93,860	**59,481**
% traded on Euronext	*37%*	*46%*	*49%*	*36%*	*38%*
% traded on other platforms	*63%*	*54%*	*51%*	*64%*	*62%*
Excluding exceptional trade blocks over the period[3]					
Total value traded (in millions of euro)	213.4	117.3	312.7	722.5	**451.2**
Total trading volume	8,846,659	4,942,137	10,568,848	22,434,305	**15,056,967**
Average daily traded volume	34,693	19,008	41,446	87,978	**59,481**

Rothschild & Co daily volume evolution over five years

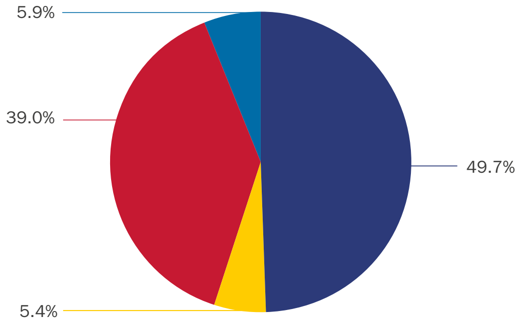


(1) This amount is the pro forma equivalent dividend on a full year basis for 2017, in relation to the shorter financial year of 2017 following the change of year end from March to December.
(2) Following the announcement by the European Central Bank ("ECB") on 27 March 2020, recommending dividend payments and commitments by credit and similar institutions within the European Union to be stopped until 1 October 2020, the Managing Partner has decided that no proposal for approving a dividend in respect of the financial year ending on 31 December 2019 will be made to the Annual General Meeting of shareholders on 14 May 2020. However, it is the intention of the Managing Partner to pay the previously announced dividend of €0.85 per share in respect of 2019 when appropriate.
(3) Exceptional block trades over 500,000 shares.

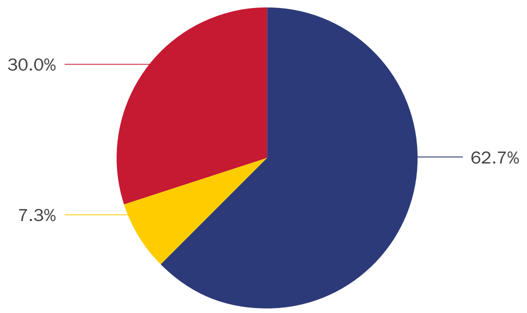
Rothschild & Co and its shareholders

Shareholding structure as at 31 December 2019

Share capital



Voting rights



Enlarged family concert[(1)] Jardine Matheson Group Treasury shares[(2)] Float

Financial communication

Throughout the year, Rothschild & Co provides information on its activities, results and outlook to its shareholders, investors and analysts through releases on the publication of the annual and half-yearly results, quarterly revenues or any other major event concerning the Group in accordance with regulations and practices for publication.

Rothschild & Co's press releases, financial reports and presentations are available in the "Investor Relations" section on the Group's website – www.rothschildandco.com.

Relationship with institutional investors and financial analysts

To ensure good relations with the financial community, the Investor Relations department regularly participates in events to enable institutional investors and financial analysts to meet with Executive Management. In 2019, Rothschild & Co organised more than 180 meetings in Europe and North America.

(1) More details are provided from page 60 onwards.
(2) The controlling shares held by N M Rothschild & Sons are not included as they are part of the enlarged family concert.

Calendar for financial communication

12 May 2020
First quarter information 2020

15 September 2020
Half-year results 2020

10 November 2020
Third quarter information 2020

Shareholders' timetable

14 May 2020
Annual General Meeting: 10:30 CET

Following the announcement by the European Central Bank ("ECB") on 27 March 2020, recommending dividend payments and commitments by credit and similar institutions within the European Union to be stopped until 1 October 2020, the Managing Partner has decided that no proposal for approving a dividend in respect of the financial year ending on 31 December 2019 will be made to the Annual General Meeting of shareholders on 14 May 2020. However, it is the intention of the Managing Partner to pay the previously announced dividend of €0.85 per share in respect of 2019 when appropriate.

Registered shares

Service Titres nominatifs purs
de la Société Générale
GSSI/GIS/NPO/NOM
32, rue du Champ de Tir
BP 81236
44312 Nantes Cedex 3

Investor relations

Marie-Laure Becquart
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Media

Caroline Nico
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We aim to attract and retain the most talented people from a diverse range of backgrounds, cultures and experiences, by creating an environment that empowers our people to grow, deliver, and excel.

2

Business review

Global Advisory

Global Advisory offers an informed and impartial perspective to help our clients reach their goals through the design and execution of strategic M&A and financing solutions.

We provide impartial, expert advice to large and mid-sized corporations, private equity, families, entrepreneurs and governments. We design and execute strategic M&A and financing solutions for our clients and act as a trusted partner, taking a long-term and independent view on the challenges they face.

Our deep understanding of financial markets, the high volume of transactions we advise on and our unrivalled network of industry and financing specialists in over 40 countries allows us to achieve outstanding results for our clients, supporting realisation of their strategic goals and acting as their trusted advisers over the long-term.

2nd globally and 1st in Europe by number of completed M&A transactions[1]

7th globally by advisory revenue[2]

1,163 bankers of which **239** Managing Directors

Global Advisory volume of transactions advised[1]

By value (in billions of US$)	2019	2018	% change
M&A transactions	331	381	(13%)
Financing Advisory transactions	149	203	(27%)
Total value	**480**	**584**	**(18%)**

By number	2019	2018	% change
M&A transactions	338	383	(12%)
Financing Advisory transactions	243	243	–
Total transactions	**581**	**626**	**(7%)**

Our expertise was recognised in several leading industry awards

The Banker Investment Banking Awards, 2019
- Most Innovative in M&A
- Most Innovative in Restructuring

GlobalCapital, 2019
- Best Corporate Finance Adviser, Syndicated Loan, Leveraged Finance and Private Debt
- Best Adviser for International US$ Private Placements
- Best Equity Capital Markets Adviser

Euromoney Awards for Excellence, 2019
- World's Best Independent Investment Bank
- Central and Eastern Europe Best Bank for Advisory

Mergermarket European M&A Awards, 2019
- European Mid-Market Financial Adviser of the Year

(1) Source: Refinitiv, Rothschild & Co analysis. Completed transactions/assignments (based on target values).
(2) Source: Company filings.

Financial results for 2019

Global Advisory delivered record quarterly revenue of €394 million in the fourth quarter of 2019, reflecting continued momentum in the business. For the full year of 2019, revenue was €1,160 million, 9% lower than 2018 (€1,271 million), which was our record year. For the twelve months to December 2019, we ranked 7th globally by financial advisory revenue[(1)].

Operating income for 2019, excluding ongoing investment in the development of our North American M&A franchise, was €182 million (2018: €255 million), representing an operating income margin of 16% (2018: 20%) which continues to be within our target range over the cycle. Including the effect of ongoing investment in senior hiring in North America, operating income was €166 million (2018: €233 million) with an operating income margin of 14% (2018: 18%).

Total costs were down 4%, reflecting lower variable compensation costs as a result of lower revenue, partly offset by investments in recruiting and retaining talent, as well as in marketing, technology, market data and infrastructure. The compensation ratio, which includes total compensation, benefits and social taxes on an awarded basis shown as a percentage of revenue, was 64.9% in 2019 (2018: 63.4%), after adjusting for the effects of senior hiring in North America and leaver costs.

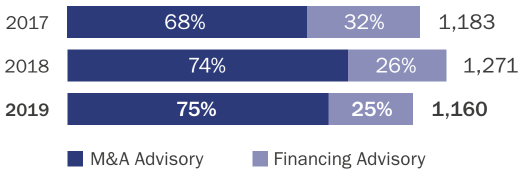
M&A advisory revenue for the year was €875 million, down 7% compared to last year (2018: €941 million) but compared favourably to a 14% fall in global M&A activity[(2)]. For 2019, we maintained our market leading position, ranking 2nd globally and 1st in Europe by number of completed transactions[(3)]. During the year, we advised clients on c.340 completed M&A transactions with a total value of c.US$330 billion.

Financing Advisory revenue decreased by 16% to €285 million (2018: €330 million). This reflected more challenging equity markets and cyclically low levels of corporate restructuring activity particularly in our US business. Despite this, we continued to be highly active in large and complex debt advisory and restructuring situations, providing advice to clients on c.190 transactions with a total value of c.US$120 billion[(4)]. We also provided equity advisory services during the year related to transactions with a total value of c.US$25 billion and, once again, we advised on more European equity assignments than any other independent adviser during the year[(5)].

We continue to add to and strengthen our senior team. During 2019, we promoted 19 new MDs across the business, demonstrating our focus on growing talent from within. In addition, we have recruited new MDs into our German, Asian and French businesses, as well as a new Head of Sovereign Advisory and a new Co-Head of Shareholder Engagement to enhance our Investor Advisory practice. We also continued our ongoing strategic investment in North America, with five new MDs joining, including four focusing respectively on clients in the Financial Institutions, Technology, Consumer Products and Infrastructure, Power and Renewables sectors and one covering Investor Advisory.

During the last quarter of 2019, Global Advisory completed the acquisition of Livingstone in the United Kingdom. The acquired business, which focuses on the UK lower-mid market segment, has been renamed Arrowpoint Advisory. We believe this is a unique opportunity for us to take advantage of a significant transactional flow in which we have not hitherto actively participated. Also, in the same quarter, we acquired a significant minority investment in Redburn, an independent producer of premium European equity research and agency execution services. This strategic partnership between two of Europe's leading independent firms will enhance the industrial and market insight available to their respective client groups.

Revenue
(in millions of euros)



Profit before tax – pre US investment costs[(6)]
(in millions of euros)

(1) Source: Company filings.
(2) Source: Refinitiv, completed transaction, excludes accountancy firms.
(3) Source: Refinitiv.
(4) Source: Refinitiv, internal analysis.
(5) Source: Dealogic.
(6) Investments costs in the US were €25 million in 2017, €22 million in 2018 ans €16 million in 2019.

M&A and Strategic Advisory

Our teams provide expert advice and execution services across all aspects of mergers and acquisitions, as well as strategic advice in areas such as joint ventures, corporate governance and sovereign advisory.

For 2019, we ranked 2nd among M&A advisers globally by number of completed transactions[1]. In Europe, we further extended our clear market leading position, advising on more deals than any of our competitors – a position we have held for more than a decade[1].

We advised on c.340 of completed M&A transactions in 2019, including 13 out of the top 50 European M&A transactions by value and five out of the top 50 global M&A transactions by value.

Our global scale and network of relationships with key decision-makers continue to support our leading position as adviser in large, complex cross-border situations. During 2019, we ranked 2nd among M&A advisers globally by number of completed cross-border transactions, representing c.50% of our total activity[1].

For the financial year, we held top five positions[1] in the majority of industry sectors globally and in Europe, being particularly active in the consumer, financial institutions and property sectors. We were also the most active adviser on deals with financial sponsor involvement in Europe[1].

A list of notable completed M&A transactions on which we advised during the financial year is shown on the following page.

c.340
M&A transactions for a value of c.US$330bn

more than
50%
of deals cross-border[1]

M&A league table rankings by region[1]

Region	By value 2019	By value 2018	By number 2019	By number 2018
Global	**15**	10	**2**	1
Global cross-border	**10**	8	**2**	1
Europe	**7**	6	**1**	1
Asia (incl. Japan)	**16**	14	**16**	19
North America	**23**	14	**22**	15
Rest of the world	**14**	8	**2**	2

(1) Source: Refinitiv, completed transactions.

Rothschild & Co advised the following clients on a number of significant M&A transactions during the year:

Prudential (UK)
- Adviser on the demerger of its UK and European business (£37bn)
- Provided seamless support for all key work streams through the combined effort of our M&A, debt and equity teams

EQT, Adia and PSP Investments (Switzerland)
- Adviser on its acquisition of Nestlé Skin Health (CHF10.2bn)
- The transaction constitutes one of the largest private equity deals in 2019 and demonstrates Rothschild & Co's expertise in carrying out high-profile and complex buyside mandates

RPC Group (UK/United States)
- Adviser on its sale to Berry Global Group (£4.7bn)
- Transaction strengthens our long-standing relationship with RPC, having advised across M&A, debt and equity since 2004

Jardine Matheson (Hong Kong/UK/United States)
- Adviser on the recommended cash offer for Jardine Lloyd Thompson by Marsh & McLennan (£4.3bn)
- Rothschild & Co's eighth transaction with Jardine Matheson, continuing our long-standing relationship

The Coca Cola Company (United States/UK)
- Adviser on its acquisition of Costa Coffee (US$5.1bn)
- High-profile and complex public transaction, representing Coca-Cola's first acquisition of a significant retail asset

BTG (UK/United States)
- Adviser on its recommended cash offer by Boston Scientific (£3.3bn)
- Followed defence advice over five years, and our sixth M&A transaction for BTG

Enagas (United States/Singapore/Spain)
- Adviser on its acquisition, together with Blackstone and GIC of c.100% of class B shares and voting rights in Tallgrass Energy LP ($3.3bn)
- Reinforced Rothschild & Co's strong relationship with Enagás, advising on US opportunities as part of its internationalisation strategy

BC Partners (UK)
- BC Partners on its sale of Antelliq to Merck (€3.25bn)
- Designed and ran a highly competitive process to maximise value which resulted in a full exit for BCP at a premium valuation

CVC Capital Partners (Italy)
- Adviser on its acquisition of 51.8% of Recordati (€3.0bn)
- Transaction was a result of the intimate knowledge of Recordati gained over 13 years of coverage of the business

Groupe Bruxelles Lambert (Belgium/France)
- Adviser on its acquisition of Webhelp (€2.4bn)
- A transformational deal for GBL, representing its first direct majority investment in a non-listed company

Sika AG (Switzerland/France)
- Adviser on its acquisition of the Parex Group, from CVC Capital Partners (€2.2bn)
- Provided full range of advisory services including M&A, debt financing, equity derivatives and FX hedging

Brambles (Australia/Germany)
- Adviser on its sale of IFCO to Triton/ADIA (US$2.5bn)
- Our London, Frankfurt and Sydney teams collaborated to provide seamless advice to Brambles in this complex cross-border deal

Marks & Spencer (UK)
- Adviser on its online grocery retail joint venture with Ocado (£1.5bn)
- Also advised on £603.1m rights issue, post-launch investor roadshow to underserviced accounts, and concurrent £250m debt refinancing

Caraustar (United States)
- Adviser on its all cash sale to Greif (US$1.8bn)
- Advised on all aspects of this landmark transaction in the Paper & Packaging sector

Faurecia (Japan/France)
- Adviser on its acquisition of Clarion (€1.2bn)
- Transaction represents a landmark deal for Rothschild & Co's global Automotive and Japanese operations and strengthens its strong relationship with Faurecia

Glencore (South Africa)
- Adviser on the acquisition of Astron Energy, formerly Chevron South Africa (US$1.1bn)
- Navigated the complexity of the commercial and regulatory implications of the deal, with extensive engagement with the South African Government and competition authorities

Financing Advisory

Our Financing Advisory teams, encompassing Debt Advisory and Restructuring and Equity Advisory, provide advice to clients on financing strategy and solutions. On many occasions, they work alongside our M&A experts to deliver integrated, comprehensive advice to clients.

Debt Advisory and Restructuring

Our Debt Advisory and Restructuring teams provide strategic capital structure advice to deliver the best possible refinancing and restructuring solutions. During the financial year, we continued to be highly active in large and complex debt advisory and restructuring situations, providing independent advice to clients on c.190 transactions with a total value of c.US$120 billion(1).

Our Debt Advisory capabilities include advice on capital raisings and refinancings across all markets and expertise across banks, bonds, ratings, derivatives and hedging. We are one of the world leaders in this field. Our track record in successfully helping clients to optimise both the sources of debt and terms of debt finance continues to drive our debt advisory business generation.

Our Restructuring capabilities include lender negotiations, recapitalisations, exchange offers, distressed M&A, in-court and out-of-court transactions and creditor representation. Our independence and the significant volume of deals we advise on across M&A and Financing Advisory place us in a unique position in terms of market knowledge and enable us to deliver client-focused advice without the conflicts of interests often faced by bulge bracket banks.

Clients continue to engage us on large and highly complex restructuring assignments. For restructuring assignments completed during the financial year, we ranked 6th by number of deals globally and 3rd in Europe(2).

Equity Advisory

Our Equity Advisory teams provide independent advice to clients on equity capital markets, including a wide range of capital-raising transactions such as initial public offerings (IPOs), secondary offerings, block trades, spin-offs and convertible instruments. The teams work in collaboration with our industry sector specialists to deliver integrated advice to our clients, including simultaneous dual-track disposal/IPO advisory.

We have an unparalleled global footprint and deeper resources than any other independent equity adviser, with specialist teams in key equity markets around the world including New York, Hong Kong, Sydney and throughout Europe.

During the year ended December 2019, we advised on c.50 equity capital market transactions worldwide with a total value of c.US$25 billion(1) and, for the tenth successive year, we advised on more European equity capital market transactions than any other independent adviser(3).

A list of notable completed financing transactions on which we advised during the financial year is shown on the page opposite.

c.190
debt and restructuring transactions with a total value of c.US$120bn

Adviser on more European equity assignments than any other independent adviser in Europe(1)

Restructuring league table rankings by region(2)

Region	By value 2019	By value 2018	By number 2019	By number 2018
Global	**5**	5	**6**	3
EMEA	**5**	3	**3**	1

(1) Source: Internal data.
(2) Source: Refinitiv, completed transactions.
(3) Source: Dealogic.

Rothschild & Co advised the following clients on a number of significant financing advisory assignments during the year:

Dassault Systèmes (France)
- Adviser on its inaugural senior unsecured bond issuance (€3.65bn)
- Optimised pricing and allocation tactics resulting in 3 times oversubscribed issuance by a diversified investor base

Nyrstar (Belgium)
- Adviser to shareholders on its restructuring (€2.6bn)
- Transaction accomplished within an extremely sensitive environment due to limited liquidity runway

Ministry of Finance of Greece Public Debt Management Agency (Greece)
- Adviser on its 10-year bond issuance with 3.875% coupon (€2.5bn)
- Adviser to the Greek Government since 2016, designing Greece's return to markets strategy and on all topics regarding public debt

Southern Water (UK)
- Adviser on its strategic refinancing (£2.0bn)
- Transaction represents one of the largest and most complex refinancing and 'swap repack' deals globally in the utility sector to date

Atos (France)
- Adviser on its monetisation of Worldline shares jointly with Six Group (€1.9bn)
- Transaction underlines Rothschild & Co's long-lasting relationship with Atos, having advised on 12 transactions over the past 14 years

La Française des Jeux (France)
- Adviser on its privatisation IPO (€1.9bn)
- Landmark transaction for the French market, being the first privatisation IPO since Aéroports de Paris in 2006 and the largest IPO since EDF in 2005

Sasol (South Africa)
- Debt advice on its interest rate swaps 4-way novation and consecutive syndication (US$2.0bn)
- Successful collaboration between our UK, North American and South African teams to execute under significant time pressure

IHS (Nigeria)
- Debt advice on its high-yield bond and loan refinancing ($1.8bn)
- The dual-tranche notes issuance represents the largest ever corporate (non-sovereign/non-financial institution) African high-yield bond issuance

Volkswagen (Germany)
- Adviser on its carve out IPO of TRATON on the Frankfurt Stock Exchange and Nasdaq Stockholm (€1.6bn)
- Utilised our intimate knowledge of Volkswagen's truck division built through advising the company across all its activities for over a decade

EG Group (UK)
- Debt Advice on its equivalent cross-border debut high-yield bond refinancing (€1.6bn)
- Our sixth debt advisory transaction for EG Group and our ninth for TDR Capital

Budapest Airport (Hungary)
- Debt advice on an Amendment & Extension process for its existing senior debt facilities (€1.6bn)
- Our fifth transaction for Budapest Airport over the past 6 years including 2015 senior debt repricing and 2017 refinancing

Ministry of Finance of Ukraine (Ukraine)
- Debt advice on its equivalent EUR-denominated structured loan partially guaranteed by the World Bank (US$600m)/Ministry of Finance of Ukraine on its EUR-denominated Eurobond issuance (€1.0bn)
- Part of Rothschild & Co's ongoing assignment as core financial advisor to the Ministry

Veralia (France)
- Adviser on the IPO of Verallia on the Euronext Paris (€1.0bn)
- Successfully reshaped Verallia's financing structure to optimise market profile and valuation at IPO, resulting in a successful listing

SoftwareONE (Switzerland)
- Adviser on its IPO on SIX Swiss Exchange (CHF798m)
- Rothschild & Co's fourth advised IPO in Switzerland, utilising our regional expertise resulting in a significant oversubscription at IPO price

Medacta Group (Switzerland)
- Adviser on its IPO on the SIX Swiss Exchange (€561m)
- Transaction successfully completed despite increased political uncertainty and a subdued market backdrop

Watches of Switzerland (UK)
- Adviser on its IPO on the London Stock Exchange (£242m)
- Largest UK retail IPO since B&M in 2014 (Rothschild & Co also advised) and the largest UK luxury IPO since Burberry in 2002

Wealth and Asset Management

Wealth Management offers its clients an objective long-term perspective on investing, structuring and safeguarding assets, to help them preserve and grow their wealth.

Asset Management offers innovative investment solutions in a variety of asset classes, designed around the needs of each and every client.

We serve a diverse client base from our offices in Aix-en-Provence, Bordeaux, Brussels, Düsseldorf, Frankfurt, Geneva, Guernsey, London, Lyon, Manchester, Marseille, Milan, Monaco, New York, Paris and Zurich. Rothschild & Co continues to develop its Wealth and Asset Management activities in line with the strategy to diversify its sources of income.

€76.0bn
Assets under management

€2.4bn
Net new assets in 2019

Financial results for 2019

The sale of our worldwide wealth planning and trust services business was completed in February 2019. All financials for 2018 and 2019 for the Wealth and Asset Management business have therefore been restated to exclude this activity which has been reclassified in "Other businesses" at Group level.

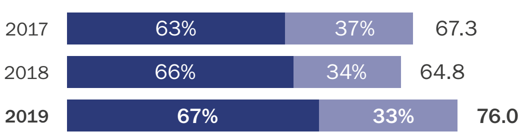
The business model, based on organic growth and helped significantly by the synergies between our three businesses, continues to flourish. As a result, Net New Assets (NNA) was strong at €2.4 billion, providing 4% growth from the opening asset position. All European countries in Wealth Management saw positive net inflows, with a record year in France. Asset Management achieved a small net outflow of €0.1 billion, with net inflows in France offset by net outflows in North America.

Assets under Management (AuM) increased by 17% (or €11.2 billion) to €76.0 billion as at 31 December 2019 (31 December 2018: €64.8 billion). The growth was driven both by strong NNA as well as more favourable market conditions, which recovered during 2019 following the decline in the fourth quarter of 2018.

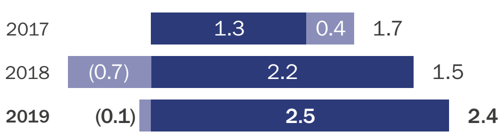
For 2019, revenue was €497 million (2018: €480 million), up 3%. This reflects two opposing factors; (i) an increase in fees and commissions supported by positive market performance during 2019 and excellent net asset inflows; (ii) neutralising the lower income on our treasury activity resulting from a decline in US$ interest income and the higher impact of negative interest rates on increased European Central Bank deposits. The latter is due to strong asset inflows which has increased clients' cash balances. The negative impact of the interest environment caused our treasury revenue to decline by 27% which more than offset the strong growth in income on our private client lending activities, resulting in a net decline in Net Interest Income (NII) of 10%.

Operating income for 2019 was €73 million (2018: €85 million pre-Martin Maurel integration costs, or €76 million including these costs), representing an operating margin of 14.7% (2018: 17.7% pre-Martin Maurel integration costs, or 15.8% including these costs). This mainly reflects higher costs in the period relating to additional personnel costs (recruitment of client advisers in 2018 with a full impact in 2019 and opening of Düsseldorf office) higher compliance and IT costs as well as NII effect.

Assets under management
(in billions of euros)



Net new assets
(in billions of euros)



Wealth Management   Asset Management

Revenue
(in millions of euros)

Profit before tax – excluding exceptional items [1]
(in millions of euros)

(1) Exceptional items were Martin Maurel integration costs (2018: €9 million, 2017: €27 million).

Wealth Management

Wealth Management provides a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities. In an environment where short-term thinking often dominates, our long-term perspective sets us apart: we believe preservation-first is the right approach to managing wealth.

We understand the issues wealth owners must address and can help them protect their assets. We advise our clients in relation to all their financial and non-financial wealth. Our goal is to preserve and grow the real value of clients' wealth, with a focus on generating attractive investment returns and avoiding large losses along the way.

We have the scale, intellectual capital and resources to deliver, whilst still being able to provide a truly personal service. Our distinct perspective makes us a secure and enduring home for our clients' assets, safeguarding their legacy for generations.

Our investment approach, coupled with the stability that comes from our seventh generation of family-controlled ownership, continues to resonate with an increasing number of clients around the world, especially in the current economic environment.

Our Wealth Management business operates in Belgium, France, Germany, Guernsey, Italy, Monaco, Switzerland and the UK. In 2019 we opened a new office in Bordeaux, solidifying our French network across five locations: Paris, Lyon, Marseille, Aix-en-Provence and Bordeaux. We closed our office in Hong Kong as part of a strategic decision to focus our Wealth Management business on our offices in Europe from where we service both onshore and offshore clients from around the world. We also incorporated and obtained local regulatory approval for our Italian business, reflecting the growing strength of this business, and as part of our Brexit planning. We continue to look for increased synergies between our multiple locations.

During 2019, AuM increased to €50.5 billion. Net New Assets of €2.5 billion was very positive, up €0.3 billion compared to 2018 with a positive contribution from each country in which we operate. After weathering the market correction in Q4 2018 well and comfortably outperforming our competitors, discretionary portfolios continued to do well in 2019, keeping pace with competitors and minimising volatility.

We continue to invest in the growth of our business. In addition to our new office in Bordeaux, we have increased the number of senior client advisers, particularly in Switzerland and Germany. Atlas, our new system for streamlining the provision of advisory services, came online in Switzerland during 2019. A focus on enhancing our advisory service to clients resulted in approximately €1.5 million of additional annual revenue. We have set up a dedicated team in France, sitting between our family office and wealth structuring teams, which is focused on advising entrepreneurs in their start-up phase. Further investments in our IT infrastructure are planned for 2020.

€50.5bn
Assets under management

€2.5bn
Net new assets in 2019

The topic of responsible investment has given us the opportunity to work together across our multiple locations. In 2019, we created a division-wide group to address the growing demand for ESG investing, something we believe will become a core part of the service we offer our clients in the future. We are committed to integrating ESG criteria into our investment process across the division, adopting common minimum standards during 2020, including becoming a signatory to the UN PRI across all locations.

We also provide lending facilities for our clients. Our private client lending activity continues to grow, increasing by 11%. This is driven by a 19% increase in Lombard lending, partly offset by a reduction in our corporate lending in Rothschild Martin Maurel. As at 31 December 2019 our total loan book was €3.3 billion (2018: €2.9 billion) of which €2.8 billion (2018: €2.5 billion) was private client lending (such as Lombard loans secured on portfolios in our custody and residential mortgages) and €0.5 billion (2018: €0.4 billion) was other lending related to our clients' business activities and interests.

The strategy for corporate lending in France has been focused on small and medium-sized companies with a family shareholding, to encourage synergies with the rest of the Wealth Management business and Global Advisory. The offering has shifted towards being more tailored and advice-led rather than product-led. Active marketing of the new business model started to bear fruit during 2019.

During the last financial year, we won the Trophée Leaders League *de la meilleure Banque Privée spécialisée* (best independent Private Bank) in France for the 5th consecutive year, which we would like to think is an endorsement of everything we have achieved in our business over the last 12 months.

Asset Management

Asset Management is a multi-expertise asset manager delivering bespoke investment management and advisory services to institutional clients, financial intermediaries and third-party distributors in Europe and North America.

Rothschild & Co Asset Management Europe

In Rothschild & Co Asset Management Europe, AuM increased by €2.6 billion bringing our total AuM to €20.7 billion. We have strengthened the relationship with our Wealth Management business in France. Having reviewed our strategic positioning, we have decided to clarify the positioning of our funds and enhance the distinctiveness of our products, with four strong brands: Conviction, Valor, Thematic and 4Change.

- "**Conviction**" brings together actively managed funds within equities, fixed income and multi-asset.
- "**Valor**", inspired by its flagship fund R-co Valor, is managed on a discretionary basis, without any benchmark or regional constraints.
- "**Thematic**", as its name suggests, covers funds invested in promising themes which offer attractive long-term potential, such as real estate, the ageing population or gold mines.
- Finally, "**4Change**" combines our funds that strive to combine financial performance, enhanced ESG selection and impact as central elements of their strategies.

In addition, two supplementary ranges are available to satisfy specific clients' needs: the OPAL range, more specifically dedicated to distribution networks seeking open architecture investment solutions; and the RMM range, more specifically developed for the needs of the Group's private clients.

Rothschild & Co Asset Management North America

Headquartered in New York, Rothschild & Co Asset Management US Inc. manages investments covering a range of US securities including a large-cap, small/mid-cap, small-cap and balanced strategies.

We seek to provide superior performance while controlling risk. Our seasoned teams of investment professionals use a disciplined investment philosophy and an integrated process focused on fundamentals.

We manage assets for a broad range of clients including: corporates, endowments, foundations, healthcare organisations, high-net-worth investors, public pension funds, sub-advisory and Taft-Hartley plans.

Active fundamental management

As at 31 December 2019, assets under management stood at US$11.3 billion (2018: US$9.6 billion) with strong market performance offsetting modest net outflows.

Many of our strategies have struggled relative to their benchmarks in market conditions ill-suited to our investment style which focuses on investing in stocks with attractive valuations. Instead, the market environment for much of 2019 has favoured momentum and growth-based approaches. Despite this, and the ongoing challenge from passive management, we continue to attract new business from clients who appreciate our disciplined, risk-controlled approach.

During the last 12 months, we added 17 new accounts totaling around US$400 million. The total came primarily from endowments, corporate 401k plans, healthcare institutions and Taft-Hartley plans.

Risk-based solutions

Assets for our risk-based strategies reached US$1 billion in 2019 (2018: US$477 million) and we continue to enjoy net inflows through our two key relationships with National Bank Investment in Canada and with Nationwide, a large US insurer.

Our existing strategies have performed well, dampening volatility and providing investors with strong risk-adjusted returns. We continue to look at new product development opportunities in this area.

€20.7bn[(1)]
Assets under management in Europe

$11.3bn
Assets under management in New York (€10.1bn)

(1) €5 billion of which is managed on behalf of WM clients

Merchant Banking

Merchant Banking is the investment arm of the Rothschild & Co Group with global assets under management of €14.0 billion across Corporate Private Equity, Secondaries, Multi-Managers funds, Co-Investments, Direct Lending and Credit Management.

Since its foundation in 2009, Merchant Banking has grown its assets under management from c.€1.0 billion to c.€14.0 billion through the launch of a series of private equity and private debt funds. Our cohesive investing platform provides a comprehensive offering in Europe and continues to expand its presence in the US. Overall, the business employs 99 front office staff members, of which 91 investment professionals across five offices (London, Paris, New York, Los Angeles and Luxembourg).

Our culture is shaped by the Rothschild family's investing tradition of consistently generating long-term value through an equal emphasis on both risk and return. This is driven by three intertwined principles which define who we are today:

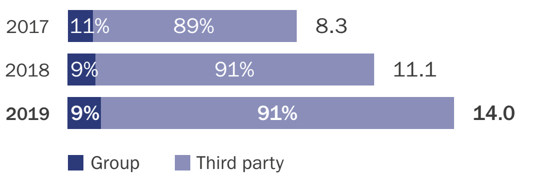
- Passion for investing: The Rothschild family has an investing history dating back more than two hundred years – particularly for backing entrepreneurs who the family felt were ahead of their times. At Merchant Banking we celebrate this legacy, expending significant energy to ensure it remains at the heart of our culture.
- Respect for risk: Our investing ethos is centered on delivering attractive risk-adjusted returns for our investors. This approach is born out of a long-held Rothschild & Co philosophy of wealth preservation through active avoidance of capital impairment.
- Culture of partnership: We aim to form close, enduring relationships with each of our stakeholders: our investors, our managers, our people, our advisers and financiers, and the broader environment in which we operate. We invest significant amounts of capital alongside our investors in each of our funds. Our aspiration is to have a culture of partnership with a shared sense of collective purpose in every important decision we make.

We are committed to Environmental, Social and Governance (ESG) matters and are a signatory to the UN PRI (United Nations Principles for Responsible Investment). In 2019, Merchant Banking supported several NGOs and social enterprises mainly focusing on enhancing the prospects of disadvantaged young people globally through a partnership with Epic Foundation. Our partnership is based on individual commitments from our staff with a matching scheme from Rothschild & Co.

As at 31 December 2019, our assets under management (AuM) amounted to €14.0 billion, split between €6.2 billion in private equity and €7.8 billion in private debt across four strategies:

- Corporate private equity, including Five Arrows Principal Investments (FAPI) and Five Arrows Capital Partners (FACP)
- Secondaries, multi-manager funds and co-investments, including Five Arrows Secondary Opportunities (FASO), Five Arrows Private Equity Programme (FAPEP, formerly Arolla) and Five Arrows Minority Investments (FAMI, formerly Rothschild & Co Proprietary Investments)
- Direct lending, including Five Arrows Credit Solutions (FACS) and Five Arrows Direct Lending (FADL)
- Credit management (R&Co CM), including the Oberon and Elsinore strategies as well as CLO (Collateralised Loan Obligation) structures.

Assets under management[1]
(in billions of euros, as at 31 December)

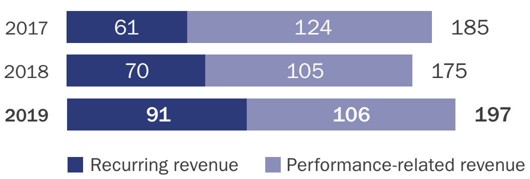


€14.0bn
Assets under management

91
investment professionals

4
strategies

Revenue
(in millions of euros)



Profit before tax
(in millions of euros)

(1) Note: Assets under management reported before 2018 comprised committed capital where a fund was still in its investment period, while it included net asset value after the investment period had expired. This definition changed in 2018: AuM is now calculated as the sum of net asset value, undrawn commitments and recallable distributions, together with co-investment.

Financial results for 2019

The division continued to perform strongly during 2019, generating revenue of €197 million, up 13% year-on-year (2018: €175 million). When compared to the average full revenue for the last three years, revenue is up 20%.

Revenue comprises two main sources:

- Recurring revenue of €91 million (which includes management fees net of placement fees) was up 30% (2018: €70 million)
- Investment performance related revenue of €106 million, (2018: €105 million) comprises:
  - €48 million of realised and unrealised carried interest, up 33% (2018: €36 million),
  - and €58 million of realised and unrealised investment gains and dividends, down 16% (2018: €69 million).

The carried interest in 2019 was higher than last year as several funds, including the second generation of the division's flagship private equity fund, Five Arrows Principal Investments II (FAPI II), achieved their respective carried interest accrual thresholds (or "hurdle rates") during the year. The combined contribution of carried interest and investment income demonstrates the continued strong performance of Merchant Banking's funds in 2019.

Merchant Banking's strategy is to steadily increase its recurring revenue stream through the expansion of its Assets under Management ("AuM") by launching new funds. The execution of this strategy has been successful so far with recurring revenue more than doubling over the last six years to represent 46% of total revenue in 2019 (versus 22% in 2014). Further, by deploying its capital over a larger and more diversified range of asset classes, Merchant Banking should be able to reduce the volatility in investment performance revenue in future years.

Operating income was €111 million in 2019, up 9% (2018: €102 million), representing a 58% operating margin (2018: 59%). Investment performance related revenue from core strategies remained strong in 2019, as Merchant Banking's flagship European mid-market private equity funds, Five Arrows Principal Investments I & II (FAPI I & II), continued to deliver successful exits, as well as significant unrealised gains on their existing investments.

A critical indicator to measure the performance of Merchant Banking is Return On Risk Adjusted Capital ("RORAC"), a ratio comparing the adjusted profit before tax and an internal measure of risk capital invested in the business, on a rolling three-year basis. As at 31 December 2019, RORAC was 28%, same as last year and well above the division's stated target ("above 15% through the cycle").

The alignment of interests between the Group and our third-party investors remains a key differentiator of this business. During 2019 the Group's share of the capital deployed by the division amounted to €126 million, invested across multiple corporate and secondary private equity funds as well as direct lending and credit management funds. Disposals generated proceeds for the Group of €104 million mainly driven by the disposals of (i) two investments in FAPI I fund; Pirum (leading provider of specialist post-trade market infrastructure software, 3.2x MOIC(1) in GBP terms and 2.7x MOIC in EUR terms) and Socotec (European provider of testing, inspection and certification services, 2.7x MOIC) and (ii) one investment in FAPI II fund; Karnov (Scandinavian provider of legal, tax & accounting information, 3.8x MOIC in SEK terms and 3.3x MOIC in EUR terms).

As previously indicated, Merchant Banking's AuM were €14.0 billion as at 31 December 2019 (31 December 2018: €11.1 billion), up 27%, mainly due to new fund launches (FAPI III and FASO V) and new CLO vehicles in Europe and the US.

(1) MOIC stands for Multiple On Invested Capital.

New business initiatives in 2019

During the first half of 2019, Merchant Banking held the final closing of FAPI III, the third European mid-market private equity fund, raising in excess of €1.25 billion of committed capital. FAPI III is not only larger than its predecessor funds (€781 million for FAPI II and €583 million for FAPI I), but the fast fundraising process and the larger share of commitments secured from institutional investors are testament to the strong track record of the FAPI team and the growing appetite from global institutions for funds managed by Merchant Banking.

In the final quarter of 2019, Merchant Banking completed the fundraising for Five Arrows Secondary Opportunities V (FASO V). The fund secured total capital commitments of €1.0bn, materially above the initial €700 million target. As was the case for FAPI III, the successful fundraising of FASO V, both in terms of size and type of investors, is a direct consequence of the FASO team's strong track record and differentiated strategy. The Rothschild & Co Group invested in FASO V alongside the fund's third-party investors, in line with its well established Merchant Banking strategy.

Merchant Banking also held the first closing of Five Arrows Private Equity Programme II in the final quarter of 2019, its second generation multi-strategy fund investing in primary and secondary private equity funds, as well as in specific co-investment opportunities. The fund raised €206 million at the first closing, already surpassing the size of its predecessor fund FAPEP I (€195m). The fundraising will be completed during 2020.

Both FASO V and FAPEP II have made rapid starts to their capital deployment, already closing multiple transactions.

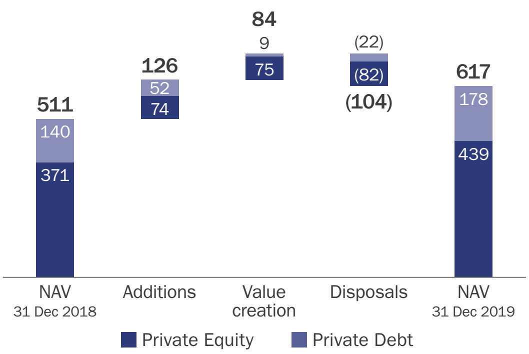
During 2019 Merchant Banking also expanded its Direct Lending and Credit Management businesses, with:

- the launch of Five Arrows Debt Partners III (FADP III), its third European direct lending fund, which will provide senior-secured and junior debt to mid-market European corporates
- the first closing of Five Arrows Global Loan Investments (GLI), its new CLO equity strategy
- the ongoing expansion of its managed CLO base, following the pricing of the European CLO structure Contego VII at €450 million, as well as the new CLO structure focused on the US market, Ocean Trails VII, at US$400 million.

Net Asset Value (NAV) of the Group's investments in Merchant Banking products

in million of euros	2019	2018	Assets under Management
Private equity	**439**	**371**	**6,240**
Primary (inc FAPI/FACP)	244	185	3,599
Secondaries (inc. FASO/FAPEP)	69	57	2,107
Five Arrows Minority Investments (FAMI, formerly R&Co PI) and others	126	129	534
Private debt	**178**	**140**	**7,778**
Direct Lending (inc. FACS/FADL)	59	43	1,231
Credit Management (inc. Oberon/CLOs)	119	97	6,547
Total NAV OF GROUP'S INVESTMENTS	**617**	**511**	**14,018**

Change in Net Asset Value (NAV)
(in millions of euros)



Private equity

In private equity, we manage €6.2 billion with a team of 57 investment professionals across two different business lines:

- Corporate private equity
- Secondaries, multi-manager funds and co-investment

Corporate private equity

Five Arrows Principal Investments (FAPI)

Launched in 2010, FAPI is our flagship initiative built on Rothschild & Co's successful European mid-market investing strategy over the past two decades.

FAPI concentrates on expansion and buyout deals in the mid-market segment across Europe. The investment team has adopted a very selective investment strategy focused on three sectors which FAPI believes combine long-term secular growth allied to substantial resilience, namely, healthcare and education, data and software, and technology-enabled business services. It currently manages three funds: FAPI I, which raised €583 million in 2010, FAPI II, which raised €781 million in 2015 and FAPI III which raised €1.25 billion in 2019. The investment teams are based in Paris and London.

In 2019, FAPI I completed two successful exits: Pirum for a gross MOIC of 3.2x in GBP terms and Socotec for a gross MOIC of 2.7x. The fund still holds three investments in its portfolio.

During 2019, FAPI II completed its last two investments in Harvest, a leading French provider of front-office wealth management software solutions, and in a German healthcare service provider focused on diagnostic imaging, nuclear therapy and radiotherapy. In 2019 the fund also completed the successful exit of Karnov (via an IPO), achieving a gross MOIC of 3.8x in SEK terms. FAPI II is now fully deployed and has closed its investment period; it currently has twelve remaining companies in its portfolio.

After its final closing in the first half of 2019, during the year FAPI III completed its first two investments in a German healthcare service provider, alongside FAPI II, and in Heilbron Groep, a leading Dutch integrator of insurance brokerage, underwriting and related value-added services. The fund completed its third transaction in January 2020.

As at 31 December 2019, the net asset value of the Rothschild & Co Group's investment in the FAPI funds totalled €210 million.

HEILBRON GROEP

In September 2019 FAPI III closed the acquisition of Heilbron Groep, a leading tech-enabled distribution platform in the Dutch insurance market, focused on SME customers. The company provides a complete service offering in three insurance classes: Income Protection, Property & Casualty and Health. The company operates in the Netherlands with 500 employees across 12 locations and has shown an impressive organic growth rate over the past three years. FAPI has tracked the Dutch insurance market for many years, having already completed an investment in the sector through FAPI II's acquisition of Voogd & Voogd.

KARNOV GROUP

In 2019 Karnov completed a successful IPO on the Swedish stock exchange following a transformational acquisition combined with investments in both its core product platform and in new verticals to create a market champion in the Nordics. Based in Copenhagen and Stockholm, Karnov is the leading provider of legal, tax and accounting information in the region. FAPI II invested in Karnov in July 2015 as part of a strategic initiative to identify opportunities in technology and data services. Upon the IPO in April 2019, FAPI II sold 65% of its shares, with the remaining position sold in the final quarter of the year. The investment in Karnov generated a 3.8x MOIC in SEK terms (3.3x MOIC in EUR terms).

Five Arrows Capital Partners (FACP)

FACP is the US-based version of FAPI: the fund's investment strategy targets lower mid-market companies valued between US$75 million to US$500 million with the same sector focus as FAPI: healthcare and education, data and software, and technology-enabled business services. FACP's primary geographic mandate is for companies that are either headquartered or that sell into the US and Canada. In line with FAPI, FACP invests in franchises with dominant market positions and outstanding management teams; business models with high revenue and earnings visibility; and multiple operational levers to unlock latent value.

Typically, FACP targets equity tickets of US$30 million to US$70 million per transaction with the ability to commit significantly larger amounts in conjunction with the Fund's limited partners.

During 2019, FACP completed two investments in Zenith American Holdings, an administrator of health & welfare and retirement & pension benefits, and Averhealth Holdings, a healthcare service provider for monitoring and treating patients with substance abuse disorders. Following the completion of these acquisitions, FACP has invested c. 35% in four transactions.

As at 31 December 2019, the net asset value of the Group's investment in FACP totalled €34 million.

Zenith American SOLUTIONS®

In March 2019, FACP invested in Zenith American Holdings, a leading Third-Party Administrator (TPA) enabling the delivery of health & welfare and retirement & pension benefits across more than 260 clients. Zenith American Holdings is the leading player in the TPA market in the US and one of the few vendors with a national presence. FACP had been tracking the TPA market since 2018 prior to making the investment. The investment strategy includes a plan to increase market share by making add-on acquisitions.

averhealth

In July 2019, FACP invested in Averhealth Holdings, a provider of substance use disorder treatment monitoring, care management and related support services to individuals on behalf of criminal justice and judicial organisations. Averhealth provides testing services to over 300 customers through a vertically integrated system with a proprietary patient engagement technology platform, local patient care centres and a proprietary testing laboratory. The Company serves over 125,000 active patients at more than 185 testing centres across 26 states. The market for drug testing is very fragmented, with Averhealth being the only provider focused on the criminal justice end-market, allowing us to target key accretive acquisitions.

Secondaries, multi-manager funds and co-investments

Five Arrows Secondary Opportunities

The Five Arrows Secondary Opportunities (FASO) team has developed a specialism in European small and mid-cap secondary direct transactions. FASO acquires assets from sellers seeking liquidity, divesting non-core assets, as well as from fund managers rebalancing portfolios. Following FASO III, raised in 2012 and FASO IV, raised in 2016/2017, FASO V completed its successful fundraising at €1.0 billion in 2019, well above its original target size of €700 million.

FASO III, FASO IV and FASO V have completed more than 30 secondary transactions with portfolios highly diversified across the whole of Europe and across 13 different sectors. In 2019, FASO completed five new deals, committing c. €350 million to these transactions.

The team has also started to expand in the US, with a senior hire joining the team in 2019. A portion of the FASO V capital is expected to be deployed in the US market.

As at 31 December 2019, the net asset value of the Group's investment in FASO III, IV and V represented €66 million.

Five Arrows Private Equity Programme (FAPEP, formerly Arolla)

FAPEP is Merchant Banking's global multi-manager private equity platform. FAPEP capitalises on the Group's private equity expertise, investing globally across different segments of the private equity asset class: primary fund investments, secondary transactions and co-investments. This investment strategy provides highly diversified access to private equity in a well-structured solution.

FAPEP I (formerly Arolla) has committed 98% of its €195 million capital into 34 transactions across Europe, the US and emerging markets. During 2019 the fund made its last two investments and closed its investment period.

In the final quarter of 2019, the team completed the first closing of the successor fund, FAPEP II, with commitments of €206 million. FAPEP II's fundraising activities will continue in 2020, with the objective of holding a final closing before the end of the year.

As at 31 December 2019, the net asset value of the Group's investment in FAPEP I and FAPEP II represented €2.7 million.

Five Arrows Minority Investments (formerly R&Co PI and R&Co PO)

Five Arrows Minority Investments (FAMI) is the dedicated co-investment team, investing alongside a proprietary network of international fund managers. It has deployed over €500 million of capital in more than 80 transactions since the 1990s, mainly in growth capital and buy-out transactions on a global basis, across North America, Europe and emerging markets.

In conjunction with the investment activities carried out directly on the Group's balance sheet, the FAMI team also manages two co-investment programmes (R&Co Private Opportunities I and II) structured as investment clubs. These programmes were originally launched in 2013 as a joint initiative between the Merchant Banking and Wealth Management divisions of Rothschild & Co for the exclusive benefit of key relationships of the Group. In 2019, to complete the R&Co PO II programme, FAMI offered two co-investment opportunities to its members.

As at 31 December 2019, the net asset value of the Group's investments in FAMI was €126 million.

EMERAM
CAPITAL PARTNERS

In March 2019 FASO IV led a top-up transaction in Emeram I to increase the size of the fund, while offering to all existing investors the opportunity to sell their interest in the fund through a tender offer. Emeram I is a €350 million lower midcap buyout fund investing in German-speaking countries. The portfolio is composed of eight companies, well diversified across sectors, such as business services (mainly software) and food and beverage, with promising growth prospects, solid profitability and strong cash flow profiles.

UPSTREAM
REHABILITATION

Upstream Rehabilitation, Inc. is a leading US provider of a comprehensive set of outpatient rehabilitation services, including free-standing physical therapy clinics, outpatient rehabilitation management services and a member network of rehabilitation service providers. Upstream is one of the largest and fastest growing companies in the industry and currently operates over 700 owned and managed clinics in the US across 26 states. In Q4 2019 FAPEP II completed a co-investment transaction in the company alongside Revelstoke Capital.

Private debt

Our private debt activities account for over €7.8 billion of assets under management and our team comprises 34 investment professionals.

We are active through two different business lines:

- Direct lending
- Credit management

Through our private debt activities, we are able to offer our investors access to both the European mid-size corporate credit market and the large-cap, broadly syndicated European and US LBO credit markets. These asset classes are currently attracting strong investor demand, as investors look to diversify away from lower-yielding, traditional fixed-income products.

Direct lending

Five Arrows Credit Solutions (FACS)

FACS, the Group's first direct lending fund, closed in 2014 with €415 million of commitments and is focused on originating and structuring customised junior/subordinated financing solutions for middle-market companies. The fund supports private equity sponsors, entrepreneurs and family-owned businesses in a broad range of financing needs, including leveraged buy-outs, expansion and acquisition financings, as well as recapitalisations and refinancings. The fund has been fully deployed into 16 transactions, investing a total of €492 million, representing 118% of its original committed capital, following the re-deployment of capital realised from certain successful early exits. The fund has consistently generated a strong cash yield in line with its investment mandate and as of December 2019, the fund has already distributed approximately 0.7x its capital called to its investors. The fund's seven successful exits have in aggregate delivered an attractive 15.5% gross IRR.

As at 31 December 2019, the value of the Group's investment in FACS represented €36 million.

Five Arrows Direct Lending (FADL)

Launched in 2017, FADL provides senior-secured loans to mid-market corporates, building on our existing direct lending expertise, franchise and track record to enable us to structure financing solutions across the debt capital structure. The fund held its final closing during 2018, securing total commitments of €657 million. The fund is highly complementary to FACS and capitalises on the significant debt financing appetite we see from mid-sized corporates as banks continue to retreat from the market due to regulatory and capital constraints.

The strength of the market opportunity, as well as of our sourcing network and dealflow, is illustrated by the successful deployment of the fund. As of December 2019 the fund has already completed 15 transactions and invested 92% of its committed capital. A first successful exit was also achieved, generating an attractive 9.7% gross IRR.

As at 31 December 2019, the value of the Group's investment in FADL represented €22 million.

Five Arrows Debt Partners III (FADP III)

Given the advanced deployment level of FADL, in the fourth quarter of 2019 the team started the fundraising process for its third European direct lending fund, Five Arrows Debt Partners III, which will continue our successful investment strategy of providing senior-secured and junior debt to high-quality European mid-market corporates.

TAX SYSTEMS

In March 2019, FADL invested €43 million in Tax Systems, the market leading provider of deeply-embedded, mission-critical corporation tax computation software to large corporates and accountancy firms in the UK and Ireland. The broader transaction saw a private equity firm acquire the business in a public-to-private transaction. Investment highlights include high revenue visibility, minimal customer churn and long-term growth driven by digitalisation and automation.

ofg OUTCOMESFIRST GROUP

NFA is a leading provider of fostering, residential care and education services for children in the UK. In July 2019 FADL provided financing to NFA to fund its acquisition of Outcomes First Group (OFG), one of its largest competitors in the children's residential care and education segment. This business combination will further strengthen NFA's service offering leadership position in the UK. FADL participated in the syndicated unitranche lending facility with an investment ticket of c.€48 million.

Credit management (R&Co CM)

R&Co CM is active in both the European and US leveraged loan markets. It has €6.5 billion of assets under management across CLOs, senior secured credit and multi-strategy credit funds, as well as managed accounts. At the heart of R&Co CM's investment philosophy is capital preservation based on fundamental credit analysis combined with active management.

As at 31 December 2019, the Group's investment in R&Co CM products represented €119 million.

CLO management business

In 2019, the business launched Five Arrows Global Loan Investments (GLI). GLI invests in the equity tranche of Rothschild & Co CLOs in Europe and the US. The new strategy enhances our established CLO platform while aligning interests between Rothschild & Co and our clients. During 2019, GLI invested in Contego VII, and as at 31 December 2019 holds two CLO warehouse investments.

The combined European and US teams currently manage ten CLOs, of which:

- six Contego CLOs invested in European assets
- four Ocean Trails CLOs invested in US assets

Our CLOs are consistently ranked at the top of the European standings and display low default rates. This is the result of deep fundamental credit analysis, conservative portfolio construction and highly experienced teams. During 2019, R&Co CM priced a European CLO, Contego VII (€450 million) and Ocean Trails VII (US$400 million).

Oberon strategy

Oberon is a family of unlevered senior credit funds and managed accounts invested in a portfolio of secured debt across a diverse selection of large cap Western European and North-American corporate borrowers. During 2019, the AuM of the Oberon strategy grew by €800 million. This growth was driven by both the funds and the managed account mandates for institutional and private clients, bringing the overall Oberon AuM to €2.9 billion at the end of 2019. This figure also takes account of Oberon's entry into the US open ended market with the Oberon USA fund.

The Oberon strategy continues to deliver predictable quarterly cash yields to its investors and to outperform since inception the benchmark Credit Suisse Western European Leveraged Loan Index.

Elsinore multi-strategy credit

Launched in 2017, Elsinore seeks to offer a unique proposition to our clients: a careful combination of some of Merchant Banking's most successful credit strategies in a single, actively managed portfolio. With allocations across a range of credit strategies, including senior loans, high yield bonds and structured products, Elsinore aims to deliver attractive returns within and across asset classes. €178 million has been raised to date for this strategy.

Grifols

- Global vertically integrated plasma derivative products developer and manufacturer
- €6.5bn senior secured and unsecured debt facilities used to refinance debt

Doc Generici

- Italy-based generics pharmaceutical products manufacturer
- €470m senior secured fixed rate notes (FRNs) used to finance the purchase of the company as well as repay existing debt

Sector Alarm

- Sector Alarm is a European company that provides professionally monitored alarm services
- €590m senior secured debt facilities used to refinance debt and fund a shareholder dividend

Galileo

- European private, for-profit tertiary education group
- €720m senior secured debt facilities used to finance acquisitions, refinance debt, and fund a shareholder dividend

Vue

- Global cinema operator
- €748m senior secured debt facilities used to support the refinancing of existing senior debt and the acquisition of CineStar

Merlin

- Global operator of theme parks and visitor attractions
- £2.5bn equivalent senior secured debt facilities to support the acquisition by Blackstone, KIRKBI, and CPPIB

We encourage a culture of responsible business and proactively take responsibility for the impact we have on our people, our industry, our communities and our planet.

3

Management report

Results for the 2019 financial year

The statutory financial period 2019 started on 1 January 2019 and ended on 31 December 2019.

1 Summary presentation of the results of the Group (consolidated accounts)

1.1 Perimeter of consolidation

The perimeter of consolidation of Rothschild & Co as at 31 December 2019 is set out on pages 207 onwards of this Annual Report.

1.2 Consolidated results

In millions of euros	2019	2018	2017
INCOME STATEMENT			
Revenues	**1,872**	**1,976**	**1,910**
Staff costs	(1,065)	(1,098)	(1,087)
Administrative expenses	(289)	(309)	(320)
Depreciation and amortisation	(66)	(30)	(34)
Cost of risk	(6)	(4)	(13)
Operating income	**446**	**535**	**456**
Other income/(expense) (net)	19	(4)	21
Profit before tax	**465**	**531**	**477**
Consolidated net income	**396**	**454**	**412**
Net income – Group share	**243**	**286**	**236**
Exceptionals (1)	(10)	17	11
Net income – Group share excl. exceptionals (1)	**233**	**303**	**247**
Earnings per share (EPS) (2)	€3.38	€3.88	€3.18
EPS excl. exceptionals (2)	**€3.24**	**€4.10**	**€3.33**
Return on Tangible Equity (ROTE)	13.2%	17.0%	16.4%
ROTE excl. exceptionals	**12.6%**	**18.0%**	**17.2%**
BALANCE SHEET			
Total assets	14,157	13,211	12,116
Cash and amounts due from central banks	4,382	4,692	3,869
Loans and advances to customers	3,264	2,929	2,990
Due to customers	9,487	8,726	7,771
Non-controlling interests	446	456	540
Shareholders' equity – Group share	2,239	2,039	1,912

(1) Exceptional items comprise net gains on property transactions and on legacy assets including the sale of the Trust business in February 2019. Exceptional items in 2019 are all included in "Other income/(expense)" in the P&L.

(2) Diluted EPS is €3.35 for twelve months ended 31 December 2019 (twelve months ended 31 December 2018: €3.82; twelve months ended 31 December 2017: €3.12).

Details of the consolidated results for 2019 are set out on pages 150 onwards of this report.

1.3 Analysis of the main items of the consolidated financial result

1.3.1 Revenue

For 2019, revenue was €1,872 million (2018: €1,976 million), representing a decrease of €104 million or 5%. This was largely due to Global Advisory where revenue decreased by €111 million. The translation effect of exchange rate fluctuations increased revenue by €23 million.

1.3.2 Operating expenses

STAFF COSTS

For 2019, staff costs were €1,065 million (2018: €1,098 million), representing a decrease of €33 million, largely due to lower variable compensation accruals in connection with lower revenues in Global Advisory. The translation impact of exchange rate fluctuations resulted in an increase in staff costs of €17 million.

The year-on-year staff costs comparison has been negatively impacted by €34 million due to deferred bonus accounting (bonus charges in respect of prior periods higher than those deferred into future periods in 2019 and vice versa in 2018); 2019 represented a net charge of €4 million, whereas 2018 was a net credit of €30 million.

The adjusted compensation ratio, as defined in Section 1.4 on Alternative Performance Measures hereafter, was 62.8% as at 31 December 2019 (31 December 2018: 62.0%). When adjusting for the effects of senior hiring in the US for the advisory business and exchange rates; the ratio is 61.8% (31 December 2018: 60.8%), in line with our financial target ("Low to mid 60s through the cycle"). Further, if we adjust for the deferred bonus effect, the ratio is 61.6% (31 December 2018: 62.3%).

Overall Group headcount decreased to 3,559 as at 31 December 2019 (31 December 2018: 3,633), following the sale of the Trust business.

ADMINISTRATIVE EXPENSES

For 2019, administrative expenses were €289 million (2018: €309 million) representing a decrease of €20 million. The translation impact of exchange rate fluctuations resulted in an increase in administrative expenses of €4 million. Last year's number included €6 million of costs related to the Martin Maurel integration.

In accordance with IFRS 16 adopted in January 2019, leased assets relating to significant items are capitalised as Right Of Use assets (ROU assets) with the rental cost replaced by interest expense and depreciation. This resulted in the reclassification of €38 million of property leasing costs from Administrative expenses to Depreciation for €33 million and to Interest cost for €5 million. In addition, under IFRS 16, interest charges are higher in early years of the lease than in later years, which was not the case under the 2018 accounting standards. This effect caused reported property costs to be approximately €4m higher in 2019. Therefore, the underlying variation of administrative expenses is an increase of €16 million mainly due to higher IT application costs (investment in Wealth and Asset Management systems) and infrastructure costs (investment in mobile and work-life balance kit), market data costs as a consequence of Mifid II, as well as regulatory-related costs.

The Group has decided to move to a new IT infrastructure supplier to enable it to accelerate the implementation of its operational programmes which will result in a one-off transition and transformation charge of around €15 million in 2020.

DEPRECIATION AND AMORTISATION

For 2019, depreciation and amortisation were €66 million (2018: €30 million), representing an increase of €36 million, of which €33 million is explained by the first time application of IFRS 16 (leases) which resulted in a shift of property leasing costs from administrative expenses to depreciation as described above. The translation impact of exchange rate fluctuations increased depreciation and amortisation by €1 million.

IMPAIRMENT CHARGES AND LOAN PROVISION

For 2019, impairment charges and loan provisions were €6 million (2018: €4 million) due to a reassessment of certain credit risks and of Global Advisory receivables which resulted in an increase of provisions.

1.3.3 Other income/expenses

For 2019, other income and expenses, which include results from equity accounted companies and gains/losses on disposal of subsidiaries and associates, resulted in a net income of €19 million (2018: net expense of €4 million). In 2019, it comprises net capital gains on property transactions and on legacy assets including the sale of Trust.

1.3.4 Income tax

For 2019, the income tax charge was €68 million (2018: €77 million) comprising a current tax charge of €78 million and a deferred tax credit of €10 million, giving an effective tax rate of 14.6% (2018: 14.5%).

1.3.5 Non-controlling interests

For 2019, the charge for Non-controlling interests was €154 million (2018: €168 million). This mainly comprises interest on perpetual subordinated debt and preferred dividends payable to French partners that decreased over the period in line with the performance of the French Global Advisory business.

1.4 Alternative performance measures – Article 223-1 of the French Financial Markets Authority (“AMF”)’s General Regulation

To enhance the presentation of its operating performance, Rothschild & Co uses the following alternative performance measures to communicate the Group’s financial results. Additional comments on some of these alternative performance indicators can be found in the Section on Corporate Responsibility (p.118) of this report.

Alternative Performance Measures	Definition	Reason for use	Reference to the data in this report
Net income – Group share excluding exceptionals	Net income attributable to equity holders excluding exceptional items.	To measure Net result Group share of Rothschild & Co excluding exceptional items of a significant amount.	Please refer to Section 1.1 above.
EPS excluding exceptionals	EPS excluding exceptional items.	To measure Earnings per share excluding exceptional items of a significant amount.	Please refer to Section 1.1 above.
Adjusted compensation ratio	Ratio between adjusted staff costs divided by consolidated Revenue of Rothschild & Co. Adjusted staff costs represent: 1. staff costs accounted in the income statement (which include the effects of accounting for deferred bonuses over the period in which they are earned as opposed to the “awarded” basis), 2. to which must be added the amount of profit share paid to the French partners, 3. from which must be deducted redundancy costs, revaluation of share-based employee liabilities and business acquisition costs treated as employee compensation under IFRS, **– which gives Total staff costs in calculating the basic compensation ratio** 4. from which the investment costs related to the recruitment of senior bankers in the United States must be deducted, 5. from which the exceptional provision related to UK Guaranteed Minimum Pension 6. the amount of adjusted staff costs is restated by the exchange rate effect to offset the exchange rate fluctuations from one year to the next, **– which gives the adjusted staff costs for compensation ratio.**	To measure the proportion of Net Banking Income granted to all employees. Key indicator for competitor listed investment banks. Rothschild & Co calculates this ratio with adjustments to give the fairest and closest calculation to the one used by other comparable listed companies.	Please refer to the comments in Section 1.3.2 above.
Return on Tangible Equity (ROTE) excluding exceptional items	Ratio between Net income – Group share excluding exceptional items and average tangible equity Group share over the period. Tangible equity corresponds to total equity Group share less intangible assets (net of tax) and goodwill. Average tangible equity over the period equal to the average between tangible equity as at 31 December 2018 and 31 December 2019.	To measure the overall profitability of Rothschild & Co excluding exceptional items on the equity capital in the business.	Please refer to Section 1.1 above.
Business Operating Margin	Each Business Operating margin is calculated by dividing Profit before tax relative to revenue, business by business. It excludes exceptional items.	To measure the business’ profitability.	Please refer to the comments pages 27, 32 and 37.
Return on Risk Adjusted Capital (RORAC)	Ratio of an adjusted profit before tax divided by an internal measure of risk adjusted capital deployed in the business on a rolling 3-year basis. The estimated amount of capital and debt which management believes would be reasonable to fund the Group’s investments in Merchant Banking products is consistent with its cautious approach to risk management. Based on the mix of its investment portfolio as of the reporting dates, management believes that this “risk-adjusted capital” (RAC) amounts to c.70% of the Group’s investments net asset value and that the remainder could be funded by debt. This percentage broadly represents the weighted average of 80% for equity exposures, 50% for junior credit exposures, 40% for CLO exposures in vertical strips and 33% for senior credit exposures. To calculate the RORAC, Merchant Banking profit before tax is adjusted by a notional 2.5% cost of debt, computed as per the above (*i.e.* 30% of the Group’s investments NAV), divided by the RAC. Disclosed RORAC is calculated on a 3-year rolling period average to account for the inevitable volatility in the financial results of the business, primarily relating to investment income and carried interest recognition.	To measure the performance of the Merchant Banking business.	Please refer to the comments page 37.

2 Summary presentation of the results of the Company (solo accounts)

2.1 Results of the 2019 financial year

In millions of euro	2019	2018
INCOME STATEMENT		
Current income before tax	319	86
Income from capital transactions	(20)	(6)
Net income[(1)]	**309**	**90**
BALANCE SHEET		
Balance sheet total	2,163	1,913
Non-current assets	1,864	1,770
Current assets	299	142
Borrowings and other financial liabilities	70	85
Shareholders' equity	**1,958**	**1,705**

(1) Net income is post tax. Please refer to Note 20 of the solo accounts of the Company on page 226 for more details.

The solo accounts of the Company for the 2019 financial year are set out on pages 218 onwards of this report.

The main changes in the Company's assets between 2018 and 2019 are as follows:

Continuing operations carried out in 2018, the Company operated a simplification of its organisational structure in 2019 consisting of a transfer of the 1,923,830 Rothschild & Co shares held by Swiss holding companies and a rationalisation of the holding of Rothschild Martin Maurel SCS, from which resulted:

- an increase in equity securities due to the acquisition of shares of the French subsidiary Rothschild Martin Maurel SCS;
- an increase in the fixed assets of the portfolio by €55 million due to the acquisition of R&Co the Company's own shares.

The changes in the Company's liabilities between 2018 and 2019 concern mainly the repayment of €37 million of loans, and a five-year maturity loan increase of €10 million.

For the year ended 31 December 2019, the Company received dividends of €345.2 million from its French subsidiaries (Paris Orléans Holding Bancaire (POHB) €293.1 million; K Développement €41.0 million; Martin Maurel €11.0 million), versus €104.3 million for the previous period.

The decrease in operating income of €6 million mainly corresponds to recharged operating expenses. The decrease in operating expenses mainly corresponds to general and administration costs of €5 million. Lastly, the result of capital transaction in loss of €20 million is mainly explained by the sale of Rothschild & Co treasury shares as at of the Equity scheme of €2 million and impairment of investments in portfolio activity of €18 million.

2.2 Results of the past five financial years

In euro	31/12/19 (12 months)	31/12/18 (12 months)	31/12/17 (9 months)	31/03/17 (12 months)	31/03/16 (12 months)
I – Financial position at the end of the financial year					
a) Share capital	155,235,024	155,025,552	154,815,024	154,580,024	142,274,072
b) Number of shares and investment certificates issued	77,617,512	77,512,776	77,407,512	77,290,012	71,137,036
c) Maximum number of future shares to be created	–	–	–	–	–
II – Overall result of effective operations					
a) Revenues exclusive of tax (financial and operating income)	347,727,602	116,616,132	127,139,989	88,576,446	68,170,967
b) Income before tax, amortisation and provisions	317,765,249	81,957,909	113,649,623	52,866,266	63,837,937
c) Corporate income tax[1]	(9,994,506)	(10,800,247)	(8,981,132)	(3,885,460)	2,580,799
d) Income after tax, amortisation and provisions	309,401,389	90,363,885	121,763,776	60,712,772	61,498,968
e) Distributed income, excluding treasury shares	–[2]	57,682,637	52,124,082	51,925,616	44,562,497
III – Earnings per share data					
a) Income after tax, but before amortisation and provisions	4.22	1.20	1.58	0.73	0.93
b) Income after tax, amortisation and provisions	3.99	1.17	1.57	0.79	0.86
c) Dividend per share	–[2]	0.79	0.68	0.68	0.63
IV – Employees					
a) Average employee headcount	16	16	18	19	23
b) Total of the payroll	1,863,544	1,956,242	1,992,491	3,036,180	3,164,335
c) Total employee benefits (social security, welfare, etc.)	1,181,532	1,241,251	858,405	1,764,709	1,816,360

(1) Negative amounts correspond to tax benefits.
(2) For more details regarding the dividend in respect of 2019, please refer to the following Section 2.3 "Proposed appropriation of income for the 2019 financial year".

2.3 Proposed appropriation of income for the 2019 financial year

Following the announcement by the European Central Bank ("ECB") on 27 March 2020, recommending dividend payments and commitments by credit and similar institutions within the European Union to be stopped until 1 October 2020, the Managing Partner has decided that no proposal for approving a dividend in respect of the financial year ending on 31 December 2019 will be made to the Annual General Meeting of shareholders on 14 May 2020.

Therefore, the Managing Partner will propose to the General Meeting of shareholders that the income for the 2019 financial year be appropriated as follows:

In euro	31/12/19 (12 months)	31/12/18 (12 months)
Net profit for the financial year	309,401,389	90,363,885
Appropriation to the legal reserve	(20,947)	(21,053)
Credit retained earnings	209,757,174	178,440,897
Distributable profit	519,137,616	268,783,730
Profit share allocated to the General Partners	2,595,688	1,343,919
Appropriation		
• to the payment of a gross dividend to shareholders	–	57,682,637
• to retained earnings	516,541,928	209,757,174

The Company's net profit amounts to €309,401,389 for the 2019 financial year (€90,363,885 for the previous financial year ended 31 December 2018).

This net profit, less the amount of €20,947 assigned to create the legal reserve and in addition to retained earnings of €209,757,174 makes a distributable net profit of €519,137,616 (€268,783,730 for the 2018 financial year).

In accordance with the provisions of article 14.1 of the Company's articles of association, an amount of €2,595,688 (€1,343,919 for the 2018 financial year) equal to 0.5% of this distributable profit will be automatically allocated for payment to the two General Partners, *Rothschild & Co Gestion SAS* and *Rothschild & Co Commandité SAS.*

However, it is the intention of the Managing Partner to propose the payment of the previously announced dividend of €0.85 per share when appropriate.

2.4 Dividends distributed by the Company over the past three years

In accordance with applicable statutory provisions, the dividends distributed by the Company to the shareholders in respect of the previous three financial years were as follows:

	31/12/18 (statutory financial period of 12 months)	31/12/17 (statutory financial period of 9 months)	31/03/17 (statutory financial period of 12 months)
Number of shares and investment certificates which could qualify for a dividend payment(1)	73,015,996	76,653,062	76,361,200
Gross dividend per share (in euro)	0.79	0.68	0.68
Total amount distributed (in euro)	57,682,637(2)	52,124,082	51,925,616

(1) Number of shares and investment certificates that could qualify for a dividend, held on the detachment date and excluding treasury shares and investment certificates held by the Company. The Company no longer held investment certificates since 15 January 2018.

(2) As authorised by the General Meeting of 16 May 2019 in its second resolution, the Managing Partner revised the final amount of the actual distribution as the Company did not receive a dividend in respect of the shares it held on the payment date; the amount of the dividend corresponding to these shares was automatically added to retained earnings. The dividend was paid on 22 May 2019.

2.5 Non-deductible expenses

In accordance with the provisions of Articles 223 *quater* and 223 *quinquies* of the French General Tax Code, non-deductible expenses amount to €17,783 for financial year 2019.

3 Accounts payable and accounts receivable policy

The Company's settlement periods for its accounts payable comply with Article L. 441-6 and D. 441-1 of the French Commercial Code. Accounts payable are settled within 30 days of receiving the invoice, unless otherwise arranged as part of a sales agreement or otherwise agreed between the parties.

	Received invoices remaining unpaid as at the end of the last financial year					
Received invoices	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total 1 day and more**
(A) Late payment ranges						
Aggregate number of concerned invoices	–	4	2	–	–	6
Aggregate amount due on concerned invoices (inclusive of all taxes)	–	€306,756	€14,855	–	–	€321,608
Percentage of the total amount of purchases of the financial year inclusive of all taxes	–	3%	0%	–	–	3%
(B) Reference terms of payment used (contractual or legal)						
Terms of payment used for calculating the late payment	☑ Legal terms ☐ Contractual terms					

	Received invoices remaining unpaid as at the end of the last financial year					
Received invoices	**0 day**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days and more**	**Total 1 day and more**
(A) Late payment ranges						
Aggregate number of concerned invoices	–	125	–	–	–	125
Aggregate amount due on concerned invoices (inclusive of all taxes)	–	€81,359	–	–	–	€81,359
Percentage of the total amount of purchases of the financial year inclusive of all taxes	–	1%	–	–	–	1%
(B) Reference terms of payment used (contractual or legal)						
Terms of payment used for calculating the late payment	☐ Legal terms ☑ Contractual terms					

4 Significant events during 2019

4.1 Significant events for the Company

4.1.1 Consolidation of the Rothschild family's control over Rothschild & Co

By a press release dated 4 April 2019, Rothschild & Co Concordia SAS, the family holding company and main shareholder of Rothschild & Co, announced via Rothschild & Co, a reorganisation of its shareholding structure, consolidating the Rothschild family's control over Rothschild & Co, and reaffirming the long-term control of the Rothschild family over Rothschild & Co, which is a cornerstone of the Group's culture and positioning. This reorganisation consisted of two operations both completed on 31 July 2019:

- The first operation consisted of the transfer by the English Branch of the Rothschild family (Integritas BV) of the majority of its shares in Rothschild & Co Concordia SAS, and the reorganisation of the share capital of Rothschild & Co Commandité SAS and Rothschild & Co Gestion SAS both general partners of Rothschild & Co.
- The second operation consisted of the contribution by the David de Rothschild and Eric de Rothschild family branches of Rothschild & Co shares held directly to Rothschild & Co Concordia SAS.

As part of the first operation, the governance of Rothschild & Co Concordia SAS, Rothschild & Co Commandité SAS and Rothschild & Co Gestion SAS were amended to reflect the new shareholding structures, through the modification of their respective articles of association and amendments to the Rothschild & Co Concordia shareholders agreement (please refer to Section 2.3.1 on page 58 in this Annual Report for more details regarding the mains provisions of said shareholders' agreement).

In addition, a put and call option agreement was concluded between the French branches and the English branch on 31 July 2019. Said agreement provides for a seven-year lock-up period of Rothschild & Co Concordia SAS' shares at the end of which: the English branch may transfer (put option) to the French branches its remaining Rothschild & Co Concordia SAS shares, and the French branches may purchase (call option) their remaining Rothschild & Co Gestion SAS and Rothschild & Co Commandité SAS shares.

The first operation required the satisfaction of the following main conditions:

- the decision of non-opposition from the European Central Bank;
- the authorisations from some foreign regulatory authorities regulating an entity controlled by Rothschild & Co;
- the waiver of the French Financial Markets Authority (the *Autorité des Marchés Financiers* or "AMF") under article 234-9 6° of its General Regulation, and the expiry of the time limit for filing an appeal against this decision.

The AMF was informed in July 2019 of these operations and granted an exemption from filing a proposal takeover bid for the Company's shares by its decision dated 17 July 2019, in which the main provisions of the above-mentioned agreements and shareholding restructuring operations are detailed (AMF Decision & Information number 219C1199).

The impacts of these operations on the shareholding structure of Rothschild & Co and the enlarged family concert are detailed in Section 2.3.1 below in this Annual Report on page 58.

4.1.2 Simplification of the Group legal organisation chart: transfer to Rothschild & Co of 1,923,830 Rothschild & Co shares and merger of three Swiss intermediate holding companies into one

On 6 August 2018, both Rothschild & Co and Edmond de Rothschild groups unwound all of their cross-shareholdings (please refer to page 56 of the 2018 Annual Report for more details on these transactions). As part of this settlement, the Rothschild & Co sub-group of Swiss holding companies transferred all the minority interests they held in Edmond de Rothschild. Subsequently, the opportunity was taken to streamline said sub-group's corporate structure.

In this context, Rothschild & Co purchased on 2 April 2019 from Rothschild & Co Holding AG 1,923,830 Rothschild & Co shares it had received from Edmond de Rothschild (valued at €30 per share) as settlement for the difference in value in respect of the investments in Edmond de Rothschild and in Rothschild Holding AG. This transaction completed at €28.60 per share (total value of €55,021,538), had the double benefit for Rothschild & Co to:

- ensure that it holds the necessary amount of treasury shares to meet the requirement of its existing and future Equity Schemes, as well as supplying Rothschild & Co shares as non-cash instruments for the remuneration of the Group regulated persons, and therefore, avoid any dilutive impact of a share capital increase on the shareholders;
- facilitate the reduction of the number of Swiss holding companies.

This transaction was funded from a loan of Rothschild & Co AG (please refer to pages 49, 62 and 221 in this Annual Report for more details).

In the continuity of this acquisition by Rothschild & Co of its own shares, Rothschild & Co Holding AG and two other Swiss intermediate holding companies merged on 25 June 2019 into one. As a result, Rothschild & Co Holding AG and Rothschild & Co Concordia AG were dissolved as of 25 June 2019, Rothschild & Co Continuation Holdings AG became the only Swiss holding company in the Group structure and the direct shareholder of Rothschild & Co Bank AG, the Group's main operating entity in Switzerland.

4.2 Significant events for the Group

4.2.1 Sale of the Group Trust business

On 24 October 2018, Rothschild & Co announced the signature of an agreement for the sale of its worldwide wealth planning and trust services business. This operation was completed on 28 February 2019 after satisfaction of the regulatory approvals required locally. The sale was in line with Rothschild & Co's strategic decision to focus on its core Wealth and Asset Management business.

4.2.2 Minority investment in Redburn in the United Kingdom

By a press release dated 27 October 2019, Rothschild & Co announced a significant minority investment by Rothschild & Co Continuation Limited in Redburn (Europe) Limited ("Redburn"), a leading independent premium European equity research and agency execution services, with top rankings from major international equity investors.

The operation was approved by the Financial Conduct Authority on 26 November 2019 and was completed on 31 December 2019.

The Group investment in Redburn provides capital for the expansion of Redburn's services to clients, as well as opportunity for greater employee equity participation. This strategic partnership also intends to enhance the industrial and market insight available to Rothschild & Co and Redburn.

4.2.3 Acquisition of Livingstone in the United Kingdom

By a press release dated 24 October 2019, Rothschild & Co announced that Rothschild & Co Continuation Limited was to acquire Livingstone Partner LLP ("Livingstone"), a successful and long-established company providing merger & acquisitions advice to privately owned companies in the United Kingdom lower mid-market segment.

The operation was approved by the Financial Conduct Authority on 26 November 2019 and was completed on 10 December 2019.

Through this acquisition, Rothschild & Co's Global Advisory has broadened its offering to the United Kingdom lower mid-market segment, following the establishment of its successful franchise in the same segment of the French market.

5 Significant events after the end of the financial year

Information related to Covid-19, the only significant event which has occurred after the end of the 2019 financial year, is provided in Sections 6 and 7.3, respectively pages 53 and 54 of this annual report

6 Outlook

In **Global Advisory**, we had a strong start to 2020. We have seen an increase in dialogues with clients in the US and strong demand in Europe, where our leading market position across the majority of sectors gives us a clear competitive advantage. The recent market correction evidently gives rise for concern, but it is still too early to determine whether this will have a significant impact on activity levels. Currently, our visible pipeline of engagements remains healthy across the business and above levels at the same point last year. Nevertheless, we remain alert to the potential for a significant fall-off in transaction volumes and, accordingly, we continue to manage our resources carefully. We remain positive about the outlook for the business in the long term.

Wealth and Asset Management has seen a healthy uptick in client activity which should lead to an improvement in transaction-related revenue. The business is still impacted by low and persistently negative interest rates with central banks, which will continue to provide some drag onto the net interest income. The current volatility in financial markets demonstrates how quickly events can change and could create headwinds and impact our business. We remain focused on our strategy to increase revenue while maintaining a close control over costs.

Merchant Banking will continue to grow its Assets under Management and maintain its significant contribution to the Group's results. The division will be focused on deploying recently launched funds, identifying attractive exit opportunities and achieving its fundraising targets. Our portfolios' performance remains strong and we remain committed to capital preservation with an equal focus on risk and return.

At the start of 2020, the outlook for our three businesses was positive with a strong pipeline in Global Advisory and the expectation of good assets under management growth in both Wealth & Asset Management and Merchant Banking. However, since the announcement of our annual results on 10 March, the impact of Covid-19 has worsened significantly resulting in further declines in financial markets and increased volatility. Further, the measures taken in many countries to counteract the virus are having a significant impact on economic activity. Although there is still considerable uncertainty around how this will develop and, hence, the degree to which this will impact our 2020 financial results, it is clear that the effect will be materially detrimental compared to 2019.

The Group has implemented its business continuity plans for all of its activities which are functioning well. The Group benefits from a strong balance sheet with a capital ratio of 19% and a high level of liquidity. We are confident that we will see a strong improvement in performance once markets start to return to a more normal situation.

7 Specific risks related to global economy and financial markets

7.1 Brexit consequences

The UK formally left the EU on 31 January 2020. However, the EU has asked its counterparts to treat the UK as if it remained a member state until the end of the transition period, currently due to end on 31 December 2020.

During the transition period, there will be negotiations between the UK and the EU in connection with the future relationship between the two. It is not possible accurately to predict the outcome of those negotiations.

Our multiple location model is resilient and our current view is that few changes will need to be made to our legal and operating structure as a consequence of Brexit. Changes that are being implemented are minor and largely concentrated in our Wealth and Asset Management activities.

Our current assessment is that the biggest risk for our business is the impact of Brexit on the UK and European economic environment. We continue to monitor developments closely.

7.2 Potential impacts of the low interest rate environment on Rothschild & Co (and more specifically on the Private Wealth and Asset Management businesses)

The low interest rate environment of recent years impacts our business directly through the returns we make on our cash holdings, although there is variation between different currencies. Rothschild & Co's strategy has been to maintain a low risk profile for such holdings, which are predominantly invested with central banks but also in investment grade bonds, systemically important banks, money and debt funds. Rothschild & Co has also deployed funds to support its strategy of growing private client lending in response to the expansion of the Wealth Management business and clients' demand for credit. This growth is primarily in segments with strong collateral backing, such as Lombard lending and residential mortgages, based on conservative loan to value ratios.

From a client investment perspective, Rothschild & Co has been reluctant to pass on negative interest rates to clients but the low interest rate environment makes it expensive to hold cash on their behalf, particularly Swiss francs and euros, and we have therefore introduced negative rates on a selective basis in certain markets. More generally, low yields even on longer-dated fixed-income securities can affect both advised and discretionary portfolio construction processes. However, we interpret low rates as primarily the result of central bank policy and long-term liability management by institutions rather than as a sign that wider business conditions have taken a turn for the worse. Corporate profitability, outside the volatile energy and banking sectors, has been historically respectable and the corporates held in our portfolios in general have not responded to low rates by recklessly gearing their balance sheets.

7.3 Impact of Covid-19

The impact of Covid-19 has resulted in further declines in financial markets and increased volatility. Further, the measures taken in many countries to counteract the virus are having a significant impact on economic activity. Although there is still considerable uncertainty around how this will develop and, hence, the degree to which this will impact our 2020 financial results, it is clear that the effect will be materially detrimental compared to 2019.

The Group has implemented its business continuity plans for all of its activities which are functioning well. The Group benefits from a strong balance sheet with a capital ratio of 19% and a high level of liquidity. We are confident that we will see a strong improvement in performance once markets start to return to a more normal situation.

During this period, the Group is monitoring developments on a continual basis and evaluating what actions can be taken to mitigate the impact of Covid-19 on the Group's activities and financial position.

1 Overview of the Company

1.1 Legal form

Rothschild & Co was converted into a French partnership limited by shares (*société en commandite par actions* or SCA) by decisions of the General Meeting of shareholders on 8 June 2012, which approved a reorganisation of the Group that constituted a major step forward in its ongoing international expansion and in the simplification of its structure.

One of these reorganisation stages consisted of converting the Company's form of incorporation into a partnership limited by shares to ensure the commitment and control of the Rothschild family over the long-term, leading to changes in the Company's structure and governance.

This legal form is based on two categories of partners: the General Partners, with the status of "*commerçant*", who have an active role in the Company's business and are jointly and severally liable for the Company's debts, and the Limited Partners (also called shareholders), who are not actively engaged in the Company's business and whose liability is limited to the amount of their investment.

1.2 General Partners

1.2.1 General Partners designated by the articles of association

The Company's General Partners were designated in the articles of association when the Company was converted into a partnership limited by shares on 8 June 2012. They are controlled by members of the French and English branches of the Rothschild family:

- Rothschild & Co Gestion, a French simplified joint-stock company (SAS) with share capital of €60,000, and whose registered office is at 3 rue de Messine, 75008 Paris (to which the articles of association also confer the role of Managing Partner); and
- Rothschild & Co Commandité, a French simplified joint-stock company (SAS) with share capital of €60,000, and whose registered office is at 3 rue de Messine, 75008 Paris.

The General Partners have unlimited joint and several liability for the Company's debts. However, they shall be held liable only if the creditors have already issued the Company with a formal demand by extrajudicial instrument to settle its debts.

Losses shall be divided between the General Partners in equal shares (50% for Rothschild & Co Commandité SAS and 50% for Rothschild & Co Gestion SAS).

However, in the event of an annual distributable profit, a profit share (*dividende préciputaire*) equal to 0.5% of the said annual distributable profit is allocated automatically to the General Partners who held such position during the year in question and is distributed between them in the same proportions as the distribution of losses specified above. However, in the event that the status of General Partner is lost during the course of that year, the remuneration of the Partner in question in respect of that year will be calculated on a pro-rata basis and the remainder shall be distributed between the other General Partners.

1.2.2 Powers of the General Partners

The General Partners have the power to appoint or revoke the Company's Managing Partner at any time, except for Managing Partners appointed under the Company's articles of association for which an approval from the Extraordinary General Meeting of shareholders is also required.

In the event of a cessation of duties of the Company's Managing Partner, the General Partners shall manage the Company pending the appointment of one or more new Managing Partners under the terms and conditions of the articles of association of the Company.

Under the provisions of the law, no decision is valid unless approved by both General Partners, except for the following decisions for which legal provisions expressly exclude General Partners' votes: vote on all resolutions proposed to the General Meeting of shareholders, except the appointment of members of the Supervisory Board, the appointment and dismissal of the Statutory Auditors, the distribution of dividends for the year and approval of regulated agreements and commitments. Also, pursuant to article 11.3 of the Company's articles of association, any transaction whose purpose or effect could fundamentally call into question the Group's independence, tradition of excellence, links to the Rothschild family or the role played by the Rothschild family, its use of the Rothschild name or the fact that the Group's main activities are financial activities must be approved by the General Partners, including when such transactions do not require authorisation from a General Meeting of shareholders.

1.2.3 Decision-making process

The General Partners take decisions at the Managing Partner's discretion at a General Meeting or by written consultation. Whenever a decision requires the approval of the General Partners and the General Meeting of shareholders, pursuant to the law or the memorandum and articles of association of the Company, the Managing Partner collects the General Partners' votes, in principle, before the General Meeting of shareholders and, in any event, no later than the close thereof.

Decisions or proposals that fall within the remit of the General Partners shall be adopted unanimously, except if the Company is converted to a French limited company (*société anonyme*) or a French limited liability company (*société à responsabilité limitée*) which only requires a majority of the General Partners.

1.3 Limited Partners (shareholders)

1.3.1 General presentation

The Limited Partners contribute capital and have therefore the status of shareholders.

They do not take an active part in the Company's day-to-day operations but take decisions including, but not limited to the:

- appointment of the Supervisory Board members, who must be selected from among the Limited Partners, and the Statutory Auditors;
- vote on the accounts approved by the Managing Partner; and appropriation of the income of the financial year (including the distribution of dividends);
- approval of the regulated agreements;
- advisory opinion on the Managing Partner's remuneration;
- modification of the articles of association; and
- delegation of authority relating only to a share capital increase.

1.3.2 Terms and conditions of shareholders' attendance at General Meetings

Decisions are adopted by Limited Partners during General Meetings of shareholders by a simple majority of the votes for ordinary decisions, and by a majority of two-thirds of the votes for extraordinary decisions.

General Meetings are convened by the Managing Partner or by the Supervisory Board and decisions are made, in the conditions provided for by law, by a simple majority of the votes of shareholders attending or represented at the meeting in the case of Ordinary General Meetings, and by a two-thirds majority of the votes of shareholders attending or represented at the meeting in the case of Extraordinary General Meetings.

Meetings are held at the registered office or any other place indicated in the notice of meeting. General Meetings are chaired by the Company's Managing Partner or, with the agreement of the Company's Managing Partner, by the Chairman of the Supervisory Board; failing this, the General Meeting elects its Chairman.

In compliance with Article 11 of the Company's articles of association, any shareholder is entitled to attend General Meetings in accordance with the conditions provided for by law and by the articles of association. These persons may send their proxy forms or mail voting forms concerning any General Meeting in paper format or electronically. The Managing Partner has the power to accept any proxy form, voting form or shareholding certificate received or presented to the General Meeting. By decision of the Company's Managing Partner to use such telecommunication methods, indicated as such in the notice of meeting or invitation to attend, shareholders who attend and vote at General Meetings of shareholders by videoconference or any other telecommunication must enable their identity to be verified in order to be deemed to be present at the meeting for the purposes of quorum and majority.

In case of division of ownership of shares, the voting rights attached to the shares belong to the bare owners (*nus-propriétaires*), except for decisions on the allocation of income, which belongs to the beneficial owners (*usufruitiers*).

More details on the terms and conditions of shareholders' attendance at Rothschild & Co's General Meetings are provided to shareholders in the notice of meeting to be published on the Company's website prior to the General Meeting in accordance with the law (www.rothschildandco.com/en/investor-relations/agm/).

2 Information on the share capital

2.1 Composition of the share capital

The share capital is only composed of ordinary shares of the same category with a par value of two euros.

As at 31 December 2019, the Company's share capital was divided into 77,617,512 ordinary shares.

During the 2019 financial year, the Managing Partner proceeded with two authorised share capital increases:

- on 6 May 2019, with the issuance of 54,736 new shares following the exercise of 54,736 stock options; and
- on 9 December 2019, with the issuance of 50,000 new shares following the exercise of 50,000 stock options.

These share capital increases resulted from the exercise of stock options by subscription of newly issued shares in accordance with the framework of the 2013 Equity Scheme (as defined under Section 2.3.5) and the delegation of authority granted by the shareholders.

2.2 Voting rights

As at 31 December 2019 and as at 31 December 2018, the total number of voting rights was as follows:

Total number of voting rights	31/12/2019	31/12/2018
Exercisable	115,725,502	114,022,849
Theoretical[1]	121,654,483	120,457,497

(1) The total number of theoretical voting rights includes voting rights attached to shares without the capacity to exercise the voting rights attached to them pursuant to the applicable legal or regulatory provisions. The shares concerned are treasury shares and controlling shares. Pursuant to applicable legal and regulatory provisions, the crossing upwards of voting rights thresholds provided for by law or by the articles of association must be calculated based on the total number of theoretical voting rights, as made public by Rothschild & Co every month.

Each month, the Company issues a report on the total number of shares and voting rights comprised in the share capital which is available on its website (www.rothschildandco.com under Section "Newsroom/Regulated Information").

Each share and voting right certificate is entitled to one voting right at the General Meetings. However, article 11.1 of the Company's articles of association provides that, as from the General Meeting of shareholders on 8 June 2012, the holder of any fully paid share, held in the form of registered shares for at least two years in the name of a single holder, shall be entitled to two voting rights per share, without any limitation.

In case of capital increase, by incorporation of reserves, benefits or issue premiums, the double voting right is, as from the issuance date, attributed to the registered shares allocated to a shareholder as a consequence of former shares for which he benefits from a double voting right.

In the event of any transfer following inheritance, liquidation of marital property between spouses, or donation *inter vivos* in favour of a spouse or relative entitled to inherit, the right remains acquired and the period referred to above is not interrupted. The double voting right is cancelled *ipso jure* on any share transferred for any other cause.

In case of division of shares and voting right certificates' ownership, the voting right attached to the share or to the voting right certificate is exercised by the bare owner (*nus-propriétaire*), except on decisions relating to the appropriation of income, where it is exercised by the beneficial owner (*usufruitier*).

2.3 Information on the shareholding structure

The table below lists the shareholders of Rothschild & Co holding, as at 31 December 2019 and as at 31 December 2018, a percentage of the share capital or of the voting rights that exceeds the thresholds for disclosure as required under article L.233-7 of the French Commercial Code:

	31/12/2019			31/12/2018		
Shareholders	Total capital	% of share capital	% of exercisable voting rights	Total capital	% of share capital	% of exercisable voting rights
• Rothschild & Concordia SAS[(1)]	26,554,652	34.21%	44.38%	24,806,341	32.00%	43.51%
• David de Rothschild Family	2,520	0.00%	0.00%	346,734	0.45%	0.31%
• Éric and Robert de Rothschild Family	12	0.00%	0.00%	1,089,254	1.41%	1.19%
• Holding Financier Jean Goujon SAS[(2)]	4,057,079	5.23%	7.01%	4,057,079	5.23%	7.12%
• N.M. Rothschild & Sons Ltd[(3)]	1,360,503	1.75%	-	1,262,173	1.63%	-
• Bernard Maurel Family	4,229,704	5.45%	7.31%	4,229,704	5.46%	7.02%
• Other members of the Enlarged Family Concert[(4)]	2,374,558	3.06%	3.96%	2,611,072	3.36%	4.26%
Total Enlarged Family Concert[(4)(5)]	**38,579,028**	**49.70%**	**62.67%[(6)]**	**38,402,357**	**49.54%**	**63.41%[(7)]**
Treasury shares[(8)]	4,151,321	5.35%	-	3,023,132	3.90%	-
Other controlling shares[(3)(9)(10)]	417,157	0.54%	-	2,149,343	2.77%	-
Jardine Matheson group	4,217,310	5.43%	7.29%[(10)]	4,217,310	5.44%	7.40%[(11)]
Non-Executive Directors[(12)(13)] and Officers[(14)]	903,809[(15)]	1.16%	0.82%[(16)]	850,562[(17)]	1.10%	0.76%[(18)]
Float	29,348,887	37.82%	29.22%[(19)]	28,870,072	37.24%	28.43%[(20)]
TOTAL	**77,617,512**	**100.00%**	**100.00%[(21)]**	**77,512,776**	**100.00%**	**100.00%[(22)]**

(1) For details on the control of Rothschild Concordia SAS, please refer to Section 2.3.1.
(2) Controlled by Mr. Edouard de Rothschild.
(3) Group entities controlled by Rothschild & Co. According to applicable legal provisions, controlling shares cannot have voting rights.
(4) For more details on the composition of the Enlarged Family Concert and the applicable shareholders' agreements, please refer to Section 2.3.1.
(5) Some members of the Enlarged Family Concert entered into "Dutreil Agreements" (*Pactes Dutreil*), which regime is provided for in Article 787 B of the French General Tax Code (Code Général des Impôts or "CGI"). Under these agreements, they committed to retain their shares for two years. For more details regarding these agreements, please refer to Section 2.3.8.
(6) Including 61.01 % of double voting rights.
(7) Including 61.67 % of double voting rights.
(8) For more details on the allocation of the treasury shares and the transactions carried out under the share buyback programme in force during the 2019 financial year, please refer to Section 2.3.3.
(9) For more details on the allocation of the controlling shares, please refer to Section 2.3.4. The indicated figures on this line exclude the Rothschild & Co shares held by N.M. Rothschild & Sons Ltd, which is member of the Enlarged Family Concert. The amount of Rothschild & Co shares held by N.M. Rothschild & Sons Ltd is therefore indicated in the above lines dedicated to the Enlarged Family Concert.
(10) Including 7.29 % of double voting rights.
(11) Including 7.40 % of double voting rights.
(12) Members of the Company's Supervisory Board, excluding Mr. David de Rothschild, Mr. Eric de Rothschild and Mr. François Henrot (non-voting member), whose Company shares are aggregated in the Enlarged Family Concert. For more details on the composition and share capital holding of the latter, please refer to Section 2.3.1.
(13) Excluding the Company's shares held by Adam Keswick through the Jardine Matheson Group.
(14) For the purposes of this information, "Officers" are defined as the members of the Group Executive Committee and the Rothschild & Co's Managing Partner, Rothschild & Co Gestion.
(15) Including 37,185 Non-Cash Instruments granted as part of the Group's Non-Cash Instrument Plan, as well as 74,845 Investment shares and 10,000 shares granted following stock options exercise as part of the Group's Equity Schemes detailed in Section 2.3.5.
(16) Including 0.08% of double voting rights.
(17) Including 16,751 Non-Cash Instruments granted as part of the Group' s Non-Cash Instrument Plan, as well as 52,345 Investment share and no shares granted following stock options exercise, as part of the Group's Equity Schemes detailed in Section 2.3.5.
(18) Including 0.03% of double voting rights.
(19) Including 7.80% of double voting rights.
(20) Including 6.25% of double voting rights.
(21) Including 76.10% of double voting rights.
(22) Including 75.32% of double voting rights.

To the Company's knowledge, no other shareholder held as at 31 December 2019, directly or indirectly, alone or acting in concert, above 5% of the Company's share capital or voting rights.

The sections hereafter provide more information regarding the composition and structure of the Company's shareholding structure.

2.3.1 Control of the Company by a Family Concert

Initial Family Concert following the Group reorganisation in January 2008 and further restructuring in July 2019

The shareholders of Rothschild & Co Concordia SAS (all members of the Rothschild family), the largest direct shareholder of Rothschild & Co, act in concert in respect of the Rothschild & Co shares held by Rothschild & Co Concordia SAS (or "RCSAS").

In this context, they entered into an initial shareholders' agreement in 2008, for which the main provisions were published by the French Financial Markets Authority (the *Autorité des Marchés Financiers* or "AMF") (see the AMF Decision & Information number 208C0180 of 25 January 2008).

Said initial shareholders' agreement was replaced by a new shareholders' agreement on 31 July 2019 (the "RCSAS Shareholders' Agreement"), as a result of various transactions aimed at consolidating the control of the Rothschild family over Rothschild & Co (for more details, please refer to Section 4.1.1 of this Report, p.52; and Section 4 of this Report, p.52). The summary of these transactions and main RCSAS Shareholders' Agreement's provisions were published by the AMF (see the AMF Decision & Information number 219C1199 of 17 July 2019).

In accordance with the RCSAS Shareholders' Agreement:

- RCSAS shareholders are granted a pre-emption right: any RCSAS shareholder wishing to transfer all or any part of its/his/her RCSAS shares to a third party to the RCSAS Shareholders' Agreement, shall first give notice in writing to RCSAS Board of Directors and the other RCSAS shareholders. The RCSAS shareholders, to the extent they are members of the family branches (David de Rothschild Branch, the Eric de Rothschild Branch, or the Integritas Branch), shall have the right to purchase all or part of the shares proposed by the selling shareholder. If the pre-emption right has not been exercised, the selling shareholder may transfer its RCSAS shares subject to several conditions, including the approval of the RCSAS Board of Directors and the adherence of the transferee to the RCSAS Shareholders' Agreement;
- different voting rules are applicable to RCSAS shareholders during RCSAS general meetings, depending on the nature of the contemplated decisions: some decisions shall require a unanimous vote of all the shareholders who are members of the family branches (such as: any investment by RCSAS other than in the share capital of Rothschild & Co, or any disposal of or agreement by RCSAS to dispose of Rothschild & Co shares that would result in RCSAS holding less than 31.5% of the issued share capital in Rothschild & Co, as long as RCSAS holds 30% of the issued share capital of Rothschild & Co), some decisions shall require an affirmative vote of shareholders holding together at least 90% of the share capital and voting rights of RCSAS (such as, a new partner approval), and the rest of the decisions shall require an affirmative vote of shareholders holding together at least 75% of the share capital and voting rights of RCSAS; and
- the RCSAS shares are locked-up for a seven-year period, *i.e.* until 31 July 2026: until the seventh anniversary of the RCSAS Shareholders' Agreement, there shall not occur any transfer of the RCSAS shares to any person other than those defined under the RCSAS Shareholders' Agreement, any change of control of a RCSAS shareholder or any exit transaction (*i.e.* transaction or decision which could result in (i) the RCSAS shareholders ceasing to control RCSAS, (ii) RCSAS ceasing to control Rothschild & Co, (iii) in Rothschild & Co ceasing to control N. M. Rothschild & Sons Limited or the major part of its assets, taken as a whole, and/or (iv) an initial public offering of the shares of N. M. Rothschild & Sons Limited or any holding company of N. M. Rothschild & Sons Limited).

In addition to the RCSAS Shareholders' Agreement, a put and call option agreement was entered into by the English and French branches of the Rothschild family on the same date, *i.e.* on 31 July 2019 (the "Put and Call Option Agreement").

In accordance with the Put and Call Option Agreement, at the end of the above-mentioned seven-year lock-up period:

- (i) the English branch may transfer its remaining RCSAS shares to the French branches ("Put Option"), the latter not being granted a call option on these shares, and (ii) the French branches may purchase ("Call Option") the remaining Rothschild & Co Commandité SAS and Rothschild & Co Gestion SAS shares from the English branch, the latter being not granted a put option on these shares; and
- If the English branch exercises the Put Option and transfers its RCSAS shares to the French branches, the latter shall acquire these shares in cash. However, the buyers may (it is not an obligation) decide to be substituted by RCSAS in said acquisition (subject to the approval of the RCSAS shareholders meeting), which would then pay the purchase price in the form of Rothschild & Co shares.

The RCSAS Shareholders' Agreement and the Put and Call Option Agreement were still in force as at 31 December 2019.

As at 31 December 2019 and as at 31 December 2018, RCSAS shareholding structure was composed as follows:

	As at 31 December 2019			As at 31 December 2018		
Shareholders	**Shares**	**% of share capital**	**% of voting rights**	**Shares**	**% of share capital**	**% of voting rights**
David de Rothschild's family branch (1)	325,569,413	39.42%	39.42%	269,551,815	33.02%	33.02%
Eric and Robert de Rothschild's family branch(2)	459,067,390	55.58%	55.58%	374,927,451	45.94%	45.94%
Integritas BV branch(3)	41,296,677	5.00%	5.00%	171,728,995	21.04%	21.04%
Total Rothschild & Co Concordia SAS	**825,933,480**	**100.00%**	**100.00%**	**816,208,261**	**100.00%**	**100.00%**

(1) Mr. David de Rothschild, his family and holding companies controlled by his family.
(2) Messrs. Éric and Robert de Rothschild and holding companies controlled by their family.
(3) Controlled by the English branch of the Rothschild family.

The change in RCSAS shareholding structure between 2018 and 2019 is due to the aforesaid transactions completed in 2019.

In accordance with the provisions of the RCSAS Shareholders' Agreement, the total number of RCSAS shares which are still under a lock-up period as at 31 December 2019 amounts to 825,933,480 shares, representing 100% of RCSAS share capital and exercisable voting rights.

Enlarged Family Concert after the Group reorganisation in June 2012

In the context of the Group reorganisation which occurred in June 2012, an Enlarged Family Concert was created, including the following members: RCSAS, the David, Éric and Édouard de Rothschild family branches, certain members of the management bodies and Compagnie Financière Martin Maurel.

On this occasion, the members of the Enlarged Family Concert entered into a shareholders' agreement (the "Rothschild & Co Shareholders' Agreement"), which main terms were published by the AMF (see the AMF Decision & Information number 212C0752 of 13 June 2012, the AMF Decision 212C0783 of 19 June 2012 and the AMF Decision & Information number 212C0784 of 19 June 2012).

After 2012, the Enlarged Family Concert was extended in 2014 and in 2016 to other members, including the Group's Senior Managers (see the AMF Decision & Information number 215C0073 of 14 January 2015 and the AMF Decision & Information number 216C0119 of 12 January 2016).

In addition, some members of the Enlarged Family Concert carried out several transactions throughout the years (donation, acquisition or sale of their Rothschild & Co shares, contribution of their Rothschild & Co shares to their holding companies, merger of Rothschild & Co with Compagnie Financière Martin Maurel), which resulted in the modification of both composition of the Enlarged Family Concert and allocation of Rothschild & Co share capital among the members of the Enlarged Family Concert.

These successive extensions and modifications of the Enlarged Family Concert led to the conclusion of amendment agreements to the Rothschild & Co Agreement in 2012, 2014 and in 2017, which main provisions were published by the AMF (see the AMF Decision & Information number 212C0784 of 19 June 2012, the AMF Decision & Information number 215C0073 of 14 January 2015 and the Decision & Information number 217C0092 of 9 January 2017).

In accordance with the Rothschild & Co shareholders Agreement:

- RCSAS is granted a right of first refusal (with a right of substitution in the exercise of this right by RCSAS of any person RCSAS chooses as long as this person acts in concert with RCSAS): where a party to the Rothschild & Co Shareholders' Agreement wishes to transfer all or any part of Rothschild & Co shares, the selling party shall, before any transfer, offer to RCSAS the Rothschild & Co shares he/she/it intends to transfer. RCSAS may then exercise its right of first refusal regarding part or all the offered Rothschild & Co shares. In contrast, RCSAS shall remain free to transfer Rothschild & Co shares any time and under the terms and conditions it deems appropriate; and
- the parties to the Rothschild & Co Shareholders' Agreement shall make their best effort to reach a consensus regarding the exercise of their voting rights during Rothschild & Co's shareholders' general meetings. If a consensus could not be reached, the parties undertake to vote along the lines recommended by Mr. David de Rothschild, as Chairman of RCSAS. In all cases and under the terms of the Rothschild & Co Shareholders Agreement, they give irrevocable power of attorney to the latter (Mr. David de Rothschild), as Chairman of RCSAS, to represent them during all Rothschild & Co's shareholders' general meetings.

The Rothschild & Co Shareholders' Agreement (and its successive amendments) was still in force as at 31 December 2019.

As at 31 December 2019 and as at 31 December 2018, the composition of the Enlarged Family Concert was as follows:

	As at 31 December 2019				As at 31 December 2018			
Enlarged Family Concert members	Shares	% of share capital	Voting rights	% of exercisable voting rights	Shares	% of share capital	Voting rights	% of exercisable voting rights
Rothschild & Co Concordia SAS	26,554,652	34.21%	51,360,993	44.38%	24,806,341	32.00%	49,612,682	43.51%
David de Rothschild Family(1)	2,520	0.00%	5,040	0.00%	346,734	0.45%	349,254	0.31%
Éric et Robert de Rothschild Family(1)	12	0.00%	22	0.00%	1,089,254	1.41%	1,356,384	1.19%
Holding Financier Jean Goujon SAS(2)	4,057,079	5.23%	8,114,158	7.01%	4,057,079	5.23%	8,114,158	7.12%
N.M. Rothschild & Sons Ltd(3)	1,360,503	1.75%	–	–	1,262,173	1.63%	–	–
Philippe de Nicolay-Rothschild	102	0.00%	202	0.00%	102	0.00%	202	0.00%
Alexandre de Rothschild	387	0.00%	387	0.00%	158	0.00%	158	0.00%
François Henrot Family(1)	762,470	0.98%	1,524,930	1.32%	762,470	0.99%	1,524,930	1.34%
Olivier Pécoux Family(1)	49,008	0.06%	85,204	0.07%	438,251	0.57%	584,530	0.51%
Rothschild & Co Gestion SAS	1	0.00%	2	0.00%	1	0.00%	2	0.00%
Bernard Maurel Family(1)	4,229,704	5.45%	8,459,408	7.31%	4,229,704	5.46%	8,004,674	7.02%
Nicolas Bonnault Family(1)	388,260	0.50%	716,510	0.62%	328,260	0.42%	656,510	0.58%
Laurent Baril Family(1)	469,570	0.60%	874,140	0.76%	404,570	0.52%	809,140	0.71%
Philippe Le Bourgeois Family(1)	320,760	0.41%	614,010	0.53%	293,260	0.38%	523,510	0.46%
Christophe Desprez Family(1)	384,000	0.49%	767,700	0.66%	384,000	0.50%	767,700	0.67%
Total Enlarged Family Concert	**38,579,028(2)**	**49.70%**	**72,522,706**	**62.67%**	**38,402,357**	**49.54%**	**72,303,834**	**63.41%**

(1) Including their family holding company.
(2) Controlled by Mr. Édouard de Rothschild.
(3) Group entity controlled by Rothschild & Co without voting rights, in accordance with applicable legal provisions.

In accordance with the provisions of the Rothschild & Co Shareholders' Agreement, no more Rothschild & Co shares are still under a lock-up period as at 31 December 2019.

2.3.2 Other shareholders' agreements

Within the context of the Group's reorganisation approved by the shareholders at the General Meeting held on 8 June 2012, lock-up agreements on the Company shares were concluded with the general partners of Rothschild Martin Maurel SCS (formerly named Rothschild et Compagnie Banque SCS) and shareholders of Financière Rabelais SAS, which are not members of the Enlarged Family Concert but received Rothschild & Co shares in remuneration of the contribution of their respective interest in these entities.

In accordance with these agreements, the contributors, not members of the Enlarged Family Concert, of interests in Rothschild & Compagnie Banque SCS and shares in Financière Rabelais SAS are under an obligation to hold all the Rothschild & Co shares received in exchange for their contributions for lock-up periods ranging from one to 18 years and also have an obligation to notify Rothschild & Co and RCSAS before any sale of said shares.

As at 31 December 2019, the total number of Rothschild & Co shares which are still under the above-mentioned lock-up period amounts to 1,464,372 shares, representing 1.89% of the share capital and 1.89% of the exercisable voting rights.

2.3.3 Treasury shares

As at 31 December 2019, Rothschild & Co held 4,151,321 of its own shares, without voting rights, as follows:

Total number of shares held by Rothschild & Co	
Purchased by the Company under a Company's share buyback programme	4,066,004
Not purchased by the Company under a Company's share buyback programme	85,317(1)
Total	**4,151,321**
% of the share capital	5.35%

(1) Remaining shares which had been contributed to Rothschild & Co as a result of the merger with Compagnie Financière Martin Maurel effective from 2 January 2017 – which modalities are displayed in the 2017 Annual Report.

The share buyback programme of the Company

The share buyback programme of the Company in force during the 2019 financial year was approved by the shareholders at the General Meeting held on 16 May 2019. In accordance with the provisions of Articles 241-2 and 241-3 of the AMF General Regulation, its purposes and terms are summarised hereafter:

Authorisation of the programme	General Meeting of 16 May 2019
Period of validity	From 16 May 2019 to 16 November 2020
Resolution approving the programme	16
Maximum number of shares	10% of the share capital at the date on which the purchases are made, however, the total number of the Company's own shares held, directly or indirectly, by it following such purchases shall not exceed 10% of those outstanding(1)
Maximum purchase price per share	€50 Maximum
Maximum amount	€387,563,850

(1) 10% of the share capital represented an amount of 7,761,751 shares as at 31 December 2019.

Under the current programme, the shares could be purchased, sold or otherwise transferred, namely to:

1. under a liquidity contract signed with an investment service provider acting independently under a liquidity contract in accordance with an ethics charter recognised by the French Financial Markets Authority (*Autorité des Marchés Financiers*);

2. cancellation of some or all of the shares purchased;

3. granting the sale of shares to meet the obligations related to stock purchase option plans (in accordance with the provisions of articles L. 225-179 *et seq.* of the French Commercial Code (*Code de commerce*)), free share plans (in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code (*Code de commerce*)), the allotment of shares under the French statutory profit-sharing scheme and any other allotment to employees and executive corporate officers, including the implementation of company savings plans (in accordance with the provisions of articles L. 3332-1 onwards of the French Labour Code (*Code du Travail*)), for employees and executive corporate officers of the Company and of affiliated companies under the conditions and in accordance with the terms and conditions provided for by law;

4. more generally, making any allocation of ordinary shares of the Company to these employees and corporate officers, particularly in the context of the variable compensation of members of the professional financial market staff whose activities have a material impact on the risk exposure of the Company, for whom these awards are dependent upon the fulfilment of performance conditions;

5. delivering shares upon the exercise of rights attaching to securities giving immediate or deferred access to the share capital;

6. preservation or subsequent tendering by way of payment or exchange in accordance with the provisions of Article L. 225-209 paragraph 6 of the French Commercial Code (*Code de commerce*) and, more generally, as part of external growth transactions, it being recalled that the said Article L. 225-209 paragraph 6 provides that the number of shares acquired with a view to conserving them for their subsequent delivery in connection with a merger, spin-off or asset-for-share transfer may not exceed 5% of the Company's share capital; and

7. more generally, any other purpose consistent – or to become consistent – with applicable laws and regulations and in particular any other practice admitted or recognised – or to become admitted or recognised – by law or the French Financial Markets Authority (*Autorité des Marchés Financiers*).

As required under Article L. 225-211 of the French Commercial Code, the table below summarises the transactions carried out by the Company under this authorisation, as well as the authorisation granted to the Managing Partner to buyback the Company's shares at the General Meeting of shareholders held on 17 May 2018, during the 2019 financial year:

Transactions carried out by the Company in the 2019 financial year under a share buyback programme	
In the context of the liquidity contract[1]	
Number of shares booked in the name of the Company as at 31 December 2018	**33,682**
Number of shares purchased	223,660
Average purchase price	26.80
Number of shares sold	218,792
Average sale price	27.00
Number of shares booked in the name of the Company as at 31 December 2019	**38,550**
Par value (in euros)	77,100
Value at purchase price (in euros)	–
Fraction of the share capital as at 31 December 2019 that they represent	0.05%
Excluding the liquidity contract	
Number of shares booked in the name of the Company as at 31 December 2018	**2,588,624**
Appropriation	
• Company's stock option plans (Equity Schemes)[2] and Non-cash Instrument plans	2,588,624
Number of shares purchased	1,923,830[3]
Average purchase price (in euros)	28.60
Number of shares sold	485,000[4]
Average sale price (in euros)	23.28[5]
Number of shares booked in the name of the Company as at 31 December 2019	**4,027,454**
Appropriation[6]	
• Company's stock option plans (Equity Schemes)[2] and Non-cash Instrument plans	4,027,454
Par value (per share, in euros)	2.00
Par value (total of shares, in euros)	8,054,908
Value at purchase price (in euros)	118,130,258
Fraction of the share capital as at 31 December 2019 that they represent	5.19%
Total of share trading costs	**30,000**

(1) The transactions are recorded after settlement-delivery.
(2) Please refer to Section 2.3.5 for more details regarding Rothschild & Co's Equity Schemes.
(3) Shares purchased on 2 April 2019 by the Company from Rothschild & Co Holding AG, a Swiss subsidiary, which was subsequently dissolved, in order to streamline the Swiss corporate organisation within the Group. Rothschild & Co Holding AG had acquired these treasury shares following the unwinding of the cross-shareholding of Rothschild & Co and Edmond de Rothschild groups on 6 August 2018 (please refer to Section 4.3 p.56 of Rothschild & Co 2018 Annual Report for more details).
(4) Shares sold to cover the 2013-2, 2013-3, 2013-4, 2015-1, 2015-2, and the 2019 Equity Schemes plans (please refer to Section 2.3.5 for more details).
(5) Average subscription or purchase price of shares under Rothschild & Co's Equity Scheme plans for transactions concluded between 1 January and 31 December 2019 (please refer to Section 2.3.5 for more details).
(6) No change of purposes in the appropriation of such shares has occurred as at 31 December 2019.

In accordance with Article L. 225-212 of the French Commercial Code, Rothschild & Co provides the AMF with a monthly report on the shares acquired, sold, cancelled or transferred by the Company in application of Article L. 225-209 of said Code.

It will be requested to Rothschild & Co's shareholders, at the next General Meeting that will be held on 14 May 2020, to renew the authorisation granted to the Managing Partner to buyback the Company's shares under the same terms and conditions as the share buyback programme approved at the General Meeting of shareholders held on 16 May 2019.

2.3.4 Controlling shares held by entities controlled by the Company

As at 31 December 2019, a total of 1,777,660 shares were held by entities controlled by Rothschild & Co, representing 2.29% of the share capital. These shares are by nature without voting rights.

Entities controlled by Rothschild & Co	Rothschild & Co shares held as at 31/12/2019	% of the share capital	Rothschild & Co shares held as at 31/12/2018	% of the share capital
N.M. Rothschild & Sons Ltd	1,360,503[1]	1.75%	1,262,173[2]	1.63%
Other controlled entities which hold shares pursuant to the Equity Scheme regulations[3]	193,666	0.25%	168,666	0.22%
Other controlled entities which hold shares pursuant to non-cash instruments plans[4]	223,386	0.29%	56,742	0.07%
Other controlled entities which hold shares for other purposes	105	<0.01%	1,923,935	2.48%

(1) Out of these 1,360,503 shares, 303,452 shares are held pursuant to the Equity Scheme regulations and non-cash instruments plan.
(2) Out of these 1,262,173 shares, 205,122 were held pursuant to the Equity Scheme regulations and non-cash instruments plan.
(3) Controlling shares purchased under the Equity Schemes, described in Section 2.3.5 of this report, as part of the Rothschild & Co shares investment by certain employees of the Group.
(4) Compensation policy implemented to satisfy regulatory requirement on delivery of compensation under CRD IV to Regulated Persons within the Group.

2.3.5 Rothschild & Co's Equity Schemes

As at 31 December 2019, the only securities granting access to the share capital of the Company are the stock options granted by Rothschild & Co for the benefit of senior employees and executive corporate officers of the Company and its subsidiaries.

Within the framework of the delegations of authority granted by the shareholders and characteristics specific to Rothschild & Co[1], six equity schemes have been implemented and remained in force as at 31 December 2019.

- on 11 October 2013 (the "2013 Equity Scheme");
- on 9 December 2015 (the "2015 Equity Scheme");
- on 13 December 2017 (the "2017 Equity Scheme");
- on 20 June 2018 (the "2018 Equity Scheme"); and
- on 11 October 2019 (the "2019 Existing Partners Scheme" and the "2019 New Partners Scheme").

Beyond the mere use of the legal authority to implement stock options plans, Rothschild & Co wants to promote the convergence of interests of the stock options' beneficiaries with the controlling family shareholder as well as other shareholders. Therefore, each Equity Scheme requires participants to purchase and hold Rothschild & Co shares in order to be granted stock options.

According to the rules and regulations of each Equity Scheme:

- Rothschild & Co shares are invested beforehand in the form of an acquisition of shares and/or restricted share units ("RSUs"), giving holders the right to receive Rothschild & Co shares after a set vesting date, subject to certain conditions[2];
- the Rothschild & Co shares purchased are subject to a lock-up period of four years (or in the case of the 2019 Existing Partner Scheme, three years) and the RSUs are subject to a vesting period of four years (or in the case of the 2019 Existing Partner Scheme, three years);
- the stock options awarded are subject to vesting periods of up to six years before being exercisable, and lapse ten years (four years in the case of the 2019 Exiting Partner Scheme) after being granted; and
- the stock options granted under each Equity Scheme are classified into four distinct tranches of stock options ("Tranche 1", "Tranche 2", "Tranche 3", and "Tranche 4"). Before the beginning of the exercise period of each tranche of stock options, the Managing Partner of the Company decides whether the stock options are exercised by subscribing newly issued Rothschild & Co shares or by acquiring existing Rothschild & Co shares allocated in this context.

Participants

The Rothschild & Co Equity Schemes' participants are partners across the Group (the "Partners"). The Partners include the most senior officers in the Group businesses or those having cross-divisional functions, such as the members of Group Executive Committee.

- **Overview of the participants of Rothschild & Co's Equity Schemes**

The 2013 Equity Scheme was made available to 57 Partners, operating in ten different countries, within the Global Advisory business and the Group Executive Committee.

The 2015 Equity Scheme was extended to ten new Partners, operating in five different countries, within the Wealth Management and Merchant Banking businesses, and the Group Executive Committee.

The 2017 Equity Scheme was extended to 20 new Partners, operating in six different countries, within the Global Advisory, Wealth and Asset Management, and Merchant Banking businesses, and having cross-divisional functions in the Rothschild & Co Group.

The 2018 Equity Scheme was extended to one new Partner within the Global Advisory business.

The 2019 Existing Partners Equity Scheme was subscribed to by 49 Partners, operating in ten different countries, and who participated in the previous Equity Schemes.

The 2019 New Partners Equity Scheme was extended to six new Partners, operating in three different countries, within the Global Advisory, Wealth and Asset Management and Merchant Banking businesses.

(1) For more details regarding the outstanding delegations granted to the Company's Managing Partner in force and in use during the twelve months ended 31 December 2019, please refer to Section 6, p.116 of this Annual Report.
(2) Within the framework of restricted share units under the Equity Scheme, a number of Rothschild & Co shares were acquired by Group entities in which Equity Scheme participants hold management or executive roles. These shares, intended to be awarded to holders of RSUs after the vesting date and subject to certain conditions, are currently – and until the vesting date – treasury shares and therefore do not bear any voting rights.

- **Effective participation in the Rothschild & Co's Equity Schemes**

The table below indicates the total number of Rothschild & Co shares invested by the Partners who effectively participated in an Equity Scheme and the total number of stock options granted accordingly:

	Total number of shares invested	% of share capital as at the grant date	Total number of stock options granted	% of share capital as at the grant date
2013 Equity Scheme	780,000	1.10%	3,120,000	4.40%
2015 Equity Scheme	115,000	0.16%	460,000	0.64%
2017 Equity Scheme	277,500	0.36%	1,110,000	1.44%
2018 Equity Scheme	20,000	0.02%	80,000	0.08%
2019 Existing Partners Scheme	207,500	0.27%	830,000	1.08%
2019 New Partners Scheme	80,000	0.10%	320,000	0.40%

Pricing and other conditions set out to promote the long-term performance of the Group

The conditions set out in the Equity Schemes rules and regulations ensure the alignment of the Participant's interests and the long-term performance of the Group.

In order to participate in the Equity Schemes and be granted stock options, Partners are required to acquire Rothschild & Co shares and/or RSUs at market value and hold them for a period of four years (three in the case of the 2019 Existing Partner Scheme). As shareholders, Partners' interests in the long-term performance of the Group are aligned with those of other shareholders.

The subscription or purchase price of Rothschild & Co shares underlying the first tranche of stock options per Equity Scheme (the "Exercise Price") is set at the market value on date of the grant, but tranches 2, 3 and 4 are set at various levels above the market price at grant (as described below) which is designed to motivate the Partners to improve the performance of the Group and thereby contribute to increasing the Rothschild & Co share price.

The stock options have a vesting period of up to six years (three in the case of those granted under the 2019 Existing Partner Scheme) and have a ten-year term (four-year in the case of those granted under the 2019 Existing Partner Scheme) commencing from the grant date. Unexercised stock options lapse and are no longer valid or exercisable after the expiration of that term meaning that Partners are focused on improving the performance of the Group in the long term.

The participants can only exercise their stock options if they remain employees or executive corporate officers within the Group until the exercise date of the stock options, subject to some specific exceptions stipulated in the Equity Schemes rules and regulations.

As from the 2017 Equity Scheme, the exercise of the options is conditional upon the achievement of a performance condition which depends on the entity within which the participant is a Partner. It is specified that no Rothschild & Co corporate executive officer ("*dirigeant mandataire social*") has participated in the Group Equity Schemes, except Alexandre de Rothschild, who participated in the 2013 Equity Scheme, as an employee of a Group subsidiary. Since he was not a Rothschild & Co corporate executive officer ("*dirigeant mandataire social*") at the time he participated in the 2013 Equity Scheme, no performance condition was attached to his stock options granted at the grant date. He has not participated in an Equity Scheme since.

The Exercise Price is determined by the Managing Partner of the Company at the grant date in accordance with Articles L. 225-177 and L. 225-179 of the French Commercial Code, the applicable resolutions of the general shareholders' meeting of Rothschild & Co authorising the Managing Partner to grant stock options, and the Equity Scheme rules and regulations.

The applicable Equity Scheme rules and regulations defined the Exercise Price for each stock options tranche as follows:

Equity Scheme	Tranche	Definition of the Exercise Price
2013, 2015, 2017, 2018 Equity Schemes and 2019 New Partners Equity Scheme	Tranche 1	The Floor Price
	Tranche 2	The higher of (i) the Reference (or Purchase) Price plus €0.50 and (ii) the Floor Price
	Tranche 3	The higher of (i) the Reference (or Purchase) Price plus €1.50 and (ii) the Floor Price
	Tranche 4	The higher of (i) the Reference (or Purchase) Price plus €2.50 and (ii) the Floor Price
2019 Existing Partners Equity Scheme	Tranche 1	The Floor Price
	Tranche 2	The higher of (i) the Reference (or Purchase) Price plus €1.00 and (ii) the Floor Price
	Tranche 3	The higher of (i) the Reference (or Purchase) Price plus €3.00 and (ii) the Floor Price
	Tranche 4	The higher of (i) the Reference (or Purchase) Price plus €5.00 and (ii) the Floor Price

The Floor Price and the Reference Price are defined as follows:

- the Reference Price (or the Purchase Price depending on the terminology used) means the closing listed price of the Rothschild & Co share on grant date, *i.e.* the date when stock options are granted. The Reference Price corresponds to the price at which the Rothschild & Co shares must be effectively invested by the participants to be eligible to receive stock options.

  It is specified that, for the 2018 Equity Scheme, the Reference Price means the closing listed price of the Rothschild & Co share on 13 December 2017, *i.e.* the 2017 Equity Scheme grant date. The terms and conditions of the 2018 Equity Scheme, which was intended for one Partner, were aligned on the 2017 Equity Scheme.

- the Floor Price means the higher of (i) the closing listed price of the Rothschild & Co share on the grant date, (ii) 80% of the average of the opening listed prices of the Rothschild & Co share over the 20-trading day period preceding the grant date, and (iii) 80% of the average purchase price of the Rothschild & Co shares held on the grant date by Rothschild & Co pursuant to the provisions of Articles L.225-208 and L.225-209 of the French Commercial Code.

  It is also specified that, for the same reason as mentioned above for the Reference Price in the 2018 Equity Scheme, the definition of the Floor Price is slightly nuanced in the 2018 Equity Scheme. In the latter, the Floor Price means the higher of (i) the 2017 Equity Scheme Reference Price, *i.e.* the closing listed price of the Rothschild & Co share on 13 December 2017 (the 2017 Equity Scheme grant date), (ii) 80% of the average of the opening listed prices of the Rothschild & Co share over the 20-trading day period preceding the grant date, and (iii) 80% of the average purchase price of the Rothschild & Co shares held on the grant date by Rothschild & Co pursuant to the provisions of Articles L.225-208 and L.225-209 of the French Commercial Code.

The table below shows for each tranche of stock options per Equity Scheme the Exercise Price approved by the Managing Partner at the grant date in accordance with the aforesaid rules and regulation:

		Floor price	Reference Price	Exercise Price approved by the Managing Partner on the grant date (in euro)
2013 Equity Scheme	**Options 2013-1**	€17.50		**€17.50**
	Options 2013-2	€17.50	€17.50	**€18.00**
	Options 2013-3	€17.50	€17.50	**€19.00**
	Options 2013-4	€17.50	€17.50	**€20.00**
2015 Equity Scheme	**Options 2015-1**	€23.62		**€23.62**
	Options 2015-2	€23.62	€23.62	**€24.12**
	Options 2015-3	€23.62	€23.62	**€25.12**
	Options 2015-4	€23.62	€23.62	**€26.12**
2017 Equity Scheme	**Options 2017-1**	€31.56		**€31.56**
	Options 2017-2	€31.56	€31.56	**€32.06**
	Options 2017-3	€31.56	€31.56	**€33.06**
	Options 2017-4	€31.56	€31.56	**€34.06**
2018 Equity Scheme	**Options 2018-1**	€31.56		**€31.56**
	Options 2018-2	€31.56	€31.56	**€32.06**
	Options 2018-3	€31.56	€31.56	**€33.06**
	Options 2018-4	€31.56	€31.56	**€34.06**
2019 Existing Partners Scheme	**Options EP 2019-1**	€26.10		**€26.10**
	Options EP 2019-2	€26.10	€26.10	**€27.10**
	Options EP 2019-3	€26.10	€26.10	**€29.10**
	Options EP 2019-4	€26.10	€26.10	**€31.10**
2019 New Partners Scheme	**Options NP 2019-1**	€26.10		**€26.10**
	Options NP 2019-2	€26.10	€26.10	**€26.60**
	Options NP 2019-3	€26.10	€26.10	**€27.60**
	Options NP 2019-4	€26.10	€26.10	**€28.60**

It is specified that the Exercise Price of each class of stock option and/or the number of Rothschild & Co shares that may be obtained upon the exercise of such stock options may be adjusted by the Managing Partner in the cases and according to the terms provided in applicable legal and regulatory provisions, *i.e.* – under currently applicable French rules – an amortisation or reduction of the share capital; a modification of the allocation of the distributable profits; an allotment of free shares; an incorporation into the share capital of reserves, profits or issuance premiums; any issuance of equity securities or securities entitling their holders to the allotment of equity securities with a subscription right reserved for the shareholders; and any other case provided in applicable legal or regulatory provisions as of the date on which the relevant transaction is implemented.

Situation as of 31 December 2019

The table below summarises all information on outstanding stock options as at 31 December 2019:

		Date of authorisation by the General Meeting	Grant date by the Managing Partner	Total of options granted	Number of beneficiaries	Share capital % at the grant date	Subject to the fulfilment of performance conditions	Exercise period start date	Expiration date	Stock option subscription or purchasing price approved by the Managing Partner on the grant date	Total options exercised	Total options forfeited	Total options remaining
2013 Equity Scheme	Options 2013-1	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	30 Nov. 2016	11 Oct. 2023	€17.50	372,500	20,000	**387,500**
	Options 2013-2	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2017	11 Oct. 2023	€18.00	307,500	20,000	**452,500**
	Options 2013-3	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2018	11 Oct. 2023	€19.00	177,500	30,000	**572,500**
	Options 2013-4	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2019	11 Oct. 2023	€20.00	25,000	30,000	**725,000**
2015 Equity Scheme	Options 2015-1	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2018	9 Dec. 2025	€23.62	50,000	–	**65,000**
	Options 2015-2	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2019	9 Dec. 2025	€24.12	30,000	–	**85,000**
	Options 2015-3	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2020	9 Dec. 2025	€25.12	20,000	–	**95,000**
	Options 2015-4	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2021	9 Dec. 2025	€26.12	20,000	–	**95,000**
2017 Equity Scheme	Options 2017-1	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2020	13 Dec. 2027	€31.56	–	5,000	**272,500**
	Options 2017-2	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2021	13 Dec. 2027	€32.06	–	5,000	**272,500**
	Options 2017-3	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2022	13 Dec. 2027	€33.06	–	5,000	**272,500**
	Options 2017-4	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2023	13 Dec. 2027	€34.06	–	5,000	**272,500**
2018 Equity Scheme	Options 2018-1	17 May 2018	20 June 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2020	13 Dec. 2027	€31.56	–	–	**20,000**
	Options 2018-2	17 May 2018	20 June 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2021	13 Dec. 2027	€32.06	–	–	**20,000**
	Options 2018-3	17 May 2018	20 June 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2022	13 Dec. 2027	€33.06	–	–	**20,000**
	Options 2018-4	17 May 2018	20 June 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2023	13 Dec. 2027	€34.06	–	–	**20,000**
2019 Existing Partners Scheme	Options EP 2019-1	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2020	11 Oct. 2023	€26.10	–	–	**207,500**
	Options EP 2019-2	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2020	11 Oct. 2023	€27.10	–	–	**207,500**
	Options EP 2019-3	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2021	11 Oct. 2023	€29.10	–	–	**207,500**
	Options EP 2019-4	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2022	11 Oct. 2023	€31.10	–	–	**207,500**
2019 New Partners Scheme	Options NP 2019-1	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2022	11 Oct. 2029	€26.10	–	–	**80,000**
	Options NP 2019-2	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2023	11 Oct. 2029	€26.60	–	–	**80,000**
	Options NP 2019-3	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2024	11 Oct. 2029	€27.60	–	–	**80,000**
	Options NP 2019-4	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2025	11 Oct. 2029	€28.60	–	–	**80,000**
Total				**5,920,000**		**8.04%**					**1,002,500**	**120,000**	**4,797,500**

(1) Please refer to the summary of the performance in the above section.

As at 31 December 2019, 2,287,500 stock options were still outstanding and exercisable (see in the above table the options corresponding to the Tranches 1 to 4 of the 2013 Equity Scheme and the Tranches 1 and 2 of the 2015 Equity Scheme) in accordance with the terms and conditions of the Equity Schemes.

2.3.6 Shares held by the Company's employees

As required under Article L.225-102 of the French Commercial Code, employee share ownership in the share capital of the Company as at 31 December 2019 amounted to 0.14% of the share capital, held by a company mutual fund (*Fonds Commun de Placement d'Entreprise*) within an employee share ownership scheme (*Plan d'Épargne d'Entreprise*).

2.3.7 Ownership threshold disclosure

Threshold disclosure requirements

Pursuant to Article L. 233-7 of the French Commercial Code, any individual or legal entity, acting alone or in concert with others, that comes into possession of more than 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66% or 90% or 95% of Rothschild & Co's share capital or voting rights, must inform the Company and the AMF no later than the close of business on the fourth trading day following the crossing of the threshold, and disclose the total number of shares, investment certificates or voting rights held. This disclosure obligation shall apply under the same conditions when the portion of the share capital or voting rights held drops below these thresholds.

In addition to threshold crossings subject to legal provisions, article 7.3 of Rothschild & Co's articles of association establishes disclosure obligations for shareholders who come into possession of a number of shares or voting rights equal to or greater than 1% of the Company's share capital or voting rights, or any multiple of this threshold. This disclosure obligation shall apply under the same conditions when the portion of the share capital or voting rights held drops below these thresholds. The shareholders must inform the Company within the timeframe provided for by law, by registered letter with acknowledgement of receipt, stating whether the number of shares, investment certificates or voting rights are or are not held on behalf of, under the control of, or in concert with, other individuals or legal entities. Subject to the specific provisions stated above, this statutory obligation is governed by the same rules that apply to the legal obligation, including in particular the cases of assimilation of securities held provided for by law.

Summary of the threshold disclosure requirements:

Thresholds (%)	Disclosure to the Company	Disclosure to the AMF	Related obligations
1.00% and any multiple	Yes	No	
5.00%	Yes	Yes	
10.00%	Yes	Yes	Statement of intent
15.00%	Yes	Yes	Statement of intent
20.00%	Yes	Yes	Statement of intent
25.00%	Yes	Yes	Statement of intent
30.00%	Yes	Yes	Public takeover bid or offer of exchange[1]
33.33%	Yes	Yes	
50.00%	Yes	Yes	
66.66%	Yes	Yes	
90.00%	Yes	Yes	
95.00%	Yes	Yes	

(1) Requirement also applicable in the event of an increase of more than 1% of the share capital or voting rights within a period of twelve consecutive months for persons holding between 30% and 50% of the Company's share capital or voting rights.

In the event of a failure to comply with the disclosure requirements provided for above, the securities that exceed the fraction that should have been declared may be deprived of voting rights at all General Meetings held for a period of two years.

Each month, the Company publishes a report on its website disclosing the total number of shares and voting rights comprising the share capital on the last day of the previous month (www.rothschildandco.com under the Section "Newsletter/Regulated Information"). Shareholders are invited to refer to these monthly publications to determine whether they are subject to the threshold disclosure requirements described above.

Legal thresholds disclosure during the 2019 financial year

No crossing of any legal threshold was declared to the Company during the 2019 financial year.

2.3.8 "*Dutreil*" agreements (*pactes Dutreil*)

The table below lists, to the Company's knowledge, the agreements falling within the scope of the Dutreil Act which were concluded or still in force in 2019:

Agreement 2018.1	
Regime	Article 787 B of the French General Tax Code (*Code général des impôts* or « CGI »)
Date of signature	30 January 2018
Duration of the collective agreement	Two years from registration date (*i.e.*, until 21 February 2020)
Contractual duration of the agreement	
Renewal terms	Renewable by amendment to the agreement before its term
Percentage of the share capital covered by the agreement on its date of signature	Over 20% of share capital
Percentage of the voting rights covered by the agreement on its date of signature	Over 20% of voting rights
Names of the signatories who are corporate officers within the meaning of Article L.621-18-2. a. of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Gestion SAS, Managing Partner of the Company • Mr. David de Rothschild, Chairman of the Supervisory Board of the Company
Names of the signatories who have close personal links with the corporate officers within the meaning of Articles L.621-18-2 c. and R.621-43-1 of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Concordia SAS • Rothschild & Co Commandité SAS • BD Maurel SC
Names of the signatories who hold at least 5% of the capital and/or voting rights in the Company as at 31 December 2019[1]	• Rothschild & Co Concordia SAS, member of the Enlarged Family Concert of the Company • BD Maurel SC, member of the Enlarged Family Concert of the Company • Mr. Eric de Rothschild, through Rothschild & Co Concordia SAS • Mr. David de Rothschild, through Rothschild & Co Concordia SAS
Agreement 2019.1	
Regime	Article 787 B of the French General Tax Code (*Code général des impôts or « CGI »*)
Date of signature	25 February 2019
Duration of the collective agreement	Two years from registration date (*i.e.*, until 8 March 2021)
Contractual duration of the agreement	
Renewal terms	Renewable by express decision of the subscribers
Percentage of the share capital covered by the agreement on its date of signature	Over 10% of the share capital
Percentage of the voting rights covered by the agreement on its date of signature	Over 20% of the voting rights
Names of the signatories who are corporate officers within the meaning of Article L.621-18-2. a. of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Gestion SAS, Managing Partner of the Company
Names of the signatories who have close personal links with the corporate officers within the meaning of Articles L.621-18-2 c. and R.621-43-1 of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Concordia SAS • Rothschild & Co Commandité SAS
Names of the signatories who hold at least 5% of the capital and/or voting rights in the Company as at 31 December 2019[1]	• Rothschild & Co Concordia SAS, member of the Enlarged Family Concert of the Company • Rothschild & Co Gestion SAS, member of the Enlarged Family Concert of the Company
Agreement 2019.2	
Regime	Article 787 B of the French General Tax Code (*Code général des impôts or « CGI »*)
Date of signature	6 May 2019
Duration of the collective agreement	Two years from registration date (*i.e.*, until 10 May 2021)
Contractual duration of the agreement	
Renewal terms	Renewable by express decision of the subscribers
Percentage of the share capital covered by the agreement on its date of signature	Over 10% of the share capital
Percentage of the voting rights covered by the agreement on its date of signature	Over 20% of the voting rights
Names of the signatories who are corporate officers within the meaning of Article L.621-18-2. a. of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Gestion SAS, Managing Partner of the Company
Names of the signatories who have close personal links with the corporate officers within the meaning of Articles L.621-18-2 c. and R.621-43-1 of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Concordia SAS • Rothschild & Co Commandité SAS
Names of the signatories who hold at least 5% of the capital and/or voting rights in the Company as at 31 December 2019[1]	• Rothschild & Co Concordia SAS, member of the Enlarged Family Concert of the Company • Rothschild & Co Gestion SAS, member of the Enlarged Family Concert of the Company

Agreement 2019.3	
Regime	Article 787 B of the French General Tax Code (*Code général des impôts or « CGI »*)
Date of signature	28 February 2019
Duration of the collective agreement	Two years from registration date (*i.e.*, until 2 December 2021)
Contractual duration of the agreement	
Renewal terms	Renewable by express decision of the subscribers
Percentage of the share capital covered by the agreement on its date of signature	Over 10% of the share capital
Percentage of the voting rights covered by the agreement on its date of signature	Over 20% of the voting rights
Names of the signatories who are corporate officers within the meaning of Article L.621-18-2. A. of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Gestion SAS, Managing Partner of the Company
Names of the signatories who have close personal links with the corporate officers within the meaning of Articles L.621-18-2 c. and R.621-43-1 of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Concordia SAS • Rothschild & Co Commandité SAS
Names of the signatories who hold at least 5% of the capital and/or voting rights in the Company as at 31 December 2019[1]	• Rothschild & Co Concordia SAS, member of the Enlarged Family Concert of the Company • Rothschild & Co Gestion SAS, member of the Enlarged Family Concert of the Company
Agreement 2019.4	
Regime	Article 787 B of the French General Tax Code (*Code général des impôts or « CGI »*)
Date of signature	28 November 2019
Duration of the collective agreement	Two years from registration date (*i.e.*, until 8 January 2022)
Contractual duration of the agreement	
Renewal terms	Renewable by express decision of the subscribers
Percentage of the share capital covered by the agreement on its date of signature	Over 10% of the share capital
Percentage of the voting rights covered by the agreement on its date of signature	Over 20% of the voting rights
Names of the signatories who are corporate officers within the meaning of Article L.621-18-2. a. of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Gestion SAS, Managing Partner of the Company
Names of the signatories who have close personal links with the corporate officers within the meaning of Articles L.621-18-2 c. and R.621-43-1 of the French Monetary and Financial Code (*Code monétaire et financier*)[1]	• Rothschild & Co Concordia SAS • Rothschild & Co Commandité SAS
Names of the signatories who hold at least 5% of the capital and/or voting rights in the Company as at 31 December 2019[1]	• Rothschild & Co Concordia SAS, member of the Enlarged Family Concert of the Company • Rothschild & Co Gestion SAS, member of the Enlarged Family Concert of the Company

(1) As of this report.

Internal control, risk management and accounting procedures

1 Regulatory context

Rothschild & Co is on the list of the financial holding companies supervised by the *Autorité de contrôle prudentiel et de résolution* ('ACPR') on a consolidated basis. The rules which impact upon the Group arrangements for risk management systems and controls are set out in the French Monetary and Financial Code (*Code monétaire et financier*) and the Order dated 3 November 214, which defines the conditions for implementing and monitoring internal control systems in banks and investment firms. The Order dated 3 November 2014 lays down the principles relating to control systems for transactions and internal procedures, accounting systems and information processing, risk and performance measurement systems, risk supervision and control systems, and internal control documentation and reporting systems.

As required by the Order dated 3 November 2014, the Group internal control system established by Rothschild & Co operates a distinction between organisations and managers in charge of permanent control (including compliance, anti-money laundering and risk management) and periodic control (*i.e.* internal audit).

The internal control system of Rothschild & Co must also take into account, as appropriate, the AMF's General Regulations (the "AMF Regulations"), local regulations applicable to branches and subsidiaries outside France and to specialised operations such as portfolio management, the most widely accepted industry practices in this area and the recommendations of international bodies dealing with the capital adequacy framework of international banks, foremost among which are the Basel Committee, the Financial Stability Board and the European authorities (European Banking Authority, European Securities and Markets Authority).

2 Definition, objectives and scope of internal control

The internal control system refers to Rothschild & Co's own internal control system and the Group's internal control system on a consolidated basis.

The internal control system seeks to provide members of the Supervisory Board, officers and shareholders with reasonable assurance that the following objectives are achieved:

- the effectiveness and efficiency of the entity's operations;
- the prevention and detection of financial crime (e.g. money laundering, corruption, fraud);
- compliance with laws and regulations, internal standards and rules;
- the reliability of accounting and financial information; and
- protection of the entity's assets.

It also fulfils the internal control objectives specific to financial holding companies supervised by the ACPR on a consolidated basis.

3 Organisation of internal control

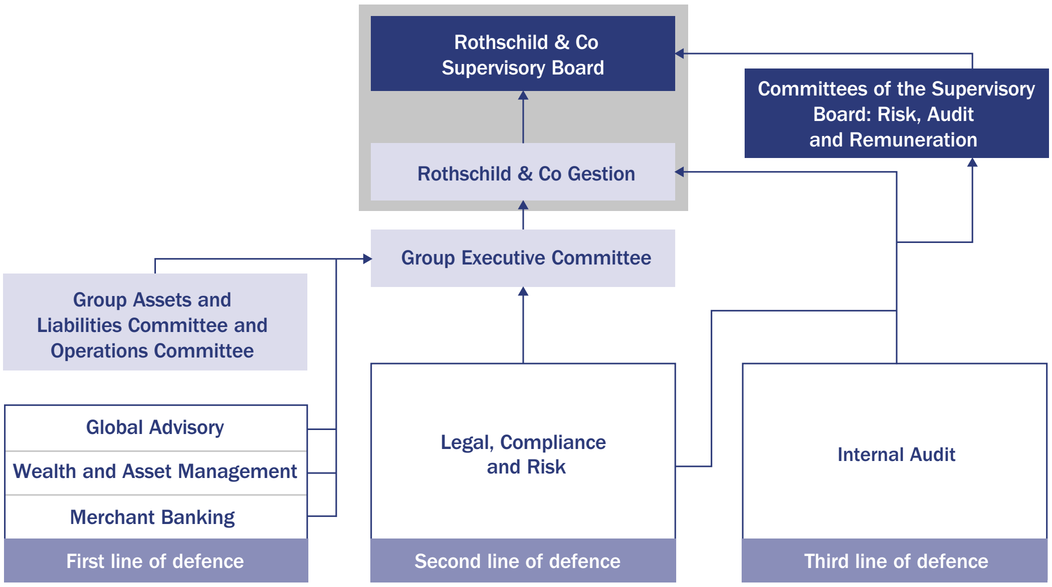
The Group's internal control framework is based on the "three lines of defence" model. The first line comprises front line management from the business itself. The second line includes independent risk, compliance (including financial crime compliance) and legal functions and, to a lesser extent, finance and human resources to monitor on a continuous basis the activity of the front line management, and the third line comprises internal audit – which exercises periodic surveillance of the Group's activities and support functions.

The three lines of defence for identifying, evaluating and managing risks are:

First line of defence	Second line of defence	Third line of defence
It is the responsibility of senior management in each of the Group's business lines to establish and maintain effective risk management systems and to support risk management best practice.	Comprises specialist Group support functions including: risk, compliance, legal, and in some cases finance and human resources. These functions provide: • advice to management at Group level and operating entity level; • assistance in the identification, assessment, management, measurement, monitoring and reporting of financial and non-financial risks; • independent challenge to the businesses; • technical guidance; • risk policies reviews for approval by Rothschild & Co Gestion; • objective oversight and co-ordination of risk activities in conjunction with other specialist risk-related functions within the operating entities themselves.	Provides independent objective assurance on the effectiveness of the management of risks across the entire Group. This is provided by the Group's Internal Audit function.

Internal control, risk management and accounting procedures

The chart below shows the internal control governance structure through which the Group seeks to comply with these obligations:



3.1 Rothschild & Co Supervisory Board

The Rothschild & Co Supervisory Board, through the workings and reporting of the Rothschild & Co Risk Committee, the Rothschild & Co Audit Committee and the Remuneration and Nomination Committee for matters of their respective concern and which have an impact on risk management, ensures the implementation by Rothschild & Co of reliable procedures and processes for monitoring the internal control systems of the Group in order to identify, assess and manage risk.

The Heads of the Compliance, Risk and Internal Audit functions report on the performance of their duties to Rothschild & Co Gestion and, whenever it is necessary in accordance with legal and regulatory provisions, to the Rothschild & Co Supervisory Board.

3.2 Rothschild & Co Gestion

Rothschild & Co Gestion is the statutory Managing Partner (*Gérant*) of Rothschild & Co and as such its sole legal representative responsible for the overall management of the Company.

The decision-making process at Rothschild & Co Gestion is presented on page 79 of the report on corporate governance. It is organised through its Management Board and lies with its Chairman, assisted by the Group Executive Committee Co-Chairmen and Managing Partners of Rothschild & Co Gestion.

In accordance with the provisions of Article L.511-13 of the French Monetary and Financial Code, the Chairman of Rothschild & Co Gestion, assisted by another managing partner of Rothschild & Co, is specifically in charge of:

- ensuring the effective determination of the direction of the business of Rothschild & Co SCA and the entities within the Group on a consolidated basis;
- supervising the accounting and financial information and directing the internal control of Rothschild & Co SCA and the entities within the Group on a consolidated basis; and
- determining the regulatory capital of Rothschild & Co SCA and the entities within the Group on a consolidated basis.

3.3 Group Executive Committee

The Group Executive Committee, the composition of which is presented on pages 15 onwards of the Annual Report, is the senior executive committee at Rothschild & Co. The Group Executive Committee is responsible for the definition and oversight of the implementation of Group strategy, review and monitoring of business performance, business plans, budgets and business forecasts, discussion and implementation of cross-divisional synergies, discussion and review of new business opportunities, human resources strategic initiatives, Group risk management and internal control, and communication.

The Group Executive Committee is assisted by the Assets and Liabilities Committee and the Group Operations Committee which is responsible for the improvement of the efficiency of all the Group's operations.

3.4 Independent control functions

Internal control at Rothschild & Co consists of permanent and periodic controls. While they are complementary, they are distinct and independent of one another:

- permanent control is the overall process for monitoring the risks to which the Group is exposed as a result of its ongoing activities and operations. It is carried out by operational staff, and their line managers, and by independent permanent control functions either within, or independent of, these operational entities; and
- periodic control is the overall process for ex-post verification of the operations of the Group, based on investigations that are conducted by the Group Internal Audit function, which performs periodic checks on an independent basis on the design and the effectiveness of the first two lines of defence.

3.4.1 Group Legal & Compliance (including Financial Crime Compliance)

The responsibilities of the Group Legal & Compliance function include, among other things: development and maintenance of compliance policies and procedures (including those dealing with financial crime such as anti-money laundering and combating the financing of terrorism), execution or supervision of monitoring programmes, conduct of any required investigation and advice on compliance aspects of any transactional or business processes, facilitation of certain aspects of risk governance (e.g. the Global Advisory Risk Committee or the Group Financial Crime Compliance Committee, etc.), monitoring and review of legislation and regulatory developments which might affect the Group's business, reporting results of monitoring programmes to senior management, agreeing any remedial action or changes to all of the above with senior management. This independent internal control function reports to the Group Head of Legal & Compliance, who is a member of the Executive Committee. The Group Head of Legal & Compliance reports to the Executive Committee, Rothschild & Co Gestion, the Supervisory Board's Audit and Risk Committees and to various boards (or their equivalent) around the Group.

3.4.2 Group Risk

Group Risk is responsible for ensuring that suitable risk management processes are in place across the Group and for reporting on a consolidated view of risk exposures across the Group. As part of its role, Risk assesses the risks in each business and how they are managed, aims to establish a forward-looking view over emerging risks within the businesses or the external environment and delivers an independent and objective perspective on the risks in the business and whether they are consistent with approved strategy and risk appetite. The Group Chief Risk Officer reports to one of the two Rothschild & Co *dirigeants effectifs* within the meaning of the provisions of the French Monetary and Financial Code applicable to Rothschild & Co, as a financial holding company. The Group Chief Risk Officer reports to Rothschild & Co Gestion and the Group Executive Committee on significant incidents in accordance with the provisions of the Group Operational Risk Policy.

This policy sets out the criteria and thresholds for identifying significant operational risk incidents and the process for escalating them and ensuring that any remedial actions are appropriately monitored.

In addition to the activities highlighted above, The Group Chief Risk Officer presents a report on risk management to the Rothschild & Co Risk Committee on a quarterly basis. This report covers capital reporting for Rothschild & Co, analysis of credit, liquidity, market and operational risk, regulatory and legal issues, any new products and highlights any material limit breaches or issues identified by Risk in its day-to-day activities.

Other functions are important and participate in the internal control system in their specific areas of responsibilities such as Group Finance and Human Resources.

3.4.3 Group Internal Audit

Periodic control is independently exercised by Group Internal Audit. The Head of Internal Audit meets formally every three to four months with the relevant Managing Partners of the Managing Partner and, whenever necessary, to present the activity of the Internal Audit function and discuss any material findings raised during the period. The Head of Internal Audit presents the activity of Internal Audit to the Audit Committee which meets four times a year. At the beginning of the financial year, the Audit Committee approves the audit plan for the coming year and during its meetings in May and September it reviews in detail the activity of the Internal Audit function as described below. The Head of Internal Audit meets regularly, usually every quarter, with the heads of the main lines of business to discuss progress on activity and the evolution of risks for their respective area of responsibility. This forms part of the regular information of the Internal Audit function on the evolution of the Group's risk profile.

Each of the Internal Audit officers is responsible for the audit coverage of some specific lines of business: Global Advisory, Private Wealth, Asset Management, Merchant Banking, Banking and Treasury and Information Technology, in parallel with their local geographical coverage. The other members of the Internal Audit function are not allocated by business and are assigned to different audits according to the scheduling of the annual audit plan. The Head of Internal Audit reports to one of the two Rothschild & Co Gestion *dirigeants effectifs* and to the Audit Committee. The latter receives a summary of every audit report drawn up by the Internal Audit function.

4 Risk Management

The guiding philosophy of risk management in the Group is to adopt a prudent and conservative approach to the taking and management of risk. The maintenance of the Group's reputation is a fundamental driver of risk appetite and of risk management. The protection of reputation guides the type of clients and businesses with which the Group will engage.

The nature and method of monitoring and reporting varies according to the risk type. Risks are monitored regularly with management information being provided to relevant committees on a weekly, monthly or quarterly basis.

Where appropriate to the risk type, the level of risk faced by the Group is also assessed through a series of sensitivity and stress tests.

The identification, measurement and control of risk are integral to the management of Rothschild & Co's businesses. Risk policies and procedures are regularly updated to meet changing business requirements and to comply with best practice.

4.1 Credit and counterparty risk

The Group's credit risk exposure primarily arises from its private client lending activity (through Rothschild & Co Bank International Limited, Rothschild & Co Bank AG and Rothschild Martin Maurel SCS), and from corporate lending through Rothschild Martin Maurel SCS. In addition, the legacy banking activities undertaken in N.M. Rothschild & Sons Ltd (including commercial real estate loans) result in some credit risk, as does co-investment alongside real estate debt management funds.

All credit exposures are closely monitored on a regular basis and a quarterly review of bad and doubtful debts is undertaken.

All material credit exposures are subjected to an intensive process of credit analysis by expert teams and review and approval by formal credit committees. A high proportion of the credit exposures are secured.

Group Credit is responsible for the monitoring of the overall level of credit exposure across the Group, formalising the credit support that is given in relation to private client and corporate lending exposures and reviews Treasury counterparty credit risk. The Group Credit team works closely with the embedded credit staff in Rothschild & Co Bank AG, Rothschild & Co Bank International Limited and Rothschild Martin Maurel SCS and provides a first line of defence in terms of its credit expertise and its monitoring of the type and quantum of the overall lending activity. Group Risk provides independent challenge through the credit process and second line oversight and reporting of lending exposure against limits to the Group Executive Committee and Risk Committee.

4.1.1 Governance of credit risk

The Group Credit Committee ('GCC') oversees all lending in the Group through three sub-Committees – the Private Client Credit Committee ('PCCC'), the Group Credit Committee – France ('GCCF') and the Corporate Credit Committee ('CCC').

The PCCC is responsible for the oversight of private client lending exposures (including credit risk and pricing of loans) in Group entities outside France and will review private client lending which is on the balance sheets of the following lending entities: Rothschild & Co Bank AG, Rothschild & Co Bank International Limited and Rothschild & Co Wealth Management UK Limited. The private client lending policies and associated delegated approval authorities is confirmed by the relevant board (or board committee as appropriate) of each of these entities.

The GCCF is responsible for the oversight of private client lending exposures and corporate lending exposures (including credit risk and pricing of loans) by Rothschild Martin Maurel SAS (the "French Banking Entity"). The lending policies and associated delegated approval authorities are confirmed by the relevant board (or board committee as appropriate) of the French Banking Entity.

The CCC is responsible for the oversight of corporate lending exposures (including credit risk and pricing) by Group entities (excluding lending to clients by the French Banking Entity), including the N.M. Rothschild & Sons Ltd commercial real estate loan book, the Credit Select Series 4 mortgages, the Group's bank counterparty limits and other counterparty limits and lending to Group companies/investments in Group funds (including any co-investment in or direct credit exposure to Merchant Banking transactions).

The lending exposures assumed and the credit policies followed within the Group are subject to the oversight of the Rothschild & Co Risk Committee. The PCCC, GCCF and CCC review the level of risk assumed in respect of lending to ensure it is consistent with the risk appetite of the Group and in accordance with the Group Credit Risk Policy. Any material changes to the lending policies are reviewed by the Group Executive Committee and the Rothschild & Co Group Assets and Liabilities Committee ("Rothschild & Co Group ALCO") and will be reported to the Rothschild & Co Risk Committee.

4.1.2 Approach to credit risk

The Group has credit risk and large exposure policies which are established by the Group Executive Committee and reviewed by the Rothschild & Co Risk Committee.

In conjunction with the Group's risk appetite the policies set out the credit risk profile of the Group, the limits that have been set and establishes reporting protocols.

All exposure to credit risk is managed by detailed analysis of client and counterparty creditworthiness prior to entering into an exposure, and by continued monitoring thereafter. A significant proportion of the Group's lending exposures are secured in property or assets, and the Group monitors the value of any collateral obtained. The Group also uses netting agreements to restrict credit exposure to counterparties. For internal monitoring purposes, credit exposure on loans and debt securities is measured as the principal amount outstanding plus accrued interest.

Stress testing is an important risk management tool used to evaluate, gain an understanding of the impact of unexpected or extreme events and to validate the firm's risk appetite. Each banking entity is required to set out in its credit risk policy its approach to stress testing and whether it is considered appropriate to the entity's risk management.

4.1.3 Settlement risk

Settlement risk arises in circumstances where a counterparty does not deliver a security or its value in cash as agreed when the security was traded after the other counterparty has already delivered a security or cash value. Within the Rothschild & Co Group, settlement risk can arise when conducting foreign exchange and derivatives transactions as well as through the sale and purchase of securities. There are a number of mitigants available to ensure that such risks are minimised and managed appropriately.

4.2 Operational risk

The Group has defined operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

4.2.1 Governance and organisation of operational risk

The Group has an established operational risk framework with the key objectives of mitigating operational risks by means of policies, processes, systems and procedures; communicating the Group's risk appetite; protecting the Group's assets; defining roles, responsibilities and accountabilities across the Group; and establishing a consistent approach for identifying, monitoring, measuring and reporting operational risk throughout the Group.

The Group Operational Risk Policy, pursuant to the Group Risk Framework for the Group, is reviewed annually and formalises the operational risk framework and is designed to ensure compliance with regulatory requirements in relation to operational risk. Oversight of operational risk matters relies on Rothschild & Co Gestion, the Group Executive Committee and the Group Operations Committee for their respective responsibilities, under the supervision of the Supervisory Board, assisted by its Risk Committee.

Each of the key operating entities have established processes and appointed staff to identify and assess the operational risks that they are exposed to, in the context of their own market conditions, and have appropriate controls or risk mitigation processes in place. Management's assessment of operational risk is supported by risk assessments which are undertaken at least annually.

All incidents with a loss amount greater than €30,000 are reported in the quarterly legal and compliance report which is presented to the Group Executive Committee, Rothschild & Co Gestion, the Rothschild & Co Risk Committee and the Rothschild & Co Audit Committee of the Supervisory Board.

4.2.2 Compliance risk

Regular and targeted compliance training ensures that Group employees are clear on their regulatory responsibilities and understand the regulatory environment in which they conduct business.

Group Compliance identifies employee training needs based upon a number of factors, including regular monitoring of permanent controls, compliance reviews, regulatory developments, annual compliance risk assessments, breaches of compliance policy, practice or procedure and other factors.

In addition, bespoke training is organised at the business line and legal entity level. Ad hoc training is given to ensure prompt dissemination to staff of business-related market and best practice, legal, compliance and regulatory developments.

Protection of the Rothschild & Co brand is of fundamental importance to the Group. The Rothschild & Co name and its reputation are the Group's key asset and a number of controls are in place to ensure the culture of professionalism and protection of the firm's reputation is maintained.

Measures to limit reputational risk are set out in Group policies and each of the businesses' Compliance manuals. These include high-level principles to guide behaviour and extensive procedures relating to new client take on/acceptance for all business divisions.

On a monthly basis, each Compliance function in all the major business lines is required to complete a report of Compliance management information. This information comprises quantitative data reporting and qualitative assessments made by local Compliance officers. This gives a Group-wide picture of compliance risk and also allows Compliance to collect the requested information by business line or topic.

4.2.3 Financial crime risk

The Group legal, compliance and risk functions oversee and coordinate the prevention and detection of financial crime for all Group entities (spanning money laundering, terrorist financing, tax evasion, financial sanction violations, bribery and corruption, and fraud). The Group Head of Legal & Compliance oversees the Group's financial crime risk framework and strategy and reports to a Managing Partner. He is assisted by subject matter experts in the Group Financial Crime Compliance team and with execution of operational processes by legal, compliance and risk staff on a global basis.

A Group Financial Crime Compliance Committee (chaired by the Head of Group Financial Crime Compliance) examines the design and effectiveness of the Group's financial crime policies, procedures and monitoring programmes, to include developing a strategic approach to money laundering prevention for the Group. The Committee convenes on a quarterly basis and its members include all regional heads of financial crime.

The Group Financial Crime Compliance team regularly reviews all Group financial crime related policies.

4.3 Market risk

Market risk arises as a result of the Group's activities in interest rate, currency, equity and debt markets. Exposure to market risk on trading activities is small in relation to capital, as trading activity is focused on servicing client requirements rather than on proprietary risk-taking. Foreign exchange and interest rate derivative contracts are predominantly used for hedging purposes. Trading activities in the Group are confined to "vanilla" products – the Group does not trade in complex derivatives or other exotic instruments.

Each of the Group's regulated banking entities is required to manage market risk on a stand-alone basis in accordance with its individual risk appetite and limits approved by the Rothschild & Co Group ALCO.

The Group measures interest rate risk in the banking book in line with the EBA requirements by measuring the economic value of equity (EVE) under a set of prescribed interest rate shock scenarios as a percentage of Tier 1 capital. These are calculated at the entity level and on a consolidated basis for the Rothschild & Co Group.

Exposure to interest rate risk in the banking book is not material in relation to capital and there have been no material changes to the profile of interest rate risk in the banking book in the last twelve months, as reported in the internal report to the ACPR.

4.4 Liquidity risk

Liquidity risk is defined as the risk that a Group banking entity is not able to maintain or generate sufficient cash resources to meet its payment obligations as they fall due. Managing liquidity risk is therefore a crucial element in ensuring the future viability and prosperity of the relevant banking entity as well as the Group.

4.4.1 Governance of liquidity risk

The Group adopts a conservative approach to liquidity risk and its management and has designed its approach in the overall context of the Wealth Management strategy.

The Group Risk Appetite Statement establishes limits to ensure that the Group will maintain sufficient liquid resources to meet cash flow obligations and maintain a buffer over regulatory and internal liquidity requirements. The Group Liquidity Risk Policy is reviewed annually. Each banking entity must have in place a liquidity risk policy approved by the Rothschild & Co Group ALCO, which defines its liquidity risk limits and how liquidity risk is measured, monitored and controlled.

In line with the directions given by the Managing Partner, the Rothschild & Co Group ALCO is responsible for the development and oversight of the implementation of the liquidity strategy, the approval of local liquidity risk policies and limits, and the implementation of reasonable steps to ensure these are consistent with the Group's risk appetite. The Rothschild & Co Group ALCO establishes and maintains a structure for the management of liquidity risk, including allocations of authority and responsibility to senior managers and ensures that all reasonable steps are taken to measure, monitor and control liquidity risk and identify material changes to the liquidity profile. The Rothschild & Co Group ALCO evaluates the results of stress testing on the liquidity profile and is responsible for the invocation of any Contingency Funding Plan ('CFP') measures if necessary. The Rothschild & Co Group ALCO ensures that the appropriate liquidity impact and liquidity cost of transactions is taken into account in the credit processes and approves the benchmark rate for the cost of liquidity used by banking teams as a key element of their pricing and risk-reward assessment in respect of existing and new business.

The Rothschild & Co Risk Committee has responsibility for reviewing the Group's liquidity risk identification, measurement, monitoring and control policies and procedures.

4.4.2 System for monitoring liquidity risk

The liquidity positions for Rothschild & Co Bank International Limited, Rothschild & Co Bank AG and Rothschild Martin Maurel SCS are reviewed and reported in depth to the Rothschild & Co Group ALCO and summarised for the Rothschild & Co Risk Committee in accordance with the Rothschild & Co Risk Committee's terms of reference. In addition, the Group is required to have a contingency funding plan in place which requires a periodic review of the relevance and degree of severity of the assumptions used, the level and sustainability of the funding commitments received and the amount and quality of the liquid assets held. The Group also requires a Recovery Plan for liquidity, which sets out adequate strategies and measures to address any possible shortfalls. These complement the existing plans for individual Group entities.

The Heads of Treasury are responsible for the day-to-day management of liquidity, operating the business within liquidity limits set under their local policy and as approved by the Rothschild & Co Group ALCO and for reporting to its meetings.

Group Finance is responsible for monitoring adherence to the liquidity risk limits and for reporting any limits or target breaches as soon as practicable. Additionally the team is responsible for preparing and submitting regulatory liquidity returns, performing stress tests on the liquidity profile, verifying the appropriateness of such stress tests in consultation with Group Risk and reporting stress test results to the Rothschild & Co Group ALCO.

Group Risk is responsible for monitoring the Group's liquidity risk, preparing periodic reports on it for the Group Executive Committee, the Rothschild & Co Risk Committee, the Rothschild & Co Group ALCO, and verifying the appropriateness of stress testing in consultation with Group Finance.

4.5 Other non-financial risks

Our Corporate Responsibility strategy has been revised to ensure that we most effectively address related non-financial risks and opportunities for our business. This is described in more detail in the Corporate Responsibility section of this report beginning on page 118.

5 Organisation of the Group accounting arrangements

Group Finance has the necessary people to produce the financial, accounting and regulatory information of the Group on a consolidated and regulatory basis. The Finance department consists of four sections: management accounting; financial accounting (including consolidations); systems; and regulatory reporting.

5.1 Overview of statutory accounting arrangements

The local accounting departments are responsible for local statutory accounts. Group Finance produces the consolidated Rothschild & Co accounts, although it also reviews Rothschild & Co's solo statutory accounts to ensure consistency where appropriate. The systems section manages the chart of accounts in SAP FC, the consolidation tool of Group Finance and the associated databases, as well as the SAP general ledger used throughout the Group. It also manages the interface between SAP and SAP FC.

5.2 Process for establishing consolidated accounts

The Group financial accounting department of Rothschild & Co performs the Group consolidation, controls the consistency and completeness of data and draws up the consolidated accounts and related notes.

In SAP FC, all subsidiaries report their individual accounting information using a chart of accounts and a format that are common to the whole Group.

Accounting data is reported directly under IFRS in SAP FC. The Group defines in its data dictionary how to record specific transactions and defines how the notes to the accounts should be prepared. The data dictionary, as well as other accounting guidance, is available for all offices on Rothschild & Co's intranet. There are also quarterly reporting instructions and a quarterly Group Finance newsletter/circular.

Once data has been input into SAP FC, "blocking" controls defined by the Group are applied in order to validate the consistency of the accounting data, the correctness of the flows and the completeness of the analyses. In addition to these controls, the procedure for preparing the consolidated accounts includes:

- the reconciliation of intercompany transactions and the distribution of shareholdings in the Group's companies;
- checks on the application of consolidation adjustments;
- analysis and justification of consolidated shareholders' equity;
- analysis of changes in balances and ratios on a quarterly and year-to- date basis; and
- consideration of whether the data has been prepared on a materially consistent basis, followed by the data review.

5.3 Accounting control process

The accounting control process at Group level complements the control systems implemented at each level of the Group's organisation.

5.4 Accounting control mechanisms at entity level

Group Finance relies on a decentralised system where the primary control functions are assigned to the persons responsible locally for producing the financial statements.

Local accounting data is largely collected via the SAP general ledger, and then mapped using consistent centrally-maintained software into SAP FC, the Group's consolidation tool. The local finance departments are responsible for validating the accounting data entered in SAP and SAP FC through three levels of control:

- a first level – of the self-control type – which is embedded in the local accounting processes. These controls are operated daily;
- a second level, which is operated by accounting managers, for example, involving controls on securities positions and consistency controls designed to ensure the reliability and completeness of the accounting and financial information; and
- a third level, which involves the statutory auditors who certify the accounts, carried out on an annual and half-yearly basis. Note that not all entities are audited (but most are) and that only the large entities and the significant balances are reviewed for the half-year accounts. The Group Internal Audit department may also be involved in the control process as a third level control, depending on their annual work plan schedule.

Local entities' accounting information is input on an IFRS basis into SAP FC templates. Once data has been input, "blocking" system controls are applied.

5.5 Accounting control mechanisms at consolidation level

In addition to the control procedures at entity level described above, the consolidation process is accompanied by additional checks on the integrity of the consolidated accounting information. These checks are carried out by:

- Group Finance, which in addition to its controls on the integrity of the accounting information, checks the consistency of the data reported with:
  - its knowledge of the major transactions;
  - the Group management accounts and the reconciliation of differences with the Group financial accounts;
  - a category-by-category analysis of key balances; and
  - papers produced by other relevant Committees (for example, the Remuneration and Nomination Committee, the Rothschild & Co Group ALCO, the Group Executive Committee, etc.).
- Rothschild & Co Gestion, as Managing Partner of Rothschild & Co, which approves the consolidated accounts before they are sent to the Audit Committee;
- the statutory auditors, in the context of the certification of the accounts. Their work is carried out in accordance with professional standards; and
- a final level of control takes place through the work of the Audit Committee, which is responsible for examining the Rothschild & Co consolidated accounts.

5.6 Control framework for regulatory reports

The Group Regulatory Reporting Division draws up the relevant Group procedures and ensures the quality and reliability of calculations of the solvency ratio, credit risk, market risk, operational risk and regulatory capital.

At Group level, the regulatory reports prepared for the ACPR are those related to:

- solvency ratio (including Capital Adequacy and Risks reports) leveraged ratio and large exposures;
- liquidity coverage ratio, additional liquidity monitoring metrics and net stable funding ratio; and
- IFRS/FINREP reports on a regulatory scope.

There are currently four main procedures related to regulatory reporting process:

- solvency ratio procedure was first written and communicated in May 2010;
- large exposures procedure;
- procedures that have been defined for FINREP and the list of subsidiaries; and
- counterparty master data procedure.

Furthermore, each quarter the Group regulatory reporting division circulates quarterly regulatory reporting instructions and a quarterly Group regulatory finance newsletter to all relevant finance staff in the Group.

Report on corporate governance

The Supervisory Board's report on corporate governance is drawn up in accordance with article L. 226-10-1 of the French Commercial Code. Its purpose is to provide a presentation of Rothschild & Co's corporate governance.

As a result of the legal form of the Company, its corporate governance structure is based on the distinction between its management bodies vested in the Managing Partner, and its supervisory bodies vested in the Supervisory Board.

The corporate governance code referred to by the Company on a voluntary basis in this report is the Corporate Governance Code for Listed corporations (revised in January 2020) published by the French *Association Française des Entreprises Privées* (Afep) and *Mouvement des Entreprises de France* (Medef) (the "Afep-Medef Code"). The Afep-Medef Code can be viewed on the Afep website (www.afep.com) and the Medef website (www.Medef.com).

In circumstances where Rothschild & Co does not comply – or does not comply in full – with certain recommendations of the Afep-Medef Code, the reasons are set out in the Section 2.7 of this report.

1 The Managing Partner, Rothschild & Co Gestion SAS

1.1 Role and duties

Rothschild & Co Gestion is the sole Company's Managing Partner (*Gérant commandité*) and legal representative of Rothschild & Co, ("Rothschild & Co Gestion" or "the Managing Partner"). Rothschild & Co Gestion was appointed by Rothschild & Co's articles of association, as the first statutory Managing Partner, for the duration of the Company. As Managing Partner of Rothschild & Co, Rothschild & Co Gestion is responsible for the overall management of the Company.

The Company's Managing Partner has full power to act in all circumstances in Rothschild & Co's name and on its behalf, in order to, among other things:

- ensure the effective determination of the direction of the business of Rothschild & Co and the entities within the Group on a consolidated basis;
- supervise the accounting and financial information and direct the internal control of Rothschild & Co and the entities within the Group on a consolidated basis;
- determine the regulatory capital of Rothschild & Co and the entities within the Group on a consolidated basis;
- approve the annual, consolidated and half-yearly accounts of Rothschild & Co;
- determine the agenda and prepare the draft resolutions of the shareholders' General Meetings of Rothschild & Co;
- convene the shareholders' General Meetings of Rothschild & Co; and
- prepare those reports and decisions established in its capacity as the Managing Partner of Rothschild & Co.

In accordance with Rothschild & Co Gestion's articles of association, its Executive Chairman is its sole legal representative.

Subject to the powers granted by Rothschild & Co Gestion shareholders, the Chairman is vested with the broadest powers to act in the name and on behalf of Rothschild & Co Gestion, acting itself as Rothschild & Co's Managing Partner, in any circumstances.

As at 31 December 2019 and at the date of the present report, Mr. Alexandre de Rothschild is the Executive Chairman of the Managing Partner. Acting as legal representative, he is performing the functions referred to in article L. 511-13 of the French Monetary and Financial Code (*Code monétaire et financier*) applicable to Rothschild & Co as a financial holding company supervised on a consolidated basis by the French Prudential Control Authority (*Autorité de contrôle prudentiel et de résolution*).

Mr. François Pérol, Managing Partner of Rothschild & Co Gestion SAS, and by virtue of a delegation of power granted to him by Mr. Alexandre de Rothschild, fulfils alongside the Executive Chairman, the functions referred to in article L. 511-13 of the French Monetary and Financial Code (*Code monétaire et financier*).

The list of positions held by the Managing Partner and by Mr. Alexandre de Rothschild is presented on the following page.

Rothschild & Co Gestion SAS

Positions held within Rothschild & Co SCA:

- Statutory Managing Partner

General information

French simplified joint stock company (*société par actions simplifiée*)
Number of Rothschild & Co shares held as at 31 December 2019: 1

Date of first appointment: 8 June 2012
Date of last renewal: n/a (appointed in the Company's articles of association as Managing Partner)
End of term of office: for the duration of the Company

Other directorships and positions held

Within the Group

In France:
Chairman of RCI Gestion SAS
Chairman of RAM Gestion SAS
Managing Partner of RMM Gestion SNC

In other countries:
None

Outside the Group

None

Positions no longer held (but held within the last five years)

None

Alexandre de Rothschild

Main positions held within Rothschild & Co SCA:

- Executive Chairman of Rothschild & Co Gestion SAS, Managing Partner

General information

French
Born in 1980
Number of Rothschild & Co shares held as at 31 December 2019: 387

Date of first appointment: 17 May 2018
Date of last renewal: n/a
End of term of office: three years renewal

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Member of the Board of Directors of Rothschild & Co Concordia SAS
Managing Partner of RCB Partenaires SNC
Managing Partner of Rothschild Martin Maurel SCS
Chairman of K Développement SAS
Managing Partner of Rothschild & Cie SCS
Member of the Supervisory Board of Martin Maurel SA

In other countries:
Chairman of Rothschild & Co Continuation Holdings AG (Switzerland)
Member of the Board of Directors of Rothschild & Co Japan Ltd (Japan)

Outside the Rothschild & Co Group

In France:
Chairman of Rothschild Martin Maurel Associés SAS
Permanent representative of Rothschild & Co Gestion SAS as Managing Partner of RMM Gestion SNC
Managing Partner of Société Civile du Haras de Reux SC (France)
Managing Partner of SCI 66 Raspail SC (France)
Member of the Board of Directors of Bouygues SA(1) (France)

Positions no longer held (but held within the last five years)

In France:
Managing Director of Rothschild Assurance & Courtage SCS (until 2018)
Member of the Board of Directors of Treilhard Investissements SA (until 2017)
Managing Director of Rothschild & Compagnie Gestion SCS (until 2017)
Chairman of Messine Managers Investissements SAS (until 2016)

In other countries:
Vice-Chairman of the Supervisory Board of Rothschild & Co Bank AG (Switzerland) (until 2019)
Member of the Board of Directors of Rothschild & Co Concordia AG (Switzerland) (until 2019)
Member of the Board of Directors of Rothschild & Co Holding AG (Switzerland) (until 2019)
Member of the Board of Directors of Five Arrows (Scotland) General Partner Ltd (Scotland) (until 2018)

(1) Listed company.

1.2 The Management Board of Rothschild & Co Gestion

The decision-making process of the Managing Partner relies on its Management Board (*conseil de gérance*), in the same spirit as from the Executive and Supervisory Boards. The Management Board is a collective body which aims to assist the Chairman of the Company's Managing Partner to fulfil the commitments of Rothschild & Co Gestion SAS acting in its capacity as the Legal representative of the Managing Partner of Rothschild & Co.

The Management Board is consultative, with the final decisions resting with its Executive Chairman. The Management Board is composed alongside the Executive Chairman who chairs the meetings and fixes the agenda of Managing Partners appointed by the Executive Chairman.

In order to maintain the proper and consistent functioning of the Group's management and supervision and streamline the process of information to the Supervisory Board, the Management Board meets monthly or more frequently if so required by the Chairman. On a quarterly basis, the Management Board meets ahead of the meeting of the Supervisory Board and its specialised committees, in particular so as to enable an adequate preparation and review ahead of reports to the Supervisory Board and its committees.

At the date of this Report, the Management Board is composed alongside Mr. Alexandre de Rothschild of:

- Messrs. François Pérol and Robert Leitão, Managing Partners, and co-Chairmen of the Group Executive Committee; and
- Mr. Marc-Olivier Laurent, Managing Partner.

A short biography of each member of the Management Board is available on the Company's website at: www.rothschildandco.com.

2 The Supervisory Board

The purpose of this Section is to present, with respect to the Supervisory Board, its composition, the duties of its members, its powers and its activity report, the assessment of its organisation and working methods, its specialised committees, as well as the explanations given by the Board regarding the recommendations of the Afep-Medef Code that were not followed.

These arise from the provisions of the Company's articles of association and the Supervisory Board's terms of reference and internal rules of procedure of the specialised committees.

2.1 Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board can be composed of a maximum of 18 members. The Supervisory Board members represent limited partners, they are appointed and revoked by the ordinary General Meeting of shareholders, which in accordance with the articles of association, sets the duration of their term of office. The number of members of the Supervisory Board over the age of 75 years may not exceed one-third of the members in office; if this proportion is exceeded, the members who are required to leave the Supervisory Board in order to restore compliance with this proportion will be considered to have resigned, starting with the oldest.

In accordance with recommendation number 14.2 of the Afep-Medef Code, terms of office should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of members of the Supervisory Board.

At the shareholders' Combined General Meeting held on 16 May 2019 seven members of the Supervisory Board were re-elected: Mrs Angelika Gifford, Mrs Luisa Todini, Mrs Carole Piwnica, Mrs Arielle Malard de Rothschild, Mr Daniel Daeniker, Mr Adam Keswick, and Mr François Henrot as non-voting member (*censeur*).

It is to be noted that Mr Peter Smith decided, after the meeting of the Supervisory Board on 10 March, to retire from his functions occupied since 2012 as member, chairman of the Audit Committee and member of the Remuneration and Nomination Committee, and as from December 2019, as member of the Risk Committee. Mr Peter Smith served nineteen years as non-executive Director of NM Rothschild & Sons Limited and twelve years as director of the Board of Rothschild & Co Bank AG and member of its Audit Committee.

Rothschild & Co has taken the necessary steps to identify his successor and the Supervisory Board, during its meeting of 10 March 2020, appointed Sir Peter Estlin to replace Mr Peter Smith subject to the ratification by the Company's shareholders at the Annual General Meeting on 14 May 2020 (more information on Sir Peter Estlin will be provided in the Combined General Meeting Document. This document, containing all the information made available to shareholders, will be available on the Company's website at www.rothschildandco.com).

As a consequence, at the date of the present report, the Supervisory Board is composed of 14 members, comprising seven independent members and six women, as follows:

David de Rothschild, Chairman	Non-independent	Arielle Malard de Rothschild	Non-independent	Carole Piwnica	Independent
Éric de Rothschild, Vice-Chairman	Non-independent	Angelika Gifford	Independent	Sipko Schat	Non-independent
Adam Keswick, Vice-Chairman	Independent	Sylvain Héfès	Non-independent	Sir Peter Estlin	Independent
Lucie Maurel-Aubert, Vice-Chairwoman	Non-independent	Suet-Fern Lee	Independent	Luisa Todini	Independent
Anthony de Rothschild	Non-independent	Dr. Daniel Daeniker	Independent	François Henrot[1]	Non-voting

■ Non-independent members ■ Independent members as this term is defined in the Afep-Medef Code ■ Non-voting member

The Group Company Secretary (and General Counsel of the Company) also acts as secretary to the Supervisory Board under the supervision of the Chairman of the Supervisory Board.

(1) Mr François Henrot's term of office will expire at the General Meeting of Shareholders of 14 May 2020 and it will not be asked to the General Meeting of Shareholders to renew its term of office.

2.1.1 Profiles and lists of directorships and functions held by members of the Supervisory Board as at 31 December 2019

A summary profile for each of the members of the Supervisory Board and the non-voting member, as well as the list of their directorships and functions held as at 31 December 2019, within and outside the Group, in France and in other countries, are presented below.
More information, including a short biography for each of the members, is available on the Company's website at: www.rothschildandco.com.

David de ROTHSCHILD

Main positions held within Rothschild & Co SCA:

- Chairman of the Supervisory Board

General information

French
Born in 1942
Number of shares held as at 31 December 2019: 2,520

Date of first appointment: 17 May 2018
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Member of the Supervisory Board of Martin Maurel SA
Vice-Chairman of the Board of Directors and CEO of Rothschild & Co Concordia SAS (since 22 July 2019)
Chairman of SCS Holding SAS
Chairman of Rothschild & Co Commandité SAS
Chairman of RCG Partenaires SAS
Chairman of RCI Partenaires SAS
Chairman of Aida SAS
Chairman of Cavour SAS
Chairman of Verdi SAS
Chairman of Financière Rabelais SAS
Chairman of Financière de Reux SAS
Chairman of Financière de Tournon SAS
Manager of Béro SCA
Sole Director of GIE Sagitas

In other countries:
Chairman of Rothschild & Co Europe BV (the Netherlands)

Outside the Rothschild & Co Group

In France:
Managing Partner of Rothschild Ferrières SC
Managing Partner of SCI 2 Square tour Maubourg SC
Managing Partner of Société Civile du Haras de Reux SC
Member of the Board of Directors of Casino SA[1]
Member of the Remuneration and Nomination Committee of Casino SA[1]
Sole Director of GIE Five Arrows Messieurs de Rothschild Frères

In other countries:
None

Positions no longer held (but held within the last five years)

In France:
Chairman of Paris Orléans Holding Bancaire (POHB) SAS (until 2019)
Chairman of Rothschild & Co Concordia SAS (until 2018)
Chairman of Rothschild & Co Gestion SAS (until 2018)
Permanent representative of Rothschild & Co Gestion SAS as Managing Partner of RCB Gestion SNC (until 2018)
Manager of Rothschild Martin Maurel SCS (until 2018)
Managing Partner of Rothschild & Cie SCS (until 2018)
Chairman of Rothschild Martin Maurel Associés SAS (until 2018)
Managing Partner of RCB Partenaires SNC (until 2018)
Member of the Governance and CSR Committee of Casino SA[1] (until 2018) (outside the Group)
Member of the Board of Directors of La Compagnie Financière Martin Maurel SA until its merger with the Company (until 2017)
Member of the Board of Directors of Edmond de Rothschild SA (until 2015) (outside the Group)

In other countries:
Member of the Board of Directors of Continuation Investments NV (the Netherlands) (until 2018)
Member of the Board of Directors of Rothschild Employee Trustees Limited (United Kingdom) (until 2016)
Vice-Chairman of Rothschild Bank AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschild Holding AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschild Concordia AG (Switzerland) (until 2016)
Chairman of Rothschild North America Inc. (United States of America) (until 2015)

(1) Listed company.

Éric de ROTHSCHILD

Main positions held within Rothschild & Co SCA:

- Vice-Chairman of the Supervisory Board

General information

French
Born in 1940
Number of Rothschild & Co shares held as at 31 December 2019: 12

Date of first appointment: 29 October 2004
Date of last renewal: 28 September 2017
End of term of office: Annual General Meeting to be held in 2020

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Executive Chairman of Rothschild & Co Concordia SAS
Managing Partner of RCB Partenaires SNC
General Partner and Manager of Béro SCA
Permanent representative of Béro SCA as Chairman of Ponthieu Rabelais SAS

Outside the Rothschild & Co Group

In France:
Permanent representative of Béro SCA as Co-Manager of Château Lafite Rothschild SC
Member of the Board of Directors of Baronnes et Barons Associés SAS
Member of the Board of Directors of Christie's France SA
Member of the Board of Directors of Société des Amis du Louvre
Member of the Board of Directors of Centre national de la Photographie

In other countries:
Member of the Board of Directors of The Rothschild Archive Ltd (United Kingdom)
Chairman and Director of DBR USA Inc. (United States of America)

Positions no longer held (but held within the last five years)

In France:
Chairman of Fondation nationale des Arts Graphiques et Plastiques (until 2019) (outside the Group)
Member of the Supervisory Board of Milestone SAS (until 2019) (outside the Group)
Member of the Supervisory Board of SIACI Saint-Honoré SA (until 2019) (outside the Group)
Chairman of the Supervisory Board of Rothschild & Co SCA(1) (until 2018)
General Manager of Rothschild & Co Concordia SAS (until 2018)
Permanent representative of Béro SCA as Chairman of Société du Château Rieussec SAS and Manager of Château Duhart-Milon SC (until 2018) (outside the Group)
Permanent representative of Béro SCA as Manager of La Viticole de Participation SCA, co-Manager of Domaines Barons de Rothschild (Lafite) SCA (until 2017) (outside the Group)

In other countries:
Chairman of Rothschild & Co Holding AG (Switzerland) (until 2019)
Member of the Board of Directors of Los Vascos S.A.(Chile) (until 2019) (outside the Group)
Member of the Board of Directors of Continuation Investments NV (the Netherlands) (until 2018)
Member of the Board of Directors of Rothschild Employee Trustees Ltd (United Kingdom) (until 2016)
Chairman of Rothschild Asset Management Holdings AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (until 2016)
Member of the Board of Directors of Rothschild Concordia AG (Switzerland) (until 2016)

(1) Listed company.

Adam KESWICK

Main positions held within Rothschild & Co SCA:

- Vice-Chairman of the Supervisory Board

General information

British
Born in 1973
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 29 September 2016
Date of last renewal: 16 May 2019
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

None

Outside the Rothschild & Co Group

In France:
None

In other countries:
Chairman of Jardine Pacific Holdings Limited (Bermuda)
Chairman of Jardine Schindler Holdings Limited (British Virgin Islands)
Chairman of Matheson & Co., Limited (United Kingdom)
Member of the Board of Directors of Jardine Matheson Holdings Limited[(1)] (Bermuda)
Member of the Board of Directors of Jardine Motors Group UK Limited (United Kingdom)
Member of the Board of Directors of Dairy Farm International Holdings Limited[(1)] (Bermuda)
Member of the Board of Directors of Hongkong Land Holdings Limited[(1)] (Bermuda)
Member of the Board of Directors of Mandarin Oriental International Limited[(1)] (Bermuda) Member of the Board of Directors of Jardine Strategic Holdings Limited[(1)] (Bermuda)
Member of the Board of Directors of JMH Finance Holdings Limited[(1)] (British Virgin Islands)
Member of the Board of Directors of JMH Investments Limited[(1)] (British Virgin Islands)
Member of the Board of Directors of JMH Management Holdings Limited[(1)] (British Virgin Islands)
Member of the Board of Directors of JMH Treasury Limited (British Virgin Islands)
Member of the Board of Directors of JSH Treasury Limited (British Virgin Islands)
Non-executive Member of the Board of Directors of Ferrari NV[(1)] (the Netherlands) Member of the Board of Directors of Yabuli China Entrepreneurs Forum (China)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Deputy Chairman of Jardine Lloyd Thompson Group Limited[(1)] (formerly Jardine Lloyd Thompson Group plc) (United Kingdom) (until 2019)
Chairman & Permanent Managing Director of Jardine Motors Group Holdings Limited (Bermuda) (until 2016)
Chairman & Permanent Managing Director & Chief Executive of Jardine Motors Group Limited (Bermuda) (until 2016)
Chairman of Jardine Pacific Limited (Bermuda) (until 2016)
Chairman of Jardine, Matheson & Co., Limited (Hong Kong) (until 2016)
Chairman of Zung Fu Company Limited (Hong Kong) (until 2016)
Chairman of Fu Tung Holdings Limited (Hong Kong) (until 2016)
Chairman & Non-executive Director of the Board of Directors of Gammon China Limited (Hong Kong) (until 2016)
Deputy Chairman & Deputy Managing Director of Jardine Matheson Limited (Bermuda) (until 2016)
Member of the Board of Directors of Zhongsheng Group Holdings Limited[(1)] (Cayman Islands) (until 2016)
Member of the Board of Directors of JRE Asia Capital Management Limited (Cayman Islands) (until 2016)
Member of the Board of Directors of Mandarin Oriental Hotel Group International Limited (Bermuda) (until 2016)
Member of the Board of Directors of Mandarin Oriental Hotel Group Limited (Hong Kong) (until 2016)
Member of the Board of Directors of Dairy Farm Management Services Limited (Bermuda) (until 2016)
Member of the Board of Directors of Yonghui Superstores Co., Limited[(1)] (China) (until 2016)
Member of the Board of Directors of Hongkong Land Limited (Bermuda) (until 2016)
Member of the Board of Directors of Jardine Matheson (China) Limited (Hong Kong) (until 2016)
Member of the Board of Directors of The Hongkong Land Co., Limited (Hong Kong) (until 2016)
Member of the Board of Directors of Hongkong Land China Holdings Limited (Bermuda) (until 2016)
Member of the Board of Directors of Maxim's Caterers Limited (Hong Kong) (until 2016)
Member of the Board of Directors of Mindset Limited (Hong Kong) (until 2016)
Member of the Board of Directors of OHTL Public Company Limited[(1)] (Thailand) (until 2016)

(1) Listed company.

Dr. Daniel DAENIKER

Main positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Risk Committee (until 16 September 2019)

General information

Swiss
Born in 1963
Number of Rothschild & Co shares held as at 31 December 2019: 2,010

Date of first appointment: 25 September 2014
Date of last renewal: 16 May 2019
End of term of office: Annual General Meeting to be held in 2022

Other directorships and positions held

Within the Rothschild & Co Group

None

Outside the Rothschild & Co Group

In France:
None

In other countries:
Member of the Board of Directors of Hilti AG (Liechtenstein)
Member of the Board of Directors of Dormakaba Holding AG(1) (Switzerland)
Senior Partner and Member of the Board of Directors of Homburger AG (Switzerland)

Positions no longer held (but held within the last five years)

In France:
Member of the Risk Committee (until 2019)

In other countries:
Member of the Board of Directors of GAM Holding AG(1) (Switzerland) (until 2016) (outside the Group)

Angelika GIFFORD

Main positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Risk Committee (until 16 September 2019)

General information

German
Born in 1965
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 25 September 2014
Date of last renewal: 16 May 2019
End of term of office: Annual General Meeting to be held in 2022

Other directorships and positions held

Within the Rothschild & Co Group

None

Outside the Rothschild & Co Group

In France:
None

In other countries:
Member of the Board of Directors of Thyssenkrupp AG (Germany) (since November 2019)
Member of the Executive Board of Atlantik-Brücke e.V. (Germany)
Member of the Supervisory Board of TUI AG(1) (Germany)

Positions no longer held (but held within the last five years)

In France:
Member of the Risk Committee (until 2019)

In other countries (outside the Group):
Member of Board of Directors of ProSieben Sat.1 Media SE(1) (Germany) (until 2019)
Executive Director and Vice-President of Software business of Micro Focus GmbH (Germany) (until 2018)
Executive Director and Vice-President of Software business of Hewlett-Packard GmbH (Germany) (until 2017)

(1) Listed company.

Sylvain HÉFÈS

Main positions held within Rothschild & Co SCA:

- Member of the Supervisory Board
- Chairman and member of the Remuneration and Nomination Committee
- Member of the Audit Committee (until 11 September 2019)

General information

French
Born in 1952
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 29 March 2012
Date of last renewal: 17 May 2018
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Member of the Board of Directors of Rothschild & Co Concordia SAS
Member of the Advisory Committee of Five Arrows Managers SAS

In other countries:
Senior Advisor of N.M. Rothschild & Sons Ltd (United Kingdom)
Member of the Investment Committee of Five Arrows Principal Investments SCA SICAR (Luxemburg)

Outside the Rothschild & Co Group

In France:
European Chairman of Rhône Capital

In other countries:
Member of the Board of Directors of Rhône Capital LLC (United States of America)

Positions no longer held (but held within the last five years)

In France:
Member of the Audit Committee (until 2019)

In other countries:
Chairman of Francarep, Inc. (United States of America) (until 2019)
Member of the Board of Directors of Five Arrows Capital Ltd (British Virgin Islands) (until 2017)

In other countries (outside the Group):
Member of the Board of Directors of Intercontinental Exchange Group, Inc.[1] (United States of America) (until 2015)

(1) Listed company.

Suet-Fern LEE

Main positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Audit Committee
- Member of the Risk Committee (as from 11 December 2019)

General information

Singaporean
Born in 1958
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 28 September 2017
Date of last renewal: n/a
End of term of office: Annual General Meeting to be held in 2020

Other directorships and positions held

Within the Rothschild & Co Group

None

Outside the Rothschild & Co Group

In France:
Member of the Board of Directors of Sanofi SA(1)

In other countries:
Director of Morgan Lewis Stamford LLC (Singapore)
Member of the Board of Directors of Stamford Corporate Services Pte Ltd (Singapore)
Member of the Board of Directors of the World Justice Project (United States of America)
Member of the Board of Directors of Caldecott Inc. (Cayman Islands)
Partner of Morgan Lewis & Bockius (United States of America)
Member, International Leadership Team, Morgan Lewis & Bockius LLP (United States of America)
Chair, Inter-Pacific Working Group, Morgan Lewis & Bockius LLP (United States of America)
Director and Member of the Audit Committee of AXA Holdings Japan Co., Ltd (Japan)

Positions no longer held (but held within the last five years)

In France:
Member of the Board of Directors and member of the Finance Committee of Axa SA(1)

In other countries (outside the Group):
Chair of the International Leadership Team, Morgan Lewis & Bockius LLP (United States of America) (until 2019)
Member of the Board of Directors of Axa Asia (Hong Kong) (until 2018)
Member of the Board of Directors of Rickmers Trust Management Pte Ltd(1) (Singapore) (until 2017)
Chair of the Asian Civilisations Museum (Singapore) (until 2015)
Member of the Board of Directors of National Heritage Board (Singapore) (until 2015)

(1) Listed company.

Arielle MALARD de ROTHSCHILD

Main positions held within Rothschild & Co SCA:

- Member of the Supervisory Board
- Member of the Audit Committee (as from 11 December 2019)
- Member of the Risk Committee
- Member of the Steering Committee on Women Leadership
- Member of the new Client Acceptance Committee

General information

French
Born in 1963
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 25 September 2014
Date of last renewal: 16 May 2019
End of term of office: Annual General Meeting to be held in 2022

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Managing Director of Rothschild & Cie SCS
Member of the Board of Directors of Fondation de Rothschild (charity)

In other countries:
None

Outside the Rothschild & Co Group

In France:
Member of the Board of Directors of Groupe Lucien Barrière SAS (until 1 April 2019)
Member of the Board of Société Foncière Lyonnaise(1)
Member of the Audit Committee of Société Foncière Lyonnaise(1)
Member of the Selection and Remuneration Committee of Société Foncière Lyonnaise(1)

In other countries:
Member of the Supervisory Board and Treasurer of CARE International (Switzerland) (charity) (until 5 June and then Chairperson)

Positions no longer held (but held within the last five years)

In France:
Member of the Board of Directors of Imerys SA(1) (until 2017) (outside the Group)
Member of the Nomination and Remuneration Committee of Imerys SA(1) (until 2017) (outside the Group)

In other countries:
Member of the Board of Electrica SA(1) (Romania and United Kingdom) (until 2018) (outside the Group)
Member of the Audit and Risk Committee of Electrica SA(1) (Romania and United Kingdom) (until 2018) (outside the Group)
Member of the Nomination and Remuneration Committee of Electrica SA(1) (Romania and United Kingdom) (until 2018) (outside the Group)
Chairwoman of CARE France (charity) (until 2018) (outside the Group)

(1) Listed company.

Lucie MAUREL-AUBERT

Main positions held within Rothschild & Co SCA:

- Member of the Supervisory Board

General information

French
Born in 1962
Number of Rothschild & Co shares held as at 31 December 2019: 12,610

Date of first appointment: 8 June 2012
Date of last renewal: 17 May 2018
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Chairwoman of the Supervisory Board of Martin Maurel SA
Chairwoman of Messine SAS
Vice-Chairwoman of Rothschild Martin Maurel Associés SAS
Chairman of the Supervisory Board of Wargny BBR SA

In other countries:
None

Outside the Rothschild & Co Group

In France:
Vice-Chairwoman of the Association Française des Banques
Member of the Board of Directors of Compagnie Plastic Omnium SA[1]
Member of the Board of Directors of SNEF SA
Member of the Board of Directors of STEF SA[1]
Manager of SC BD Maurel Manager of SC Paloma
Member of the Board of Directors of Fonds de dotation du Grand Paris

In other countries:
None

Positions no longer held (but held within the last five years)

In France:
Chairwoman of the Supervisory Board of Hoche Gestion Privée S.A. (until 2018)
Member of the Supervisory Board of Fonds de garantie des dépôts et de résolution (until 2018)
Chairwoman of Immobilière Saint Albin SAS (until 2018)
Member of the Supervisory Board of BBR Rogier S.A. (until 2018)
Member of the Board of Directors of Théâtre du Châtelet (until 2017) (outside the Group)
Chairwoman of the Supervisory Board of International Capital Gestion S.A. (until 2017)
Chairwoman of the Supervisory Board of Martin Maurel Gestion S.A. (until 2017)
Chairwoman of Grignan Participations SAS (until 2017)
Chairwoman of the Supervisory Board of Optigestion S.A. (until 2017) (outside the Group)
Member of the Executive Board and CEO of Martin Maurel (formerly “Banque Martin Maurel”) SA (until 2017)
Vice-Chairwoman, Deputy Chief Executive Officer and Director of Compagnie Financière Martin Maurel S.A. (until 2017)
Member of the Supervisory Board of Martin Maurel Gestion S.A. (until 2017)
Permanent representative of Martin Maurel (formerly “Banque Martin Maurel”) SA as member of the Supervisory Board of Optigestion S.A. (until 2017) (outside the Group)
Member of the Board of Directors of Fondation Hôpital Saint-Joseph (until 2016) (outside the Group)
Member of the Board of Directors of Montupet SA[1] (until 2016) (outside the Group)
Member of the Supervisory Board of Aéroport Marseille Provence (until 2015) (outside the Group)
Chairwoman of Groupement Européen de Banques (until 2015) (outside the Group)[1]

In other countries:
Manager (Type A) of Mobilim International Sàrl (Luxemburg) (until 2018)

(1) Listed company.

Carole PIWNICA

Main positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Remuneration and Nomination Committee

General information

Belgian
Born in 1958
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 25 September 2014
Date of last renewal: 16 May 2019
End of term of office: Annual General Meeting to be held in 2022

Other directorships and positions held

Within the Rothschild & Co Group

None

Outside the Rothschild & Co Group

In France:
Independent Member of the Board of Directors of Sanofi SA(1)

In other countries:
Member of the Board of Directors of Amyris Inc.(1) (United States of America)
Chairwoman and Member of the Board of Directors of Arianna SA (since 2019)
Managing Partner of Naxos SARL (since 2019)

Positions no longer held (but held within the last five years)

In France:
Independent Member of the Board of Directors of Eutelsat Communications SA(1) (until 2019) (outside the Group)
Chairwoman of the Nomination and Governance Committee of Eutelsat Communications SA(1) (until 2019) (outside the Group)
Member of the Audit Committee of Rothschild & Co SCA(1) (until 2018)
Member of the Audit Committee of Sanofi SA(1) (until 2018) (outside the Group)
Chairwoman of Remuneration Committee of Eutelsat Communications SA(1) (until 2016) (outside the Group)

In other countries (outside the Group):
Member of the Board of Directors of Naxos UK Ltd (United Kingdom) (until 2019)
Member of the Board of Directors of Elevance (United States of America) (until 2019)
Member of the Board of Directors of I20 (United Kingdom) (until 2019)
Member of the Board of Directors of Big Red (United States of America) (until 2018)
Member of the Board of Directors of RecyCoal Ltd (United Kingdom) (until 2015)

Anthony de ROTHSCHILD

Main positions held within Rothschild & Co SCA:

- Member of the Supervisory Board

General information

British
Born in 1977
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 8 June 2012
Date of last renewal: 17 May 2018
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Member of the Board of Directors of Rothschild & Co Concordia SAS

In other countries:
None

Outside the Rothschild & Co Group

In France:
None

In other countries:
Member of the Board of Directors of Ascott Farms Ltd (United Kingdom)
Member of the Board of Directors of Ascott Nominees Ltd (United Kingdom)
Member of the Board of Directors of Southcourt Stud Company Ltd (United Kingdom)
Member of the Board of Directors of Sculpt the future Company Ltd (United Kingdom)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Member of the Board of Directors of Ascott Properties Ltd (United Kingdom) (until 2015)

(1) Listed company.

Sipko SCHAT

Main positions held within Rothschild & Co SCA:

- Member of the Supervisory Board
- Chairman of the Risk Committee
- Member of the Audit Committee (as from 11 December 2019)

General information

Dutch
Born in 1960
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 8 June 2012
Date of last renewal: 17 May 2018
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

In France:
None

In other countries:
Member of the Board of Directors of Rothschild & Co Bank AG (Switzerland) Chairman of the Audit and Risk Committee of Rothschild & Co Bank AG (Switzerland)

Outside the Rothschild & Co Group

In France:
None

In other countries:
Member of the Supervisory Board of Drienim B.V. (the Netherlands)
Chairman of the Supervisory Board of VanWonen Holding B.V. (the Netherlands)
Non-executive member of the Board of Directors of OCI N.V.[1] (the Netherlands)
Member of the Board of Directors of Trafigura Group Pte Ltd (Singapore)
Member of the Board of Directors of Randstad Beheer B.V. (the Netherlands)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Chairman of the Supervisory Board of Vion N.V (the Netherlands) (until 2018)

(1) Listed company.

Peter SMITH

Main positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Chairman of the Audit Committee
- Member of the Remuneration and Nomination Committee
- Member of the Risk Committee (as from 11 December 2019)

General information

British
Born in 1946
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 27 September 2012
Date of last renewal: 17 May 2018
End of term of office: Annual General Meeting to be held in 2021

Other directorships and positions held

Within the Rothschild & Co Group

In France:
None

In other countries:
Non-executive member of the Board of Directors of N.M. Rothschild & Sons Ltd (United Kingdom)

Outside the Rothschild & Co Group

In France:
None

In other countries:
Member of the Board of Directors of Casa San Damian Limited (United Kingdom)

Positions no longer held (but held within the last five years)

In France:
None

In other countries:
Non-executive Chairman of the Board of Directors of N.M. Rothschild & Sons Ltd (United Kingdom) (until 2019)
Member of the Board of Directors of Rothschild & Co Bank AG (Switzerland) (until 2019)
Member of the Audit Committee of Rothschild & Co Bank AG (Switzerland) (until 2019)
Chairman of the Board of Directors of Land Restoration Trust (charity) (United Kingdom) (until 2019) (outside the Group)
Non-executive Chairman of the Board of Directors of Savills Plc[1] (United Kingdom) (until 2016) (outside the Group)
Member of the Board of Directors of Associated British Foods Plc[1] (United Kingdom) (until 2016) (outside the Group)
Non-executive Chairman of the Board of Directors of Templeton Emerging Markets Investment Trust Plc[1] (United Kingdom) (until 2015) (outside the Group)

(1) Listed company.

Luisa TODINI

Main positions held within Rothschild & Co SCA:

- Independent member of the Supervisory Board
- Member of the Remuneration and Nomination Committee

General information

Italian
Born in 1966
Number of Rothschild & Co shares held as at 31 December 2019: 10

Date of first appointment: 25 September 2014
Date of last renewal: 16 May 2019
End of term of office: AGM to be held in 2022

Other directorships and positions held

Within the Rothschild & Co Group

In France:
None

In other countries:
None

Outside the Rothschild & Co Group

In France:
None

In other countries:
Chairwoman of Green Arrow Capital SGR (Italy)
Chairwoman of Net Insurance SpA (Italy)
Chairwoman of Todini Finanziaria SpA (Italy)
Sole Managing Director of Proxima Srl (Italy)
Member of the Board of Directors of Save SpA (Italy)
Member of the Board of Directors of Green Arrow Capital SpA (Italy)
Vice-President of Green Arrow Capital Asset Management 1 Srl (Italy)
Member of the Board of Directors of Green Arrow Capital Asset Management 2 Srl (Italy)

Positions no longer held (but held within the last five years)

In France:
None

In other countries (outside the Group):
Honorary President of Todini Construzioni Generali SpA (Italy) (until 2019)
Chairwoman of Uni-Esco Srl (Italy) (until 2019)
Member of the Board of Directors of Salini Costruttori SpA (Italy) (until 2019)
Member of the Board of Directors of Green Arrow (Capital Srl (Italy) (until 2019)
Chairwoman of Todini Construzioni Generali SpA (Italy) (until 2018)
Chairwoman of Ecos Energia Srl (Italy) (until 2017)
Chairwoman of Poste Italiane[(1)] (Italy) (until 2017)

(1) Listed company.

François HENROT

Main positions held within Rothschild & Co SCA:

- Non-voting member (*censeur*) of the Supervisory Board

General information

French
Born in 1949
Number of Rothschild & Co shares held as at 31 December 2019: 476,260

Date of first appointment: 29 September 2016
Date of last renewal: 16 May 2019 (non-renewable for another term)
End of term of office: AGM to be held in 2020

Other directorships and positions held

Within the Rothschild & Co Group

In France:
Manager of FH GFA SARL, General Partner and Manager of Rothschild & Cie SCS
Manager of FH GFA SARL, Managing Partner of RCB Partenaires SNC
Chief Executive Officer of Paris Orléans Holding Bancaire (POHB) SAS

In other countries:
None

Outside the Rothschild & Co Group

In France:
Member of the Supervisory Board of Rexel SA[1]

In other countries:
None

Positions no longer held (but held within the last five years)

In France:
Managing Director of Rothschild Martin Maurel (formerly "Rothschild & Compagnie Banque") SCS (until 2017)
Non-voting member (*censeur*) of the Supervisory Board of Vallourec SA[1] (until 2015) (outside the Group)

In other countries (outside the Group):
Chairman of the Board of Directors of Copeba (Belgium)
Member of the Board of Directors of Yam Invest NV (the Netherlands)
Non-Executive member of the Board of Directors of BMCE Bank SA[1] (Morocco)

(1) Listed company.

It shall be stated that at the next shareholders' Combined General Meeting that will be held on 14 May 2020, shareholders of the Company will also be called upon to rule on the renewal of several members' terms as follows:

- renewal of terms of Supervisory Board members, namely Mrs. Suet-Fern Lee and Mr Eric de Rothschild.

The Supervisory Board, at its meeting on 10 March 2020, opined in favour of these renewals upon the recommendation of its Remuneration and Nomination Committee. The necessary information on these proposed renewals submitted to shareholders' approval will be presented in the General Meeting Document, grouping all information to be presented to shareholders, including the report to shareholders from the Supervisory Board to be published on the Company's website at: www.rothschildandco.com.

2.1.2 Diversity policy applied to the composition of the Supervisory Board and its specialised committees

The Supervisory Board of Rothschild & Co attaches great importance to the desirable balance within its membership and that of its specialised committees, in particular in terms of diversity and equal opportunity (appropriate representation of women and men, nationality, age, qualifications and professional experience).

In this way, the Supervisory Board can rely on the professionalism, qualifications and the diverse range of backgrounds and nationalities of the Company's employees.

2.1.3 Representation of women and men in the Supervisory Board

The composition of the Supervisory Board is in line with the provision of the Law number 2011-103 of 27 January 2011, as it is composed of eight men and six women.

In addition, the Supervisory Board ensures the gender balance among its specialised committees, as women serve in each of the specialised committees of the Supervisory Board.

It is to be noted in particular that, at the date of publication of the present report, one member of the Supervisory Board Mrs Lucie Maurel-Aubert, serves as Deputy Chair of the Supervisory Board and Chair of the CR Committee.

2.1.4 Gender diversity objectives for senior women in the Group

During its meeting on 10 March 2020, the Supervisory Board considered the proposed actions discussed by the Company's Manager in relation to the determination of the Rothschild & Co gender diversity objectives for senior women in the Group. These objectives are outlined in detailed in Section 3.2. of the Report on Corporate Responsibility, page 125 of this Annual Report. The Supervisory Board noted that executive management shall present during the 2020 financial year measures for implementing the objectives to the Supervisory Board.

2.1.5 Equal opportunity, representation and compensation

The Supervisory Board considers with attention the actions and initiatives conducted by Rothschild & Co and across the Group on equal opportunity in particular through the activity of the Group Balance & Inclusion Committee, and the Group Human Resources department on equal representation.

These actions and initiatives are more detailed in Section 3.2.1 of the Report on Corporate Responsibility, page 125 of this Annual Report.

2.1.6 Independent members

As at 31 December 2019, seven out of 14 members of the Supervisory Board are independent, and at the date of publication of this report the situation remains unchanged. It should be noted that since Rothschild & Co is a controlled company, it must integrate the Afep-Medef Code recommendation of at least 33% of members being independent. Therefore, with half of the members being independent the situation of Rothschild & Co exceeds significantly the threshold required by the Afep-Medef Code.

The Supervisory Board, in conjunction with senior management, carries out its own studies on potential candidates before approaching them. The Supervisory Board follows the Afep-Medef Code recommendation since the procedure for selecting future independent directors relies on the opinion and recommendations of its Remuneration and Nomination Committee. The Remuneration and Nomination Committee reviews annually the independence of each member. After examining the recommendation of its Remuneration and Nomination Committee:

- the Supervisory Board may consider that a member of the Board, although fulfilling the above criteria, must not be qualified as independent given his/her particular situation or that of the Company, having regard to its shareholding or any other reason,
- conversely, the Supervisory Board may consider that a member who does not strictly meet all the criteria referred to above is, however, independent.

The independence criteria that apply are those referred to in the Afep-Medef Code, excluding the criteria relating to terms of office, which is expressly set aside by the Supervisory Board, namely:

- not to be and not to have been within the previous five years:
  - an employee or executive officer of the Company;
  - an employee, executive officer or director of a company consolidated within the corporation;
  - an employee, executive officer or director of the Company's parent company or a company consolidated within this parent company;
- not to be an executive officer of a company in which the corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the corporation (currently in office or having held such office within the last five years) holds a directorship;
- not to be a customer, supplier, commercial banker, investment banker or consultant:
  - that is significant to the corporation or its group; or
  - for which the corporation or its group represents a significant portion of its activities;
- not to be related by close family ties to a Company officer; and
- not to have been an auditor of the corporation within the previous five years.

During the financial year ending on 31 December 2019, the Supervisory Board reconsidered at its meeting of 12 March 2019 as part of this annual review, the situation of one of its members, Mr. Sipko Schat. Mr. Schat has a business relationship with one of the Group's entities, N.M. European Partnership, under a consultancy agreement relating to Financial Advisory activities. The Supervisory Board renewed its assessment that this business relationship was not significant. The Board also extended its opinion based on the fact that Mr. Schat performed management duties in important banking groups which gives him expertise and judgement which contribute to the effectiveness of the Supervisory Board.

Upon recommendation of the members of its Remuneration and Nomination Committee, however, the Supervisory Board paid attention to the terms of Mr. Schat's compensation under his agreement with N.M. European Partnership. However, and while recalling that Mr. Schat' situation was not calling into question, in the spirit, his independence, the Supervisory Board considered that Mr. Sipko Schat was no longer fulfilling the independence criteria.

2.1.7 Attendance rates of the members of the Supervisory Board

The number of meetings of the Supervisory Board and its specialised committees held during the last financial year is set out below in the Section of this report on the review of the Supervisory Board and its specialised committees' activity. The following table gives, in accordance with recommendation number 10.1 of the Afep-Medef Code, all relevant information on the individual participation of the members of the Supervisory Board to its meetings.

However, it is emphasised that the non-participation of a Board member does not alter or compromise the proper functioning of the Board and its committees and does not call into question his/her involvement in the work of the Board. Indeed, when a member cannot attend a Board meeting or a committee meeting in person or by phone or video conference, his/her point of view, opinion or recommendations are always brought to the attention of the Board to the extent that all Board members maintain close relations both among themselves and with the Chairman of the Board and the Secretary to the Board.

The attendance rate of 80% of certain members to the meetings of the Supervisory Board is simply caused by the need to convene a meeting of the Supervisory Board on 4 April 2019 within a relatively short time, in the context of the reorganisation of the Company's shareholding structure (for more details, please refer to Section 4.1.1 page 52 of the Management Report). In this context, it should be noted that the members who could not attend that meeting due to other commitments, had expressed their opinion on the documents submitted to the Supervisory Board ahead of its meeting.

Member	Supervisory Board	Audit Committee	Risk Committee	Remuneration and Nomination Committee	Attendance rate by member
David de Rothschild	100.00%	n/a	n/a	n/a	100.00%
Eric de Rothschild	100.00%	n/a	n/a	n/a	100.00%
Daniel Daeniker(1)	80.00%	n/a	100.00%	n/a	90.00%
Sylvain Héfès(2)	80.00%	100.00%	n/a	100.00%	93.33%
Angelika Gifford(3)	100.00%	n/a	100.00%	n/a	100.00%
Arielle Malard de Rothschild(4)	100.00%	100.00%	100.00%	n/a	100.00%
Lucie Maurel-Aubert	100.00%	n/a	n/a	n/a	100.00%
Carole Piwnica	80.00%	n/a	n/a	100.00%	90.00%
Anthony de Rothschild	100.00%	n/a	n/a	n/a	100.00%
Sipko Schat(5)	100.00%	100.00%	100.00%	n/a	100.00%
Peter Smith(6)	80.00%	100.00%	100.00%	100.00%	95.00%
Luisa Todini	80.00%	n/a	n/a	100.00%	90.00%
Adam Keswick	60.00%	n/a	n/a	n/a	60.00%
Suet-Fern Lee(7)	**100.00%**	**100.00%**	**100.00%**	**n/a**	**100.00%**
Total	**90.00%**	**100.00%**	**100.00%**	**100.00%**	**94.17%**

(1) Daniel Daeniker was a Risk Committee member until 16 September 2019. He attended all Risk Committees to which he was convened.
(2) Sylvain Héfès was an Audit Committee member until 11 September 2019. He attended all Audit Committees to which he was convened.
(3) Angelika Gifford was a Risk Committee member until 16 September 2019. She attended all Risk Committees to which she was convened.
(4) Arielle Malard de Rothschild was appointed as Audit Committee member from 11 December 2019. She attended all Audit Committees to which she was convened.
(5) Sipko Schat was appointed as Audit Committee member from 11 December 2019. He has attended all Audit Committees to which he was convened.
(6) Peter Smith was appointed as Risk Committee member from 11 December 2019. He has attended all Risk Committees to which he was convened.
(7) Suet-Fern Lee was appointed as Risk Committee member from 11 December 2019. She has attended all Risk Committees to which she was convened.

2.2 Duties of the Supervisory Board members

2.2.1 Code of conduct

In accordance with the recommendations of article 19 of the Afep-Medef Code, the Supervisory Board's internal rules make each Board member aware of his/her responsibilities at the time of appointment and encourage him/her to observe the rules of ethics relating to his/her term of office.

Before assuming a seat on the Supervisory Board, each member must be aware of the general and special obligations incumbent on them. In particular, they must familiarise themselves with the laws and regulations governing the duties of Supervisory Board members.

The Company provides new members with its articles of association and the Supervisory Board's internal rules of procedure before they take office. By accepting a seat on the Supervisory Board, members agree to abide by its internal rules of procedure.

When taking part in Supervisory Board meetings and casting a vote, Supervisory Board members are representing all of the Company's shareholders and acting in the interests of the Company.

Supervisory Board members must allocate the required time to preparing for Board meetings and meetings of any committees on which they sit (as the case may be) by carefully reading the documentation provided to them. They may ask the Chairman for any further information that they require.

Supervisory Board members must attend all Supervisory Board meetings and meetings of any committees of which they are members (as the case may be), as well as General Meetings of shareholders, unless subject to an impediment and provided that they notify the Chairman and/or the Secretary accordingly beforehand.

Documentation for Supervisory Board meetings as well as information collected before or during Supervisory Board meetings is confidential. In accordance with applicable regulations, Supervisory Board members and all other persons invited to attend the meetings may not pass on such information to a third person, other than within the ordinary scope of their work or occupation, for any purpose or activity other than those for which the information was provided to them. They are required to take appropriate measures to protect the confidentiality of such information. Such information ceases to be personal and confidential when published externally by the Company, particularly in the form of a press release.

Supervisory Board members are not permitted to use their position and/or duties to procure any kind of benefit, whether financial or otherwise, either for themselves or for a third party.

2.2.2 Review of conflicts of interest

As Rothschild & Co is controlled by a group of shareholders acting in concert, the Supervisory Board pays particular attention to preventing potential conflicts of interest and taking into account all interests.

The direct or indirect involvement of any Supervisory Board member in an operation or a transaction in which Rothschild & Co has a direct interest, or of which they are aware as a result of their membership of the Supervisory Board, must be disclosed to the Supervisory Board prior to the conclusion of such operation or transaction.

Supervisory Board members are not permitted to assume personal responsibilities in undertakings or affairs that compete directly or indirectly with those of the Group without notifying the Supervisory Board in advance.

In accordance with recommendation number 19 of the Afep-Medef Code and the Supervisory Board's internal rules, each member of the Supervisory Board is required to disclose any situation of conflict of interest, even potential, between the Company's interest and the direct or indirect personal interest or the interest of the shareholder or group of shareholders they represent.

As such, each member must:

- inform the Supervisory Board as soon as they become aware of it; and
- draw any conclusions regarding the exercise of their mandate. Thus, as the case may be, he/she will have to:
  - abstain from participating in the vote on the corresponding deliberation, or even to the discussion preceding this vote;
  - not attend the Supervisory Board meeting during which he/she is in a conflict of interest situation; or
  - in the extreme, resign from his/her position on the Supervisory Board.

Supervisory Board members and all other persons who are invited to attend Supervisory Board meetings must not engage (either in person or via an intermediary) in transactions involving financial instruments of the Company and/or any other issuer for as long as they possess (as a result of their duties or presence at a Supervisory Board meeting) confidential information that might have a material effect on the price of the said financial instruments or on the price of related financial instruments. This duty applies without the Company being required to stipulate that the relevant information is confidential or privileged. Similarly, Supervisory Board members must refrain from disclosing such information to any other person outside the ordinary scope of their functions or for any purpose other than that for which the information was provided to them. Lastly, members must refrain from advising any other person to purchase or sell the financial instruments to which such information relates.

To this end, the following measures in particular must be taken:

- shares in the Company held by a Supervisory Board member personally or by a member's cohabiting spouse, minor child (not of full age) or any other intermediary must be registered:
  - either in a registered account managed by the holder of the Company's register;
  - or in the books of a French custodian account keeper whose details shall be provided to the Board's Secretary;
- members are not permitted to engage in any short or deferred transaction involving derivatives or financial instruments relating to securities issued by the Company (financial futures, warrants, exchangeable bonds, etc.); and
- transactions involving Rothschild & Co shares, including hedging transactions effected during the 30 calendar days prior to the publication of the annual statutory and consolidated financial statements, half-yearly financial statements and (where applicable) the full quarterly financial statements (such period being reduced to 15 days in respect of the publication of quarterly financial information) and on the publication date may not be undertaken by Supervisory Board members or any other person who attended the Supervisory Board meeting at which the results were reviewed. The same rule applies with respect to the announcement of projected annual and half-yearly results.

2.3 Powers of the Supervisory Board

The powers, mode of operation and activity of the Supervisory Board of the Company must be assessed in the light of its nature as a limited partnership by shares, which constitute its own legal form, even if it borrows both from the general partnership and the limited liability company.

Indeed, the second paragraph of article L. 226-1 of the French Commercial Code provides that the limited partnership by shares is first and foremost governed by specific rules (articles L. 226-1 to L. 226-14 and R. 226-1 to R. 226-3 of the French Commercial Code), and that it also borrows from the rules of limited partnerships (which themselves obey the rules of general partnerships) and limited companies, but only "to the extent that they are compatible with the specific provisions of this chapter" (*i.e.* the chapter relating to limited partnerships by shares). The rules of the limited company relating to the governance of the company are even expressly excluded (articles L. 225-17 to L. 225-93).

The hybrid nature of partnerships limited by shares dictates the method of organisation and operation that the Supervisory Board has adopted in its internal rules to enable it to carry out its missions as effectively as possible.

The Supervisory Board ensures the permanent control of management of the Company by the Managing Partner, including in particular the financial and accounting information reporting system and the internal control system relating to risks, compliance and internal audit, in accordance with the legal and regulatory provisions applicable to the Company.

The Supervisory Board may convene the General Meeting of shareholders. In order to exercise its power of permanent control:

- the Supervisory Board carries out, at any time during the year, the verifications and controls it considers appropriate and may request any documents it considers useful for the performance of its duties;
- quarterly, or more often if the Supervisory Board requests it, the Managing Partner shall submit to the Board a report on the state and progress of corporate affairs, which shall be drawn up under the conditions requested by the Supervisory Board;
- within three months after the end of the financial year, the Managing Partner submits to the Supervisory Board, for verification and control purposes, the annual and consolidated financial statements;
- the Managing Partner submits to the Supervisory Board its annual operational objectives and, at least once a year, its long-term strategic projects;
- the Supervisory Board submits a report to the Annual General Meeting of shareholders in which it reports, in particular, on irregularities and inaccuracies in the annual and consolidated financial statements and comments on the Company's management;
- regulated agreements and undertakings governed by the combined provisions of Articles L. 226-10 and L. 225-38 to L. 225-43 of the French Commercial Code are subject to the prior authorisation of the Supervisory Board; and
- it ensures the quality of the information provided by the Group to its shareholders and to the financial markets through the Company's and Group's financial statements and the annual report prepared by the Managing Partner, or in the event of significant transactions.

In addition to the powers conferred on it by law, the Supervisory Board decides in accordance with the procedures set out in Article 10.2.3 of the Company's articles of association:

- by way of an advisory opinion to the Managing Partner on:
  – the strategic orientations, annual budget and three-year business plan of the Group;
  – any significant external growth, sale of an activity or branch of activity, or merger;
  – any strategic initiative or significant reorientation of the Group's business; and
- by way of a recommendation to shareholders on the Company's dividend distribution policy.

In addition, the Supervisory Board submits to the shareholders a report and a motivated opinion on any resolution submitted to the General Meeting of shareholders and on any subject covered by a report of the Company's Statutory Auditors.

The Supervisory Board may be assisted by experts of its choice, at the Company's expense. It has the broadest powers of investigation and may ask written questions to the Managing Partner or request to be heard at any time.

2.3.1 Organisation and operation of the Supervisory Board

NOTICE OF MEETINGS

Following a proposal by its Chairman, the Supervisory Board prepares a schedule of meetings each year, for the following year. The Board is kept informed of the annual work programme of its specialised committees.

The Supervisory Board meets as often as required in the interests of the Company and at least four times a year, further to a notice of meeting issued by any means by the Chairman, at least one half of the Supervisory Board members, the Company's Managing Partner, or a General Partner, subject to reasonable notice unless circumstances require a meeting to be called at very short notice.

The person(s) who call(s) a Supervisory Board meeting prepare(s) the agenda of the meeting and informs the Supervisory Board members in a timely manner and by any appropriate means.

All Supervisory Board members may consult the Secretary and benefit from the latter's services. The Secretary is responsible for all procedures relating to the Supervisory Board practices and for the organisation of the meetings.

Documents are provided to Supervisory Board members to enable them to express an opinion in full knowledge of the facts on items included on the agenda at least 48 hours prior to Supervisory Board meetings, except in an emergency or if there is a requirement to keep such documents strictly confidential.

Members of the Management Board of the Company's Managing Partner attend the meeting of the Supervisory Board in an advisory capacity and to discharge the Managing Partner's reporting duty vis-à-vis the Supervisory Board. Any other person outside the Supervisory Board may be invited to attend the whole or part of a Supervisory Board meeting by the Chairman of the Supervisory Board or upon the recommendation of the Company's Managing Partner as given to the Chairman of the Supervisory Board.

ORGANISATION OF MEETINGS

Supervisory Board meetings may be held at the registered office or at any other location indicated in the notice of meeting, as well as by videoconferencing or teleconferencing facilities that identify members of the Supervisory Board and guarantee their effective involvement through the use of technical resources that continually and simultaneously transmit discussions. Meetings shall be chaired by the Chairman or, in the latter's absence, by the longest-standing Vice-Chairman present or, in the absence of a Vice-Chairman, by the member appointed for that purpose by the Supervisory Board.

The items on the agenda are communicated to the members of the Supervisory Board at least 48 hours before each meeting, unless emergencies or a need to ensure complete confidentiality. In any event, the Supervisory Board may, during each of its meetings, in case of emergency, and upon proposal of the Chairman of the meeting, deliberate on matters not on the agenda but which are communicated to the members of the Board.

At each Supervisory Board meeting, the Managing Partner informs its members of the main significant facts and events relating to the Group's activities that have occurred since the previous meeting.

Following the annual assessment conducted by the Supervisory Board in 2018, the Board decided to devote the necessary time at the end of each of its meetings to allow discussions between the members of the Supervisory Board without the presence of the Managing Partner's representatives and the executive officers holding senior positions within the Company and the Group.

ATTENDANCE AND MAJORITY

The Supervisory Board members are entitled to be represented at any meeting by another member, pursuant to specific authorisation set out in a letter, a fax, an email or any other method of communication deemed reasonable and acceptable by both parties.

The Supervisory Board members who take part in a Supervisory Board meeting via the technical resource methods referred to above are deemed present, except where the Supervisory Board is meeting to verify and check the Annual Report and the statutory and consolidated financial statements.

Decisions are taken by an ordinary majority of members who are present or represented and authorised to vote. In the event of a tie, the chairman of the meeting shall have a casting vote.

2.3.2 The Supervisory Board and the Group's strategy

In addition to the powers conferred on it by law, in accordance with Article 10.2.3 of the Company's articles of association, the Supervisory Board gives an advisory opinion to the Company's Managing Partner on the following matters:

- the Group's strategic policies, annual budget and three-year business plan; and
- any significant strategic initiative in the Group's business.

2.4 Review of the Supervisory Board's activity during the financial year and until the publication of this report

The Supervisory Board meets at least four times a year.

Before each meeting, Board members receive a file containing the agenda for the meeting, reports, memos and studies required to review the issues featured on the agenda.

Each quarterly Supervisory Board meeting is preceded by an Audit Committee and Risk Committee meeting. The Remuneration and Nomination Committee meets at least in February and December of each year.

The Supervisory Board met five times during the financial year ended 31 December 2019, on 12 March, 4 April, 15 May, 17 September and 17 December. Information about the rate of attendance of each Supervisory Board member is provided in Section 2.1.5 of this report.

At its meeting on 12 March 2019, agenda items comprised, in particular:

- the Group Performance Review and results for twelve months ended 31 December 2018;
- the Rothschild & Co accounts for the year ended 31 December 2018;
- following their respective meetings, the activity reports of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- miscellaneous internal control matters at the level of the Group, including reporting to the *Autorité de Contrôle Prudential et de Résolution* (ACPR) and approval of the Strategic Risk Assessment;
- the regulatory capital planning;
- a presentation on the legal and regulatory impacts of Brexit; and
- in advance of the Annual General Meeting, the draft agenda and resolutions and the Supervisory Board's report to shareholders.

At its meeting on 4 April 2019, agenda items comprised only the information of the Supervisory Board on the reorganisation of the shareholding structure of the family holding company Rothschild & Co Concordia SAS consolidating the Rothschild family control over Rothschild & Co referred to in Section 4.1.1 on page 52 of the management report.

At its meeting on 15 May 2019, agenda items comprised, in particular:

- the Group Performance Review and results for three months ended 31 March 2019;
- following their respective meetings, the activity reports of the Audit Committee and the Risk Committee;
- miscellaneous internal control matters at the level of the Group, including report on Anti-Money Laundering and Counter-Terrorist Financing, Group policies and Group Recovery Plan;
- a presentation on Rothschild & Co Merchant Banking activity;
- a presentation on Rothschild & Co succession plans;
- a presentation on the legal and regulatory impacts of Brexit; and
- in advance of the Annual General Meeting, the composition of the Supervisory Board and its Committees.

At its meeting on 17 September 2019, agenda items comprised, in particular:

- the Group Performance Review to 30 June 2019 and forecast for the year to 31 December 2019;
- the 2019 Half-Year Consolidated Accounts and the draft results announcement;
- a presentation on Rothschild & Co Wealth and Asset Management activities;
- following their respective meetings, the activity reports of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- the appointment of the chairman and members of the Audit and Risk committees;
- an update on the legal and regulatory impacts of Brexit; and
- the Group lending review.

At its meeting on 17 December 2019, agenda items comprised, in particular:

- the Group Performance Review to 31 December 2019 and overall Group budget to December 2020;
- following their respective meetings, the activity reports of the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- the review of the governance of the Supervisory Board and the Board's committees;
- an update on the Corporate Responsibility (CR) strategy; and
- a presentation on cyber security within the Group.

2.5 Assessment of the Supervisory Board's organisation and working methods

In 2018, the Supervisory Board carried out a deep evaluation of its organisation and working methods in collaboration with the Chairman of the Remuneration and Nomination Committee and an independent member of the committee. This evaluation took the form of a questionnaire addressing the following issues:

- composition of the Supervisory Board.
- duties of the Supervisory Board.
- organisation of meetings and the functioning of the Supervisory Board.
- access to the necessary information allowing the Board to perform its duties.
- work of specialised committees.
- supervision of internal control and risk management.
- communication with shareholders.
- supervisory Board's assessment methods.
- ethics and preventing conflicts of interest.
- remuneration policy for members of the Board and its committees.

On the basis of the results of this evaluation, at its meeting of 19 December 2018, the Supervisory Board approved an action plan formulated around five main themes: granularity of information given to the Board and its committee, selection of the main topics the Board wishes to discuss until the end of the 2019 financial year, notifications to the Board and training of its members in the main regulatory issues, length of Board meetings and composition of the Board and its committees.

After having considered the 2018 evaluation questionnaire was mature, the Supervisory Board decided to conduct its 2019 annual evaluation based on a questionnaire limited to the most important issues which had been raised in 2018, in light of the effective implementation of the agreed action points. The results of this 2019 annual evaluation were presented to the Supervisory Board at its meeting on 10 March 2020.

The results of the 2019 evaluation were presented to the Supervisory Board during its meeting on 10 March 2020. During the same meeting, the Supervisory Board decided to conduct the next formal evaluation in the course of the 2022 financial year, under the same terms than the 2018 evaluations (with the addition of new questions where appropriate). The results of the next formal evaluation will be presented to the Supervisory Board during its meeting of December 2022.

The results of the 2018 deep evaluation showed that Board members expressed their desire to have longer meetings to allow more discussions during a meeting versus management presentations. The results of the 2019 evaluation showed that longer meetings have improved the Board understanding of the group's activities and largely improved the quality of the exchanges with management.

The 2018 deep evaluation raised the question whether the Board was sufficiently aware of risks faced by Rothschild & Co and whether Board members were satisfied with the Board's level of awareness of policies and procedures to identify monitor and manage risks. The members of the Board expressed their satisfaction as a result of the actions implemented by management in this regard since the May 2018 meeting and until the December 2019 meeting, noting the frequency of reporting to the Board regarding certain topics.

Regarding the Board committees, the results of the 2019 evaluation showed that the Board was satisfied receiving each year the annual work program of each specialised committee and the results of their respective own self-assessment.

2.6 Specialised committees of the Supervisory Board

In accordance with legal and regulatory provisions, the Supervisory Board set up an Audit Committee, a Remuneration and Nomination Committee and a Risk Committee, and defined the composition of those committees as well as their tasks and practices.

Only members of the Supervisory Board may sit on these committees and only for their term of office on the Supervisory Board. The composition of each committee is decided by the Supervisory Board.

Members of the Management Board of the Company's Managing Partner may attend a meeting of a Supervisory Board's committee if so requested or at the invitation of the committee's chairman.

2.6.1 Audit Committee

COMPOSITION

As at 31 December 2019, the Audit Committee was composed of members: Mr. Peter Smith (Chairman and independent member), Mr. Sipko Schat (as from 11 December 2019), Mrs. Suet-Fern Lee (independent member), and Mrs. Arielle Malard de Rothschild (as from 11 December 2019).

RESPONSIBILITIES

The Audit Committee is mainly responsible for:

- reviewing the process of drawing up financial information such as annual accounts, half-year accounts and quarterly information;
- reviewing the statutory audit of the annual accounts and consolidated accounts by the Statutory Auditors;
- reviewing the independence and objectivity of the Statutory Auditors;
- giving a recommendation regarding the appointment of the Statutory Auditors proposed to the Ordinary General Meeting of shareholders; and
- reviewing the effectiveness of the Group's internal control systems.

The Audit Committee is empowered to obtain any information it considers necessary to fulfil its task from the Company's executive body, its staff and the Company's or its subsidiaries' Statutory Auditors. Audit Committee members have the opportunity, if necessary, to seek the opinion of the senior executives of the Group as well as that of the Statutory Auditors.

ACTIVITY

The Audit Committee meets at least four times a year or more frequently if so required. Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The Group Chief Financial Officer, the Group External Reporting Director, the Group Head of Internal Audit, the Group Head of Legal & Compliance, the Group Head of Risk, the Group Company Secretary (and General Counsel of the Company) and the Statutory Auditors are permanent attendees at the meetings of the Audit Committee.

The March and September meetings are mainly focused, respectively, on the review of the solo parent company and consolidated accounts and the half-year accounts and the presentation by the Statutory Auditors of its report after its review of such accounts. In addition, at the March meeting, the Audit Committee reviews the report on risk management and accounting procedures implemented by the Company that are displayed in the report on internal control, risk management and accounting procedures.

At the March meeting and in accordance with articles 258, 259, 260, 262 and 264 of the Order of 3 November 2014, on internal control of companies in the banking, payment services and investment services sector, subject to the supervision of the *Autorité de contrôle prudentiel et de résolution*, is submitted to the Audit Committee for review, the report must be forwarded to the Supervisory Board and then to the *Autorité de contrôle prudentiel et de résolution*.

In advance of each meeting, the Audit Committee members receive the Internal Audit activity report and the status of Statutory Auditors recommendations. The activities of the Group subsidiary audit committees are also presented to the Audit Committee during those two meetings.

This year, the Audit Committee also reviewed the list of non-audit fees and took note of the new auditor partner's rotations and audit governance requirements under the revised Statutory Audit Directive.

At the end of each meeting, the Audit Committee usually meets with the Group Head of Internal Audit and the Statutory Auditors without the presence of any representative of senior management.

After each meeting of the Audit Committee, the Chairman of the Audit Committee submits a report on the work of the Audit Committee to the Supervisory Board members.

In addition, the Audit Committee receives, in advance of each meeting, the Group Risk and Compliance quarterly report addressed also to the Group Risk Committee.

Furthermore, every year, at the request of the Chairman of the Audit Committee, the Company Secretary coordinates a review of the annual work programme of the Audit Committee with the committee members to ensure that the Audit Committee discharges its responsibilities in accordance with its Terms of Reference.

During the financial year ended 31 December 2019, the Audit Committee met four times on 6 March, 10 May, 11 September and 11 December. Information on the attendance rate of each committee member is provided in Section 2.1.5 of this report.

The agenda of the meeting of 6 March 2019 focused on:

- the review of the parent and consolidated results for the financial year ended 31 December 2018 and the 2018 draft results announcement;
- the statutory auditors' report on the financial statements for the financial year ended 31 December 2018;
- an update on the integration plan at Rothschild Martin Maurel and of the workload for future projects;
- the review of the statutory auditors' non-audit fees and an update on their independence policy;
- the review of the annual Group internal audit;
- an update on the remediation plan on the "*lettre de suite*" addressed to Rothschild Martin Maurel;
- a status update on the implementation of the requirements of MIFID II;
- the presentation of the quarterly activity report of the Group's Legal, Risk and Compliance departments and permanent control report;
- an update on the Group Internal Audit activity and review of the outstanding audit recommendations; and
- a presentation of a report from the Group Credit Committee on loan reviews and impairments.

The agenda of the meeting of 10 May 2019 focused on:

- the Group Legal, Risk and Compliance report and legal issues update;
- the presentation of the annual report on the Anti-Money Laundering internal control framework;
- the status update of the workstreams relating to permanent controls at Rothschild Martin Maurel;
- the Internal Audit status report;
- the presentation of the status of external audit recommendations;
- the Audit committee annual work schedule;
- the assessment of the statutory auditors' performance; and
- the evaluation of the Audit Committee's performance.

The agenda of the meeting of 11 September 2019 focused on:

- the 2019 half-year Consolidated Accounts and the draft results announcement;the presentation of the statutory auditors' 2019 audit strategy and plans;
- the presentation of the statutory auditors' engagement and fees;
- the presentation of the report of the Group's Legal, Risk and Compliance departments and legal issues update;
- the presentation of the Group Internal Audit status report;
- the presentation of the status of the statutory auditors' recommendations; and
- the presentation of the Audit Committee annual work programme.

The agenda of the meeting of 11 December 2019 focused on:

- the review of the revised Terms of reference for the Audit Committee submitted for approval to the Supervisory Board;
- the information on the Merchant Banking valuation policy and the division's investment portfolio;
- a preliminary review of accounting matters for the financial year ended 31 December 2019;
- an update on Group Internal Audit activity, including the annual risk assessment and proposal of audit plan for 2020; and
- the information on the Audit Committee's annual work programme.

2.6.2 The Risk Committee

COMPOSITION

As at 31 December 2019, the Risk Committee was composed of four members: Mr. Sipko Schat (Chairman), Mr. Peter Smith (as from 11 December 2019), Mrs. Arielle Malard de Rothschild, and Mrs. Sue Fern Lee (as from 11 December 2019).

RESPONSIBILITIES

The Risk Committee is mainly responsible for:

- advising the Supervisory Board on the overall current and future risk appetite and strategy, both at the Group and Rothschild & Co levels;
- assisting the Supervisory Board in overseeing the implementation of that strategy;
- reviewing on a consolidated basis the material risks of the Group, and the total exposure of the Group's activities to such risks;
- reviewing the results of the Group's risk assessment that identifies and evaluates exposures to risk in the light of internal and external factors;
- reviewing the Group's broad guidelines relating to risk management and examining the effectiveness of the risk management policies put in place;
- reviewing all material new products and new classes of products and funds that have been approved pursuant to the Group's New Products Policy; and
- examining incentives provided by remuneration policies and practices to ensure they are consistent in the light of the risk, capital, liquidity and the likelihood and timing of expected earnings for entities.

ACTIVITY

The Risk Committee meets at least four times a year or more frequently if so required.

Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The Chairman of the Audit Committee, the Group Head of Risk, the Group Head of Legal & Compliance, the Group Head of Internal Audit, the Group Chief Financial Officer, the Group External Reporting Director and the Group Company Secretary (and General Counsel of the Company) are permanent attendees at the meetings of the Risk Committee.

During those meetings, the Risk Committee reviewed the four quarterly Group legal, compliance and risk reports and examined the Group strategic and operational risk assessments. In addition, the Risk Committee checked the implementation of crisis management plans across the Group.

The Risk Committee met four times during the financial year ended 31 December 2019, on 11 March, 15 May, 16 September and 11 December. Information about the rate of attendance of each committee member is provided in Section 2.1.7 of this report.

The agenda for the meeting of 11 March 2019 focused on:

- the review of the Group lending and limits;
- the review of the Group Credit Risk Policy;
- the review of Group capital;
- the review of Group capital and risk adjusted capital assessment;
- the quarterly activity report of the Group's Legal, Risk and Compliance departments;
- an update on the remediation plan on the "*lettre de suite*" addressed to Rothschild Martin Maurel;
- an update on Information Security;
- the report on Internal Control;
- the review of the Risk Management Section of the 2018 Annual Report and Accounts;
- the review of the Group Outsourcing Policy; and
- the Internal Audit summary of activity.

The agenda for the meeting of 15 May 2019 focused on:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments, including permanent control monitoring;
- an update on Information Security;
- the review of the Group Recovery Plan;
- the review of Group Risk Policies, including Group operational risk, the Group Risk Framework, the Group Risk Appetite Statement and the updates on Group Financial Crime & Client Due Diligence Policy;
- the review of the Bi-Annual Liquidity Report; and
- the presentation of the annual report on the Anti-Money Laundering internal control framework.

The agenda for the meeting of 16 September 2019 focused on:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments, including permanent control monitoring; and
- an update on Information Security Programme.

The agenda for the meeting of 11 December 2019 focused on:

- the quarterly activity report of the Group's Legal, Risk and Compliance departments;
- the review of the Group's strategic risk assessment;
- the bi-annual review of liquidity;
- the overview of treasury management in the Group;
- an update on Information Security risk Programme;
- updates to the Risk Appetite Statement and Group Policies; and
- the Risk Committee's annual work programme for 2020 and the review of meeting dates for 2021.

2.6.3 Changes in the composition of the Audit and Risk Committees during the financial year and at the date of publication of the present report

At its meeting on 17 September 2019, the Supervisory Board reviewed the activities and composition of both its Audit and Risk committees. This reviewed was guided in particular by the desire to increase the efficiency of both committees in areas especially around financial supervision, compliance, information security and internal control. As a result of this review, the Supervisory Board decided to unify the composition of its Audit and Risk committees. Since their respective meetings on 17 December 2019, both committees have the same members:

- Mr Peter Smith (independent), Chairman of the Audit Committee
- Mr Sipko Schat, Chairman of the Risk Committee
- Mrs Suet-Fern Lee (independent), and
- Mrs Arielle Malard de Rothschild.

Financial experts serve on the Audit and Risk committees:

- Mr. Peter Smith, who chaired the Audit Committee and was a member of the Risk Committee until 10 March 2020, was UK Senior Partner at PricewaterhouseCoopers (and previously at Coopers & Lybrand) from 1994 to 2000. He was non-executive Chairman of the Boards of Savills Plc and Templeton Emerging Markets Investment Trust Plc;
- Sir Peter Estlin, who chairs the Audit Committee and has been a member of the Risk Committee since 10 March 2020, trained as a Chartered Accountant becoming a partner with Coopers & Lybrand in 1993. The majority of his career has been spent in Banking, initially as CFO for Salomon Brothers Asia, then CFO for Citigroup's Investment Banking and Banking divisions in New York and London. He joined Barclays in late 2008 as Group Financial Controller and has been CFO of the Retail & Business Banking and Non-Core divisions as well as Acting Group CFO. He was Lord Mayor of the City of London in 2019-2020. He is in addition, a member of the Audit Committee of HM Treasury;
- Mr. Sipko Schat chairs the Risk Committee and is a member of the Audit Committee. He spent over 28 years in banking within Rabobank mainly focused on Corporate Finance and Investment Banking and the last eight years as a member of the Executive Board (until 2014). He is also a member of the Audit Committee of OCI N.V. and Chairman of the Audit Committee of Trafigura Pte Ltd.;
- Mrs. Arielle Malard de Rothschild, who spent ten years at Lazard Frères & Cie in global advisory, joined Rothschild & Cie SCS's global advisory division in 1999. Inherent to her professional activities in global advisory, she considers financial matters.

In addition to the financial experts, the Audit and Risk committees benefit from the presence among its members of a distinguished lawyer. Mrs. Suet-Fern Lee is one of the leading M&A and corporate lawyers in Singapore. She is currently Senior Partner at Morgan Lewis Stamford LLC. She has also been a member of the Board of Directors of various companies, such as in France, where she is currently a member of the Board of Directors of Sanofi, it been specified that she was a member of the Board of Directors and the Finance Committee of AXA for the past five years. She qualified as a Barrister-at-Law at Gray's Inn, London in 1981 before being admitted to the Singapore Bar in 1982.

2.6.4 Remuneration and Nomination Committee

COMPOSITION

As at 31 December 2019, the Remuneration and Nomination Committee was composed of four members: Mr. Sylvain Héfès (Chairman), Ms. Carole Piwnica (independent member,), Mr. Peter Smith (independent member) and Ms. Luisa Todini (independent member).

RESPONSIBILITIES

The Remuneration and Nomination Committee is mainly responsible for:

- setting the principles and parameters of remuneration policy for the Group as a whole and periodically reviewing the policy's adequacy and effectiveness taking into account all factors which it deems necessary including the Group strategy from time to time;
- supervising and reviewing the total spend on remuneration paid across the Group;
- supervising and reviewing the broad policy framework for the remuneration of the Group Executive Committee and the principles of the remuneration policy applicable to Material Risk Takers ("MRTs");
- supervising the remuneration paid/awarded to members of the Compliance and Risk divisions and, where appropriate, the employment and remuneration arrangements of the Group Executive Committee;
- reviewing and agreeing the list of MRTs as we define them (in line with appropriate criteria) in the Group and each of its CRR regulated entities for the purposes of the ACPR and other local regulators as appropriate;
- participating in the selection and nomination process of members of the Board as detailed in the Afep-Medef Code;
- reviewing and making recommendations to the Board on appropriate levels of board and committee fees and the overall envelope of fees for each financial year;
- reviewing the nature and scale of the Group's short and long term incentive performance arrangements to ensure that they encourage enhanced performance and reward individuals in a fair and responsible manner for their contribution to the success of the Group in light of an assessment of the Group's financial situation and future prospects;
- reviewing the adequacy, timing and content of any significant disclosures on remuneration;
- discussing and reviewing with Rothschild & Co Gestion officers the determination and quantum of the total bonus pool; and
- undertaking any other remuneration related obligation placed upon the Remuneration Committee by either the head regulator or a local regulator.

ACTIVITY

The Remuneration and Nomination Committee meets at least three times a year or more often as required by the circumstances.

Before each Committee meeting, members receive a set of briefing documents including all reports, memos and other information providing background on each of the agenda items.

No Group employee is allowed to take part in discussions or decisions involving their own remuneration.

The Chairman of the Supervisory Board, the Chairman, the Managing Partners of Rothschild & Co Gestion, the Group Head of Human Resources and the Group Chief Financial Officer are invited to attend all Remuneration and Nomination Committee meetings.

During the year ended 31 December 2019, the Committee met four times, on 5 February, 18 February, 25 July and 5 December. Information on the attendance rate of each Committee member is provided in Section 2.1.5 of this report.

The agenda for the meeting of 5 February 2019 focused on:

- the review of the 2018 and 2019 Material Risk Taker identification process and subsequent review of the Material Risk Takers identified;
- the review of the Group Non-Cash Instrument Plan;
- the review of Role-Based Allowances;
- the Remuneration Committee 2019 work plan and self-assessment questionnaire of the Remuneration Committee;
- a presentation from Risk and Compliance confirming whether any risk adjustments are required to the R&Co Bonus pool;
- a review of the Group financial results for the preceding financial year; and
- a review of compensation and promotion proposals for the Global Advisory, Wealth Management and Trust, US Asset Management and Support businesses.

The agenda for the meeting of 18 February 2019 focused on:

- any material changes to the financial results or compensation proposals reviewed at the 5 February 2019 Remuneration Committee meeting;
- the review of both internal and external remuneration disclosures;
- the review of 2019 Equity Schemes referred to in Section 2.3.5 on page 63 of the Management Report;
- the review of the findings from the Remuneration Committee self-assessment;
- the review of the 2019 Supervisory Board remuneration policy and aggregate Supervisory Board fee proposal; and
- the review of Partner promotions.

The agenda for the meeting of 25 July 2019 focused on:

- the 2019 Equity Schemes referred to in Section 2.3.5 on page 63 of the Management Report;
- an update on CRD V Remuneration regulation; and
- a review of the findings from an internal audit of the 2017 remuneration policy.

The agenda for the meeting of 5 December 2019 focused on:

- the Group and local remuneration policies;
- the review of the 2019 and 2020 Material Risk Taker identification process and subsequent review of the Material Risk Takers identified;
- the review of the updated Malus policy to incorporate clawback provisions;
- the review of Role-Bases Allowances;
- the Remuneration Committee 2020 work plan and self-assessment questionnaire of the Remuneration Committee.;
- the review of the 2020 Supervisory Board remuneration policy and aggregate Supervisory Board fee proposal;
- a review of the findings from an internal audit of the 2018 remuneration policy;
- a review of the forecast Group financial results for the current financial year; and
- a review of compensation and promotion proposals for the Global Advisory, Wealth and Asset Management, Merchant Banking and Support businesses in France and the Merchant Banking business as a whole.

2.7 Corporate governance code

The Company has decided to refer to the Afep-Medef Code revised in January 2020 as the corporate governance reference code in accordance with the provisions of article L. 225-37-4 8° of the French Commercial Code. The Company considered that this code was more appropriate to its size and its shareholding structure.

The Company is very committed to the principles of good governance and to the recommendations of the Afep-Medef Code. It should, however, be stressed that the very principle of partnerships limited by shares, the Company's form of incorporation, gives a unique structure to governance providing a clear separation of powers between the Company's Managing Partner and the Supervisory Board, which cannot comply with the Afep- Medef recommendations without adaptation. In this situation, the Board takes into account the specific characteristics of this form of incorporation, and the Board is organised in a way that is adapted to the nature of the functions conferred upon it by law and the articles of association as well as by the recommendations of the Afep-Medef Code. Pursuant to the AMF recommendations, the recommendations of the Afep-Medef CodePursuant not applied by the Company are described in the table below, with an explanation for each of them:

Afep-Medef recommendations	Explanations by the Company
Independence criterion for members of the Supervisory Board related to the length of office (§9.5.6 of the Afep-Medef Code): Criterion providing that in order to be considered as independent a Director must not "have been a Director for more than twelve years."	Given the Company's ownership structure, which is controlled by an enlarged Rothschild Family Concert acting in concert with companies owned by members of the Rothschild family and by other shareholders with long-standing ties to the Rothschild family, and given the legal and statutory characteristics of a French partnership limited by shares, the Supervisory Board has expressly decided to waive the criterion relating to the duration of Supervisory Board members' terms of office. This particular criterion was therefore expressly waived in the Supervisory Board's internal rules of procedure as follows: *"The independence criteria that apply are those referred to in article 9.5 of the Afep-Medef Code, excluding the criterion relating to terms of office, which is expressly set aside."* The supervisory Board considers that length of service is a key element for assessing and understanding the Group's activities and that the effectiveness of the Supervisory Board is ensured by a wide-ranging composition in terms of diversity, professional experience and expertise of its members.
Independent Lead Director	Given the main characteristics of partnerships limited by shares with a clear separation of powers and distinction between management and the Board, the Supervisory Board does not consider relevant to appoint one independent Lead Director.

Status of the Chairman of the Remuneration and Nomination Committee (§18.1 of the Afep-Medef Code):

"The committee in charge of compensation must not include any executive directors and must mostly consist of independent directors. It is recommended that the chairman of the committee should be independent and that one of its members should be an employee director."

During the annual review of its composition, the Supervisory Board reiterated its opinion that Mr Héfès provided the Remuneration and Nomination Committee, which he chairs, and the entire Board, with the benefit of his valuable experience, particularly regarding remuneration matters, and his in-depth knowledge of the Group.

Although considering that Mr. Héfès was fulfilling, in the spirit, his mandate in complete independence, the Board has decided that it would examine his status as an independent member of the Board during one of its meetings in the course of 2020.

The Board already agreed that despite Mr. Héfès being Chairman of the Management Board (*Directoire*) more than five years ago, this would not preclude his status as an independent member of the Board.

With regard to his position as an independent member of the Board of Directors of Rothschild & Co Concordia (his only current term of office within the Group as at 31 December 2019), the Board also notes the following:

- pursuant to the articles of association and the shareholders' agreement of Rothschild & Co Concordia, each of the three branches of the Rothschild family has the option of appointing an independent director who does not bear the name "Rothschild". The position of independent director is therefore inherent to the fact that the holder of this position has more distance in the deliberations of this Board compared to the other members, all being members of the Rothschild family.
- if the *Autorité des Marchés Financiers* (AMF) considers that a director representing a controlling shareholder cannot be qualified as independent, it is not the case for a director who simply holds this position in a company and in a company controlled by the latter, without representing the company on the Board of the controlled company.
- in order to guarantee his independence in any event, Mr Héfès has undertaken, in accordance with Article 9.3 of the Implementation Guide of the Afep-Medef Code published by the High Corporate Governance Committee (*Haut Comité de Gouvernement d'Entreprise*) in March 2020, to abstain from voting on any decision of the Board of Directors of Rothschild & Co Concordia that presents a conflict of interests with his position as a member of the Supervisory Board of Rothschild & Co.
- Mr. Héfès has always demonstrated a remarkable ability to distinguish his term of office at Rothschild & Co Concordia from his term of office at Rothschild & Co, by systematically showing distance and assessing each situation with a critical eye.

Finally, with regard to his positions within the Group, it should be noted that they were held in non-significant companies before and since the appointment of Mr Héfès to the Board.

2.8 Terms and conditions of shareholders' attendance of General Meetings

Please refer to Section 1.3.2 of the Information on the Company for a description of the terms and conditions of shareholders' attendance of General Meetings.

3 Corporate officers remuneration and other benefits

3.1 Remuneration policies

The new Article L. 226-8-1 of the French Commercial Code (*Code de commerce*) resulting from Ordinance No. 2019-1234 of November 27, 2019 ("the Ordinance") has set a legal framework for the remuneration of the executive corporate officers and members of the Supervisory Board which is applicable to a limited partnership with shares. Rothschild & Co Gestion, as sole executive corporate officer of the Company, is therefore the only executive officer subject to the Ordinance. Nevertheless, for the sake of good governance, the Company proposes that the shareholders adopt a remuneration policy applicable to the Executive Chairman (*Président*), sole legal representative of the Manager.

Pursuant to Article L.226-8-1 II of the French Commercial Code, the remuneration policies for the Manager and for Supervisory Board Members will be submitted, for approval to:

- the next Company's Annual Meeting of shareholders, on 14 May 2020; and
- both Rothschild & Co's General Partners, Rothschild & Co Gestion and Rothschild & Co Commandité.

3.1.1 Remuneration policy for the Manager and the Executive Chairman of the Manager

The remuneration policy is set and reviewed by Rothschild & Co General Partners, after consultation with the Supervisory Board upon recommendation of its Remuneration and Nomination Committee. The Remuneration and Nomination Committee, the composition of which is predominantly independent, takes any appropriate measure to avoid conflict of interests during the approval process.

In accordance with the Ordinance, the remuneration policy considers where appropriate, the principles and conditions provided for in the Company's articles of association.

In line with the corporate interest of Rothschild & Co and given the specific status of the legal entity Manager of the Company, who is also General Partner, neither the Manager nor its legal representative shall receive any variable remuneration in respect of their respective duties unlike most of the Group's employees. This remuneration structure, adapted to Rothschild & Co's corporate form and approved by the shareholders on the occasion of the conversion of the Company into a limited partnership with shares in June 2012, guarantees sustainable governance.

No derogation from the policy is possible.

Any change to the policy shall require, in addition to the approval of the Company's General Meeting of shareholders, the modification of the Company's articles of association, approved by the unanimity of the General Partners.

THE MANAGER

Since the approval of Rothschild & Co's articles of association in June 2012 with its conversion into a limited partnership with shares, no remuneration shall be paid to the Manager of the Company in respect of its position as the Company's Manager.

However, in accordance with the articles of association of Rothschild & Co, Rothschild & Co Gestion is entitled to reimbursement of its operating expenses related to its role as Managing Partner, in particular operating expenses, statutory auditors' fees and the remuneration of its legal representative(s) (please refer to Section 3.2.1 for more details).

THE EXECUTIVE CHAIRMAN OF THE MANAGER

The Executive Chairman of Rothschild & Co Gestion is the only executive corporate officer and therefore the only legal representative of Rothschild & Co Gestion. He does not benefit from any employment contract with the Company.

His remuneration is set by the sole shareholder or the general meeting of shareholders acting by a simple majority after consulting the statutory Nomination Committee of Rothschild & Co Gestion. Before giving its opinion, this Committee consults itself the Supervisory Board of Rothschild & Co, which consults its own Remuneration and Nomination Committee.

The Executive Chairman of the Manager shall only receive a fixed remuneration as legal representative of Rothschild & Co Gestion, exclusive of any other form of remuneration. In particular, he shall not be granted any variable (in cash or in shares) or exceptional remuneration and he does not benefit from any supplementary pension scheme, remuneration or benefit due in the event of termination of office or change in function and non-competition clauses in respect of his duties as Executive Chairman of the Manager.

This fixed remuneration, which reflects the requirements of the role and the executive's skills and experience, may only be reviewed at relatively long intervals in accordance with the recommendations of the Afep-Medef Code. For the record, for 2019, the amount of such fixed remuneration was 500,000€ p.a., unchanged as for 2018. This fixed remuneration was submitted on 19 December 2018 to Rothschild & Co' Supervisory Board and on 7 December 2018 to its Remuneration and Nominations Committee.

3.1.2 Remuneration policy for Supervisory Board Members

GENERAL PRINCIPLES

Each year, upon recommendation of the Remuneration and Nomination Committee, the Supervisory Board reviews, amends when appropriate and approves the policy applicable to its members. At its meeting of 17 December 2019, upon recommendation of the Remuneration and Nomination Committee, the Supervisory Board reviewed and approved the remuneration policy for the Supervisory Board members applicable until a new remuneration policy is approved.

The Supervisory Board members' remuneration policy establishes, within the overall amount approved by the shareholders, a competitive remuneration adapted to the Company's strategy and in line with its corporate interest. This policy promotes the attendance of Supervisory Board members at Board committees' meetings in order to encourage them to play an active role in the work of the Supervisory Board and its committees, thereby contributing to the Company's sustainability.

Indeed, the fees available for allocation to the Supervisory Board members are allocated to all the Supervisory Board members according to:

- their respective positions within the Supervisory Board and, if applicable, within its specialised committees; and
- their attendance to the meetings of the Supervisory Board. The granting of such variable remuneration to the Supervisory Board members depends on their actual attendance at the meetings: a pre-determined fee is granted to a Supervisory Board member each time he/she attends a meeting of the Supervisory Board or a meeting of its specialised committees where he/she is convened, as recorded by the corresponding minutes.

A derogation from the policy is possible in case conditions required by Article L. 226-8-1 of the French Commercial Code (*Code de commerce*) are met, *i.e.* if this derogation is temporary, subject to the occurrence of exceptional circumstances, is in the Company's interest and is necessary in order to ensure the sustainability or viability of the Company. In such case, the derogation shall be approved by the Supervisory Board beforehand. The derogation can apply to the elements of remuneration (fixed and variable) which may be allocated to the members of the Supervisory Board.

The intervention of the Remuneration and Nomination Committee, the composition of which is predominantly independent, and the determination of an objective key of allocation of the overall amount approved by the shareholders beyond the members of the Supervisory Board guarantee the absence of conflict of interests during the approval process.

ALLOCATION OF THE REMUNERATION

At its meeting of 17 December 2019, the Supervisory Board was informed that a material error occurred regarding the maximum amount of fees available for allocation to the Supervisory Board members proposed in the draft resolution submitted for approval to shareholders at their General Meeting on 16 May 2019. That maximum amount of €600,000, was not in line with the remuneration policy revised and approved by the Supervisory Board during its meeting on 12 March 2019. As a result, the annual general meeting of the Company taking place on 14 May 2020 will be asked to approve an increased envelope of €850,000.

Under the revised policy conditions, as from the 2019 financial year the global amount is allocated to the Supervisory Board Members under the following rules:

FIXED REMUNERATION

	Fees in euro (per member each year)
Base fee for Chairperson of the Supervisory Board	200,000
Base fee for Supervisory Board members	20,000
Base fee for Chairperson of Committee	15,000

Distribution of the above-mentioned fees is subject to the following:

- when a member holds multiple positions in the Supervisory Board and committees, the fees are cumulative. For example, a Board member chairing a committee shall receive a €35,000 base fee per financial year; and
- all fees are paid on a pro-rata basis at the end of the annual financial year ended on 31 December. For example, when a Supervisory Board member has been appointed by the General Meeting of shareholders in May, fees payable correspond to the period from the date of the nomination as member of the Board to date of the end of the financial year.

VARIABLE REMUNERATION

A pre-determined amount of €2,500 is granted to a Supervisory Board member each time he/she attends a meeting of the Supervisory Board or a meeting of its specialised committees where he/she is convened, as recorded by the corresponding minutes.

The members of the Supervisory Board shall not be entitled to receive any other kind of remuneration or benefit from the Company in respect of their duties on the Supervisory Boards and its committees.

AGREEMENTS AND EMPLOYMENT OR SERVICE CONTRACTS ENTERED INTO BY SUPERVISORY BOARD MEMBERS WITH THE COMPANY

The Supervisory Board approved, during its meeting on 17 September 2019, the conclusion of a consultancy agreement between the Company and Mrs Angelika Gifford, member of the Supervisory Board, regarding the Company's strategy on Information Technology. The consultancy runs from 1 October 2019 to 31 October 2020 and is renewable for twelve months. No other specific term and condition is applicable. Consequently, this agreement may be terminated in accordance with ordinary law. For more details, please refer to Section 5.2 on page 114 of this Annual Report.

3.2 Remuneration of Rothschild & Co corporate officers

This section notably includes information mentioned by Article L.225-37-3, I of the French Commercial Code (*Code de commerce*).

3.2.1. Remuneration of the Manager of Rothschild & Co

REMUNERATION AS MANAGER

During the period from 1 January to 31 December 2019, and in accordance with Rothschild & Co's articles of association:

- no remuneration was granted to Rothschild & Co Gestion in respect of its position as the Company's Manager;
- Rothschild & Co Gestion was reimbursed the amount of €905,164.78 for the 2019 financial year (€1,197,971.18 for the 2018 financial year) in respect of its operating expenses related to its role as Manager of Rothschild & Co.

PROFIT SHARE AS GENERAL PARTNER

In its capacity as General Partner, Rothschild & Co Gestion and the second General Partner, Rothschild & Co Commandité, are jointly and severally liable for the Company's debts out of their personal assets.

In return for this liability, in accordance with the provisions of article 14.1 of the Company's articles of association, a profit share (*dividende préciputaire*) equal to 0.5% of the distributable profit for the year is allocated automatically to the General Partners. This profit share for Rothschild & Co was €2,595,688 for the 2019 financial year and €1,343,919 for the 2018 financial year.

3.2.2 Remuneration of the Executive Chairman of Rothschild & Co's Manager

Mr. Alexandre de Rothschild replaced his father, Mr David de Rothschild, as Executive Chairman, and therefore legal representative, of Rothschild & Co's Manager, on 17 May 2018.

Mr Alexandre de Rothschild

During the period from 1 January to 31 December 2019, Mr. Alexandre de Rothschild did not benefit from any employment contract, supplementary pension scheme, remuneration or benefit due or that may be due in the event of termination of office or change in function and non-competition clauses in respect of his duties as Executive Chairman of the Manager. In accordance with recommendation number 22.1 of the Afep-Medef Code, Mr. Alexandre de Rothschild ended his employment contract with Five Arrows Managers SAS on 17 May 2018 due to his appointment as Executive Chairman of the Partner. Accordingly, the summary tables relating to remuneration and other benefits granted to the Managing Partner required in accordance with AMF recommendations are not relevant.

The information given in the table covers items of remuneration received during the 2019 and 2018 financial years, or awarded for the same financial years, to the Executive Chairman of Rothschild & Co Gestion, Alexandre de Rothschild, by Rothschild & Co and companies within Rothschild & Co's perimeter of consolidation within the meaning of Article L.233-16 II of the French Commercial Code (*Code de commerce*):

	01/01/2019 31/12/2019	01/01/2018 31/12/2018
Fixed fee in respect of his term of office as legal representative of Rothschild & Co Gestion	500,000	311,828(1)
Variable fee in respect of his term of office as legal representative of Rothschild & Co Gestion	–	–
Fixed fee of other Group entities(2)	–	146,795(3)
Variable fee of other Group entities(2)	–	232,717(4)
Other remuneration(s)	7,508(5)	16,205(6)
Extraordinary remuneration(s)	–	–
Director's fees	–	–
Benefits in kind	–	–
Total	**507,508**	**707,544**

(1) Period from 17 May 2018 to 31 December 2018.
(2) Companies in Rothschild & Co's perimeter of consolidation within the meaning of Article L.233-16 of the French Commercial Code.
(3) Received in the 2018 financial year in respect of an employment contract with Five Arrows Managers SAS. This employment contract ended on 17 May 2018.
(4) Variable remuneration received in the 2018 financial year in respect of an employment contract with Five Arrows Manager SAS comprising:
- €172,280 for the 2017 financial year;
- in accordance with provisions governing remuneration paid to employees, the variable portion of which is subject to EU Directive 2013/36/EU of 26 June 2013 ('CRD IV') as regards variable remuneration received in respect of the 2014, 2015, 2016 and 2017 financial years, €43,796 corresponding to a deferred cash payment and €9,060 corresponding to the deferred delivery of Rothschild & Co shares on the basis of the value of the shares on their delivery date; and
- €7,581 of housing allowance for the 2018 financial year.

(5) Profit sharing in respect of an employment contract with Five Arrows Manager SAS awarded for the 2018 financial year and received in the 2019 financial year.
(6) Profit sharing in respect of an employment contract with Five Arrows Manager SAS awarded for the 2017 financial year and received in the 2018 financial year.

It is specified that options to subscribe for or purchase Rothschild & Co shares were allocated to Mr. Alexandre de Rothschild before he took up his position as Executive Chairman of Rothschild & Co Gestion. The table below shows past allocations and, in view of his taking up the position of legal representative of the Partner, the number of options exercised if applicable during 2019:

History of allocation of share subscription and stock options

Mr Alexandre de Rothschild is the legal representative of Rothschild & Co Gestion, Statutory Managing Partner of Rothschild & Co. According to their grant date, the exercise of stock options was not subject to performance criteria.

2013 Equity Scheme	**Refer to Section 2.3.5 of the Information on the Company**
Date of the General Meeting of Shareholders	26 September 2013
Date of the decision of the Managing Partner	11 October 2013
Total number of share subscription and purchase options granted	30,000
Starting date for exercise of options 2013-1	30 November 2016
Expiration date	11 October 2023
Subscription price	€17.50
Starting date for exercise of options 2013-2	11 October 2017
Expiration date	11 October 2023
Subscription price	€18.00
Starting date for exercise of options 2013-3	11 October 2018
Expiration date	11 October 2023
Subscription price	€19.00
Starting date for exercise of options 2013-4	11 October 2019
Expiration date	11 October 2023
Subscription price	€20.00
Terms of exercise of the 2013 Equity Scheme plan, which consists of several tranches	Refer to Section 2.3.5, page 63
Number of share subscription or purchase options exercised during the financial year ended 31 December 2019	0
Cumulative number of share subscription options cancelled or lapsed	0
Number of options to subscribe for or purchase shares remaining to be exercised at 31 December 2019	22,500
Subscription or purchase options granted to the Company's top ten employees who are not corporate officers and options exercised by them	None

Mr David de Rothschild

For the record, Mr David de Rothschild had received 189,583 euros of fixed remuneration as legal representative of Rothschild & Co Gestion from 1 January 2018 to 17 May 2018 (for more details, please refer to Section 3.1.3 page 102 of the 2018 Annual Report).

3.2.3 Remuneration of Supervisory Board Members

The table below provides the breakdown of Rothschild & Co Supervisory Board Members (in position during the financial year) remuneration received or awarded during the 2019 and the 2018 financial years, or awarded for the same financial years, to the members of the Supervisory Board and its specialised committees by Rothschild & Co and companies within Rothschild & Co's perimeter of consolidation within the meaning of Article L.233-16 II of the French Commercial Code (*Code de commerce*).

In thousands of euro	01/01/2019 – 31/12/2019				01/01/2018 – 31/12/2018			
	Remuneration received during the 2019 financial year or awarded for the same financial year in respect of their term of office within Rothschild & Co[1]		Other remuneration received during the 2019 financial year		Remuneration received during the 2018 financial year or awarded for the same financial year in respect of their term of office within Rothschild & Co[1]		Other remuneration received during the 2018 financial year	
Members of the Supervisory Board	Fixed fee	Variable fee			Fixed fee	Variable fee		
David de Rothschild, Chairman of the Supervisory Board	62.5[3]	–		–	97[4]	–		–
Eric de Rothschild	20	10		–	20	–		–
Dr. Daniel Daeniker[5]	20	15		–	25	–		–
Angelika Gifford[6]	20	17.5	Fixed consultancy	7.5[7]	23	–		–
Sylvain Héfès[8]	35	27.5	Fixed consultancy	177[9]	40	–	Fixed Consultancy	168[10]
Adam Keswick	20	5		–	20	–		–
Suet-Fern Lee[11]	20	22.5		–	21	–		–
Arielle Malard de Rothschild[12]	20	22.5	Fixed – Salary	391	25	–	Fixed – Salary	279
			Variable	295			Variable	343
			Other remuneration	18			Other remuneration[13]	22
Lucie Maurel-Aubert	20	10		–	20	–	Director's fees	20
			Benefits in kind	26			Benefits in kind	48
Carole Piwnica	20	17.5		–	27	–		–
Anthony de Rothschild	20	10		–	20	–		–
Sipko Schat[14]	35	22.5	Fixed Consultancy	150	35	–	Fixed Consultancy	150
			Variable Consultancy	55			Variable Consultancy	40
Peter Smith[15]	35	32.5	Director's fees	148[9][16]	40	–	Director's fees	140[10][17][18]
Luisa Todini	20	20		–	25	–		–

(1) Includes remuneration received from Rothschild & Co in respect of the role of member of the Supervisory Board and, if applicable, its committees.
(2) Remuneration received by companies within the consolidation perimeter within the meaning of Article L.233-16 of the French Commercial Code
(3) As a consequence of the material error referred to on page 108, during its meeting on 17 December 2019 the Supervisory Board noted that Mr David de Rothschild elected to waive the portion of his remuneration as Chairman of the Board in excess of the maximum amount of €600,000 of fees available for allocation to the Supervisory Board members.
(4) Chairman of the Supervisory Board from 17 May 2018.
(5) Dr Daniel Daeniker has been member of the Risk Committee until 16 September 2019.
(6) Mrs Angelika Gifford has been member of the Risk Committee until 16 September 2019.
(7) Mrs Angelika Gifford received a €7,500 fee in return for the execution of a consultancy agreement regarding the Group's strategy on information technologies concluded with the Company'. For more details, please refer to Section 5 page 114 of this Report.
(8) Mr Sylvain Héfès was a member of the Audit Committee until 11 September 2019.
(9) Based on a £/€ conversion rate as at 31 December 2019.
(10) Based on a £/€ conversion rate as at 31 December 2018.
(11) Mrs Suet-Fern Lee has been appointed Audit Committee member as from 25 September 2018 and Risk Committee member as from 11 December 2019.
(12) Mrs Arielle Malard de Rothschild has been appointed as Audit Committee member as from 11 December 2019.
(13) There was an error in the 2018 Annual Report: the amount of 22,000 euros received by Arielle Malard de Rothschild for the 2018 financial year should not have been classified in the "benefit in kind" category but in the "other remuneration" one, since this amount corresponded to a profit sharing. Said error was rectified in the above table.
(14) Mr Sipko Schat has been appointed as Audit Committee member as from 11 December 2019.
(15) Mr Peter Smith has been appointed as Risk Committee member as from 11 December 2019.
(16) Remuneration received in respect of his role of non-executive Chairman of the board of directors of N. M. Rothschild & Sons Ltd from 1 January 2018 to 1 June 2019, end date of his term of office; and, as from 1 June 2019, as adviser of the newly appointed non-executive Chairman in order to ensure a smooth transition.
(17) Remuneration received in respect of the role of non-executive Chairman of the board of directors of N. M. Rothschild & Sons Ltd.
(18) There was an error in the 2018 Annual Report: Mr Peter Smith did not receive the amount of 180,000 euros of remuneration in respect of his role of non-executive Chairman of the board of directors of N. M. Rothschild & Sons Ltd during the 2018 financial year, but the amount of 140,000 euros. Said error was rectified in the above table.

3.2.4 Other remuneration-related information

The remuneration-related information required by Article L.225-37-3 I 6° and 7° of the French Commercial Code (*Code de commerce*) concerning the Company's executive corporate officers (*dirigeants mandataires sociaux*) is presented below, *i.e.* for the Chairman of the Supervisory Board and, on a voluntary basis, to the Executive Chairman of the Manager of the Company, as the Company's Manager is not entitled to a remuneration in accordance to the Company's articles of association (for more details, please refer to Section 3.1.1 page 106 of this Report).

Rothschild & Co referred to the "Guidelines on the remuneration multiples" published by the Afep on 28 January 2020 for the preparation of this Section.

	Chairman of the Supervisory Board(1)			Executive Chairman of the Manager(2)			Other information	
Financial year	Remuneration	Ratios between the Chairman's remuneration and the average remuneration of the Group's employees	Ratios between the remuneration and the median remuneration of the Group's employees	Remuneration	Ratios between the Executive Chairman's remuneration and the average remuneration of the Group's employees	Ratios between the remuneration and the median remuneration of the Group's employees	Average remuneration of the employees(7)	Performance of the Group: net profit on a consolidated basis
2019	62,500(3)	0.54	0.91	500,000	4.29	7.24	116,501(8)	242.70
2018	96,829(4)	0.84	1.42	501,411	4.37	7.37	114,831	286.30
2017	–(5)	–	–	500,000	4.42	7.31	113,197	236.30(9)
2016	6,000(6)	0.04	0.07	500,000	3.33	6.01	150,053	186.00(10)
2015	6,000(6)	0.04	0.08	472,000	3.30	6.13	142,901	231.90(10)

(1) Eric de Rothschild was Chairman of the Supervisory Board from the combined general meeting of shareholders on 8 June 2012 until 17 May 2018. David de Rothschild took over his term of office from this date and continues in the role at the date of the present Report.
(2) David de Rothschild was Executive Chairman of the Manager from the combined general meeting of shareholders on 8 June 2012 until 17 May 2018. Alexandre de Rothschild took over his term of office from this date and continues the role at the date of the present Report.
(3) As a consequence of the material error referred to above in Section 3.1.2 of the Corporate Governance Report, the Supervisory Board noted during its meeting on 17 December 2019 that Mr David de Rothschild elected to waive the portion of his remuneration as Chairman of the Board in excess of the maximum amount of €600,000 of fees available for allocation to the Supervisory Board members. Please also refer to Footnote 3 the table in Section 3.1.2 of the Corporate Governance Report.
(4) This amount corresponds to the pro-rated remuneration due to Mr David de Rothschild, in accordance with the compensation policy of the Supervisory Board members, for the period of time where he was Chairman of the Supervisory Board in 2018, *i.e.* from 17 May 2018 to 31 December 2018. No other remuneration was due or awarded to him in 2018.
(5) No remuneration was due or awarded to Mr Eric de Rothschild in 2017.
(6) The only remuneration due or awarded to Mr Eric de Rothschild in 2015 and 2016 were, for each year, benefit in kind amounts of €6,000. They were not due or awarded to him in respect of his term of office as Chairman of the Supervisory Board. In accordance with the compensation policy of the Supervisory Board members applicable at the time, no remuneration was due or awarded to him in respect of his term of office as Chairman of the Supervisory Board.
(7) Following the completion of the merger between the two groups, Rothschild & Co and Compagnie Financière Martin Maurel on 2 January 2017, Banque Martin Maurel ("BMM") employees are included within the disclosure from 2017 onwards.
(8) An estimate for *intéressement/participation* has been included in the 2019 amounts disclosed, as the final amounts due are not yet available, based on the 2018 *intéressement/participation* award.
(9) The profit for 2017 is a pro forma profit due to a change of year end in 2017 from March to December, calculated as the 9 months to December 2017 plus the 3 months to March 2017.
(10) The profits for 2016 and 2015 are the profits for the 12 months to March 2017 and the 12 months to March 2016 respectively as the group had a March year end at this time.

Methodology followed for the preparation of the above table

For the purpose of calculating these figures, the following information has been included.

1. Remuneration of the Chairman of the Supervisory Board and the Executive Chairman of the Manager

The gross elements of remuneration due or awarded for the relevant financial year by the Company and the companies in the consolidation perimeter within the meaning of Article L.233-16 II of the French Commercial Code (*Code de commerce*).

More precisely, all the following gross elements of remuneration due or awarded for the relevant financial year ("N"):

- fixed remuneration;
- variable remuneration due for the N financial year and paid during the N+1 financial year or later on in case of differed;
- exceptional remuneration due for the N financial year and paid during the N+1 financial year;
- directors' fees, as long as they have been received by the executive corporate officer for the N financial year;
- long-term incentives: stock-options, other long-term elements of remuneration and multi-annual variable remuneration awarded for the N financial year (valued at their IFRS value); and
- benefits in kind.

Severance, termination and non-competition indemnities due or awarded are excluded.

2. Remuneration of the Group employees

REPRESENTATIVE PERIMETER OF EMPLOYEES

For the purpose of calculating the remuneration of the Group employees, the Rothschild Martin Maurel UES (*Unité Economique et Sociale*) has been considered. The Rothschild Martin Maurel UES includes the following companies for 2019: Rothschild Martin Maurel, Rothschild & Cie, Transaction R&Co, RTI Partenaires, R&Co Asset Management Europe, all controlled by Rothschild & Co within the meaning of Article L.233-16 of the French Commercial Code (*Code de commerce*). The Rothschild Martin Maurel UES represented c. 90% of the French continuing population in 2019.

CONTINUING POPULATION

A continuing population has been considered, *i.e.* employees (excluding expatriates, interns and apprentices), if they were employed on the 1st January of the relevant financial year ("N") and were part of the bonus eligible population at the end of that relevant financial year ("N").

REMUNERATION

The following gross elements of remuneration due or awarded by the Company or the companies in the consolidation perimeter within the meaning of Article L233-16 II of the French Commercial Code *(Code de commerce*) for the relevant financial year ("N"):

- fixed remuneration;
- variable remuneration due for the N financial year and paid during the N+1 financial year or later in case of differed;
- exceptional remuneration due for the N financial year and paid during the N+1 financial year;
- long-term incentives: stock-options, performance shares and other long-term elements of remuneration awarded for the N financial year (valued at their IFRS value);
- employee savings schemes (profit-sharing and incentive schemes); and
- benefits in kind.

Severance, termination and non-competition indemnities due or awarded to employees are excluded.

MISCELLANEOUS

- amounts disclosed are on a full-time equivalent basis; and
- fixed compensation is based on annualised amounts as at 31 December each year.

3. Performance of the Group

The figures disclosed corresponds to the net profit on a consolidated basis, *i.e.* the Group consolidated profit after tax and minority interests.

4 Transactions involving the Company's securities by corporate officers

Pursuant to the provisions of Article 223-26 of the AMF General Regulations, the transactions involving the Company's securities during the 2019 financial period executed by persons mentioned in Article L. 621-18-2 of the French Monetary and Financial Code ("*Code monétaire et Financier*"), disclosed to the Company and the AMF[1], are summarised in the table below.

Name	Quality	Transaction date	Nature of the transaction	Unit price (in euro)	Total amount (in euro)	AMF decisions[1]
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	29/07/2019	Pledge	N/A	N/A	2019DD628330
Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	29/07/2019	Pledge	N/A	N/A	2019DD628331
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	29/07/2019	Pledge	N/A	N/A	2019DD628332
Béro SCA	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	29/07/2019	Acquisition	30,00	3,199,380	2019DD628339
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	29/07/2019	Acquisition	30,00	164,040	2019DD628336
Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	29/07/2019	Acquisition	30,00	164,040	2019DD628337
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	29/07/2019	Acquisition	30,00	164,040	2019DD628338
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	31/07/2019	Contribution In kind	30,00	46,203,120	2019DD628333
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	31/07/2019	Contribution In kind	30,00	46,203,120	2019DD628334
Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	31/07/2019	Contribution In kind	30,00	46,203,120	2019DD628335
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	05/12/2019	Acquisition	24,61	2,914,931.45	2019DD661888
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	05/12/2019	Acquisition	24,61	2,914,931.45	2019DD661889
Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	05/12/2019	Acquisition	24,61	2,914,931.45	2019DD661891
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	06/12/2019	Acquisition	24,59	1,821,971.46	2019DD661892
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	06/12/2019	Acquisition	24,59	1,821,971.46	2019DD661893
Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	06/12/2019	Acquisition	24,59	1,821,971.46	2019DD661913
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	09/12/2019	Acquisition	25,10	5,020	2019DD661919
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	09/12/2019	Acquisition	25,10	5,020	2019DD661920

Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	09/12/2019	Acquisition	25,10	5,020	2019DD661921
Rothschild & Co Concordia SAS	Legal entity related to David de Rothschild, Chairman of the Supervisory Board of Rothschild & Co SCA	11/12/2019	Acquisition	24,455	244,550	2019DD662350
Rothschild & Co Concordia SAS	Legal entity related to Éric de Rothschild, Vice-Chairman of the Supervisory Board of Rothschild & Co SCA	11/12/2019	Acquisition	24,455	244,550	2019DD662351
Rothschild & Co Concordia SAS	Legal entity related to Alexandre de Rothschild, Executive Chairman of Rothschild & Co Gestion, Managing Partner of Rothschild& Co SCA	11/12/2019	Acquisition	24,455	244,550	2019DD662352

(1) Pursuant to Article L. 621-18-2 of the French Monetary and Financial Code ("*Code monétaire et Financier*"), the concerned persons are required to declare the transactions they are involved in individually.
(2) These decisions are available on the AMF website (www.amf-france.org).

5 Agreements and undertakings

5.1 Agreements within the meaning of Article L.225-37-4 2° of the French Commercial Code (*Code de commerce*)

The purpose of this section is to provide information regarding the agreements within the meaning of Article L.225-37-4 2° of the French Commercial Code (*Code de commerce*), which have been entered into during the 2019 financial year, directly or indirectly, between a Rothschild & Co related party and a company controlled by Rothschild & Co within the meaning of Article L.233-3 of the same Code, except agreements related to ordinary transactions and concluded under normal terms and conditions.

All the agreements within the meaning of Article L. 225-37-4 2° which have been entered into during the 2019 financial year related to ordinary transactions and were concluded under normal terms and conditions.

5.2 Regulated agreements within the meaning of Article L.225-38 of the French Commercial Code (*Code de commerce*)

The purpose of this Section is to provide information regarding regulated agreements, within the meaning of Article L.225-38 of the French Commercial Code (*Code de commerce*).

New regulated agreements

In accordance with Articles L.225-40 and R.225-30 of the French Commercial Code (*Code de commerce*) applicable to Rothschild & Co pursuant to Article L.226-10 of the same Code, the Statutory Auditors have been informed of a regulated agreement entered into during the 2019 financial year.

This is the conclusion of a consultancy agreement with Mrs Angelika Gifford, member of the Supervisory Board, regarding the Rothschild & Co strategy regarding infrastructure IT and information security. The Supervisory Board considered that it was in the interest of the Group to benefit from the professional expertise of Mrs Angelika Gifford given her current and past senior management positions in IT and information security areas.

Additional information on this agreement, which as authorised by the Supervisory Board at its meeting on 17 September 2019, and the report of the Statutory Auditors, will be available in the General Meeting Document and the notice of the Combined General Meeting of Shareholders' Meeting of 14 May 2020. These document, containing all the information made available to shareholders, will be available on the Company's website at www.rothschildandco.com.

Ongoing related agreements

No regulated agreement entered into by the Company in the past financial years was still into effect during the 2019 financial year.

5.3 Evaluation process of the agreements relating to ordinary transactions and entered into under normal terms and conditions

Pursuant to the provisions of Article L.225-39 Paragraph 2 of the French Commercial Code (*Code de commerce*) enacted by Law n°2019-486 dated 22 May 2019 (so-called "*Loi Pacte*"), the Supervisory Board is required to set up an evaluation process assessing whether the agreements deemed as relating to ordinary transactions and entered into under normal terms and conditions meet these conditions.

During its meeting on 10 March 2020, the Supervisory Board considered the evaluation process put in place before the coming into force of the provisions of Article L.225-39 Paragraph 2 of the French Commercial (*Code de commerce*).

Each time a potential regulated agreement within the meaning of Article L.225-38 of the French Commercial Code (*Code de commerce*) is concluded, amended or renewed, the legal department of Rothschild & Co is in charge of assessing, in liaison with the Group Finance and/or Tax departments, whether such agreement meets two conditions: it is related to an ordinary transaction and it is entered into under normal terms and conditions. The persons who are directly or indirectly interested in the agreement are not involved in the process.

If an agreement does not qualify as an agreement relating to ordinary transactions and entered into under normal terms and conditions, it is then submitted to the approval procedure provided by Articles L.225-38 and seq. of the French Commercial Code (*Code de commerce*).

The Legal department of Rothschild & Co uses the following cumulative criteria to assess if an agreement as relating to ordinary transactions and entered into under normal terms and conditions do meet these conditions:

- the agreement relates to ordinary transactions, *i.e.* transactions that the Company usually carries out in the normal course of its business. The following criteria may be considered in assessing whether the agreement related to ordinary transaction or no: its repetition over time, the circumstances surrounding its conclusion, its legal significance, its economic consequences, and its duration; and
- the agreement is entered into normal terms and conditions, *i.e.* under the same conditions as usually practiced by the Company with third parties or by other companies operating in the same business line. The following criteria may be considered in assessing whether the agreement is entered into normal terms and conditions: the market price/practices and the general balance of the terms and conditions under which the agreement is concluded.

An agreement is also deemed as relating to ordinary transactions and entered into normal terms and conditions when it is entered into by the Company and a company wholly hold, either directly or indirectly, by the Company.

Provided the above-mentioned criteria are met, the Legal department verifies whether the examined agreement falls into one of the pre-defined categories of agreements which are deemed as relating to ordinary transactions and entered into normal terms and conditions.

For instance, the following agreements have been deemed as relating to ordinary transactions and entered normal terms and conditions:

- agreements with low financial stakes, provided that the agreement is not of significant importance to contracting parties involved; and
- intra-Group agreements relating to the following transactions:
  - provision of services (in particular human resources, IT, management, communication, finance, legal and accounting services),
  - assistance with financing and re-invoicing of financial instruments,
  - cash management or loan operations,
  - tax integration known as “neutral” (insofar as it explicitly provides the modalities leading to neutrality, not only during the lifetime of the integration but also at the time of leaving the regime),
  - acquisitions or sales of insignificant assets or securities,
  - acquisitions or sales of receivables,
  - transfer or loan of Company shares to a corporate officer in the performance of its duties, and
  - facilities granted by an entity, once expenses have been invoiced at cost plus a margin to cover unallocated indirect costs, if any.

This list is non exhaustive, and the presumption may be rebutted if the examined agreement was concluded under exceptional terms and conditions.

All the agreements which have been qualified as relating to ordinary transactions and entered into under normal terms and conditions are reviewed by the Legal department of Rothschild & Co on a regular basis, in particular when there are indications that the above-mentioned qualification criteria and/or categories of unregulated agreements may need to be revised.

6 Delegations of authority granted by the shareholders of Rothschild & Co to the Company's Managing Partner relating to the share capital

The following table summarises the outstanding delegations granted to the Company's Managing Partner remain in force and in use during the twelve months ended 31 December 2029.

Purpose	Resolution number	Individual limit	Period of validity	Use during the 2019 financial year
Combined General Meeting of 17 May 2018				
To reduce the share capital by cancelling treasury shares.	16	Limited to 10% of the share capital per 24-month period.	26 months	None
To increase the share capital, in one or more transactions, by incorporation of reserves, income or issue, merger or contribution premiums of €50 million.	17	Limited to a nominal amount	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving access to the share capital in order to remunerate contributions in kind granted to the Company consisting of equities or securities giving access to the share capital.	18	Limited to 10% of the share capital(1) or €200 million (debt instrument)(2).	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving immediate or deferred access to the Company's share capital with preferential subscription rights maintained.	19	Limited to a nominal amount of €70 million (share capital securities)(3) or €300 million (debt instrument)(3).	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving immediate or deferred access to the Company's share capital with waiver of preferential subscription rights, through a public offer.	20	Limited to a nominal amount of €15 million (share capital securities)(1) or €200 million (debt instrument)(3).	26 months	None
To issue, in one or more transactions, ordinary shares and/or securities giving immediate or deferred access to the Company's share capital with waiver of preferential subscription rights and free fixing of issue price.	21	Limited to 10% of the share capital per year (share capital securities)(1) or €200 million (debt instrument)(2)	26 months	None
To increase the number of securities to be issued when increasing the share capital of Rothschild & Co with waiver or not of preferential subscription rights.	22	To be deducted from the individual limit as stipulated in the resolution in respect thereof when the initial issuance is decided(3).	26 months	None
To grant options to subscribe for or purchase the Company's shares to employees and executive officers of the Company and companies related to it.	23	Limited to 10% of the share capital(3) (with a specific limit of 0.74% for the Company's executive officers).	38 months	Share capital increases representing 104,736 shares decided on 6 May 2019 and 9 December 2019 following the exercise of options.
To grant bonus shares to employees and corporate officers of the Company and companies related to it.	24	Limited to 5% of the share capital on the date of the Managing Partner's decision.	38 months	None
Combined General Meeting of 16 May 2019				
To issue shares, without preferential subscription rights, reserved for; (i) the Group's employees and corporate officers and foreign subsidiaries in the context of the implementation of stock option plans; or (ii) the Company's foreign subsidiaries within the framework of the deferred remuneration of their employees in Rothschild & Co shares in compliance with Directive 2013/36/EU of 26 June 2013 known as "CRD IV".	18	Limited to 2% of the share capital.	18 months	None
To issue ordinary shares or securities granting immediate or deferred access to the Company's share capital reserved for members of a corporate savings plan.	19	Limited to €1 million(3).	26 months	None

(1) It is specified that the increases of share capital with waiver of preferential subscription rights resulting (i) from the implementation of the 18th, 20th and 21st authorisations to the Managing Partner are capped at a common ceiling of €15 million (ii) and have to be deducted from the aggregate limit fixed by resolution number 20 voted by the Annual General Meeting of shareholders held on 16 May 2019.
(2) to be deducted from the aggregate limit fixed by resolution number 20 voted by the Annual General Meeting of shareholders held on 17 May 2018 and resolution number 20 voted by the AGM held on 16 May 2019.
(3) to be deducted from the aggregate limit fixed by resolution number 20 voted by the Annual General Meeting of shareholders held on 16 May 2019.

More information on these delegations granted to the Company's Managing Partner is available in the notices of the Combined General Meeting of Shareholders' Meeting on 17 May 2018, and the Combined General Meeting of Shareholders on 16 May 2019, which contains all the information made available to shareholders, published on the Company's website at: https://www.rothschildandco.com/en/investor-relations/agm/

7 Elements that can have an impact in the event of a takeover bid

Rothschild & Co is a French partnership limited by shares (*société en commandite par actions or SCA*), and it therefore benefits from such legal form, which includes specific legal and statutory provisions that may have an impact in the event of a takeover bid.

7.1 Share ownership structure

The share ownership structure is described in Section 2.3 of the Information on the Company and the share capital. Following Rothschild & Co's conversion into a French partnership limited by shares, this structure has a particularity linked to the existence of two categories of partners: General Partners and Limited Partners.

A change of control therefore implies a change in the composition of these two categories of partners. Subject to the other elements described below that could have an impact in the event of a takeover bid on the Company's shares, a third party could, through a takeover bid, acquire control of the capital and the related voting rights. It could not, however, take control of the General Partners. In these conditions, a third party that acquired control of Rothschild & Co would, in particular, be unable to modify the articles of association or dismiss the Managing Partners as such decisions can only be made with the unanimous agreement of the General Partners. In addition, General Partners may not transfer the shares they hold without the unanimous agreement of all the General Partners. These provisions are such as to prevent a change of control of Rothschild & Co without the unanimous agreement of the General Partners.

7.2 Statutory restrictions on the exercise of voting rights and share transfers

Rothschild & Co's articles of association do not put any direct restrictions on the exercise of voting rights and share transfers.

However, in addition to threshold crossings, subject to legal provisions, Article 7.3 of Rothschild & Co's articles of association establishes statutory disclosure obligations as described in Section 3.2.1 of the Information on the Company and share capital.

7.3 Holders of securities granting special rights of control

As at the date of this report, there were no securities granting special rights of control. However, Rothschild & Co's General Partners, Rothschild & Co Gestion SAS and Rothschild & Co Commandité SAS, have some rights that could be assimilated to special rights of control, as described in Section 1 of the Information on the Company and share capital.

7.4 Rules applicable to the appointment and replacement of the Managing Partner and the members of the Supervisory Board

Pursuant to the articles of association, the Managing Partners of the Company are appointed by unanimous decisions of Rothschild & Co's General Partners, Rothschild & Co Gestion SAS and Rothschild & Co Commandité SAS, with approval from the Extraordinary General Meeting of Limited Partners (the shareholders) acting by a qualified majority of two-thirds when the Managing Partner has been designated by the Company's articles of association (as is the case at the date of this report). The same rule applies to dismissals, solely on fair grounds. Managing Partners are free to resign subject to giving nine months' notice. If the position of Managing Partner is unoccupied, it shall be filled by the General Partners until a new Managing Partner has been appointed.

The rules that apply to the appointment and replacement of members of the Supervisory Board are set out in the articles of association. Supervisory Board members are appointed and dismissed by the Limited Partners (the Shareholders) of the Company based on ordinary resolutions submitted for approval to Shareholders at General meetings, in which the General Partners of the Company may not take part.

It is nonetheless specified that Rothschild & Co Concordia SAS, following on from the contribution of shares in Rothschild's Continuation Holdings AG made by Jardine Strategic Investment Holdings Sàrl, a company of the Jardine Matheson group, and approved by the General Meeting of shareholders of 8 June 2012, has given an undertaking to vote in favour of the appointment to the Supervisory Board of a representative of the Jardine Matheson Group for as long it holds at least 5% of the share capital of Rothschild & Co.

7.5 Agreements entered into by the Company that change or cease in the event of a change of control of the Company

Some of the loan agreements entered into by the Group with third parties contain covenants in the event of a change of control, which are usual in this type of loan agreement. They could be triggered by a takeover bid for the Company's shares.

7.6 Other elements that can have an impact in the event of a takeover bid

- Direct or indirect interests in the Company of which it has been informed pursuant to article L. 233-7 and L. 233-12 of the French Commercial Code: see Section 3 of the Information on the Company and share capital.
- Control mechanisms provided for in an employee share ownership scheme, when the rights of control are not exercised by the employees: none.
- Shareholders' agreements of which the Company is aware and that may restrict the transfer of shares and the exercise of voting rights: see Section 4 of the Information on the Company and share capital.
- Management's powers, particularly with regard to the issue or purchase of shares: see Section 2.4 of the Information on the Company and share capital and Section 6 of the Report on corporate governance.
- Agreements providing for the indemnification of the Managing Partner or Supervisory Board members: none.
- Clauses of agreements declared to the Company pursuant to Article L. 233-11 of the French Commercial Code: see Section 4 of the Information on the Company and share capital.

Corporate Responsibility

In this report, Rothschild & Co or "the group" refers equally to Rothschild & Co and the Rothschild & Co group.

In accordance with the provisions of article L. 225-102-1 of the French Commercial Code which provides that Corporate Responsibility (CR) information disclosed in this report must be verified by an independent third party, Rothschild & Co's Managing Partner has appointed KPMG as independent third party. The report from KPMG on this report is presented on pages 146 onwards.

1 Corporate Responsibility

For more than 200 years, we have earned a reputation for serving clients to support ideas that have shaped the world in the long run, enabling growth and economic progress.

Our unique heritage and outstanding record of achievement is driven by a strong values-driven culture. This has earned us the trust of our partners, clients and shareholders and drives our commitment to Corporate Responsibility today and in the future: **we encourage a culture of responsible business and proactively take responsibility for the impact we have as a business on our people, our industry, our communities and our planet.**

This commitment plays a fundamental role in delivering our unique business model (see page 10 of this report) and towards reaching our long-term strategic objectives. We will continue to enhance the impact we can have as a business through the responsible management of our operations and resources and use our skills and capabilities across the group to address material Corporate Responsibility risks and opportunities for the firm and all our stakeholders.

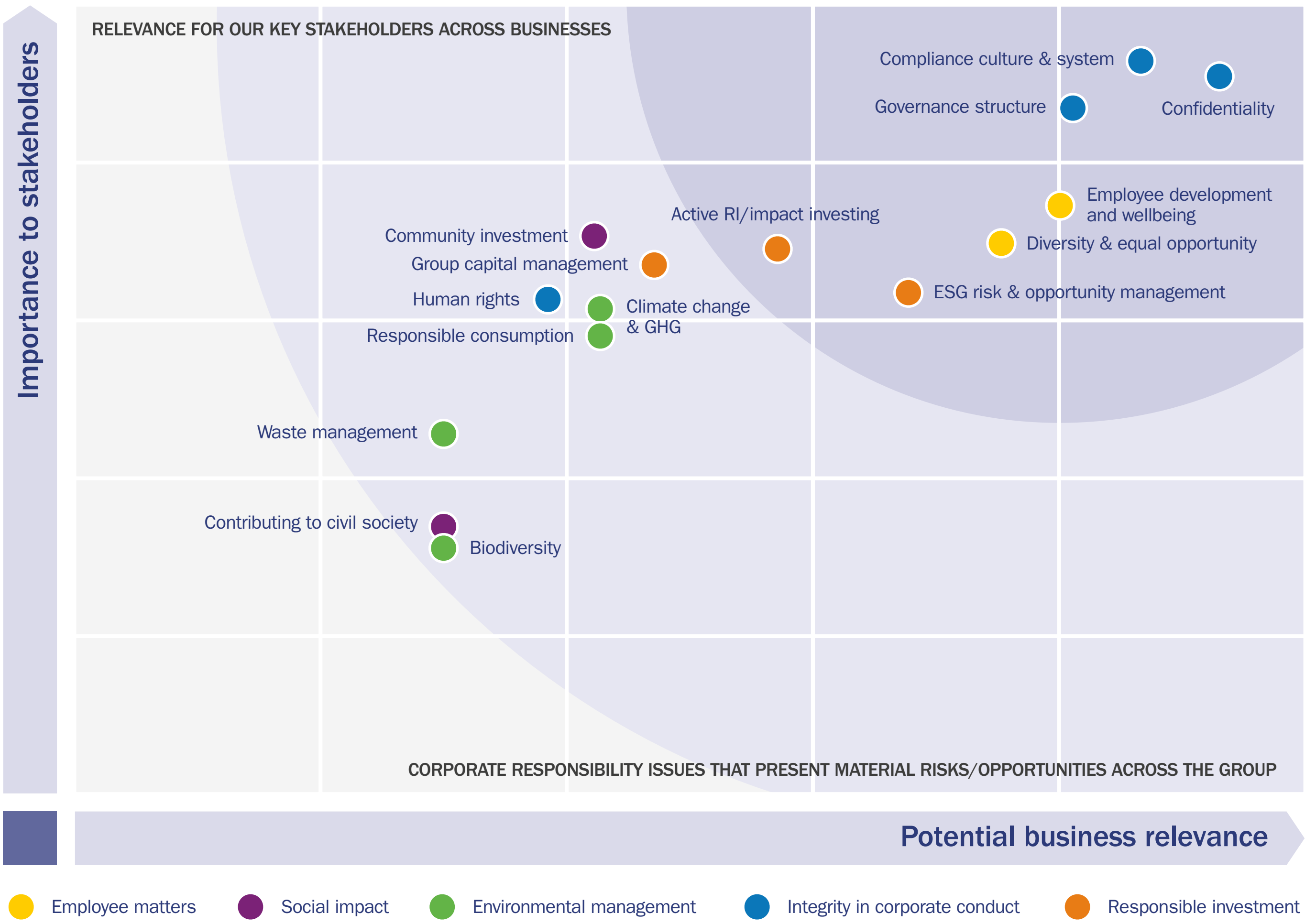
This chapter is aimed at highlighting our Corporate Responsibility priorities and strategic direction, celebrating these commitments and showcasing some recent examples of the impact this culture can have.

1.1 Corporate Responsibility strategy

In an ever-changing market environment, we monitor business model inherent risks and opportunities with regard to Corporate Responsibility on an ongoing basis.

A working group of senior management undertook a thorough assessment of Corporate Responsibility issues. The aim was to identify the most critical environmental, governance and social issues that are relevant to our stakeholders and which create opportunities or risks for the group's individual businesses and the group overall.

The materiality matrix below shows the key non-financial risks and opportunities in relation to Corporate Responsibility that were assessed and those we consider most material. They form the basis for the continuous development of the group's Corporate Responsibility strategy. The findings of the assessment highlight five overall focus areas of responsibility, which represent important non-financial priorities for our business.



Through discussions with group and divisional management teams, regulatory guidance and recognised NGO frameworks we identified a long list of potential Corporate Responsibility issues for the firm. We then prioritised the most material areas with the management teams based on ongoing feedback from clients, investors, suppliers, and our employees, as well as secondary market research and relevant experts in the group, ensuring regulatory conformity. These bottom-up views on priorities have been aggregated in the Corporate Responsibility materiality matrix for the entire group. The Corporate Responsibility strategy as well as the group priorities resulting from this have been agreed by the Group Executive Committee and validated by Rothschild & Co Gestion.

Our priorities

Our Corporate Responsibility strategy defines a clear commitment for the way we do business and sets out our ambitions and activities across five pillars which address the most material Corporate Responsibility risks and opportunities for the group:

Fostering responsible business practices

We place high emphasis on good conduct, personal accountability and commitment in the way we work with each other and our clients; this includes:

- safeguarding confidentiality
- effective compliance systems and technology
- implementing stringent anti-corruption and anti-bribery standards
- impactful governance and oversight

For further information please see p.121

Cultivating a responsible people culture

We aim to attract and retain the most talented people from a diverse range of backgrounds, cultures and experiences by creating an environment that empowers our people to grow, deliver and excel; this includes:

- providing feedback, talent development opportunities and assignments that ensure they get the best out of their careers
- supporting our people's wellbeing and offering a balanced approach to work
- ensuring equal opportunities for all via development, an effective reward strategy and transparency in promotions

For further information please see p.124

Creating responsible investment solutions

We want to play an active role in influencing business practices and drive investments towards a more sustainable economy by:

- integrating ESG criteria in our investment decisions to create long-term value for investors and support the development of a sustainable economy
- pursuing an engagement policy that favours a constructive dialogue with companies on ESG issues
- developing investment solutions

For further information please see p.128

Taking responsibility for our environment

We are strongly committed to contributing to a more environmentally sustainable economy and limiting our environmental impact by:

- considering the environmental risks and opportunities of our business activities
- responsibly managing greenhouse gas emissions and proactively reducing our negative environmental impact
- championing responsible consumption and resource use

For further information please see p.130

Taking responsibility for our communities

We want to effect positive change in our communities and help make a meaningful difference to young people from disadvantaged backgrounds by:

- providing financial support to charities and social enterprises, as well as to individuals
- offering our professional expertise to social purpose organisations, helping them to drive change for young people
- encouraging our people to volunteer, using their skills to help young people to succeed in life

For further information please see p.132

1.2 Corporate Responsibility governance

Encouraging a culture of responsible business across the whole group requires championing of this culture by the whole leadership team.

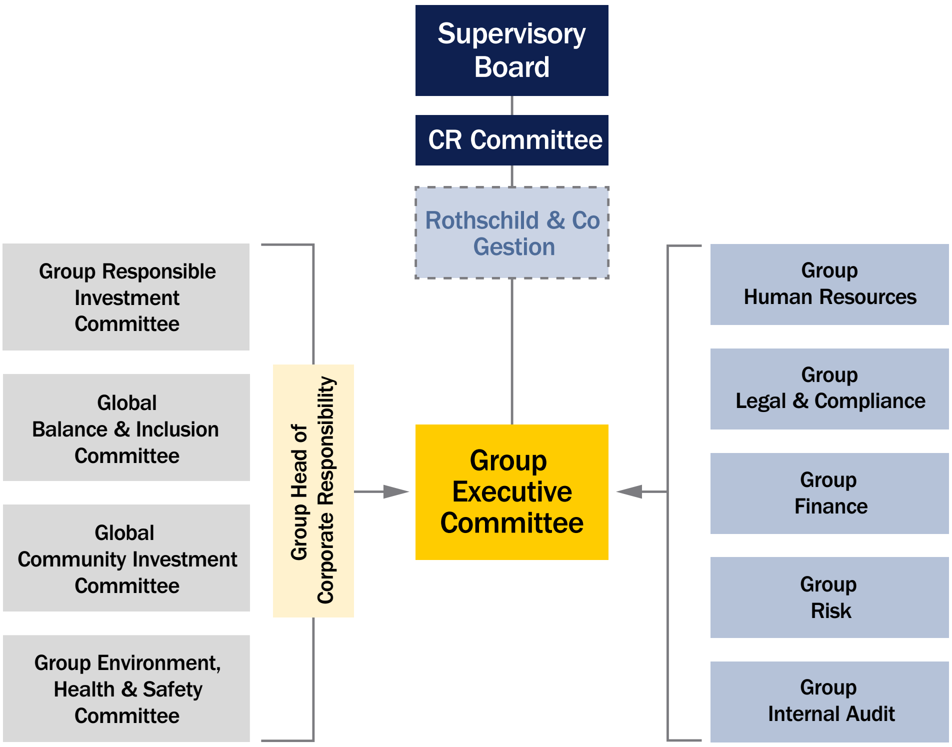
Our governance structure is designed to ensure that Corporate Responsibility is at the centre of our business-based, driven and coordinated by unified responsibilities at the highest senior management and board levels.

Our Corporate Responsibility strategy and policy is initiated and driven by our Group Executive Committee (GEC) who is responsible for the definition and steering of our Corporate Responsibility strategy, with one member of the GEC responsible for our Corporate Responsibility initiatives globally. The GEC takes decisions on upcoming Corporate Responsibility topics in their regular meetings anytime as required and presents the strategy to the Supervisory Board at least once a year. In 2019, Corporate Responsibility topics have been discussed in 50% of the meetings.

In 2019, the GEC appointed a Group Head of Corporate Responsibility to assist in the development of the strategy, the coordination of group-wide initiatives and provision of an ongoing and consolidated picture of performance against our strategic objectives. The Group Head of Corporate Responsibility reports directly into the responsible GEC member as well as one of the Managing Partners. Supported by a team of experts in our priority areas the Group Head of Corporate Responsibility works closely with the respective dedicated senior group committees in the management and operational implementation of our initiatives across all businesses.

With this integrative setup we ensure a proper implementation of our Corporate Responsibility strategy at all businesses and levels.

We are determined to embrace and drive Corporate Responsibility at the highest level of the group.



Overview of supporting committees to the Group Executive Committee:

1.	Group Responsible Investment Committee	We are working on a group-wide ESG integration strategy to impact the transformation of industries towards sustainable practices by being an engaged investor and offering sustainable investment products.
2.	Global Balance & Inclusion Committee	We are constantly working on a diverse, inclusive and flexible environment which enables all colleagues to achieve their personal and professional aspirations, and to ensure that Rothschild & Co provides long-term opportunities for talent.
3.	Global Community Investment Committee	We define and drive the group's Community Investment strategy to deliver our global mission: to make a meaningful difference to disadvantaged young people and children.
4.	Group Environment, Health & Safety Committee	We place high emphasis on adding value to our and our clients' businesses in a sustainable, environmentally-responsible way, to conserve and protect the world's natural resources through our operations, products and services.

In the same spirit as for the GEC, the Supervisory Board approved a simplified and efficient structure, by which the Supervisory Board itself takes up the Corporate Responsibility issues globally.

The group Corporate Responsibility strategy is presented to the Supervisory Board by the Company's Managing Partner (*Gérant*) Rothschild & Co Gestion.

The Supervisory Board considers the Corporate Responsibility issues at the initiation of senior management unless the Supervisory Board itself identifies an opportunity to discuss.

At the date of the publication of this report it should be noted that during its meeting on 10 March 2020, the Supervisory Board approved the creation of a committee in charge of Corporate Responsibility (the "CR Committee") composed of three members of the Supervisory Board with the following missions:

- assist the Company's Supervisory Board in monitoring issues relating to Corporate Responsibility, in social, societal and environmental issues so that the Company can best anticipate the opportunities, challenges and risks associated therewith, and in particular assist the Supervisory Board in monitoring the policies in place in the aforementioned areas and the objectives set, the procedures for identifying risks and preparing non-financial information, and the work of the operating committees in charge of Corporate Responsibility issues within the group; and
- report regularly to the Supervisory Board on its mission and make recommendations where appropriate.

More details on the composition of the CR Committee are shown in the report on corporate governance from the Supervisory Board to shareholders available in the Annual Report on Section 2.1.3, page 96.

1.3 Outlook

As a key element of the group's long-term strategy, our Corporate Responsibility efforts will not stand still. They require a constant re-evaluation of our priority areas and strategy in collaboration with our stakeholders.

We will continue to focus on the most relevant and impactful initiatives within the sphere of our own operational influence, and take a considered view on how to create long-term impact for our stakeholders through the responsible management of our client-facing business activities; this includes the continued review of ESG factors in the group's policies and processes for selection of suppliers, partners and new clients, as well as the design of sustainable solutions and advice to meet our clients' long-term needs.

We recognise that the Taskforce on Climate Related Financial Disclosure (TCFD) recommendations can assist the identification of climate-related risk and opportunity across our business activities. The existing workstream aims to assess the climate impact of our portfolios through scenario analysis. The results will both enhance our risk management, including the underlying procedures to manage climate risks more effectively, and demonstrate that climate risk is addressed in our business strategy and product offering. Moreover, our work should help us prepare for future regulations in Europe and elsewhere and the developing requirements of our clients and stakeholders. We aim to disclose our alignment against the TCFD recommendations in the next annual report.

Over the coming year, we will seek opportunities for further collaboration of relevant functions and committees under the guidance of the new Group Head of Corporate Responsibility and the oversight of the GEC in order to capitalise on the interdependence of our priority initiatives and the know-how in our expert teams.

Across the group, it is our long-term commitment to add value to our key stakeholders. We will continue to encourage a culture of responsible business in our industry and beyond, to make a meaningful difference to the world around us.

2 Responsible business practices

As one of the world's leading independent financial services groups, we place high emphasis on good conduct, based on personal accountability and commitment in the way we work with each other and our clients and partners.

This obligation is the bedrock of our compliance culture and our expectations are clearly communicated in our group Code of Conduct and policies that apply to anyone working for the group.

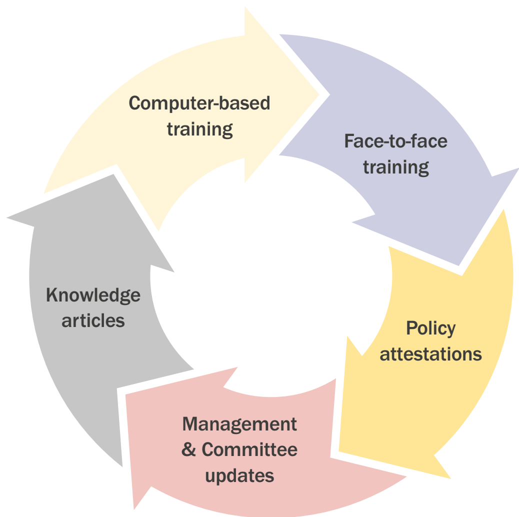
This principled approach is underpinned by the application of rigorous compliance systems and controls, including:

- the investment in, and implementation of, state-of-the art compliance systems and technology, overlain by effective governance and oversight; and
- taking appropriate measures to safeguard confidentiality.

2.1 Compliance culture and systems

Across the group we have systems in place that ensure we behave responsibly in everything that we do.

Compliance culture education and awareness strategies



2.1.1 Policies, procedures and guidelines

Each employee is required to read, understand and comply with the Rothschild & Co policies, procedures and guidelines that apply to his or her job and undertake all mandatory compliance and other professional training as and when required. This includes relevant regulatory qualifications.

2.1.2 Insider Trading

All Rothschild & Co entities must adhere to the Group Market Abuse Policy and our specific procedures must be followed in relation to dealing with inside information. The blanket prohibition on market abuse is supported by training and education, compliance monitoring programmes and regular communication to all employees to remind them of their obligations.

2.1.3 Conflicts of Interest

Independence is a cornerstone of our proposition across our businesses. It is vital that our businesses are capable of identifying and managing conflicts or potential conflicts at an early stage. The overriding principle of the group's conflicts of interest policy is that Rothschild & Co should act in a suitable manner and provide objective advice, unaffected by conflicts and in the best interests of our clients.

Our conflicts of interest policies and procedures are reviewed at least annually and updated to reflect law and practice, and strategic developments (such as new business lines or products) around the group.

2.1.4 Anti-Corruption and Anti-Bribery

Across the group we take a zero-tolerance approach to all forms of bribery and corruption. We do business fairly, honestly and openly with integrity and in accordance with applicable laws that promote and safeguard fair competition in the jurisdictions in which we operate.

All categories of Group employees in our firm complete regular mandatory anti bribery and corruption training. They are expected to be familiar with, and attest to, the group policy on Anti-Bribery and Corruption. Completion rates are tracked and monitored. Clear communications from leaders set out the requirements and standards we expect from our employees.

The group has a well-resourced and dedicated Group Financial Crime Compliance team located in London, which oversees education, training, monitoring and assurance activities of local units with the same functions.

2.1.5 Political donations

The group does not make or permit any of its people to make on its behalf, any political donations. Nor does it have any political affiliations.

2.1.6 Principal tax policy

The Group tax strategy applies to all entities ultimately owned by Rothschild & Co SCA and applies to the management of the group corporate tax affairs. Employee and client related taxes are managed by Human resources and Legal & Compliance and are not covered under the group tax strategy.

Affairs to manage taxation efficiently are organized by the group, consistent with commercial needs and with the group's conservative approach to tax risk.

We do not enter into, facilitate or promote arrangements which lack business purpose or commercial rationale or which run contrary to the intention of legislation.

The Group tax team proactively identifies and monitors key tax risks throughout the year, taking into account changes in the business and applicable tax legislation, ensuring that the control framework governing tax risk is updated appropriately.

The team also assists and works with the group Finance department to ensure full and timely compliance with the tax reporting and other obligations as required by legislation. It maintains close working relationships with different parts of the business to ensure that the tax implications of transactions and any business changes are fully understood.

The Group tax team consults with external advisers on specific matters, where required, and engages with industry bodies to assess future legislative developments.

2.1.7 Anti-Money-Laundering/Know Your Client

Our reputation is of paramount importance to us. This is why we take great care to make sure that we work with clients and counterparts that meet our exacting standards.

Rothschild & Co has detailed and comprehensive policies and procedures governing the way in which we take on clients and business. These policies and procedures cover matters from initial due diligence and research into the identity, source of wealth and reputation of individual clients to the ownership and governance structure of corporate bodies and other legal structures. Rothschild & Co has specific client acceptance processes, including committees which look at all matters relevant to the acceptance of higher risk new clients. Information relating to all existing clients is regularly re-examined, with Politically Exposed Persons and high-risk clients reviewed on an annual basis. These committees form part of a disciplined and embedded process to reduce the reputational risk that the group faces.

The group also maintains appropriate systems and processes for sanction screening and transaction monitoring.

As well as looking at new clients and business, Rothschild & Co has comprehensive policies and processes aimed at reducing our risk of exposure to financial crime, including money laundering and terrorist financing. Regular reports of key Financial Crime metrics in the Anti-Money-Laundering and financial crime area are delivered to all appropriate governing bodies.

2.1.8 Tax evasion

Tax evasion is considered to be one of the most widespread forms of financial crime, which is of direct concern to individuals, companies and governments alike. We take our responsibilities in this regard very seriously and are committed to playing our part in the fight against tax evasion. For further information please see chapter "Results, tax and headcount by territory"on p.214 of the Annual Report.

2.1.9 Human rights

Respect for the individual is at the heart of our culture and family values that have run through our organisation for generations. The importance we place upon human rights is inextricably linked to these values.

We foster a culture of openness, thereby enabling employees to raise any legal, compliance and/or ethical concerns, including those related to any breach of human rights, within our business or within our supply chain.

We are committed to countering modern slavery in all its forms and we are taking proportionate measures to ensure that slavery and human trafficking are not taking place in our business or in our supply chains. This includes the formation of a Modern Slavery Working Group in the UK, which meets on an ad hoc basis and works throughout the year to consider any modern slavery risks and the ways in which we can seek to mitigate them on a pragmatic, risk-assessed basis.

N.M. Rothschild & Sons Limited ("NMR") and Rothschild & Co Wealth Management UK Limited ("R&CoWMUK") publish an annual statement describing the steps taken to combat modern slavery within their businesses. This joint statement is found on the Rothschild & Co website (https://www.rothschildandco.com/en/legal/modern-slavery-statement/).

Equally, we expect the suppliers to NMR and R&CoWMUK to adhere to the same high standards of respect for the individual as we adhere to ourselves. If a supplier is considered a high risk from a modern slavery perspective, then we request their adherence to our Anti-Slavery Policy. In addition, we may also draft supplementary modern slavery protections into a contract with a supplier who operates in a sector which is assessed to be high risk.

2.1.10 Whistleblowing

We are committed to supporting employees who have concerns or identify irregularities. We encourage our employees to be vigilant and to share any concerns, anonymously and in their own language if they wish. This may be done via a line manager, through local or Group Compliance or via an independent channel through a centralised dedicated global "whistleblowing" helpline, without any risk of retaliation.

2.2 Confidentiality

2.2.1 Client privacy

Confidentiality is of paramount importance to Rothschild & Co. We take appropriate measures to safeguard confidential information and all our employees must exercise the highest level of due care and attention when dealing with confidential information about the group or its clients.

Communication and mandatory compliance training is supported by monitoring, and employees are obliged to report any incidences and concerns relating to confidentiality without delay.

Where compliance monitoring, reporting or internal audits reveal any concerns, remedial action is swiftly taken. Systems and controls are regularly tested and reviewed to see if it is necessary to upgrade them to bring them into line with technological developments and regulatory or market practice.

2.2.2 Information security

The Rothschild & Co Information Security (IS) programme outlines the activities, governance and resources that collectively provide information on security services to the group and its clients. The programme enables senior management to make risk management decisions by providing information about the organisation's information security capabilities in a business context. This programme defines the framework for information security to achieve the following objectives:

- ensure the confidentiality, integrity and availability of client data and proprietary information irrespective of form
- protect against anticipated threats to the confidentiality, integrity and availability of the IT infrastructure and information systems
- ensure on-going compliance with regulatory requirements

These objectives are achieved through the activities defined in the Information Security strategy, which receives full support from the Group Executive Committee. The purpose of the strategy is to meet the challenges defined above and

- ensure the business is protected from the damage incurred by a data breach which may lead to loss of client confidence or to regulator action;
- provide senior management with the necessary information to make proportionate investment in information security tools and capabilities; and
- ensure the group has a coherent information security procedure should a serious incident occur.

Responsibility for defining and implementing the global Information Security programme sits with the Chief Information Security Officer (CISO), reporting to the Group Chief Risk Officer. Supporting the CISO is a team in London with specialist experience in IS programme design, build and delivery and Regional Information Security Officers based in Paris, Zurich and New York.

2.2.3 IT security

The Rothschild & Co IT Security department continuously controls and governs the delivery of day-to-day technical security measures. These are selected to meet the requirements of the Information Security programme as authorised by the Group Executive Committee. The key controls operated by the Group IT division include but are not limited to:

- Threat protection such as network and application firewalls, anti-virus and patching
- Threat detection including vulnerability management, penetration testing and security monitoring
- Identity Access Management and specifically privileged access control and email verification, e.g. SPF
- Disaster Recovery Test coordination for data centre facilities, major offices, local offices and recovery sites
- Security Incident Response
- Global Data Centre facility is ISO27001 Certified and covered by ISAE 3402 assurance report.

Responsibility for the implementation of technical security measures sits with the Group IT Security Manager (ITSM), reporting to the Chief Information Officer. Supporting the ITSM is a team of security specialists in London. Wealth Management in Switzerland operate an independent IT Security department reporting to the local Chief Information Officer.

Further information on “Responsible business practices” can be found in section A1.

3 Responsible people culture

Talented and motivated employees are the lifeblood of our business and the foundation of everything we provide to our clients. The dedication and knowledge of our workforce of 3,600 employees originating from a variety of backgrounds enables us to create real value for all our stakeholders.

We strive to create an environment of opportunity and partnership. We invest in the best talent, and empower people to perform, grow and stay with the firm. We offer a range of careers and invest alongside our people in their ongoing on-the-job experience through various structured programmes and internal opportunities.

To cultivate an environment that offers opportunities for all, we focus intently on creating an inclusive culture that encourages the highest standards of quality, professionalism and ethics. The group draws on talent in all the markets in which we operate. We are proud to attract, develop and retain some of the industry’s brightest minds.

3.1 Employee development

Our aim is to help each of our employees to be the best they can be. We are committed to providing bespoke development opportunities to help our people meet their goals and objectives.

3.1.1 Training opportunities

Nurturing talent and encouraging people to get the best out of their careers is a key focus of our people strategy.

The group’s dedicated Learning and Development team offers and coordinates a range of training and development opportunities, enabling employees to improve their professional, technical and personal effectiveness. There are local and international training programmes delivered in person, and digitally. Training our managers to support their employees in their progression is a key part of this.

We aim to build and provide solutions to satisfy all aspects of an employee’s development through informal and formal training programmes, mentoring, coaching and team development. Individuals are also actively encouraged to attend development programmes that are directly relevant to their current position or career path.

Rothschild & Co offers structured Graduate and Internship programmes in its Global Advisory, Wealth and Asset Management, and Merchant Banking businesses, for both students in their final year of university and those who have already graduated.

Global Advisory Development programme

The Global Advisory Development programme is a comprehensive technical training curriculum comprised of mandatory, recommended and available courses for employees at all levels in Global Advisory. Organised by grade, the courses are designed to further develop employees’ skills as they progress through the firm. As well as offering face to face instructor led training, WEBEX training is also offered for global offices.

Global Graduate Training programme

The Global Graduate Training programme is run on an annual basis for Global Advisory, Asset Management, Merchant Banking and Wealth Management graduates. The six-week programme provides unrivalled training in the financial concepts that graduates need to master to be successful in their daily work, as well as key personal skills, such as communication, personal effectiveness and teamwork. Graduates are given all the support necessary to ensure they are equipped when they join their teams. There is also a two-day offsite that gives our graduate recruits the opportunity to build a global network and form long-lasting relationships with their peers in a unique environment.

In 2019, over 130 graduates from 24 countries around the world joined Rothschild & Co and attended our Global Graduate Training programme in London.

Promotion programmes

As part of our ongoing commitment to developing the skills and capabilities of our people at each stage of their career, we have development programmes for each key promotion stage. These are designed to help people understand the requirements of their new role and build a strategy for success. The residential development programmes are always held in one of the major locations in which we operate and newly promoted employees from around the world attend. This enables them to build both their network and develop the skills needed to help them succeed in their new role.

In 2019, more than 160 employees attended our Promotion programmes across our business and support divisions.

Career frameworks

Managing performance is critical to the ongoing success of our business and the development of an individual's career. Feedback on individual performance is given regularly throughout the year and performance is assessed formally at the end of every year.

Our career frameworks include an overview of six core competencies:

- Leadership
- Technical proficiency
- Commercial awareness
- Rothschild & Co way
- Communication
- Compliance & Risk.

The frameworks are embedded into our ways of working, talent development and career progression. They provide our employees with a clear and consistent set of expectations across all divisions, geographies and career paths. They allow us to work towards common goals that differentiate our working practices from our competitors and ensure we all integrate the Rothschild & Co guiding principles in the way we service our clients and work with each other.

3.1.2 Global Mobility programme

Our global network truly adds value and makes a meaningful difference to our clients. Essential to this is a workforce that is talented, versatile and flexible. The Global Mobility programme has been designed to maximise and enhance employee skills. We facilitate and allow qualified strongly performing employees to move between offices to enable them to learn how business is done in other parts of the world, share information across the group and make new contacts in the process.

The international opportunities can be long-term assignments of two to three years, permanent transfers or short-term postings, which range from three to twelve months and are mainly used for training or to fill a temporary employee skill gap.

3.2 Diversity and inclusion

To form our distinct perspectives as a group, we need a diverse team, drawn from a variety of backgrounds, genders and ethnicities, that can respond to our global business needs and interact with clients and colleagues around the world. This means building an environment where diversity and difference are valued.

We do this by encouraging a culture where all colleagues can bring their whole self to work and create a workplace where they can thrive and reach their potential.

We foster a sense of teamwork, respect and partnership in everything we do. We encourage everyone to build a wide network across the group to benefit themselves and one another and, importantly, to bring this combined knowledge, capability and value to our clients. This has a direct impact on the type of colleagues we look to recruit, promote and retain.

3.2.1 Equal Opportunity

In November 2017, our female Managing Directors and senior management came together at the Women's Leadership Forum to discuss the challenges faced by women in the firm, and how best to set about further enhancing the career paths and opportunities available to them.

As a result, we created a Group Balance & Inclusion Committee, chaired by our Executive Chairman, Alexandre de Rothschild, with a clear goal: to have a balanced, inclusive and flexible workplace which enables all colleagues to achieve their personal and professional aspirations and to ensure that Rothschild & Co provides long-term opportunities for our talent to flourish and grow. Initiatives and employee networks for different interest groups have been launched through our local Balance & Inclusion committees.

We support various personal development initiatives including mentoring, sponsoring and membership of networking organisations and forums to connect our professionals and promote inclusivity across the group. In 2018, Rothschild & Co introduced Unconscious Bias Training to Associates, Assistant Directors and Directors as part of their Promotion programmes to support the group's culture of balance and inclusion. The training is designed to increase awareness and help colleagues recognise unconscious bias in its different forms. To date, more than 400 employees have participated in the training.

Shine for Women

In 2018, we developed and launched a programme specially designed to support senior women (Assistant Directors, Directors and Managing Directors). The programme, named Shine for Women, is designed to maximise individual potential and deliver personal impact. Over the course of two days, senior women from around the world are challenged and coached to build a vision and plan that gives renewed energy and focus to their professional and personal lives. C. 70% of our senior female staff participated in 2018 and 2019.

FTSE 100®Cross-Company Mentoring programme

Rothschild & Co has long understood the importance of diversity within our workforce, and particularly the value of developing a diverse pipeline for succession to senior management.

We continue to work to improve women's representation at board level and in senior leadership positions, including as a long-standing supporter of The Mentoring Foundation, which owns and operates both the FTSE-100 Cross-Company Mentoring Executive programme and the Next Generation Women Leaders programme. These programmes – which match high-potential female mentees with mentors who are chairs or senior leaders in other companies – are at the heart of activity in the UK to help more women take up leadership roles in large organisations and have an unrivalled track record and history of success.

In recent years, colleagues have acted as mentors on the FTSE programmes to senior women from other organisations, and Rothschild & Co has itself placed mentees into the FTSE 100 Cross-Company Mentoring programmes to offer our high-performing and aspirational women this opportunity to further their careers.

Rothschild & Co Networks

Our UK Balance & Inclusion Committee has supported the creation of:

- the Rothschild & Co Women's Network
- the LGBT Network
- Ethnic Minorities Network, and
- Family Network

The Committees work in conjunction with management to represent the interests of our employee communities. These networks organise guest speakers and social events to encourage our collective objective to provide an environment which is fully inclusive.

BLACK HISTORY MONTH

In October 2019, the UK Ethnic Minorities Network hosted a fireside chat with a well-known author in celebration of Black History Month. The discussion focused on race, identity, and belonging in the UK. The event was open to all internal colleagues and selected external networks.

STONEWALL

Rothschild & Co is a member of Stonewall, Britain's best practice forum on sexual orientation in the workplace which acts as a thought leader for our work in the LGBTQ space in the UK. We have an active network who also participate in a broader City network called the Interbank Forum, where members can collaborate on events and share ideas to promote LGBTQ inclusion in the industry.

US Sophomore Women's programme

As part of our commitment to attract and develop the best talent, in April 2017, our US Global Advisory business launched a Sophomore Women's programme. The programme was designed to raise awareness of our brand, build industry knowledge and showcase a career path at Rothschild & Co to women who may not have considered the industry.

The three-day programme is run in our New York office and offers female Second-Year College Students a unique opportunity to gain an early insight into a career in Financial Services. A broad range of workshops, soft-skills training and exposure to our most experienced bankers is available, along with networking opportunities.

The Sophomore Women's programme has, over the last two years, more than doubled Global Advisory's female recruitment into our Summer programme. We have worked hard to attract increasing numbers of women to join our summer intern programmes and have been delighted to see those efforts pay dividends over the past 3 years.

Year	% Female in Summer programme
2019	32%
2018	14%
2017	6%

UK Work Experience programmes 2019

In 2019, the UK Graduate Recruitment Team launched its Horizon Women and Pioneer programmes. The team welcomed 40 sixth form students (67% female) from 36 different diverse UK schools. We hosted the students on fortnight-long Global Advisory work experience programmes. During each programme, students participated in a variety of events including introductory sessions into our business areas, senior banker panels, and work shadowing. Their time culminated with a project presentation by them to senior bankers on their last day. Following the success, there will be further programmes in 2020.

3.2.2 Equal representation and compensation

As an equal opportunity employer, we seek to recruit and reward based on experience and talent, ensuring that the best candidate for the position is found and appropriately supported in their personal development by the business.

We strive to provide equal opportunities for everyone. We are committed to ensuring equal representation, transparency and transparency in pay and promotions when rewarding performance. There is an annual review process to ensure there are no pay discrepancies within the group for people performing similar roles. Our promotion policies are available on our intranet to ensure transparency for all employees globally.

These policies are implemented by divisional committees who oversee promotions on a global basis. We ensure that there is a gender balanced participation at these committees as well as at the benchmarking committees during our performance evaluation process. The decisions made at these benchmarking committees are a critical input into promotion decisions, and diversity is a critical component as we evaluate our people.

Partnership with Bright Network

This year the UK Graduate Recruitment team have selected Bright Network as their Early Careers Media Partner. Bright Network helps companies attract a diverse range of candidates, from traditionally underrepresented groups. Their mission is to connect the next generation with the opportunities, insights and advice needed to succeed as the workforce of tomorrow.

This is achieved by raising the profile of Rothschild & Co on the Bright Network website and at specific diversity events attended by undergraduates from a range of universities and subjects. Through this connection we connect with 200,000 Bright Network student members, of which 76% are state educated, 59% are female, 26% STEM, 40% BAME and 85% study outside London.

During the next recruitment season we will participate in events for Women in Leadership, Black Heritage Future Leaders and the LGBT + Proud to B.

Women in Finance Charter

In 2019, Rothschild & Co signed the Women in Finance Charter. This is an important commitment made by the firm to HM Treasury in the UK to build a more balanced workforce and help to increase the representation of women in senior managerial roles within Financial Services.

Whilst this is a purely UK government initiative, the group has decided to implement the pledge at a global level, as we believe that to make a real difference it is important to measure and report our progress group-wide on excellent initiatives like this one.

Our commitments are:

- The Managing Partners will be responsible and accountable for gender diversity and inclusion.
- We are setting ourselves a target that 30% of our Assistant Directors and above should be female. We want to achieve this target over the next five years.
- We will publish progress annually against this target on our website
- Pay and performance of the senior executive team will be linked to delivery against our Balance & Inclusion initiatives.

W Business Network

In France there is an external women's business network to develop our relationship with women within our broader ecosystem (e.g. M&A advisors, Private Equity investors, M&A lawyers, notaries). The events are well attended by female senior colleagues of Global Advisory, Wealth and Asset Management, and Merchant Banking.

During informal lunches, networks are strengthened, and knowledge is exchanged. Similar networks have been developed in our offices in Marseille and Lyon, with Bordeaux and Brussels to follow.

3.3 Employee wellbeing

Supporting our people to ensure their wellbeing in life and at work is a critical focus for the group in today's demanding world. We are committed to safeguarding and enhancing the health and wellbeing of all our employees.

To support this, we provide employees with a range of enhanced healthcare services and benefits, tailored to each location.

Ensuring that our employees across the group have access to information and services which promote their health and wellbeing is a critical role the firm plays in assisting our people to focus on balancing their work and home lives.

The group has identified a number of strategic opportunities to improve digital working practices to ensure we serve our clients most effectively, whilst providing our teams with a more modern and effective work environment. For example, in 2019, 2,800 colleagues have received new laptops in an ongoing initiative, while technological upgrades and online training have ensured that remote working is accessible seamlessly from anywhere without compromising security or productivity.

We continuously strengthen and improve health and safety compliance and conformance requirements by following the improvement programme required by our Group Health & Safety Policy. Further information on Health & Safety can be found in section A2.3.

Wellbeing@Rothschild&Co

We work actively with our health and wellbeing partners to understand the needs of our employees. We work together with our health providers to ensure we are addressing issues that are specific to our employees, be they muscular-skeletal issues, sleep problems, dietary concerns, etc. In the UK, we offer seminars/workshops to educate our employees on both how to help themselves and find the correct care pathways.

There are four core pillars within Wellbeing that cater to a wide range of needs:

- Mental
- Physical
- Family
- Financial

Key initiatives are discussed globally and implemented locally.

Unmind – our mental wellbeing app

The Unmind app was launched to our UK colleagues in October 2019 during Mental Health Awareness Week. Unmind is a confidential service with clinically-backed and easy-to-use tools, which provides ongoing support for people to manage things that impact their health. From improving sleep, to mindfulness and stress management. It is also signposting to the other services we have in the company such as the Employee Assistance programme and Occupational Health.

Further information on "Responsible people culture" can be found in section A2.

4 Responsible investment solutions

We acknowledge that our business activities and investment decisions have a direct impact on the economy. As engaged investors we want to play an active role in influencing business practices and drive flows towards the most sustainable players. As fiduciary responsible investors we are committed to protect our portfolios from ESG risk and seize new opportunities.

Through our broad range of investment expertise we benefit from a key positioning to encourage large corporates, small- to mid-cap players as well as investment firms to embrace sustainable and innovative practices, which we consider vital in a world that faces challenges from climate change and social injustice.

Through our investment business lines and our wealth management activities, we proactively engage, raise awareness, and increase transparency regarding ESG issues amongst a wide array of institutional and private investors (including entrepreneurs, foundations and charities).

4.1 Overview by business

Wealth Management

Wealth Management provides a comprehensive range of services to some of the world's wealthiest and most successful families, entrepreneurs, foundations and charities. We understand the issues wealth owners must address and can help them protect their assets while allowing them the opportunity to support a more sustainable economy through their investments. In 2017, Rothschild & Co Wealth Management UK formalised its approach to the integration of ESG factors in investment decision making with the publication of an ESG Policy as well as the issuance of its inaugural annual report on related activities. A new Responsible Investment Policy for the UK business was published in 2020 to reflect the developments in its approach since 2017.

We are committed to integrating ESG criteria into our investment process across Wealth Management.

In 2019, for example, Rothschild & Co Wealth Management Belgium launched a specific ESG mandate, which takes into account additional criteria, and organised a series of events offering a platform to engage with top managers in different industries on ESG challenges.

Proactively driving sector dialogue

Wealth Management teams in Belgium have proactively promoted responsible management and investing principles over the last year through thematic events:

- "Sustainability and chemistry" with the participation of the CFO of a leading player of the industry,
- "Clean mobility and recycling" with the Chairman of a global leader in the materials technology and recycling solutions,
- "Environment and investments" with a journalist involved in rural affairs and the CEO of a family office deeply involved in sustainable investing.

SRI Capital Green Tech fund

In 2014, Rothschild Martin Maurel Monaco launched the SRI Capital Green Tech fund in accordance with the management team's convictions and to support the principality's environmental policy. The fund's objective is to invest in listed assets while contributing to the protection of the environment and the fight against climate change through a careful stock picking. The fund's investment philosophy complies with a "best-in-class" approach and integrates a "green tech" investment pocket.

Asset Management

Our Asset Management business offers an independent perspective within innovative investment solutions, designed around the needs of each client. In an environment where short-term thinking often dominates, the company's long-term perspective is a key differentiating factor. The business is committed to integrating ESG factors in investment decisions to respond to the challenges that the world faces. The responsible investment approach relies on two complementary pillars: the integration of ESG issues into the fundamental investment analysis, and an active engagement policy.

R-co 4Change Climate funds

Asset Management Europe's R-co 4Change Climate Equity and Euro Bonds funds were designed to provide clients with dynamic low carbon investment products. The carbon intensity of the funds will remain below the corresponding financial benchmarks and follow an annual decrease trajectory while investing in every sector.

They offer a strengthened protection against carbon risks through the implementation of specific climate filters and encourage the stock picking of companies that have integrated climate issues in their business and governance practices.

A part of the management fees will be distributed to the NGO Up2green Reforestation that develop social reforestation and agroforestry programs. The R-co 4Change Climate Equity and Euro Bonds funds are SRI certified.

R-co 4Change Impact Finance

Fostering financial inclusion – investing in microfinance means helping households to start their business, increase their income and improve their living conditions.

Asset Management Europe's R-co 4Change Impact Finance invests in emerging markets through a microfinance investment vehicle which aims at generating a positive social impact among communities excluded from the "traditional" financial systems.

This fund is the result of a unique partnership with Symbiotics, a company that has specialised in sustainable and inclusive finance for over 15 years.

R-co 4Change Impact Finance invests mainly in medium-sized microfinance institutions to maximise social impact.

The fund offers "EPIC shares" in order to distribute a part of the management costs with the EPIC Foundation. The EPIC Foundation fights against inequalities affecting youth and provides the necessary resources for social organisations that have a worldwide impact (education, healthcare and child protection) and are in line with our group's Community Investment mission.

Asset Management Europe joins Climate Action 100+

In July 2019, Asset Management Europe joined the Climate Action 100+ initiative. The investor initiative aims at ensuring the world's largest corporate greenhouse gas emitters take necessary action on climate change, gathering 450 investors with more than US$39 trillion in assets under management.

Merchant Banking

Merchant Banking is a key investment arm of the group with global assets under management (AuM) across Corporate Private Equity, Secondaries, Multi-Managers funds, Co-Investments, Direct Lending and Credit Management. The business is founded on a passion for investing, a respect for risk and a culture of partnership. Over the years, while building its reputation on providing highest levels of excellence, the Merchant Banking business has defined its business principles to encompass a responsible and sustainable approach to ESG standards. The business has joined the Initiative Climate 2020 (IC20) aiming at gathering French private equity players to fight against climate change.

4.2 Responsible Investment priorities and roadmap

Conscious of our responsibility in the market Rothschild & Co aims to build a strong unified Responsible Investment Framework over the next 3 years, onboarding all our investment business lines in an inspiring journey.

Our Responsible Investment journey pursues three main priorities:

I. Establishment of a consistent ESG framework

As ESG integration in investment approaches is becoming mainstream among all asset classes, the establishment of a consistent framework is one of our priorities. This means

- complying with the same Exclusion Policy among the group in most of our direct investment funds and monitoring comprehensive ESG data among all asset classes
- reporting on key ESG KPIs to assess the group's exposure to ESG risks and our positive impact
- ensuring a strong ESG governance through a permanent Responsible Investment Committee headed by a Senior Management representative and reporting to the GEC.

II. Strengthening of our engagement policy

Active ownership and the incorporation of ESG issues into our ownership policies and practices will be part of the Responsible Investment Framework. We aim to

- enhance Rothschild & Co's involvement in responsible investment initiatives
- strengthen our active voting policy
- promote and support sustainable investment practices.

III. Offer innovative sustainable investment products

All our investment business lines and support functions will be involved in this inspiring journey.

Targets:

- 100% ESG integration in the group's investment approaches by 2022
- All relevant divisions to become UNPRI signatories in 2020

This action plan is complementary to the ongoing TCFD project aiming at raising awareness and alignment of our activities with the TCFD recommendations on climate risks integration.

5 Responsibility for our environment

We recognise that as a business we can create and enhance long-term value for our stakeholders by taking active responsibility for our planet. We are strongly committed to contributing to a more environmentally sustainable economy by maximising our positive environmental impact.

5.1 Environmental management

Our goal for environmental management is to add value to our and our clients' businesses in a sustainable, environmentally responsible way, to conserve and protect the world's natural resources through our operations, products and services.

5.1.1 Embedding Sustainable Development Goals

Our environmental management strategy is aligned with four United Nations Sustainable Development Goals (SDGs)[1], that we feel are most relevant to our day-to-day business activities: SDG 7, 12, 13, and 15.

These four SDGs are highlighted in our Environment Policy and our Environment Statement and define the direction and approach for addressing operational environmental management and continuous improvement.

In addition, the group participates in global programmes, activities and initiatives to help limit the environmental impact from its operations.

5.1.2 Environmental Management Action Plan

Our continuous improvement programme, the Environmental Management Action Plan (the "EMAP") aims to monitor and reduce any negative environmental impact of the group's operations. Its flexibility allows it to evolve with our business requirements.

5.1.3 Environment advocacy

We regularly raise employee awareness of environmental challenges across all our offices, primarily through our internal website, email communications, notice boards and face to face meetings.

The group's environment advocates network reaches all offices globally. Advocates assist with awareness raising of environment challenges and help ensure that group-wide actions and initiatives are coordinated locally.

In addition, the group participates in global programmes, activities and initiatives to help limit the environmental impact from its operations, including efforts supporting World Environment Day and reducing unnecessary single-use plastics (SUP).

5.2 Greenhouse gas emissions and climate change

Climate change is a serious risk to our environment, to society and the economy. By proactively managing our CO_2e emissions and environmental impact we contribute our share of responsibility to combat climate change.

Our action plan for responsibly managing operational greenhouse gas (GHG) emissions is multi-faceted, but simple. Our immediate aim is to reduce emissions as far as practicable. We improve continuously our operational environmental management practices to limit the direct and indirect impact of our business operations by implementing initiatives such as minimising materials use and promoting circular economy practices.

Secondly, we have committed to procuring renewable and sustainable energy to meet 100% of our requirements by 2025.

The third facet is to compensate all remaining and unavoidable operational emissions.

Internal carbon pricing

By introducing our own internal carbon price (ICP), we place a monetary value on greenhouse gases and aim to influence employee behaviour to limit them.

The ICP generates a financial support stream which can in turn be used to develop further small-scale carbon reduction opportunities and sustainability projects in line with our selected SDGs.

This method of internal carbon pricing helps us to responsibly address emissions from business operations including travel and ensures we actively pursue emission reduction activities.

Our Internal Carbon Price will help support projects, activities and improvements aimed at minimising GHG emissions and protecting natural resources.

Meeting with clients is an integral part of our service and one that we recognise can increase the amount of GHG emissions being released through business-related activities. We carefully monitor business travel and report business travel emissions in our scope 3 reporting.

To help reduce emissions, all employees have access to video conferencing systems and c. 70 dedicated video conferencing rooms are available across the group.

We will use our ICP to help manage and contribute towards balancing unavoidable operational GHG emissions to Gold Standard or VERRA specifications carbon offsetting projects, thereby reaching our ambition to become climate neutral in 2020 across the group's operations.

(1) The Group recognises the importance of all 17 SDGs. However, it has specifically aligned its environmental management initiatives with those that it feels are most relevant to day to day business activities. Specifically there are; SDG 7 Affordable and clean energy, SDG 12 Responsible consumption and production, SDG 13 Climate Action, and SDG 15 Life on land.

Highlights

Electricity

Group consumption of 100% renewable electricity increased from 54% to 56% of the group's total electricity consumption in 2019.

Greenhouse gas emissions (2019 vs. 2018)

- Scope 1 emissions have fallen by 61%
- Scope 2 (location based) emissions have remained flat
- Scope 2 (market based) emissions have fallen by 10%
- Scope 3 emissions have increased by 5% due to the increase in reporting scope
- Total market-based emissions per FTE have fallen by 2%

5.3 Responsible consumption and engagement

As part of our business culture we champion responsible consumption of materials use. We consider waste to be a resource like any other; we encourage rethinking, reducing, reusing and recycling amongst our employees.

Whilst we are not a large consumer of water, we recognise our responsibility in the countries where we operate and will always be conscious of using water wisely.

Materials use is predominately paper, although an increase in reporting scope over the years has resulted in more material types being added.

Over the years we have identified and acted to implement energy efficiency opportunities in our offices. Energy audits, conducted by third party assessors, have helped us implement energy savings quickly.

75% of the group's total energy use is electricity. The group procures about 56% of its electricity from certified renewable sources. Sustainable energy sources (biogas, renewable electricity) covered 62% of our FTE headcount.

Responsible resource management forms part of the improvement actions associated with the EMAP. We broadened and improved our resource management and circular economy activities by implementing several initiatives, including greater access to centralised recycling stations and significantly reducing unnecessary single-use items.

Across all reporting offices, we track and report our Greenhouse Gas emissions in respect to business travel, energy, water and materials use, recycling and resource disposal, electricity transmission and distribution losses, courier services, IT and server use and well-to-tank emissions.

We are working towards purchasing renewable energy in our offices and encourage buildings we lease to procure renewable energy. Renewable energy procurement clauses are requested during the negotiation of new lease contracts.

Operational environment targets

Against a 2018 baseline we are committing to:

- Purchase 100% renewable electricity for our offices by 2025
- Reduce GHG emissions per FTE by 10% by 2025
- Group recycling rate of 80% by 2025, zero waste to landfill by 2030
- Reduce paper use by 25% per FTE by 2025
- Procure paper from 100% sustainable sources in 2020
- Reduce energy consumed in office by 10% per FTE by 2025

Single Use Plastics

Minimising the group's environmental impact resulting from materials use is a key operational improvement area.

In the first half of 2018, the group identified that purchases of avoidable single use plastic (SUP) were over one million items annually. This statistic helped drive the decision to launch an 18-month group-wide initiative to significantly reduce the use of unnecessary SUP.

Employees are encouraged to reduce SUP use in their day to day lives by making a personal "plastics pledge".

In 2018, Rothschild & Co was awarded the inaugural Plastic Free City Award from the City of London Corporation for its efforts to reduce significantly purchases of unnecessary SUP across the group. So far 20 offices have eliminated unnecessary SUP.

Reducing our office footprint

Our New York office implemented energy efficiency improvements and responsible materials use throughout 2019. The measures taken have helped minimise the office's negative environmental impact. In September 2019, the office installed washing facilities and switched all its disposable crockery and cutlery to reusable items.

In November 2019, the office underwent a refurbishment and changed the existing lighting system to low energy LED lighting and controls, the refit is expected to yield a c.50% electricity saving from lighting.

Reforestation

In 2019, our Merchant Banking division initiated a partnership with the NGO Up2green Reforestation. The partnership supports further reforestation projects in South America and is committed to contributing to the increase of natural carbon sinks and increasing biodiversity while supporting social development among communities and strengthening the local economy. Merchant Banking has committed to fund 50,000 trees over five years.

Resource management by promoting a circular economy

Since 2014, Rothschild & Co's New Court office has participated in the Corporation of London's Clean City Awards Scheme. It aims to develop partnerships with City of London businesses by raising the profile of responsible resource management including circular economic practices and recognising best practice.

Since Rothschild & Co's participation, we have been awarded in:

- 2014 & 2015 the Gold standard and 2016 with Special Commendation
- 2017, the Platinum award
- 2018, winner of Plastic Free City, shortlisted for Chairman's Cup, awarded the Platinum award
- 2019, winner Zero Waste Platinum Award (Awards for Excellence in Recycling and Waste Management)

Partnerships

CDP

Rothschild & Co have been signatories of CDP since 2018, and in 2019 the group became a CDP Member.

In 2019, we completed our CDP climate change disclosure, receiving a B rating.

COOL EARTH

Our strategic partnership with Cool Earth strengthens and demonstrates the group's engagement with important global environmental challenges. Through this partnership we will help protect rainforest, biodiversity and the communities that depend on them locally and internationally.

Our immediate aim is to empower and improve the livelihoods of Cool Earth's community partners who call the rainforest home.

Further information on "Responsibility for our environment" can be found in section A3.

6 Responsibility for our communities

Our position in society carries with it a special responsibility towards the communities we are a part of. As a business we have a strong heritage of supporting disadvantaged groups in society and today at Rothschild & Co we continue this tradition through our global Community Investment programme.

We believe that the circumstances in which you grow up should not prove a barrier to success in life. That is why we pursue one common Community Investment mission across all of our offices and businesses: to make a meaningful difference to children and young people whose opportunities in life are restricted.

Our global Community Investment programme is aimed at effecting positive change in our communities by

- Providing financial support to charities and social enterprises, as well as to individuals
- Offering our professional expertise to charities and social enterprises, helping them to drive change for young people
- Encouraging our people to volunteer, using their skills to help young people to succeed in life. More than 30% of employees engaged with Community investment activities in 2019

In 2019 we were able to support more than 650 charities and social enterprises.

6.1 Sharing our skills and expertise

As part of our responsible business culture we encourage our people to spend a minimum of two working days volunteering for causes aligned with our mission.

We believe that one of the most effective ways for us to make a difference is by sharing the specialist knowledge and skills that we possess as a business. We pursue this through our **Pro-bono Advisory initiative**, offering free professional advice to social purpose organisations which have the potential to grow.

This advice can take the form of long-term project commitments, or workshops which offer immediate support on a specific issue our charity partners are facing.

We also believe that supporting young people directly can make a significant difference, so our Skills for Life volunteering programme enables employees to offer their time, skills and experience directly to disadvantaged individuals. **Skills for Life** typically takes the form of mentoring, coaching or tutoring designed to help young people overcome their personal challenges and take steps towards fulfilling their potential.

Pro-Bono Advisory

The Circle Collective

Circle Collective is an innovative social enterprise which aims to address youth unemployment by getting disadvantaged young people into permanent and meaningful work by giving them structured work experience and customer service training in its two streetwear and skate shops. It also offers CV and interview support, employability and mindfulness workshops, and one to one mentoring.

Over a period of two years a team from Rothschild & Co has dedicated at least 300 hours to working with Circle Collective pro-bono to help the social enterprise develop a sound basis from which to expand and scale, thereby increasing the number of young people it is able to help.

The team's input has included production of a detailed financial analysis; developing KPIs to create a better understanding of the profitability of each shop; developing pitch documents for potential suppliers and sponsors to help clarify the charity's objectives and price points; and working on creating a clearer brand and an online marketing presence as well as advice on strengthening infrastructure.

"The professional support we have received from Rothschild & Co has helped to create a solid financial model, increased our sales and has allowed us to access up to date financial information. Their ongoing support has put us in a position to achieve sustainability and plan our scaling up." – CEO, Circle Collective

Skills for Life

Career Dimensions with Junior Achievement

Volunteers in Hong Kong and Shanghai this year worked with Junior Achievement to introduce students at schools in disadvantaged areas to the world of work. The Career Dimensions programme comprises career talks, mentorship, group activities and professional advice, enabling secondary school students to understand the opportunities and requirements of the investment banking industry and to gain insight into professional roles.

STEM Skills with Madison Square Boys & Girls Club

In North America volunteers worked on a STEM skills project with Madison Square Boys & Girls Club, covering a series of topics including chemical reactions, the fundamentals of computer programming and developing problem solving skills.

The Club aims to enhance the lives of New York City boys and girls who by reason of economic and social factors are most in need of its services. A founding member of the Boys & Girls Clubs of America, Madison has offered urban youth a safe and supportive place for more than 130 years, to which they can come when they're not in school, where they can find support and guidance from caring adults and engage in positive, educational activities. Rothschild & Co North America supports Madison through a combination of grant funding and employee volunteering with a particular emphasis on skills-development.

"Volunteering has made us realise that we can help make a difference and are lucky to work at a company that has such strong values" – Volunteer at Madison Square Boys & Girls Club

TutorMate with Innovations for Learning

In the UK we partnered with Innovations for Learning to deliver TutorMate: an online reading programme that is helping thousands of children to improve their reading and literacy.

For 30 minutes, once a week, Rothschild & Co volunteers phone the children they are paired with and together, through the online TutorMate platform, they enjoy reading exercises that enable the children to build their fluency, comprehension, phonics and spellings skills through fun and interactive stories and games.

"Rothschild & Co volunteers are undoubtedly helping to transform the life chances of young children" – Innovations for Learning

Mentoring with Simplon

Volunteers in France initiated a mentoring scheme for young people in partnership with the social enterprise Simplon.

Simplon runs a network of social digital factories in France. Inspired by the tech bootcamps of Silicon Valley it aims to make the digital sector more inclusive by developing the talents of young people from under-represented groups. The trainees include refugees, marginalised children and teenagers, and unemployed young people. Since its launch in 2013 Simplon has trained more than 2,000 young people who it hopes will become the web developers, digital project managers and entrepreneurs of the future.

Rothschild & Co volunteers mentor Simplon trainees over an eight-month period. The programme aim is for mentors and mentees to exchange knowledge and ideas, and for mentors to help the young people to plan their futures and understand what is required of them to succeed in their professional lives. Mentoring schemes also run in Italy, North America, Switzerland, and the UK.

6.2 Championing giving

Through our Corporate Giving programme we make targeted donations to some of the most innovative and effective charities and social enterprises operating in this field. We also give directly to individual young people in need through a number of scholarship and bursary programmes supporting higher educational pathways.

Through our Giving Together programme we encourage our people to give to the causes they particularly care about as well as to those we support as a company.

Giving Together represents our joint efforts as a company and as colleagues to donate money and goods to the causes that we care about.

At the heart of Giving Together is our global matched giving programme, which is available to all Rothschild & Co employees and operates primarily through our online matching platform, Benevity.

We match employee donations to the charities they are personally passionate about, and we double match donations to 'featured' charities supporting disadvantaged children and young people, all of which have been selected by local Community Investment committees.

The charities we donated to as a business supported collectively over 900,000 young people in 2019.

Epic Foundation

Our Merchant Banking businesses in France and the UK have developed a partnership with the Epic Foundation, a global non-profit start-up which is disrupting the world of philanthropy through its rigorous impact-assessment process and its use of technology to engage potential donors. Epic focuses on channelling funds to some of the most efficient social organisations in the world which have a proven track record of supporting children and young people.

In addition to this special partnership with Merchant Banking, enhanced matching on donations to Epic charities is available to colleagues across the French businesses through our global matched giving programme.

Rothschild & Co South Africa Foundation

The Rothschild & Co South Africa Foundation offers full scholarships to young historically disadvantaged South Africans who wish to pursue post-graduate studies in Accounting but whose families are unable to afford the costs. The scholarship scheme covers the costs of tuition, accommodation, textbooks, and more. In addition, our people volunteer to provide coaching and support along the way until the students have completed their studies and gained employment.

The Fore

In the UK we partner with The Fore, a new and innovative funding body which focuses exclusively on the small charities and social enterprises including start-ups which might typically be considered risky and therefore be overlooked for funding.

Through its pioneering venture philanthropy model and screening process The Fore significantly reduces the risk to funders and empowers early stage organisations to apply for funding based on what they think they can achieve with it rather than on any pre-determined outcomes.

Through our support of The Fore we aim to help build a pipeline of social enterprises and charities with exciting new ideas about how to serve disadvantaged communities, and children and young people in particular.

Additional information

A1 Responsible business practices

A1.1 Conditions of the dialogue with stakeholders

In accordance with the definition provided by the GRI Guidelines, Rothschild & Co's stakeholders are all entities or individuals that can reasonably be expected to be significantly affected by the group's activities, products and/or services, and whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives. Rothschild & Co has identified as its key stakeholders its shareholders, potential investors and financial analysts, clients and employees.

Rothschild & Co seeks to maintain a dialogue with its stakeholders to be in the position to take their interests into account and to promote its own values.

To ensure good relations with the financial community, the Investor Relations department regularly participates in events to enable institutional investors and financial analysts to meet with the Executive Management. In 2019, Rothschild & Co organised more than 180 meetings in Europe and North America.

As a listed company, Rothschild & Co attaches great importance in complying with applicable listing rules regarding transparency. In accordance with these rules, it discloses in both French and English the information that is necessary to investors and shareholders to assess its situation and outlook. This financial and extra-financial information is available on Rothschild & Co's website (www.rothschildandco.com) in a section entitled "Investor Relations".

Information is also disclosed in a subsection named "Shareholders", including all information relating to General Meetings and the exercise of the voting rights, or explanations about the different ways to hold securities issued by Rothschild & Co.

A close dialogue with clients and business partners is essential to building the lasting relationships and network that underpin our business' success. Each division hosts regular events and experiences to help our clients understand the business and engage in discussion about the industry's trends and challenges. The events focus on knowledge sharing and information about the Rothschild & Co heritage, and offer opportunities for outside inspiration and networking with peers.

Transparent and direct communication between our employees and the leadership team is an important part of our firm's culture. Regular town halls with senior management provide employees with an update on latest developments, priorities and initiatives, and employees are given the chance to raise questions about the group. Breakfast meetings and luncheons are held with regional senior management to keep employees informed and to foster a constant dialogue both with senior management as well as between colleagues.

The group participates in career fairs and hosts dinners and events around the world where talented individuals are given the opportunity to learn about Rothschild & Co and its diverse career opportunities and to network with Rothschild & Co employees. These opportunities provide invaluable insights into the expectations of future talent towards the group as an employer.

A1.2 Company integration of social and environmental issues into the company procurement policy

Rothschild & Co in the UK has developed a responsible UK Procurement Policy (the "Procurement Policy"), which is applicable to all Rothschild & Co entities purchasing certain goods and services in the UK. The Procurement Policy addresses a range of matters from procurement process to aspects such as environment, diversity, health and safety and the modern slave trade.

Given the group's activities, sub-contracting is not significant.

Supply chain risk assessments are routinely performed in accordance with the Procurement Policy. In some circumstances – and where larger suppliers are involved – a more detailed assessment of environmental credentials has been carried out.

A2 Responsible people culture

A2.1 Diversity and inclusion

Human resources information[1]

FTE by geography[2]	2019	2018
France	1,204	1,206
United Kingdom and Channel Islands	1,015	1,014
Switzerland	264	356
Other Continental Europe	462	438
North America	358	337
Rest of the world	256	282
Total Group	**3,559**	**3,633**

FTE by business	2019	2018
Global Advisory	1,481	1,405
Wealth and Asset Management	1,138	1,280
Merchant Banking	155	138
Central & Support	785	810
Total Group	**3,559**	**3,633**

Employee age profile[3]	2019	2018
< 30 years	24%	23%
30 to 39 years	29%	29%
40 to 49 years	25%	26%
> 50 years	22%	22%
Total Group	**100%**	**100%**

Employee gender profile	2019	2018
Male	60%	60%
Female	40%	40%
Total Group	**100%**	**100%**

Average tenure of employees	2019	2018
Below 2 years	27%	28%
2 – 5 years	32%	32%
5 – 12 years	21%	22%
Above 12 years	20%	18%
Total Group	**100%**	**100%**

New hires by gender	2019	2018
Male	59%	60%
Female	41%	40%
Total Group	**100%**	**100%**

New hires by geography	2019	2018
France	38%	29%
United Kingdom and Channel Islands	22%	28%
Switzerland	4%	7%
Other Continental Europe	15%	12%
North America	13%	12%
Rest of the world	8%	12%
Total Group	**100%**	**100%**

(1) The FTE breakdown in this table includes temporary contractors and interns, while employee statistics are based on permanent employees only.
(2) A presentation of all the Group's office locations is set out on page 12.
(3) Age distribution based on 92% of data.

Redundancies

During the 2019 financial year, the number of redundancies represented 2.6% of the total headcount. The aggregate number of new joiners was 1,159, including the graduates.

Remuneration

The group's remuneration policies, procedures and practices are in line with Rothschild & Co's business strategy, objectives, values and long-term interests and are designed to promote sound and effective risk management. The Remuneration and Nomination Committee, a specialised committee of the Supervisory Board of Rothschild & Co, is responsible for overseeing remuneration-related matters in accordance with principles defined in the group's remuneration policy.

Rothschild & Co rewards its people at a total compensation level, paying fixed and variable compensation. The group ensures that fixed and variable components of total compensation are balanced appropriately. Fixed compensation is driven by the local market for the role taking into account responsibilities, skills and experience, and annual variable compensation is awarded on a discretionary basis, driven by a combination of the consolidated results of Rothschild & Co and the financial performance of the business division in which an individual works as well as local market competitiveness. It is then truly differentiated based on individual performance against financial and non-financial metrics.

In some cases, the group operates arrangements to defer a proportion of variable compensation over three years. For the regulated population, part of the variable compensation is awarded as non-cash instruments ensuring compliance with all remuneration regulations applicable to the group. Detailed information is presented in the consolidated financial statements, on page 200, under Note 27 "Operating expenses".

Equal opportunities

Rothschild & Co aims to ensure that it, and each office location, will not unlawfully discriminate in employment because of race, colour, religion or belief, gender, national or ethnic origin, disability, age, nationality, marriage or civil partnership, pregnancy or maternity, sexual orientation or gender- re-assignment. It is therefore Rothschild & Co's policy to make every effort to provide a working environment free from harassment, intimidation and discrimination, behaviours which it considers to be unacceptable. The policy applies to all areas of employment including recruitment, the terms and conditions of employment, training, career development, replacement, promotion, transfer, redundancy, rehiring, benefits, compensation, retirement and termination. As an equal opportunity employer, the group seeks to recruit on the basis of experience and ability ensuring that the best candidate for the position is recruited. Only those qualifications and skills which are important to the role will be the criteria for selection for recruitment and promotion.

Measures implemented to promote employment and integration of disabled people

Rothschild & Co ensures that in each location it operates, no discriminatory criterion is applied for recruitment, career development and compensation decisions. Where an employee has a disability, we work closely with them and our Occupational Health advisers to provide the appropriate adjustments and support to ensure they can be successful and fulfilled in the workplace.

In France, the group contribution to the employment of disabled persons is conducted by the payment of a contribution for disabled people employed, by recruitment activities, by adaptations of jobs, and by investing in educational projects for disabled people.

Promotion and observation of the International Labour Organisation's Convention

The policies implemented by Rothschild & Co adhere and are in line with the main provisions of the ILO Convention, for example, the elimination of all forms of forced labour, abolition of child labour, elimination of all forms of discrimination in respect of employment and occupation examples of which we have detailed above under Equal Opportunities, but also in respect of freedom of association and collective bargaining.

A2.2 Employee development

Training and development

The group offers training and development opportunities, enabling employees to improve their professional competencies. There are local and international training programmes, offered face-to-face, or virtually.

A Learning and Development team is dedicated to assisting the group's aim to build and provide solutions to satisfy all aspects of an employee's development through services in training, mentoring, coaching and team development.

To date, Rothschild & Co has not recorded the aggregate number of training hours provided across the group in a centralised database except in respect of e-learning modules (see further below). Instead, each office location has its own training policy and programmes and is responsible for maintaining training records in line with local requirements. For example, in 2019 in France, 432 training events were provided with 923 employees, representing 17,019 of training hours. These figures cover 34% of the group headcount. In the UK, 125 training events took place with 2,027 employees from the UK and other global office locations attending, representing 43% of the group headcount.

In addition, in 2019, 7,230 training hours were completed across all categories of group employees via the group's e-learning platform. Training topics in 2019 included Business Continuity and Crisis Management, Information Security Education and Awareness, Anti-Money Laundering and Counter Terrorist Financing, Anti-Bribery and Corruption, Economic Sanctions, and Market Abuse, amongst others.

Over the course of 2020, a new HR tool for the collection of training data will be implemented across all offices, which is expected to lead to improved and enhanced data information in the 2020 report.

In addition to these global training programmes, each office location has its own training policy and programmes.

A2.3 Employee wellbeing

Labour relations

Communication with and feedback from employees form a key aspect of Rothschild & Co's values. Feedback on the individual performance is given regularly throughout the year and performance is assessed formally at the end of every year. Our career frameworks include an overview of six core competencies: leadership, technical proficiency, commercial awareness, the Rothschild & Co way, communication and Compliance & Risk.

The framework is embedded into our ways of working, talent development and career progression. It provides our employees with a clear and consistent set of expectations in all divisions, geographies and for all career paths. All employees are able to understand both what we expect of them and how we expect them to live the Rothschild & Co guiding principles for our clients and colleagues.

Managers are encouraged to meet with their direct reports on a regular basis to ensure dialogue on progress and two-way feedback is encouraged. More generally, group and division-wide communication is regularly promoted through e-mail updates and the intranet. The various businesses have their own form of face-to-face divisional gatherings.

Moreover, in France, the social dialogue is organised through the staff representatives (*délégué syndical et comité social et économique*) at the level of Rothschild & Co, and for other companies the social dialogue is organised through the work council (*comité social et économique*), the Health and Safety Committee (*commission santé, sécurité et conditions de travail*), the proximity representatives (*représentants de proximité*) and the union delegates (*délégués syndicaux*). Thereby, social dialogue takes place at least once a month with a member of management and integrates information, consultation and negotiation procedures with employees.

Regarding Rothschild & Co's largest office locations, France is one country having collective agreements based on applicable French legal provisions. During 2019, 20 collective agreements were executed. Some of these agreements are actions plans to promote professional gender equality, particularly regarding recruitment, training, working conditions, effective remuneration and work-life balance. Other agreements deal with employee savings plans for the group's employees (PEE/PEG/PERCO), profit-sharing, social protection and working time.

Health and safety

Health and Safety overview

Rothschild & Co continues to strengthen and improve health and safety compliance and conformance requirements by following the continuous improvement programme required by the Group Health & Safety Policy. This includes the minimum conformance standards across all group's offices.

Health and safety matters are governed by the Group Environment, Health and Safety Committee (EH&S Committee), formed of senior representatives. This committee, which reports to the Group Executive Committee, is required to:

- review and provide direction on Rothschild & Co's health and safety strategy;
- promote alignment of Rothschild & Co's Health & Safety Policy across all group entities; and
- review and endorse health and safety content for the Rothschild & Co Annual Report as well as the group website.

The Group Health and Safety Manager is responsible for coordinating health and safety activities with employees and senior managers at each office. The implementation of health and safety management activities at each office rests with the location's Health and Safety Champions, with health & safety being the responsibility of every employee.

Health and Safety policy

In 2019, the Group Health and Safety Policy has been reviewed and approved by the Group EH&S Committee. It is published on Rothschild & Co's intranet and provides guidance to the group's direction and approach to responsible health and safety management.

It enables a consistent approach to maintain the health, safety and wellbeing of all persons who might be affected by the activities within an office. All reporting locations commit to implementing the compliance standards by setting procedures listed within the group health and safety requirements (HSRs) prescribed in the policy.

Health and Safety Requirements (HSRs)

Operational guidance is provided to individual locations to ensure suitable procedures are created to the needs of their size and activity.

In accordance with the Group Health and Safety procedures, the HSRs separate health and safety matters into manageable sectors:

- risk assessments – including general office safety;
- fire management – including fire risk assessment and fire evacuation procedures;
- contractor management and access procedures;
- accident reporting and first aid provision;
- training and information tools;
- health and wellbeing services; and
- inspection and audit.

Risk Assessment focus

Throughout 2019, the Group Health and Safety manager continued to lead 15 of the 35 reporting offices through the group risk assessment process.

Fire Management

Zurich and New York have initiated the fire management programme and have completed the fire risk assessment process. These offices successfully trialled the new internal fire risk assessment process which will be shared with further offices going forward.

Inspection and audit

In June 2019, a health and safety management audit was completed by an external consultancy in the UK with the purpose to ensure the business is maintaining and/or improving all procedures above the line of minimum compliance. Subject areas audited covered management awareness, operational procedures, risk assessments, training, internal audit and review processes.

The results showed that improvements continue to be made and all legislation is complied with, as well as good leadership, clear communication and reporting to ensure that the Board both understand the issues and can act as needed. Service partners are made to feel part of the team which was perceived particularly positive as it reassures that contractor staff are working safely to Rothschild & Co's aims.

In summary, the audit showed that the group is meeting and exceeding our legal responsibilities and is continually improving all health, safety and wellbeing procedures for the business. The result provides assurance that all offices in the scope receive the highest level of health & safety conformance to the Rothschild & Co Health & Safety standard that is required by its policy.

Collective agreements

In France, collective agreements put in place also cover health and safety matters. A Health and Safety Committee pays great attention to health, hygiene, safety and the working conditions of employees. Rothschild & Co evaluates and anticipates risks, offers information and implements training on these subjects and we regularly review our procedures and systems at least once a year through the "*Document d'évaluation des risques*" (report identifying the risk on health, safety and working conditions) and the "*Document de prévention des risques*" (report identifying the action plan implemented to control risk). These two documents are regularly reviewed with the social representatives.

In Germany, specific measures are conducted with the same objective (through, for instance, the "*Gefährdungsbeurteilung*" report which is similar to "*Document d'évaluation des risques*").

Accident Data

For the 2019 financial year, reportable workplace accidents are listed below. All reported accident and near miss data are classed as "not concerning."

Office	Accidents				
	Type of accident	Type of injury	Date of accident	Number of days missed work	Was government notification required?
Frankfurt	Hit by falling or moving object	Bruising or swelling	09/01/2019	0	No
Paris (Messine – 23 bis) & Paris (Messine – 29)	Hit by falling or moving object	Multiple injuries	25/01/2019	0	Yes
Paris (Messine – 23 bis) & Paris (Messine – 29)	Fall from height	Strain or sprain	08/03/2019	0	Yes
Paris (Messine – 23 bis) & Paris (Messine – 29)	Other	Irritation or allergy	11/03/2019	0	Yes
London – New Court	Cut or stabbed by object	Laceration or cut	02/05/2019	0	No
Marseille (43/45 rue Grignan)	Slip, trip, fall same level	Bruising or swelling	05/06/2019	0	Yes
Paris (Messine – 23 bis) & Paris (Messine – 29)	Slip, trip, fall same level	Fractured bone	18/06/2019	39	Yes
London – New Court	Hit something fixed/stationary	Bruising or swelling	10/07/2019	0	No
Paris (Messine – 23 bis) & Paris (Messine – 29)	Other	Irritation or allergy	18/07/2019	4	Yes
London – New Court	Slip, trip or fall (same level)	Strain or sprain	22/07/2019	0	No
Paris (Messine – 23 bis) & Paris (Messine – 29)	Other	Irritation or allergy	22/07/2019	4	Yes
Paris (Messine – 23 bis) & Paris (Messine – 29)	Slip, trip, fall same level	Bruising or swelling	02/10/2019	0	Yes
New York (Ave of the Americas)	Slip, trip or fall (same level)	Fractured bone	17/12/2019	0	No

Near Miss Data

Office	Category of near miss	Date of near miss
Sydney	Slip trip or fall (same level)	02/08/2019
Frankfurt	Hit by falling or moving object	09/01/2019
London	Hit something fixed/stationary	19/07/2019

A3 Responsibility for our environment

A3.1 Greenhouse Gas Emissions and Climate Change

Absolute Scope 1 emissions have decreased by 61% and per FTE emission by 58%, mainly due to the group's conscious choice to procure biogas, a more sustainable source, where available.

Total Scope 2 location-based GHG emissions have remained broadly on the same level. Decreases seen in many offices have been negated by increases in a few offices.

Scope 2 market-based GHG emissions have decreased. This is due to more offices holding renewable energy contracts. Renewable energy contracts are a conscious choice made by the business to limit GHG emissions.

Total business travel emissions reduced significantly, by about 1,448 tonnes. The majority, 94% or 1,368 tonnes of this decrease was from flights. Emissions from rail travel decreased by 5.2%, and from taxi travel by 32.9%.

GREENHOUSE GAS EMISSIONS DATA[1]

Greenhouse gas emissions in tCO_2e[2]		2019	2018
Direct Emissions (Scope 1)	Natural Gas + Biogas	129.5	629.1
	Gasoil	37.9	47.0
	Owned Vehicles	176.4	198.3
TOTAL SCOPE 1		**343.9**	**874.4**
Indirect Emissions (Scope 2)	Electricity Consumption (Location-based)	3,315.4	3,338.3[3]
	Electricity Consumption (Market-based)	1,836.8	2990.0[3]
	Heat Consumption	124.3	106.8
TOTAL SCOPE 2 (Location-based)		**3,439.7**	**3,421.3**
TOTAL SCOPE 2 (Market-based)		**1,961.1**	**2,182.0**
Indirect Emissions from Travel (Scope 3)	Business Travel – Flights	17,057.1	19,224.2
	Business Travel – Rail	209.9	221.3
	Business Travel – Taxis	324.3	334.0
	Hotel stays	289.2	349.4[4]
Total Emissions – Travel		**18,680.8**	**20,128.9**
Other Emissions (Scope 3)	Water	54.0	60.0
	Materials	201.7	240.7
	Waste	22.0	25.7
	Company Leased Vehicles	280.8	273.8
	IT equipment	594.8	594.8[4]
	Electricity Transmission and Distribution Losses (Location-based)	329.1	290.8
	Electricity Transmission and Distribution Losses (Market-based)	318.4	290.8[4]
	Courier services	45.0	24.4[4]
	Upstream emissions (WTT) (Location-based)	2,874.9	2,918.8[4]
	Upstream emissions (WTT) (Market-based)	2,856.8	2,918.8[4]
Total Emissions – Other (Location-based)		**4,402.3**	**4,429.0**
Total Emissions – Other (Market-based)		**4,373.5**	**4,429.0**
TOTAL SCOPE 3 (Location-based)		**23,083.1**	**24,557.9**
TOTAL SCOPE 3 (Market-based)		**23,054.3**	**24,557.9**
TOTAL SCOPE 1, 2 AND 3 (Location-based)		**26,866.7**	**28,877.4**
TOTAL SCOPE 1, 2 AND 3 (Market-based)		**25,359.3**	**27,638.1**

(1) Rothschild & Co collects data for 94% of the group's FTE headcount. The GHG emissions data table does not include emissions associated with investment activity from Wealth, Asset Management and Merchant Banking divisions.
(2) Rothschild & Co's GHG emissions are calculated as tonnes of carbon dioxide equivalent (tCO_2e), a universal unit of measurement expressing the impact of each of the Kyoto GHGs in terms of the amount of CO_2 that would create the same amount of warming. The Group calculates tCO_2e by multiplying its activity data, for example, waste incineration, landfill and air miles travelled, by the UK BEIS approved conversion factors or other sources of emissions factors.
(3) 2018 Electricity consumption emissions amended due to the reporting of inaccurate consumption in one office last year.
(4) 2018 data has been amended to reflect indicators added in 2019 such that a more accurate comparison can be made with year-on-year trends.

GREENHOUSE GAS EMISSIONS DATA PER FTE

Emissions tCO_2e/FTE	Location-based approach		Market-based approach	
	2019	2018	2019	2018
FTE Headcount	3,196.5	3,402.4	3,196.5	3,402.4
Scope 1	0.1	0.3	0.1	0.3
Scope 2	1.1	1.0	0.6	0.7
Scope 3 (All)	7.2	7.2	7.2	7.2
Scope 1 and 2	**1.2**	**1.3**	**0.7**	**0.9**
Scope 1, 2 and 3 (All)	**8.4**	**8.5**	**7.9**	**8.1**

EXTRAPOLATED GREENHOUSE GAS EMISSIONS DATA PER FTE(5)

Emissions tCO_2e/FTE	Location-based approach		Market-based approach	
	2019	2018	2019	2018
FTE – 6% extrapolation	230.9	231.0	230.9	231.0
Scope 1, 2 and 3 (tCO_2e) 6% extrapolation	1,940.7	1,959.0	1,831.8	1,874.9
Total group emissions, all scopes, extrapolated	28,807.4	30,836.2	27,191.1	29,512.8
tCO_2e/FTE, all scopes, extrapolated	8.4	8.5	7.9	8.1

A3.2 Responsible consumption and engagement

Rothschild & Co understands that applying a traditional approach to resources use can place undue pressure on global resources, is wasteful and not economically viable in an increasingly challenging business environment. To that end, the group ensures that it manages its resource use responsibly and as far as practicable.

Whilst Rothschild & Co is not a large consumer of water, it recognises its responsibility in the countries where it operates. Some offices implemented water saving devices in 2019 which resulted in a decrease in water consumption. The decrease in headcount has, to a lesser degree, also impacted this result.

Materials use predominately means paper use, although an increase in reporting scope over the years has resulted in more material types being added. The group measures the amount of 100% recycled and sustainably sourced paper it procures (certified sustainable paper from FSC or PEFC). In 2019, the share of sustainably sourced paper was 67%. The group targets to source 100% of its paper sustainably in 2020.

(5) Data from reporting offices covers 94% of the group's FTE headcount, the remaining 6% has been extrapolated to cover 100%.

Resource use[6]

Resource disposal has decreased significantly. The group further improved its resources and recycling management and circular economy activities by implementing several initiatives, including greater access to centralised recycling stations and training, which helped significantly increase its total amount of recycling. The reduction of single-use items in offices also contributed to this improvement: 20 offices are now free from unnecessary single-use plastic. In addition, more offices provided actual resources disposal data, resulting in fewer estimations (only two offices estimated their data in 2019, compared to ten in 2018).

The group's total energy use in 2019 was 23,490.4 MWh, of which about 75% (17,655.9 MWh) was electricity. 9,942.4 MWh or 56% of the group's electricity came from certified renewable sources. Sustainable energy sources (biogas, renewable electricity) covered 62% of our FTE headcount.

Resource disposal in tonnes	2019	2018
Composted and anaerobically digested in tonnes (included in total resource disposal)	69.50	68.90
Compost and anaerobic digested tonnes/FTE	0.02	0.02
Recycled (included in total resource disposal)	213.10	180.50
Recycled tonnes/FTE	0.07	0.05
Total resource disposal	**561.10**	**621.60**
Total resource tonnes/FTE	0.17	0.18

Water consumption in m^3	2019	2018
Water Consumption[7]	51,836.30	59,995.00
m^3/FTE	16.13	16.75

Materials use in tonnes	2019	2018
Recycled content/sustainable sources	135.63	50.88
Non-recycled content/non-sustainable sources	80.37	201.64
Total materials consumption	216.00	252.53
Tonnes/FTE	0.06	0.07

Total energy use in MWh	2019	2018
Total Energy Consumed[8]	23,490.40	21,560.20
MWh/FTE	7.31	6.34

(6) For more information on waste disposal please refer below to the additional data notes.
(7) To improve consumption estimates, a Rothschild & Co 'Group average intensity' figure for water consumption was used for the first time in 2018. This assumes a water consumption of 14.63m^3 per FTE.
(8) Industry benchmarks were used for the first time in 2018 to help offices estimate their annual natural gas consumption, resulting in incomplete information in previous years for natural gas.

A3.3 Amount of provisions and guarantees for environmental risk

Rothschild & Co undertook a legal compliance and conformance assessment to understand the legal environmental responsibilities in each jurisdiction where Rothschild & Co has an office. This assessment led to the development of the Group environmental conformance standard for offices worldwide, and which the Group regularly monitors and uses to improve continuously.

Provisions have been identified in order to meet European Union (EU) energy efficiency obligations relevant to EU member states. Provisions in the United Kingdom have been identified for operational environmental risk, pertaining to the existing CRC energy efficiency scheme (formerly the Carbon Reduction Commitment) and the incoming Streamlined Energy and Carbon Reporting (SERC) scheme.

As an office-based business, Rothschild & Co does not consider environmental discharges to air, water, soil or indeed noise pollution to be of material environmental risk.

A4 Methodology data

Reporting of Corporate Responsibility information – Process for the 2019 (12 months) reporting period

The preparation and coordination of the Corporate Responsibility report for the financial year ended 31 December 2019, involved members of Rothschild & Co and group entities taking key responsibilities in Corporate Conduct, Human Resources, Health and Safety, Responsible Investment, Environment, and Community Investment areas. The reporting period is from 1 January 2019 to 31 December 2019.

Reporting scope

Rothschild & Co provided the Corporate Responsibility information, with the overall objective of an enhanced qualitative approach and an improved verification process based on the following:

Completeness: Rothschild & Co strives to provide the most comprehensive information possible, notably by including indicators covering the most significant consolidated entities.

Materiality: the published information is significant and representative of the group's business. Rothschild & Co's performance data is presented within the social, economic and environmental context, taking into account the challenges facing the group.

All fully consolidated entities within Rothschild & Co (excluding joint ventures) are included in the report boundary. The information collected covers the period from 1 January 2019 to 31 December 2019.

In consideration of the above, the reporting scope has been defined as follows:

- Human Resources information:
  - labour information: all fully consolidated entities within Rothschild & Co (excluding joint ventures) are included in the report boundary; and
  - training information: only France (representing 34% of the headcount of Rothschild & Co group) and UK (representing 29% of the headcount of Rothschild & Co group) are included in the report boundary. The official reporting scope for training hours is limited to France. Quantitative information provided for the UK includes training organised in London for individuals from the office locations across the UK and the world.
- Environment, health and safety information from the following office locations is included in the reporting boundary: Birmingham, Brussels, Dubai, Frankfurt, Geneva, Guernsey, Hong Kong, Johannesburg, Leeds, London, Los Angeles (two offices), Lyon, Madrid, Manchester, Marseille (seven offices), Milan, Monaco (two offices), Mumbai, New York, Paris, Sao Paulo, Singapore, Sydney, Warsaw, Washington, Wilmslow and Zurich, representing approximately 94% of the headcount of the Rothschild & Co group.
- Environment: GHG emissions have been extrapolated to cover 100% of the Rothschild & Co group. This extrapolation provides a more complete synopsis of the group's operational emissions. The reporting scope for Environment information accounts for 100% of our office operations and has been defined as follows: The reporting boundary of offices measured to establish the environmental impact has remained the same in 2019 as it was in 2018. However, additional indicators have been added that has allowed the group to report scope 3 emissions in greater detail. These additions include hotel stays, courier services, IT equipment and server electricity use.

It should be noted that due to its business activities, the following Corporate Responsibility issues are not considered as relevant to Rothschild & Co: food waste; responsible, fair and sustainable food; fight against food insecurity; and respect for animal welfare

Work organisation

Working hours vary from country to country depending on national legislation and are therefore managed and monitored by local management and HR teams. Absenteeism is actively monitored and managed by local offices. A group-wide HR system is operationally providing global consistency to many HR processes.

Absence management functionality is being addressed on a location by location basis. This has been rolled out to Australia, North America, the United Kingdom, Guernsey and Switzerland. Further countries will be considered in due course.

In France, more specifically, all kinds of absenteeism are already recorded: maternity and paternity leave, additional leave, breastfeeding leave, absences for working accident and sick leave.

Health and Safety

Contractor management

Contractor management ensures safe working procedures of any third party carrying out works on site. Offices are currently managing this according to their own local procedures.

Accident and first aid provision

All offices in the scope provide their accident figures as listed in section A2.3.

Training and information tools

Templates for online group health & safety training is currently being created. This will cover general health & safety awareness for office environments and general fire awareness. New York, Zurich and Paris will be the first offices to trial this by the second quarter of 2020.

Health & wellbeing services

In addition to all health & wellbeing services offered by HR, an online tool to enable all employees to complete an online workstation assessment is being developed. This is already used in the UK and will be shared with New York, Zurich and Paris for trial by the second quarter of 2020.

Reportable workplace accidents

The group uses environmental reporting software which additionally allows to monitor and manage health and safety accident data.

- **Accident** – *when an individual (whether Rothschild & Co employee or otherwise) has been injured as the result of an accident when on work premises.*
- **Near miss** – *for an event which did not cause harm or injury but had the potential to cause injury or ill health, such as a trip over a loose carpet tile, slip due to wet floor, etc.*

Accident reporting requirements are in accordance with local legislation and are not comparable between office locations.

Environment

The full-time equivalent headcount (FTE) is provided from the HR system and is a “snapshot in time” on 31 December 2019. Third party service provider or contractor employee headcount is not captured by the HR system. A ratio is applied to the total Group FTE headcount based on the offices included in the reporting scope. The result is used to calculate the impact per FTE (Impact/FTE). Impact per FTE is used to normalise the total impact against headcount.

The acquisition of Livingstone in London and associated FTE headcount has been excluded from the environmental footprint process. This is in line with the approach for new acquisitions (business must be part of the group for 18 months before it is included in the reporting scope).

Our environment reporting software tool references a large database of over 77,500 emission factors, sourced from over 350 different institutions, such as the UK government Department for Business, Energy and Industrial Strategy (BEIS), the Intergovernmental Panel and Climate Change (IPCC) and national government data from reporting countries such as the USA EPA and the Canadian NIR. The emission factors are automatically selected and applied to data based on geographical and temporal relevance, so that country-specific conversions are applied leading to the most accurate estimate of GHG emissions.

There are over 300 different units of measurement available for the entry of data, and conversion of these to standard units for reporting is again automatic and location specific. The emissions factor database is accredited as Gold Software by the CDP (formerly the Carbon Disclosure Project) and a team of analysts ensure that all factors are reviewed and updated when source publications provide new releases. The system is independently assured by PricewaterhouseCoopers.

Improvements in data collection have resulted in an increased robustness of final data. Where assumptions, estimates or changes have been made, this is explained.

The Group’s Greenhouse Gas emissions reporting is in respect of its operational activities and includes Scope 1 and 2 emissions and Scope 3 emissions relating to business travel, water supply and wastewater treatment, materials, resources disposal, electricity transmission and distribution losses, courier deliveries and IT equipment. Emissions are reported as carbon dioxide equivalent or CO_2e.

In line with best practice, the Group produces a “dual report”, reporting both location and market-based reporting instruments for Scope 1, 2 and 3.

Greenhouse gas emissions for energy consumption have been calculated using 2019 Department for Business, Energy and Industrial Strategy (BEIS) emissions factors and the total electricity figure is reported as tCO_2e.

A Rothschild & Co 'Group average intensity' figure for electricity consumption has been used in 2019. This assumes an electricity consumption of 190 MWh per m^2 of office space per year. In total, this figure was used by two offices this year, down from six in 2018, resulting in more accurately reported data and fewer estimations.

Industry benchmarks were used in 2018 to help offices estimate their annual natural gas consumption. Energy efficiency in buildings, CIBSE Guide F (2012) produced by The Chartered Institution of Building Services Engineers is the source for these benchmarks. Four offices used the benchmark to estimate their natural gas consumption for 2019.

The locations-based methodology uses energy grid average emission factors in location specific geographies and over specific timeframes and allows the Group to compare emissions year-on-year. 2019 emissions reporting shows the summary in absolute and impact per full time equivalent for each scope. This has enabled the identification of true fluctuations across the three scopes on a per FTE basis.

Additional indicators have been added to the groups operational reporting: courier services, IT equipment, hotel night stays and upstream or well-to-tank emissions factors. Therefore, improvements to data collection have been made and an additional GHG calculation methodology has been included to provide additional insight and specific information.

The upstream emissions calculation further strengthens our reporting by incorporating the emissions contributions from premises energy consumption (electricity, heat/steam, natural gas, biogas, gas/burning oil), travel emissions (company vehicles, leased vehicles, air travel, rail travel, taxi travel) and courier emissions.

Community Investment

The percentage of employees engaged in 2019 has been calculated using the total number of Rothschild & Co employees on 31 December 2019. Amongst the individuals who participated in the volunteering element of the Community Investment programme, there may be a small number of contractors, but the number is unlikely to be high enough to make any difference to the overall percentage of employees engaged.

Report by one of the Statutory Auditors, appointed as independent third party, on the consolidated non-financial statement

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2019

To the shareholders,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation or COFRAC*) under number 3-1049[(1)], we hereby report to you on the consolidated non-financial statement for the year ended on December 31st, 2019 (hereinafter the "Statement"), included in the Group Management Report pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

The shareholders are responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the Statutory Auditor appointed as independent third party.

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R.225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, *i.e.*, the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of article A.225-1 *et seq.* of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes or CNCC*) applicable to such engagements and with ISAE 3000 (international standard on assurance engagements other than audits or reviews of historical financial information):

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with the all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators[(2)] used, with respect to the principal risks and the policies presented;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important[(3)]. Concerning certain risks (Fostering responsible business practices, Creating responsible investment solutions, Taking responsibility for our communities), our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities[(4)].
- We verified that the Statement covers the scope of consolidation, *i.e.* all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code, within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 25% and 100% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

(1) Accreditation scope available at www.cofrac.fr.
(2) Total headcount (broken down by geographical area, age and gender), number of hires, number of redundancies, number of training hours, electricity consumption, fuel consumption, natural gas consumption, heat consumption, paper consumption, greenhouse gas emissions related to work travel, water consumption and amount of waste generated.
(3) CSR governance, actions in favour of diversity, actions in favour of gender equality, diversity in employment, employee development, employee wellbeing, health and safety at work, social dialogue, actions to reduce CO_2 emissions, promotion of renewable energies, energy efficiency, actions regarding biodiversity, anti-corruption and anti-bribery policies, actions taken in favour of human rights, ESG criterias in investment policies and actions in favour of communities.
(4) Rothschild & Co London (UK), Rothschild & Co Madrid (Spain), Rothschild & Co Guernsey (UK) and Rothschild & Co Paris (France).

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of six people between February and March 2020 and took a total of five weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted about ten interviews with the people responsible for preparing the Statement.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Comment

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comment:

- For the indicator relating to the number of training hours, the Group does not have a single centralized reporting system. Therefore, the data is reported respectively for the French offices, covering 34% of the Group consolidated headcount, and for the Group perimeter for e-learnings.

Paris-La Défense, on the 18th of March 2020

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Arnaud Bourdeille
Partner

We are an independent, family-controlled business and **our focus is on long-term growth**. We take a long-term view in order to deliver the objectives of each client.

4

Financial statements

Consolidated balance sheet as at 31 December 2019

Assets

In thousands of euro	Notes	31/12/2019	31/12/2018
Cash and amounts due from central banks		4,382,129	4,692,134
Financial assets at fair value through profit or loss	1	1,347,101	1,087,118
Hedging derivatives	2	1,029	–
Financial assets at fair value through other comprehensive income	3	–	1,737
Securities at amortised cost	4	1,520,879	1,037,144
Loans and advances to banks	5	2,001,714	2,043,069
Loans and advances to customers	6	3,264,001	2,929,302
Current tax assets		20,690	33,050
Deferred tax assets	18	59,469	50,587
Other assets	7	693,838	696,429
Investments accounted for by the equity method	8	25,562	7,753
Tangible fixed assets	10	306,904	336,230
Intangible fixed assets	11	171,203	172,061
Right of use assets	9	221,763	–
Goodwill	12	140,253	124,310
TOTAL ASSETS		**14,156,535**	**13,210,924**

Liabilities and shareholders' equity

In thousands of euro	Notes	31/12/2019	31/12/2018
Financial liabilities at fair value through profit or loss	1	70,735	14,707
Hedging derivatives	2	6,434	7,091
Due to banks and other financial institutions	13	448,594	585,067
Customer deposits	14	9,486,569	8,725,691
Debt securities in issue		3,207	16,004
Current tax liabilities		33,024	44,658
Deferred tax liabilities	18	41,473	47,846
Lease liabilities	9	255,708	–
Other liabilities, accruals and deferred income	15	1,061,375	1,198,000
Provisions	16	64,944	76,876
TOTAL LIABILITIES		**11,472,063**	**10,715,940**
Shareholders' equity		**2,684,472**	**2,494,984**
Shareholders' equity – Group share		**2,238,888**	**2,038,748**
Share capital		155,235	155,026
Share premium		1,143,961	1,142,338
Consolidated reserves		740,346	516,465
Unrealised or deferred capital gains and losses		(43,338)	(61,406)
Net income – Group share		242,684	286,325
Non-controlling interests	**20**	**445,584**	**456,236**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**14,156,535**	**13,210,924**

The Group has applied IFRS 16 for the first time as at 1 January 2019. It applied IFRS 16 using the modified retrospective method, under which comparative information is not restated.

Consolidated income statement for twelve months ending 31 December 2019

In thousands of euro	Notes	31/12/2019	31/12/2018
+ Interest income	24	143,056	137,421
- Interest expense	24	(74,637)	(59,464)
+ Fee income	25	1,752,479	1,858,092
- Fee expense	25	(87,678)	(89,773)
+/- Net gains/(losses) on financial instruments at fair value through profit or loss	26	135,436	129,434
+/- Net gains/(losses) on derecognition of assets held at amortised cost		254	(277)
+ Other operating income		4,217	1,078
- Other operating expenses		(1,102)	(678)
Net banking income		**1,872,025**	**1,975,833**
- Staff costs	27	(1,064,744)	(1,097,827)
- Administrative expenses	27	(288,972)	(308,748)
- Depreciation, amortisation and impairment of tangible and intangible fixed assets	28	(66,544)	(30,200)
Gross operating income		**451,765**	**539,058**
+/- Cost of risk	29	(5,930)	(4,297)
Operating income		**445,835**	**534,761**
+/- Net income from companies accounted for by the equity method	8	259	339
+/- Impairment of goodwill		–	(637)
+/- Net income/(expense) from other assets	30	18,393	(3,865)
Profit before tax		**464,487**	**530,598**
- Income tax expense	31	(68,024)	(76,793)
CONSOLIDATED NET INCOME		**396,463**	**453,805**
Non-controlling interests	**20**	**153,779**	**167,480**
NET INCOME – GROUP SHARE		**242,684**	**286,325**
Earnings per share in euro – Group share (basic)	35	3.38	3.88
Earnings per share in euro – continuing operations (basic)	35	3.38	3.88
Earnings per share in euro – Group share (diluted)	35	3.35	3.82
Earnings per share in euro – continuing operations (diluted)	35	3.35	3.82

Statement of comprehensive income for twelve months ending 31 December 2019

In thousands of euro	31/12/2019	31/12/2018
Consolidated net income	**396,463**	**453,805**
Gains and losses recyclable in profit or loss		
Translation differences	48,613	3,597
Translation gain transferred to income on sale of a subsidiary	(8,209)	–
Recyclable gains/(losses) relating to financial assets at fair value through comprehensive income	32	(60)
Gains and losses relating to net investment hedge	(8,320)	(532)
Net gains/(losses) from changes in fair value of cash flow hedges	350	–
Gains and losses relating to cash flow hedge transferred to P&L	327	–
Gains and losses recognised directly in equity for companies accounted for by the equity method	386	38
Other adjustments	(27)	–
Taxes	2,521	186
Total gains and losses recyclable in profit or loss	**35,673**	**3,229**
Gains and losses not recyclable in profit or loss		
Remeasurement gains/(losses) on defined benefit pension funds	(20,432)	9,988
Gains/(losses) relating to equity instruments at fair value through comprehensive income	–	(6,262)
Taxes	5,445	4,800
Total gains and losses not recyclable in profit or loss	**(14,987)**	**8,526**
Gains and losses recognised directly in equity	**20,686**	**11,755**
TOTAL COMPREHENSIVE INCOME	**417,149**	**465,560**
attributable to equity shareholders	*250,173*	*295,272*
attributable to non-controlling interests	*166,976*	*170,288*

Consolidated statement of changes in equity for twelve months ending 31 December 2019

In thousands of euro	Capital and associated reserves[1]	Consolidated reserves[3]	Unrealised or deferred capital gains and losses (net of tax): Related to translation differences	Cash flow hedge reserve	Fair value through OCI reserves	Shareholders' equity, Group share	Shareholders' equity, NCI	Total shareholders' equity
SHAREHOLDERS' EQUITY AT 1 JANUARY 2018	**1,295,521**	**650,259**	**(59,337)**	**–**	**20,433**	**1,906,876**	**540,118**	**2,446,994**
Impact of elimination of treasury shares	–	(127,442)	–	–	–	(127,442)	–	(127,442)
Dividends	–	(52,257)	–	–	–	(52,257)	(157,403)	(209,660)
Issue of shares	1,843	–	–	–	–	1,843	406	2,249
Capital increase related to share-based payments	–	4,010	–	–	–	4,010	–	4,010
Interest on perpetual subordinated debt	–	–	–	–	–	–	(17,661)	(17,661)
Effect of a change in shareholding without a change of control	1	10,294	(2,180)	–	2,271	10,386	(79,827)	(69,441)
Recycling R&CoHAG realised gain on EdRS out of revaluation reserve and into retained earnings	–	25,492	–	–	(25,492)	–	–	–
Other movements	(1)	94	(71)	–	31	53	316	369
Sub-total of changes linked to transactions with shareholders	**1,843**	**(139,809)**	**(2,251)**	**–**	**(23,190)**	**(163,407)**	**(254,169)**	**(417,576)**
2018 net income for the year	–	286,325	–	–	–	286,325	167,480	453,805
Net gains/(losses) from changes in fair value	–	–	–	–	2,885	2,885	–	2,885
Remeasurement gains/(losses) on defined benefit funds	–	5,581	–	–	–	5,581	–	5,581
Net gains/(losses) on hedge of net investment in foreign operations	–	–	(346)	–	–	(346)	–	(346)
Translation differences and other movements	–	434	460	–	(60)	834	2,807	3,641
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2018	**1,297,364**	**802,790**	**(61,474)**	**–**	**68**	**2,038,748**	**456,236**	**2,494,984**
Impact of elimination of treasury shares	–	17,951	–	–	–	17,951	–	17,951
Dividends[2]	–	(57,662)	–	–	–	(57,662)	(144,990)	(202,652)
Issue of shares	1,832	–	–	–	–	1,832	–	1,832
Capital increase related to share-based payments	–	243	–	–	–	243	–	243
Interest on perpetual subordinated debt	–	–	–	–	–	–	(17,619)	(17,619)
Effect of a change in shareholding without a change of control	–	4,461	(4,258)	–	(173)	30	(634)	(604)
Revaluation of R&CoCL preferred shares to the fair value before repayment (note 20)	–	(12,743)	–	–	–	(12,743)	12,743	–
Repayment of R&CoCL preferred shares (note 20)	–	–	–	–	–	–	(27,129)	(27,129)
Other movements	–	316	–	–	–	316	–	316
Sub-total of changes linked to transactions with shareholders	**1,832**	**(47,434)**	**(4,258)**	**–**	**(173)**	**(50,033)**	**(177,629)**	**(227,662)**
2019 net income for the year	–	242,684	–	–	–	242,684	153,779	396,463
Net gains/(losses) from changes in fair value	–	–	–	279	41	320	–	320
Net (gains)/losses transferred to income	–	–	–	262	–	262	–	262
Remeasurement gains/(losses) on defined benefit funds	–	(14,987)	–	–	–	(14,987)	–	(14,987)
Translation gain transferred to income on sale of subsidiary	–	–	(8,209)	–	–	(8,209)	–	(8,209)
Net gains/(losses) on hedge of net investment in foreign operations	–	–	(5,663)	–	–	(5,663)	–	(5,663)
Translation differences and other movements	–	(23)	35,725	–	64	35,766	13,198	48,964
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2019	**1,299,196**	**983,030**	**(43,879)**	**541**	**–**	**2,238,888**	**445,584**	**2,684,472**

(1) Capital and associated reserves at the period end consist of share capital of €155.2 million and share premium of €1,144.0 million. Share premium, under IFRS measurement, includes costs incurred in the issuance of share capital.
(2) Dividends include €56.3 million of dividends to R&Co shareholders and a total of €1.3 million of dividends to R&Co Gestion and Rothschild & Co Commandité SAS. Distributions to non-controlling interests are analysed in note 20.
(3) Consolidated reserves consist of retained earnings of €865.6 million less treasury shares of €125.3 million plus the Group share of net income of €242.7 million.

Cash flow statement
for twelve months ending 31 December 2019

In thousands of euro	31/12/2019	31/12/2018
Consolidated profit before tax (I)	**464,487**	**530,598**
Depreciation and amortisation expense on tangible and intangible fixed assets	36,414	30,200
Depreciation and impairment of ROU assets and interest on lease liabilities	39,741	–
Impairments and net charge for provisions	5,568	12,770
Remove (income)/loss from associates and long-standing shareholding	(259)	(5,813)
Remove (profit)/loss from disposal of a subsidiary	(3,310)	797
Remove (profit)/loss from investing activities	(133,517)	(102,587)
Non-cash items included in pre-tax profit and other adjustments (II)	**(55,363)**	**(64,633)**
Net (advance)/repayment of loans to customers	**(274,974)**	**30,719**
Cash (placed)/received through interbank transactions	(69,674)	(450,534)
Increase/(decrease) in customer deposits	539,382	926,149
Net inflow/(outflow) related to derivatives and trading items	38,756	(14,540)
Issuance/(redemption) of debt securities in issue	(12,797)	(79,556)
Net (purchases)/disposals of assets held for liquidity purposes	(535,356)	(100,435)
Other movements in assets and liabilities related to treasury activities	(136,672)	185,360
Total treasury-related activities	**(176,361)**	**466,444**
(Increase)/decrease in working capital	(28,619)	(9,481)
Payment of lease liabilities	(37,702)	–
Tax paid	(69,135)	(64,430)
Other operating activities	**(135,456)**	**(73,911)**
Net (decrease)/increase in cash related to operating assets and liabilities (III)	**(586,791)**	**423,252**
Net cash inflow/(outflow) related to operating and treasury activities (A) = (I) + (II) + (III)	**(177,667)**	**889,217**
Purchase of investments	(194,343)	(133,201)
Purchase of subsidiaries and associates	(29,560)	(7,711)
Cash and cash equivalents acquired in new subsidiaries	3,341	7,797
Purchase of property, plant and equipment and intangible fixed assets	(20,590)	(21,851)
Total cash invested	**(241,152)**	**(154,966)**
Cash received from investments (disposals and dividends)	152,828	263,495
Cash received from subsidiaries, associates and long-standing shareholding (disposals and dividends)	5,884	6,178
Cash and cash equivalent (sold) in disposal of subsidiaries	(7,154)	–
Cash from disposal of property, plant and equipment and intangible fixed assets	46,872	320
Total cash received from investments	**198,430**	**269,993**
Net cash inflow/(outflow) related to investing activities (B)	**(42,722)**	**115,027**
Dividends paid to shareholders of parent company	(57,662)	(52,257)
Dividends paid to non-controlling interests (note 20)	(144,990)	(156,753)
(Repayment) of preference shares	(27,129)	–
Interest paid on perpetual subordinated debt	(17,619)	(17,661)
(Acquisition)/disposal of own shares and additional interests in subsidiaries	11,673	(81,029)
Net cash inflow/(outflow) related to financing activities (C)	**(235,727)**	**(307,700)**
Impact of exchange rate changes on cash and cash equivalents (D)	**180,269**	**40,221**
NET INFLOW/(OUTFLOW) OF CASH (A) + (B) + (C) + (D)	**(275,847)**	**736,765**
Net opening cash and cash equivalents (note 22)	5,658,872	4,922,107
Net closing cash and cash equivalents (note 22)	5,383,025	5,658,872
NET INFLOW/(OUTFLOW) OF CASH	**(275,847)**	**736,765**

Notes to the consolidated financial statements

1. Highlights

1.1 Adoption of new accounting policies

The Group has adopted the accounting standard IFRS 16 Leases. Details of the changes are provided in section 2.3.

1.2 Disposal of the Trust business

In October 2018, the Group signed an agreement for the sale of its worldwide wealth planning and trust services business. The transaction was completed in February 2019. The sale is in line with Rothschild & Co's strategic decision to focus on its core wealth management and private banking business. The net proceeds for this sale will be used for the further development of its core business. Annual revenue for this business in 2018 was €36 million.

1.3 Acquisition of additional interests in subsidiaries and associates

1.3.1 Arrowpoint

In October 2019, it was announced that R&Co Group would acquire 100% of Arrowpoint Advisory Services Limited ("Arrowpoint", formerly known as Livingstone Guarantee Services Ltd) in the UK, subject to Financial Conduct Authority approval.

Arrowpoint is a successful and long-established business providing M&A, debt and special situations advice to privately owned companies in the UK lower mid-market segment. The acquisition provides an opportunity to materially grow an already successful UK business through access to Rothschild & Co's strong sector expertise and global reach.

All material approvals were received on 10 December 2019 and Arrowpoint has been consolidated in the Group's accounts from this date.

1.3.2 Redburn (Europe) Ltd

In July 2019, the Group decided with Redburn, a leading independent equity research provider in Europe, to form a strategic partnership through the investment of a minority stake by R&Co in the equity in Redburn. The Group sees this as an opportunity to support the expansion of one of the highest quality European research businesses and independent execution service providers. All necessary steps for completion of the purchase were finished on 31 December 2019 and Redburn has been included in the Group's consolidation as an associate, since this date.

2. Preparation of the financial statements

2.1 Information regarding the Company

The consolidated financial statements of Rothschild & Co SCA Group (the Group) for the twelve months ended 31 December 2019 are presented in accordance with IFRS in force at the reporting date, as adopted in the European Union by way of EC Regulation No. 1606/2002. The format used for the financial statements is a banking format. It is consistent with Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (*Autorité des normes comptables*). The statements cover the period from 1 January 2019 to 31 December 2019.

The consolidated accounts were approved by Rothschild & Co Gestion SAS, the Managing Partner of Rothschild & Co, on 3 March 2020 and, for verification and control purposes, were considered by the Supervisory Board on 10 March 2020.

On 31 December 2019, the Group's holding company was Rothschild & Co, a French partnership limited by shares (*société en commandite par actions*), headquartered at 23 bis, avenue de Messine, 75008 Paris (Paris Trade and Companies Registry Number 302 519 228). The Company is listed on the Eurolist market of Euronext Paris (Compartment A).

2.2 General principles

The notes to the accounts have been prepared having taken into account the understanding, relevance, reliability, comparability and materiality of the information provided.

2.3 Adoption of new accounting standards in the year to 31 December 2019 – IFRS 16

The Group adopted IFRS 16 Leases from 1 January 2019. This standard replaces IAS 17 Leases and sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of use (ROU) asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

As allowed by IFRS 16, the Group has elected to not recognise ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low value IT equipment. The payments for such leases are recognised in the income statement on a straight-line basis over the lease term.

Lessor accounting remains similar to the previous standard IAS 17 Leases in that lessors continue to classify leases as finance or operating leases.

2.3.1 Assets leased by the Group from others

On 1 January 2019, the Group recognised new assets and liabilities for its operating leases of office space as well as non-property items. The disclosure of expenses related to those leases changed in 2019, because the Group now recognises both a depreciation charge for right of use assets and an interest expense arising from unwinding the discount on the lease liabilities.

Previously, the Group recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group used to recognise lease incentives such as rent-free periods as part of Other accrued expenses. These are now included as part of ROU assets. The value of lease incentives on 1 January 2019 was €27 million.

In addition, the Group no longer separately recognises provisions for the cost of restoring leased property to its original condition when it is returned to the lessor. Instead, the Group includes the provision in its lease liability.

2.3.2 Financial impact of IFRS 16

On transition to IFRS 16, the Group recognised €240 million of ROU assets and €266 million of leasing liabilities.

Set out below are disclosures relating to the impact of the adoption of IFRS 16 on the Group. Further details of the specific IFRS 16 accounting policies applied in the current period are described in section 3.2.21

The minimum lease payments as at 31 December 2018 (note 9) were €295 million. The minimum lease payments exceed the leasing liabilities recognised for the first time under IFRS 16, and the differences are mainly caused by:

- the effect of discounting on future lease payments; and
- changes in the estimated length of the lease, due to the re-assessment of the exercise of optional periods compared to prior calculations.

The following table shows a reconciliation from gross lease commitments reported off-balance sheet at December 2018 and lease liabilities recognised in the balance sheet at 1 January 2019 on first adoption of IFRS 16.

Reconciliation of IAS 17 lease commitments to IFRS 16 lease liabilities

In thousands of euro

Closing balance of lease commitments reported as at 31 December 2018	**295,426**
Impact of discounting	(29,946)
Commitments for items which are not capitalised leases under IFRS 16	(4,542)
Reassessment of whether extension and break clauses are reasonably certain	4,024
Other effects	556
OPENING BALANCE OF LEASE LIABILITIES AS AT 1 JANUARY 2019	**265,518**

2.3.3 Assets which the Group has leased to others

There is no significant impact from the adoption of IFRS 16 for leases in which the Group is the lessor.

2.3.4 Transition approach

The Group applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Therefore, there is no restatement of comparative information. The comparative information will continue to be reported under IAS 17 rules.

For the purposes of applying the modified retrospective approach to its leases, the Group elects to:

- measure the ROU asset as if the ROU asset was new as at the date of transition (1 January 2019) using the incremental borrowing rate at the date of transition;
- apply the practical expedient to apply a single discount rate to a portfolio of leases with similar characteristics.

2.4 Adoption of IFRIC 23 Uncertainty Over Income Tax Treatments

The Group adopted IFRIC 23 from 1 January 2019. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities (and of which they may not be aware). The new rules were considered by tax specialists in the Group during the year in their assessment of identified actual and potential tax liabilities. No additional tax liabilities were recognised on adoption of the new IFRIC.

2.5 Other changes to accounting standards

The IASB has issued a number of minor amendments to IFRS effective 1 January 2019. These revised requirements do not have any significant impact on the Group.

2.6 Forthcoming changes

Where accounting standards, interpretations and amendments have been issued but are not yet effective for the 31 December 2019 accounts, these have not been early adopted by the Group. The Group continues to assess the impact of forthcoming changes on its operations.

2.6.1 Interest rate benchmark reform

The replacement of IBORs (Interbank Offered Rates), including LIBOR, with alternative risk-free rates is expected to happen after 2021. The Group is evaluating the impact of this on its products, services and processes as the industry accord evolves, with the intention of minimising disruption through appropriate mitigating actions. Given our businesses, there are not expected to be any significant issues resulting from IBOR transition.

2.7 Subsequent events

The Group has decided to move to a new IT infrastructure supplier to enable it to accelerate the implementation of its operational programmes. This is expected to result in a one-off transition and transformation charge of around €15 million in 2020.

3. Accounting policies

3.1 Consolidation method

3.1.1 Financial year end of the consolidated companies

For this reporting period, the financial statements of the Group are drawn up to 31 December 2019 and consolidate the financial statements of the Company and its subsidiary undertakings. At each closing date, the Group draws conclusions from past experience and all relevant factors relating to its business.

Rothschild & Co and the majority of its subsidiaries are consolidated on the basis of a financial reporting date of 31 December 2019. A few entities report on the basis of a different financial reporting date. If a material subsequent event occurs between the closing date of these subsidiaries and 31 December 2019, this event is accounted for in the consolidated financial statements of the Group as at 31 December 2019.

3.1.2 Subsidiaries

Subsidiaries are all entities which are controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with that entity and has the ability to affect those returns through its power over that entity.

In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. Subsidiaries are fully consolidated from the date on which the Group acquires control and cease to be consolidated from the date that control ceases.

3.1.3 Associates and joint arrangements

Associates are companies over whose financial and operational decisions the Group exercises significant influence but not control (this is generally demonstrated when the percentage of voting rights is equal to or greater than 20% but less than or equal to 50%).

Joint arrangements are where two or more parties, through a contractual arrangement, have joint control over the assets and liabilities of an arrangement. Depending on what those rights and obligations are, the joint arrangement will either be a joint operation (where the parties subject to the arrangement have rights to the assets and obligations for the liabilities of the arrangement) or a joint venture (where the parties subject to the arrangement have rights to the net assets of the arrangement).

The Group's investments in associated undertakings are initially recorded at cost. Subsequently, they are increased or decreased by the Group's share of the post-acquisition profit or loss, or by other movements reflected directly in the equity of the associated undertaking. Positive goodwill arising on the acquisition of an associated undertaking is included in the cost of the investment (net of any accumulated impairment loss).

3.1.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method stipulated by IFRS 3 Business Combinations. Thus, upon initial consolidation of a newly acquired company, the identifiable assets acquired, liabilities assumed and any contingent liabilities of the acquired entity are measured at fair value in accordance with the provisions of IFRS. The costs directly attributable to business combinations are recognised in the income statement for the period.

Contingent cash consideration is normally included in the acquisition cost at its fair value on the acquisition date, even if its payment is not certain. It is recognised as a liability in the balance sheet; any subsequent adjustments to its value are booked in the income statement in accordance with IFRS 9. However, sometimes arrangements are made in which contingent payments for acquiring a company are made to a vendor who is an employee, and these can be forfeited if the employee leaves voluntarily. In this case, these contingent payments are not considered as part of the acquisition cost. Instead, these payments are accounted for as a post-purchase staff expense.

Goodwill in an associate or subsidiary represents the excess, at the date of acquisition, of an acquisition's cost over the fair value of the Group's share of net identifiable assets acquired. Identifiable intangible assets are those which can be sold separately or which arise from legal rights, regardless of whether those rights are separate. If the fair value exceeds the cost, the difference ("negative goodwill") is immediately recognised in the income statement. All necessary valuations of assets and liabilities must be carried out within twelve months of the date of acquisition, as must any corrections to the value based on new information.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised, but is tested annually for impairment, or more frequently when circumstances indicate that its carrying amount is too high. Goodwill is allocated to cash-generating units for the purposes of impairment testing. If the value of each of the cash-generating units is insufficient to support its carrying value, then the goodwill is impaired. Impairment losses on goodwill are recognised in the income statement and are not reversed.

Results from subsidiaries acquired during the financial year are included from their acquisition dates and income from subsidiaries sold is included up to their disposal dates.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

3.1.5 Non-controlling interests

For all business combinations, the Group assesses non-controlling interests as either:

- based on its share of the fair value of the identifiable assets and liabilities at the date of the acquisition, without recognising the goodwill for non-controlling interests (partial goodwill method); or
- at fair value at the date of acquisition. Consequently the recognition of the goodwill is allocated to Group share and to non-controlling interests (full goodwill method).

On the date an entity is acquired, any stake in this entity already held by the Group is revalued at fair value through profit or loss, because taking control is accounted for as a sale and repurchase of the shares previously held.

In the event of an increase in the Group's stake in entities over which it already exercises control, the difference between the price paid for the additional stake and the fair value of the share of net assets acquired on this date is booked in the Group's reserves as a reallocation from non-controlling interests to other equity. In the same way, any reduction in the Group's stake in an entity which it continues to control is accounted for as an equity transaction between shareholders. On the date when the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is revalued at fair value through the income statement.

3.1.6 Contracts to purchase non-controlled shares in subsidiaries

Where non-controlling shareholders have a contract to sell their equity interests in a subsidiary to the Group, the Group applies the anticipated-acquisition method of accounting for the interests that it did not already own. This means that the contract is accounted for as if the non-controlling shareholders had sold their shares to the Group, even though legally they are still NCI. This happens regardless of how the exercise price is determined (e.g. fixed or variable) and how likely it is that the contract will be exercised. Where the deferred consideration is linked to a put option, not a forward purchase, the Group recognises changes in the carrying amount of the liability in equity, including the accretion of interest.

3.2 Accounting principles and valuation methods

3.2.1 Accounting judgements and estimates

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies. The key areas involving a higher degree of judgement or complexity, or areas where assumptions are significant to the accounts, include:

VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value used to measure a financial instrument is, where available, the listed price when the financial instrument is listed on an active market. In the absence of an active market, fair value is determined using measurement techniques.

A description of the valuation techniques used, analysis of assets and liabilities carried at fair value by valuation hierarchy, and a sensitivity analysis of valuations not primarily based on observable market data is provided in section 4.5 of the financial statements.

IMPAIRMENT OF FINANCIAL ASSETS AT AMORTISED COST

The Group used judgements when recognising the Expected Credit Losses (ECL) for financial assets at amortised cost. This applies in particular to the assessment of significant increases in credit risk (SICR), and to the models and assumptions used to measure ECL. Management determines the size of the impairment allowance required using a range of factors such as the realisable value of any collateral, the likely recovery on liquidation or bankruptcy, the viability of the customer's business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations.

The accuracy of the allowances made depends on how accurately the Group estimates future cash flows for credit impaired financial assets (stage 3), in particular the fair value of any collateral, and the model assumptions and parameters used in determining allowances for financial assets classified in stage 1 & 2. While this necessarily involves judgement, the Group believes that its allowances are reasonable and supportable.

A description of the methodology used for the main instruments classified at amortised cost is provided in section 4.2.2.1 of the financial statements.

PENSIONS

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method and the principal assumptions used are set out in note 21. The assumptions that have the greatest impact on the measurement of the pension fund liability, along with their sensitivities, are also set out in note 21.

DEFERRED TAX

Deferred tax assets, including those in relation to tax losses carried forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Further details are provided in note 18.

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE LIVES

Goodwill and intangible assets with indefinite lives are assessed at each balance sheet date to determine whether they are impaired. The assessment includes management assumptions on future income flows and judgements on appropriate discount rates. Management performs a sensitivity analysis of these assumptions as part of this assessment. Further details of management's assessment are contained in notes 11 and 12.

PROVISIONS

From time to time, the Group is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

CONSOLIDATION OF STRUCTURED ENTITIES

The Group manages some structured entities in the form of funds in which the Group's own money is also invested. In these situations, a judgement must be made whether there is a need to consolidate these funds or not. The judgement is explained in note 19.

3.2.2 Foreign currency transactions

The consolidated financial statements are presented in euro, which is the Company's functional currency and the Group's reporting currency. Items included in the financial statements of each of the Group's subsidiaries and associates are measured using their functional currency. The functional currency is the currency of the primary economic environment in which the entity operates.

Income statements and cash flows of foreign entities are translated into the Group's reporting currency at closing exchange rates for each month, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Their balance sheets are translated at the exchange rate at the end of the period. Exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. On disposal of a foreign entity, these translation differences are recognised in the income statement as part of the gain or loss on sale.

Translation differences on equities classified as FVTPL are reported as part of the fair value gain or loss in the income statement. In the absence of hedge accounting, translation differences on equities classified as FVOCI are included in the FVOCI reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

The table below shows at each quarter end the main exchange rates against the euro that were used to prepare the consolidated accounts.

	2019			2018		
	GBP	CHF	USD	GBP	CHF	USD
1 January	**0.8938**	**1.1288**	**1.1439**	**0.8877**	**1.1702**	**1.2008**
31 March	0.8617	1.1175	1.1225	0.8783	1.1748	1.2318
30 June	0.8955	1.1107	1.1382	0.8843	1.1593	1.1670
30 September	0.8847	1.0871	1.0902	0.8909	1.1344	1.1621
31 December	**0.8522**	**1.0860**	**1.1214**	**0.8938**	**1.1288**	**1.1439**

3.2.3 Financial assets and liabilities – classification and measurement

INITIAL RECOGNITION

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI or FVTPL.

Financial instruments are recognised when the Group becomes a party to the contractual provisions. Under IFRS, regular way purchases and sales can be recognised on the trade or the settlement date. A regular way purchase is a purchase of a financial asset under a contract whose terms require delivery of the asset within an established time frame (for example, T+2). The Group applies trade date accounting for the purchase and sale of securities. Trade date accounting means that the purchase or sale is recognised on the day when the Group commits to purchase or sell the securities. For FX spot contracts, the Group applies settlement date accounting. Settlement date accounting means that the contract is only recognised at the point of delivery.

FINANCIAL ASSETS AT AMORTISED COST

A financial asset is measured at amortised cost only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in section 3.2.4 Financial assets – impairment. Interest income from these financial assets is included in "Interest income" using the effective interest method.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on a specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in net banking income. Interest income from these financial assets is included in "interest income" using the effective interest method.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in OCI. This election is made on an investment-by-investment basis. Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets that meet the criteria for the classification of amortised cost or FVOCI, but which are managed, and whose performance is evaluated, on a fair value basis, are measured at FVTPL on a designated basis.

Financial assets that do not meet the criteria for the classification of amortised cost or FVOCI are measured at FVTPL on a mandatory basis.

These financial assets are recognised at fair value, with transaction costs recorded immediately in the income statement, and they are subsequently measured at fair value. Gains and losses arising from changes in fair value, or on derecognition, as well as interests and dividends from financial assets at FVTPL are recognised in the income statement as net gains or losses on financial assets at FVTPL.

BUSINESS MODEL ASSESSMENT

The Group makes an assessment of the business model in which an asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, the Group considers whether management's strategy focuses on earning interest revenue, maintaining a particular interest profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets; or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reason for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed on a fair value basis are measured at FVTPL.

ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST (SPPI)

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amounts and timing of cash flows;
- prepayment and extension terms;
- leverage features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

A prepayment compensation is considered as reasonable, and therefore SPPI compliant, when the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding).

RECLASSIFICATIONS

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

FINANCIAL LIABILITIES

Financial liabilities are carried at amortised cost using the effective interest rate method, except for derivatives that are classified as fair value through profit or loss on initial recognition (unless designated as cash flow hedges).

3.2.4 Financial assets – impairment

SCOPE OF APPLICATION

The Group recognises loss allowances for Expected Credit Loss (ECL) on the following financial instruments that are not measured at FVTPL:

- loans, advances and debt securities;
- accounts receivable;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments, as required by IFRS 9.

CREDIT RISK AND PROVISIONING STAGES

IFRS 9 outlines a three-stage model for impairment based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit impaired. See below for a description of how the Group determines when an SICR has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime ECL that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on ECL on a lifetime basis. See below for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- Purchased or originated credit-impaired (POCI) financial assets are those financial assets that are credit impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

For the accounts receivable, the Group uses the “simplified” approach, under which impairments are calculated as ECL lifetime at initial recognition, regardless of any changes in the counterparty’s credit risk.

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are disclosed below.

SIGNIFICANT INCREASE IN CREDIT RISK (SICR)

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, which are based on the Group’s credit risk management process. The Group has decided that an SICR is indicated if the relevant credit committee decides that the credit rating of a financial asset is Category 2 or 3.

Financial instruments are often considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments. For fee income receivable by the GA business, the Group has rebutted this presumption and it considers that a significant increase is experienced only after 90 days past due. This rebuttal is based on historical experience of payments and is in line with the internal provisioning process (more detail is in section 4.2.2.1).

The Group has not used the low credit risk exemption for any financial instruments in the period.

DEFINITION OF DEFAULT

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt instruments at FVOCI are credit impaired (Stage 3). When an asset is considered as credit impaired, it is also considered to be in default. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated cash flows of the financial asset have occurred.

Objective evidence that a financial asset or group of assets is credit impaired includes the following observable data:

- significant financial difficulty of the issuer;
- a breach of contract, such as a default or delinquency in repayment of interest or principal;
- granting to the borrower, for economic or legal reasons relating to its financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

A financial asset that is classified as credit impaired (Stage 3) has a credit rating of Category 4 or 5 (more detail on credit rating is given in 4.2.1).

EXPECTED CREDIT LOSS MEASUREMENT

ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired (Stage 1 & 2) at the reporting date: as the present value of all cash shortfalls (*i.e.* the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired (Stage 3) at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

ECL is the discounted product of the following factors:

ECL = Probability of Default (PD) x Exposure at Default (EAD) x Loss Given Default (LGD)

The PD represents the likelihood of a borrower defaulting on its financial obligation (based on the definition of default in our accounting principles), either over the next twelve months (12m PD), or over the remaining lifetime (lifetime PD) of the obligation.

The EAD is based on the amounts the Group expects to be owed at the time of default, over the next twelve months (12m EAD) or over the remaining lifetime (lifetime EAD). The Group derives the EAD from the current exposure to the counterparty.

LGD is the percentage of the likely loss if there is a default. The Group estimates LGD parameters informed by historical recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral and recovery cost of any collateral that is provided to secure the financial asset. For loans secured by property, LTV ratios are a key parameter in determining LGD.

These parameters are generally derived from internally developed models and other historical data.

PRESENTATION OF ALLOWANCE FOR ECL IN THE BALANCE SHEET

Loss allowances for ECL are presented in the balance sheet as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the balance sheet because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

WRITE-OFF

The Group writes off financial assets (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

3.2.5 Derivative instruments and hedge accounting

DERIVATIVES

Derivatives are entered into for trading or risk management purposes. Derivatives used for risk management are recognised as hedging instruments when they qualify as such under IAS 39. According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting.

Derivatives are initially recognised at fair value and are subsequently measured at fair value with changes in fair value recognised in the income statement. If there is a designated hedging relationship between a hedging instrument and a hedged item, the recognition of the profit or loss on the hedging instrument and the hedged instrument must comply with the conditions of IAS 39, depending on the hedging relationship.

HEDGE ACCOUNTING

The Group may apply hedge accounting when transactions meet the criteria set out in IAS 39. At the inception of the hedge, the Group assesses whether the hedging derivatives meet the effectiveness criteria of IAS 39 in offsetting changes in the fair value or cash flows of the hedged items. The Group then documents the relationship between the hedging instrument and the hedged item. It also records its risk management objectives, its strategy for undertaking the hedge transaction and the methods used to assess the effectiveness of the hedging relationship.

After inception, effectiveness is tested on an ongoing basis. Hedge accounting is discontinued when it is determined that a derivative has ceased to be highly effective, or when the derivative or the hedged item is derecognised, or when the forecast transaction is no longer expected to occur.

FAIR VALUE HEDGE ACCOUNTING

Changes in value of fair value hedge derivatives are recorded in the income statement, together with fair value changes to the underlying hedged item in respect of the risk being hedged.

If the hedge no longer meets the criteria for hedge accounting, the difference between the carrying value of the hedged item on termination of the hedging relationship and the value at which it would have been carried had the hedge never existed is amortised to the income statement over the residual period to maturity based on a recalculated effective interest rate.

NET INVESTMENT HEDGE IN FOREIGN OPERATIONS

Hedges of net investments in foreign operations are accounted for in a way similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are transferred to the income statement when the foreign operation is disposed of.

3.2.6 Derecognition

The Group derecognises a financial asset when:

- the contractual rights to cash flows arising from the financial assets have expired; or
- it transfers the financial asset including substantially all of the risks and rewards of the ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of the asset, but no longer retains control of the asset.

When a sale is followed by an immediate buyback and the Group considers that it has substantially retained the risks and rewards of ownership, it would not derecognise the asset.

3.2.7 Securitisation transactions

The Group may enter into funding arrangements with lenders in order to finance specific financial assets.

In general, the assets from these transactions are held on the Group's balance sheet on origination. However, to the extent that substantially all the risks and returns associated with the assets have been transferred to a third party, the assets and liabilities are derecognised in whole or in part.

Interests in securitised financial assets may be taken in the form of senior or subordinated tranches of debt securities, or other residual interests. The Group makes an assessment of whether the tranches held meet the SPPI criteria. A critical point to consider is whether the given tranche has a credit rating that is higher than the underlying portfolio of assets. Those which do (generally the senior tranches) can be classified as amortised cost. Those which do not (generally the junior tranches) must be classified as FVTPL.

3.2.8 Intangible assets

Intangible assets include software, intellectual property rights and assets acquired through business combinations such as brands, contracts to earn management fees, and client relationships. These are carried at historical cost less amortisation, if any, and less any accumulated impairment losses.

For assets with a definite life, amortisation is charged over the useful economic life of the asset, which is determined case by case based on the asset or contract. Contracts to earn management fees are amortised in line with income earned from the contracts; otherwise a straight-line amortisation method is used. The intangible assets which have a definite useful life are reviewed at each reporting date to determine whether there is objective evidence of impairment. If such evidence exists, an impairment test is performed.

The acquired brands have been considered to have an indefinite life and are not amortised; instead they are subject to an annual impairment test.

3.2.9 Tangible assets

Tangible assets comprise plant, property and equipment and are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the given asset. The deemed cost refers to the situation in which, on transition to IFRS, the Group elected, as IFRS 1 First-time adoption of IFRS permits, to consider the fair value of a tangible asset at that time to be its deemed cost.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write down the cost of assets to their residual values over their estimated useful lives, as follows:

Computer equipment	2–10 years
Cars	3–5 years
Fixtures and fittings	3–10 years
Leasehold improvements	4–24 years
Buildings	10–60 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are recognised in the income statement, in "net income/(expense) from other assets".

3.2.10 Impairment of tangible assets

At each balance sheet date, or more frequently where events or changes in circumstances dictate, tangible assets are assessed for indications of impairment. If such indications are present, these assets are subject to an impairment review. If impaired, the carrying values of assets are written down by the amount of any impairment and the loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset is only increased up to the amount that it would have been had the original impairment not been recognised.

3.2.11 Provisions and contingent liabilities

Provisions are recognised only when the Group has a present obligation (legal or constructive) as a result of past events. In addition, it must be probable that a transfer of economic benefits will be required to settle the obligation, and it must also be possible to make a reliable estimate of the amount of the obligation.

Contingent liabilities are possible obligations arising from past events whose existence will be confirmed by one or more uncertain future events not wholly within the Group's control, or present obligations that are not recognised either because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be reliably estimated. Contingent liabilities are disclosed unless the possibility of a transfer of economic benefits is remote.

3.2.12 Pensions

The Group operates a number of pension and other post-retirement benefit schemes, both funded and unfunded, and of the defined benefit and defined contribution types.

For defined contribution schemes, the contribution payable in respect of the accounting period is recognised in the income statement.

Remeasurement gains and losses for defined benefit schemes are recognised outside the income statement and are presented in the statement of comprehensive income.

The amount recognised in the balance sheet in respect of defined benefit schemes is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of the plan's assets. Independent actuaries calculate the defined benefit obligation annually using the projected unit credit method. The obligations' present values are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currencies in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

3.2.13 Revenue from contracts with customers

The Group earns fee and commission income from a range of services it provides to clients. Under IFRS 15, revenue is recognised when a customer obtains control of the service. Fee income generated by the Group can be categorised into the two broad categories below, depending upon the timing of the relevant service.

POINT IN TIME SERVICES

These fees are earned from providing services for which revenue is earned only when the service has been completed, *i.e.* once a performance obligation has been satisfied. Examples include a payment for advisory services that will only be made after the successful completion of a mandate. Revenue is recognised when it is highly probable that there will not be a significant reversal of the revenue in future.

SERVICES PROVIDED OVER TIME

These are fees earned from services that are provided over a period of time. Examples in the WAM business include asset management fees related to investment funds as well as income from wealth management, financial planning and custody services that are continuously provided over an extended period of time. For GA, these services include advisory services paid upfront or on a retainer basis. Revenue is recognised over the period in which the services are provided, once one of the following occurs:

i) the customer consumes the benefits provided by the Group and another entity would not need to substantially re-perform the work that the Group has completed to date; or

ii) the Group has an enforceable right to payment for performance completed to date.

The amount of fee and commission income is based on consideration specified in a legally enforceable contract. The revenue recognised for each mandated service represents a market price, and consideration received is allocated to the separately identifiable performance obligations in a contract.

Fees and commissions that are an integral part of a loan, and loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised over the life of the loan as an adjustment to the effective interest rate.

Costs can sometimes be charged to the client in the course of a mandate. Where recoverable, these are recognised as a receivable rather than revenue.

3.2.14 Interest income and expense

Interest receivable and payable represents all interest arising out of banking activities, including lending and deposit-taking business, interest on related hedging transactions and interest on debt securities. Interest on all financial instruments, excluding those classified as held for trading or designated at fair value through profit or loss, is recognised in the income statement using the effective interest rate method.

Where negative interest arises from financial assets, the negative interest income is disclosed within interest expense.

The effective interest rate is the rate that exactly discounts the estimated future cash flows of a financial instrument to its net carrying amount. It is used to calculate the amortised cost of a financial asset or a financial liability and to allocate the interest over the relevant period (usually the expected life of the instrument). When calculating the effective interest rate, the Group considers all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes any premiums or discounts, as well as all fees and transaction costs that are an integral part of the loan.

3.2.15 Carried interest

The Group is entitled to receive carried interest in relation to certain of the private equity and private debt funds that it manages. Carried interest receivable is accrued if the performance conditions associated with earning it would be achieved, on the assumption that the remaining assets in the fund were realised at the balance sheet date at fair value. Fair value is determined using the valuation methodology applied by the Group in its role as manager to its funds and is measured at the balance sheet date. An accrual is made equal to the Group's share of profits in excess of the performance conditions, taking into account any cash already paid to the fund's investors and the fair value of assets remaining in the fund.

Certain employees may also hold classes of share capital which give them a right to receive carried interest from investments managed by the Group. Where such carry shares held by staff are in an investment vehicle which is not consolidated, the interests of the staff are reflected in a reduced investment return of the Group's own interests. Where the carry shares held by staff are in a vehicle which is consolidated, the interests of the staff are treated as non-controlling interests of the Group. The valuation of the interests held by staff is calculated at the balance sheet date using the same method as the valuation of the Group's interests, as described above.

3.2.16 Long-term incentive schemes

LONG-TERM PROFIT SHARE SCHEMES

The Group operates long-term profit share schemes for the benefit of employees. The costs of such schemes are recognised in the income statement over the period in which the services are rendered that give rise to the obligation. Where the payment of profit share is deferred until the end of a specified vesting period, the deferred amount is recognised in the income statement over the period up to the date of vesting.

SHARE-BASED PAYMENTS

The Group has issued share options which are treated as equity-settled share-based payments. These are valued at the date they are granted to employees and that value is recognised in staff costs over the vesting period, with a corresponding adjustment to shareholders' equity. The fair value is calculated on the basis of the overall plan value at the date of grant. In the absence of any market for stock options, models are used to value the share-based payments. The only assumptions revised after the initial measurement, and hence resulting in a revaluation of the expense, are those relating to the probability that employees will leave the Group.

The Group also pays certain employees using non-cash instruments in the form of R&Co shares (which are also treated as equity-settled share-based payments), or cash awards linked to the value of R&Co shares (which are treated as cash-settled share-based payments). Equity-settled payments are valued at the date they are granted to employees and that value is recognised in staff costs over the vesting period. The cash-settled payments are valued at the date they are granted, but the liability is then revalued in the income statement up to the point of settlement.

3.2.17 Taxation

Tax payable on profits and deferred tax are recognised in the income statement, except to the extent that they relate to gains and losses that are recognised in equity.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax is determined using tax rates and laws that are expected to apply when a deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets, including the tax effects of income tax losses available for carry forward, are only recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax liabilities are provided on temporary differences arising from investments in subsidiaries and associates, unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

3.2.18 Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders at the Annual General Meeting or, in the case of interim dividends, when they are paid by the Company after decisions of the Managing Partner, Rothschild & Co Gestion.

3.2.19 Classification of debt and shareholders' equity

Under IFRS, the critical feature in differentiating a debt instrument from an equity instrument is the existence of a contractual obligation of the Group to deliver cash (or another financial asset) to another entity. Where there is no such contractual obligation, the Group will classify the financial instrument as equity; otherwise it will be classified as a liability and carried at amortised cost. The terms of the perpetual debt instruments issued by the Group permit interest payments to be waived unless discretionary dividends have been paid in the previous six months. These instruments are, therefore, considered to be equity. When they are classified as equity, securities issued by the Company are recorded within Capital and associated reserves. If they are issued by Group subsidiaries and held by parties outside the Group, these securities are recognised as non-controlling interests.

3.2.20 Fiduciary activities

The Group acts as custodian and in other fiduciary capacities that result in the holding or placing of assets on behalf of customers. These assets are excluded from the Group's financial statements, as they are not assets of the Group.

3.2.21 IFRS 16 Leases (from 1 January 2019)

Accounting for leases as a lessee

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract contains a lease, the Group assesses whether:

- the contract involves the use of an identified asset without a substantive substitution right given to the lessor.
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019. The transition approach to IFRS 16 as at 1 January 2019 is set out in section 2.3.

The Group recognises a right of use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, and comprises the initial amount of the lease liability recognised, plus an estimate of costs to dismantle and restore the underlying asset, less any lease incentives received.

The ROU asset is subsequently depreciated using the straight-line method. The estimated useful lives of ROU assets usually match the expected term of the lease. The ROU asset may be adjusted if the lease liability is remeasured, and can be reduced by impairment losses, if applicable.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the incremental borrowing rate in the region where the lease is held. Extension and termination options exist for a number of leases, particularly for rentals of offices. In determining the length of the lease term, extension and termination options are included in the assessment only where the Group is reasonably certain that these options will be exercised. In practice, it is rare that the Group will consider an option to be reasonably certain to exercise if it is due to be exercised over ten years in the future.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; and
- any costs that the Group is reasonably certain to exercise relating to renewal or termination options on the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset.

Short term leases and leases of low-value assets

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, or leases of low-value assets, including most IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Accounting for leases as a lessor

Lessors continue to classify leases as finance or operating leases. A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

In some jurisdictions, the Group is a lessor of finance leases. When the Group holds assets subject to a finance lease, the present value of the lease payments is recognised as a receivable and the originally held asset is derecognised. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised in interest income over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

3.2.22 Finance leases and operating leases (up to 31 December 2018)

A finance lease is a lease that transfers substantially all of the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

WHERE THE GROUP IS THE LESSOR

– FINANCE LEASES

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised in interest income over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

– OPERATING LEASES

Assets acquired for use by customers under operating lease agreements, including initial direct costs incurred by the lessor in negotiating an operating lease, are capitalised in the relevant category of fixed assets. Depreciation is charged on a straight-line basis to write down the value of the asset to the expected residual value over a period consistent with other assets of a similar type. Operating lease income and the initial direct costs are then recognised in other operating income on a straight-line basis over the period of the lease.

WHERE THE GROUP IS THE LESSEE

The Group has entered into operating leases. The total payments made under those operating leases are charged to the income statement as operating expenses. Commitments arising from operating leases are separately disclosed.

4. Financial risk management

4.1 Governance

The risks relating to financial instruments, and the way in which these are managed by the Group, are described below. A description of the Group's governance environment is provided in the Corporate Governance section of the annual report (page 79).

4.2 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Group's customers, clients or market counterparties fail to fulfil their contractual obligations to the Group.

4.2.1 Credit rating

The Group reviews credit exposures on financial assets on a quarterly basis and for this purpose they are classified as follows:

Category	Definition	Mapping to IFRS 9 three-stage model for impairment (see 3.2.4)
Category 1	Exposures which are considered to be fully performing.	Stage 1
Category 2	Exposures where the payment of interest or principal is not currently in doubt, but which require closer observation than usual, due perhaps to some deterioration in the position of the client. Examples include: poor trading results; difficult conditions in the client's market sector; competitive or regulatory threats; or the potential impact from currency or other factors. Unimpaired GA receivables which are past due over 90 days are included in this category.	Stage 2
Category 3	Exposures where there has been further deterioration in the position of the client compared to Category 2. Although the exposure is not considered to be impaired, the relationship requires close monitoring by the front office team.	Stage 2
Category 4	Exposures that are considered to be impaired and which carry a provision against part of the loan. At least some recovery is expected to be made.	Stage 3
Category 5	Exposures that are considered to be impaired and which carry a full provision. No significant recovery of value is expected.	Stage 3

All Group companies map their own credit monitoring to these categories for the purposes of Group reporting.

Credit risk management is covered in the report on internal control and risk management and accounting procedures (page 71).

The tables below disclose the maximum exposure to credit risk at 31 December 2019 and at 31 December 2018 for financial assets with exposure to credit risk, without taking account of collateral held or other credit risk mitigation.

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/12/2019
Cash and amounts due from central banks	4,382.1	–	–	–	–	–	4,382.1
Financial assets at FVTPL(1)	147.8	5.4	–	–	–	–	153.2
Loans and advances to banks	2,001.7	–	–	–	–	–	2,001.7
Loans and advances to customers	3,163.9	38.4	35.8	67.6	16.3	(58.0)	3,264.0
Debt at amortised cost	1,521.7	–	–	–	–	(0.8)	1,520.9
Other financial assets	436.6	27.8	–	14.3	17.8	(27.8)	468.7
Subtotal assets	**11,653.8**	**71.6**	**35.8**	**81.9**	**34.1**	**(86.6)**	**11,790.6**
Commitments and guarantees	820.9	–	–	–	–	n/a	820.9
TOTAL	**12,474.7**	**71.6**	**35.8**	**81.9**	**34.1**	**(86.6)**	**12,611.5**

(1) Including hedging derivatives and excluding equities.

Credit risk on financial assets at fair value through profit or loss is not applicable to equity instruments. Allowances against commitments and guarantees are included in “Provisions for counterparty risk” (note 16).

In millions of euro	Category 1	Category 2	Category 3	Category 4	Category 5	Impairment allowance	31/12/2018
Cash and amounts due from central banks	4,692.1	–	–	–	–	–	4,692.1
Financial assets at FVTPL(1)	86.9	5.0	–	–	–	–	91.9
Loans and advances to banks	2,043.1	–	–	–	–	–	2,043.1
Loans and advances to customers	2,809.7	62.4	44.4	64.9	15.8	(67.9)	2,929.3
Debt securities at FVOCI	1.7	–	–	–	–	–	1.7
Debt at amortised cost	1,037.4	–	–	–	–	(0.3)	1,037.1
Other financial assets	420.5	10.2	–	6.6	17.3	(24.5)	430.1
Subtotal assets	**11,091.4**	**77.6**	**44.4**	**71.5**	**33.1**	**(92.7)**	**11,225.3**
Commitments and guarantees	524.2	–	–	–	–	n/a	524.2
TOTAL	**11,615.6**	**77.6**	**44.4**	**71.5**	**33.1**	**(92.7)**	**11,749.5**

(1) Including hedging derivatives and excluding equities.

4.2.2 Credit risk exposure

4.2.2.1 GROUPING OF INSTRUMENTS FOR LOSSES MEASURED ON A COLLECTIVE BASIS

For expected credit loss provisions calculated on a collective basis, a grouping of exposures is performed on the basis of risk characteristics that are shared by exposures.

Lending by the R&Co Group is primarily focused on supporting the WAM business by way of lending to private clients, either by way of mortgages against residential properties or against portfolios of securities (Lombard lending). In addition, there is a French portfolio of corporate exposures which includes some sector specialisations (this equates to €345 million of the total). The UK commercial legacy book continues to run off and is now down to less than €30 million net of provisions.

The majority of the private client loan books are secured and there is no historical loss data for these. Nevertheless, we have adopted a conservative approach to measuring losses on a collective basis for these loans, based on assumptions of PD and LGD for different loan types. The approach for the remaining book, which generally comprises a larger number of smaller loans, does have some loss data, and this has been factored into the IFRS 9 calculations.

PCL LOMBARD AND MORTGAGE LOANS

The Group has a history of very low defaults on its Lombard and mortgage loans made by PCL, and the PD and the LGD have been determined by the history of observed defaults alongside realistic downside scenarios based on management assessment.

For the Lombard loans, the LGD is estimated based on the amount of collateral held, and whether it is diversified or not, as well as the nature of the client and the potential difficulties of recovering the value of the collateral.

For the mortgage loans, the LGD is estimated considering the value of the properties which are mortgaged, and varies based on the LTV; the amount of costs likely to be incurred in recovering and realising any collateral; the nature of the client; and the potential difficulties of recovering the value of the collateral.

DEBT AT AMORTISED COST

For debt securities in the treasury portfolio, S&P credit ratings are used to determine the ECL. These published ratings are monitored and updated daily. The 12m and lifetime PDs associated with each rating are determined based on realised default rates, also published by S&P. To estimate the LGD, the Group has used the Basel III LGD, which is 45% for senior debt.

The assumptions underlying the ECL calculation are monitored and reviewed on a quarterly basis.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

4.2.2.2 MAXIMUM EXPOSURE TO CREDIT RISK – FINANCIAL INSTRUMENTS SUBJECT TO IMPAIRMENT

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets. The credit risk exposure of other financial assets is shown in section 4.2.3.

In millions of euro	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	31/12/2019	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	31/12/2018
Gross carrying amounts								
Loans and advances to banks	2,001.7	–	–	2,001.7	2,043.1	–	–	2,043.1
PCL loans to customers	2,801.8	8.2	7.7	2,817.7	2,460.0	29.8	13.0	2,502.8
Other loans to customers	362.1	66.0	76.2	504.3	349.7	77.0	67.7	494.4
FVOCI debt securities	–	–	–	–	1.7	–	–	1.7
Securities at amortised cost	1,521.6	–	–	1,521.6	1,037.4	–	–	1,037.4
TOTAL	**6,687.2**	**74.2**	**83.9**	**6,845.3**	**5,891.9**	**106.8**	**80.7**	**6,079.4**
Loss allowance								
Loans and advances to banks	–	–	–	–	–	–	–	–
PCL loans to customers	(1.7)	(0.0)	(4.8)	(6.5)	(1.4)	(0.0)	(5.2)	(6.6)
Other loans to customers	(1.2)	(7.8)	(42.5)	(51.5)	(1.3)	(10.3)	(49.7)	(61.3)
FVOCI debt securities	–	–	–	–	–	–	–	–
Securities at amortised cost	(0.7)	–	–	(0.7)	(0.3)	–	–	(0.3)
TOTAL	**(3.6)**	**(7.8)**	**(47.3)**	**(58.7)**	**(3.0)**	**(10.3)**	**(54.9)**	**(68.2)**
Net carrying amount								
Loans and advances to banks	2,001.7	–	–	2,001.7	2,043.1	–	–	2,043.1
PCL loans to customers	2,800.1	8.2	2.9	2,811.2	2,458.6	29.8	7.8	2,496.2
Other loans to customers	360.9	58.2	33.7	452.8	348.4	66.7	18.0	433.1
FVOCI debt securities	–	–	–	–	1.7	–	–	1.7
Securities at amortised cost	1,520.9	–	–	1,520.9	1,037.1	–	–	1,037.1
TOTAL	**6,683.6**	**66.4**	**36.6**	**6,786.6**	**5,888.9**	**96.5**	**25.8**	**6,011.2**

Information on how the ECL is measured and how the three stages above are determined is provided in "Expected credit loss measurement", in section 3.2.4.

For loans to customers, the movement in the loss allowance is provided in the table on the following page. Additionally, the movement in other loss allowances is shown in "Impairments" (note 17).

LOANS TO CUSTOMERS

In millions of euro	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	TOTAL
Loss allowance at beginning of period	**(2.7)**	**(10.3)**	**(54.9)**	**(67.9)**
Movements with P&L impact				
Transfers	–	1.9	(1.9)	–
(Charge)	(0.4)	(0.6)	(12.6)	(13.6)
Release	0.2	1.5	10.4	12.1
Recovered loans	–	0.3	5.1	5.4
Total net P&L (charge)/release during the period	(0.2)	3.1	1.0	3.9
Movements with no P&L impact				
Written off	–	–	7.5	7.5
Exchange	–	(0.6)	(0.9)	(1.5)
LOSS ALLOWANCE AT END OF PERIOD	**(2.9)**	**(7.8)**	**(47.3)**	**(58.0)**

No loans have been classified as purchased or originated credit-impaired (POCI) assets.

The changes in the gross amounts of loans to customers increased the Stage 1 allowance by €0.3 million and the Stage 2 allowance by €1.1 million in the period. These are mostly due to movements in the past due loans, as shown below:

LOANS TO CUSTOMERS WHICH ARE PAST DUE

In millions of euro	31/12/2019	31/12/2018
Less than 30 days past due	135.4	102.8
Between 30 and 90 days past due	59.7	50.0
Over 90 days past due	2.9	26.8
TOTAL	**198.0**	**179.6**

4.2.2.3 COLLATERAL

The Group holds collateral against loans to customers, as substantially all third-party commercial lending is secured. The majority of collateral is in the form of charges over property assets, or over marketable securities (Lombard lending). There is a realistic possibility, if necessary, of both taking possession of, and realising, the collateral.

Stage 1 and 2 loans are usually covered by collateral, and the level of collateral at exit is expected to be sufficient to cover the balance sheet exposure. Where a loan is deemed to be impaired (Stage 3), the level of the impairment charge is primarily driven by any expected shortfall in the collateral value, though it is also influenced by the ability of the borrower to service the debt.

Collateral is valued independently at the time the loan is made and periodically thereafter on a rolling basis. Management is able to roll forward a valuation for reporting purposes via a combination of specific knowledge of the collateral and the application of general indices.

The table below gives an estimate of the fair value of collateral held by the Group as security against its loans to customers that are credit impaired. For each loan, the value of collateral disclosed is capped to the nominal amount less provision of the loan that it is held against.

	31/12/2019	31/12/2018
In millions of euro	Stage 3 loans	Stage 3 loans
Tangible assets collateral	35.9	17.8
Financial assets collateral	0.1	7.2
TOTAL	**36.0**	**25.0**
Gross value of credit-impaired loans	83.9	80.7
Impairment	(47.3)	(54.9)
Net value of loans	**36.6**	**25.8**
% of Stage 3 loans covered by collateral	98%	97%

4.2.2.4 MODIFICATION OF FINANCIAL ASSETS

Where refinancing and sale options are difficult, it is generally in the lender's and borrower's interest to extend certain facilities at maturity and not to foreclose on the security. This assumes there are no underlying issues regarding the borrower's ability to continue to service the loan and the level of collateral is expected to be of sufficient quality to secure the principal.

Unimpaired loans extended in this manner are not categorised as either past due or as renegotiated. As at 31 December 2019, the cumulative value of all loans within this category was €2.8 million (31 December 2018: €2.7 million). All of these loans were property loans.

Some loans are renegotiated on substantially different terms than before. Typically these loans will include revised covenants and higher margins to reflect higher credit risk as well as having extended maturities. If these loans had not been renegotiated, they would have been deemed to have been impaired. As at 31 December 2019, the carrying value of all loans renegotiated was €nil (31 December 2018: €0.3 million).

4.2.3 Credit risk management of other financial assets

Other financial assets mainly contain trade receivables from the GA and WAM businesses. For these assets, the Group applies a simplified approach to the calculation of impairments. This means that the loss allowance is always measured at an amount equal to the asset's lifetime ECL. Therefore, the concept of a significant increase in credit risk is not applicable to these assets. Fee income is widespread in terms of location and of sector, so concentration risk is not significant.

The Group considers a receivable to be in default when the borrower is unlikely to pay the Group in full. For each GA office, a quarterly review of the outstanding receivables over 90 days is conducted by local management and the GA Global Finance Director. This review determines if the receivable should be impaired and ensures that impairments are made, or not made, consistently around the Group.

Management has reviewed historical payment behaviour and believes on this basis that receivables less than 90 days overdue have, prima facie, an immaterial risk of not being recoverable in full. These receivables are therefore classified as Category 1 in our internal credit risk table. Management considers that all individual unimpaired receivables over 90 days past due merit assessment for potential credit losses, in addition to more recent debts which are known to have credit issues. These receivables are considered to be on a watchlist. Where these are not impaired, management provides a percentage of all these assets to reflect losses that might be expected to eventually arise. The provision percentage takes account of both historical experience and management's assessment of future potential losses.

The table below shows the ageing of other financial assets and the associated provisions as at 31 December 2019 and at 31 December 2018

		31/12/2019			31/12/2018		
In millions of euro	**Credit risk category classification**	**% total gross exposure**	**Gross carrying amount**	**Lifetime ECL**	**% total gross exposure**	**Gross carrying amount**	**Lifetime ECL**
Not impaired							
Current to 90 days past due	Category 1	88%	436.6	–	93%	420.5	–
90 – 180 days past due	Category 2	4%	21.3	(0.3)	1%	6.7	(0.1)
180 days – 1 year past due	Category 2	1%	4.5	(0.4)	0%	1.6	(0.2)
more than 1 year past due	Category 2	–	2.0	(0.3)	0%	1.9	(0.4)
Impaired							
Partially impaired	Category 4	3%	14.3	(9.0)	1%	6.6	(6.5)
Fully impaired	Category 5	4%	17.8	(17.8)	4%	17.3	(17.3)
TOTAL		**100%**	**496.5**	**(27.8)**	**100%**	**454.6**	**(24.5)**

The movements in the loss allowance are disclosed in "Impairments" (note 17).

4.2.4 Further credit risk analysis

The tables below show an analysis of credit risk by location and by sector as at 31 December 2019 and 31 December 2018.

4.2.4.1 CREDIT RISK BY LOCATION

Location for loans and advances is measured by reference to the location of the borrower. Debt securities are recorded based on the location of the issuer of the security.

In millions of euro	France	Switzerland	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/12/2019
Cash and amounts due from central banks	1,994.8	2,336.3	–	51.0	–	–	–	4,382.1
Financial assets at FVTPL(1)	52.2	28.3	21.2	35.1	16.1	0.3	–	153.2
Loans and advances to banks	1,099.7	58.6	316.2	244.9	214.2	49.1	19.0	2,001.7
Loans and advances to customers	1,629.0	173.8	825.4	392.7	116.2	78.0	48.9	3,264.0
Debt at amortised cost	398.8	6.6	397.5	425.7	228.7	63.6	–	1,520.9
Other financial assets	192.0	15.9	63.8	110.5	43.2	20.5	22.8	468.7
Subtotal assets	**5,366.5**	**2,619.5**	**1,624.1**	**1,259.9**	**618.4**	**211.5**	**90.7**	**11,790.6**
Commitments and guarantees	469.0	23.9	65.0	237.0	14.0	9.8	2.2	820.9
TOTAL	**5,835.5**	**2,643.4**	**1,689.1**	**1,496.9**	**632.4**	**221.3**	**92.9**	**12,611.5**

(1) Including hedging derivatives and excluding equities.

In millions of euro	France	Switzerland	UK and Channel Islands	Rest of Europe	Americas	Australia and Asia	Other	31/12/2018
Cash and amounts due from central banks	1,738.0	2,949.2	–	4.9	–	–	–	4,692.1
Financial assets at FVTPL(1)	34.2	2.9	27.7	23.6	1.9	1.6	–	91.9
Loans and advances to banks	835.0	117.3	541.4	167.1	323.0	44.0	15.3	2,043.1
Loans and advances to customers	1,479.8	109.3	745.2	335.7	112.9	78.2	68.2	2,929.3
Debt securities at FVOCI	–	–	–	1.4	–	0.3	–	1.7
Debt at amortised cost	305.7	–	246.0	353.4	123.5	8.5	–	1,037.1
Other financial assets	197.5	12.7	59.9	82.7	44.5	19.6	13.2	430.1
Subtotal assets	**4,590.2**	**3,191.4**	**1,620.2**	**968.8**	**605.8**	**152.2**	**96.7**	**11,225.3**
Commitments and guarantees	372.7	4.8	66.7	66.1	7.5	1.9	4.5	524.2
TOTAL	**4,962.9**	**3,196.2**	**1,686.9**	**1,034.9**	**613.3**	**154.1**	**101.2**	**11,749.5**

(1) Including hedging derivatives and excluding equities.

4.2.4.2 CREDIT RISK BY SECTOR

In millions of euro	31/12/2019	%	31/12/2018	%
Cash and amounts due from central banks	4,382.1	35%	4,692.1	40%
Credit institutions	3,005.6	24%	2,676.9	23%
Households	2,672.8	21%	2,492.8	21%
Other financial corporations	677.4	5%	300.8	3%
Real estate	531.3	4%	457.9	4%
Short-term fee income receivable (diversified customers)	365.4	3%	338.5	3%
Government(1)	308.9	2%	259.3	2%
Liquid debt securities (other sectors)	269.5	2%	156.1	1%
Other	398.5	3%	375.1	3%
TOTAL	**12,611.5**	**100%**	**11,749.5**	**100%**

(1) The “Government” exposure predominantly consists of high-quality government securities.

The sectors above are based on NACE classification codes (“Nomenclature of Economic Activities”), and other categories used for FINREP regulatory reporting.

Short-term accounts receivable and liquid debt securities, issued by non-financial corporations and held for treasury management, are exposed to various diversified sectors. Any temporary exposure to these sectors is not thought by management to pose a significant sectoral risk, and is not expected to be indicative of sectoral concentration for these assets in future. Therefore, these exposures are not analysed further in this section.

4.3 Market risk

Market risks associated with treasury and equity positions are described below with a description of the levels of risk. Market risk management is covered in the report on internal control, risk management and accounting procedures (page 71).

4.3.1 Equity investments

The Group has exposure to equity price risk through holdings of equity investments by its Merchant Banking business and through holding other equities, including those issued by mutual funds. The Group is also exposed to the risks affecting the companies in which it invests. Each MB investment is individually approved by management and is monitored on an individual basis.

If the price of these equities were to fall by 5% at 31 December 2019, then there would be a post-tax charge to the income statement of €55.1 million (31 December 2018: €37.8 million).

The table below shows the Group’s equity price risk in relation to these instruments, by location.

In millions of euro	31/12/2019	%	31/12/2018	%
France	470.6	39%	332.2	33%
Rest of Europe	281.7	24%	244.1	24%
United Kingdom and Channel Islands	223.1	19%	171.0	17%
Americas	123.9	10%	168.5	17%
Australia and Asia	55.3	5%	44.4	4%
Other	40.4	3%	35.0	4%
TOTAL	**1,195.0**	**100%**	**995.2**	**100%**

4.3.2 Currency risk

The Group has exposure to the effects of fluctuations in foreign currency exchange rates on its financial position and cash flows. The table below summarises exposure to foreign currency exchange rate risk. The net positions in the table are measured by reference to the net carrying amounts of monetary assets and liabilities other than those in a subsidiary’s functional currency, and are shown after taking account of positions in derivatives.

In millions of euro	31/12/2019 Long/(short)	31/12/2018 Long/(short)
USD	36.3	28.5
EUR	13.9	11.7
GBP	(4.6)	4.6
CHF	0.1	(2.2)
Other	1.4	3.0

If the euro strengthened against these currencies by 5%, then the effect on the Group would be a gain to the income statement of €0.2 million (31 December 2018: loss of €0.5 million).

4.3.3 Interest rate risk

Interest rate risk is the risk to earnings or capital arising from movements in interest rates. Management of interest rate risk is covered in the Report on internal control, risk management and accounting procedures (page 71).

Because of the nature of its business, only the banking entities in the Group are exposed to significant interest rate risk. The Group calculates Interest Rate Risk in the Banking Book (IRRBB) in line with the EBA requirements. The table below sets out the results of the EVE (Economic Value of Equity) stress tests for each prescribed stress scenario, as a percentage of tier 1 capital. This illustrates the low level of interest rate risk that the Group’s banking entities and, on a consolidated basis, the R&Co Group is exposed to, even under these severe stress tests.

The top section shows the results based on the assumption that sight deposits re-price overnight. It demonstrates the limited exposure to interest rate risk, which results from the Group's focus on private banking, as well as the very limited fixed-rate long-term lending exposures taken on in this activity.

There is, however, some interest rate risk for certain sight deposits which behave as 0% fixed non-maturity deposits. As a result of this, the Group behaviourally adjusts sight deposits in RMM, given the requirements of the French regulator along with the expectation that some of these deposits will behave in the same way as a fixed-rate liability. On the other hand, and in the light of RMM's deposits being of a largely private banking nature, these deposits are not considered to be very long term. Therefore, the Group behaviourally adjusts the stable amount linearly over 5 years with the non-stable amount re-fixing over 3 months. The results of this approach for RMM, and its impact on the Group, are set out in the lower half of the table. No behavioural adjustments are applied for IRRBB in the Group's other banks, because these are not required by the local regulators and, given the market flexibility to charge negative rates combined with the higher average deposit size, this is not appropriate at the current time.

IRRBB EVE results of the prescribed six shock scenarios as at 31 December 2019 are as follows. The table is not audited.

	Parallel up	Parallel down	Short rate up	Short rate down	Steepener	Flattener
Assumption: All sight deposits reprice overnight						
RMM	(5.9)%	1.8%	(4.6)%	1.6%	1.3%	(3.0)%
R&CoBZ	(2.5)%	2.6%	(2.3)%	2.3%	1.1%	(1.6)%
R&CoBI	(0.4)%	(1.0)%	(0.8)%	(0.9)%	(0.0)%	(0.8)%
Group	(1.4)%	0.6%	(1.2)%	0.5%	0.4%	(0.8)%
Assumption: Stable portion of RMM sight deposit maturities behaviourally adjusted						
RMM	28.6%	(6.9)%	15.7%	(6.6)%	(1.5)%	7.5%
R&CoBZ	(2.5)%	2.6%	(2.3)%	2.3%	1.1%	(1.6)%
R&CoBI	(0.4)%	(1.0)%	(0.8)%	(0.9)%	(0.0)%	(0.8)%
Group	5.1%	(1.0)%	2.6%	(1.0)%	(0.1)%	1.2%

4.4 Liquidity risk

4.4.1 Liquidity

Liquidity risk arises from the mismatch between the legal maturity of assets and liabilities. Management of liquidity risk is covered in the report on internal control, risk management and accounting procedures (page 71).

The Group takes a conservative approach to the management of liquidity risk. Each of the banks maintains low loan-to-deposit ratios and a significant amount of high quality liquidity, for example central bank deposits, to ensure they maintain a minimum level of 20% of all client deposits in cash or assets readily realisable into cash within 48 hours. Set out below are the liquidity coverage ratios (LCR) of the Group's banks, all of which are well in excess of the regulatory minimum of 100%. The figures are taken from regulatory returns, but are not audited.

Liquidity coverage ratios (LCRs)	31/12/2019	31/12/2018
Rothschild & Co Bank AG Zurich	140%	129%
Rothschild Martin Maurel	223%	298%
Rothschild & Co Bank International Limited	231%	300%

4.4.2 Contractual maturity

The following table shows the Group's financial assets and liabilities, analysed by remaining contractual maturity at the balance sheet date.

In millions of euro	Demand <1m	1m – 3m	3m – 1yr	1yr – 2yr	2yr – 5yr	>5 yr	No contractual maturity	31/12/2019
Cash and balances at central banks	4,382.1	–	–	–	–	–	–	4,382.1
Financial assets at FVTPL[1]	586.7	18.9	38.1	80.6	117.7	305.6	200.5	1,348.1
Securities at amortised cost	123.2	185.2	536.3	436.7	166.3	73.2	–	1,520.9
Loans and advances to banks	1,737.3	114.5	110.6	39.0	–	0.3	–	2,001.7
Loans and advances to customers	663.2	408.4	709.3	442.7	749.0	291.4	–	3,264.0
Other financial assets	358.0	83.7	16.1	4.0	–	6.9	–	468.7
TOTAL	**7,850.5**	**810.7**	**1,410.4**	**1,003.0**	**1,033.0**	**677.4**	**200.5**	**12,985.5**
Financial liabilities at FVTPL	14.2	14.7	39.6	2.0	0.2	–	–	70.7
Hedging derivatives	–	–	0.1	1.1	3.1	2.1	–	6.4
Due to banks and other financial institutions	176.8	26.4	56.9	15.3	23.4	149.8	–	448.6
Due to customers	9,181.3	171.4	76.5	45.6	11.6	0.2	–	9,486.6
Debt securities in issue	1.7	1.5	–	–	–	–	–	3.2
Lease liabilities	3.0	5.5	26.5	35.4	97.4	87.9	–	255.7
Other financial liabilities	176.6	5.3	5.0	3.0	6.3	–	–	196.2
TOTAL	**9,553.6**	**224.8**	**204.6**	**102.4**	**142.0**	**240.0**	**–**	**10,467.4**
Loan and guarantee commitments given	585.7	0.1	0.4	–	20.6	214.2	–	821.0

(1) Including hedging derivatives.

Loan and guarantee commitments given are disclosed in the period in which they could first be drawn down.

The undiscounted cash flows of liabilities and commitments are not materially different from the amounts disclosed in the contractual maturity table above.

4.5 Fair value disclosures

4.5.1 Fair value hierarchy

For financial reporting purposes, IFRS 13 requires fair value measurements applied to financial instruments to be allocated to one of three levels, reflecting the extent to which the valuation is based on observable data.

LEVEL 1: INSTRUMENTS QUOTED ON AN ACTIVE MARKET

Level 1 comprises instruments whose fair value is determined based on directly usable prices quoted on active markets. This mainly includes listed securities and derivatives traded on organised markets (futures, options, etc.) whose liquidity can be demonstrated, and shares of funds where the value is determined and reported on a daily basis.

LEVEL 2: INSTRUMENTS MEASURED ON THE BASIS OF RECOGNISED VALUATION MODELS USING OBSERVABLE INPUTS OTHER THAN QUOTED PRICES

Level 2 comprises instruments not directly quoted on an active market, measured using a valuation technique which incorporates parameters that are either directly observable or indirectly observable through to maturity.

DERIVATIVES

Derivatives are classified in Level 2 in the following circumstances:

- fair value is predominantly derived from prices or quotations of other Level 1 and Level 2 instruments, through standard market extrapolation or interpolation or through corroboration by real transactions; or
- fair value is derived from other standard techniques and models. The most frequently used measurement model is the discounted cash flow technique (DCF). The values derived from these models are materially affected by the measurement assumptions used, such as the amounts and settlement dates of future cash flows, the discount rates and solvency. When those parameters are determined on the basis of directly observable inputs, the derivatives are classified in Level 2.

DEBT SECURITIES AND DEBT SECURITIES IN ISSUE

Level 2 debt securities are less liquid than Level 1 securities. They are predominantly government bonds, corporate debt securities, mortgage-backed securities, and certificates of deposit. They can be classified in Level 2 when external prices for the same security can be regularly observed from a reasonable number of market makers that are active in this security, but these prices do not represent directly tradable prices (when supplied, for example, by consensus pricing services with a reasonable number of contributors that are active market makers as well as indicative runs from active brokers and/or dealers). Where prices are not directly observable in the market, a DCF valuation is used. The discount rate is adjusted for the applicable credit margin determined by similar instruments listed on an active market for comparable counterparties.

EQUITY SECURITIES

In the absence of a price available on an active market, fair value of Level 2 equity securities is determined using parameters derived from market conditions, based on data from comparable companies at the closing date.

The measurement techniques of Level 2 equity securities are:

– TRANSACTION MULTIPLES

The preferred measurement technique is based on transaction multiples. This technique uses recent transactions in the sector under consideration. Multiples are established based on the enterprise value of comparable transactions and accounting measures such as EBITDA, EBIT or profit, which are applied to the asset to be measured.

– EARNINGS MULTIPLES

This consists of applying a multiple to the earnings of the company to be valued. It is based on multiples from a sample of listed companies, which are in the peer group of the company to be valued. The earnings multiples used are the price/earnings ratio (PER), enterprise value/earnings before interest and tax (EV/EBIT) and enterprise value/earnings before interest, tax, depreciation and amortisation (EV/EBITDA). These are historical multiples of the company to be valued and of the peer-group companies. They are restated to exclude all non-recurring and exceptional amounts, as well as the amortisation of goodwill.

Companies in the selected peer group must operate in a similar sector to that of the target company. They are of a relatively comparable size and have similar growth prospects. Specific factors may also be taken into account in the selection: country, regulatory aspects specific to each market, and the presence or otherwise of related business activities.

The value of the peer group companies is obtained by adding together the market capitalisation, net financial debt and non-controlling interests, based on the most recently available financial data.

Stock exchange multiples are calculated excluding any control premium. The valuation is made from the point of view of a non-controlling shareholder. However, if the investment to be valued is not listed, the lack of liquidity relative to listed companies in the peer group may be reflected through an illiquidity discount.

– MEASUREMENT OF SHARE SUBSCRIPTION WARRANTS

Securities providing access to the capital, which generally take the form of share subscription warrants, are regularly assessed to determine the probability of exercise and the possible impact thereof on the value of the investment. At each closing date, the probability of exercising of the warrants is determined by comparing the cost of exercising with the expected benefit derived from exercising.

– HISTORICAL COST

When the Group has made an investment in an unquoted instrument within the past twelve months, the transaction price (*i.e.* an entry price) is often considered as a reasonable starting point for measuring the fair value of this unquoted equity instrument at the measurement date.

– NET ASSETS

Net asset value is, for a company, the amount a shareholder would receive if the company sold all its assets at their current market value, paid off any outstanding debts with the proceeds, and then distributed the remainder to the stockholders. For funds, the net asset value is based on the value of securities and working capital held in a fund's portfolio.

LOANS TO/DUE TO BANKS AND CUSTOMERS

Loans to customers and their associated interest rates: these are compared, by maturity, with similar recent transactions. In the event of a material difference in interest rates or any other factor indicating that an asset's fair value is materially different from the net carrying amount, the fair value is adjusted accordingly. To determine an asset's fair value, the Group estimates the counterparty's default risk and calculates the sum of future cash flows, taking into account the debtor's financial standing.

Repurchase agreements and amounts due to banks and customers: the fair value of these instruments is determined using a DCF technique, the discount rate of which is adjusted for the appropriate credit margin.

LEVEL 3: INSTRUMENTS MEASURED USING MODELS THAT ARE NOT COMMONLY USED AND/OR THAT DRAW ON NON-OBSERVABLE INPUTS

Level 3 comprises instruments which are measured, at least in part, on the basis of non-observable market data which is liable to affect the valuation materially. This could include:

- unquoted shares whose fair value could not be determined using observable inputs and for which the net asset value is the best approximation of fair value at the closing date; or
- shares of private equity funds or investments managed by third parties, for which the manager and third-party assessor have published a net asset value, using a valuation technique incorporating parameters that are not directly observable, or using observable inputs with a significant adjustment which is not observed; or
- more generally, all unquoted equity investments for which the Group uses a valuation technique (comparable valuation multiple, transaction multiple), as described above, but which incorporates parameters that are not directly observable. Such parameters might include cash flow forecasts for a DCF, or a discount rate which incorporates a risk premium; for these, the parameters may not be directly observable in the market; or
- impaired loans where the carrying value is determined by a DCF, using best estimates of recoverable cash flows.

4.5.2 Fair value of financial instruments

Carried at amortised cost

	31/12/2019				
In millions of euro	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Cash and amounts due from central banks	4,382.1	4,382.1	–	4,382.1	–
Securities at amortised cost	1,520.9	1,519.7	1,446.4	73.3	–
Loans and advances to banks	2,001.7	2,001.7	–	2,001.7	–
Loans and advances to customers	3,264.0	3,257.5	–	3,253.8	3.7
TOTAL	**11,168.7**	**11,161.0**	**1,446.4**	**9,710.9**	**3.7**
Financial liabilities					
Due to banks and other financial institutions	448.6	469.2	–	469.2	–
Due to customers	9,486.6	9,486.6	–	9,486.6	–
Debt securities in issue	3.2	3.2	–	3.2	–
TOTAL	**9,938.4**	**9,959.0**	**–**	**9,959.0**	**–**

	31/12/2018				
In millions of euro	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Cash and amounts due from central banks	4,692.1	4,692.1	–	4,692.1	–
Securities at amortised cost	1,037.1	1,030.5	974.4	56.1	–
Loans and advances to banks	2,043.1	2,043.1	–	2,043.1	–
Loans and advances to customers	2,929.3	2,926.1	–	2,919.6	6.5
TOTAL	**10,701.6**	**10,691.8**	**974.4**	**9,710.9**	**6.5**
Financial liabilities					
Due to banks and other financial institutions	585.1	595.9	–	595.9	–
Due to customers	8,725.7	8,725.7	–	8,725.7	–
Debt securities in issue	16.0	16.0	–	16.0	–
TOTAL	**9,326.8**	**9,337.6**	**–**	**9,337.6**	**–**

Carried at fair value

In millions of euro	31/12/2019 TOTAL	Level 1	Level 2	Level 3
Financial assets				
Mutual funds	580.0	557.7	22.3	–
Other financial assets at FVTPL	713.8	96.6	592.3	24.9
Derivative financial instruments	54.4	–	54.4	–
TOTAL	**1,348.2**	**654.3**	**669.0**	**24.9**
Financial liabilities				
Derivative financial instruments	77.2	–	77.2	–
TOTAL	**77.2**	**–**	**77.2**	**–**

In millions of euro	31/12/2018 TOTAL	Level 1	Level 2	Level 3
Financial assets				
Mutual funds	501.5	479.9	21.6	–
Other financial assets at FVTPL	548.2	67.4	452.0	28.8
Derivative financial instruments	37.4	–	37.4	–
FVOCI bonds, other fixed income securities and accrued interest	1.7	1.7	–	–
TOTAL	**1,088.8**	**549.0**	**511.0**	**28.8**
Financial liabilities				
Derivative financial instruments	21.8	–	21.8	–
TOTAL	**21.8**	**–**	**21.8**	**–**

4.5.3 Fair value Level 3 disclosures

MOVEMENT IN LEVEL 3 ASSETS

The following table presents the movement in assets valued using Level 3 valuation methods in the period.

In millions of euro		Bonds and other fixed income securities	Funds and other equities	TOTAL
As at 1 January 2019		**1.7**	**27.1**	**28.8**
Transfer into/(out of) Level 3		–	(2.0)	(2.0)
Total gains or losses for the period included in income statement		–	(0.6)	(0.6)
Purchases, issues, sales and settlements	Additions	–	8.0	8.0
	Disposals	–	(9.3)	(9.3)
AS AT 31 DECEMBER 2019		**1.7**	**23.2**	24.9

VALUATION TECHNIQUE AND SENSITIVITY BY CLASS OF LEVEL 3 FINANCIAL ASSET

Bonds and other fixed income securities valued using Level 3 techniques comprise portfolios of CLOs etc. They are valued using a discounted cash flow method, based on expected cash flows of securitised assets and expectation of how these will be distributed to different noteholders. The main unobservable input is the default and recovery data according to the various asset classes. Funds and other equities valued using Level 3 techniques are mainly based on valuations by third parties using various Level 3 techniques.

Out of the €23.2 million of FVTPL equity securities classified in Level 3 as at 31 December 2019, €22.5 million were subject to a third-party valuation. To quantify the fair value sensitivity of these instruments, measured using unobservable inputs, the Group has determined the impact in the event of a fall of 5% in the carrying value. In such an event, there would be a pre-tax charge to the income statement of €1.1 million.

4.5.4 Selected controls in the valuation process

MERCHANT BANKING

The calculation of fair value is subject to control procedures aimed at verifying that fair values are determined or validated by an independent function. Fair values determined by reference to external quoted prices or market parameters are validated by the relevant fund's valuation committee.

These committees review, at least twice a year, the valuation of the investments made by Merchant Banking.

The parameters of valuation that are reviewed in committee include the following:

- the origin of the external source;
- the consistency of the various sources;
- the events that took place during the period which could affect the value; and
- the frequency with which the data is updated.

Merchant Banking funds are valued by their management companies in accordance with the International Private Equity and Venture Capital Valuation (IPEV) guidelines or other commonly acknowledged industry standards. As such, where applicable, these valuation committees act as the valuator under the Alternative Investment Fund Managers Directive (AIFMD) requirements.

In addition, the valuations of assets held by MB funds are reviewed and supported by statutory audits of those funds.

VALUATION OF DERIVATIVES

The Group's OTC (*i.e.* non-exchange traded) derivatives are valued using external valuation models. These models calculate the present value of expected future cash flows. The Group's derivative products are of a "vanilla" nature, such as interest rate swaps and cross-currency swaps; for these, the modelling techniques used are standard across the industry. Inputs to the valuation models are determined from observable market data, including prices available from exchanges, dealers, brokers or providers of consensus pricing.

Exchange traded derivatives are valued by the exchange on which they are traded, which asks for margin calls depending on the value.

5. Notes to the balance sheet

Note 1 – Financial instruments at fair value through profit or loss

FINANCIAL ASSETS

In thousands of euro	31/12/2019	31/12/2018
Loans to customers	57,710	33,090
Financial assets designated at fair value through profit or loss	**57,710**	**33,090**
Debt securities	41,099	21,417
Equity instruments issued by mutual funds	580,014	501,460
Other equity instruments	614,953	493,715
Financial assets mandatorily at fair value through profit or loss	**1,236,066**	**1,016,592**
Trading derivative assets (see note 2)	**53,325**	**37,436**
TOTAL	**1,347,101**	**1,087,118**

Other equity instruments are held primarily by the Merchant Banking business. Equity instruments issued by mutual funds are predominantly money market and low risk debt funds.

No loans to customers designated at FVTPL suffered a change in fair value that is attributable to changes in their credit risk, over the period and on a cumulative basis.

FINANCIAL LIABILITIES

In thousands of euro	31/12/2019	31/12/2018
Trading derivative liabilities (see note 2)	**70,735**	**14,707**
TOTAL	**70,735**	**14,707**

Note 2 – Derivatives

A derivative is a financial instrument, the value of which is derived from another financial instrument, an index or some other variable ("the underlying"). Typically the underlying is an interest rate, a currency exchange rate or the price of a debt or equity security. Derivatives require little or no net investment or a smaller investment than a non-derivative financial instrument to obtain the same sensitivity to changes in the underlying.

Derivative instruments are carried at fair value, shown in the balance sheet as separate totals of positive fair values (assets) and negative fair values (liabilities). Positive fair values represent the cost to the Group of replacing all transactions with a fair value in the Group's favour if the counterparties default. Negative fair values represent the cost to the Group's counterparties of replacing all their transactions with the Group with a fair value in the counterparties' favour if the Group were to default. Changes in fair values of derivative instruments are recognised in trading income unless they qualify as cash flow or net investment hedges for accounting purposes.

Derivatives may be transacted for trading or hedging purposes. The accounting treatment of hedge transactions depends on the nature of the hedging relationship and whether the hedge qualifies as such for accounting purposes. Most of the Group's transactions that do not qualify as hedges for accounting purposes are nonetheless for the purpose of reducing market risk, by hedging exposures in the trading or non-trading books.

TRADING DERIVATIVES

	31/12/2019			31/12/2018		
In thousands of euro	*Notional principal*	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*234,780*	175	1,946	*197,611*	2,068	152
Conditional interest rate contracts	*19,500*	5	106	*18,867*	15	134
Firm foreign exchange contracts	*9,236,039*	51,956	67,117	*8,469,395*	34,051	13,867
Conditional foreign exchange contracts	*337,989*	1,189	1,175	*259,334*	1,302	237
Other swaps	*7,100*	–	391	*7,100*	–	290
Equity-related options	–	–	–	*57,678*	–	27
TOTAL	***9,835,408***	**53,325**	**70,735**	***9,009,985***	**37,436**	**14,707**

HEDGING DERIVATIVES

	31/12/2019			31/12/2018		
In thousands of euro	*Notional principal*	Of which: asset	Of which: liability	*Notional principal*	Of which: asset	Of which: liability
Firm interest rate contracts	*98,000*	–	6,434	*124,000*	–	5,804
Firm foreign exchange contracts	*27,200*	1,029	–	*167,815*	–	1,287
TOTAL	***125,200***	**1,029**	**6,434**	***291,815***	**–**	**7,091**

FAIR VALUE HEDGES

The Group holds a portfolio of medium and long-term fixed-rate customer loans and is, therefore, exposed to changes in fair value due to movements in market interest rates. The Group manages this risk exposure by entering into interest rate swaps whereby it pays fixed rates and receives floating rates. The Group applies hedge accounting to these derivatives, which it treats as fair value hedges.

Only the interest risk element is hedged; other risks, such as credit risk, are managed but not hedged by the Group. The interest rate risk component which is hedged is the change in fair value of the medium/long-term fixed rate customer loans arising solely from changes in EONIA (the benchmark rate of interest). Such changes are usually the largest component of the overall change in fair value. On 1 October 2019, the methodology to determine EONIA was changed and the Group now calculates EONIA using the new methodology. This change of methodology has not created any ineffectiveness on these hedges.

For the purposes of hedge accounting, efficiency tests are performed, prospectively at the date of designation and retrospectively at each balance sheet date, to ensure that there is no risk of over-coverage. The ineffectiveness of these hedges is considered immaterial and has therefore not been recognised in the income statement.

Most of these macro hedging swaps are carried out against EONIA and are intended to be held until maturity without periodic revision (*i.e.* they are non-dynamic).

The following table sets out the maturity profile and average fixed rate payable on the hedging instruments that are used in the Group's non-dynamic hedging strategies as at 31 December 2019.

	Total	Demand – 1 month	1m – 3m	3m – 1yr	1yr – 5yr	>5yr
Fair value hedges – interest rate swap						
Notional (in thousands of euro)	98,000	6,000	–	4,000	51,000	37,000
Average fixed interest rate paid	1.51%	1.07%	–	3.36%	1.86%	0.91%

The following table contains details of the loans and advances to customers that are covered by the Group's hedging strategies.

In thousands of euro	31/12/2019	31/12/2018
Notional principal	98,000	124,000
Carrying amount of hedged fixed rate loans	399,106	458,425
Accumulated amount of fair value increases on the hedged loans	6,434	5,804
Increase/(decrease) in fair value of hedged loans during the year for effectiveness assessment	630	(739)

NET INVESTMENT HEDGES

A foreign currency exposure arises from a net investment in subsidiaries that have a different functional currency from that of the Group. The risk arises from the fluctuation in spot exchange rates between the functional currency of the subsidiaries and the Group's functional currency, which causes the amount of the net investment to vary. This risk may have a significant impact on the Group's financial statements. The Group's policy is to hedge these exposures only when not doing so would be expected to have a significant impact on the regulatory capital ratios of the Group and its banking subsidiaries.

During the year, the Group hedged translation exposures through net investment hedges. The hedged risk in the net investment hedges was the risk of weakening exchange rates against the euro that would result in a reduction in the carrying amount of the Group's net investment in certain non-euro subsidiaries.

The Group used forward foreign exchange contracts as hedging instruments. The Group assessed effectiveness by comparing past changes in the fair value of a hypothetical derivative. There was no ineffectiveness in the year.

As at 31 December 2019, following payments of intra-group dividends during 2019 which reduced the amount of the Group's non-euro capital, the Group has decided to not renew its foreign exchange contracts classified as net investment hedges. The cumulative foreign currency reserve (negative €8.9m) will only be transferred to the P&L if the Group disposes of the underlying foreign operations, for which no plans exist.

The following table contains details of the Group's net investment hedges:

In thousands of euro	31/12/2019	31/12/2018
Notional principal	–	167,815
Gain in value of the hedged net investment during the period for effectiveness assessment	8,345	532
Cumulative foreign currency translation reserve (loss) – continuing hedge	–	(532)
Cumulative foreign currency translation reserve (loss) – discontinued hedge	(8,877)	–

CASH FLOW HEDGES

A foreign currency exposure arises in operating divisions which have a cost base in a currency that is different to its functional currency. The risk arises from the fluctuation in future spot rates, which would cause volatility in the Group's income statement. This risk may have a significant impact on the financial statements of the Group or the affected business.

The Group has introduced a hedging programme in certain divisions to reduce the volatility caused by exchange rate movements, by entering into forward foreign exchange contracts. The derivatives (a cash flow hedge) are designated as a hedge of a probable forecasted transaction, being the foreign currency sterling costs of the operating division.

The hedged risk in the Group's cash flow hedges is the risk of a strengthening of sterling exchange rates against the euro that would result in a reduction in profit. Because the Group policy is to hedge only a portion of the cost base, any ineffectiveness is expected to be immaterial.

The following table sets out the maturity profile and average exchange rate on the forward foreign exchange contracts that are used in the Group's cash flow hedging strategies as at 31 December 2019.

	Total	Demand <1m	1m – 3m	3m – 1yr	1yr – 5yr	>5yr
Cash flow hedges – currency forward						
Notional (in thousands of euro)	27,200	–	–	11,511	15,689	–
Average EUR-GBP exchange rate	0.90	–	–	0.89	0.90	–

The following table contains details of the Group's cash flow hedges:

In thousands of euro	31/12/2019	31/12/2018
Notional principal	27,200	–
(Increase)/decrease in value of the hedged sterling cost base during the period for effectiveness assessment	238	–
(Loss) in cash flow hedge reserve transferred to P&L	(327)	–

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table shows the impact (1) on the consolidated balance sheet of offsetting assets and liabilities with the same counterparties. Amounts are offset when the Group has a legally enforceable right to set off the recognised amounts, and it intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The table also indicates (2) amounts subject to a master netting agreement, which may be offset in the event of the default of one of the counterparties, but whose characteristics make them ineligible for offsetting under IFRS. Fair values of financial instruments and collateral here are capped at the net book value of the balance sheet exposure, so as to avoid any over-collateralisation effect. This part of the table ("net amount") is provided to indicate where master netting agreements mitigate the Group's exposure to financial instruments in the event of default by the counterparty. The Group also uses other risk mitigation strategies, such as holding collateral against its loans, but these are not disclosed in this table.

				(2) Impact of Master Netting Agreements			
In thousands of euro	Gross amounts	(1) Amounts set off	Net amounts as per balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received/ pledged	Financial instrument received/ pledged as collateral	Net amount
Derivative assets	70,658	(16,304)	54,354	–	(15,387)	–	38,967
Interbank demand deposits and overnight loans assets	927,905	–	927,905	–	(21,851)	–	906,054
Reverse repos and loans secured by bills	671,484	–	671,484	–	–	(671,484)	–
Guarantee deposits paid	18,194	–	18,194	–	(9,123)	–	9,071
Remaining assets not subject to netting	12,484,598	–	12,484,598	–	–	–	12,484,598
Total assets	**14,172,839**	**(16,304)**	**14,156,535**	**–**	**(46,361)**	**(671,484)**	**13,438,690**
Derivative liabilities	93,473	(16,304)	77,169	–	(30,974)	–	46,195
Interbank demand deposits and overnight loans liabilities	148,493	–	148,493	–	(14,867)	–	133,626
Repurchase agreements	50,000	–	50,000	–	–	(50,000)	–
Guarantee deposits received	612	–	612	–	(520)	–	92
Other liabilities not subject to netting	11,195,789	–	11,195,789	–	–	–	11,195,789
Total liabilities	**11,488,367**	**(16,304)**	**11,472,063**	**–**	**(46,361)**	**(50,000)**	**11,375,702**

Note 3 – Financial assets at fair value through other comprehensive income

In thousands of euro	31/12/2019	31/12/2018
Fixed income debt securities	–	1,737
TOTAL	**–**	**1,737**

Note 4 – Securities at amortised cost

In thousands of euro	31/12/2019	31/12/2018
Debt securities at amortised cost – gross amount	**1,521,633**	**1,037,469**
Stage 1 – 2 allowances	(754)	(325)
TOTAL	**1,520,879**	**1,037,144**

Note 5 – Loans and advances to banks

In thousands of euro	31/12/2019	31/12/2018
Interbank demand deposits and overnight loans	927,905	828,417
Interbank term deposits and loans	400,615	201,710
Reverse repos and loans secured by bills	671,484	1,010,583
Accrued interest	1,710	2,359
Loans and advances to banks – gross amount	**2,001,714**	**2,043,069**
Allowance for credit losses	–	–
TOTAL	**2,001,714**	**2,043,069**

Note 6 – Loans and advances to customers

In thousands of euro	31/12/2019	31/12/2018
Overdrafts	169,662	67,529
PCL loans to customers	2,817,690	2,502,766
Other loans to customers	315,011	408,543
Accrued interest	19,665	18,411
Loans and advances to customers – gross amount	**3,322,028**	**2,997,249**
Stage 1 – 2 allowances	(10,687)	(13,017)
Stage 3 allowances	(47,340)	(54,930)
Allowance for credit losses	**(58,027)**	**(67,947)**
TOTAL	**3,264,001**	**2,929,302**

Note 7 – Other assets

In thousands of euro	31/12/2019	31/12/2018
Accounts receivable(1)	211,253	188,523
Guarantee deposits paid(1)	18,194	19,850
Settlement accounts for transactions of securities(1)	85,008	71,836
Defined benefit pension scheme assets (note 21)	20,345	27,173
Other sundry assets	174,659	214,145
Other assets	**509,459**	**521,527**
Prepaid expenses	30,182	24,968
Accrued income(1)	154,197	149,934
Prepayments and accrued income	**184,379**	**174,902**
TOTAL	**693,838**	**696,429**

(1) These balances represent other financial assets as reported in section 4.

Note 8 – Investments accounted for by the equity method

The amounts in the balance sheet and income statement for associates are shown below.

In thousands of euro	31/12/2019 Equity accounted value	31/12/2019 Share of profit after tax	31/12/2018 Equity accounted value	31/12/2018 Share of profit after tax
Redburn (Europe) Limited	17,826	–	–	–
St Julian's Properties Limited	7,736	275	7,358	247
Others	–	(16)	395	92
TOTAL	**25,562**	**259**	**7,753**	**339**

As described in the Highlights note, section 1.3, the Group acquired a minority stake of Redburn's equity on 31 December 2019. Redburn is treated as an associate in the Group's accounts and our share of the net assets of Redburn, plus the excess of the payment over that amount at acquisition, is disclosed as a single line in the accounts in the consolidated balance sheet.

Our share of intangible assets in Redburn, identified at acquisition, is being amortised over their estimated life. Our share of intangible assets identified were valued at €6.6 million, of which customer relationships is the most significant.

Information about the underlying accounts of the associates is as follows.

In thousands of euro	31/12/2019 Redburn (Europe) Limited	31/12/2019 St Julian's Properties Limited
Activity	**GA**	**Other**
Loans and receivables with bank, net	38,268	501
Settlement accounts for transactions of securities (asset)	135,442	–
Investment properties	–	15,372
Intangible fixed assets	27,249	–
Other assets	19,217	453
Total assets	**220,176**	**16,326**
Settlement accounts for transactions of securities (liability)	135,442	–
Other creditors	23,490	853
Total creditors	**158,932**	**853**
Net banking revenue	–	(239)
Profit before tax	–	633
Net income	**–**	**550**
Other comprehensive income	–	16
Total comprehensive income	**–**	**566**
Dividends paid	**–**	**528**

The Group measures associates held by Merchant Banking as FVTPL, rather than equity accounted, where this is the way that they are viewed by management. All other associates are accounted for using the equity method. Information about Group voting rights and ownership interest is disclosed in note 36.

Note 9 – Leases

The Group rents several offices around the world from which it conducts its business. The terms of these leases typically span from 5-15 years.

Many of these leases contain clauses whereby the lessee has the opportunity to extend the lease beyond the non-cancellable term of the lease or has the option to terminate the lease early in advance of the contractual end date. Where the entity has judged that they are reasonably certain to utilise these options they have included these early termination/extension options in their assessment of the lease term.

A significant proportion of the Group's property leases are for French commercial leases. Typically, French commercial leases are signed for at least nine years, with unilateral termination possible by the tenant after three or six years. For this reason, this form of lease is commonly also known as 3/6/9 in France. As the tenants of these properties are reasonably certain that they do not expect to utilise these unilateral termination options they have estimated that the lease term will be for 9 years.

The Group, where appropriate, subleases a proportion of these properties to entities outside the Group.

The Group also leases a number of motor vehicles and certain other equipment, which are collectively not significant to the Group's accounts.

RIGHT OF USE ASSETS

In thousands of euro	01/01/2019	Change in accounting policies	Additions	Disposals/ write-offs	Depreciation and impairment	Exchange rate and other movements	31/12/2019
Right of use assets							
Leasehold property	–	236,694	20,488	(8,148)	–	2,003	251,037
Other assets	–	3,000	1,500	(21)	–	4	4,483
Total right of use assets – gross amount	**–**	**239,694**	**21,988**	**(8,169)**	**–**	**2,007**	**255,520**
Depreciation and allowances							
Leasehold property	–	–	–	475	(32,722)	(36)	(32,283)
Other assets	–	–	–	–	(1,473)	(1)	(1,474)
Total depreciation and allowances	**–**	**–**	**–**	**475**	**(34,195)**	**(37)**	**(33,757)**
TOTAL	**–**	**239,694**	**21,988**	**(7,694)**	**(34,195)**	**1,970**	**221,763**

LEASE LIABILITIES

In thousands of euro	01/01/2019	Change in accounting policies	Additions	Disposals/ write-offs	Amounts paid	Unwinding of discount	Exchange rate and other movements	31/12/2019
Lease liabilities								
Lease liabilities – property assets	–	262,528	20,294	(1,568)	(36,204)	5,516	2,127	252,693
Lease liabilities – other assets	–	2,990	1,508	(20)	(1,498)	29	6	3,015
TOTAL	**–**	**265,518**	**21,802**	**(1,588)**	**(37,702)**	**5,545**	**2,133**	**255,708**

The Group chose to apply permitted exemptions from applying IFRS 16 to certain leases that met the exemption threshold, these being low value leases and short term leases.

The amounts recorded in the P&L in respect of these leases were as follows:

In thousands of euro	31/12/2019
Low value leases	(12)
Short term leases	(3,135)
TOTAL	**(3,147)**

COMMITMENTS PAYABLE

	31/12/2019		31/12/2018	
In thousands of euro	Land and buildings	Other	Land and buildings	Other
Up to one year	1,087	41	37,308	1,439
Between one and five years	–	113	132,283	2,798
Over five years	–	–	121,598	–
TOTAL	**1,087**	**154**	**291,189**	**4,237**

Amounts disclosed as commitments payable as at 31 December 2019 represent a commitment to pay for leases which are short term, low value, or otherwise not subject to IFRS 16 due to materiality. The commitments disclosed above as at 31 December 2018 mainly relate to operating leases of rented offices around the world in accordance with IAS 17.

Following the adoption of IFRS 16, the amount of the lease commitments disclosed in the prior period were reassessed. For the purposes of comparison, the prior year was restated.

Note 10 – Tangible fixed assets

In thousands of euro	01/01/2019	Additions	Disposals/ write-offs	Depreciation/ impairment charge	Acquisition/ disposal of a subsidiary	Exchange rate and other movements	31/12/2019
Gross tangible fixed assets							
Operating land and buildings	399,433	4,886	(33,045)	–	549	14,938	386,761
Other tangible fixed assets	136,372	13,600	(3,088)	–	(1,993)	1,751	146,642
Total tangible fixed assets – gross amount	**535,805**	**18,486**	**(36,133)**	**–**	**(1,444)**	**16,689**	**533,403**
Depreciation and allowances							
Operating land and buildings	(113,162)	–	8,913	(18,227)	–	(3,670)	(126,146)
Other tangible fixed assets	(86,413)	–	2,702	(14,553)	855	(2,944)	(100,353)
Total depreciation and allowances	**(199,575)**	**–**	**11,615**	**(32,780)**	**855**	**(6,614)**	**(226,499)**
TOTAL	**336,230**	**18,486**	**(24,518)**	**(32,780)**	**(589)**	**10,075**	**306,904**

Depreciation and impairment of tangible fixed assets is charged in the income statement in note 28, except for a charge relating to an impairment prior to the sale of an office building, which is included in net gains related to sales of tangible or intangible assets (note 30).

Note 11 – Intangible fixed assets

In thousands of euro	01/01/2019	Additions	Disposals/ write-offs	Acquisition of subsidiaries	Amortisation/ impairment (note 28)	Exchange rate and other movements	31/12/2019
Gross intangible fixed assets							
Brand names	157,485	–	–	448	–	22	157,955
Other intangible assets	32,797	2,104	(774)	336	–	78	34,541
Total intangible assets – gross amount	**190,282**	**2,104**	**(774)**	**784**	**–**	**100**	**192,496**
Amortisation and allowances							
Brand names	–	–	–	–	–	–	–
Other intangible assets	(18,221)	–	615	–	(3,635)	(52)	(21,293)
Total amortisation and allowances	**(18,221)**	**–**	**615**	**–**	**(3,635)**	**(52)**	**(21,293)**
TOTAL	**172,061**	**2,104**	**(159)**	**784**	**(3,635)**	**48**	**171,203**

Intangible assets increased in the year by €0.8 million, related to the acquisition of Arrowpoint (see Highlights note section 1.3).

The most significant of the brand names is the asset related to the use of the "Rothschild & Co" brand. This is considered to have an indefinite useful life and is, therefore, not amortised, but is instead subject to an annual impairment test.

TESTING FOR IMPAIRMENT

As at 31 December 2019, the Group performed its annual impairment test for this brand name. It valued the brand using the "royalty relief" method, whereby the value of the brand is based on the theoretical amount that would be paid if the brand were licensed from a third party, and not owned. The key assumptions used for the test were:

- income is determined on the basis of a business plan of the acquired subsidiaries, which is derived from a three-year plan drawn up through the Group's budget process and then extended in perpetuity to a terminal value, using a long-term growth rate;
- royalty rate = 2%;
- growth rate in perpetuity = 2%; and
- discount rate = 8.5%.

Results of sensitivity tests on the Rothschild & Co brand name show that:

- a 50 bp increase in discount rates combined with a 50 bp reduction in perpetual growth rates would reduce the value by €38 million;
- a 25 bp decrease in the royalty rate would reduce the value by €41 million; and
- a 10% decrease in the income in the future business plan cash flows would reduce the value by €33 million.

Such decreases would not result in an impairment.

Note 12 – Goodwill

In thousands of euro	Global Advisory	Wealth and Asset Management	Merchant Banking	TOTAL
As at 1 January 2019	107,258	12,916	4,136	124,310
Acquisition of subsidiary	15,637	–	–	15,637
Currency translation	223	–	83	306
AS AT 31 DECEMBER 2019	**123,118**	**12,916**	**4,219**	**140,253**

In December 2019, the Group's Global Advisory business acquired a 100% interest in Arrowpoint (as noted in the Highlights note section 1.3). A significant proportion of the acquisition price is due in the form of contingent consideration to the former owners. Where these owners have also become employees of the Group, and where the payments are conditional on them remaining as employees, the Group is obliged under IFRS to treat the acquisition costs as a remuneration charge to be spread over the vesting period, even where the deferred consideration reflects the fair value of the business at the time of acquisition.

However, to the extent that a contingent payment is mandatory, for example through a floor, that element is treated as deferred consideration and is therefore included in the calculation of goodwill. Also included in the goodwill calculation is an assessment of the value of intangible assets identified on acquisition. Intangibles of €0.8 million were recognised, relating to Arrowpoint's brand and pipeline (note 11).

As a result of this acquisition, and the accounting policy described above, the Group recorded goodwill of €15.6 million from acquiring Arrowpoint. The amount of contingent consideration that has been charged to 'compensation and other staff costs' since the acquisition on 10 December 2019 is €0.1 million.

TESTING FOR IMPAIRMENT

As at 31 December 2019, the Group performed an annual impairment test for each of the cash generating units (CGU) to which goodwill has been allocated. The recoverable amount of the CGUs was calculated using the most appropriate method.

For our wider GA business, the fair value less cost of disposal has been calculated using PE multiples which have been applied to the normalised profit after tax. The value was determined using parameters derived from market conditions and based on data from comparable companies. The valuation technique would be classified in Level 2 of the fair value hierarchy.

The following assumptions were used:

- normalised profit after tax is determined over a three-year period; and
- trading multiples used were long-term PE multiples of M&A-focused peers.

Results of sensitivity tests on the wider GA business show that a 10% decrease in either the PE multiples or in the normalised profit after tax would reduce the CGU by €230 million and would not result in an impairment.

Note 13 – Due to banks and other financial institutions

In thousands of euro	31/12/2019	31/12/2018
Interbank demand and overnight deposits	148,493	261,466
Repurchase agreements	50,000	50,000
Interbank term deposits and borrowings	245,522	268,270
Accrued interest	4,579	5,331
TOTAL	**448,594**	**585,067**

Note 14 – Customer deposits

In thousands of euro	31/12/2019	31/12/2018
Demand deposits	8,679,775	7,905,132
Term deposits	650,316	751,850
Borrowings secured by bills	154,100	65,834
Accrued interest	2,378	2,875
TOTAL	**9,486,569**	**8,725,691**

Note 15 – Other liabilities, accruals and deferred income

In thousands of euro	31/12/2019	31/12/2018
Due to employees	641,745	607,114
Other accrued expenses and deferred income	126,538	161,634
Accrued expenses	**768,283**	**768,748**
Settlement accounts for transactions of securities[(1)]	169,324	301,984
Accounts payable[(1)]	26,859	27,639
Sundry creditors	96,909	99,629
Other liabilities	**293,092**	**429,252**
TOTAL	**1,061,375**	**1,198,000**

(1) These balances represent other financial liabilities as reported in section 4.

The presentation of accrued expenses was amended in the current period. For the purposes of comparison, the prior year was restated.

Note 16 – Provisions

In thousands of euro	Note	01/01/2019	Charge/ (release)	Utilised	Exchange movement	Other movements	31/12/2019
Provisions for counterparty risk		1,056	(9)	–	–	–	1,047
Provisions for claims and litigation		28,728	1,902	(1,638)	185	10	29,187
Provisions for property		353	85	(6)	(2)	1,257	1,687
Provisions for staff costs		2,463	1,361	(335)	19	(596)	2,912
Other provisions		5,049	(4,021)	–	(26)	–	1,002
Subtotal		**37,649**	**(682)**	**(1,979)**	**176**	**671**	**35,835**
Retirement benefit liabilities	21	39,227	n/a	n/a	n/a	(10,118)	29,109
TOTAL		**76,876**	**(682)**	**(1,979)**	**176**	**(9,447)**	**64,944**

From time to time, the Group is involved in legal proceedings or receives claims arising from the conduct of its business. Based upon available information and, where appropriate, legal advice, provisions are made where it is probable that an outflow of resources will be required and the amount can be reliably estimated.

Also within provisions for claims and litigation are amounts set aside to cover estimated costs of other legal proceedings and claims arising from the conduct of business.

Management believes that the level of provisions made in these financial statements continues to be sufficient for any potential or actual proceedings or claims which are likely to have an impact on the Group's financial statements, based on information available at the reporting date.

Note 17 – Impairments

In thousands of euro	01/01/2019	Income statement (charge)	Income statement reversal	Written off	Exchange rate and other movements	31/12/2019
Loans and advances to customers	(67,946)	(13,658)	17,522	7,292	(1,237)	(58,027)
Other financial assets	(24,530)	(12,525)	3,160	5,785	359	(27,751)
Securities at amortised cost	(326)	(429)	–	–	–	(755)
TOTAL	**(92,802)**	**(26,612)**	**20,682**	**13,077**	**(878)**	**(86,533)**

Note 18 – Deferred tax

The movement in the deferred tax account is as follows.

In thousands of euro	31/12/2019	31/12/2018
Net (liability)/asset as at beginning of period	**2,741**	**(374)**
of which deferred tax assets	*50,587*	*60,561*
of which deferred tax liabilities	*(47,846)*	*(60,935)*
Recognised in income statement		
Income statement (expense)/income	9,881	(7,089)
Recognised in equity		
Defined benefit pension arrangements	5,588	(4,407)
Financial assets at fair value through other comprehensive income	1,284	9,207
Share options	(1,062)	2,064
Net investment hedge	2,657	186
Cash flow hedge	(136)	–
Reclassification to current tax	(2,841)	1,816
Exchange differences	1,095	(534)
Purchase/sale of a subsidiary	(1,117)	–
Change in accounting policies	–	2,006
Other	(94)	(134)
NET (LIABILITY)/ASSET AS AT END OF PERIOD	**17,996**	**2,741**
of which deferred tax assets	*59,469*	*50,587*
of which deferred tax liabilities	*(41,473)*	*(47,846)*

Deferred tax net assets are attributable to the following items.

In thousands of euro	31/12/2019	31/12/2018
Deferred profit share arrangements	43,839	26,822
Provisions	4,815	5,474
Defined benefit pension liabilities	3,456	2,932
Accelerated depreciation	1,892	2,800
Losses carried forward	1,031	5,025
Share options	954	1,855
Financial assets at fair value	(839)	100
Other temporary differences	4,321	5,579
TOTAL	**59,469**	**50,587**

In accordance with the Group's accounting policy, some deductible temporary differences have not given rise to the recognition of deferred tax assets, mainly in the United States, Canada and Asia. Unrecognised deferred tax assets amounted to €47.6 million at 31 December 2019 (€57.4 million at 31 December 2018).

Deferred tax net liabilities are attributable to the following items.

In thousands of euro	31/12/2019	31/12/2018
Intangible assets recognised following acquisition of subsidiaries	13,459	13,459
Fair value adjustments to properties	10,159	16,624
Financial assets at fair value	10,035	9,727
Accelerated capital allowances	2,179	2,054
Defined benefit pension assets	1,499	979
Other temporary differences	4,142	5,003
TOTAL	**41,473**	**47,846**

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set-off and the balance relates to income tax levied by the same tax authority on the same taxable entity or tax group. There must also be the intention and the will to settle on a net basis or to realise the assets and liabilities simultaneously.

The deferred tax (expense)/income in the income statement comprises the following temporary differences.

In thousands of euro	31/12/2019	31/12/2018
Deferred profit share arrangements	15,589	4,466
Fair value adjustments to properties	6,639	–
Allowances for loan losses	(669)	(3,584)
Depreciation differences	(1,039)	(269)
Financial assets carried at fair value	(1,626)	(3,221)
Tax losses carried forward	(3,530)	(6,228)
Defined benefit pension liabilities	(5,001)	(2,068)
Other temporary differences	(482)	3,815
TOTAL	**9,881**	**(7,089)**

Note 19 – Structured entities

A structured entity is one which has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. It will often have restricted activities and a narrow or well-defined objective and can include some investment funds.

In most cases, it is clear under IFRS 10 that the Group need not consolidate its investments in structured entities. However, some structured entities are managed by the Group in the form of funds in which the Group's own money is also invested. In these situations, a judgement must be made as to whether there is a need to consolidate these funds or not. To do this, a combined assessment of two key indicators is made:

- remuneration and other economic interests in aggregate; and
- kick-out rights.

To assess economic interests, it is considered, at a particular level of returns, how much of any further increase in the performance of a fund accrues to the manager ("the variability of the economic interest"). The level of returns at which this is measured is the level at which performance fees begin to accrue.

A high level of variability would support the conclusion that a manager might be a principal (and would probably consolidate the managed fund). Meanwhile, a low level of variability would indicate that a manager might be an agent for the other investors (and would probably not consolidate).

Additionally, negligible rights for the investors to remove the manager or transfer their funds might indicate that a manager is a principal (and would probably consolidate) while strong rights might suggest that a manager is an agent (and would probably not consolidate).

The Group's judgement is guided by both IFRS 10 and its understanding of market practice.

Interest in unconsolidated structured entities

The following table shows the Group's interest in unconsolidated structured entities which it manages, and in which it has made an equity investment.

In thousands of euro	31/12/2019 Equity funds	Debt funds	TOTAL
Total assets within the underlying vehicles	**2,401,276**	**2,748,281**	**5,149,557**
Assets under management including third party commitments	**5,942,857**	**3,112,623**	**9,055,480**
Interest held in the Group's balance sheet:			
Debt and equity securities at FVTPL	390,827	105,156	495,983
Debt securities at amortised cost	–	73,182	73,182
Loans and advances to customers	48,131	8,157	56,288
Total assets in the Group's balance sheet	**438,958**	**186,495**	**625,453**
Off-balance sheet commitments made by the Group	551,237	62,120	613,357
Group's maximum exposure	**990,195**	**248,615**	**1,238,810**

Note 20 – Non-controlling interests

Non-controlling interests (NCI) represent the share of fully consolidated subsidiaries that is not directly or indirectly attributable to the Group. These interests comprise the equity instruments which have been issued by these subsidiaries and which are not held by the Group. The Group's income, net assets and distributions which are attributable to NCI arise from the following sources:

In thousands of euro	31/12/2019 Income	31/12/2019 Amounts in the balance sheet	31/12/2019 Distributions	31/12/2018 Income	31/12/2018 Amounts in the balance sheet	31/12/2018 Distributions
Share of profit attributable to NCI						
Preferred shares	136,692	137,713	172,003	146,670	159,748	156,792
R&CoHAG group	–	–	–	2,542	–	535
Other	(200)	4,976	116	584	5,848	76
Expense, net of tax, charged to equity						
Perpetual subordinated debt	17,287	302,895	17,619	17,684	290,640	17,661
TOTAL	**153,779**	**445,584**	**189,738**	**167,480**	**456,236**	**175,064**

PREFERRED SHARES

Preferred shares within NCI mainly consist of amounts calculated in accordance with legal clauses applicable to French limited partnerships owned by Rothschild Martin Maurel SCS, the French holding company of our WAM and GA businesses located in France. The preferred amounts are based on the partnerships' individual local earnings, and take into account the share that relates to workers' remuneration.

Preferred shares issued by R&CoCL a number of years ago were repaid in March 2019 at fair value, and the proceeds of €27.1 million are included in the 2019 distributions in the table above. As a result, at 31 December 2019, there were no amounts of share capital or preferred dividends due in respect of these shares. As this is a transaction with shareholders, the uplift in fair value on repayment was charged directly to shareholders' funds in the consolidated statement of changes in equity.

PERPETUAL SUBORDINATED DEBT

Subsidiaries inside the Group have issued to third parties perpetual subordinated debt instruments which have discretionary clauses relating to the payment of the interest. Under IFRS, these instruments are considered to be equity instruments and are shown as part of NCI because they were issued by subsidiaries and not held by the Group. The interest payable, net of tax relief, on these instruments is shown as a charge to NCI. The instruments are shown below.

In thousands of euro	31/12/2019	31/12/2018
Perpetual fixed rate subordinated notes 9 per cent (£125 million)	173,537	165,455
Perpetual floating rate subordinated notes (€150 million)	60,694	57,868
Perpetual floating rate subordinated notes (US$200 million)	68,664	67,317
TOTAL	**302,895**	**290,640**

ROTHSCHILD & CO HOLDING AG GROUP

The following table shows a summarised income statement of the R&CoHAG group of companies for the prior period, during which it was not wholly owned by the Group.

In thousands of euro	R&CoHAG Group
Income statement information	**31/12/2018**
Net banking revenue	228,743
Net income	39,375
Total other comprehensive income for the period, after tax(1)	17,842
Total comprehensive income for the period	**57,217**

(1) Other comprehensive income in R&CoHAG comprises gains and losses from translation, actuarial movements and revaluation of long-standing shareholdings.

On 6 August 2018 the Group and Edmond de Rothschild completed their agreement to unwind all of their cross-shareholdings. As a result, from that date R&CoHAG has been wholly owned by the Group.

R&CoHAG was, until June 2019, the Swiss holding company of part of our Wealth Management business. In June 2019, R&CoHAG was merged with Rothschild & Co Continuation Holdings AG (R&CoCH). R&CoCH and R&CoHAG have been wholly owned by the Group since 6 August 2018 and, therefore, there are no longer any non-controlling interests relating to R&CoHAG.

Note 21 – Retirement benefit obligations

The Group supports various pension schemes for the employees of operating subsidiaries. Where material, these are described below.

The NMR Pension Fund (“UK Fund”) is operated by NMR for the benefit of employees of certain Group companies in the United Kingdom. This fund comprises a defined benefit section, which closed to new entrants in 2003, and a defined contribution section, established with effect from the same date.

The NMR Overseas Pension Fund (“Overseas Fund”) is operated for the benefit of employees of certain Group companies outside the United Kingdom. The defined benefit section also closed to new entrants, and a defined contribution section was opened, in 2003. The employees in the Overseas Fund stopped earning additional defined benefit pensions in 2017. Benefits built up by former in-service members will increase between the date of closure and each member’s retirement date in line with the standard deferred revaluation in the fund’s rules.

Rothschild & Co North America Inc maintains an unfunded qualified non-contributory defined benefit pension plan and other pension agreements for certain employees (“US Fund”). Neither the plan nor the pension agreements provide for health or other benefits for employees or retirees. The last time that new benefits were accrued was 2001.

R&CoBZ also operates funded pension schemes (“Swiss Funds”). These schemes have been set up on the basis of the Swiss method of defined contributions but have characteristics of a defined benefit pension plan. Current employees and pensioners (former employees or their surviving partners) receive benefits upon retiring as well as in the event of death or invalidity. These benefits are financed through employer and employee contributions.

Additionally, certain companies in the Group have smaller unfunded obligations in respect of pensions and other post-employment benefits.

The latest formal actuarial valuations of the UK Fund and the Overseas Fund were carried out as at 31 March 2019. The value of the defined benefit obligation has been updated to 31 December 2019 by qualified independent actuaries. Valuations of the Swiss Funds are performed for each closing, also by qualified actuaries.

The defined benefit obligations expose the Group to a number of risks, including longevity, inflation, interest rate and investment performance. These risks are mitigated where possible by applying an investment strategy for the funded schemes which aims to minimise the long-term costs. This is achieved by investing in a diversified selection of asset classes, which aims to reduce the volatility of returns and also achieves a level of matching with the underlying liabilities. The matching assets, which the funded schemes invest in, include corporate bonds, government gilts and a specific liability-driven investment mandate, which provide a partial hedge of the funds' interest rate and inflation exposure.

Overall, the objective is to select assets which will generate income and capital growth to fund the cost of current and, where applicable, future benefits payable by the funds. The choice of assets also reflects factors such as the funding position and whether the Fund is closed to future accrual.

AMOUNTS RECOGNISED IN THE BALANCE SHEET

In thousands of euro	UK and Overseas Funds	Swiss Funds	US Fund	Other	31/12/2019
Present value of funded obligations	1,160,977	227,050	–	–	1,388,027
Fair value of plan assets	(1,170,868)	(227,005)	–	–	(1,397,873)
Subtotal	**(9,891)**	**45**	**–**	**–**	**(9,846)**
Present value of unfunded obligations	–	–	6,836	11,774	18,610
TOTAL	**(9,891)**	**45**	**6,836**	**11,774**	**8,764**
of which schemes with net liabilities	*3,365*	*7,134*	*6,836*	*11,774*	*29,109*
of which schemes with net (assets)	*(13,256)*	*(7,089)*	–	–	*(20,345)*

In thousands of euro	UK and Overseas Funds	Swiss Funds	US Fund	Other	31/12/2018
Present value of funded obligations	1,005,057	239,052	–	–	1,244,109
Fair value of plan assets	(1,027,603)	(228,929)	–	–	(1,256,532)
Subtotal	**(22,546)**	**10,123**	**–**	**–**	**(12,423)**
Present value of unfunded obligations	–	–	14,044	10,433	24,477
TOTAL	**(22,546)**	**10,123**	**14,044**	**10,433**	**12,054**
of which schemes with net liabilities	–	*14,750*	*14,044*	*10,433*	*39,227*
of which schemes with net (assets)	*(22,546)*	*(4,627)*	–	–	*(27,173)*

MOVEMENT IN NET DEFINED BENEFIT OBLIGATION

In thousands of euro	Plan (assets)	Defined benefit obligations	Net defined benefit liability
As at 1 January 2019	**(1,256,532)**	**1,268,586**	**12,054**
Current service cost (net of contributions paid by other plan participants)	–	12,727	12,727
Contributions by the employees	(3,138)	3,138	–
Past service costs	–	(2,915)	(2,915)
Curtailments	34,991	(35,076)	(85)
Interest (income)/cost	(32,666)	32,344	(322)
Remeasurements due to:			
– actual return less interest on plan assets	(94,111)	–	(94,111)
– changes in financial assumptions	–	123,005	123,005
– changes in demographic assumptions	–	(488)	(488)
– experience (gains)/losses	–	(7,974)	(7,974)
Benefits paid	45,135	(45,135)	–
(Contributions) by the Group	(34,385)	–	(34,385)
Administration expenses	2,205	–	2,205
Exchange and other differences	(59,372)	58,425	(947)
AS AT 31 DECEMBER 2019	**(1,397,873)**	**1,406,637**	**8,764**

Following the March 2019 triennial actuarial valuation of the UK Fund, the trustees of the defined benefit pension fund have agreed a contribution plan with the Group to reduce the resulting deficit in accordance with pensions regulation. The aim is to eliminate the funding deficit by 2023 with €17.6 million of additional contributions per year, although from March 2021, the contributions will be reviewed on the basis of the funding position of the UK Fund. In addition, participating employers in the fund have agreed to pay 55.2% of in-service members' pensionable salaries in respect of future accruals.

The Overseas Fund is in surplus on the agreed funding assumptions. Following its March 2019 triennial valuation, it was agreed that no contributions need to be made other than to cover certain expenses of the Overseas Fund.

It is estimated that total contributions of €35 million will be paid to the Group's defined benefit pension schemes in the twelve months ending 31 December 2020.

The Group has assessed that no further liability arises for the UK, Overseas and Swiss Funds under IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This conclusion was reached because the trustees of the UK and Overseas Funds do not have a unilateral power to wind up the fund and the fund's rules allow the sponsoring company an unconditional right to a refund assuming the gradual settlement of plan liabilities over time until all members have left the fund. Meanwhile, the plan assets of the Swiss Funds contain a repurchase value of CHF4.5 million, resulting from a reinsurance contract with Zurich Insurance Company Ltd, Zurich (Zurich Insurance). Zurich Insurance does not have a unilateral power to wind up the reinsurance contract.

The net pension asset in the Swiss Funds is expected to become available to the Group because the statutory employer contributions do not fully cover the employer service cost according to IAS 19. According to IFRIC 14, the maximum economic benefit is the capitalised value of the difference between the employer service cost and the expected employer's contributions to the fund for the following financial year.

The weighted average projected maturity of Fund liabilities is 19 years for the UK Fund and 17 years for the main Swiss Fund.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT RELATING TO DEFINED BENEFIT POST-EMPLOYMENT PLANS

In thousands of euro	31/12/2019	31/12/2018
Current service cost (net of contributions paid by other plan participants)	12,727	14,206
Net interest (income)/cost	(322)	588
Past service (income)/cost	(2,915)	5,594
Administration costs	2,205	2,003
Curtailments	(85)	–
TOTAL (included in staff costs)	**11,610**	**22,391**

In January 2019, a past service gain of €2.9 million was booked following changes made to the terms of the Swiss Fund by its pension board.

A court judgement in 2018 in the UK required that occupational pension schemes must remove any inequality of treatment between men and women that arises as a result of paying guaranteed minimum pensions (GMP). GMP is the pension that had to be provided by schemes that had contracted out of the State Earnings Related Pension Scheme and affects employees who were members of the fund between May 1990 and April 1997.

The estimated increase in liabilities following this judgement was €5.6 million, included in the 2018 income statement charge as a past service cost.

AMOUNTS RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME

In thousands of euro	31/12/2019	31/12/2018
Remeasurement (losses)/gains recognised in the period	(20,432)	9,988
Cumulative remeasurement losses recognised in the statement of comprehensive income	(210,965)	(190,543)

ACTUARIAL ASSUMPTIONS AND SENSITIVITIES

The principal actuarial assumptions used as at the balance sheet date were as follows.

	UK and Overseas Funds		Swiss Funds		US Fund	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Discount rate	2.2%	2.9%	0.4%	0.8%	2.2%	3.6%
Retail price inflation	2.9%	3.2%	n/a	n/a	n/a	n/a
Consumer price inflation	2.0%	2.1%	0.5%	0.5%	n/a	n/a
Expected rate of salary increases	2.0%	2.0%	1.0%	1.0%	n/a	n/a
Expected rate of increase of pensions in payment:						
Uncapped increases	n/a	n/a	0.0%	0.0%	n/a	n/a
Capped at 5.0%	2.8%	3.1%	n/a	n/a	n/a	n/a
Capped at 2.5%	2.0%	2.1%	n/a	n/a	n/a	n/a
Life expectancy in years of a:						
Male pensioner aged 60	29.0	28.7	27.4	27.3	27.7	27.7
Female pensioner aged 60	30.3	29.7	29.7	29.6	29.9	29.9
Male pensioner aged 60 in 20 years' time	30.3	30.2	29.7	29.2	n/a	n/a
Female pensioner aged 60 in 20 years' time	31.7	31.3	31.4	31.4	n/a	n/a

The value placed on the defined benefit net liabilities and assets is sensitive to the actuarial assumptions used. Those assumptions that have the most significant impact on the measurement of the liability, along with an illustration of the sensitivity to each assumption, are as follows:

	31/12/2019	
In thousands of euro	UK and Overseas Funds	Swiss Funds
0.5% increase in discount rate	(101,000)	(14,000)
0.5% increase in inflation	81,000	1,000
One year increase in life expectancy	47,000	n/a

The sensitivities shown above reflect only an estimate of the change in the assessed defined benefit obligation for the funds. In practice, any movement leading to a change in the discount rate or price inflation is likely to be partially offset by a change in asset values, and the corresponding overall impact on the net liability is therefore likely to be lower than the amounts above.

COMPOSITION OF PLAN ASSETS

	UK Fund		Overseas Fund		Swiss Funds	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Equities – quoted	23%	26%	18%	30%	33%	30%
Bonds – quoted	18%	14%	29%	25%	42%	41%
Hedges of liabilities, including gilts	29%	29%	38%	33%	1%	2%
Hedge funds and private equity	8%	8%	–	–	9%	13%
Cash and net current assets	8%	10%	3%	5%	5%	6%
Other debt – quoted	9%	7%	7%	3%	–	–
Property and others	5%	6%	5%	4%	10%	8%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Equities includes €nil (31 December 2018: €0.8 million) of shares in companies that are related parties of the Company.

Note 22 – Net cash and cash equivalents

For the purposes of drawing up the cash flow statement, the "cash and cash equivalents" items are analysed as follows.

In thousands of euro	31/12/2019	31/12/2018
Cash and accounts with central banks	4,382,129	4,692,134
Interbank demand deposits and overnight loans (assets)	927,905	828,417
Other cash equivalents	221,484	399,787
Interbank demand deposits and overnight loans (liabilities) and due to central banks	(148,493)	(261,466)
TOTAL	**5,383,025**	**5,658,872**

Cash includes demand deposits placed with banks and cash on hand. Other cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of value change. These comprise overnight interbank reverse repos and public bills which are held for trading.

Note 23 – Commitments given and received

COMMITMENTS GIVEN

In thousands of euro	31/12/2019	31/12/2018
Given to banks	1,542	1,546
Given to customers	625,960	382,316
Loan commitments	**627,502**	**383,862**
Given to banks	103,855	44,762
Given to customers	89,502	95,551
Guarantee commitments	**193,357**	**140,313**
Investment commitments	391,396	343,488
Irrevocable nominee commitments	200,757	176,211
Pledged assets and other commitments given	60,484	62,684
Other commitments given	**652,637**	**582,383**

Investment commitments relate to Merchant Banking funds and investments. Irrevocable nominee commitments represent commitments to funds where the Group acts as a nominee on behalf of its clients. The commitment to employees in respect of deferred remuneration is set out in note 27.

COMMITMENTS RECEIVED

In thousands of euro	31/12/2019	31/12/2018
Received from banks	314,609	276,390
Loan commitments	**314,609**	**276,390**
Received from banks	47,723	90,835
Received from customers	3,072	3,004
Guarantee commitments	**50,795**	**93,839**

6. Notes to the income statement

Note 24 – Net interest income

Interest income

In thousands of euro	31/12/2019	31/12/2018
Interest income – loans to banks	8,412	7,122
Interest income – loans to customers	63,126	65,697
Interest income – debt securities at FVTPL	761	607
Interest income – debt securities at FVOCI	1,277	634
Interest income – debt securities at amortised cost	7,618	6,292
Interest income – derivatives	61,580	56,748
Interest income – other financial assets	282	321
TOTAL	**143,056**	**137,421**

Interest expense

In thousands of euro	31/12/2019	31/12/2018
Interest expense – due to banks and other financial institutions	(8,876)	(9,927)
Negative interest income from loans to banks	(30,227)	(27,039)
Interest expense – due to customers	(26,257)	(17,295)
Interest expense – debt securities in issue	(14)	(57)
Interest expense – derivatives	(2,660)	(3,371)
Interest expense – lease liabilities	(5,545)	–
Interest expense – other financial liabilities	(1,058)	(1,775)
TOTAL	**(74,637)**	**(59,464)**

From 1 January 2019, rental expenses under IFRS 16 are split into a depreciation charge of ROU assets and an interest charge for discounting lease liabilities. Further information on the adoption of IFRS 16 is provided in section 2.3.

Note 25 – Net fee and commission income

Fee and commission income

In thousands of euro	31/12/2019	31/12/2018
Fees for advisory work and other services	1,186,479	1,288,111
Portfolio and other management fees	552,276	555,814
Banking and credit-related fees and commissions	6,129	5,656
Other fees	7,595	8,511
TOTAL	**1,752,479**	**1,858,092**

Fee and commission expense

In thousands of euro	31/12/2019	31/12/2018
Fees for advisory work and other services	(21,377)	(10,596)
Portfolio and other management fees	(62,603)	(76,756)
Banking and credit-related fees and commissions	(114)	(517)
Other fees	(3,584)	(1,904)
TOTAL	**(87,678)**	**(89,773)**

Note 26 – Net gains/(losses) on financial instruments at fair value through profit or loss

In thousands of euro	31/12/2019	31/12/2018
Net income – financial instruments at fair value through profit or loss	69,373	62,528
Net income – carried interest	45,817	40,020
Net income – foreign exchange operations	20,799	26,960
Net income – other trading operations	(553)	(74)
TOTAL	**135,436**	**129,434**

Net gains and losses on financial instruments at fair value through profit or loss include the changes in fair value of financial instruments at fair value through profit or loss, and financial instruments held in the trading portfolio, including derivatives.

Of the €69.4 million income from financial instruments at FVTPL, €68.1 million was from investments mandatorily at FVTPL, with the rest from instruments designated at FVTPL.

Financial instruments at fair value through profit or loss include both ordinary equity and carried interest shares held by the Group in its Merchant Banking funds. They also include certain loans made to its Merchant Banking funds.

Note 27 – Operating expenses

In thousands of euro	31/12/2019	31/12/2018
Compensation and other staff costs	(1,039,934)	(1,062,852)
Defined benefit pension expenses	(11,610)	(22,391)
Defined contribution pension expenses	(13,200)	(12,584)
Staff costs	**(1,064,744)**	**(1,097,827)**
Administrative expenses	(288,972)	(308,748)
TOTAL	**(1,353,716)**	**(1,406,575)**

Staff costs

As part of its variable pay strategy, the Group pays bonuses to employees. In some cases, the cash payment is deferred to future years.

In most circumstances. deferred cash awards are paid one, two and three years after the year of the award, and the expense is recognised over the two, three and four-year periods from the start of the year of the award to the date of payment. These awards are paid on the condition that the recipient is still an employee of the Group. For certain employees, a portion of the bonus will be settled in the form of a non-cash instrument. There are two forms of non-cash instruments in the R&Co Group, used in response to the Capital Requirements Directive 4 (CRD4). Firstly, an equity-settled deferred share award consisting of R&Co shares: the R&Co shares are released to the employees six months after the vesting date of the award. Secondly, a cash-settled share-linked cash award (non-deferred): this vests immediately but the value of the amount paid moves in line with the R&Co share price over a six month holding period. When it is mutually beneficial, the Group sometimes allows employees to accelerate the vesting of deferred cash awards, and in this case, the uncharged expense is recognised immediately.

A commitment to employees exists in connection with deferred remuneration. Some of this has not yet accrued because it relates to a future service period. The amount of potential future payments that have not yet accrued is €109.7 million (€109.8 million as at 31 December 2018).

The objective of the deferred share-based payment awards is to link the reward of certain key staff with the performance of the Group. In addition to the requirement to remain employed by the Group, these awards may also be cancelled under specific circumstances.

Administrative expenses and depreciation costs

As explained in section 2.3, the Group has adopted IFRS 16 from January 2019. The ongoing leasing expenses for capitalised leases for the 12 months to 31 December 2019 are €38.5 million, comprising a €33.0 million charge for depreciation of right of use assets (included in depreciation costs) and €5.5 million of interest costs (note 9). For 2018, all charges for leased assets were included in administrative expenses.

R&Co Equity Scheme

R&Co also operates Equity Schemes for some of its senior staff. Equity Scheme participants are required to invest in R&Co shares and, for each share owned, they are granted four share options. The shares are subject to a three-year to four-year lock-up period and the share options granted are subject to a vesting period before exercise. Some staff use deferred cash awards to fund their investment in the R&Co shares. In this case, the element of the deferred awards they use that has not yet been expensed at the point of purchase is recognised over the lock-up period.

Movements in the number of share options outstanding are as follows:

	31/12/2019		31/12/2018	
	Number, 000s	Weighted average exercise price, €	Number, 000s	Weighted average exercise price, €
At the beginning of the period	3,960	23.5	4,335	22.9
Issued	1,150	28.0	80	30.0
Forfeited	(20)	32.7	(20)	19.5
Exercised	(292)	18.6	(435)	19.6
AS AT THE END OF THE PERIOD	**4,798**	**24.9**	**3,960**	**23.5**
Exercisable at the end of the period	2,288	19.2	1,735	18.5

Share options outstanding at the end of the period were as follows:

	31/12/2019		31/12/2018	
Exercise price €	Number of outstanding options, 000s	Weighted average contractual life (years)	Number of outstanding options, 000s	Weighted average contractual life (years)
€16.01 – €18.00	840	3.8	1,025	4.8
€18.01 – €20.00	1,298	3.8	1,384	4.8
€20.01 – €22.00	–	–	–	–
€22.01 – €24.00	65	5.8	75	6.8
€24.01 – €26.00	180	5.8	190	6.8
€26.01 – €28.00	750	5.9	95	6.8
€28.01 – €30.00	288	5.4	–	–
€30.01 – €32.00	500	6.2	298	8.8
€32.01 – €35.00	877	7.9	893	8.8
TOTAL	**4,798**	**5.3**	**3,960**	**6.1**

The fair value of the share-based payment made was €2.6 million (31 December 2018: €0.1 million). Fair values are charged to the income statement over the period of employee service required under the vesting conditions. As the options are equity-settled, there is no liability booked in the balance sheet in respect of these options, and there is no periodic charge or credit in the income statement as the employees' options change in value.

On issuance, options are valued by an independent valuer using a Black-Scholes option valuation model. The key inputs into this model are the price of the underlying R&Co shares, the expected volatility of the share price (for which the historic volatility has been the primary consideration), and the estimated exercise date of the options (which is assumed to be the mid-point between the dates of vesting and expiry). The valuation is based on the assumption that all recipients will remain with the Group.

The charge arising in the period that relates to share-based payments is included in the line Compensation and other staff costs, and amounts to €1.3 million (31 December 2018: €1.1 million).

Note 28 – Depreciation, amortisation and impairment of tangible and intangible fixed assets

In thousands of euro	31/12/2019	31/12/2018
Depreciation of tangible assets	(28,714)	(26,993)
Depreciation of right of use assets	(32,972)	–
Amortisation of intangible assets	(3,069)	(3,207)
Depreciation and amortisation	**(64,755)**	**(30,200)**
Impairment of intangible assets	(566)	–
Impairment of right of use assets	(1,223)	–
Impairments	**(1,789)**	**–**
TOTAL	**(66,544)**	**(30,200)**

Note 29 – Cost of risk

In thousands of euro	Impairment	Impairment reversal	Recovered loans	31/12/2019	31/12/2018
Loans and advances to customers	(13,658)	12,138	5,384	3,864	3,928
Securities at amortised cost	(429)	–	–	(429)	33
Other assets	(12,525)	3,118	42	(9,365)	(8,258)
TOTAL	**(26,612)**	**15,256**	**5,426**	**(5,930)**	**(4,297)**

Note 30 – Net income/(expense) from other assets

In thousands of euro	31/12/2019	31/12/2018
Gains/(losses) related to sales of tangible or intangible assets	18,130	41
Gains/(losses) on disposal and impairment of subsidiaries	3,421	(5,847)
Non-operating income/(expense)	(3,158)	(3,533)
Dividend from long-standing shareholding, designated at FVOCI	–	5,474
TOTAL	**18,393**	**(3,865)**

The note above includes the result on sale, and impairment prior to sale, of two office buildings.

Following the agreement to sell its Trust business (see Highlights section 1.2), the Group booked an impairment provision of €5 million in the year ending December 2018. The consolidated result on disposal, net of associated costs, has been booked in the current period following the completion of the sale earlier this year.

The loss in non-operating income includes the unrealised change in value and dividend income from certain legacy investments which are excluded from the management result.

Dividend income from the Group's interest in EdRS, sold in August 2018, was included as dividend income within "net income/(expense) from other assets" in December 2018.

Note 31 – Income tax expense

In thousands of euro	31/12/2019	31/12/2018
Current tax	(77,905)	(69,704)
Deferred tax	9,881	(7,089)
TOTAL	**(68,024)**	**(76,793)**

The net tax charge can be analysed between a current tax charge and a deferred tax charge as follows.

Current tax

In thousands of euro	31/12/2019	31/12/2018
Tax charge for the period	(67,720)	(70,165)
Adjustments related to prior periods	(577)	3,031
Irrecoverable dividend-related tax	(9,543)	(2,434)
Other	(65)	(136)
TOTAL	**(77,905)**	**(69,704)**

Deferred tax

In thousands of euro	31/12/2019	31/12/2018
Temporary differences	10,950	(6,119)
Changes in tax rates	979	694
Adjustments related to prior periods	(2,048)	(1,664)
TOTAL	**9,881**	**(7,089)**

Reconciliation of the tax charge between the French standard tax rate and the effective rate

In thousands of euro		31/12/2019		31/12/2018
Profit before tax		**464,487**		**530,598**
Expected tax charge at standard French corporate income tax rate	34.43%	159,923	34.43%	182,685
Main reconciling items(1)				
Impact of foreign profits and losses taxed at different rates	(13.4%)	(62,165)	(12.0%)	(63,844)
Tax on partnership profits recognised outside the Group	(9.2%)	(42,916)	(8.8%)	(46,525)
Recognition of previously unrecognised deferred tax	(1.9%)	(8,783)	(0.7%)	(3,692)
Tax impact on deferred tax relating to change of the corporate income tax rate	(0.2%)	(980)	(0.1%)	(695)
Impact of unrecognised deferred tax on losses	+0.4%	2,008	+0.5%	2,912
Tax impacts relating to prior years	+0.6%	2,625	(0.3%)	(1,367)
Tax on dividends received through partnerships	+0.7%	3,289	+0.1%	607
Permanent differences	+1.2%	5,745	+0.7%	3,705
Irrecoverable and other dividend-related taxes	+2.1%	9,543	+0.5%	2,434
Other tax impacts	(0.1%)	(265)	+0.2%	573
Actual tax charge	**14.6%**	**68,024**	**14.5%**	**76,793**
EFFECTIVE TAX RATE		**14.6%**		**14.5%**

(1) The categories used in the comparative disclosure are presented in a way that is consistent with the categories used to explain the tax in the current period.

Note 32 – Related parties

The term "Executive Directors", in the context of this note and the Group governance arrangements surrounding the decision-making process at the R&Co level, refers to executive corporate officers (*mandataires sociaux*) of R&Co Gestion, the Managing Partner of R&Co. In accordance with the provisions of R&Co Gestion's articles of association, its chairman is the sole executive corporate officer in the twelve-month financial period to 31 December 2019. The following remuneration was received by the executive corporate officer in 2019, paid by R&Co Gestion but reimbursed by R&Co in accordance with the provisions of R&Co's articles of association relating to R&Co Gestion's operating expenses.

In thousands of euro	31/12/2019
Fixed remuneration	500
TOTAL	**500**

The chairman of R&Co Gestion did not benefit from payments in shares in respect of 2019 and no severance benefits were provided for termination of work contracts. No other long-term benefits were granted.

The transactions during the period and balances at the end of the period between Group companies which are fully consolidated are eliminated on consolidation, and so are not disclosed. Transactions and balances with companies accounted for by the equity method are shown separately in the table below.

Other related parties are: R&Co Gestion, the Managing Partner of R&Co; the members of the Supervisory Board; people with active control of the Group; people with active control of the parent company of R&Co as Rothschild & Co Concordia SAS directors; companies that are controlled by the principal officers; and any person directly or indirectly responsible for management or control of the activities of R&Co. They also include close family members of any person who controls, exercises joint control or significant influence on R&Co, and persons related to Executive Directors and members of the Supervisory Board or to board members of its parent company.

Amounts reported in the Group's accounts that are linked to related parties are disclosed below.

In thousands of euro	31/12/2019			31/12/2018		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
Assets						
Loans and advances to customers	–	–	11,882	–	–	9,839
Right of use assets	4,857	–	–	–	–	–
Other assets	–	–	–	–	–	1
TOTAL ASSETS	**4,857**	**–**	**11,882**	**–**	**–**	**9,840**
Liabilities						
Due to customers	–	573	115,317	–	1,535	85,562
Lease liabilities	4,905	–	–	–	–	–
Other liabilities	7	–	–	61	–	–
TOTAL LIABILITIES	**4,912**	**573**	**115,317**	**61**	**1,535**	**85,562**
Loan and guarantee commitments						
Guarantees and commitments given	–	–		–	–	73
TOTAL COMMITMENTS	**–**	**–**	**–**	**–**	**–**	**73**

In December 2019, the Group paid €575,000 to a related party, being a member of the Enlarged Family Concert party, in return for a 16% interest in Rothschild & Co Continuation Finance BV. At the same time, an outstanding loan made to that party was repaid in full. As a consequence of the share transaction, the Group now owns 100% of this subsidiary undertaking.

In thousands of euro	31/12/2019			31/12/2018		
	Companies accounted for by the equity method	Executive Directors	Other related parties	Companies accounted for by the equity method	Executive Directors	Other related parties
Income and expenses from transactions with related parties						
Net interest income/(expense)	(99)	–	51	113	19	–
Net fee and commission income/(expense)	114	–	–	(298)	–	–
Other income	–	–	144	–	–	223
TOTAL NET BANKING INCOME	**15**	**–**	**195**	**(185)**	**19**	**223**
Other expenses	(522)	–	(2,913)	(569)	–	(2,861)
TOTAL EXPENSES	**(522)**	**–**	**(2,913)**	**(569)**	**–**	**(2,861)**

Note 33 – Fees to statutory auditors

	KPMG				Cailliau Dedouit et Associés			
	31/12/2019		31/12/2018		31/12/2019		31/12/2018	
In thousands of euro		%		%		%		%
AUDIT								
Statutory audit of consolidated and solo accounts, and related services								
R&Co (parent company)	161	6%	192	6%	161	39%	191	42%
Subsidiaries	2,180	76%	2,346	75%	241	59%	232	51%
Services other than the statutory audit of accounts, required for legal or regulatory reasons								
R&Co (parent company)	19	1%	34	1%	–	–	–	–
Subsidiaries	260	9%	264	8%	8	2%	26	6%
Subtotal	**2,620**	**92%**	**2,836**	**91%**	**410**	**100%**	**449**	**98%**
SERVICES OTHER THAN THE STATUTORY AUDIT OF ACCOUNTS, PROVIDED AT THE REQUEST OF ENTITIES								
Law, tax and social	12	0%	57	2%	–	–	9	2%
Other	230	8%	220	7%	–	–	–	–
Subtotal	**242**	**8%**	**277**	**9%**	**–**	**–**	**9**	**2%**
TOTAL	**2,862**	**100%**	**3,113**	**100%**	**410**	**100%**	**458**	**100%**

Services other than the statutory audit of accounts include €287,000 for the review of the compliance of group entities with regard to regulatory provisions, and €185,000 for the restructuring of certain businesses (mergers, disposals and capital reductions).

Note 34 – Segmental information

The table below presents a segmental analysis by business line, used internally for assessing business performance, which is then adjusted to conform to the Group's statutory accounting policies. The reconciliation to IFRS mainly reflects: the treatment of profit share paid to French partners as non-controlling interests; accounting for deferred bonuses over the period that they are earned; the application of IAS 19 for defined benefit pension schemes; adding back non-operating gains and losses booked in "net income/(expense) from other assets"; removing realised gains on sales of investment securities where the unrealised gain was in the available-for-sale reserve at 31 December 2017 before the introduction on IFRS 9; and reallocating impairments and certain operating income and expenses for presentational purposes.

Segmental information split by business

In thousands of euro	Global Advisory	Wealth and Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	31/12/2019
Net banking income	**1,159,571**	**496,663**	**197,253**	**24,497**	**1,877,984**	**(5,959)**	**1,872,025**
Operating expenses	(993,569)	(425,555)	(85,999)	(53,244)	(1,558,367)	138,107	(1,420,260)
Cost of risk	–	1,707	–	–	1,707	(7,637)	(5,930)
Operating income	**166,002**	**72,815**	**111,254**	**(28,747)**	**321,324**	**124,511**	**445,835**
Share of profits of associated entities	–	–	–	–	–	259	259
Non-operating income	–	–	–	–	–	18,393	18,393
Profit before tax	**166,002**	**72,815**	**111,254**	**(28,747)**	**321,324**	**143,163**	**464,487**

In thousands of euro	Global Advisory	Wealth and Asset Management	Merchant Banking	Other business and corporate centre	Total before IFRS reconciliation	IFRS reconciliation	31/12/2018
Net banking income	**1,271,270**	**480,143**	**174,574**	**57,848**	**1,983,835**	**(8,002)**	**1,975,833**
Operating expenses	(1,037,955)	(408,605)	(72,190)	(91,670)	(1,610,420)	173,645	(1,436,775)
Cost of risk	–	4,296	–	–	4,296	(8,593)	(4,297)
Operating income	**233,315**	**75,834**	**102,384**	**(33,822)**	**377,711**	**157,050**	**534,761**
Share of profits of associated entities	–	–	–	–	–	339	339
Non-operating income	–	–	–	–	–	(4,502)	(4,502)
Profit before tax	**233,315**	**75,834**	**102,384**	**(33,822)**	**377,711**	**152,887**	**530,598**

The sale of our worldwide wealth planning and trust services business was completed in February 2019. Therefore, all figures for 2018 for the Wealth and Asset Management business have been restated and the Trust business has been reclassified in "Other business".

Net banking income split by geographical segment

In thousands of euro	31/12/2019	%	31/12/2018	%
United Kingdom and Channel Islands	586,834	31%	596,155	30%
France	544,704	29%	546,859	28%
Rest of Europe	321,407	17%	355,092	18%
Americas	224,180	12%	265,904	13%
Switzerland	110,078	6%	119,924	6%
Australia and Asia	60,160	3%	63,627	3%
Other	24,662	1%	28,272	1%
TOTAL	**1,872,025**	**100%**	**1,975,833**	**100%**

The breakdown by geographic segment is based on the geographic location of the entity that records the income.

Note 35 – Earnings per share

	31/12/2019	31/12/2018
Net income – Group share (millions of euro)	242.7	286.3
Preferred dividends adjustment (millions of euro)	(1.3)	(1.4)
Net income – Group share after preferred dividends adjustment (millions of euro)	**241.4**	**284.9**
Basic average number of shares in issue – 000s	71,340	73,388
Earnings per share – basic (euro)	**3.38**	**3.88**
Diluted average number of shares in issue – 000s	72,049	74,649
Earnings per share – diluted (euro)	**3.35**	**3.82**

Basic earnings per share are calculated by dividing Net income – Group share (after removing accrued preferred dividends, which are not part of the profit earned by ordinary shareholders) by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share are calculated using the treasury share method, whereby net income is divided by the weighted average number of ordinary shares outstanding plus the bonus number of ordinary shares that would be issued through dilutive option or share awards. Share options and awards which are dilutive are those which are in the money, based on the average share price during the period. The majority of potential ordinary shares which are not dilutive are connected to the Rothschild & Co Equity Scheme, which is described in note 27.

As disclosed at 31 December 2018, in August 2018 R&Co and the Edmond de Rothschild group unwound all of their cross-shareholdings. As a result, the Group received 4.4 million R&Co shares, explaining the decrease in the average number of shares in issue during the current period.

As there were no gains or losses on discontinued activities, the earnings per share on continuing activities are the same as earnings per share.

Note 36 – Consolidation scope

Article 7 of Law No. 2013-672 of 26 July 2013, amending Article L.511-45 of the French Monetary and Financial Code, requires financial holding companies to publish information on their locations and activities in each country or territory.

The following table shows the material subsidiaries and associates which are included in the Group consolidated accounts, and the territory in which they are domiciled. The list below does not include dormant or nominee companies, on account of their immateriality.

The activities below are those used in note 34, and the abbreviations used are defined in the glossary of this report.

		31/12/2019		31/12/2018		Consolidation method[1]	
Company name	**Activity**	**% Group voting interest**	**% Group ownership interest**	**% Group voting interest**	**% Group ownership interest**	**31/12/2019**	**31/12/2018**
Australia							
Rothschild & Co Australia Limited	GA	100.00	100.00	100.00	100.00	FC	FC
Belgium							
Rothschild & Co Belgium SA NV	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Wealth Management Belgium – Belgium branch	WAM	100.00	99.99	100.00	99.99	FC	FC
Transaction R&Co Belgique – Belgium branch	GA	100.00	99.71	100.00	99.71	FC	FC
Bermuda							
Rothschild Trust (Bermuda) Limited	WAM	–	–	100.00	100.00	–	FC
Brazil							
Rothschild & Co Brasil Ltda	GA	100.00	100.00	100.00	100.00	FC	FC
British Virgin Islands							
Master Nominees Inc	WAM	–	–	100.00	100.00	–	FC
Rothschild BVI Limited	WAM	–	–	100.00	100.00	–	FC
Canada							
Rothschild & Co Canada Inc.	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Holdings Canada Inc.	Other	100.00	100.00	100.00	100.00	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2019		31/12/2018		Consolidation method[1]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2019	31/12/2018
Rothschild & Co Securities Canada Inc.	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild Trust Canada Inc.	WAM	–	–	100.00	100.00	–	FC
Rothschild Trust Protectors Limited	WAM	–	–	100.00	100.00	–	FC
Cayman Islands							
JRE Asia Capital Management Ltd – *liquidated*	MB	–	–	50.00	50.00	–	EM
Rothschild Trust Cayman Limited	WAM	–	–	100.00	100.00	–	FC
VC Acquisition Limited Partnership	Other	99.00	99.00	99.00	99.00	FC	FC
China							
Rothschild & Co Asset Management US Inc – Beijing Representative Office – *liquidated*	WAM	–	–	100.00	100.00	–	FC
Rothschild & Co Advisory (Beijing) Company Limited	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Advisory (Beijing) Company Limited – Shanghai Branch	GA	100.00	100.00	100.00	100.00	FC	FC
Nathan Financial Advisory Services (Tianjin) Co., Ltd.	GA	100.00	100.00	100.00	100.00	FC	FC
Curaçao							
Rothschild & Co Asia N.V.	Other	–	–	100.00	100.00	–	FC
Rothschild & Co Latin America N.V.	Other	100.00	100.00	100.00	100.00	FC	FC
Denmark							
N.M. Rothschild & Sons Limited, Denmark Filial	GA	100.00	100.00	100.00	100.00	FC	FC
France							
Aida SAS	Other	100.00	100.00	100.00	100.00	FC	FC
Aix-Rabelais SAS	Other	100.00	99.99	100.00	99.99	FC	FC
Albinoni SAS	Other	100.00	99.99	100.00	99.99	FC	FC
Bastia Rabelais SA	WAM	100.00	99.99	100.00	99.99	FC	FC
Cavour SAS	Other	100.00	100.00	100.00	100.00	FC	FC
Concordia Holding Sarl	Other	100.00	100.00	100.00	100.00	FC	FC
Courtage Etoile SNC	WAM	100.00	99.98	100.00	99.98	FC	FC
Financière Rabelais SAS	Other	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Managers SAS	MB	100.00	100.00	100.00	100.00	FC	FC
Funds Selection SA – *liquidated*	WAM	–	–	100.00	99.99	–	FC
GEDAF SAS	WAM	100.00	99.99	100.00	99.99	FC	FC
GIE Rothschild & Co	Other	100.00	99.99	100.00	99.99	FC	FC
K Développement SAS	MB	100.00	100.00	100.00	100.00	FC	FC
Lyxor RMM Treasury Fund	WAM	100.00	99.99	–	–	FC	–
Martin Maurel SA	WAM	97.90	99.99	97.90	99.99	FC	FC
Messine Participations SAS	WAM	100.00	99.99	100.00	99.91	FC	FC
Messine SAS – (formerly Hoche Paris SAS)	WAM	99.70	99.69	99.70	99.69	FC	FC
Montaigne Rabelais SAS	Other	100.00	99.99	100.00	99.99	FC	FC
Paris Orléans Holding Bancaire SAS	Other	100.00	100.00	100.00	100.00	FC	FC
PO Capinvest 1 SAS	MB	100.00	100.00	100.00	100.00	FC	FC
PO Fonds SAS	MB	100.00	100.00	100.00	100.00	FC	FC
PO Mezzanine SAS	MB	100.00	100.00	100.00	100.00	FC	FC
R&Co Investments France SAS	WAM	100.00	99.99	100.00	99.99	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2019 % Group voting interest	31/12/2019 % Group ownership interest	31/12/2018 % Group voting interest	31/12/2018 % Group ownership interest	Consolidation method[(1)] 31/12/2019	Consolidation method[(1)] 31/12/2018
Rothschild & Cie SCS[(2)]	GA	99.98	99.97	99.98	99.97	FC	FC
Rothschild & Co Asset Management Europe[(2)]	WAM	100.00	99.99	100.00	99.99	FC	FC
Rothschild & Co Europe SNC	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Immobilier	GA	100.00	99.97	–	–	FC	–
Rothschild & Co SCA	MB and Other	100.00	100.00	100.00	100.00	Parent company	Parent company
Rothschild Martin Maurel SCS[(2)]	WAM	99.99	99.99	99.99	99.99	FC	FC
RTI Partenaires SCS[(2)]	GA	98.80	98.77	98.80	98.77	FC	FC
SCI Du 20 Rue Grignan	WAM	99.99	99.97	99.99	99.97	FC	FC
SCI Du 6 Rue De La Bourse	WAM	99.99	99.98	99.99	99.98	FC	FC
SCI Prado Marveyre	WAM	99.99	99.98	99.99	99.98	FC	FC
SCS Holding SAS	Other	100.00	100.00	100.00	100.00	FC	FC
Transaction R&Co Immobilier	GA	100.00	99.74	–	–	FC	–
Transaction R&Co Partenaires	GA	50.00	49.86	50.00	49.86	FC	FC
Transaction R&Co SCS[(2)]	GA	99.79	99.76	99.79	99.76	FC	FC
TrésoPlus	WAM	100.00	99.99	100.00	99.99	FC	FC
Verdi SAS	Other	100.00	100.00	100.00	100.00	FC	FC
Verseau SAS	MB	95.00	95.00	95.00	95.00	FC	FC
Wargny BBR	WAM	100.00	99.99	100.00	99.99	FC	FC
Germany							
Rothschild & Co Deutschland GmbH	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Vermögensverwaltung GmbH	WAM	100.00	100.00	100.00	100.00	FC	FC
Greece							
Rothschild & Co Greece SMSA	GA	100.00	100.00	–	–	FC	–
Guernsey							
Blackpoint Management Limited – *in liquidation*	WAM	100.00	99.99	100.00	99.99	FC	FC
Guernsey Global Trust Limited	WAM	–	–	100.00	100.00	–	FC
Jofran Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Maison (CI) Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Asset Management Holdings (CI) Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Bank International Limited	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Continuation Finance CI Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Mexico Holdings Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild Corporate Fiduciary Services Limited	WAM	–	–	100.00	100.00	–	FC
Rothschild Switzerland (CI) Trustees Limited	WAM	–	–	100.00	100.00	–	FC
Rothschild Trust Canada Inc. – Guernsey branch	WAM	–	–	100.00	100.00	–	FC
Rothschild Trust Financial Services Limited	Other	–	–	100.00	100.00	–	FC
Rothschild Trust Guernsey Limited	WAM	–	–	100.00	100.00	–	FC
S y C (International) Limited	Other	–	–	100.00	100.00	–	FC
Shield Holdings (Guernsey) Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Shield Securities Limited	Other	100.00	100.00	100.00	100.00	FC	FC
St. Julian's Properties Limited	Other	50.00	50.00	50.00	50.00	EM	EM
TM New Court Plan Trust	Other	100.00	100.00	100.00	100.00	FC	FC

(1) FC: full consolidation.
EM: equity method.
(2) Some subsidiaries are limited partnerships (*sociétés en commandite simple*). The percentage interest recorded in the consolidated accounts is calculated in accordance with the statutory regulations applicable to limited partnerships based on the individual results of each partnership, after taking into consideration the share attributable to workers' remuneration.

Company name	Activity	31/12/2019		31/12/2018		Consolidation method(1)	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2019	31/12/2018
Hong Kong							
HongKong Win Go Fund Management Limited	MB	33.33	33.33	33.33	33.33	EM	EM
Rothschild & Co Hong Kong Limited	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Bank AG – Hong Kong Representative Office– *liquidated*	WAM	–	–	100.00	100.00	–	FC
Rothschild & Co Wealth Management Hong Kong Limited – *in liquidation*	WAM	100.00	100.00	100.00	100.00	FC	FC
India							
Rothschild & Co India Private Limited	GA	100.00	100.00	100.00	100.00	FC	FC
Indonesia							
PT RothschildCo Advisory Indonesia	GA	100.00	100.00	100.00	100.00	FC	FC
Israel							
Rothschild & Co Israel B.V. – Israel branch	GA	100.00	99.98	100.00	99.98	FC	FC
Italy							
Rothschild & Co Asset Management Europe – Milan Branch	WAM	100.00	99.99	100.00	99.99	FC	FC
Rothschild & Co Italia S.p.A.	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Wealth Management Italy SIM SpA	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Wealth Management UK Limited – Milan Branch	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild Trust Italy SRL	WAM	–	–	100.00	100.00	–	FC
Japan							
Rothschild & Co Japan Ltd	GA	100.00	100.00	100.00	100.00	FC	FC
Jersey							
Arena Plaza Jersey GP Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Luxembourg							
Centrum Jonquille S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
Centrum Narcisse S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
Elsinore I GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
Fin PO SICAR	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Credit Solutions C General Partner	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Credit Solutions General Partner	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Managers SA	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Mezzanine Investments Sàrl	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Principal Investments International Feeder SCA SICAR	MB	100.00	100.00	100.00	100.00	FC	FC
HRA Investment SCSp	MB	84.62	84.20	84.62	84.20	FC	FC
Jardine Rothschild Asia Capital (Luxembourg) S.à.r.l. – *liquidated*	MB	–	–	50.00	50.00	–	EM
Oberon GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
Oberon II GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
Oberon III GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
Oberon USA General Partner S.à.r.l	MB	100.00	100.00	100.00	100.00	FC	FC
Parallel GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
PO Co Invest GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
PO Invest 2 SA	MB	93.85	93.85	93.85	93.85	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2019		31/12/2018		Consolidation method[(1)]	
		% Group voting interest	% Group ownership interest	% Group voting interest	% Group ownership interest	31/12/2019	31/12/2018
Rothschild & Co Investment Managers S.A.	MB and WAM	100.00	100.00	100.00	100.00	FC	FC
R Commodity Finance Fund General Partner – *in liquidation*	WAM	100.00	99.99	100.00	99.99	FC	FC
RPI Invest 2 SCSp	MB	100.00	100.00	100.00	100.00	FC	FC
RPO GP S.à.r.l.	MB	100.00	100.00	100.00	100.00	FC	FC
RPO Invest 1 SCSp	MB	99.50	99.50	99.50	99.50	FC	FC
Malaysia							
RothschildCo Malaysia Sdn. Bhd.	GA	70.00	100.00	70.00	100.00	FC	FC
Mexico							
Rothschild & Co Mexico, S.A. de C.V.	GA	100.00	100.00	100.00	100.00	FC	FC
Monaco							
Rothschild Martin Maurel Monaco	WAM	99.97	99.95	99.97	99.95	FC	FC
Rothschild Martin Maurel Monaco Gestion	WAM	99.30	99.25	99.30	99.25	FC	FC
Rothschild Martin Maurel SCS – Monaco branch	WAM	100.00	99.99	100.00	99.99	FC	FC
SCI VDP 2	WAM	100.00	71.27	100.00	71.27	FC	FC
SCPM VDP 1	WAM	71.00	70.98	71.00	70.98	FC	FC
Netherlands							
Rothschild & Co CIS B.V.	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Continuation Finance B.V.	Other	100.00	100.00	84.00	84.00	FC	FC
Rothschild & Co Europe B.V.	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Israel BV	GA	100.00	99.98	100.00	99.98	FC	FC
New Zealand							
Rothschild Trust New Zealand Limited	WAM	–	–	100.00	100.00	–	FC
Poland							
Rothschild & Co Polska sp. z o. o.	GA	100.00	99.98	100.00	99.98	FC	FC
Portugal							
Rothschild & Co Portugal Limitada	GA	100.00	99.98	100.00	99.98	FC	FC
Qatar							
Rothschild & Co Doha LLC	GA	100.00	99.98	100.00	99.98	FC	FC
Russia							
Rothschild & Co CIS B.V. – Moscow Branch	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co CIS B.V. – Moscow Representative Office	GA	100.00	99.98	100.00	99.98	FC	FC
Singapore							
Rothschild & Co Singapore Limited	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild Trust (Singapore) Limited	WAM	–	–	100.00	100.00	–	FC
Rothschild Wealth Management Singapore Limited – *in liquidation*	WAM	100.00	100.00	100.00	100.00	FC	FC
South Africa							
Rothschild & Co (South Africa) Foundation	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild and Co South Africa (Pty) Ltd	GA	100.00	100.00	100.00	100.00	FC	FC
Southern Arrows Proprietary Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Spain							
RothschildCo España S.A.	GA	100.00	99.98	100.00	99.98	FC	FC
Sweden							
Rothschild & Co Nordic AB	GA	100.00	99.98	100.00	99.98	FC	FC

(1) FC: full consolidation.
EM: equity method.

Company name	Activity	31/12/2019 % Group voting interest	31/12/2019 % Group ownership interest	31/12/2018 % Group voting interest	31/12/2018 % Group ownership interest	Consolidation method[1][2] 31/12/2019	Consolidation method[1][2] 31/12/2018
Switzerland							
Equitas S.A.. – *liquidated*	WAM	–	–	100.00	100.00	–	FC
RBZ Fiduciary Ltd. – *liquidated*	WAM	–	–	100.00	100.00	–	FC
Rothschild & Co AG[3]	Other	–	–	100.00	100.00	–	FC
Rothschild & Co Bank AG	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co China Holding AG	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Concordia AG[3]	Other	–	–	100.00	100.00	–	FC
Rothschild & Co Continuation Holdings AG[3]	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Global Advisory Switzerland AG	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Holding AG[3]	Other	–	–	90.52	100.00	–	FC
Rothschild Private Trust Holdings AG	Other	–	–	100.00	100.00	–	FC
Rothschild Trust (Schweiz) AG	WAM	–	–	100.00	100.00	–	FC
Rothschild Trust Canada Inc – Swiss branch	WAM	–	–	100.00	100.00	–	FC
RTB Administrators AG	WAM	–	–	100.00	100.00	–	FC
RTB Trustees AG	WAM	–	–	100.00	100.00	–	FC
RTS Geneva SA	WAM	–	–	100.00	100.00	–	FC
Turkey							
Rothschild & Co Kurumsal Finansman Hizmetleri Limited Sirketi	GA	100.00	99.98	100.00	99.98	FC	FC
United Arab Emirates							
Rothschild & Co Europe B.V. – Abu Dhabi Representative Office	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Middle East Limited	GA	100.00	99.98	100.00	99.98	FC	FC
United Kingdom							
Arrowpoint Advisory LLP[4]	GA	100.00	100.00	–	–	FC	–
Arrowpoint Advisory Services Limited[5]	GA	100.00	100.00	–	–	FC	–
Continuation Computers Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Five Arrows (Scotland) General Partner Limited	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Credit Solutions Co-Investments, LP	MB	50.00	50.00	50.00	50.00	EM	EM
Five Arrows Finance Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Managers LLP	MB	100.00	100.00	100.00	100.00	FC	FC
International Property Finance (Spain) Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Investor Perceptions Limited – *liquidated*	GA	–	–	100.00	100.00	–	FC
Lanebridge Holdings Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Lanebridge Investment Management Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Marplace (No 480) Limited	Other	100.00	100.00	100.00	100.00	FC	FC
N.M. Rothschild & Sons Limited	GA and Other	100.00	100.00	100.00	100.00	FC	FC
New Court Securities Limited	Other	100.00	100.00	100.00	100.00	FC	FC
O C Investments Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Redburn (Europe) Limited	GA	25.52	25.52	–	–	EM	–
Risk Based Investment Solutions Ltd	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Australia Holdings Limited	Other	100.00	100.00	100.00	100.00	FC	FC

(1) FC: full consolidation.
(2) EM: equity method.
(3) Rothschild & Co Holding AG, Rothschild & Co Concordia AG and Rothschild & Co AG merged into Rothschild & Co Continuation Holdings AG as of 1 January 2019.
(4) Arrowpoint Advisory LLP was formerly called Livingstone Partners LLP.
(5) Arrowpoint Advisory Services Limited was formerly called Livingstone Guarantee Services Limited.

Company name	Activity	31/12/2019 % Group voting interest	31/12/2019 % Group ownership interest	31/12/2018 % Group voting interest	31/12/2018 % Group ownership interest	Consolidation method[1] 31/12/2019	Consolidation method[1] 31/12/2018
Rothschild & Co Continuation Finance Holdings Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Continuation Finance PLC	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Continuation Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Credit Management Limited	MB	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Europe Partnership	GA	100.00	99.98	100.00	99.98	FC	FC
Rothschild & Co Gold Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Holdings Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Holdings UK Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Wealth Management UK Limited	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild HDF Investment Adviser Limited – *liquidated*	WAM	–	–	100.00	99.99	–	FC
Rothschild Trust Corporation Limited	WAM	–	–	100.00	100.00	–	FC
Scott Harris UK Limited	GA	100.00	100.00	100.00	100.00	FC	FC
Second Continuation Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Shield MBCA Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Shield Trust Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Third New Court Limited	Other	100.00	100.00	100.00	100.00	FC	FC
Walbrook Assets Limited	Other	100.00	100.00	100.00	100.00	FC	FC
United States of America							
FACP General Partner LP	MB	100.00	100.00	100.00	100.00	FC	FC
FACP GP-GP	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Managers (USA), LLC	MB	100.00	100.00	100.00	100.00	FC	FC
Five Arrows Managers (North America) LLC	MB	100.00	100.00	100.00	100.00	FC	FC
Francarep Inc	MB	100.00	100.00	100.00	100.00	FC	FC
PO Black LLC	MB	100.00	100.00	100.00	100.00	FC	FC
PO Elevation Rock, Inc	MB	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Asset Management (Canada) LLC – *liquidated*	WAM	–	–	100.00	100.00	–	FC
Rothschild & Co Asset Management US Inc.	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Holdings North America Inc.	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co North America Inc.	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Realty Group Inc.	Other	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co Risk Based Investments LLC	WAM	100.00	100.00	100.00	100.00	FC	FC
Rothschild & Co US Inc.	GA	100.00	100.00	100.00	100.00	FC	FC
Rothschild Trust North America LLC	WAM	–	–	100.00	100.00	–	FC

(1) FC: full consolidation.
EM: equity method.

Note 37 – Results, tax and headcount by territory

Pursuant to Article L.511-45 II to V of the French Monetary and Financial Code, referred to in note 36, the table below specifically provides information linked to net banking income, pre-tax profit, income tax and headcount for the twelve months to 31 December 2019.

Country/region of operation	Net banking income (in millions of euro)	Profit before tax (in millions of euro)	Current tax (in millions of euro)	Deferred tax (in millions of euro)	Headcount (full-time equivalent at the period end)
United Kingdom	569.1	131.6	(17.8)	(7.2)	980
France	544.7	182.8	(35.3)	3.8	1,205
Other Europe	209.1	51.6	(12.9)	2.6	440
North America	201.1	(28.3)	(0.6)	14.0	358
Switzerland	110.1	22.4	(4.0)	(0.9)	264
Luxembourg	113.2	106.2	(1.2)	–	22
Asia-Pacific and Latin America	83.2	(10.0)	(4.3)	(1.5)	203
Channel Islands	19.7	3.5	(0.4)	(0.9)	35
Curaçao	–	(0.1)	0.0	–	–
Cayman Islands	0.0	(0.0)	–	–	–
Other	25.1	4.8	(1.4)	–	52
Total before intercompany elimination	**1,875.3**	**464.5**	**(77.9)**	**9.9**	**3,559**
Intercompany elimination	(3.3)	–	–	–	–
TOTAL	**1,872.0**	**464.5**	**(77.9)**	**9.9**	**3,559**

Revenues and profits are measured before the elimination of intercompany fees and interest income and expense.

The Group has not received any public subsidies in the period. For France, profit before tax is stated before amounts deducted as non-controlling interests, being profit share paid as preferred amounts to French partners who individually account for tax (see also note 31).

Statutory auditors' report on the consolidated financial statements for the year ended 31 December 2019

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of Rothschild & Co S.C.A. for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (*code de déontologie*) for statutory auditors.

Emphasis of Matter

Without prejudice to the conclusion expressed above, we draw your attention to the 1st time application of IFRS 16 "Leases" explained in note 2.3 "Adoption of new accounting standards in the year ended 31 December 2019 – IFRS 16", note 3.2.21 "IFRS 16 Leases" and note 9 "Leases" in the consolidated financial statements.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

1 Valuation of financial instruments carried at Fair Value through P&L

Key Audit Matter

As at 31 December 2019, the Group holds financial instruments categorised as Level 2 and Level 3 according to the IFRS fair value hierarchy. These financial instruments are presented at fair value through P&L on the asset side of the balance sheet for €694 million, representing 5% of total assets.

The fair value of these financial assets, whose market prices are not available or the valuation parameters are not observable, is determined using valuation techniques or complex internal and external valuation models and requires exercise of judgement.

We considered that the valuation of Level 2 and 3 financial instruments recognised at fair value through P&L was a key audit matter for the consolidated financial statements due to the exercise of the judgement that it requires and its sensitivity to the assumptions made.

Information on the valuation of financial instruments is presented in section 4.5 of the consolidated financial statements on pages 38 to 44.

Our response

Our procedures consisted of:

- understanding of the internal control and governance put in place by Management to identify and value the financial assets in level 2 and 3 of the fair value hierarchy;
- assessing the soundness of the methodology applied and the relevance of the parameters and assumptions used by the Group to determine the fair values of these financial assets;
- testing the valuations used by the Group for these level 2 and 3 financial assets.

We have ensured that the information presented in the financial statements is appropriate.

2 Provision for litigation

Key Audit Matter

As at 31 December 2019, the Group has accrued a total provision of €29 million arising from litigation proceedings.

The Group may be involved in legal proceedings or receive claims arising from the conduct of its business. Based on available information and, where appropriate, legal advice, provisions are recognised when it is probable that a settlement will be necessary and a reliable estimate of this amount can be made.

We considered the determination of litigation provisions as a key audit matter because of the significant judgement required to evaluate these estimates.

Information on provisions for litigation is presented in note 16 of the notes to the consolidated financial statements on page 58.

Our response

Our procedures consisted in obtaining an understanding of the internal control and governance system put in place by Management to identify, evaluate and measure potential obligations arising from legal proceedings or claims in the conduct of the Group's business.

For significant legal proceedings that have undergone significant developments or that have emerged during the period, we have:

- assessed the facts and circumstances that motivate the existence of the obligation and the need to recognise a provision;
- questioned the Group's internal and external legal advice;
- carried out a critical analysis of the assumptions retained and the key judgements applied.

For the other procedures, we ensured that there was no development that could question Management's assessment of the level of the obligation and the resulting provision.

We have ensured that the information presented in the financial statements is appropriate.

3 Revenue recognition for Advisory work and other services

Key Audit Matter

As at 31 December 2019, the Group records net fees for Advisory work and other services over the year of €1,165 million, representing 62% of net banking income.

Revenues are recognised either during the period during which the service is provided, or when a significant act is completed or an event occurs.

We considered that revenue recognition for Advisory work and other services was a key audit matter considering the relative importance of these fees in the Group's income statement and because the recognition of these revenues requires a case-by-case analysis of the contractual conditions.

Information on the recognition of revenue from Advisory work and other services is presented in section 3.2.13 and note 25 of the consolidated financial statements on pages 22 and 69.

Our response

Our procedures consisted of:

- understanding the internal control system put in place within the Group;
- testing, on a sample basis, the occurrence of the events generating contractual exigibility of the fees as well as the correct cut-off to the related accounting period.

Lastly, we made sure that the information presented in the financial statements is appropriate.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement, required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*), is included in the Group's management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information provided in this declaration and this information must be reported by an independent third party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rothschild & Co S.C.A. by the General Meeting held on 29 September 2005 for KPMG S.A. and on 24 June 2003 for Cailliau Dedouit et Associés.

As at 31 December 2019, KPMG S.A. and Cailliau Dedouit et Associés were in the 15th year and 17th year of total uninterrupted engagement, which are the 15 and 17 years since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by Management.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgement throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*code de commerce*) and in the French Code of Ethics (*code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The statutory auditors
French original signed by

Paris La Défense, March 18th 2020

KPMG S.A.

Arnaud Bourdeille

Partner

Paris, March 18th 2020

Cailliau Dedouit et Associés

Sandrine Le Mao

Partner

Parent Company balance sheet as at 31 December 2019

Assets

In thousands of euro	Notes	31/12/2019			31/12/2018
		Gross value	Depreciation, amortisation and provisions	Net carrying amount	Net carrying amount
Non-current assets					
Intangible assets					
Concessions, patents, brand and software		249	238	11	10
Total intangible assets		**249**	238	**11**	**10**
Property, plant and equipment					
Land		3,170	–	3,170	3,170
Buildings		4,410	651	3,758	3,969
Other property, plant and equipment		337	165	172	65
Total property, plant and equipment	1	**7,916**	816	**7,100**	**7,204**
Non-current financial assets					
Investments in Group and other companies	2	1,728,726	5,069	1,723,657	1,672,956
Portfolio holdings	3	134,001	23,234	110,766	90,286
Receivables related to portfolio holdings		27	22	5	–
Loans		22,294	–	22,294	1
Other non-current financial assets		6	–	6	6
Total non-current financial assets		**1,885,054**	28,326	**1,856,729**	**1,763,248**
Total non-current assets		**1,893,220**	29,380	**1,863,840**	**1,770,462**
Current assets					
Accounts receivable	4	**31,042**	–	**31,042**	**45,107**
Marketable securities	5				
Treasury stock		927	–	927	1,052
Other securities		38,330	–	38,330	25,000
Cash		228,878	–	228,878	71,140
Prepaid expenses		**57**	–	**57**	–
Total current assets		**299,233**	–	299,233	142,299
Loan issue costs		–	–	–	205
Unrealised translation losses	6	**106**	–	**106**	–
TOTAL ASSETS		**2,192,559**	29,380	**2,163,179**	**1,912,966**

Liabilities and shareholders' equity

In thousands of euro	Notes	31/12/2019	31/12/2018
Shareholders' equity			
Share capital		155,235	155,026
Share premium		1,114,344	1,112,721
Reserves			
Legal reserves		15,503	15,482
Regulated reserves		–	–
Other reserves		153,044	153,044
Retained earnings		**209,757**	**178,441**
Net income for the year		**309,401**	**90,364**
Regulated provisions		303	303
Total shareholders' equity	7	**1,957,587**	**1,705,380**
Provisions for contingencies and charges			
Provisions for contingencies		106	1
Provisions for charges		1,993	2,307
Total provisions for contingencies and charges	8	**2,099**	**2,308**
Liabilities			
Financial liabilities			
Borrowings and other financial liabilities – banks	9	70,022	84,533
Borrowings and other financial liabilities – others		31	29
Operating liabilities	10	**9,625**	**8,737**
Other liabilities	11	**123,816**	**111,981**
Total liabilities		**203,493**	**205,280**
Unrealised translation gains		–	(1)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,163,179**	**1,912,966**

Company income statement for the year ended 31 December 2019

In thousands of euro	Notes	31/12/19	31/12/18
Income transactions			
Operating income transactions			
Operating income	12	1,690	7,571
Operating expenses	13	(20,432)	(26,814)
Net operating income		**(18,743)**	**(19,243)**
Other income transactions			
Income from investments in group and other companies and portfolio holdings	14	345,774	105,450
Other financial income	15	68	2,697
Capital gains/(losses) on disposals of marketable securities	16	(195)	80
Charge/(recovery) of provisions on other income transactions	17	(105)	–
Financial expenses	18	(7,612)	(3,191)
Income from other income transactions		**337,930**	**105,036**
Current income before tax		**319,188**	**85,793**
Income from capital transactions	19	**(19,781)**	**(6,229)**
Income tax charge	20	9,995	10,800
NET INCOME		**309,401**	**90,364**

I. Highlights of the financial year

Net income for the year

Continuing operations carried out in 2018, R&Co simplified its organisational structure in 2019 by transferring 1.9 million R&Co shares held by Swiss holding companies and rationalising its holding of Rothschild Martin Maurel SCS.

R&Co ended the 2019 calendar year with net income of €309.4 million, compared with €90.4 million in the prior year.

For the year ended 31 December 2019, the Company received dividends of €345.2 million from its French subsidiaries (Paris Orléans Holding Bancaire SAS (POHB) €293.1 million; K Développement €41.0 million; and Martin Maurel €11.0 million), versus €104.3 million for the previous year.

II. Subsequent events

No significant adjusting events have occurred after 31 December 2019 closing date.

III. Accounting principles and valuation methods

To abide by principles of going concern, conservatism and reliability, and to ensure consistency of accounting methods from one reporting period to the next, the financial statements have been prepared in accordance with the provisions of French law and with French generally accepted accounting principles.

The financial statements have been approved in accordance with Financial Regulation 2014-03 modified by regulations 2015-06 and 2016-07 from the French Accounting Standards Authority (*Autorité des normes comptables*).

The income statement is presented in accordance with the ‘TIAP’ model, as recommended by the French Accounting Standards Authority for financial companies.

Income transactions are split in two: firstly, operating income transactions, followed by other income transactions (primarily financial transactions).

Current income corresponds to ‘income from ordinary activities’, *i.e.* all activities in which the company engages in the normal course of its business, and any related activities that it carries out on an add-on basis or as an extension of its ordinary activities.

Operating profit does, however, include non-recurring income and expenses from events which are clearly separate from the Company’s ordinary activities and which are not, therefore, deemed to occur on a frequent or regular basis.

Capital transactions include transactions concerning holdings classified as non-current assets.

The main accounting policies applied are as follows:

Intangible assets and property, plant and equipment are valued at their acquisition cost and amortised and depreciated in the following manner:

	Estimated useful life	Method
Start-up costs	3 years	straight-line
Software	3 years	straight-line
Buildings	20 to 30 years	straight-line
Plant and general improvements	8 to 10 years	straight-line
Vehicles	5 years	straight-line
Office equipment	3 years	reducing-balance
Office furniture	10 years	straight-line

Non-current financial assets are valued at their acquisition cost. The values of holdings denominated in foreign currencies are translated into euro at the exchange rate on the transaction date. All loans and receivables denominated in foreign currencies that are classified among non-current financial assets are translated at the closing rate for the financial year.

Investments in Group and other companies and portfolio holdings are recognised at their acquisition cost. An impairment loss is recognised when fair value is below acquisition cost.

The fair values of investments in Group and other companies and portfolio holdings are calculated in the following manner:

- unlisted securities: market value. This is obtained using either the Company's share of book net assets, or re-appraised net assets of the investment, or the price used for a recent transaction in the security;
- treasury stock and other listed securities: last quoted price of the financial year;
- funds: an impairment is recognised when the acquisition cost or total investment in the fund exceeds the Company's share of the fund's adjusted net asset value as certified by the fund's auditors or the redemption value as determined by the issuer. The portion of unrealised capital losses linked to currency effects is recognised separately from impairment, which relates solely to changes in the value of the underlying assets.

The value of the portfolio at 31 December 2019 was measured using the same methodology as applied in the preceding financial year. Dividends are recorded in the month in which it is decided to distribute them.

Regarding private equity funds, in accordance with market practice, only amounts actually called up are recorded, and the unfunded capital commitment is recorded as an off-balance sheet item.

Sales of shareholdings, long-term portfolio holdings or investment securities are recognised using the first-in, first-out (FIFO) method, *i.e.* the longest-held securities will be deemed to be the first sold.

Receivables are recognised at their nominal value. An impairment loss is recognised when the value is lower than the carrying cost. Receivables denominated in foreign currencies are translated at the closing rate for the financial year.

Marketable securities are recognised initially at their acquisition cost. When their overall value is lower than their acquisition cost, an impairment loss is recognised.

Transactions denominated in foreign currencies are recognised at the rate on the transaction date. At the end of the financial year, all financial assets and liabilities are converted at the closing rate.

IV. Notes to the Company balance sheet

Note 1 – Property, plant and equipment

In thousands of euros	01/01/2019	Acquisitions	(Disposals)	31/12/2019
Gross value	7,780	136	–	7,916
		(Increases)	Decreases	
Impairment/amortisation	(576)	(240)	–	(816)
TOTAL	**7,204**	**(104)**	**–**	**7,100**

Note 2 – Investments in Group and other companies

In thousands of euros	01/01/2019	Acquisitions	(Disposals)	31/12/2019
Gross value*	1,673,532	55,194		1,728,726
		(Increases)	Decreases	
Impairment	(577)	(4,495)	2	(5,069)
TOTAL	**1,672,956**	**50,699**	**2**	**1,723,657**

* Acquisitions in equity securities for the year concerned the French subsidiary Rothschild Martin Maurel SCS, whereby shares were purchased from other R&Co Group subsidiaries

Note 3 – Portfolio holdings

This heading includes all non-current strategic portfolio investments that cannot be classified as 'Investment in Group and other companies'.

In thousands of euros	01/01/2019	Acquisitions	(Disposals)	31/12/2019
Gross value	100,235	55,048	(21,281)	134,001
		(Increases)	Decreases	
Impairment	(9,949)	(13,805)	519	(23,234)
TOTAL	**90,286**	**41,243**	**(20,761)**	**110,766**

Acquisitions as well as disposals for the year mostly concerned R&Co treasury shares.

As at 31 December 2019, the estimated value of the portfolio of participating interests and investments amounted to €110.9 million.

Note 4 – Accounts receivable

In thousands of euros	Total	< 1 year	Between 1 and 5 years	> 5 years
Group and associated companies' advances and current accounts (cash pooling)	12,128	12,128	–	–
Current accounts related to the tax consolidation group	14,207	14,207	–	–
Amounts receivable from the tax authorities*	3,991	3,991	–	–
Other accounts receivable	716	716	–	–
TOTAL	**31,042**	**31,042**	**–**	**–**

*Of which accrued income: €352,000.

Note 5 – Marketable securities

Marketable securities consist of:

- 38,550 treasury shares (held in accordance with a liquidity contract) of €927,000. As at 31 December 2019, the estimated value of the marketable securities was €987,000, with an unrealised gain of €60k.
- The other securities (€38.3 million) consist mainly of mutual funds and short-term liquid investments. As at 31 December 2019, the fair value of these securities also amounted to €38.3 million, with an unrealised gain of €16,000.

Note 6 – Unrealised translation losses

The unrealised translation losses of €106,000 correspond to the discounting in euro of the values as at 31 December 2019 of foreign currency loans.

Note 7 – Shareholders' equity

In thousands of euros	Share capital	Share premium	Legal reserves	Other reserves	Retained earnings	Regulated provisions	Net income for the year	Total shareholders' equity
Shareholders' equity as at 01/01/2018	**155,026**	**1,112,721**	**15,482**	**153,044**	**178,441**	**303**	**90,364**	**1,705,380**
Capital increase	209	1,623	–	–	–	–	–	1,833
Appropriation of net income for FY 31/12/2018	–	–	21	–	90,343	–	(90,364)	–
Dividend payment(1)	–	–	–	–	(59,027)	–	–	(59,027)
Net income for FY 31/12/2019	–	–	–	–	–	–	309,401	309,401
SHAREHOLDERS' EQUITY AS AT 31/12/2019	**155,235**	**1,114,344**	**15,503**	**153,044**	**209,757**	**303**	**309,401**	**1,957,587**

At 31 December 2019, the Company's capital comprised 77,617,512 shares with a nominal value of €2 each.

Treasury shares:

As at 31 December 2019, R&Co holds 4,151,321 of its own shares, including 38,550 shares held as part of the liquidity contract.
As at 31 December 2018, R&Co held 2,989,380 own shares including 33,682 shares held as part of the liquidity contract.

(1) The dividends distributed during 2019 financial year in respect of the previous year were €43,000 higher than the amount proposed to the Combined General Meeting on 16 May 2019, since no dividends were paid on treasury stock.

Note 8 – Provisions for contingencies and charges

In thousands of euros	01/01/2019	Charge for the year	Recovery for the year (provision used)	Recovery for the year (provision unused)	31/12/2019
Provisions for contingencies	**1**	**105**	**–**	**–**	**106**
– Insufficient hedging of foreign currency risk	1	105	–	–	106
– Legal dispute	–	–	–	–	–
Provisions for charges	**2,307**	**–**	**(314)**	**–**	**1,993**
TOTAL	**2,308**	**105**	**(314)**	**–**	**2,099**

The provision for charges of €2.1 million corresponds to a deferred tax liability following the merger with CFMM for €2.0 million.

The unrealised translation losses of €106,000 correspond to a $25 million foreign currency loans to R&Co North America.

The accounting method for retirement commitments, recommended by French General Chart of Accounts, was not applied in these accounts and would not have had a material impact on the total assets or current income of the Company.

Note 9 – Borrowings and financial liabilities – banks

In thousands of euros	Total	< 1 year	Between 1 and 5 years	> 5 years
Medium-term loan	69,837	49,837	20,000	–
Deposits received	31	31	–	–
Bank overdrafts	43	43	–	–
Accrued interest	141	141	–	–
TOTAL	**70,053**	**13,091**	**20,000**	**–**

These loans and credits were contracted at a variable rate. Borrowings of €36.8 million were amortised or repaid during the year, while a new loan was contracted during the year for an amount of €10.0 million.

Note 10 – Operating liabilities

In thousands of euros	Total	< 1 year	Between 1 and 5 years	> 5 years
Accounts payable(1)	4,750	4,750	–	–
Tax and social liabilities(2)	4,874	4,874	–	–
TOTAL	**9,625**	**9,625**	**–**	**–**

Note 11 – Other liabilities

In thousands of euros	Total	< 1 year	Between 1 and 5 years	> 5 years
Group advances and current accounts	123,772	123,772	–	–
Sundry liabilities	43	43	–	–
TOTAL	**123,816**	**123,816**	**–**	**–**

(1) Of which accrued expenses: €4.4 million.
(2) Of which accrued expenses: €2.0 million.

V. Notes to the Company income statement.

R&Co ended the 2019 financial year with net income of €309.4 million compared with €90.4 million for the prior period. The 2019 financial year saw €345.2 million in dividend income from its French subsidiaries. The Company made a profit on ordinary activities before tax of €319.2 million in 2019, compared with €85.8 million in the 2018.

Note 12 – Operating income

In thousands of euros	01/01/19 31/12/19	01/01/18 31/12/18
Expenses recharged to related companies	1,363	7,217
Other operating income	327	355
TOTAL	**1,690**	**7,571**

Note 13 – Operating expenses

In thousands of euros	31/12/19	31/12/18
General and administration costs	15,018	20,019
Taxes other than those on income	1,278	2,878
Salaries and payroll taxes	3,045	3,197
Depreciation and amortisation	453	296
Other expenses	638	424
TOTAL	**20,432**	**26,814**

Note 14 – Income from investments in Group and other companies and portfolio holdings

In thousands of euros	31/12/19	31/12/18
Dividends from investments in Group and other companies	345,164	104,281
Dividends from portfolio holdings	610	1,169
TOTAL	**345,774**	**105,450**

Note 15 – Other financial income

In thousands of euros	31/12/19	31/12/18
Interest income on forward contracts and certificates of deposit	67	46
Interest income from advances granted to Group companies	(36)	488
Foreign exchange gain	38	2,162
TOTAL	**68**	**2,697**

Note 16 – Capital gains/(losses) on disposals of marketable securities

In thousands of euros	31/12/19	31/12/18
Capital gains on sales of marketable securities	28	98
Capital losses on sales of marketable securities	(222)	(18)
TOTAL	**(195)**	**80**

Note 17 – Charge/recovery of provisions on other income transactions

In thousands of euros	31/12/19	31/12/18
Provisions on exchange rate risk	(106)	–
Recoveries of provisions on other income transactions	1	–
TOTAL	**(105)**	**–**

Notes to the Company financial statements

Note 18 – Financial expenses

In thousands of euros	31/12/19	31/12/18
Interest on medium-term borrowings from subsidiaries	(444)	(961)
Interest on medium-term borrowings from third parties	(282)	–
Other interest expense	(0)	(8)
Exchange losses	(6,885)	(2,222)
TOTAL	**(7,612)**	**(3,191)**

Note 19 – Income from capital transactions

In thousands of euros	31/12/19	31/12/18
Capital gains on disposals of investments in Group and other companies and portfolio holdings	2,050	893
Recoveries of impairment of investments in Group and other companies and portfolio holdings	521	1,253
Capital losses on disposals of investments in Group and other companies and portfolio holdings	(4,030)	(5,024)
Charges for impairment of investments in Group and other companies and portfolio holdings	(18,322)	(3,351)
TOTAL	**(19,781)**	**(6,229)**

Note 20 – Income tax

For the year ended 31 December 2019, net tax income amounted to €10.0 million. This amount comprises tax income of €10.5 million primarily received from subsidiaries (comprising a €17.2 million net tax income reduced by €6.7 million of charges) and a prior year adjustment for €0.5 million.

VI. Other information

A. Employees

For the year ended 31 December 2019, the average headcount of 16 people included 13 executives and 3 other employees.

B. Compensation of management bodies

In respect of their functions as corporate officers of R&Co for 2019, members of the Supervisory Board entitled to compensation under the terms fixed by Supervisory Board received compensation of €628,000.

C. Tax consolidation

The Company is the head of a tax group that includes the following companies:

- Paris Orléans Holding Bancaire SAS;
- Concordia Holding SARL;
- Financière Rabelais SAS;
- K Développement SAS;
- Martin Maurel SA;
- PO Fonds SAS;
- PO Mezzanine SAS;
- Verseau SAS.

As part of the tax consolidation process, each subsidiary in the tax consolidation group calculates its income tax as if it were taxed on a stand-alone basis.

As at 31 December 2019, the tax consolidation group headed by R&Co had no tax loss carry-forward at the standard income tax rate.

D. Consolidation

R&Co, the parent company of the R&Co Group, prepares consolidated financial statements as at 31 December 2019, which are in turn consolidated into the Rothschild & Co Concordia SAS, registered at 23 bis, avenue de Messine, 75008 Paris, France.

E. Off-balance sheet commitments

In thousands of euros	31/12/2019	31/12/2018
Commitments given		
Guarantees given and other commitments	289	289
Investment commitments in various funds	–	–
Earn-out amounts to be paid for shares purchased	8,156	11,045
TOTAL	**8,445**	**11,334**
Commitments received		
Undrawn lines of credit	92,600	105,000
TOTAL	**92,600**	**105,000**

1. Off-balance sheet commitments relating to the purchase of preferred shares in MMI

In July 2015 and March 2016, R&Co acquired from minority shareholders all b1, b2, b3 and b4 preference shares not yet held by MMI. The purpose of MMI is to link the Company's management to potential capital gains that may be realised by the Company within its private equity activities on making divestments. Within the framework of agreements with these minority shareholders, the Company agreed to pay them earnouts on shares transferred, estimated at €1.7 million as at 31 December 2019.

2. Off-balance sheet commitments relating to the R&Co Equity Schemes

As at 31 December 2019, the only securities granting access to the share capital of the Company are the stock options granted by Rothschild & Co for the benefit of the senior employees and executive corporate officers of the Company and its subsidiaries.

Within the framework of the delegations of authority granted by the shareholders and characteristics specific to Rothschild & Co(1), six equity schemes have been implemented and remained in force as at 31 December 2019.

- on 11 October 2013 (the "2013 Equity Scheme");
- on 9 December 2015 (the "2015 Equity Scheme");
- on 13 December 2017 (the "2017 Equity Scheme");
- on 20 June 2018 (the "2018 Equity Scheme"); and
- on 11 October 2019 (the "2019 Existing Partners Scheme" and the "2019 New Partners Scheme").

Beyond the mere use of the legal authority to implement stock options plans, Rothschild & Co wants to promote the convergence of interests of the stock options beneficiaries with the controlling family shareholder as well as other shareholders. Therefore, each Equity Scheme requires participants to purchase and hold Rothschild & Co shares in order to be granted stock options.

According to the rules and regulations of each Equity Scheme:

- Rothschild & Co shares are invested beforehand in the form of an acquisition of shares and/or restricted share units ("RSUs"), giving holders the right to receive Rothschild & Co shares after a set vesting date, subject to certain conditions(2);
- the Rothschild & Co shares purchased are subject to a lock-up period of four years (or in the case of the 2019 Existing Partner Scheme, three years) and the RSUs are subject to a vesting period of four years (or in the case of the 2019 Existing Partner Scheme, three years)
- the stock options awarded are subject to vesting periods of up to six years before being exercisable, and lapse ten years (four years in the case of the 2019 Exiting Partner Scheme) after being granted; and
- the stock options granted under each Equity Scheme are classified into four distinct tranches of stock options ("Tranche 1", "Tranche 2", "Tranche 3", and "Tranche 4"). Before the beginning of the exercise period of each tranche of stock options, the Managing Partner of the Company decides whether the stock options are exercised by subscribing newly issued Rothschild & Co shares or by acquiring existing Rothschild & Co shares allocated in this context.

(1) For more details regarding the outstanding delegations granted to the Company's Managing Partner in force and in use during the twelve months ended 31 December 2029, please refer to Section 6, p.116 of this Annual Report.
(2) Within the framework of restricted share units under the Equity Scheme, a number of Rothschild & Co shares were acquired by Group entities in which Equity Scheme participants hold management or executive roles. These shares, intended to be awarded to holders of RSUs after the vesting date and subject to certain conditions, are currently – and until the vesting date – treasury shares and therefore do not bear any voting rights.

Participants

The Rothschild & Co Equity Schemes' participants are partners across the Group (the "Partners"). The Partners include the most senior officers in the Group businesses or those having cross-divisional functions, such as the members of Group Executive Committee.

- **Overview of the participants of Rothschild & Co's Equity Schemes**
  The 2013 Equity Scheme was made available to 57 Partners, operating in ten different countries, within the Global Advisory business and the Group Executive Committee.

  The 2015 Equity Scheme was extended to ten new Partners, operating in five different countries, within the Wealth Management and Merchant Banking businesses, and the Group Executive Committee.

  The 2017 Equity Scheme was extended to 20 new Partners, operating in six different countries, within the Global Advisory, Wealth and Asset Management, and Merchant Banking businesses, and having cross-divisional functions in the Rothschild & Co Group.

  The 2018 Equity Scheme was extended to one new Partner within the Global Advisory Business.

  The 2019 Existing Partners Equity Scheme was subscribed to by 49 Partners, operating in ten different countries, and who participated in the previous Equity Schemes.

  The 2019 New Partners Equity Scheme was extended to six new Partners, operating in three different countries, within the Global Advisory, Wealth and Asset Management and Merchant Banking businesses.

- **Effective participation in the Rothschild & Co's Equity Schemes**
  The table below indicates the total number of Rothschild & Co shares invested by the Partners who effectively participated in an Equity Scheme and the total number of stock options granted accordingly:

	Total number of shares invested	% of share capital as at the grant date	Total number of stock options granted	% of share capital as at the grant date
2013 Equity Scheme	780,000	1.10%	3,120,000	4.40%
2015 Equity Scheme	115,000	0.16%	460,000	0.64%
2017 Equity Scheme	277,500	0.36%	1,110,000	1.44%
2018 Equity Scheme	20,000	0.02%	80,000	0.08%
2019 Existing Partners Scheme	207,500	0.27%	830,000	1.08%
2019 New Partners Scheme	80,000	0.10%	320,000	0.40%

Pricing and other conditions set out to promote the long-term performance of the Group

The conditions set out in the Equity Schemes rules and regulations ensure the alignment of the Participant's interests and the long-term performance of the Group.

In order to participate in the Equity Schemes and be granted stock options, Partners are required to acquire Rothschild & Co shares and/or RSUs at market value and hold them for a period of four years (three in the case of the 2019 Existing Partner Scheme). As shareholders, Partners' interests in the long-term performance of the Group are aligned with those of other shareholders.

The subscription or purchase price of Rothschild & Co shares underlying the first tranche of stock options per Equity Scheme (the "Exercise Price") is set at the market value on date of the grant, but tranches 2, 3 and 4 are set at various levels above the market price at grant (as described below) which is designed to motivate the Partners to improve the performance of the Group and thereby contribute to increasing the Rothschild & Co share price.

The stock options have a vesting period of up to six years (three in the case of those granted under the 2019 Existing Partner Scheme) and have a ten-year term (four-year in the case of those granted under the 2019 Existing Partner Scheme) commencing from the grant date. Unexercised stock options lapse and are no longer valid or exercisable after the expiration of that term meaning that Partners are focused on improving the performance of the Group in the long term.

The participants can only exercise their stock options if they remain employees or executive corporate officers within the Group until the exercise date of the stock options, subject to some specific exceptions stipulated in the Equity Schemes rules and regulations.

As from the 2017 Equity Scheme, the exercise of the options is conditional upon the achievement of a performance condition which depends on the entity within the participant is a Partner. It is specified that no Rothschild & Co corporate executive officer ("*dirigeant mandataire social*") has participated in the Group Equity Schemes, except Alexandre de Rothschild, who participated in the 2013 Equity Scheme, as an employee of a Group subsidiary. Since he was not a Rothschild & Co corporate executive officer ("*dirigeant mandataire social*") at the time he participated in the in the 2013 Equity Scheme, no performance condition was attached to his stock-options granted at the grant date. He has not participated in an Equity Scheme since.

The Exercise Price is determined by the Managing Partner of the Company at the grant date in accordance with Articles L. 225-177 and L. 225-179 of the French Commercial Code, the applicable resolutions of the general shareholders' meeting of Rothschild & Co authorising the Managing Partner to grant stock options, and the Equity Scheme rules and regulations.

The applicable Equity Scheme rules and regulations defined the Exercise Price for each stock options tranche as follows:

Equity Scheme	Tranche	Definition of the Exercise Price
2013, 2015, 2017, 2018 Equity Schemes and 2019 New Partners Equity Scheme	Tranche 1	The Floor Price
	Tranche 2	The higher of (i) the Reference (or Purchase Price) plus fifty euros cents and (ii) the Floor Price
	Tranche 3	The higher of (i) the Reference (or Purchase Price) plus one euro and fifty cents and (ii) the Floor Price
	Tranche 4	The higher of (i) the Reference (or Purchase Price) plus two euros fifty euros cents and (ii) the Floor Price
2019 Existing Partners Equity Scheme	Tranche 1	The Floor Price
	Tranche 2	The higher of (i) the Reference (or Purchase Price) plus one euro and (ii) the Floor Price
	Tranche 3	The higher of (i) the Reference (or Purchase Price) plus three euros and (ii) the Floor Price
	Tranche 4	The higher of (i) the Reference (or Purchase Price) plus five euros and (ii) the Floor Price

The Floor Price and the Reference Price are defined as follows:

- the Reference Price (or the Purchase Price depending on the terminology used) means the closing listed price of the Rothschild & Co share on grant date, *i.e.* the date when stock options are granted. The Reference Price corresponds to the price at which the Rothschild & Co shares must be effectively invested by the participants to be eligible to receive stock options.

  It is specified that, for the 2018 Equity Scheme, the Reference Price means the closing listed price of the Rothschild & Co share on December 13,2017, *i.e.* the 2017 Equity Scheme grant date. The terms and conditions of the 2018 Equity Scheme, which was intended for one Partner, were aligned on the 2017 Equity Scheme.

- the Floor Price means the higher of (i) the closing listed price of the Rothschild & Co share on the grant date, (ii) 80% of the average of the opening listed prices of the Rothschild & Co share over the 20-trading day period preceding the grant date, and (iii) 80% of the average purchase price of the Rothschild & Co shares held on the grant date by Rothschild & Co pursuant to the provisions of Articles L.225-208 and L.225-209 of the French Commercial Code.

  It is also specified that, for the same reason as mentioned above for the Reference Price in the 2018 Equity Scheme, the definition of the Floor Price is slightly nuanced in the 2018 Equity Scheme. In the latter, the Floor Price means the higher of (i) the 2017 Equity Scheme Reference Price, *i.e*. the closing listed price of the Rothschild & Co share on December 13, 2017 (the 2017 Equity Scheme grant date), (ii) 80% of the average of the opening listed prices of the Rothschild & Co share over the 20-trading day period preceding the grant date, and (iii) 80% of the average purchase price of the Rothschild & Co shares held on the grant date by Rothschild & Co pursuant to the provisions of Articles L.225-208 and L.225-209 of the French Commercial Code.

The table below shows for each tranche of stock options per Equity Scheme the Exercise Price approved by the Managing Partner at the grant date in accordance with the aforesaid rules and regulation:

		Floor price	Reference Price	Exercise Price approved by the Managing Partner on the grant date (in euro)
2013 Equity Scheme	**Options 2013-1**	17.50		**17.50**
	Options 2013-2	17.50	17.50	**18.00**
	Options 2013-3	17.50	17.50	**19.00**
	Options 2013-4	17.50	17.50	**20.00**
2015 Equity Scheme	**Options 2015-1**	23.62		**23.62**
	Options 2015-2	23.62	23.62	**24.12**
	Options 2015-3	23.62	23.62	**25.12**
	Options 2015-4	23.62	23.62	**26.12**
2017 Equity Scheme	**Options 2017-1**	31.56		**31.56**
	Options 2017-2	31.56	31.56	**32.06**
	Options 2017-3	31.56	31.56	**33.06**
	Options 2017-4	31.56	31.56	**34.06**
2018 Equity Scheme	**Options 2018-1**	31.56		**31.56**
	Options 2018-2	31.56	31.56	**32.06**
	Options 2018-3	31.56	31.56	**33.06**
	Options 2018-4	31.56	31.56	**34.06**
2019 Existing Partners Scheme	**Options EP 2019-1**	26.10		**26.10**
	Options EP 2019-2	26.10	26.10	**27.10**
	Options EP 2019-3	26.10	26.10	**29.10**
	Options EP 2019-4	26.10	26.10	**31.10**
2019 New Partners Scheme	**Options NP 2019-1**	26.10		**26.10**
	Options NP 2019-2	26.10	26.10	**26.60**
	Options NP 2019-3	26.10	26.10	**27.60**
	Options NP 2019-4	26.10	26.10	**28.60**

It is specified that the Exercise Price of each class of stock-option and/or the number of Rothschild & Co shares that may be obtained upon the exercise of such stock options may be adjusted by the Managing Partner in the cases and according to the terms provided in applicable legal and regulatory provisions, *i.e.* – under currently applicable French rules – an amortisation or reduction of the share capital; a modification of the allocation of the distributable profits; an allotment of free shares; an incorporation into the share capital of reserves, profits or issuance premiums; any issuance of equity securities or securities entitling their holders to the allotment of equity securities with a subscription right reserved for the shareholders; and any other case provided in applicable legal or regulatory provisions as of the date on which the relevant transaction is implemented.

Situation as of 31 December 2019

The table below summarises all information on outstanding stock options as at 31 December 2019:

		Date of authorisation by the General Meeting	Grant date by the Managing Partner	Total of options granted	Number of beneficiaries	Share capital % at the grant date	Subject to the fulfilment of performance conditions	Exercise period start date	Expiration date	Stock option subscription or purchasing price approved by the Managing Partner on the grant date (in euro)	Total options exercised	Total options forfeited	Total options remaining
2013 Equity Scheme	**Options 2013-1**	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	30 Nov. 2016	11 Oct. 2023	17.50	372,500	20,000	**387,500**
	Options 2013-2	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2017	11 Oct. 2023	18.00	307,500	20,000	**452,500**
	Options 2013-3	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2018	11 Oct. 2023	19.00	177,500	30,000	**572,500**
	Options 2013-4	26 Sept. 2013	11 Oct. 2013	780,000	57	1.10%	No	11 Oct. 2019	11 Oct. 2023	20.00	25,000	30,000	**725,000**
2015 Equity Scheme	**Options 2015-1**	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2018	9 Dec. 2025	23.62	50,000	–	**65,000**
	Options 2015-2	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2019	9 Dec. 2025	24.12	30,000	–	**85,000**
	Options 2015-3	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2020	9 Dec. 2025	25.12	20,000	–	**95,000**
	Options 2015-4	26 Sept. 2013	9 Dec. 2015	115,000	10	0.16%	No	11 Oct. 2021	9 Dec. 2025	26.12	20,000	–	**95,000**
2017 Equity Scheme	**Options 2017-1**	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2020	13 Dec. 2027	31.56	–	5,000	**272,500**
	Options 2017-2	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2021	13 Dec. 2027	32.06	–	5,000	**272,500**
	Options 2017-3	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2022	13 Dec. 2027	33.06	–	5,000	**272,500**
	Options 2017-4	29 Sept. 2016	13 Dec. 2017	277,500	20	0.36%	Yes(1)	11 Oct. 2023	13 Dec. 2027	34.06	–	5,000	**272,500**
2018 Equity Scheme	**Options 2018-1**	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2020	13 Dec. 2027	31.56	–	–	**20,000**
	Options 2018-2	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2021	13 Dec. 2027	32.06	–	–	**20,000**
	Options 2018-3	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2022	13 Dec. 2027	33.06	–	–	**20,000**
	Options 2018-4	17 May 2018	20 June. 2018	20,000	1	0.02%	Yes(1)	11 Oct. 2023	13 Dec. 2027	34.06	–	–	**20,000**
2019 Existing Partners Scheme	**Options EP 2019-1**	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2020	11 Oct. 2023	26.10	–	–	**207,500**
	Options EP 2019-2	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2020	11 Oct. 2023	27.10	–	–	**207,500**
	Options EP 2019-2	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2021	11 Oct. 2023	29.10	–	–	**207,500**
	Options EP 2019-2	17 May 2018	11 Oct. 2019	207,500	49	0.27%	Yes(1)	11 Oct. 2022	11 Oct. 2023	31.10	–	–	**207,500**
2019 New Partners Scheme	**Options NP 2019-1**	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2022	11 Oct. 2029	26.10	–	–	**80,000**
	Options NP 2019-2	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2023	11 Oct. 2029	26.60	–	–	**80,000**
	Options NP 2019-3	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2024	11 Oct. 2029	27.60	–	–	**80,000**
	Options NP 2019-4	17 May 2018	11 Oct. 2019	80,000	6	0.10%	Yes(1)	11 Oct. 2025	11 Oct. 2029	28.60	–	–	**80,000**
Total				**5,920,000**		**8.04%**					**1,005,000**	**120,000**	**4,797,500**

(1) Please refer to the summary of the performance in the above Section.

As at 31 December 2019, 2,287,500 stock options were still outstanding and exercisable in accordance with the terms and conditions of the Equity Schemes.

3. Off-balance-sheet commitments in connection with the acquisition of Martin Maurel SA (MM) shares from certain managers

Between 1 June 2016 and 10 June 2016, R&Co signed memoranda of understanding with a number of managers at MM, including commitments to buy and sell MM shares held by these managers and available as a result of the legal obligation to hold these shares until the fifth anniversary of their payment into the Martin Maurel group savings plan.

In accordance with the stipulations of these memoranda of understanding, Rothschild & Co is entitled to buy such MM shares in the month following the date that the restriction to various managers is lifted.

As the restricted shares are paid into the Martin Maurel group savings plan staggered over several years, the shares will be available on a staggered basis between 12 March 2017 and 22 March 2021.

R&Co notified managers for whom the shares' restricted period ended on 12 March 2017, with the promise to buy these shares being exercised on 31 March 2017. Accordingly, during the 2018 financial year, R&Co acquired 5,189 BMM shares on 25 April 2018, representing 0.81% of MM's share capital, held by 16 MM managers, for €1,192,432 in total consideration. No acquisition took place during the 2019 financial year.

These promises initially covered a total number of 39,417 MM shares, which represented a commitment estimated at €9.7 million. Following the exercise of these options, there remain 23,894 MM shares subject to put and call options that R&Co is entitled to buy, which may be acquired according to the terms and conditions laid down in the preliminary agreements. These represent a commitment of €6.5 million for R&Co.

F. Analysis of subsidiaries and participating interests

Companies or groups of companies	Share capital	APIC, reserves and retained earnings excluding net income for the period	Share of capital held	Carrying value of shares held		Outstanding loans and advances from the company	Gross revenues (excluding VAT) for the last financial year	Net income for the last financial year	Dividends received by the Company during the financial year
In millions of euro				Gross	Net				
A. Subsidiaries (Company holds at least 50% of capital)									
Paris Orléans Holding Bancaire SAS (Paris)(2)(4)	729.6	494.7	100%	1,335.5	1.335	8.5	–	310.5	293.1
K Développement SAS (Paris)(2)(4)	99.0	122.8	100%	104.2	104.2	12.3	–	18.0	41.0
Francarep Inc. (USA)(2)(4)	–	2.4	100%	2.6	2.5	–	–	0.2	–
Cavour SASU (Paris)(2)(4)	0.06	–	100%	0.06	0.03	–	–	0.0	–
Verdi SASU (Paris)(2)(4)	0.06	–	100%	0.06	0.03	–	–	(0.0)	–
Aida SASU (Paris)(2)(4)	0.3	–	100%	0.3	0.2	0.1	–	(0.0)	–
Martin Maurel SA(2)(4)	51.2	139.6	97.9%	218.3	218.3	–	–	7.5	11.0
B. Participating interests (Company holds 5 to 50% of capital)									
Rothschild Martin Maurel(2)(4)	35.0	236.9	9.1%	55.2	55.2	–	–	69.2	–
Finatis SA (Paris)(1)(3)(4)	85.0	83.0	5.0%	12.3	7.6	–	37,507	(61.0)	–

(1) Consolidated figures.
(2) Financial year ended 31 December 2019 (FX rate: 1 EUR = 1.12140 USD).
(3) Reserves and net income (Group share).
(4) No guarantees were given by the Company to the above companies or groups of companies.

Statutory auditors' report on the financial statements for the year ended 31 December 2019

This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Dear Shareholders,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying financial statements of Rothschild & Co S.C.A. for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Statutory Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1st January 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics (code de déontologie) for statutory auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Impairment of investments in Group, other companies and portfolio holdings

Key Audit Matter

As at 31 December 2019, the company holds 1,857 million euros through investments in Group, other companies and portfolio holdings, which represent 86% of the total amount of assets.

The net asset value of these investments in Group, other companies and portfolio holdings is determined by Management, depending on the availability of the data and by using quotation prices, net or revalued share in equity or references to recent transactions.

When the inventory value thus determined is lower than the acquisition cost of these investments, an impairment is recognised.

The methodology and assumptions used to determine the inventory value of investments in Group, other companies and portfolio holdings requiring the exercise of judgement, and considering the relative importance of the amount of these financial assets in the balance sheet of the Company, we considered that the determination of impairment of investments in Group, other companies and portfolio holdings is a key audit matter for the annual accounts of the Company.

Paragraph III "Accounting principles, rules and methods" of the appendix sets out the methods for recording an impairment to cover the risk of a decline in the value of investments in Group, other companies and portfolio holdings.

Our response

Our procedures consisted of:

- understanding the internal control and governance put in place by Management to measure the inventory value of investments in Group, other companies and portfolio holdings;
- considering the validity of the methodologies applied and the relevance of the parameters and assumptions used by the Company to determine the inventory values of these financial assets;
- testing, on a sample basis, the inventory values used by the Company for these financial assets and the correct application of the methods.

Lastly, we made sure that the information presented in the financial statements are appropriate.

Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French laws and regulations.

Statutory auditors' report on the financial statements for the year ended 31 December 2019

Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Management and in the other documents with respect to the financial position and the financial statements provided to the Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under Article D.441-4 of the French Commercial Code (*Code de commerce*).

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.225-37-3 of the French Commercial Code (*code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase offer or exchange, provided pursuant to Article L.225-37-5 of the French Commercial Code, we have agreed these to the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as statutory auditors of Rothschild & Co S.C.A. by the General Meeting held on 29 September 2005 for KPMG S.A. and on 24 June 2003 for Calliau Dedouit et Associés.

As at 31 December 2019, KPMG S.A. and Calliau Dedouit et Associés were in the 15th year and 17th year of total uninterrupted engagement, which are the 15th year and 17th year since securities of the Company were admitted to trading on a regulated market, respectively.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Management.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics (code de déontologie) for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The statutory auditors
French original signed by

Paris La Défense, March 18th 2020	Paris, March 18th 2020
KPMG S.A.	Cailliau Dedouit et Associés
Arnaud Bourdeille	**Sandrine Le Mao**
Partner	Partner

Abbreviations and glossary

Term	Definition
ACPR	*Autorité de Contrôle Prudentiel et de Résolution* (French Prudential and Resolution Authority)
AMF	*Autorité des Marchés Financiers*
AML	Anti-money laundering
AuM	Assets under Management
BMM	*Banque Martin Maurel*
bp	Basis point
Category 1/2/3/4/5	Classification of credit risk rating by the Group, explained in section 4.2.1
CFMM	*Compagnie Financière Martin Maurel*
CGU	Cash-generating unit
Company	Rothschild & Co SCA
CRD4	Capital Requirements Directive 4
DCF	Discounted cash flow
EAD	Exposure at default (IFRS 9)
EBA	European Banking Authority
ECL	Expected credit loss (IFRS 9), which can be measured on either a 12-month basis (12m ECL) or a lifetime basis (lifetime ECL)
EdRS	Edmond de Rothschild (Suisse) SA
EMAP	Environmental Management Action Plan
EPS	Earnings per share
Equity Scheme	Rothschild & Co operates a scheme for certain senior staff where participants are required to invest in Rothschild & Co shares and for each share owned they are granted four share options.
FACP	Five Arrows Capital Partners
FACS	Five Arrows Capital Solutions
FADL	Five Arrow Direct Lending
FAPEP	Five Arrows Private Equity Program
FAPI	Five Arrows Private Investments
FASO	Five Arrows Secondary Opportunities
FIFO	First-in, first-out
FTE	Full time equivalents
EVE	Economic Value of Equity
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GA	Global Advisory (business segment)
GEC	Group Executive Committee
GCC	Group Credit Committee
Gérant	Rothschild & Co *Gestion* SAS
GHG	Greenhouse Gas
Group	Rothschild & Co SCA consolidated group
Group ALCO	Group Assets and Liabilities Committee
Group	Rothschild & Co SCA consolidated group
IBOR	Interbank Offered Rate
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
IRRBB	Interest Rate Risk in the Banking Book
LBO	Leveraged Buy-Out
LCR	Liquidity Coverage Ratio
Level 1/2/3	IFRS 13 fair value hierarchy, explained in section 4.5.1
LGBT	Lesbian Gay Bisexual and Transgender
LGD	Loss given default (IFRS 9)
LIBOR	London Interbank Offered Rate

Abbreviations and glossary

Term	Definition
Lombard lending	Lending secured against portfolios of securities
LTV	Loan to value
M&A	Mergers and Acquisitions
Managing Partner	Rothschild & Co Gestion SAS (the *gérant*)
MB/Merchant Banking	Merchant Banking (business segment)
MMI	Messine Managers Investments SAS
MOIC	Multiple of Invested Capital
NCI	Non-controlling interest
NMR	N M Rothschild & Sons Limited
NNA	Net New Assets
NNI	Net Interest Income
OCI	Other comprehensive income
Overseas Fund	N M Rothschild & Sons Limited overseas pension fund
PBT	Profit Before Tax
PCCC	Private Client Credit Committee
PCL	Private Client Lending (business line)
PD	Probability of default (IFRS 9)
POCI	Purchased or originated credit-impaired financial asset (IFRS 9)
POHB	*Paris Orléans Holding Bancaire* SAS
R&Co	Rothschild & Co SCA
R&Co Gestion	Rothschild & Co Gestion SAS (the *gérant*/Managing Partner)
R&CoBI	Rothschild & Co Bank International Limited
R&CoBZ	Rothschild & Co Bank AG Zurich
R&CoCL	Rothschild & Co Continuation Limited
R&CoHAG	Rothschild & Co Holding AG
RCB	*Rothschild & Compagnie Banque* SCS
R&Co PI	Rothschild & Co Proprietary Investments
R&Co PO	Rothschild & Co Private Opportunities
RMM	Rothschild Martin Maurel SCS
ROU asset	Right of use asset (IFRS 16)
ROTE	Return on Tangible Equity
SA	*Société Anonyme*
SARL	*Société à responsabilité limitée*
SAS	*Société par actions simplifiées*
SASU	*Société par actions simplifiées unipersonnelle*
SC	*Société civile*
SCA	*Société en commandite par actions*
SCS	*Société en commandite simple*
SDGs	Sustainable Development Goals
SICR	Significant increase in credit risk (IFRS 9)
SNC	*Société en nom collectif*
SPPI	Solely payments of principal and interest (IFRS 9)
Stage 1/2/3	IFRS 9 credit quality assessments
Supervisory Board	Rothschild & Co Supervisory Board
Swiss Funds	Rothschild & Co Bank AG Zurich pension funds
TIAP	*Titres immobilisés de l'activité de placement*
UK Fund	N M Rothschild & Sons Limited pension fund
US Fund	Defined benefit pensions maintained by Rothschild & Co North America Inc.
UN PRI	United Nations Principles for Responsible Investment
WAM	Wealth and Asset Management (business segment)

General information

Persons responsible for the annual financial report

Rothschild & Co Gestion SAS
Managing Partner

Mark Crump
Group Chief Financial Officer

Statement by the persons responsible for the annual financial report

We hereby certify that, to the best of our knowledge, the accounts are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and all the undertakings included in the consolidation, and that the management report includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and all the undertakings included in the consolidation, together with a description of the principal risks and uncertainties that they face.

Paris, 10 March 2020

Rothschild & Co Gestion SAS
Managing Partner
Represented by Alexandre de Rothschild, Chairman

Mark Crump
Group Chief Financial Officer

Persons responsible for the audit of the financial statements

Statutory Auditors

Cailliau Dedouit et Associés SA
Represented by Ms Sandrine Le Mao
19 rue Clément-Marot
75008 Paris, France

Start date of first term: 24 June 2003
Date of last renewal: 28 September 2017
End date of term: General Meeting called to approve the financial statements for the financial year ending 31 December 2022

KPMG SA
Represented by Mr Arnaud Bourdeille
Tour Eqho 2 avenue Gambetta
92066 Paris la Défense Cedex

Start date of first term: 27 September 2011
Date of last renewal: 28 September 2017
End date of term: General Meeting called to approve the financial statements for the financial year ending 31 December 2022

The information relating to the fees paid to the Statutory Auditors in respect of the financial year ended 31 December 2019 is presented on page 205 of this report.

About Rothschild & Co

With a team of c.3,500 talented financial services specialists on the ground in over 40 countries across the world, our integrated global network of trusted professionals provide in-depth market intelligence and effective long-term solutions for our clients in Global Advisory, Wealth and Asset Management, and Merchant Banking. Rothschild & Co is family-controlled and independent and has been at the centre of the world's financial markets for over 200 years. Rothschild & Co is a French partnership limited by shares (*société en commandite par actions*) listed on Euronext in Paris, Compartment A with a share capital of €155,235,024. Paris trade and companies registry 302 519 228. Registered office: 23 bis avenue de Messine, 75008 Paris, France.

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For more information, please visit the Group's website:
www.rothschildandco.com

Notes

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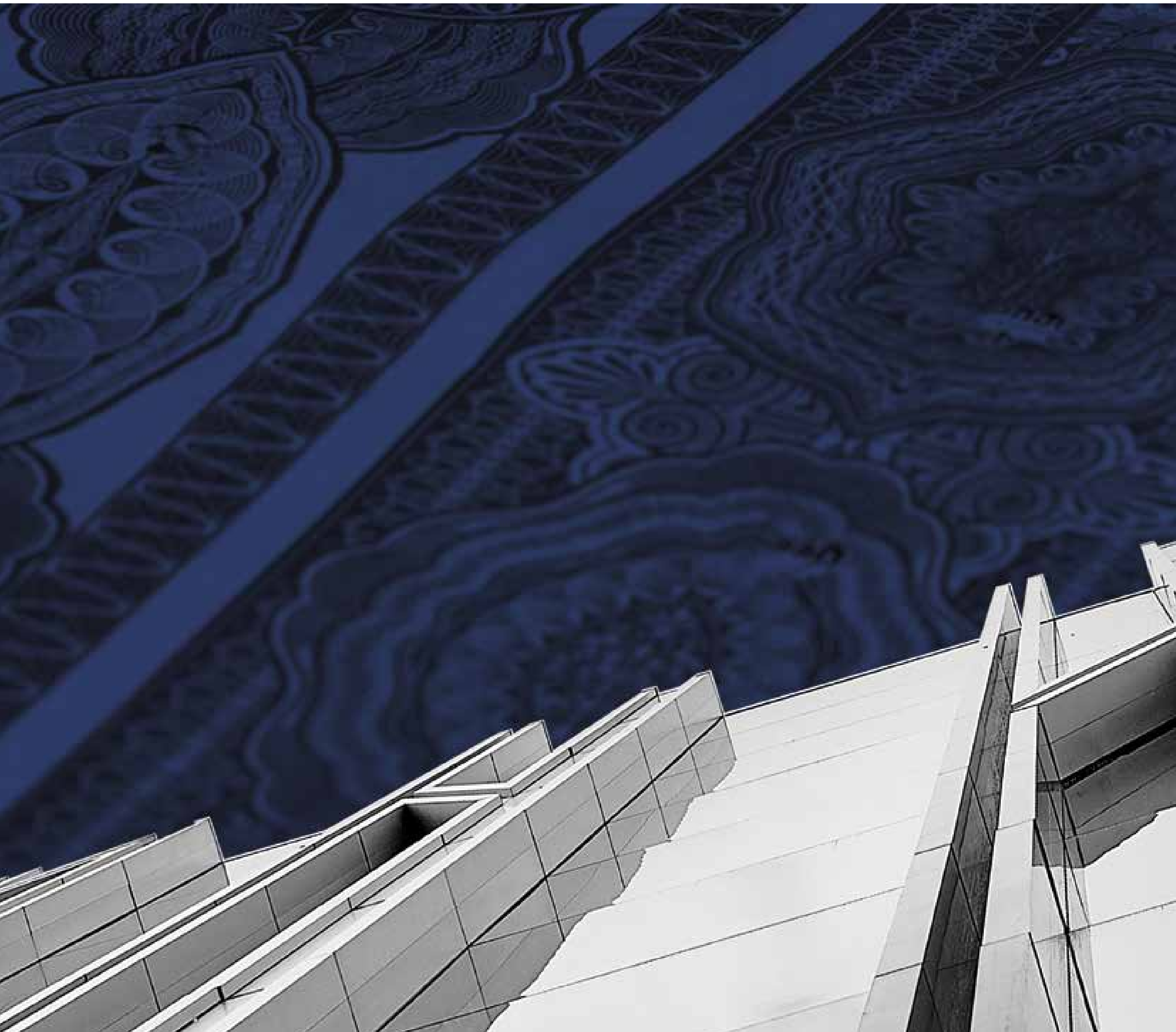

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