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# 2014 REMUNERATION POLICIES AND PRACTICES REPORT

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## SUMMARY OF GROUP REPORT

The objective of the remuneration policy implemented by the Group is to attract, motivate and retain employees in the long term, while ensuring an appropriate management of risks and compliance. With respect to the Chief Executive Officers, it is furthermore aimed at rewarding the implementation of the Group's long-term strategy in the interests of its shareholders, its clients and its employees.

### CORPORATE GOVERNANCE OF REMUNERATION POLICY

The governance applied by the Group ensures an exhaustive and independent review of the remuneration policy, through:

- > an annual review of remuneration, which is coordinated by the Human Resources Division and involves the Bank's control functions, in successive stages of validation up to the level of General Management;
- > an ultimate validation of this policy, including principles, budgets and individual allocations, by the Board of Directors after review by the Compensation Committee.

This remuneration policy has been established in compliance with relevant regulations, in particular the so-called **CRD IV European Directive 2013/36/UE** published on 26 June 2013 and its transposition in France via Order n°2014-158 of 20 February 2014, for those staff members exerting a significant impact on the Group's risk profile (hereinafter "regulated population"). It is subject to regular review:

- > externally by the various supervisory bodies;
- > internally through an independent review by the Internal Audit Division.

In addition, with respect to the Chief Executive Officers, it respects the recommendations of the AFEP-MEDEF Corporate Governance Code.

### GROUP'S POLICY AND PRINCIPLES WITH REGARD TO REMUNERATION

The CRD IV, which applies from 2014, includes provisions for:

- > A definition of the regulated population, based on regulatory technical standards developed by the European Banking Authority (EBA) in the Regulation (EU) No 604/2014;
- > A cap on the variable component of remuneration, which cannot exceed the fixed component, with the possibility for the Annual General Shareholders' Meeting to approve a higher maximum ratio of up to 2:1 between variable and fixed components.

In 2014, the Group completed the implementation of the CRD IV requirements through:

- > the definition of the regulated population in line with the EBA technical standards detailed in the Regulation (EU) No 604/2014;
- > obtaining an approval from the Annual General Meeting of 20 May 2014 for a maximum ratio of 2:1 between variable and fixed components of remuneration for the members of the new regulated population;
- > an evolution of the remuneration structure for this population.

° **The methodology for the identification of the regulated population was adjusted for 2014 in order to take into account the EBA final regulatory technical standards** (i.e. criteria based on level of responsibility, impact in terms of risk exposure and level of total remuneration). On the basis of these criteria, **the regulated population for 2014 included 550 staff (in addition to the Chief Executive Officers)**, all identified due to their individual risk impact, comparable with the 360 in 2013.

The increase of the number of regulated staff between 2013 and 2014 is linked to the implementation of the final EBA standards, which leads to applying a lower remuneration threshold (500 K€ vs. 750 K€) and identifying staff within the most significant entities of the Group (introduction of the new concept of "material business unit"). It is also due to organizational changes in 2014.

° **The approach adopted in terms of the determination and structure of variable remuneration for the regulated population is in continuity with that applied in previous years and remains compliant with the CRD IV requirements.** The key principles of this policy are as follows:

- > **The variable remuneration pools are determined by business line on the basis of:**
  - **the financial results** after taking into account the costs of risk, capital and liquidity, with the Finance Division ensuring that the total amount of variable remuneration does not undermine the Group's capacity to meet its objectives in terms of capital requirements;
  - **qualitative factors** such as market practices, conditions under which activities are carried out and risk management, through an independent appraisal process conducted by the Risk and Compliance Divisions for the Global Banking and Investor Solutions and International Banking and Financial Services activities.

- > **The allocations of individual variable components are correlated to a formalised annual individual appraisal that takes into consideration quantitative and qualitative objectives known to the employee**, with in addition an evaluation on risk management and compliance<sup>1</sup> carried out by the Risk and Compliance Divisions.
- > **A variable remuneration structure conform with regulations, including:**
  - **A non vested component** subject to continued employment, minimum performance conditions and appropriate risk and compliance management, which vests over three years on a pro-rata basis, with a deferral rate **of at least 40% and rising to more than 70% for the highest variable remunerations;**
  - The award of **at least 50% in the form of Société Générale share indexed instruments** (representing 50% of the vested component and 67% of the non vested component).

As a result, **the portion of variable remuneration that is immediately paid out in cash is capped at 30% and can be less than 15% for the highest variable remunerations.** The share indexed instruments, in addition, are subject to a retention period of at least 6 months.

Moreover, in accordance with the policy applied for the Chief Executive Officers (cf. infra), the variable remuneration structure of the members of the Executive Committee and Management Committee has been reinforced. The non vested part is now deferred over five years out of which a part over three years pro rata temporis as mentioned above and a part under a long term incentive plan which vests after five years, awarded in Société Générale share equivalents and subject to conditions depending on the relative performance of the Société Générale share.

° In compliance with regulation, **Société Générale's General Annual Meeting which took place on 20 May 2014 approved the increase of the ratio between variable and fixed components of remuneration to 200% for all the Group regulated population.** This decision will remain in force until reconsidered by the General Meeting.

° **The variable remuneration pool awarded to the regulated population with respect to 2014 was 205 M€ and total variable and fixed remuneration amounted to 390 M€.** The average remuneration is down compared to that of regulated staff in 2013, by -38% for the variable component and by -15% in terms of total fixed and variable remuneration, due to the broadening of the regulated population (inclusion of employee with lower levels of remuneration) and to the decrease of the variable remuneration pools for Global Banking and Investment Solutions, which accounts for the major part of the regulated population.

<b>2014</b>	<b>Group Total</b>
<b>Regulated population</b>	550
<b>Total Remuneration</b>	389,6
of which Fixed remuneration	184,3
of which Variable remuneration	205,2
% of instruments	54%
% of deferred	50%
average ratio of variable / fixed	111%

*Data excluding Executive Officers*

## CHIEF EXECUTIVE OFFICERS

° **The fixed remuneration of the Chairman and Chief Executive Officer has been established at 1 300 000 €** by the Board of

<sup>1</sup> All reference in this report to compliance includes the notion of reputational risk.

Directors of July 31st, 2014. Previously, the Chairman and Chief Executive Officer received 1 000 000 € of fixed salary and an annual allowance of 300 000 €, granted in 2009 to compensate the loss of the supplementary pension plan benefits to which he is no longer entitled following the termination of his employment contract. Simultaneously, the annual allowance of 300 000 € was cancelled. This simplification of the remuneration of the Chairman and Chief Executive Officer has no impact on the ratio between fixed and variable remuneration as provided for by the CRD IV, which considers allowance a form of fixed remuneration.

**The fixed remunerations of the Chief Executive Officers have been set at 800 000 €** to take into account both the application of CRD IV Directive and the broadening of their responsibilities due to a more focused organisation with two Deputy Chief Executive Officers instead of three.

The provisions above came into force as of September 1st, 2014.

° **The variable remuneration rewards** performance during the year and the contribution **of the Chief Executive Officers** to the success of the Société Générale Group and **is based on the following criteria:**

- > **for 60%, the extent to which quantitative goals are met:**
  - at Group level: gross operating income, cost/income ratio and earnings per share (EPS);
  - on the scope of supervision of each Deputy Chief Executive Officer: gross operating income, cost/income ratio and net income before tax.
  
- > **for 40%, the achievement of individual qualitative objectives** such as strategy implementation, balance sheet management, cost control, internal control and risk management, human resources management, social and environmental responsibility.

In accordance with the AFEP-MEDEF Corporate Governance Code, **the annual variable remuneration is capped as a percentage of fixed remuneration.** Upon decision of the Board of Directors of 31 July 2014, **the caps have been reduced to 135% for the Chairman and Chief Executive Officer and to 115% for Deputy Chief Executive Officers.**

The annual variable remuneration of the Chief Executive Officers for 2014 was determined based on the level of achievement of their objectives. **For the Chairman and Chief Executive Officer it has been established at 948 767 €, representing a reduction of 33% compared to 2013.**

The structure of this annual variable remuneration respects the provisions of CRD IV. **For all of the Chief Executive Officers, 60% is deferred and 60% is awarded in the form of Société Générale share equivalents.**

° The Chief Executive Officers also benefit from a long term incentive plan since 2012, which aligns their interest with those of the shareholders. For 2014, this plan is composed of two instalments, with vesting periods of four and six years followed by an additional one-year non-transferability period. The grant will fully vest based on the relative performance of the Société Générale share compared to a group of peer banks over the vesting period, and depending on internal profitability criteria.

In accordance with CRD IV and pursuant to the approval of the Annual General Meeting of 20 May 2014, **the variable remuneration of the Chief Executive Officers, including annual variable remuneration and long term incentives, is capped at two times the fixed remuneration.**

° The Chief Executive Officers are also subject to minimal holding requirements of Société Générale shares.

The Chairman and Chief Executive Officer has received no stock options since 2009.

In addition, he does not benefit from any supplementary company pension scheme or any contractual severance payment.

## PREAMBLE

This document was drafted in application of Articles L511-71 to L511-88 of the French Monetary and Financial Code, as amended by the Ordinance n°2014-158 of 20 February 2014 which modified the regulatory requirements concerning the remuneration of staff whose activities are likely to have an impact on the risk profile of credit institutions and investment firms. Ordinance n°2014-158 of 20 February 2014 (complemented by the Decree n°2014-1315 and the Order of 3 November 2014 relative to internal control) transposed into French law the provisions of the so-called “CRD IV” European Directive 2013/36/EU of 26 June 2013.

## PART 1. CORPORATE GOVERNANCE OF REMUNERATION POLICY

**The Group’s remuneration policy is reviewed every year. It is defined by General Management, on a proposal of the Group Human Resources Division. The Board of Directors approves this policy, after examining the Compensation Committee’s recommendation.**

The Group’s remuneration policy, in particular with regard to the categories of staff whose activities have a significant impact on the Group’s risk profile (hereinafter “regulated population”), is applied to Société Générale as well as the entities it controls, in France and throughout the world. The policy applied to the regulated population is adapted outside France in order to comply with local regulations. The Group’s rules are prevalent, except when local regulations are more stringent.

The definition of this policy draws on analysis of the market context and compensation surveys carried out by external consultants (i.e. Aon-Hewitt/MacLagan, Towers Watson, Mercer and PricewaterhouseCoopers), with regard to the categories of employees that belong to the regulated population.

### 1.1 The composition and the role of the Compensation Committee

The Compensation Committee is composed of five members, including three independent directors. The presence of the First Vice-Chairman of the Board of Directors on the committee facilitates cooperation with the Audit, Internal Control and Risk Committee, of which he is Chairman. Lorenzo Bini Smaghi, Second Vice-Chairman of the Board of Directors, participated in all the sessions of the Compensation Committee, starting from the date of his appointment.

The Compensation Committee includes the following directors:

Jean-Bernard LEVY, Chairman and Chief Executive Officer of EDF: Independent Director, President of the Compensation Committee, Member of the Nomination and Corporate Governance Committee.

Jean-Martin FOLZ, Company Director: Independent Director, President of the Nomination and Corporate Governance Committee, Member of the Compensation Committee.

Michel CICUREL, Chairman of Michel Cicurel Consulting: Independent Director, Member of the Compensation Committee and the Nomination and Corporate Governance Committee.

France HOUSSAYE, Mass Affluent Market Manager at Rouen: Director elected by employees, Member of the Compensation Committee.

Anthony WYAND, First Vice-Chairman of the Board of Directors: Chairman of the Audit, Internal Control and Risk Committee, Member of the Compensation Committee and the Nomination and Corporate Governance Committee.

The main missions of the Compensation Committee are defined in Section 3 on corporate governance of the 2015 Registration Document.

The Compensation Committee reports its findings to the Board of Directors. It carries out the same tasks for the Group companies supervised by the French Prudential Supervisory Authority (hereinafter "ACPR") on a consolidated or sub-consolidated basis.

More specifically, the Compensation Committee met 6 times during the remuneration review process spanning the period 2014 - 2015. During these meetings, the Committee prepared the Board's decisions with respect to the following issues:

Chief Executive Officers	<ul style="list-style-type: none"> <li>- Status and remuneration of Chief Executive Officers;</li> <li>- Appraisal of qualitative and quantitative performance with respect to 2013 of Chief Executive Officers and discussion with the other Directors of the Group</li> <li>- Review of annual objectives set with respect to 2014 for Chief Executive Officers proposed to the Board</li> </ul>	<ul style="list-style-type: none"> <li>July 2014</li> <li>December 2014</li> <li>February 2015</li> <li>March 2015</li> </ul>
Regulation	<ul style="list-style-type: none"> <li>- Verification that Group remuneration policies comply with regulations, in particular those covering the regulated population (payment structure and terms)</li> <li>- Review of changes in regulations with regard to remuneration and regulators' requirements</li> </ul>	<ul style="list-style-type: none"> <li>April 2014</li> <li>July 2014</li> <li>October 2014</li> <li>December 2014</li> <li>February 2015</li> </ul>
Group remuneration policy	<ul style="list-style-type: none"> <li>- Verification that remuneration policy is in line with the Company's risk management policy and the objectives set in terms of capital requirements</li> <li>- Review of the extent to which risks and compliance are taken into account and in the variable remuneration policy</li> <li>- Review of the extent to which regulated staff comply with risk management policies</li> <li>- Proposal put to the Board with respect to performance share plans</li> <li>- Review of the fulfilment of the performance conditions applicable to deferred remuneration and long term incentives of the Group</li> </ul>	<ul style="list-style-type: none"> <li>October 2014</li> <li>December 2014</li> <li>February 2015</li> <li>March 2015</li> </ul>

The Remuneration Committee specifically ensured in 2014 that the remuneration policy takes into account the risks generated by the businesses, and that employees comply with the risk-management policies and professional norms, and consulted with Audit, Internal Control and Risks Committee on the issue.

## 1.2 Internal governance of remuneration within the Group

The annual process conducted to review individual situations (fixed salary plus, when relevant, variable remuneration and/or performance shares) is coordinated by the Group Human Resources Division following various validation stages at the level of subsidiaries/business lines, core business divisions, the Group Human Resources Division and General Management and, finally the Supervisory Board upon the recommendation from the Group Compensation Committee. The validation stages cover policy and budgets as well as individual allocations, with the Group Human Resources Division ensuring the consistency of the overall process and documenting the various validation stages at Group level. Legal and regulatory obligations in force in entities in France and in entities and countries outside France are taken into account in this process.

Moreover, General Management has defined, in addition to the annual process conducted to review individual situations, a system for the governance and delegation of remuneration decisions which applies to the whole Group. Above certain thresholds and under certain conditions, decisions relating to remuneration, which can be taken in various situations of human resources management (recruitment, functional or geographical mobility, promotion, departure,...) require validation by the Group Human Resources Division or General Management. These delegation rules are notified to business divisions that subsequently apply them at their level.

## 1.3 The role of control functions

In compliance with the rules concerning bank remuneration policies and practices defined within the framework of the European CRD IV Directive and transposed into French law via Ordinance n°2014-1158 of 20 February 2014, **control functions, including in particular the Risk Division, the Compliance Department and the Finance Division, are involved in the process of reviewing the Group's variable remunerations and, more specifically, those of the regulated population.**

Control functions intervene in the following key stages:

- > the Human Resources Division identifies the regulated population, both in terms of the covered perimeter of activities as well as covered positions, in cooperation with the Risk Division and the Compliance Department (cf. 2.2

hereafter);

- > the Finance Division and the Risk Division validate the methodology used for setting variable remuneration pools, ensuring that the various kinds of risk have been taken into consideration, while the Finance Division furthermore checks that the total amount of variable remuneration does not hinder the Group's capacity to build up its capital base (cf. 2.3.1.1 hereafter);
- > the Risk Division and the Compliance Department assess risk and compliance management by the sub-business lines of the Global Banking and Investor Solutions division and, since 2014, by those of International Banking and Financial Services (cf. 2.3.1.1 hereafter), and give their opinion about the manner in which regulated staff take these aspects into account (cf. 2.3.1.2), leading to an adjustment of variable remuneration pools and individual awards in consideration of these assessments ;
- > the Finance Division and the Risk Division take part in the process of defining deferred remuneration schemes (structure, performance conditions and malus clauses) (cf. 2.3.2 and 2.3.3).

The independence of these control functions is guaranteed by direct reporting to the Group's General Management. Moreover, as with all Group support functions, these functions are compensated through variable remuneration pools determined according to the Group's overall performance, independently of the results of the activities they control. The allocation of these variable remuneration pools is based on the extent to which objectives specific to their function are met.

**This governance system ensures that remuneration decisions are made independently and objectively. The process is reviewed *ex post* by the Internal Audit Division.**



## PART 2. GROUP REMUNERATION POLICIES AND PRINCIPLES

**The aim of the Group's remuneration policy is to enhance the efficiency of remuneration as a tool for attracting and retaining employees who contribute to the long term success of the company while ensuring that employees manage risks in an appropriate manner and comply with regulations.** This policy is based on principles common to the whole Group, which are then implemented by each business line and geographic area in which the Group operates. This policy is consistent with the principles set out by regulators and French professional banking standards, and complies with local social, legal, and fiscal legislation.

Remuneration includes a fixed component that rewards the capacity to hold a position in a satisfactory manner through the employee displaying the required skills and, when relevant, a variable component that aims to reward collective and individual performance, depending on objectives defined at the beginning of the year and conditional on results, the context and also the behaviour used to meet said objectives, according to standards shared by the entire Group.

A targeted revalorisation of fixed remuneration has been conducted for some staff members who have key competencies and responsibilities for the Group in compliance with the opinion issued by the EBA.

**In continuity with the approach applied by the Group in prior years and in line with the recommendations of the Committee of European Banking Supervisors (CEBS), now become the European Banking Authority (EBA), several of the regulatory principles are applied to a much wider population than just the regulated population.** As such, the methodology for determining the variable remuneration pools for all of the activities within the Global Banking and Investor Solutions division takes into account the profits of such activities after adjustments for risks, for the cost of capital and of liquidity. In addition, the variable component of remuneration, above a certain threshold, includes for all employees within the Global Banking and Investor Solutions division and within the Group's Central Functions (whether members of the regulated population or not) a deferred component in cash and in instruments (shares equivalents) subject to continued employment and performance conditions.

The setting of fixed and variable components of remuneration also takes market practices into account.

Employees whose variable remuneration award is below a certain level may also benefit from a long term incentive award in the form of performance shares. The corresponding pools of LTI are mainly dedicated to employees who have been identified as strategic talents, key resources and top performers.

**The Group's remuneration policy is defined in a manner that avoids providing incentives that may result in situations of a conflict of interests between employees and clients.** The governance principles and rules governing remuneration are set out in the Group's normative documentation concerning the management of conflicts of interest.

### 2.1 A Group remuneration policy in line with regulations and market practice

Assessments carried out internally and externally demonstrate that the Group's remuneration policy complies with regulatory requirements.

Internally, the Group's remuneration policy is reviewed regularly and independently by the Internal Audit Division since 2010.

The latest review carried out in 2014 covered the remuneration policy applied for 2013 for the regulated population. **The Internal Audit Division concluded that the Group's remuneration policy applied for 2013 was in compliance with the CRD III requirements, in terms of governance of the overall process as well as on the respect of the quantitative and qualitative rules which had to be applied to variable remuneration awarded for 2013 performance year.** No new recommendation was issued pursuant to this Audit review.

In addition, the Group's remuneration policy is regularly reviewed by external supervisory bodies (ACPR, EBA, Federal Reserve,...).

### 2.2 Perimeter of the regulated population in 2014

In continuity with the previous financial years and in line with regulations, the regulated population covers all staff whose professional activities have a material impact on the Bank's risk profile, including employees exercising control functions.

In 2013, the methodology for the identification of the regulated population was adjusted in order to take into account the EBA draft regulatory technical standards, combined with internal criteria which took into account the internal organisational structure of the Group. This led to the identification of 360 staff members (excluding Chief Executive Officers).

In 2014, following the publication of Regulation (EU) 604/2014 on 6 June 2014, the scope of the regulated population was reviewed in order to take into account the final version of the EBA technical standards.



The identification criteria, established at the consolidated Group level are now based on:

- > qualitative criteria linked to the function held and the level of responsibility;
- > criteria based on impact in terms of risk exposure based on limits of authority for credit risk and market risk, within the thresholds fixed by the EBA;
- > a level of total fixed and variable remuneration, including long term incentive awards (LTI).

On this basis, the perimeter of the 2014 regulated population therefore includes:

- > the Group's four Chief Executive Officers – 4 persons;
- > the members of the Board of Directors – 14 persons;
- > the members of the Group executive Committee and management Committee, which includes the heads of the main business lines and subsidiaries of the group, as well as the heads of control and support functions for the Group (risks, compliance, internal audit, finance, legal and taxation, human resources, information technology) – 54 persons;
- > key staff members in charge of control functions or support functions at Group level and which are not members of the aforementioned bodies – 19 persons
- > within the “material business units”<sup>2</sup> the main operational managers (members of the executive committees) and managers responsible for control functions, who are not already identified by the above criteria – 204 persons;
- > staff having credit authorisations and/or responsible for market risk limits exceeding materiality thresholds at Group level and who are not already identified by the above criteria – 82 persons;
- > material risk takers whose total remuneration for 2013 exceeds the 500 K€ threshold defined by the EBA and who are not already identified by the above criteria, which concerns a limited number of profiles having essential skills for the development of certain Group activities and some key employees on the financial markets who achieved exceptional performance during the last financial year – 177 persons.

**In fine, the regulated population for 2014 comprised 550 staff members (in addition to the Chief Executive Officers), all identified due to their material risk impact as individuals.**

The increase of the number of regulated staff between 2013 and 2014 can be explained by the implementation of the EBA final technical standards, which differ from the draft version which was used for the identification process in 2013:

- > the remuneration threshold has been lowered (500 K€ vs. 750 €);
- > a new notion of “material business unit” was introduced, their main operational managers as well as heads of control functions have to be identified.

This increase is also partly due to organisational changes within the Group.

The perimeter of the population will more generally be reviewed every year to take into account changes in terms of internal organisation and remuneration levels.

In addition, 219 staff members have been identified as locally regulated within six subsidiaries of the Group, located within the European Economic Area. These entities must apply at their individual level the CRD IV Directive as they are considered as significant entities in their respective countries:

- > 55 for the Crédit du Nord in France;
- > 106 for Komerční Banka in Czech Republic<sup>3</sup>;
- > 26 for Banque Roumaine de Développement in Romania;
- > 16 for Eurobank in Poland;
- > 10 for Société Générale Bank and Trust in Luxembourg;
- > 6 for SG Private Banking in Belgium.

## 2.3 2014 variable remuneration policy applied to the regulated population

<sup>2</sup> The « material business units » as defined by the EBA regulatory standards are the activities (subsidiaries, businesses) within the Group which represent at least 2% of the Group's internal capital.

<sup>3</sup> KB 2014 regulated population was identified based on internal criteria, CRDIV not being transposed locally yet.

**Allocation of variable remuneration is not contractual, it depends on both individual and collective performance and takes into account previously defined quantitative and qualitative criteria. It also takes into consideration the economic, social, and competitive context. In order to avoid any conflicts of interest, variable remuneration is not directly or solely linked to the amount of Net Banking Income generated.**

The criteria used to set variable remuneration pools, as well as their allocation, take into account all risks through quantitative and qualitative adjustments.

A significant portion is deferred over three years and subject to continued employment and performance conditions of the business line and/or activity concerned. As such, when performance conditions are not met, the deferred component of variable remuneration is partially or fully forfeited. Furthermore, any excessive risk taking or any behaviour deemed unacceptable by General Management may result in a reduction or total forfeiture of this deferred component. Finally, the variable remuneration of the regulated population is now capped at two times the fixed remuneration<sup>4</sup>.

### 2.3.1 The link between variable remuneration and performance and alignment of variable remuneration with (*ex ante*) risk

#### 2.3.1.1 Determination of variable remuneration pools

**The variable remuneration pools within Global Banking and Investor Solutions are calculated for the main Corporate and Investment Banking and Private Banking activities on the basis of the normalised net profit of the activity (cf. detail in the table p.12), in other words, Net Banking Income after deduction of:**

- > liquidity costs,
- > direct and indirect overheads,
- > the cost of risk,
- > the cost of capital.

**The methodology used to take these items into account has been approved by the Group's Risk Division and Finance Division and then by the Board of Directors based on the recommendations of the Compensation Committee. It complies with the relevant regulatory requirements.**

Variable remuneration pools are set by business line, at a global level, in order to ensure financial solidarity between the various activities and avoid conflicts of interest.

The setting of the overall pool, as well as its allocation to business lines, depends on the aforementioned quantitative factors but also on several qualitative factors.

These qualitative factors include:

- > market practices in terms of remuneration;
- > general conditions in the markets in which the results were generated;
- > elements which can have impacted temporarily the business performance;
- > the stage of maturity of the activity;
- > the independent assessment carried out by the Risk Division and the Compliance Department regarding risk management and compliance. This assessment is carried out at the level of each business line / entity within Global Banking and Investor Solutions (as identified by Risk and Compliance). Each identified business line / entity is assessed by the Risk Division with respect to the way it manages counterparty risks, market risks and operational risks and by the Compliance Department with respect to managing non-compliance risk. Thus, the assessment made by the Risk and Compliance experts on the collective management of risks has a weighting effect on the manner in which variable remuneration pools are allocated between sub-business lines / entities.

Within Corporate and Investment Banking, part of the variable remuneration pool of each business line is allocated to a transversal pool that is used to finance variable remuneration for activities still in their development stage and support functions (operations, information technology,...).

**With respect to control functions, variable remuneration pools are determined independently of the results of the business activities they control.** They are set according to the Group's financial results.

For the Group's senior managers (Chief Executive Officers, Group Executive Committee and Group Management Committee), variable remuneration is not based on a collective pool but is determined individually on the basis of the Group's financial results, the results of

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<sup>4</sup> The compliance of the remuneration of the employees of the broker/dealer subsidiary Newedge with CRD IV Directive and with the Group remuneration policy has been reviewed since May 2014, following the integration of this activity within Société Générale. For 2014, which is a transition year, some of the regulated staff members, whose variable remuneration was awarded on a contractual basis before their integration to the Group, are not yet fully compliant with the regulatory requirements in terms of structure and cap of their variable remuneration. They will be fully compliant with regulation as of 2015.

the business activity they supervise, the extent to which they have met their qualitative and quantitative objectives and taking into account market practices as reported by remuneration surveys.

Moreover, the Finance Division includes the proposed variable remuneration pool in the budget forecasts that are used as a basis to forecast regulatory capital ratios. In this respect, variable remuneration is taken into account alongside other factors in capital planning and in terms of its adequacy with respect to the objectives set by the Bank. **General Management reserves the right, at its sole discretion, to re-calibrate variable remuneration pools if they limit the Bank's capacity to maintain the level of capital required to meet the target ratios.**

### 2.3.1.2 Individual allocation of variable remuneration

**The individual allocations of variable remuneration components for the regulated population are, as for the entire Group, correlated with the annual individual performance appraisal that takes into account the extent to which quantitative and qualitative objectives have been met.**

By consequence, there is no direct or automatic link between the financial results of an individual employee and his or her level of variable remuneration insofar as employees are assessed on their results, those of their activity and the way in which said results were achieved.

The objectives set are in accordance with the SMART method (the objectives are Specific, Measurable, Accessible, Realistic and fixed within a Timeframe). This means that the objectives are clearly identified and can be assessed by indicators that are known to the employee.

The qualitative objectives are tailored to the individual employee, in relation to the employee's professional activity and adapted to the position held. These objectives include the quality of risk management, the means and behaviours used to achieve results such as cooperation, teamwork and human resources management. Such qualitative objectives are listed in a common reference document that is used throughout the Group.

**In addition to the individual appraisal carried out by line managers, the Risk Division and the Compliance Department independently assess regulated employees** of Global Banking and Investment Solutions and, since 2014, of International Banking and Financial Services and review in particular:

- > risk awareness, technical expertise and management of risks, as well as respect of policies and procedures related to risk management;
- > respect of regulations and internal procedures in terms of compliance, as well as the extent to which they are transparent *vis-à-vis* clients with respect to products and the associated risks;
- > the quality of the interactions between the concerned staff and the Risk and Compliance Divisions (transparency, pro-activity, completeness of information,...).

The senior management of the relevant business divisions, General Management and the Group Human Resources Division take their conclusions into consideration when approving the overall variable remuneration pools and the way in which they are allocated at an individual level. The proposed individual awards are adjusted downwards in the event of a negative appraisal by the Risk and/or Compliance Division.

The process is documented by the Human Resources Division and its conclusions are submitted for approval to the Compensation Committee of Société Générale.

The employees concerned are informed that their position is considered regulated and are subject to specific objectives related to risk management and compliance.

In addition, the competitive context in the market place is taken into account by participating in remuneration surveys (carried out by type of business and geographic area), which provide insight into the remuneration levels practiced by the Bank's main competitors.

Lastly, the Group conducts transversal reviews across the different business lines for comparable job functions, to ensure consistency of remuneration between the various Group activities and to facilitate internal mobility.

### 2.3.2 The payout process for variable remuneration

The variable remuneration awards for 2014 respect the payout rules set out in the relevant regulations.

The higher the level of the variable remuneration award, the higher the proportion of the non-vested component. For variable remunerations above 100 K€, this proportion is **at least 40% and may rise above 70% for the highest variable remuneration levels**. Indeed, since 2012, the deferral rate has been increased to 100% for the portion of variable remuneration exceeding 2 M€.

**In addition, more than 50% of variable remuneration is paid out in the form of Société Générale share indexed instruments (50% of the vested component and 2/3 of the non vested component).**

**Accordingly, the part paid immediately in cash cannot exceed 30%, and can be less than 15% for the highest variable remuneration levels.**

Individual variable remuneration breaks down into four portions (cf. diagram):

- > a vested, non-deferred component paid in cash in March of the year following the close of the financial year;
- > a vested component deferred in the form of share indexed instruments, for which the final amount paid to the employee depends on the Société Générale share price at the end of the non-transferability period;
- > a non-vested deferred cash component (which is not indexed to the share price) on one instalment conditional on the employee remaining in the Bank and dependent on the performance and risk alignment criteria described hereafter in 2.3.4;
- > a non-vested component deferred in Société Générale share indexed instruments on two instalments for which vesting is conditional on the employee remaining employed by the Bank and dependent on the conditions described in section 2.3.4 and the final value depending on the Société Générale share price at the end of the non-transferability period.

The deferred part vests over a period of three years on a pro-rata basis, with the first instalment in cash and the two following instalments in Société Générale share indexed instruments. The non-transferability period is at least six months for instruments indexed to the Société Générale share price.

All payments corresponding to installment in share equivalents, made after the non-transferability period, will be increased by the value of the dividend paid during the non-transferability period, if applicable.

All employees receiving deferred variable remuneration are prohibited from using hedging or insurance strategies during both the vesting period and the non-transferability period.

Moreover, in accordance with the policy applied for the Chief Executive Officers, the variable remuneration structure of the members of the Executive Committee and Management Committee has been reinforced. The non vested part is now deferred over five years<sup>5</sup> out of which a part over three years pro rata temporis as mentioned above and a part under a long term incentive plan which vests after five years, awarded in Société Générale share equivalents and subject to conditions depending on the relative performance of the Société Générale share.

By way of reminder, the Group ceased to grant stock options since 2011.

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<sup>5</sup> Except for a few members of these committees located in specific geographies who have to comply with local constraints

Structure of remuneration (excluding Chief Executive Officers)

		Variable remuneration					
		Definitive payment/allocation deferred over time					
Categories of employees	Fixed remuneration	Vested part		Non-vested part			
		40 % to over 70 % of variable remuneration					
Group Senior Executives (Executive Committee)	Fixed salary	Cash 50% upfront	Share equivalents (1) 50% deferred	Deferred cash 20% deferred	Deferred cash 20% deferred	Share equivalents (1) 20% deferred	Share equivalents (1) 40% deferred
Date of availability/payment		March 2015	March 2016*	March 2016*	March 2017*	October 2018*	October 2020*
		40 % to over 70 % of variable remuneration					
Group Senior Executives (Group management Committee)	Fixed salary	Cash 50% upfront	Share equivalents (1) 50% deferred	Deferred cash 25% deferred	Deferred cash 25% deferred	Share equivalents (1) 25% deferred	Share equivalents (1) 25% deferred
Date of availability/payment		March 2015	March 2016*	March 2016*	March 2017*	October 2018*	October 2020*
		40 % to over 70 % of variable remuneration					
Regulated employees Variable remuneration > 100 K€	Fixed salary	Cash 50% upfront	Share equivalents (1) 50% deferred	Deferred cash 33% deferred	Share equivalents (1) 33% deferred	Share equivalents (1) 33% deferred	
Date of availability/payment		March 2015	March 2016*	March 2016*	October 2017*	October 2018*	
		% depends on level of variable					
Other employees subject to Group deferral plan (2): Variable remuneration > 100 K€	Fixed salary	Cash 100% upfront		Deferred cash 33% deferred	Share equivalents (1) 33% deferred	Share equivalents (1) 33% deferred	
Date of availability/payment		March 2015		March 2016*	October 2017*	October 2018*	

\*Date of availability/payment, taking into account the post-vesting retention period (At least 6 months for share equivalents)

(1) Share equivalents remain subject to the potential application of the malus clause during the retention period

(2) Employees in Global Banking and Investor Solutions and in the Group's Central Divisions

### 2.3.3 Performance conditions and risk alignment for deferred variable remuneration (*ex post*)

**Vesting of the deferred remuneration component depends entirely on both (i) the fulfilment of a performance condition and (ii) appropriate management of risks and compliance.**

Performance conditions are tailored according to the division and activity. **If a minimum performance level is not met every year, deferred variable remuneration is partially or entirely forfeited** (malus principle mentioned in Article L 511-83 of the Financial and Monetary Code).

**Performance thresholds are set by the Finance Division and are approved by the Board of Directors.**

**Performance conditions are set according to the level of responsibility, and are increasingly demanding in line with the beneficiary's hierarchical level.** Société Générale senior executives are subject to specific performance conditions, in line with the objectives set out in the Group's strategic plan.

The performance conditions applied to deferred remuneration, by managerial layer, are summarised in the following table:

Managerial layer		Vesting in March 2016	Vesting in March 2017	Vesting in March 2018	Vesting in March 2020
		Cash	Cash	Share equivalents with non transferability period	Share equivalents with non transferability period
Executive Committee and Group Management Committee	Business line	2015 operating income of perimeter of supervision	2016 operating income of perimeter of supervision	2017 operating income of perimeter of supervision	Annualised relative TSR (*) between 2014 and 2019
	Other Functions	GNI (*) 2015 Group + Core Tier One at 31/12/2015	GNI (*) 2016 Group + Core Tier One at 31/12/2016	GNI (*) 2017 Group + Core Tier One at 31/12/2017	

Managerial layer		Vesting in March 2016	Vesting in March 2017	Vesting in March 2018
		Cash	Share equivalents with non transferability period	Share equivalents with non transferability period
Other employees with a non-vested deferred component including regulated population	GBIS (**)	Operating income 2015	Operating income 2016	Operating income 2017
	Other business lines and Other Functions	GNI (*) 2015 Group	GNI (*) 2016 Group	GNI (*) 2017 Group

(\*) TSR: Total Shareholder Return / GNI: Group net income

(\*\*) GBIS: Global Banking and Investment Solutions

Note: the panel of banks used to calculate the TSR relative to that of Société Générale includes: Barclays, BBVA, BNP Paribas, Crédit Agricole, Crédit Suisse, Deutsche Bank, Intesa Sanpaolo, Nordea, Santander, UBS and Unicredit.

**In addition, any excessive risk taking or any behaviour deemed unacceptable by General Management may result in these deferred remuneration components being reduced or forfeited.**

### 2.3.4 The ratio between variable and fixed remuneration

The CRD IV Directive introduced a cap on the variable component of remuneration, which cannot exceed the fixed component, with the possibility for the Annual General Shareholders' Meeting to approve a higher maximum ratio of up to 2:1 between variable and fixed components.

In accordance with the regulation and more specifically with Ordinance n°2014-158 of 20 February 2014 which transposed this Directive, **the Annual General Meeting of 20 May 2014 approved a maximum ratio of 2:1 between variable and fixed components of remuneration for the members of the Group regulated population.** This decision will remain in force until reconsidered by the General Meeting.

The regulated population is compliant with this maximum ratio. For the members of the Executive Committee and of the Group Management Committee, who are beneficiaries of a long term incentive plan vesting after five years and awarded in Société Générale share indexed instruments, the faculty given by the Ordinance n°2014-518 of 20 February 2014 to apply a discount rate to the part of the variable remuneration awarded in instruments and deferred for at least five years has been applied to compute the ratio between variable and fixed components.

### 2.3.5 The 2014 variable remuneration pool of the regulated population

**The variable remuneration pool awarded to the regulated population with respect to 2014 was 205 M € and total variable and fixed remuneration amounted to 390 M €.** This pool leads to a downside of average remuneration, by -38% for the variable component and by -15% in terms of total fixed and variable remuneration as compared to average remuneration of 2013 regulated staff. This is due to the broadening of the regulated population (inclusion of staff with lower levels of remuneration) and to the decrease of the variable remuneration pools for Global Banking and Investment Solutions, which accounts for the major part of the regulated population.

### 2.3.6 Policy concerning guaranteed remuneration

The awarding of guaranteed variable remuneration, in the context of an employee being hired is:

- > strictly limited to one year (in compliance with CRDIV);
- > subject to the terms of the deferral remuneration plan applicable for the given financial year.

### 2.3.7 Severance payments

Discretionary payments (i.e. payments in excess of severance payments set by law or a collective bargaining agreement due under the binding provisions of labour law), linked to the early termination of an employment contract or the early rescinding of a mandate, are not under any circumstances set contractually in advance (e.g. golden parachutes are strictly forbidden). They are determined at the time the employee leaves the Bank, by taking into account the beneficiary's performances, assessed in the light of the collective performances of the activity the employee belongs to as well as the performances of the Group as a whole.



### PART 3. REMUNERATION OF CHIEF EXECUTIVE OFFICERS

The remuneration of Chief Executive Officers complies with the European “Capital Requirements Directive” (CRDIV) 2014/36/UE of 26 June 2013, transposed in France via Ordinance n°2014-158 of 20 February 2014 (complemented by the Decree n°2014-1315 and the Order of 3 November 2014 relative to internal control). It also respects the recommendations made by the AFEP-MEDEF Corporate Governance Code. Accordingly, the Board of Directors defines the remuneration of Chief Executive Officers, on a proposal of the Compensation Committee (cf. 1.1. above). The remuneration policy applied to the Chief Executive Officers is detailed in Chapter 3 of the 2015 Registration Document on the Corporate governance.

## PART 4. INFORMATION ABOUT REMUNERATION FOR FINANCIAL YEAR 2014

### 4.1 The regulated population (individuals whose professional activities have a material impact on the risk profile of the company) excluding Chief Executive Officers

#### A. Remuneration awarded for the financial year (in MEUR):

	Group Total	Supervisory Council	Executive Committee	Markets activity	Financing and Advisory	GBIS - Others	Retail Banking	Control and Support Functions
<b>Regulated population</b>	550	14	10	281	113	23	39	70
<b>Total Remuneration</b>	389,6	1,3	11,7	222,2	91,1	16,4	20,0	27,0
of which Fixed remuneration	184,3	1,3	4,4	107,8	40,1	7,1	10,6	13,0
<sup>1</sup> of which Variable remuneration	205,2		7,3	114,4	50,9	9,2	9,4	14,0
<b>Variable remuneration <sup>1</sup></b>								
of which upfront part	103,6		2,9	57,7	24,8	4,5	5,2	8,5
including cash	58,2		1,5	34,2	12,6	2,2	2,8	4,9
including instruments <sup>2</sup>	45,5		1,5	23,5	12,2	2,2	2,5	3,5
of which deferred part	101,6		4,4	56,7	26,1	4,7	4,2	5,5
including cash	36,2		1,8	19,1	9,6	2,0	1,7	2,0
including instruments	65,5		2,6	37,6	16,5	2,7	2,5	3,5

(1) Payable in four instalments between March 2015 and October 2020

(2) During the retention period, remaining subject to the potential application of the individual and collective forfeiture condition

#### B. Rémunérations variables différées

##### a. Summary of the relevant deferred variable plans by instalment and by vehicle:

Instalment	2012	2013	2014	2015	2016	2017	2018
<b>Plan 2011</b>	50% Cash 50% Share Equiv.	Cash	France : Shares Outside France : Share Equiv.	Share Equiv.			
<b>Plan 2012</b>		50% Cash 50% Share Equiv.	Cash	Share Equiv.	Share Equiv.		
<b>Plan 2013</b>			50% Cash 50% Share Equiv.	Cash	Share Equiv.	Share Equiv.	
<b>Plan 2014</b>				50% Cash 50% Share Equiv.	Cash	Share Equiv.	Share Equiv.

Share Equiv. : Société Générale Share Equivalents are paid out in their cash value after at least a 6 month retention period

Shares: Société Générale performance shares with a vesting period of at least 2 years followed by a retention period of 2 years for residents of France

##### b. Outstanding deferred variable remuneration

The amount of outstanding deferred remuneration corresponds this year to the outstanding deferred variable remuneration awarded with respect to 2014, 2013, 2012 and 2011.

#### Amounts of conditional deferred remuneration

in MEUR <sup>(1)</sup>

With respect to 2014 financial year	With respect to prior financial years
147,1 <sup>(2)</sup>	151,8

(1) Expressed as value at award date

(2) Including vested instruments, subject to retention period of one year, during which the individual and collective forfeiture condition applies.

All outstanding deferred variable remuneration is exposed to possible explicit adjustments (performance conditions and clause

concerning appropriate risk management) and/or implicit adjustments (indexed on share price).

c. Deferred variable remuneration paid out or reduced through performance adjustments for the financial year:

Year of award	Amount of deferred remuneration vested in €m - Value at award <sup>(1)</sup>	Amount of deferred remuneration reduced through performance adjustments <sup>(2)</sup>	Amount of deferred remuneration vested in €m - Value at time of vesting/of payment <sup>(1) (3)</sup>
2013	91,8	0	83,5
2012	52,3	0	66,2
2011	35,1	0	56,1
2010	8,5	7 <sup>(4)</sup>	0,8
2009	2,5	1,1 <sup>(5)</sup>	1,7

(1) Including vested instruments, subject to retention period of one year, during which the individual and collective forfeiture condition applies.

(2) The amount of deferred remuneration reduced corresponds to explicit adjustments (performance conditions not met). The balance of the difference between the amount of deferred variable remuneration in value at award and in value at the time of vesting/payment is due to implicit adjustments (the variation of the SG share value).

(3) Amounts valuated at the share value defined in March 2015.

(4) 154.152 performance shares awarded as part of the 2010 plan were forfeited, due to the performance condition not being met.

(5) 25.017 performance shares awarded as part of the 2009 plan were forfeited, due to the performance conditions not being met.

C. Sign-on and severance payments made during the financial year:

Total amount of severance payments made and number of beneficiaries		Sign-on payments made and number of beneficiaries	
Amount paid out in €m <sup>(1)</sup>	Number of beneficiaries	Amount paid out in €m	Number of beneficiaries
0,7	3	0,7	1

(1) The highest individual severance payment made during 2014 was 0,6 M€.

D. Severance awards:

Amount of severance payments awarded during the financial year

Total amount	Number of beneficiaries
0	0
Highest such award	
0	

## 4.2. Chief Executive Officers

Chief Executive Officers in the 2014 financial year were Messrs Oudéa, Cabannes, Sammarcelli (until 31st August 2014) and Sanchez Incera.

The remuneration of Chief Executive Officers was subject to a specific disclosure following the Board of Directors meeting held in February 2015 that approved the variable remuneration awards for 2014.

### A. Remuneration awarded for the financial year (in MEUR):

<b>Number of beneficiaries</b>	4
<b>Total Remuneration</b>	7,3
of which Fixed remuneration <sup>(1)</sup>	3,0
of which Variable remuneration <sup>(2)</sup>	4,3
<b>Variable remuneration</b>	
of which upfront part	0,9
including cash	0,5
including instruments	0,5
of which deferred part	3,4
including cash	0,5
including instruments	2,9

Note :

- (1) For Mr. Oudéa, an amount of compensation for the loss of rights in the company supplementary pension plan of 0,2 M€ is paid on top of the remuneration as above. This compensation was cancelled as of September 2014 and integrated into the Fixed remuneration.  
(2) The amounts are inclusive of long term incentive plan attributed in February 2015.

### B. Deferred variable remuneration :

#### a. Outstanding deferred variable remuneration

The amount of outstanding deferred remuneration corresponds this year to the outstanding deferred variable remuneration awarded with respect to 2013, 2012 and 2011.

#### Amounts of conditional deferred remuneration in MEUR <sup>(1)</sup>

<u>With respect to 2014 financial year</u>	<u>With respect to prior financial years</u>
3,8	7,9

(1) Expressed as value at award date

Note: These amounts include the long term incentives awarded during 2012, 2013 and 2014.

#### b. Deferred conditional remuneration paid out or reduced through performance adjustments for the financial year <sup>(1)</sup>:

<u>Year of award</u>	<u>Amount of deferred remuneration vested in MEUR Value at award</u>	<u>Amount of deferred remuneration reduced through performance adjustments</u>	<u>Amount of deferred remuneration vested in MEUR Value at time of vesting/of payment</u>
2013	1,4	0	1,2
2012	0,6	0	0,8
2011	1,7	0	5,3

(1) Including vested instruments, subject to retention period of one year, during which the individual and collective forfeiture condition applies.

Sign-on and severance payments made during the financial year:

Total amount of severance payments made and number of beneficiaries		Sign-on payments made and number of beneficiaries	
Amount paid out in MEUR	Number of beneficiaries	Amount paid out in MEUR	Number of beneficiaries
0	0	0	0

Severance awards:

Amount of severance payments awarded during the financial year

Total amount	Number of beneficiaries
0	0
Highest such award	
0	

### 4.3. Global remuneration equal or above 1 M€

**Number of regulated staff (including Chief Executive Officers) whose global remuneration granted in 2014 is equal to or above 1M€**

Remuneration bracket, M€	Headcount
[1 - 1,5[	73
[1,5 - 2[	18
[2 - 2,5[	9
[2,5 - 3[	5
[3 - 3,5[	4
<b>Total</b>	<b>109</b>