

## 2 The Supervisory Board

### (Report of the Chairman of the Supervisory Board on corporate governance)

This report, established pursuant to paragraphs 7 to 9 of Article L. 225-68 of the French Commercial Code with reference to Article L. 226-10-1 of that code, sets forth the principles of the corporate governance of Rothschild & Co.

This report describes the Supervisory Board's powers and duties, the duties of its members, and the status, powers and duties of the Supervisory Board's specialised committees. 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.

All of the work that went into the preparation of this report was presented to the Supervisory Board, which approved its terms at its meeting of 22 June 2016.

### 2.1 Composition of the Supervisory Board

In accordance with the articles of association, the Supervisory Board is composed of a maximum of 18 members, all of whom are shareholders in the Company. The Supervisory Board members are appointed 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.

As at 31 March 2016, the Supervisory Board was composed of 16 members:

- Éric de Rothschild, Chairman
- André Lévy-Lang, Vice-Chairman<sup>(1)</sup>
- François Henrot, Vice-Chairman
- Martin Bouygues<sup>(1)</sup>
- Dr. Daniel Daeniker<sup>(1)</sup>
- Sylvain Héfès
- Angelika Gifford<sup>(1)</sup>
- Lord Leach <sup>(1) (†)</sup>
- Arielle Malard de Rothschild
- Lucie Maurel-Aubert
- Carole Piwnica<sup>(1)</sup>
- Anthony de Rothschild
- Jacques Richier<sup>(1)</sup>
- Sipko Schat<sup>(1)</sup>
- Peter Smith<sup>(1)</sup>
- Luisa Todini<sup>(1)</sup>

Among the 16 members of the Supervisory Board, ten members are independent members: Martin Bouygues, Dr. Daniel Daeniker (also member of the Strategy Committee and Risk Committee), Angelika Gifford, André Lévy-Lang (also member of the Audit Committee, Strategy Committee and Remuneration and Nomination Committee), Lord Leach (also member of the Strategy Committee), Carole Piwnica (also member of the Strategy Committee and Audit Committee), Jacques Richier, Sipko Schat (also Chairman of the Risk Committee), Peter Smith (also Chairman of the Audit Committee and member of the Strategy Committee and Remuneration and Nomination Committee) and Luisa Todini (also member of the Remuneration and Nomination Committee).

During the 2015/2016 financial year, five members' terms of office were renewed at the Combined General Meeting of shareholders held on 24 September 2015, as follows: Lucie Maurel-Aubert, Sylvain Héfès, Anthony de Rothschild, Lord Leach, Sipko Schat and Peter Smith.

The Group Company Secretary (and *Directeur Juridique* of the Company) also acts as Secretary to the Supervisory Board under the supervision of the Chairman of the Supervisory Board.

### 2.2 Profiles and lists of positions held by members of the Supervisory Board

A summary profile for each of the members of the Supervisory Board and the list of their directorships and positions held as at 31 March 2016, within and outside the Group, in France and in other countries, is presented on the following pages.

More information, including a short biography for each of the members, is available on the Company's website at [www.rothschildandco.com](http://www.rothschildandco.com).

(1) Independent member.  
(†) Deceased on 12 June 2016.

# Corporate governance

## Éric de ROTHSCHILD

### Positions held within Rothschild & Co

- Chairman of the Supervisory Board
- Member of the Strategy Committee

### General information

French  
Born in 1940  
Date of first appointment: 29 October 2004

Date of last renewal: 25 September 2014  
End of term of office: AGM to be held in 2017  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

#### Within the Group

##### In France:

Member of the Board of Directors and General Manager of Rothschild Concordia SAS  
Partner of RCB Partenaires SNC  
General Partner and Manager of Béro SCA  
Permanent representative of Béro SCA as Chairman of Ponthieu Rabelais SAS

##### In other countries:

Chairman of Rothschild Holding AG (Switzerland)  
Chairman of Rothschild Asset Management Holdings AG (Switzerland)  
Member of the Board of Directors of Continuation Investments NV (the Netherlands)  
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland)  
Member of the Board of Directors of Rothschild Concordia AG (Switzerland)  
Member of the Board of Directors of The Rothschild Archive Ltd (United Kingdom)  
Member of the Board of Directors of Rothschild Employee Trustees Ltd (United Kingdom)

#### Outside the Group

##### In France:

Permanent representative of Béro SCA as:  
• Chairman of Société du Château Rieussec SAS  
• Manager of Château Lafite Rothschild SC  
• Manager of Château Duhart-Milon SC  
• Manager of La Viticole de Participation SCA, co-Manager of Domaines Barons de Rothschild (Lafite) SCA

Chairman of Fondation nationale des Arts graphiques et plastiques  
Member of the Supervisory Board of Milestone SAS  
Member of the Supervisory Board of SIACI Saint-Honoré SA  
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:

Chairman and Director of DBR USA Inc. (United States of America)  
Member of the Board of Directors of Los Vascos SA (Chile)

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

In France:  
None

##### In other countries:

Chairman of Rothschild Bank AG (Switzerland) (2014)  
Member of the Board of Directors of NM Rothschild & Sons Ltd (United Kingdom) (2014)  
Member of the Remuneration and Nomination Committee of Rothschilds Continuation Holdings AG (Switzerland) (2013)  
Member of the Board of Directors of Rothschild North America Inc (United States of America) (2013)

## André LÉVY-LANG

### Positions held within Rothschild & Co

- Vice-Chairman and independent member of the Supervisory Board
- Member of the Audit Committee
- Member of the Remuneration and Nomination Committee
- Member of the Strategy Committee

### General information

French  
Born in 1937  
Date of first appointment: 29 October 2004

Date of last renewal: 25 September 2014  
End of term of office: AGM to be held in 2017  
Number of shares directly held as at 31 March 2016: 4,305

### Other directorships and positions held

#### Within the Group

None

#### Outside the Group

##### In France:

Chairman of the Supervisory Board of Les Échos SAS  
Chairman of La Fondation du Risque (association)  
Chairman of Institut Louis Bachelier (association)

Member of the Board of Directors of Institut Français des Relations Internationales (association)

Member of the Board of Directors of Hôpital Américain de Paris (association)  
Member of the Board of Directors of Institut des Hautes Études Scientifiques (association)  
Member of the Board of Directors of Paris Sciences et Lettres (association)

##### In other countries:

None

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

##### In France:

Chairman of Institut Français des Relations Internationales (association) (2015) (Outside the Group)  
Chairman of the Audit Committee of Paris Orléans SCA<sup>(1)</sup> (2013)  
Vice-Chairman of Institut Europlace de Finance (association) (2013) (Outside the Group)  
Member of the Board of Directors of Groupe des Ecoles Nationales d'Économie et Statistique (2013) (Outside the Group)  
Member of the Board of Directors of Scor (2011) (Outside the Group)

##### In other countries:

None

(1) Listed company.

## François HENROT

### Positions held within Rothschild & Co

- Vice-Chairman of the Supervisory Board
- Member of the Strategy Committee

### General information

French  
Born in 1949  
Date of first appointment: 29 March 2012

Date of last renewal: 25 September 2014  
End of term of office: AGM to be held in 2017  
Number of shares directly held as at 31 March 2016: 476,260

### Other directorships and positions held

#### Within the Group

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

**In other countries:**  
None

#### Outside the Group

**In France:**  
Member of the Supervisory Board of Rexel SA<sup>(1)</sup>

**In other countries:**  
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<sup>(1)</sup> (Morocco)

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

**In France:**  
Non-voting member (*censeur*) of the Supervisory Board of Vallourec SA<sup>(1)</sup> (2015) (Outside the Group)  
General Partner and Manager of Rothschild & Cie SCS (2014)  
Managing Partner of de RCB Partenaires SNC (2014)  
Member of the Supervisory Board of 3 Suisses SA (2013) (Outside the Group)

**In other countries:**  
Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (2013)

## Martin BOUYGUES

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board

### General information

French  
Born in 1952  
Date of first appointment: 7 December 2007

Date of last renewal: 25 September 2014  
End of term of office: AGM to be held in 2017  
Number of shares directly held as at 31 March 2016: 35,697

### Other directorships and positions held

#### Within the Group

None

#### Outside the Group

**In France:**  
Chairman and Chief Executive Officer of Bouygues SA<sup>(1)</sup>  
Chairman of SCDM SAS  
Member of the Board of Directors of TF1 SA<sup>(1)</sup>  
Chairman of the Selection Committee of TF1 SA<sup>(1)</sup>

Member of the Board of Directors of Fondation d'entreprise Francis Bouygues  
Permanent representative of SCDM SAS as:

- Chairman of SCDM Participations SAS
- Chairman of Actiby SAS

**In other countries:**  
Member of the Board of Directors of Fondation Skolkovo (Russia)

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

**In France:**  
Permanent representative of SCDM SAS as Chairman of SCDM Invest 3 SAS (2015) (Outside the Group)  
Member of the Strategy Committee of Paris Orléans SCA<sup>(1)</sup> (2014)

**In other countries:**  
None

(1) Listed company.

# Corporate governance

## Dr. Daniel DAENIKER

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board
- Member of the Risk Committee
- Member of the Strategy Committee

### General information

Swiss  
Born in 1963  
Date of first appointment: 25 September 2014

Date of last renewal: n/a  
End of term of office: AGM to be held in 2016  
Number of shares directly held as at 31 March 2016: 2,010

### Other directorships and positions held

**Within the Group**  
None

**In other countries:**  
Member of the Board of Directors of dorma+kaba Holding AG<sup>(1)</sup> (Switzerland)  
Member of the Board of Directors of Homburger AG (Switzerland)

**Outside the Group**  
**In France:**  
None

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

**In France:**  
None

**In other countries:**  
Member of the Board of Directors of GAM Holding AG<sup>(1)</sup> (Switzerland) (2015) (Outside the Group)  
Independent member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (2014)

## Sylvain HÉFÈS

### Positions held within Rothschild & Co

- Member of the Supervisory Board
- Chairman of the Remuneration and Nomination Committee
- Member of the Audit Committee

### General information

French  
Born in 1952  
Date of first appointment: 29 March 2012

Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**

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

**Outside the Group**

**In France:**  
None

**In other countries:**  
Senior Adviser of NM Rothschild & Sons Ltd (United Kingdom)  
Member of the Investment Committee of Five Arrows Principal Investments SCA SICAR (Luxemburg)  
Member of the Board of Directors of Five Arrows Capital Ltd (British Virgin Islands)  
Chairman of Francarep, Inc. (United States of America)

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

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

**In France:**  
Chairman of the Executive Board of Paris Orléans SA<sup>(1)</sup> (Until 29 March 2012)  
Member of the Rothschild Group Risk Committee (2014)

Member of the Audit Committee of Rothschild Bank AG (Switzerland) (2013)  
Member of the Board of Directors of Rothschild Bank AG (Switzerland) (2013)  
Non-Executive member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (2013)

**In other countries:**  
Member of the Board of Directors of Intercontinental Exchange Group, Inc<sup>(1)</sup> (United States of America) (2015) (Outside the Group)  
Director of NYSE Euronext Inc. (United States of America) (2013) (Outside the Group)  
Member of the Advisory Committee of General Atlantic LLC (United States of America) (2013) (Outside the Group)

(1) Listed company.

## Angelika GIFFORD

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board

#### General information

German  
Born in 1965  
Date of first appointment: 25 September 2014

Date of last renewal: n/a  
End of term of office: AGM to be held in 2016  
Number of shares directly held as at 31 March 2016: 10

#### Other directorships and positions held

**Within the Group**  
None

**In other countries:**  
Executive Director and Vice-President of Hewlett-Packard GmbH (Germany)  
Member of the Executive Board of Atlantik-Brücke e.V. (Germany)  
Member of Board of Directors of ProSieben Sat.1 Media SE<sup>(1)</sup> (Germany)

**Outside the Group**  
**In France:**  
None

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

**In France:**  
None

**In other countries:**  
Member of the Board of Directors of TUI AG<sup>(1)</sup> (Germany) (2015) (Outside the Group)  
Member of the Executive Board of Microsoft Germany GmbH (Germany) (2011) (Outside the Group)

## Lord LEACH<sup>†</sup>

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board
- Member of the Strategy Committee

#### General information

British  
Born in 1934  
Date of first appointment: 8 June 2012

Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018  
Number of shares directly held as at 31 March 2016: 10

#### Other directorships and positions held

**Within the Group**  
None

**In other countries:**  
Member of the Board of Directors of Jardine Lloyd Thompson Group plc<sup>(1)</sup> (United Kingdom)  
Member of the Board of Directors of Dairy Farm International Holdings Ltd (Bermuda)  
Member of the Board of Directors of Hong Kong Land Holdings Ltd (Bermuda)  
Member of the Board of Directors of Jardine Matheson Holdings Ltd (Bermuda)  
Member of the Board of Directors of Jardine Strategic Holdings Ltd (Bermuda)  
Member of the Board of Directors of Mandarin Oriental International Ltd (Bermuda)  
Member of the Board of Directors of Matheson & Co. Ltd (United Kingdom)

**Outside the Group**  
**In France:**  
None

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

**In France:**  
None

**In other countries:**  
None

(1) Listed company.

(†) Deceased on 12 June 2016.

# Corporate governance

## Arielle MALARD de ROTHSCHILD

### Positions held within Rothschild & Co

- Member of the Supervisory Board
- Member of the Risk Committee as from 22 June 2016

### General information

French  
Born in 1963  
Date of first appointment: 25 September 2014

Date of last renewal: n/a  
End of term of office: AGM to be held in 2016  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**  
**In France:**  
Managing Director of Rothschild & Cie SCS

Member of the Board of Directors of Groupe Lucien Barrière SAS  
Member of the Board of Directors of Imerys SA<sup>(1)</sup>  
Member of the Remuneration and Nomination Committee of Imerys SA<sup>(1)</sup>

**In other countries:**  
None

**In other countries:**  
Vice-Chairwoman of CARE International (Switzerland)  
Member of the Board of Directors of Electrica SA<sup>(1)</sup> (Romania & United Kingdom)  
Member of the Nomination and Remuneration Committee of Electrica SA<sup>(1)</sup> (Romania & United Kingdom)  
Member of the Audit and Risk Committee of Electrica SA<sup>(1)</sup> (Romania & United Kingdom)

**Outside the Group**  
**In France:**  
Chairwoman of CARE France

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

**In France:**  
None

**In other countries:**  
None

## Lucie MAUREL-AUBERT

### Positions held within Rothschild & Co

- Member of the Supervisory Board
- Member of the Strategy Committee

### General information

French  
Born in 1962  
Date of first appointment: 8 June 2012

Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**  
None

Vice-Chairwoman of the Association Française des Banques  
Permanent representative of Banque Martin Maurel as member of the Supervisory Board of Optigestion SA  
Member of the Board of Directors of Compagnie Plastic Omnium SA<sup>(1)</sup>  
Member of the Board of Directors of Théâtre du Châtelet  
Member of the Board of Directors of Montupet SA<sup>(1)</sup>  
Member of the Board of Directors of Fondation Hôpital Saint-Joseph

**Outside the Group**  
**In France:**  
Member of the Supervisory Board of Martin Maurel Gestion SA  
Member of the Supervisory Board of BBR Rogier SA  
Member of the Supervisory Board of Fonds de garantie des depots et de resolution  
Chairwoman of Grignan Participations SAS  
Chairwoman of Hoche Paris SAS  
Chairwoman of Immobilière Saint Albin SAS  
Member of the Executive Board and Chief Executive Officer of Banque Martin Maurel SA  
Chairwoman of the Supervisory Board of International Capital Gestion SA  
Chairwoman of the Supervisory Board of Hoche Gestion Privée SA  
Vice-Chairwoman, Deputy Chief Executive Officer and Director of Compagnie Financière Martin Maurel SA

**In other countries:**  
Manager (Type A) of Mobilim International Sàrl (Luxembourg)

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

**In France:**  
Member of the Supervisory Board of Aéroport Marseille Provence (2015) (Outside the Group)  
Chairwoman of Groupement Européen de Banques (2015) (Outside the Group)  
Member of the Supervisory Board of Foncière INEA SA (2014) (Outside the Group)  
Vice-Chairwoman of the Supervisory Board of Optigestion SA (2013) (Outside the Group)

**In other countries:**  
None

(1) Listed company.

## Carole PIWNICA

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board
- Member of the Audit Committee
- Member of the Strategy Committee

### General information

Belgian  
Born in 1958  
Date of first appointment: 25 September 2014

Date of last renewal: n/a  
End of term of office: AGM to be held in 2016  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**  
None

**Outside the Group**

**In France:**  
Independent Member of the Board of Directors of Sanofi SA<sup>(1)</sup>  
Member of the Audit Committee of Sanofi SA<sup>(1)</sup>  
Independent Member of the Board of Directors of Eutelsat Communications SA<sup>(1)</sup>  
Chairwoman of the Governance, Remunerations and Selection Committee of Eutelsat Communications SA<sup>(1)</sup>

**In other countries:**

Member of the Board of Directors of Naxos UK Ltd (United Kingdom)  
Member of the Board of Directors of Big Red (United States of America)  
Member of the Board of Directors of Elevance (United States of America)  
Member of the Board of Directors of Amyris Inc.<sup>(1)</sup> (United States of America)  
Member of the Board of Directors of I20 (United Kingdom)

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

**In France:**  
None

**In other countries:**

Member of the Board of Directors of RecyCoal Ltd (United Kingdom) (2015) (Outside the Group)  
Member of the Board of Directors of Louis Delhaize<sup>(1)</sup> (Belgium) (2013) (Outside the Group)  
Member of the Board of Directors of Dairy Crest Plc<sup>(1)</sup> (United Kingdom) (2011) (Outside the Group)

Member of the Board of Directors of Aviva Plc<sup>(1)</sup> (United Kingdom) (2011) (Outside the Group)  
Chairwoman of the Corporate Social Responsibility of Aviva Plc<sup>(1)</sup> (2011) (United Kingdom) (Outside the Group)  
Member of the Remuneration Committee of Aviva Plc<sup>(1)</sup> (United Kingdom) (2011) (Outside the Group)

## Anthony de ROTHSCHILD

### Positions held within Rothschild & Co

- Member of the Supervisory Board

### General information

British  
Born in 1977  
Date of first appointment: 8 June 2012

Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**

**In France:**  
Member of the Board of Directors of Rothschild Concordia SAS

**In other countries:**

None

**Outside the 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:**

Member of the Board of Directors of Ascott Properties Ltd (United Kingdom) (2015) (Outside the Group)  
Member of the Board of Directors of William and Suzue Curley Ltd (United Kingdom) (2014) (Outside the Group)

Member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (2013)  
Member of the Board of Directors of A7 Music Ltd (United Kingdom) (2013) (Outside the Group)

(1) Listed company.

# Corporate governance

## Jacques RICHIER

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board

### General information

French  
Born in 1955  
Date of first appointment: 27 September 2010

Date of last renewal: 25 September 2014  
End of term of office: AGM to be held in 2017  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**  
None

**Outside the Group**

**In France:**

Chairman and Chief Executive Officer of Allianz IARD SA  
Chairman and Chief Executive Officer of Allianz Vie SA  
Chairman and Chief Executive Officer of Allianz France SA  
Chairman of the Supervisory Board of Allianz Worldwide Partners SAS  
Member of the Board of Directors of AWP Health & Life SA  
Member of the Supervisory Board of Euler Hermès SA<sup>(1)</sup>

**In other countries:**

Non-executive member of the Board of Directors of Georgia Healthcare Group plc<sup>(1)</sup> (United Kingdom)  
Member of the Audit Committee of Georgia Healthcare Group plc<sup>(1)</sup> (United Kingdom)  
Member of the Nomination Committee of Georgia Healthcare Group plc<sup>(1)</sup> (United Kingdom)

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

**In France:**

Chairman of the Board of Directors of Allianz Worldwide Care SA (2015) (Outside the Group)  
Chairman of Allianz Worldwide Partners SAS (2015) (Outside the Group)  
Member of the Supervisory Board of Allianz Global Assistance SAS (2013) (Outside the Group)  
Member of the Supervisory Board of Oddo & Cie SCA (2012) (Outside the Group)

**In other countries:**

Chairman of Allianz Worldwide Care Ltd (Ireland) (2014) (Outside the Group)  
Member of the Supervisory Board of Allianz Global Corporate & Specialty AG (Germany) (2014) (Outside the Group)

## Sipko SCHAT

### Positions held within Rothschild & Co

- Independent member of the Supervisory Board
- Chairman of the Risk Committee

### General information

Dutch  
Born in 1960  
Date of first appointment: 8 June 2012

Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

**Within the Group**  
None

**Outside the Group**

**In France:**

None

**In other countries:**

Chairman of the Supervisory Board of Vion N.V (the Netherlands)  
Non-executive member of the Board of Directors of OCI N.V<sup>(1)</sup> (the Netherlands)

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

**In France:**

Representative of Rabobank as member of the Board of Directors of NYSE Euronext (2013) (Outside the Group)

**In other countries:**

Member of the Executive Board of Rabobank Nederland (the Netherlands) (2013) (Outside the Group)

Chairman of the Wholesale Management Team of Rabobank International (the Netherlands) (2013) (Outside the Group)  
Member of the Board of Directors of Bank Sarasin & Cie AG (Switzerland) (2013) (Outside the Group)  
Member of the Board of Directors of Rabo Real Estate (the Netherlands) (2013) (Outside the Group)  
Representative of Rabobank as Director of VNO-NCW (Confederation of Netherlands Industry and Employers) (2013) (Outside the Group)

(1) Listed company.



## Peter SMITH

### Positions held within Rothschild & Co

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

### General information

British  
Born in 1946  
Date of first appointment: 27 September 2012

Date of last renewal: 24 September 2015  
End of term of office: AGM to be held in 2018  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

#### Within the Group

**In France:**  
None

#### In other countries:

Non-executive Chairman and member of the Board of Directors of NM Rothschild & Sons Ltd (United Kingdom)  
Member of the Board of Directors of Rothschild Bank AG (Switzerland)  
Member of the Audit Committee of Rothschild Bank AG (Switzerland)

#### Outside the Group

**In France:**  
None

#### In other countries:

Non-executive Chairman of the Board of Directors of Savills Plc<sup>(1)</sup> (United Kingdom)  
Chairman of the Board of Directors of Land Restoration Trust (a charity) (United Kingdom)  
Member of the Board of Directors of Associated British Foods Plc (United Kingdom)  
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 Templeton Emerging Markets Investment Trust Plc<sup>(1)</sup> (United Kingdom) (2015) (Outside the Group)

Non-executive member of the Board of Directors of Rothschilds Continuation Holdings AG (Switzerland) (2014)  
Chairman of the Audit Committee of Rothschilds Continuation Holdings AG (Switzerland) (2013)  
Member of the Remuneration Committee of Rothschilds Continuation Holdings AG (Switzerland) (2013)

## Luisa TODINI

### Positions held within Rothschild & Co

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

### General information

Italian  
Born in 1966  
Date of first appointment: 25 September 2014

Date of last renewal: n/a  
End of term of office: AGM to be held in 2016  
Number of shares directly held as at 31 March 2016: 10

### Other directorships and positions held

#### Within the Group

None

#### Outside the Group

**In France:**  
None

#### In other countries:

Chairwoman of Poste Italiane<sup>(1)</sup> (Italy)  
Chairwoman of Todini Costruzioni Generali SpA (Italy)

Chairwoman of Todini Finanziaria SpA, Ecos Energia Srl, Uni-Esco Srl (Italy)  
Chairwoman of Comitato Leonardo – Italian Quality Committee (Italy)  
Chairwoman of Fondazione Poste Insieme (Italy)  
Co-Chairwoman of the Italian and Russian Civil Society Dialogue Forum (Italy)  
Sole Managing Director of Proxima Srl (Italy)  
Member of the Board of Directors of Salini Costruttori SpA (Italy)  
Member of the Board of Directors of Foundation Child for Study and Research into Childhood and Adolescence (Italy)  
Member of the Steering Committee of Assonime (Italy)

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

**In France:**  
None

#### In other countries:

Member of the Board of Directors of RAI SpA<sup>(1)</sup> (Italy) (2014) (Outside the Group)  
Member of the Board of Directors of Cediv SpA (Italy) (2014) (Outside the Group)

Chairwoman of FIEC (European Construction Industry Federation) (Italy) (2012) (Outside the Group)  
Chairwoman of Cantina Todini Srl (Italy) (2013) (Outside the Group)  
Member of the Board of Directors of Salini SpA (Italy) (2013) (Outside the Group)  
Member of the Board of Directors of Tiesse Holding Srl (Italy) (2013) (Outside the Group)  
Member of the Board of Directors of AGI (Italy) (2011) (Outside the Group)

(1) Listed company.

# Corporate governance

It is hereby specified that the terms of offices held by Daniel Daeniker, Angelika Gifford, Carole Pivnica, Arielle Malard de Rothschild and Luisa Todini will come to an end by the General Meeting of shareholders to be held on 29 September 2016. Shareholders will be proposed to deliberate on the renewal of said offices. More detailed information will be presented on these proposed renewals in the General Meeting Document, grouping all information to be presented to the shareholders, pursuant to the applicable legal provisions.

## 2.3 Powers of the Supervisory Board

The Supervisory Board continually monitors the way in which the Company is managed by the Managing Partner, including in particular the Company's financial and accounting reporting system and its internal control mechanisms applicable to risk, compliance and internal audit, in accordance with the laws and regulations applicable to the Company.

The Supervisory Board may call a General Meeting of shareholders.

In order to exercise its authority in the area of permanent oversight:

- the Supervisory Board conducts such checks and controls that it considers appropriate at any time of the year, and may ask to be provided with such documents it considers useful to perform its duties;
- every three months (or more frequently if requested by the Supervisory Board), the Managing Partner presents a report to the Supervisory Board on the status and conduct of corporate affairs, such report to be drawn up as directed by the Board;
- within three months of the end of each financial year, the Managing Partner presents the annual and consolidated financial statements to the Supervisory Board for verification and control purposes;
- the Managing Partner submits its annual operating objectives to the Supervisory Board and, at least once a year, its long-term strategic projects;
- the Supervisory Board presents a report to shareholders at the Annual General Meeting of shareholders in which it reports any discrepancies and/or inaccuracies in the annual and consolidated financial statements and comments on the way in which the Company is managed;
- the Supervisory Board approves the Chairman's report on the composition of the Board and the application of the principle of equal representation of men and women on the Board, the terms and conditions according to which the Board prepares and organises its work, and the internal control and risk management procedures implemented by the Company;
- it decides each year on the Company's policy in terms of professional equality and equal pay;
- the agreements and commitments relating to the combined provisions of Article L. 226-10 and L. 225-38 to L. 225-43 of the French Commercial Code are submitted to the Supervisory Board for prior authorisation;
- it checks the quality of information issued by the Rothschild & Co Group to shareholders and the financial markets, through the Company and Group financial statements prepared by the Managing Partner and the annual report drawn up by the Managing Partner, or at the time of major transactions.

In addition to the powers granted to it by law, using the methods set forth in Article 10.2.3 of the Company's articles of association, the Supervisory Board issues:

- an advisory opinion to Group Management in respect of:
  - the strategic policies, annual budget and three-year business plan of the Rothschild & Co Group;
  - any significant acquisition or disposal of a business or part of a business; and
  - any strategic initiative or major refocusing of the business of the Rothschild & Co Group; and
- a recommendation to shareholders regarding the Company's dividend policy.

Moreover, the Supervisory Board presents a report to the shareholders and a reasoned opinion on any resolution submitted to the shareholders at their General Meeting and on any matter that is the subject of a report by the Company's Statutory Auditors.

The Supervisory Board may be assisted by experts of its choosing, whose expenses shall be paid by the Company. It has the broadest powers of investigation and may submit written questions to, or seek the opinion of, the Managing Partner at any time.

## 2.4 Duties of the Supervisory Board members

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 they require.

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 are 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, or for any purpose or activity other than those for which the information was provided to them. They 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.

Members must notify the Supervisory Board of any actual or potential conflict of interest with the Rothschild & Co Group. They must abstain from voting on the corresponding decision and from taking part in the discussion held prior to the vote.

The direct or indirect involvement of any Supervisory Board member in an operation or a transaction in which the Rothschild & Co Group has a direct interest, or of which he is aware as a result of his membership of the Board, must be disclosed to the 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 Rothschild & Co Group without notifying the Board in advance.

Supervisory Board members and all other persons who are invited to attend 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 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 those 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 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.);
- transactions involving Rothschild & Co shares, including hedge transactions effected during the 30 calendar days prior to 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 with regard to the publication of quarterly financial information) and on the publication date may not be effected by Supervisory Board members or any other person who attended the Board meeting at which the results were reviewed. The same rule applies with respect to the announcement of projected annual and half-yearly results.

## 2.5 Organisation and operation of the Supervisory Board

### 2.5.1 Notice of meetings

On a proposal by its Chairman, the Supervisory Board prepares a schedule of meetings each year, for the following year.

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 Supervisory Board members, the Managing Partner, Rothschild & Co Gestion SAS, 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 prepares 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 provided to Supervisory Board members to enable them to express an opinion in full knowledge of the facts on items included on the agenda are provided to Supervisory Board members 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.

The Managing Partner and Group management are informed of Supervisory Board meetings, and may attend such meetings in an advisory capacity. 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.

### 2.5.2 Organisation of meetings

Under any circumstances, at any of its meetings, in the event of an emergency and on a proposal by the Chairman of the meeting, the Supervisory Board may discuss matters referred to its members that are not included on the agenda.

At each Supervisory Board meeting, the Chairman informs Supervisory Board members of the main facts and significant events concerning the Group's operations that have occurred since the date of the previous Supervisory Board meeting.

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.

### 2.5.3 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.

### 2.5.4 Review of the Supervisory Board's activity during the financial year

The Supervisory Board meets at least four times a year, in March, June, September and November. The Supervisory Board met five times during the 2015/2016 financial year, with an average attendance rate of 83.75% for all meetings. Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

Each meeting of the Supervisory Board is preceded by a meeting of the Audit and Risk Committees.

At its meeting on 24 June 2015, the Supervisory Board, in particular:

- reviewed the annual and consolidated financial statements for the 2014/2015 financial year and the draft results announcement;
- reviewed the overall situation of the Group's activities and prospects;
- considered the reports from the Audit Committee, the Risk Committee and the Remuneration and Nomination Committee;
- considered the agenda and the draft resolutions submitted by the Managing Partner to the Combined General Meeting of shareholders;
- approved the report of the Chairman of the Supervisory Board, the terms of its report to shareholders, and proceeded to the annual review of the regulated agreement previously authorised; and

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- upon recommendations from the Remuneration and Nomination Committee, deliberated on the renewal of the terms of office of six Board members.

At its meeting on 1 September 2015, the Supervisory Board reviewed a request made by Edmond de Rothschild Holding SA, a shareholder who met the conditions provided for in article R. 225-71 of the French Commercial Code, for draft resolutions to be included on the agenda.

At its meeting on 24 September 2015, the Supervisory Board, in particular:

- approved the renewal of six members within the specialised committees of the Supervisory Board, whose terms of office within the Supervisory Board were renewed at the Combined General Meeting of the same day;
- considered the Group Performance review (results for four months ended 31 July 2015); and
- considered a report from the Audit Committee, a report from the Strategy Committee, and a report from the Remuneration and Nomination Committee.

At its meeting on 24 November 2015, the Supervisory Board, in particular:

- considered the Group Performance review (results to 30 September 2015 and forecast for the year to 31 March 2016);
- reviewed the half-yearly financial statements for the 2015/2016 financial year and the draft results announcement;
- considered a report from the Audit Committee and a report from the Risk Committee; and
- delivered a favourable opinion to the Nomination Committee of Rothschild & Co Gestion, the Managing Partner, on the proposed remuneration of the Chairman of Rothschild & Co Gestion for the year ended 31 March 2016.

At its meeting on 24 March 2016 the Supervisory Board, in particular:

- considered the Group Performance review, and more specifically the outlook for the 12 months to 31 March 2016 and the overall Group budget for the year to March 2017;
- considered a report from the Audit Committee, a report from the Risk Committee and regulatory developments;
- examined the Group internal control reports to be submitted to the ACPR in respect of 2015; and
- decided upon the remuneration allocated to the members of the Supervisory Board for 2015/2016.

## 2.5.5 Assessment of the Supervisory Board's organisation and working methods

In accordance with the AFEP-MEDEF Corporate Governance Code for listed corporations to which Rothschild & Co refers to, the Group Company Secretary, in liaison with the Remuneration and Nomination Committee, conducted an assessment of the Supervisory Board's organisation and working methods as regards the 2014/2015 financial year. A new self-assessment will be conducted thereafter.

During the 2015/2016 financial year, the Group Company Secretary conducted more specifically an assessment of the effectiveness of the Audit Committee. The objective was to check that important issues are properly prepared and discussed.

The Audit Committee's self-assessment is based on a questionnaire with a grading system with scores ranging from 1 (excellent) to 5 (poor), with possibility to provide further comments. 13 general topics were covered in the questionnaire: terms of reference of the committee, its composition, training and resources provided, organisation of meetings, financial reporting, internal control and financial risk management, internal audit process, external audit, reliance of the work of subsidiaries' audit committees, whistleblowing and relationships with the Supervisory Board, the Risk Committee and the shareholders.

Answers received in response to the questionnaire showed committee members had a favourable opinion on the majority of the statements. The committee approved an action plan for those identified which required attention.

## 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.

In addition, according to the articles of association which provide the creation of any additional committee to assist the Supervisory Board, the Supervisory Board decided to set up a Strategy Committee.

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 determined by the Supervisory Board.

### 2.6.1 The Audit Committee

#### 2.6.1.1 Composition

As at 31 March 2016, the Audit Committee was composed of four members: Peter Smith (Chairman and independent member), Carole Piwnica (independent member), Sylvain Héfès and André Lévy-Lang (independent member).

#### 2.6.1.2 Responsibilities

Specifically the Audit Committee is responsible for:

- reviewing the process of drawing up financial information, the statutory audit of the annual accounts and consolidated accounts by the Statutory Auditors and the independence and objectivity of the Statutory Auditors;
- checking that the information provided is clear and providing an appraisal of the relevance of the accounting methods used to draw up the individual and consolidated accounts;
- reviewing the effectiveness of the internal control and risk management systems both at the Group and Rothschild & Co levels;
- providing an appraisal both of the internal control systems, in particular, examining whether the measurement, monitoring and risk control systems are consistent and, where necessary, suggesting further actions in this respect.

The Audit Committee can draw on the help of Company employees as necessary. It 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.

#### 2.6.1.3 Activity

The Audit Committee meets at least four times a year, in March, June, September and November, or more frequently if so required. The Audit Committee met four times during the 2015/2016 financial year, with an average attendance rate of 87.50% for all meetings. 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 Chief Risk Officer, the Group Company Secretary and the Statutory Auditors are permanent attendees to the meetings of the Audit Committee.

The Chief Executive Officers of Rothschild & Co Gestion SAS may be invited to participate for part of the meeting, if so required by the Chairman of the Audit Committee.

The June and November meetings are mainly focused respectively on the review of annual and half-year accounts and the presentation by the Statutory Auditors of their report after review of these accounts. In addition, at the June meeting, the Audit Committee reviews the section of the Chairman's report issued in accordance with the provisions of article L. 225-37 of the French Commercial Code, on risk management procedures implemented by the Company on pages 84 onwards of this report. The June meeting includes in addition a focus on the Banking book and the November meeting includes a review of the Merchant Banking division.

The March and September meetings mainly focus on internal control matters. In March, the Audit Committee receives for consideration, the Group internal control report to be submitted to the Autorité de contrôle prudentiel et de résolution (the "ACPR"). 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 auditors' 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 presented to the Group Risk Committee.

## 2.6.2 The Remuneration and Nomination Committee

### 2.6.2.1 Composition

As at 31 March 2016, the Remuneration and Nomination Committee was composed of four members: Sylvain Héfès (Chairman), André Lévy-Lang (independent member), Peter Smith (independent member) and Luisa Todini (independent member).

### 2.6.2.2 Responsibilities

The role of the Remuneration and Nomination Committee is to assist the Supervisory Board with its remuneration-related duties and in particular with the preparation of its decisions in correction with the Group's remuneration policy principles. It also makes recommendations to the Supervisory Board on all matters relating to the composition of the Supervisory Board, such as appointments or renewals of terms of office, or the compliance with AFEP-MEDEF recommendations.

Specifically, the Remuneration and Nomination Committee is 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's strategy from time to time;
- supervising and reviewing the broad policy framework for the remuneration of the Group Management Committee and the principles of the remuneration policy applicable to Regulated Persons;
- supervising the remuneration paid/awarded to members of the Compliance and Risk divisions and, where appropriate, the employment and remuneration arrangements of the Group Management Committee;

- identifying Regulated Persons as we define them in each of Rothschild & Co, Rothschild & Cie Banque SCS and its subsidiaries, NM Rothschild & Sons Limited and its subsidiaries and Rothschild Wealth Management for the purposes of the ACPR, FCA and PRA as appropriate;
- participating in the selection and nomination process of members of the Supervisory Board, as provided by the AFEP-MEDEF Corporate code of Governance;
- 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;
- discussing and reviewing with Rothschild & Co Gestion SAS the determination and quantum of the total bonus pool; and
- undertaking any other remuneration-related obligations placed upon the Remuneration and Nomination Committee by either the lead regulator or a local regulator.

### 2.6.2.3 Activity

The Remuneration and Nomination Committee met two times during the 2015/2016 financial year, with an average attendance rate of 75% for all meetings. Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The meetings of the Remuneration and Nomination Committee were mainly convened to set and to periodically review the principles and parameters of its remuneration policies and their adequacy and effectiveness, review developments in remuneration regulations and ensure that Rothschild & Co Gestion SAS and business divisions are in compliance.

In addition, the Remuneration and Nomination Committee reviews the proposals submitted by business divisions regarding fixed and variable compensation with absolute discretion to adjust fixed compensation proposals, bonus pools and individual payments, and supervise and review the broad policy framework for the remuneration of senior employees, including the Regulated Population across the Rothschild & Co Group.

No Group employee was permitted to participate in discussions or decisions relating to his or her remuneration.

The Chairman of the Supervisory Board, the Chairman and the Chief Executive Officers of Rothschild & Co Gestion SAS, the Group HR Director and the Group Chief Financial Officer are permanent attendees to the meetings of the Remuneration and Nomination Committee.

In addition, as regards the meetings of the Remuneration and Nomination Committee to review the proposals submitted by business divisions regarding fixed and variable compensation, the Heads of Group business divisions attend the meetings for part of the meeting to present their own business division.

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## 2.6.3 The Risk Committee

### 2.6.3.1 Composition

As at 31 March 2016, the Risk Committee was composed of two members: Sipko Schat (Chairman and independent member) and Dr. Daniel Daeniker (independent member).

### 2.6.3.2 Responsibilities

Specifically, the Risk Committee is 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 exposures 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.

### 2.6.3.3 Activity

The Risk Committee meets at least four times a year, in March, June, September and November, or more frequently if so required. The Risk Committee met four times during the 2015/2016 financial year, with an average attendance rate of 100%. 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 Heads of Risk, Legal & Compliance and Internal Audit, the Group Chief Financial Officer, the Group External Reporting Director and the Group Company Secretary are permanent attendees to the meetings of the Risk Committee.

The Chief Executive Officer of the Managing Partner, to whom the Group Chief Risk Officer reports, and the Statutory Auditors may be invited to participate for part of the meeting, if so required by 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 reviewed various Group policies, and checked the implementation of crisis management plans across the Group.

### 2.6.3.4 Cooperation with the Audit Committee

The Chairmen of the Audit Committee and the Risk Committee consult each other, whenever they deem it necessary and at least once a year, on various subjects, including but not limited to, subjects of common interest and/or cross-cutting topics falling within the missions assigned to them, related to the internal control and risk management system.

## 2.6.4 The Strategy Committee

### 2.6.4.1 Composition

As at 31 March 2016, the Strategy Committee was composed of eight members: Éric de Rothschild, Dr. Daniel Daeniker (independent member), François Henrot, André Lévy-Lang (independent member), Lord Leach (independent member), Lucie Maurel-Aubert, Peter Smith (independent member) and Carole Piwnica (independent member).

### 2.6.4.2 Responsibilities

The main role of this committee is to support the Supervisory Board in advising Rothschild & Co Gestion SAS on strategy matters.

Meetings of the Strategy Committee are prepared beforehand by Rothschild & Co Gestion SAS assisted by the Group Management Committee.

### 2.6.4.3 Activity

The Strategy Committee meets at least once a year, or more frequently if so required. The Strategy Committee met once during the 2015/2016 financial year, with an attendance rate of 85.71%. Before each meeting, every member receives a file containing all the documentation, notes and reports relating to each item on the agenda.

The Chairman and the members of the Management Board of Rothschild & Co Gestion SAS, the Group Chief Financial Officer, the Head of Group Strategy and Corporate Development, Senior Group advisers and the Group Company Secretary are permanent attendees to the meetings of the Strategy Committee.

In addition, the Group Heads of business divisions may be invited to participate for part of the meeting, if so required by the Strategy Committee.

## 2.7 Corporate Governance code

The Company has decided voluntarily to adhere to the Corporate Governance code for listed corporations published by the AFEP and the MEDEF, last amended in November 2015 and available at [www.medef.com](http://www.medef.com) (the 'AFEP-MEDEF code').

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 Managing Partner, Rothschild & Co Gestion SAS, 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 code 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
<p><b>Independence criterion for members of the Supervisory Board related to the length of office (§9.4 of the AFEP-MEDEF Code):</b></p>	<p>Given the Company's ownership structure, which is controlled by an enlarged Rothschild family concert acting in concert, by 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.</p> <p>This particular criterion was therefore expressly waived in the Supervisory Board's Internal rules of procedure as follow:</p> <p>"The independence criteria that apply are those referred to in Article 9.4 of the AFEP/MEDEF Corporate Governance code of December 2008, amended in November 2015, excluding the criteria relating to terms of office, which is expressly set aside."</p> <p>The Supervisory Board considers that the length of service is a key element for assessing and understanding the Rothschild &amp; Co 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.</p>
<p><b>Independence criterion for members of the Supervisory Board related to directorship in a company the corporation consolidates (§9.4 of the AFEP-MEDEF Code):</b></p>	<p>Peter Smith is non-executive Chairman of the Board of Directors of NM Rothschild &amp; Sons Ltd (NMR) and non-executive Director of the Board of Directors of Rothschild Bank AG, two of the Group's entities. However, the Supervisory Board considered that bearing in mind that Peter Smith performed duties in important international groups, this gives him a good perspective and a strong vision which contributes to the effectiveness of the Supervisory Board. Moreover, his experience and Group knowledge give him a freedom of speech and opinion which is a guarantee of independence. He is therefore able to challenge the Supervisory Board and make an extremely valuable contribution to the discussions of the Supervisory Board.</p> <p>Sipko Schat is a senior adviser at NMR. However, he performed management duties in an important banking group and it gives him expertise and capacity of judgement which contributes to the effectiveness of the Supervisory Board.</p> <p>Accordingly, the Supervisory Board considers their situations do not affect their independence and they can be deemed as independent members.</p>
<p><b>Assessment of the actual contribution of each director of the Supervisory Board (§10.2 of the AFEP-MEDEF Code):</b></p>	<p>The self-assessment questionnaire of the Supervisory Board does not expressly measure the actual contribution of each member.</p> <p>All members of the Supervisory Board express a positive assessment on the collective functioning of the Supervisory Board which implies that the individual contribution is also positive. Measuring the actual contribution of each Director creates a risk to the general climate of confidence within the Supervisory Board. However, the current evaluation process allows the Directors to express their personal opinion on the individual contribution as general remark.</p>
<p><b>Status of the Chairman of the Remuneration and Nomination Committee (§18.1 of the AFEP-MEDEF Code):</b></p>	<p>Mr Sylvain Héfès, non-independent member of the Supervisory Board, is the Chairman of the Remuneration and Nomination Committee despite his status of non-independent member.</p> <p>Mr Héfès' experience and expertise in the banking area make him fully aware of the governance practices to be followed in a group such as Rothschild &amp; Co, in particular concerning remuneration and nomination matters.</p> <p>Therefore, the Supervisory Board considers his situation as not jeopardising his ability to be the Chairman of the Remuneration and Nomination Committee and to act in the best interests of the Rothschild &amp; Co Group.</p>

Criterion providing that in order to be considered as independent, a Director must not "have been a Director for more than 12 years".

Criterion providing that in order to be considered as independent, a Director must not "be an employee or executive director of the corporation, or an employee or director of its parent or a company that the latter consolidates, and not having been in such a position for the previous five years".

The evaluation should measure "the actual contribution of each director to the Board's work through his or her competence and involvement in discussions."

"The committee (in charge of compensation) should not include any executive directors, and should have a majority of independent directors. It should be chaired by an independent director. It is advised that an employee director be a member of this committee."

# Corporate governance

## 2.8 Equal representation of men and women on the Supervisory Board

The composition of the Supervisory Board complies with the provisions of Law No. 2011-103 of 27 January 2011, which imposed the equal representation of both genders on the Supervisory Board.

It is also hereby specified that this representation is also respected in the Audit Committee (25%), the Remuneration and Nomination Committee (25%) and the Strategy Committee (25%).

## 3 Compensation and other benefits received by corporate officers

### 3.1 Compensation received by the Managing Partner and its Chairman

#### 3.1.1 Rothschild & Co Gestion SAS

In application of Rothschild & Co's articles of association, no compensation is paid to Rothschild & Co Gestion SAS in respect of its position of Rothschild & Co's Managing Partner. Accordingly, the summary tables relating to compensation and other benefits granted to the Managing Partner required in accordance with AMF recommendations are not relevant.

It is however hereby specified that the Company's articles of association provide that Rothschild & Co Gestion SAS is entitled to reimbursement of its operating expenses. In this respect, a total amount of €1,172,352.61 has been paid to Rothschild & Co Gestion SAS as reimbursement of its operating expenses for the financial year ended 31 March 2016.

In accordance with the provisions of Article 14.1 of the articles of association, an amount of €742,728.22, equal to 0.5% of the distributable profit of the 2015/2016 financial year, will be automatically allocated for payment to the two General Partners, Rothschild & Co Gestion SAS and Rothschild & Co Commandité SAS. This does not constitute compensation for their services as General Partners.

#### 3.1.2 David de Rothschild

Pursuant to the AMF recommendations, the table below presents an overview of compensation due or paid to David de Rothschild, Chairman of Rothschild & Co Gestion SAS.

In thousands of euros	2015/2016	2014/2015
Fixed compensation	500	382 <sup>(1)</sup>
Variable compensation	-	-
Extraordinary compensation	-	-
Directors' fees	-	-
Benefits in kind <sup>(2)</sup>	-	4
<b>TOTAL</b>	<b>500</b>	<b>386</b>

(1) Received from controlled companies.

(2) This amount related to the use of a car for the period.

Moreover, it is hereby specified that David de Rothschild has not benefited from employment contracts, supplementary pension schemes, compensation or benefits due in the event of termination of office or change in function and non-compensation clauses during the financial year ended 31 March 2016.

#### 3.1.3 'Say on Pay' advisory opinion

Pursuant the AFEP-MEDEF Code to which the Company refers, compensation paid or due to Rothschild & Co Gestion SAS, as Managing Partner of Rothschild & Co, and David de Rothschild, as the Chairman and sole legal representative of Rothschild & Co Gestion SAS, will be submitted to the shareholders' consultative vote at the next General Meeting of shareholders on 29 September 2016.

### 3.2 Compensation policy for Supervisory Board members

Rothschild & Co's articles of association provide that the Supervisory Board shall freely distribute all or some of any remuneration that the Ordinary General Meeting of shareholders grants to it between its members.

The General Meeting of shareholders of 25 September 2014 set at €500,000 the maximum amount of fees available for allocation to members of the Supervisory Board of Rothschild & Co, until a new decision is taken.

During its meeting on 24 March 2016, the Supervisory Board approved, for the financial year 2015/2016 and for the years thereafter until a new decision is taken, a compensation policy based on a fixed-fee structure for Supervisory Board and committee memberships, as follows:

	Fees in euro (per member each year)
Supervisory Board membership	20,000
Committee membership ( <i>per committee</i> )	5,000
Position as Chairman of Board/committees	10,000

Distribution of fees is subject to the following:

- When a member holds multiple positions in Supervisory Board and committees, the fees are cumulative. For example, a Board member chairing a committee shall receive €35,000 per financial year.
- All fees are paid on a pro-rated basis at the end of the annual financial year in March. For example, when a Supervisory Board member has been appointed by the General Meeting of shareholders in September, 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.
- The Supervisory Board decided that, due to their operational functions within the Rothschild Group, Mrs Arielle Malard de Rothschild and Éric de Rothschild and François Henrot shall not receive any attendance fees in respect of their positions in the Supervisory Board and its specialised committees.

The table following shows the compensation allocated by the Company to the members of the Supervisory Board, in respect of their positions held at Rothschild & Co's Supervisory Board and its committees, during the 2015/2016 financial year.



	Supervisory Board	Audit Committee	Strategy Committee	Remuneration and Nomination Committee	Risk Committee	2015/2016 gross remuneration (in euro)
Éric de Rothschild	■ ■		■			-
André Lévy-Lang	■ ■	■	■	■		35,000
François Henrot	■ ■		■			-
Martin Bouygues	■					20,000
Dr. Daniel Daeniker	■		■		■	30,000
Sylvain Héfès	■	■		■ ■		40,000
Angelika Gifford	■					20,000
Lord Leach <sup>(†)</sup>	■		■			25,000
Arielle Malard de Rothschild	■					-
Lucie Maurel-Aubert	■		■			25,000
Carole Piwnica	■	■	■			30,000
Anthony de Rothschild	■					20,000
Jacques Richier	■					20,000
Sipko Schat	■				■ ■	35,000
Peter Smith	■	■ ■	■	■		45,000
Luisa Todini	■			■		25,000
<b>TOTAL</b>						<b>370,000</b>

■ Chairman ■ Independent member ■ Vice-Chairman ■ Non-independent member

The table below summarises compensation received by the members of the Supervisory Board (in function during the financial year) in respect of their positions held at Rothschild & Co and at any other Group company during the 2015/2016 financial year.

In thousands of euro	2015/2016		2014/2015	
	Rothschild & Co <sup>(1)</sup>	Other compensation <sup>(2)</sup>	Rothschild & Co <sup>(1)</sup>	Other compensation <sup>(2)</sup>
<b>Members of the Supervisory Board</b>				
Éric de Rothschild	-	Benefits in kind 6	-	Benefits in kind 6
André Lévy-Lang	35	-	35	-
François Henrot	-	-	-	-
Martin Bouygues	20	-	20	-
Dr. Daniel Daeniker <sup>(3)</sup>	30	-	15	-
Sylvain Héfès	40	Directors fees 205 Benefits in kind 2	40	Directors' fees 175 Benefits in kind 2
Angelika Gifford <sup>(3)</sup>	20	-	10	-
Lord Leach <sup>(†)</sup>	25	-	25	-
Arielle Malard de Rothschild <sup>(3)</sup>	-	Fixed 242 Variable 222 Benefits in kind 20	-	Fixed 261 Variable - Benefits in kind -
Lucie Maurel-Aubert	25	-	25	-
Carole Piwnica <sup>(3)</sup>	30	-	15	-
Alexandre de Rothschild <sup>(4)</sup>	n/a	Fixed n/a Benefits in kind n/a	-	Fixed 66 Benefits in kind 19
Anthony de Rothschild	20	-	20	-
Jacques Richier	20	-	20	-
Sipko Schat	35	-	35	-
Peter Smith	45	Fixed 171	45	Fixed 159
Luisa Todini <sup>(3)</sup>	25	-	13	-

(1) Includes compensation due or received from Rothschild & Co in respect of the position of member of the Supervisory Board and, if applicable, its committees.

(2) Received from controlled companies.

(3) Member of the Supervisory Board as from 25 September 2014.

(4) Member of the Supervisory Board until September 2014.

(†) Deceased on 12 June 2016.

# Corporate governance

## 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 2015/2016 financial year executed by persons mentioned in Article L. 621-18-2 of the French Monetary and Financial code, disclosed to the Company and the AMF, are summarised in the table below.

Name	Quality	Transaction date	Nature of the transaction	Unit price (in euro)	Total amount (in euro)	AMF Decisions <sup>(1)</sup>
Béro SCA	Entity related to Éric de Rothschild	19/10/2015	Acquisition	21	3,583,293	2015DD396509
Financière de Reux	Entity related to David de Rothschild	19/10/2015	Acquisition	21	2,333,415	2015DD396510
Olivier Pécoux	Chief Executive Officer of Rothschild & Co Gestion SAS	19/10/2015	Acquisition	21	987,000	2015DD396511
Nigel Higgins	Chief Executive Officer of Rothschild & Co Gestion SAS	04/01/2016	Acquisition	28.195	232,947.09	2016DD408281
Nigel Higgins	Chief Executive Officer of Rothschild & Co Gestion SAS	04/01/2016	Sale	23.45	91,455	2016DD408282
Olivier Pécoux	Chief Executive Officer of Rothschild & Co Gestion SAS	31/03/2016	Contribution of shares to Olivier Pécoux EURL	23	3,174,000	2016DD423815
François Henrot	Member of the Supervisory Board	31/03/2016	Contribution of shares to FH GFA SARL	23	6,582,600	2016DD423816
FH GFA SARL	Entity related to François Henrot	31/03/2016	Contribution of shares from François Henrot	23	6,582,600	2016DD423819
Olivier Pécoux EURL	Entity related to Olivier Pécoux	31/03/2016	Contribution of shares from Olivier Pécoux	23	3,174,000	2016DD423820

(1) These decisions are available on the AMF website ([www.amf-france.org](http://www.amf-france.org)).

## 5 Statutory Auditors

### 5.1 Terms of office

The General Meeting of shareholders of 27 September 2011:

- renewed for a term of six financial years the appointments of Cailliau Dedouit et Associés SA, as Statutory Auditor, and of Mr Didier Cardon, as Alternate Auditor;
- appointed KPMG Audit FS II SAS, as Statutory Auditor, and KPMG Audit FS I SAS, as Alternate Auditor, as a replacement for KPMG Audit (a division of KPMG SA) and for SCP de Commissaires aux Comptes Jean-Claude André et Autres, whose appointments were not renewed.

In the continuity of Rothschild & Co's conversion into a French partnership limited by shares approved by the General Meeting of shareholders of 8 June 2012, the Statutory Auditors and Alternate Auditors' appointments were confirmed.

The Statutory Auditors' terms of office will end after the Annual General Meeting to be held in September 2017 to approve the accounts for the financial year ended 31 March 2017.

### 5.2 Fees to Statutory Auditors

The information relating to the fees paid to the Statutory Auditors in respect of the financial year ended 31 March 2016 is presented in page 154 of this present report.

### 5.3 Regulated agreements and undertakings

In accordance with applicable legal and regulatory provisions, the Statutory Auditors have been informed of all the regulated agreements and undertakings entered into during the 2015/2016 financial year, and of agreements and undertakings entered into during the previous financial years but still into effect during the 2015/2016 financial year.

# Internal control and risk management procedures

## Report of the Chairman on internal control and risk management procedures implemented within the Group

The information below concerning the Group's internal control system was provided by Executive Management. This section of the report was prepared using information provided by the following Group functions: Legal, Compliance and Risk, Finance, and Internal Audit and based on the Rothschild & Co Report on internal control in accordance with Articles 258, 259, 261, 262, 264 and 266 of the 3 November 2014 Ministerial Decree applicable to financial holding companies supervised on a consolidated basis by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and addressed for the attention of the Supervisory Board.

It was submitted to the Audit Committee on 15 June 2016 for the matters falling within its scope, and approved by the Supervisory Board at its meeting on 22 June 2015.

### 1 Internal control references

Given the fact that Rothschild & Co has been designated by the Autorité de Contrôle Prudentiel et de Résolution as the Group consolidating entity for the purposes of prudential oversight, the rules applicable to financial holding companies apply to Rothschild & Co. The rules which impact upon the Group arrangements for Group risk management systems and controls are set out in the French Monetary and Financial code ('code monétaire et financier' or 'COMOFI') and the 3 November 2014 Ministerial Decree, which defines the conditions for implementing and monitoring internal control systems in banks and investment firms. The 3 November 2014 Ministerial Decree 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 3 November 2014 Ministerial Decree, the Group internal control system established by Rothschild & Co operates a distinction between organisations and managers in charge of permanent controls (including Compliance and Risk Management) and periodic controls (i.e. internal audit).

The internal control system of Rothschild & Co must also take into account, as appropriate, the AMF's (French Securities Regulator) General 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 issues 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 Directors, 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 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 fulfills the internal control objectives specific to financial companies supervised by the Autorité de Contrôle Prudentiel et de Résolution on a consolidated basis.

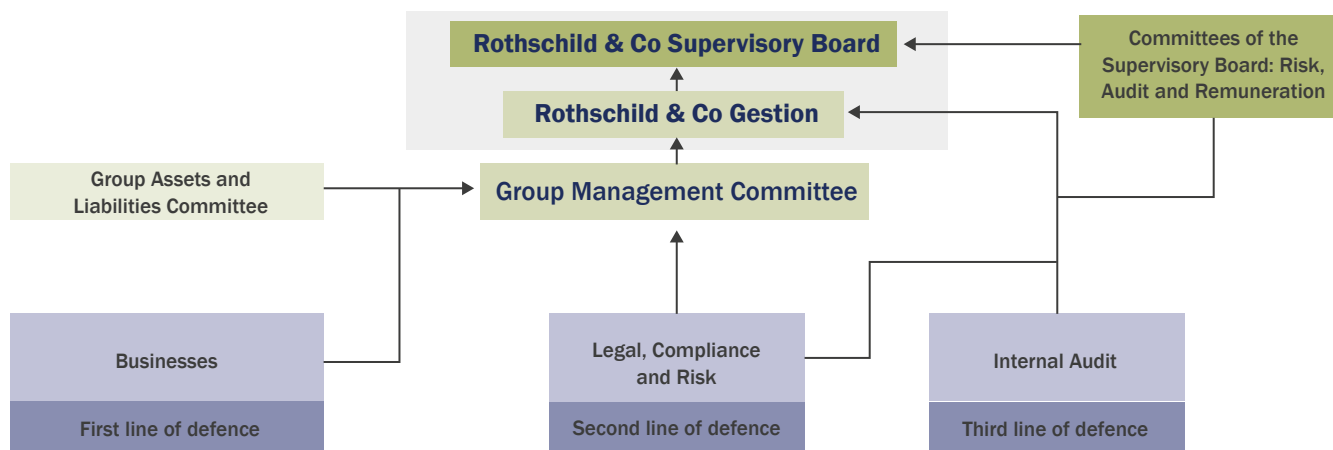
### 3 Organisation of internal control

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;
- 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 two first lines of defence.

Rothschild & Co's internal control framework is based on the 'three lines of defence' model. The first line comprises senior management in the business itself. The second line includes independent Risk, Compliance and Legal functions and, to a lesser extent, Finance and Human Resources to monitor on a continuous basis the activity of the business, and the third line comprises Internal Audit as well as the Group's external auditors, who both oversee the Group's activities.

The chart below shows the internal control governance structure as at 31 March 2016 through which Rothschild & Co seeks to comply with these obligations.



#### 4 The principal parties involved in internal control and their main duties

##### 4.1 Executive Management

Rothschild & Co Gestion SAS, as Managing Partner (*Gérant*) of Rothschild & Co, is responsible for the overall management of Rothschild & Co, 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. Rothschild & Co Gestion exercises its management and supervising responsibilities through its Chairman, David de Rothschild, assisted by the Management Board (*Conseil de gérance*). In addition, a senior committee at Rothschild & Co, the Group Management Committee (GMC), assists Rothschild & Co’s Managing Partner, represented by its Co-Chief Executive Officers Nigel Higgins and Olivier Pécoux, in the overall management, the definition of the strategy of the Group by Rothschild & Co and the direction of the Group internal control framework, so that Rothschild & Co ensures its proper implementation across the Group. Rothschild & Co Gestion SAS, its Management Board and the GMC are referred to as ‘Executive Management’) but for the avoidance of doubt, the final decision-making process relies on the Company’s Managing Partner, Rothschild & Co Gestion SAS.

Executive Management, reporting to the Supervisory Board, are responsible for the Group’s overall internal control system. The Company’s Managing Partner defines the general guidelines of the internal control and risk management systems and monitors the actions implemented within the Group that are supervised by the internal audit functions of the Group and the local management committees of each business unit.

##### 4.2 Independent permanent control functions ('second-level' controls)

Group Legal and Compliance ensures that the Group conforms to legal and regulatory provisions, professional standards and codes of conduct, as well as the overall strategy of the Supervisory Board and Executive Management directives. The responsibilities of Group Legal and Compliance mainly include: development and maintenance of compliance policies and procedures (together with legal policies and procedures), operation of monitoring programmes, or the supervision of monitoring programmes, identification of any failure to follow compliance policies and procedures, monitoring and review of legislation and regulatory developments which might affect the Group’s business and reporting results of monitoring programmes to Senior Management and agreeing any remedial action or changes to relevant procedures with Senior Management. This independent internal control function reports to the Group Head of Legal, Compliance and Risk, who is a member of the Group Management Committee. The Group Head of Legal, Compliance and Risk reports to the Company’s Managing Partner, the Supervisory Board’s Committees (Audit and Risk Committees) and Boards around the Group.

Group Risk is responsible for ensuring that suitable risk management processes are in place across the Group and for reporting a consolidated view of risk exposures across the Group. As part of its role, Group Risk assesses the risks run 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

# Internal control and risk management procedures

are consistent with approved strategy and risk appetite. The Group Chief Risk Officer reports to Olivier Pécoux in his capacity as Chief Executive Officer of the Company's Managing Partner and *dirigeant responsable* within the meaning of the provisions of the French Monetary and Financial code applicable to the financial holding company Rothschild & Co. Group Risk reports to Executive Management 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.

Group Finance is responsible for the preparation of statutory financial reports, in accordance with legal requirements and accounting standards; preparation of Group management accounts reports; maintenance and development of the Group reporting system; preparation and submission of regulatory reports; monitoring of compliance with regulatory capital requirements, coordination of business planning and budget process; and planning and implementation of tax planning and Group structuring arrangements. Through the Regulatory Capital Monitoring Division, Group Finance is also responsible for the Group's capital monitoring and the follow-up of large exposures monitoring. Its head, the Group Chief Financial Officer, who is a member of the Group Management Committee, reports directly to Executive Management.

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

## 4.3 Periodic controls ('third-level' controls)

Periodic control is independently exercised by Group Internal Audit. The Group Head of Internal Audit meets formally every three to four months with the Company's Managing Partner Co-Chief Executive Officers, and whenever necessary, to present the activity of the Internal Audit function and discuss any material findings raised during the period. The Group Head of Internal Audit presents the activity of Internal Audit to the Audit Committee, which meets four times a year. In March, the Audit Committee approves the audit plan for the coming year and during its meetings in March and September it reviews in detail the activity of the Internal Audit function as described below. The Group Head of Internal Audit meets regularly, usually every quarter, with the heads of the main lines of business to discuss the evolution of the 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 to their local geographical coverage. The other members of the Internal Audit function are not specialised by business and are assigned to the different audits according to the scheduling of the annual audit plan.

## 4.4 The Supervisory Board

The Supervisory Board, through the workings and reporting of the Risk Committee and the Audit Committee, ensures the implementation by Executive Management of reliable procedures and processes for monitoring the internal control systems of the Group in order to identify, assess and manage risk.

Every quarter, a Group Legal, Compliance and Risk report is presented to the Risk Committee and Audit Committee and both committees report to the Supervisory Board.

The Heads of the Compliance, Risk and Internal Audit functions report on the performance of their duties to the Company's Managing Partner, and whenever it is necessary in accordance with legal and regulatory provisions, to the Supervisory Board via the Supervisory Board's committees. They may be interviewed by the Supervisory Board or the competent Supervisory Board's committee.

## 4.5 Risk management

The Group's internal control framework is based on the 'three lines of defence' model. The first line comprises senior management of the business itself, which has overall responsibility for risk management. The second line includes independent Risk, Compliance and Legal functions and, to a lesser extent, Finance and Human Resources to monitor on a continuous basis the activity of the business, and the third line comprises Internal Audit as well as the Group's external auditors who both exercise periodic surveillance of the Group's activities.

## 4.6 Risk appetite

The close involvement of the major shareholder in the active oversight of the Group's businesses is a defining characteristic of the culture and environment within which the Group manages its risks. The guiding philosophy is for management to adopt a prudent and conservative approach to the taking and management of risk.

The principal elements which underpin this approach are the following:

#### 4.6.1 Primacy of reputation

The Rothschild Group is a unique institution with a prestigious reputation which extends beyond normal banking circles and which belies the actual scale of business undertaken. The maintenance of reputation is a fundamental driver of risk management. Business is to be conducted according to the highest ethical standards. The protection of reputation guides the type of clients and businesses the Group will involve itself with.

#### 4.6.2 Family ownership and control

The continuation of family ownership and control shapes the Group's long-term strategy, time horizon for planning, and allocation of capital. Capital allocation is managed within the constraints of raising capital as a family-controlled company.

#### 4.6.3 Management of capital

Business strategy and risk appetite are predicated on the limited access to capital. Capital available to the Group is allocated by the Group Management Committee across the key business lines. Business activities are diversified in terms of the markets within which they operate and the geographical distribution of their activities to reduce the probability of risk concentrations. Responsibility and accountability for the day-to-day management of significant pools of capital is devolved to Group committees and local boards.

#### 4.6.4 Advice and intellect

Advice and intellect are the heart of the Group's business philosophy. The emphasis of the business is towards products which have a high value added intellectual and structured content.

The Group articulates risk appetite through:

- a system of limits (including limits on capital utilisation, credit risk and market risk) and stress tests; and
- a qualitative assessment of the Group's tolerance level for operational risk, including reputational and regulatory compliance risk.

### 4.7 Risk identification

The Group's activities expose it to several types of risk. Risk arises in Group entities in relation to the specific business activities conducted by them. Responsibility for identifying, communicating and managing risk lies with each business and its management.

The principal Group business activities are:

- Global Advisory
- Private Wealth & Asset Management
- Merchant Banking

The following table summarises the material risk categories and the significant exposure to each category by Group business activity.

Risk category	Risk by business activity		
	Rothschild Global Advisory	Rothschild Private Wealth & Asset Management	Rothschild Merchant Banking
Group	✓	✓	✓
Business	✓	✓	✓
Capital planning		✓	✓
Credit		✓	✓
Operational (incl. reputational)	✓	✓	✓
Market		✓	✓
Liquidity		✓	✓

The material risk categories are defined as follows:

#### 4.7.1 Group risk

Group risk is the risk of an occurrence in one part of the Group, such as a failure or a significant reputational event in a line of business, causing damage to another business line in the Group or to the Group as a whole.

#### 4.7.2 Systemic risk

Systemic risk is the risk of disruption of the financial system with the potential to have serious negative consequences for the financial system and the real economy.

#### 4.7.3 Business risk

The Group and each of its business lines are exposed to business risk. Business risk covers the risk of loss (or opportunity cost) relating to each of: the business strategy, economic cycle, competitive business environment, political landscape and strategy execution.

#### 4.7.4 Capital planning risk

This is the risk that the Group and/or entities engaged in banking activities do not hold sufficient capital to protect against expected and unexpected losses arising from the risks described above. For planning purposes, the Group considers credit risk capital requirements from both a regulatory and economic capital perspective.

This includes the identification, management and monitoring of the risks of excessive leverage.

# Internal control and risk management procedures

## 4.7.5 Credit and counterparty risk

Credit risk is the risk of loss that may occur through (primarily) an exposure to customer default or counterparty default. This risk is particularly prevalent in individual, corporate and structured lending, corporate hedging, inter-bank lending and traded credit positions with which Banking & Asset Finance are involved (although other Group businesses also have limited exposure to credit risk).

Concentration risk is the risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, and is treated as a subset of credit risk.

Settlement risk is the risk incurred during the period between the time when the payment or delivery order for a financial instrument that has been sold can no longer be unilaterally cancelled and the final receipt of the purchased instrument or corresponding cash, and is considered as part of credit risk.

Intermediation risk is the risk that a principal or counterparty will default in a transaction involving financial instruments for which a supervised institution has guaranteed final settlement.

Securitisation risk is the risk arising from securitisation transactions in relation to which the credit institutions are investor, originator or sponsor, and is considered as part of credit risk.

## 4.7.6 Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems as well as external events.

Operational risk arises in all of the Group's business activities. The Basel Committee on Banking Supervision has identified the following broad areas of operational risk:

- Business Disruption and Systems Failures;
- Clients Products and Business Practices;
- Damage to Physical Assets;
- Employment Practices and Workplace Safety;
- Execution, Delivery and Process Management;
- External Fraud;
- Internal Fraud.

The Group takes the view that the failure to control operational risk can, in varying degrees, give rise to reputational risk (i.e. the potential that negative publicity regarding the business practices of a member of the Group, whether true or not, will cause a decline in the customer base of that entity, costly litigation or revenue reductions) as reputational risk is inherent in most aspects of the business and features as a consideration in all decision-making. The Group monitors the management of this risk closely and requires that issues with a material reputational impact are escalated quickly to senior management.

Operational risk includes residual risk, which is the risk that credit risk mitigation techniques may prove less efficient than expected, and model risk, which is the risk of the potential loss an institution may incur as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models.

## 4.7.7 Market risk

Traded market risk is the risk of loss that may occur through a trading exposure to market factors such as interest rates, exchange rates, implied volatilities, spreads and equities. This risk is particularly prevalent in Banking & Asset Finance through the trading book activities.

Non-traded market risk is the risk of loss due to market factors that may occur through non-trading activities. This risk arises primarily in relation to:

- a liquidity portfolio (traded debt securities);
- balance sheet re-pricing mismatch (asset and liability position);
- equity underwritings; and
- equity investments.

Market risk includes interest rate risk in the banking book, that is risk arising from potential changes in interest rates that affect an entity's non-trading activities, and basis risk, which arises when the value of the instrument used to hedge a financial risk exposure does not move in line with the value of the original exposure.

## 4.7.8 Liquidity risk

Liquidity risk is the risk that a subsidiary cannot meet its payment obligations as and when they fall due. This risk arises mainly through a mismatch in maturity of balance sheet assets and liabilities relating to a subsidiary's lending activities and treasury funding activities.



## 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 three sections: management accounting, financial accounting (including consolidations) 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 only.

### 5.2 Process for establishing consolidated accounts

The consolidation department of Rothschild & Co manages the chart of accounts and the associated databases, performs the Group consolidation, controls the consistency and completeness of data and draws up the consolidated accounts and related notes.

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

Accounting data are reported directly under IFRS in BFC. 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 BFC, '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 inter-company transactions and the distribution of shareholdings in the Group's companies;
- checks on the application of consolidation adjustments;
- analysis and justification of shareholders' equity;
- analysis of changes in balances and ratios on a quarterly and year-to-date basis; and
- review at consolidated level of the provisioning policy.

These controls are subsequently repeated at the global Rothschild & Co consolidation level.

### 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 in the Group

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

Accounting data is collected using BFC, the Group's consolidation tool. The local finance departments are responsible for validating the accounting data entered in BFC 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 Internal Audit department could also be involved in the control process as a third level control.

Local entities' accounting information is input on an IFRS basis into BFC 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 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, 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;
  - a category-by-category analysis of key balances;
  - papers produced by other relevant committees (for example, the Remuneration and Nomination Committee, the Assets and Liabilities Committee, the Group Management Committee, etc.);

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- Rothschild & Co Gestion SAS, 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.

During 2015 reporting, Group Finance recorded areas of potential improvement for local teams. A presentation which summarised these was presented to the senior local accountants responsible for the key reporting entities. The local team agreed actions with Group Finance to address the observed shortcomings, and these will be followed up for the next quarter's reporting.

## 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 Autorité de Contrôle Prudentiel et de Résolution are those related to:

- the solvency ratio (COREP);
- IFRS reports on a regulatory scope (FINREP);
- large exposures (SURFI);
- unrealised gains and losses (SURFI);
- list of subsidiaries (SURFI);
- commitments abroad (SURFI); and
- banking deposit guarantee system (SURFI).

Following CRD4 implementation, current procedures are currently still under revision to take into account the new CRD4 rules and changes coming from EBA detailed interpretations of rules that are still ongoing in the Q&A process.

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

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

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