

**REPORT OF THE BOARD OF DIRECTORS  
ON THE RESOLUTIONS SUBMITTED  
TO THE JOINT GENERAL MEETING DATED 20 MAY 2014**

We have called this General Meeting today to submit 20 resolutions for your approval. The purpose of each resolution is set forth hereafter.

**REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PRESENTED  
TO THE ORDINARY MEETING**

**I – 2013 financial statements and dividend (resolutions 1 to 3)**

The **first resolution** seeks your approval of the consolidated financial statements. Consolidated Group net income for 2013 amounted to EUR 2,174,813,063.20. Comments on the consolidated financial statements are also included in the Registration Document.

The **second and third resolutions** relate to the approval of the annual financial statements for 2013, the allocation of the net income and the setting of the dividend. The parent company recorded net income of EUR 2,713,521,209.57 in 2013. A detailed presentation of the annual financial statements is included in the Registration Document.

The total amount of non-deductible costs and expenses which amounts to EUR 262,348 refers to vehicle rentals.

The dividend per share has been set at EUR 1.00. It shall be detached on 27 May 2014 and paid from 30 May 2014. For the calculation of the income tax, the dividend is entitled to a 40% tax deduction.

**II – Related party agreements (resolution 4)**

The **fourth resolution** seeks your approval of the special report of Statutory Auditors relating to related party agreements previously approved which continued without any execution in 2013, namely:

- the non-competition clause in favour of Mr Frédéric OUDEA approved by your General Meeting held in 2012;
- the supplementary pension scheme in favour of Mr Bernardo Sanchez Incera and Mr Jean-François Sammarcelli approved by your General Meeting held in 2010;
- the supplementary pension scheme in favour of Mr Séverin Cabannes approved by your General Meeting held in 2009.

No new commitment or new agreement was concluded in 2013.

The special report of the Statutory Auditors on related party agreements is included in the Registration Document and in the meeting notice.

### **III- Remuneration (resolutions 5 to 8)**

The **fifth and sixth resolutions** seek your advisory opinion, pursuant to the application of AFEP-MEDEF corporate governance Code applied by Société Générale, on the components of remuneration due or awarded for the 2013 financial year to chief executive officers, namely Mr Frédéric Oudéa, Chairman and Chief Executive Officer, on the one hand, and Messrs Séverin Cabannes, Jean-François Sammarcelli and Bernardo Sanchez Incera, Deputy Chief Executive Officers, on the other hand.

The detailed tables presenting the individual remuneration components are set forth in the Registration Document and are attached to this report.

The complete compensation policy governing these remunerations may be consulted in the Registration Document.

Pursuant to article L. 511-73 of the French Monetary and Financial Code, the **seventh resolution** seeks your approval, in an advisory capacity, on the remuneration paid in 2013 to persons mentioned in article L. 511-71 of the French Monetary and Financial Code.

According to these articles, introduced by the French banking law dated 26 July 2013 and amended by the order n° 2014-158, dated 20 February 2014, which specifically enacted into French law the 2013/36/EU Directive, known as “CRD IV”, the ordinary General Meeting should be consulted annually on the total remuneration paid during the last financial year to the persons who effectively manage Société Générale (article L. 511-13) and to the categories of staff, including risk takers, persons engaged in control functions, as well as any employee whose total remuneration is in the same remuneration bracket, and whose professional activities have a material impact on the risk profile of the company or the Group, hereafter “the Group’s regulated population”.

The Group’s regulated population is defined according to (i) internal criteria approved by the Board of Directors, which take into account the internal organization of the Group and the risk profile of its different activities, as well as (ii) criteria determined by the European Banking Authority (EBA) in its technical standard published on 16 December 2013, approved by the European Commission on 4 March 2014 and currently being reviewed by the European Parliament and the European Council. In accordance with those criteria, the persons are identified, either *ex ante* because of their function and their level of responsibility, as well as their capacity to significantly bind the bank in terms of risk exposure, or *ex post* through their level of total remuneration in the last financial year.

As the EBA technical standard is not yet finalised and shall only enter into force during 2014, the *ex post* inclusion criterion retained by the Board of Directors for the 2013 financial year is a total remuneration threshold of EUR 750,000.

The members of the Group’s regulated population include for the 2013 financial year:

*Ex ante:*

- the four chief executive officers, Messrs Oudéa, Cabannes, Sammarcelli and Sanchez Incera;
- the other members of the Group executive Committee and the Group management Committee, i.e. 50 persons;

- key staff members in charge of control functions (finance, risks, compliance, legal and tax) at the Group level and who are not members of the aforementioned bodies, i.e. 16 persons;
- within Global Banking & Investor Solutions, the key managers in charge (Executive Committee members) of business lines, sub-business lines and significant geographical locations and persons in charge of operational risks and support functions, i.e. 135 persons;
- persons having credit authorisations exceeding the materiality thresholds set by the EBA at the Group level and who are not already identified by the above criteria, i.e. 13 persons;
- staff in charge of trading activities who have responsibility for market risk limits exceeding the materiality thresholds set by the EBA at the Group level and who are not already identified by the above criteria, i.e. 76 persons;

*Ex post:*

- Persons with a total remuneration for 2013 of EUR 750,000 or more and who are not yet identified according to *ex ante* criteria. It refers to a very limited number of profiles having essential skills for the development of certain Group activities and some key employees on the financial markets who have achieved exceptional performances during the last financial year. The concerned functions include: heads of mergers and acquisitions advisory services, senior bankers, heads of structured finance with a sectorial/product expertise and, on the markets, traders, structured products engineers and sales managers specialized in complex financial products.

For the 2013 financial year, the regulated population at the Group level comprised 364 persons, including 294 identified *ex ante* and 70 *ex post*. 193 were based outside France.

As a result of the deferral of the variable component of the remuneration of this population pursuant to the remunerations provisions provided by EU Directive 2010/76/EU, known as “CRD III”, the total remuneration actually paid during 2013 includes a significant portion of payments related to financial years preceding 2013. Moreover, concerning the components of variable remuneration indexed to the value of the Société Générale, the amounts paid do not correspond to initial amounts awarded, because of the share price change during the deferred and retention periods.

As such, the total amount of remuneration effectively paid during 2013 amounts to EUR 299.8 million and includes:

- The fixed remuneration for 2013 which amounted to EUR 87.1 million
- The non-deferred variable remunerations for 2012 which amounted to EUR 97.4 million
- The deferred variable remuneration for 2011 which amounted to EUR 30.1 million
- The deferred variable remuneration for 2010 which amounted to EUR 34.2 million
- The deferred variable remuneration for 2009 which amounted to EUR 48 million
- The shares or equivalent instruments vested in 2013 resulting from long-term incentive plans amounted to EUR 3 million.

The Board of Directors underlines that the link to the 2013 performance cannot be assessed based on the amounts actually paid in 2013 given the significant portion of deferred variable remuneration. The information concerning remuneration awarded for the 2013 financial year will be made available to shareholders in the 2013 remuneration policies and practices report, which will be published in April 2014 on the Group’s web site and will be integrated into the first update of the Registration Document.

The **eighth resolution** seeks your approval, on the basis of the Remuneration Committee's recommendation, of a 200% maximum ratio between the fixed and variable components of the total remuneration of each person belonging to the Group's regulated population for remuneration awarded in respect of the 2014 financial year onwards and until otherwise decided.

Indeed, article L. 511-78 of the French Monetary and Financial Code, which enacts into French law Directive 2013/36/EU known as "CRD IV", limits the variable component to 100% of the fixed component of the total remuneration of the Group's regulated population, unless the General Meeting approves a higher ratio, which cannot exceed 200%. It is specified that article L. 511-79 of the same code provides, for the calculation of the maximum ratio, that instruments deferred for at least five years, which cannot represent more than 25% of the total variable remuneration, may benefit from a discounted valuation at grant, according to a discount rate which is subject to EBA guidelines to be published prior to the end of March 2014.

The purpose of this request is to safeguard the competitiveness of remuneration of employees having essential skills and/or achieving exceptional performance, in the context of controlled risk management. The increase of the maximum ratio aims to avoid the Group facing a situation of significant competitive distortion within very specialized and restricted labour markets, particularly outside the European Economic Area, where local actors are not subject to a regulatory cap on variable remuneration, but also within European labour markets with respect to financial undertakings to which the CRD IV regulation does not apply (money market funds, hedge funds, private equity firms, etc.). This approach is in line with the position adopted by other European banks of a similar size and scope of activity. For information, 33% of the Group's regulated population for 2013 was based outside the European Economic Area.

Furthermore, the increase of the maximum ratio will allow us to retain a maximum level of flexibility with respect to the regulated population's total remuneration pool. This ratio represents a ceiling while the actual variable levels effectively awarded depend on individual and collective performance.

The Board of Directors will ensure that the variable remuneration pool awarded *in fine* for the financial year takes into account the risk adjusted performance and that the total remuneration awarded does not limit the Group's capacity to maintain a sound capital base regarding its activities and prudential requirements.

For 2014, the members of the Group's regulated population shall be defined according to criteria used for the 2013 scope, subject to adjustments linked to the Group's internal organisation and to the publication of final rules governing identification of the regulated population.

According to the technical standard of the EBA validated by the European Commission and currently under review by the European Parliament and the European Council, the employees whose total remuneration is EUR 500,000 or more in the preceding financial year must be regulated *ex post*. However, exclusions are permitted when such employees occupy a position and/or are part of a business unit which does not have significant impact on the Group's risk profile. For the employees whose total remuneration is between EUR 500,000 and EUR 750,000, the exclusions must be notified to the French Prudential Supervisory and Resolution Authority (hereafter "ACPR"); for those whose total remuneration is at least EUR 750,000 or for those who are part of the 0.3% highest paid persons within the Group, the exclusions must be subject to the prior approval of the ACPR.

The precise scope of the Group's regulated population will be established at the end of the year, taking into account possible organizational changes, internal transfers, departures and hiring and, for persons identified *ex post*, the EBA's definitive identification criteria and their practical application, including in particular the exclusion cases authorised by the competent authority.

Based on these different elements, the scope of the Group's regulated population could be estimated between 350 and 600 persons: some elements are still to be specified by the regulator and for this reason we do not currently have a more precise estimate.

On the basis of the scope of the regulated population retained for the 2013 financial year and not prejudging the situation of the population identified in future years, the maximum total fixed component of remuneration for 2014 is evaluated at EUR 130 million, resulting in a maximum impact linked to the increase of the ratio from 1/1 to 2/1 of EUR 130 million. This amount does not represent in any way an additional cost: in a very competitive context which requires remuneration levels to continue to be consistent with the market, it allows the Group to maintain flexibility when awarding performance-based variable remuneration components, without increasing the regulated population's total remuneration levels or the Group's cost base. This amount represents only 0.2% of the Group's total remuneration costs, which has no impact on the Group's capital base.

It is specified that for this resolution, the General Meeting deliberates by a two-thirds majority if the quorum is at least 50% or, failing this, by a three-quarters majority.

#### **IV – Board of Directors – Appointment and renewal of Directors (resolutions 9 to 10)**

In the **ninth resolution**, the Board of Directors, upon proposal of the Nomination and Corporate Governance Committee, proposes to renew, for a four-year term, the Director's mandate of Mr Robert Castaigne.

Mr Robert Castaigne, born in 1946, spent his entire career with Total SA; first as an engineer, and then in various functions. From 1994 to 2008, he was Chief Financial Officer and a member of the Executive Committee of Total SA. He has been an independent director of Société Générale since 2009 and member of the Audit, Internal Control and Risk Committee. He is also a director of Sanofi and Vinci.

More details are set forth in the Registration Document.

In the **tenth resolution**, the Board of Directors, upon proposal of the Nomination and Corporate Governance Committee, proposes to appoint, for a four-year term, Mr Lorenzo Bini Smaghi as an independent director.

This proposal is in line with the aims of the Board of Directors regarding its composition and notably:

- a well-balanced and diversified mix of skills and experience, notably the continuity of a high level of experience in finance and market activity areas;
- continuity and gradual renewal.

Mr Lorenzo Bini Smaghi, born in 1956, of Italian nationality, Francophone, has experience as a central banker from having been a member of the European Central Bank's management board (2005-2011). After studying in Belgium and in the United-States, Mr Bini Smaghi obtained a PhD in economic sciences. He held various positions at the Bank of Italy and the European Monetary Institute, then at the Italian Ministry of Economy and Finance (General Manager of international financial relations from 1998 to 2005). He is a non-executive President of the SNAM. He would be appointed as an independent director.

If such resolutions were to be adopted, the Board of Directors would be comprised of fourteen members including two employee representatives, elected by the employees in March 2012 for three years, and 10 independent directors. There would be six women on the Board, i.e. 42% of its members or 33%, if, in compliance with the 27 January 2011 law on the balanced representation of women and men on Boards, only the Directors directly appointed by the General Meeting are taken into account.

#### **V – Authorisation to buy back Société Générale's shares (resolution 11)**

The **eleventh resolution** seeks to renew the authorisation of the Company to buy back its own shares which was granted to the Board of Directors by the General Shareholders Meeting held on 22 May 2013 (resolution 8).

The Board of Directors used this authorisation to continue the execution of the liquidity contract.

The shares bought back pursuant to previous authorisations are allocated to Group employees and chief executive officers. They include in particular issued free share plans or share allocations to chief executive officers for their variable remuneration.

On 11 February 2014, the Company directly or indirectly held 22,508,903 of its own shares, i.e. 2.82% of the total number of shares comprising the share capital: 13,521,887 of these shares are held by the Company as treasury stock (the liquidity contract is included in this amount) and 8,987,016 shares are held by subsidiaries.

The resolution submitted to the vote maintains the maximum number of shares that the Company may buy back at 5% of the Company share capital at the date of the meeting, and the total number of its own shares that the Company may hold after these purchases at 10% of the capital.

This authorisation will serve exactly the same purposes as those of the previous authorisations granted in the past years.

These buy backs may be used in order:

- to grant, cover and implement stock option plans, free share plans, employees savings plans or any other form of allocation to employees and executive officers of the Group;
- to provide shares upon the exercise of securities with an equity component;
- to hold and subsequently use the shares in exchange or as payment of shares in the context of Group's external growth transactions;
- to pursue the liquidity contract;

- by virtue of the 19<sup>th</sup> resolution of this General Meeting, to buy back shares for cancellation in order to offset dilution resulting from share issues resulting from stock options or free share plans or from capital increases reserved for employees.

The shares may be bought, sold or transferred by any means and at any time, on one or more occasions, except in the period of a public offering, in accordance with the limits and methods set forth by regulation.

The transactions may be carried out over-the-counter, in blocks or in the form of options or derivatives.

The maximum purchase price of the shares will be set at EUR 75 per share, i.e. 1.32 times the net asset value per existing share as at 31 December 2013.

This authorisation would be granted for eighteen months.

The Board of Directors shall ensure that these transactions shall be carried out in compliance with the prudential requirements as set forth by the regulation and by the Prudential Supervisory and Resolution Authority.

A detailed report on the 2013 share buyback transactions is set forth in the Registration Document. An electronic version of the description of the share buyback programme will be available on the Company's website prior to the General Meeting.

## **REPORT OF THE BOARD OF DIRECTORS ON THE RESOLUTIONS PRESENTED TO THE EXTRAORDINARY MEETING**

The Board of Directors was granted financial delegations of authority by the 2012 General Shareholders Meeting and such delegations expire this year. The use made by the Board of such delegations is listed and detailed in the attached table.

It is now proposed to terminate these delegations and to grant the Board new delegations for a period of 26 months (resolutions 12 to 19).

### **VI - Overall ceiling of issues giving access to the share capital of the Company (resolutions 12 to 18)**

The Board of Directors proposes that the overall ceiling for the authorisations to increase the share capital of the Company be set at 39.97% of the share capital at the date of the General Shareholders' Meeting, i.e. representing a maximum nominal amount of EUR 399 million in ordinary share issues.

This overall ceiling includes:

- the ceiling on issues with pre-emptive subscription right (resolutions 12 and 14)
- the ceiling on issues without pre-emptive subscription right (resolutions 13 to 16)
- the ceiling on issues reserved to employees or related to the allocation of free shares (resolutions 17 and 18).

The ceiling on issues with pre-emptive subscription right (resolutions 12 and 14) would be equal to the aforementioned overall ceiling.

The ceiling on issues without pre-emptive subscription right (resolutions 13 to 16) would be limited to 10% of the share capital on the day of the General Meeting, i.e. the maximum nominal amount of the ordinary share issues shall be capped at EUR 99.839 million.

The special ceiling for share capital increases through the incorporation of reserves, profits, premiums or any other element which may be incorporated to the share capital would be set at EUR 550 million (resolution 14). The existence of a separate and independent ceiling is justified by the totally different nature of the reserves and other incorporations, as they occur either through the allocation of free shares or through the increase of the existing nominal share amount, i.e. without dilution for the shareholders and without any change in the volume of the Company equity.

The ceiling on security issues representing debt securities giving access to the share capital shall be set at EUR 6 billion (resolutions 12 to 17).

These amounts are set subject to, as the case may be, the additional share capital increases resulting from the rights adjustment of certain shareholders in the event of new share issues.

Pursuant to applicable legislation when draft resolutions have been approved by the Board of Directors, these authorisations would be automatically suspended and their implementation would have to be approved or confirmed by the General Meeting, in the event of a public offering.

## **VII – Authorisation to issue ordinary shares or any securities which would give access to the share capital, excluding issues reserved to employees or related to the allocation of free shares (resolutions 12 to 16)**

### **A - Authorisation to issue shares with or without pre-emptive subscription rights through public offerings (resolutions 12 and 13)**

The **twelfth and thirteenth resolutions** propose the renewal of the authorisations to increase the Company's share capital with or without pre-emptive subscription right granted for a period of 26 months by your General Meeting dated 22 May 2012.

The Board of Directors did not make use of these authorisations and undertakes to use them only in order to sustain the future growth and financial needs of the Company. It would give priority to an operation with pre-emptive subscription right, as it did in 2006, 2008 and 2009.

Notwithstanding this, the Board deems it necessary to maintain the possibility of increasing the share capital without pre-emptive subscription rights of the shareholders in order to have the option, if necessary, of simplifying the formalities and shortening the regulatory timeframes in the event of a public issue on the French stock market or on international stock markets or on both simultaneously, depending on the circumstances. This type of issue offers a means to broaden the shareholder base of the Company, and therefore its reputation and to optimise the raising of shareholders' equity.

In the case of an issue of ordinary shares or securities giving access to the share capital without pre-emptive subscription rights, if it is in line with the transaction, the Board of Directors shall reserve a priority subscription right for existing shareholders, concerning all or part of the issue. This priority subscription right shall not create any negotiable right but shall, upon decision of the Board, be exercised on irrevocable entitlement as well as entitlement subject to reduction.



Furthermore, the issue price of ordinary shares issued without pre-emptive subscription right are set pursuant to legal and regulatory conditions in force at the time of issue, namely the weighted average price quoted over the last three trading sessions prior to setting the price, with the possible application of a discount of up to 5%. Concerning the securities to be issued, their price would be such that the amount immediately received by the Company increased where applicable, by the one which may be received in the future by the Company is at least equal to the same amount, for each ordinary share issued consequently to the issue of those securities.

The Board of Directors would of course set the issue price for transferable securities in the best interests of the Company and its shareholders, while taking into account all of the requirements set by law and by financial market rules.

#### **B – Extension clause (resolution 14)**

By voting in favour of the **fourteenth resolution**, you would authorise the Board of Directors, in the event of excess demand for shares offered under any capital increases decided pursuant to the twelfth and thirteenth resolutions, to increase the number of shares to be issued by up to 15% of the initial issue. The implementation of this extension clause shall be established within the limit of the ceilings provided by the twelfth and thirteenth resolutions.

The Board has never used this standard market practice that was codified into law in 2004. Nevertheless, the Board deems it necessary to hold such an option.

As appropriate and insofar as it is in the best interests of the Company and its shareholders, the Board of Directors, or its delegate, may make use of this option at the time it decides on an issue and in accordance with the laws and regulation.

Currently, the texts provide that the amount of securities can be increased within 30 days of the closing of subscriptions, at the same price as that of the initial issue. Furthermore, in its statement no. 2011-12 of 29 July 2011, the French Securities Regulator (AMF) considers that in the context of an increase of the share capital with pre-emptive subscription right, the extension clause can only be used in order to meet the subscription requests in respect of any excess shares made by the shareholders or by the assignees of pre-emptive subscription rights.

#### **C – Issue in remuneration for shares or securities with an equity component contribution (resolution 15)**

The purpose of the **fifteenth resolution** is to renew the authorisation granted to the Board of Directors since 2005 which allows the Board to carry out a capital increase up to 10% of the share capital, in remuneration for shares or securities that are not part of a public exchange offering.

The Board has never made use of this authorisation but would like to be able to do so if necessary.

An issue carried out under this authorisation would be subject to the report of a Contribution Auditor.

This authorisation shall not impact the overall ceiling for capital increases that may be implemented by the Board of Directors, as the amount set by the General Meeting would be deducted from the ceilings set forth in the twelfth and thirteenth resolutions.

**D – Authorisation to issue deeply subordinated bonds convertible into shares also known as contingent convertible bonds “CoCos” (resolution 16)**

By voting in favour of the **sixteenth resolution**, you would authorise the Board of Directors to issue, through private placements, contingent bonds convertible into ordinary shares of the Company (“CoCos”) should its Common Equity Tier 1 ratio (hereafter “CET1”) fall below 5.125% under Basel III, compared to its current level of around 10%.

In the context of the establishment of the new banking regulation based on Basel III and described for European Union member states in the CRD IV directive and in the CRR regulation, the financial institutions must hold a sufficient level of tier 1 capital to allow for loss absorption in the context of ongoing operation. The minimum total capital ratio of banks, which comprises not only the CET1 of the Group but also the subordinated debt (Additional Tier 1, hereafter “AT1” and dated Tier 2), is maintained at 8%, but the Tier 1 ratio (composed of CET1 and AT1) has been upgraded to 6% versus 4% in the previous regulation with a regulatory minimum of 1.5% of AT1 versus 1% previously. Considered the core of the equity, the Tier 1 includes common equity tier 1 capital, mainly composed of ordinary shares issued by the bank and non-distributed profits, and Additional Tier 1 instruments, comprised of capital instruments and share premium accounts related to these instruments. In particular, the capital instruments include securities which give or which may give access to the share capital or voting rights.

Moreover, previous Tier 1 issues carried out before Basel III, which are still part of the Tier 1 ratio composition, shall gradually lose their regulatory recognition on the Tier 1 ratio calculation. Consequently, the current stock of Tier 1 issue (except those realized in 2013) shall be completely replaced by new issues in compliance with Basel III (i.e. AT1) according to their repayment or their regulatory disqualification.

The new Additional Tier 1 (AT1) instruments are now regulated by article 54 of the European CRR regulation. These instruments aim to absorb losses under certain conditions of solvency or liquidation of the Company, or as the case may be to the appreciation of the French Prudential Supervisory and Resolution Authority. Furthermore, the issuer may or may not pay coupons, at its discretion or that of the regulator. The CRR regulation provides two large categories of instruments which may be issued:

- either with a mechanism of full or partial absorption of losses on the principal;
- or with a mechanism of conversion into Common equity Tier 1 instruments (i.e. conversion into ordinary shares) under the form of contingent convertible bonds (“CoCos”).

Your Company has already carried out two issues with a loss absorption mechanism. It successfully structured and placed two perpetual hybrid Tier 1 deeply subordinated issues compliant with Basel III rules, including a full or partial loss absorption mechanism, for an amount of USD 1.25 billion with a coupon of 8.25% in August 2013, and for an amount of USD 1.75 billion with a coupon of 7.875% in December 2013. These transactions were significantly oversubscribed, and more generally, they were favourably received by the market, particularly with institutional investors.

In a subordinated debt market where the investor base could dry up over time, the issue of contingent convertible bonds would allow your Company to issue all AT1 instruments laid down

by Regulation and thus reinforce its capacity to reach regulatory ratios in the Basel III environment by broadening the investor base to one favouring conversion into shares. This kind of instrument has been issued by many international banks, particularly Barclays which issued USD 2 billion in November 2013 with a coupon of 8.25% and a further EUR 1 billion in December with a coupon of 8%, or BBVA which raised USD 1.5 billion in April 2013 with a coupon of 9%.

For this reason and in order to reach your Company's capital structure target, the Board of Directors deems it necessary to be able to issue Additional Tier 1 instruments, and particularly to issue contingent convertible bonds, within the limit of a maximum nominal amount of share issues of EUR 99.839 million, i.e. 10% of the share capital. This amount is deducted from the ceilings set forth in the twelfth and thirteenth resolutions.

The proposed contingent convertible bonds are debt instruments which will be automatically converted into ordinary shares should the CET1 ratio fall below 5.125%. This conversion transforms instruments held by third parties into equity, thus reinforcing the bank equity without having recourse to the market.

This kind of bonds is not intended to be offered to all investors. Consequently, the Board of Directors deems it necessary, regarding these particular instruments, to exclude the pre-emptive subscription rights of shareholders and to authorise it to use private placements. Thus, these CoCos would be issued for investors who are mainly professionals as defined in paragraph II of article L. 411-2 of the French Monetary and Financial Code.

Pursuant to provisions of article L. 225-136 of the French Commercial Code, it seeks your approval to authorise the Board of Directors to set the price according to the following terms: the issue price of shares to be issued through conversion of contingent convertible bonds may not be lower, at the Board of Directors' discretion, (i) than the average price of the share on the Euronext Paris regulated market, weighted by volumes of the last trading session prior to the pricing of the contingent convertible bonds issue or (ii) the average price of the share on the Euronext Paris regulated market, weighted by volumes, as set during the trading session at the time when the issue price of the contingent convertible bond is being determined, in both cases, possibly decreased by a maximum discount of 50%.

This level of discount is compliant with market practices because, for these instruments convertible into shares, the investors expect a significant discount compared to the market price of the share on the day of issuance. Indeed, if a conversion were to occur, it would happen in a context of large losses, when the share price would be substantially lower than its level on the issue day of the "CoCos". This type of instrument is used to enable operations to continue in a very negative context to allow the financial institution to recover and to avoid an even more penalising situation, notably for the shareholder.

## **VIII – Authorisations to undertake issues giving access to the share capital in favour of the employees (resolutions 17 and 18)**

### **A - Global employee share ownership plans (GESOP) – Authorisation to issue shares reserved for employees (resolution 17)**

The purpose of the **seventeenth resolution** is to renew the authorisation enabling the Board of Directors, as it has made since 1988, to propose increases in the share capital reserved to employees, capped at 2% for a 26 month-period, with this ceiling being deducted from the one provided in the twelfth resolution.

This new authorisation would enable the Company, in accordance with legal framework in force, to issue shares or securities with an equity component, as appropriate, in separate stages to the subscribers of the Company or Group savings plan along with its affiliated companies within the meaning of article L. 225-180 of the French Commercial Code and L. 3344-1 and L. 3344-2 of the French Labour Code.

It would include the removal of shareholders' pre-emptive subscription rights in favour of the subscribers to such plans.

The subscription price would be equal to the average quoted price over the twenty trading sessions preceding the date of the decision setting the opening date for subscription, minus a 20% discount. However, the Board of Directors would be entitled to award free shares or other securities granting access to the capital instead and in place of the discount, or may reduce or eliminate the discount, subject to the legal or regulatory limits.

Furthermore, within the limits set by article L. 3332-21 of the French Labour Code, the Board of Directors may resolve to allocate free shares or other securities granting access to the capital instead and in place of the employer's matching contribution, subject to the legal or regulatory limits.

The Board of Directors may also decide that one or more issues reserved for employees, instead of taking place via share capital increases, would be carried out through the sale of shares under the conditions of article L. 3332-24 of the French Labour Code.

Finally, in accordance with legal provisions, the decision setting the subscription date may be taken either by the Board of Directors or by its delegate. You would be informed of the definitive terms of the transactions and their impact in the supplementary reports to the shareholders' meeting made by the Board of Directors and by the Statutory Auditors, as required by provisions in force.

It should be noted that although the employees' stake in the Company's capital increased between 1988 and 1997 from 2% to 6.5%, it has been steady between 7% and 7.8% since 1998, when it crossed the 7% threshold (with an exception in 2003 when it reached 8.4%). It shows that each year the employees buy and sell shares or stakes in the FCPE invested in Société Générale shares in roughly equal proportions.

At 31 December 2013, the employees' stake represented 7.45% of the share capital.

We remind you that the employees, whether they are shareholders or holding stakes in the FCPE “Société Générale Actionnariat” invested in Société Générale shares have the right to vote at the General Meeting.

## **B - Authorisation to award free performance shares to employees (resolution 18)**

The **eighteenth resolution** seeks your approval regarding the authorisation to award free shares of Société Générale, pursuant to the conditions of articles L. 225-197-1 *et seq.* of the French Commercial Code. Since May 2012, your Board of Directors no longer seeks or has the authorisation to grant Société Générale stock options.

The Board of Directors held on 14 March 2013 and 13 March 2014, used the ongoing authorisation up to 0.4%. As the grants are determined by amount, the share price at the day of the Board of Directors has a relevant impact on the numbers of shares authorised by the Board of directors.

This system represents a key part of the recognition policy of Group employees’ potential and performance. Due to its duration and its vesting requirements, it gives the opportunity to retain the beneficiaries and to more closely align their interests to those of shareholders.

Performance shares have been allocated to about 6,000 beneficiaries per plan, giving priority to strategic talents (emerging and confirmed) and key Group’s employees. Unlike previous fiscal years, and to ensure fairness and consistency of Group’s practices between French and international operations, regulated persons pursuant to the European regulation have not benefited from performance share allocations in the context of the obligation to pay a portion of the variable compensation in the form of shares or instruments linked to the share. It has to be noticed that the Société Générale chief executive officers and the members of the Group Executive Committee who are also concerned by the European regulation, have not benefited from these plans since 2012.

In the context of the authorisation renewal to allocate free performance shares, it is proposed to set a performance share allocation ceiling at 2% of the share capital, for a 26 month-period, in favour of employees. Concerning the regulated persons detailed in article L. 511-71 of the French Monetary and Financial Code, the portion allocated may not represent more than 0.5% of the share capital.

It is not proposed to seek authorisation to allocate these shares in favour of chief executive officers.

The allocation decision of the Board of Directors gives rise to a period of at least two years from which, if the conditions set by the Board of Directors are fulfilled, the beneficiary shall become a shareholder. In the event of allocation to the members of the Executive Committee and the Group Management Committee, the vesting period will be set at a minimum of three years. As from this date, an additional two-year holding period begins, during which the beneficiary cannot sell its shares. If the Board of Directors decides to apply a four-year period for acquisition, it may reduce or remove the holding period for shares.

This ceiling of 2% is deducted from the one provided in the twelfth resolution.

The shares allocated pursuant to the 2015 and 2016 plans shall be fully contingent on presence and performance:

1. Concerning members of Group Executive Committee and Group Management Committee

If the Group decides once again to allocate performance shares to Group officers who are also regulated pursuant to the banking regulation, the applicable condition for share allocations will be stringent and linked to the long-term interests of shareholders.

The number of shares definitively vested by the Group officers shall be subject to the performance of Société Générale's share in comparison with a Sample of 11 similar European banking groups.

This performance shall be assessed based on Société Générale's rank within the ranking established between the banking groups of the selected Sample in terms of annualised Total Shareholder Return (TSR), measured during the vesting period of the shares, i.e. three years at least. Thus, all shares allocated shall vest only if Société Générale's TSR offers the best performance of the Sample; for a performance equal to the median of the Sample, the vesting rate of shares will be equal to 50% of the total number of shares awarded. Finally, no shares will be vested in the event of very insufficient performance. Between these limits, the number of shares will be calculated by linear interpolation.

The Board of Directors will determine the detailed terms of calculation.

The Sample will be determined when the Board of Directors decides on the allocation of shares pursuant to the following cumulative criteria:

Eleven banking groups:

- a) having both the highest market capitalisation and the highest Core Tier One ratio (as defined by the current regulation) within the European Economic Area and Switzerland on 31 December of the year preceding the allocation of the rights; and
- b) generating more than a third of their Income or Operating Income within the European Economic Area and Switzerland, and having a domestic market share below 90% of said Net Banking Income or Operating income; and
- c) excluding the banking groups receiving State aid, in the form of acquisition of interests or any other form.

For information, on 31 December 2013 and based on the selected criteria, the peers sample was composed as follows:

Barclays, BBVA, BNP Paribas, Crédit Agricole SA, Crédit Suisse, Deutsche Bank, Intesa, Nordea, Santander, UBS, Unicredit.

The Board of Directors will determine the applicable rules in the event of a change in ranking between dates of allocation and vesting of rights.

## 2. Concerning the other beneficiaries

The shares allocated in the context of the 2015 and 2016 long-term incentive plans shall be contingent on the achievement of positive part Group net income the year preceding the vesting of shares by tax French residents.

In the event that shares are allocated to the other regulated persons as defined by the banking regulation, except Group Executive Officers, in order to pay a part of their variable annual compensation, the performance conditions would correspond to a profitability criterion of the beneficiary's Core Business, business unit or entity set by the Board of Directors.

It is noted that:

- every plan set forth since 2006 provides at least a presence condition;
- since November 2010, every allocation is contingent on the achievement of performance conditions, several of which have not been reached.

The follow-up on the stock option plans and on the award of free shares can be found in the 2014 Registration Document and in its update concerning the 2014 free share award plan.

### **IX - Authorisation to reduce the share capital by cancellation of shares (resolution 19)**

The purpose of the **nineteenth resolution** is to renew for a 26-month period the authorisation granted to the Board of Directors on 22 May 2012 to cancel shares acquired by the Company pursuant to authorisations granted by your Meetings in the context of buy back programs and within the limit of 5% of the share capital in a 24-month period.

Société Générale did not use the previous authorisation and the last cancellation of shares was decided on 2 November 2008.

Such cancellation will, as appropriate, be carried out in compliance with the prudential requirements as set forth in the regulation and by the Prudential Supervisory and Resolution Authority.

### **X- Powers to carry out formalities (resolution 20)**

The **twentieth resolution** is a standard resolution that grants general powers to the Board to carry out all necessary formalities.