

# PERFORMANCE AND COMPENSATION

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2020 Report

**THE FUTURE  
IS YOU**  **SOCIÉTÉ  
GÉNÉRALE**

# PERFORMANCE AND COMPENSATION

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The aim of the Group's compensation policy is to ensure its attractiveness and its employees' commitment and retention over the long term, whilst also ensuring appropriate compliance and risk management and promoting the Group's values. For Chief Executive Officers, it is designed to recognise implementation of the Group's strategy and promote its longevity in the interests of shareholders, clients and employees alike.

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**2020 KEY FIGURES**

**€9,289M**  
in personnel expenses

**€73,894**  
**AVERAGE**  
gross annual compensation<sup>1</sup>

**€7M**  
**DEDICATED OVER 3 YEARS**  
to reduce wage gaps at  
Societe Generale SA in France

**93%**  
**OF EMPLOYEES**  
had an annual  
performance review

**€52M**  
**IN COMPANY CONTRIBUTIONS**  
paid into mutual funds  
by Societe Generale in France

1. Societe Generale SA in France, foreign branches, and regulated population.

# ATTRACTING EMPLOYEES AND RECOGNISING THEIR CONTRIBUTION TO THE GROUP'S PERFORMANCE

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## OFFERING A FAIR AND ATTRACTIVE COMPENSATION POLICY TO RETAIN EMPLOYEES

“On average, the lowest salary paid in our entities is 63% higher than the local legal minimum.”

The Group strives to offer fair and attractive compensation that helps retain employees and boosts the Group’s performance over the long term. **The compensation policy is built on the principles of non-discrimination and fair treatment of all employees, and relies on common principles for all.**

Next, it is developed according to the businesses and geographic areas in which the Group operates, in consideration of market practices and conditions.

On average, the lowest salary paid in our entities is 63% higher than the local legal minimum.

The Group’s compensation policies and principles are presented each year in **the Group’s compensation policies and practices report** in compliance with current regulations (see *Compensation Policies and Practices report*).

Though adapted to the economic, social, legal and competitive environment of the markets in which the Group operates, this policy is nevertheless based on principles shared by all entities:

- rewarding individual and collective performance;
- promoting healthy and effective risk management and ensuring employees are not prompted to take inappropriate risks;
- attracting, retaining and motivating strategic talent and key resources;
- aligning the interests of employees with those of the Group and shareholders;
- ensuring employees comply with the applicable internal rules and regulations and that clients are treated fairly.



Monetary compensation includes a base salary, which rewards the ability to satisfactorily hold a position using the requisite skills and is determined in a manner consistent with market practices. It also includes variable compensation to recognise collective and individual performance (see *Compensation Policies and Practices report*). **For the 2020 financial year, personnel expenses for the Group<sup>2</sup> totalled €9.28 billion** (see *Personnel expenses and related-party transactions* in the *Universal Registration Document*).

**The Group’s subsidiaries must apply the policy** defined at Group level wherever local laws allow. This policy can be adapted whenever national regulations require it. Each year, employees of Societe Generale SA in France, Credit du Nord, Temsys and Boursorama, as well as certain foreign subsidiaries, specifically the United Kingdom, Italy, Madagascar and Luxembourg, receive a Total Reward Statement, which provides a personalised overview of the components of their total compensation.

2. Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

## FOCUS ON REDUCING THE GENDER WAGE GAP AT SOCIETE GENERALE SA IN FRANCE

The French Decree on Gender Workplace Equality (the fifth such agreement since 2005) was signed unanimously by trade unions on 19 December 2019 for a three-year period. This agreement solidified the commitments made on this subject over the past several years and identified new actions and commitments to advance workplace equality, particularly by eliminating the disparities in women's and men's wages, including neutralising the impact of maternity leave on both fixed and variable compensation. Through this agreement, Societe Generale is reinforcing its compensation goals and actions:

- **a three-year budget of €7m to eliminate the wage gap** through the 2019 wage agreement (vs. €5.1m for the previous three years), including €2m for 2020. Management has confirmed that these commitments will be maintained, with €2m allocated for 2021;
- **in 2020, the budget was used to adjust the fixed compensation of 870 women**, for an average increase of more than €2,312, or 4.9%;

- **the salary review on returning from maternity or adoption leave** or childcare leave must be at least equal to the average adjustments made for employees in the same category. Quite often, this amount is exceeded due to application of the minimum raise. **Fixed salaries are adjusted for all women returning from maternity or adoption leave.** In 2019, the Group ensured that those on paternity and child-welcoming leave were paid their full salary for the first three days. The proportion of fathers or second parents who could claim paternity and child-welcoming leave, who had taken at least one day past the legal three-day leave period, is increasing – from 78.6% in 2018 to 84.6% in 2019. The proportion of those who had taken the full paternity and child-welcoming leave (11 or 18 days) also rose over the same period, from 68.5% to 72.5%. **In 2020, employees' salaries were maintained for the entire leave period** (11 days, or an additional 18 days for multiple births).



## ACKNOWLEDGING EACH EMPLOYEE'S CONTRIBUTION TO THE GROUP'S PERFORMANCE

In a pledge of fairness for Societe Generale, all employees are given a performance review based on a common model that has been in place in the Group since 2008. **In 2020, 93% of employees underwent an annual performance review.**

Individual employee performance is measured using **quantitative and qualitative operational and behavioural targets**, which are set each year.

The recommended methodology for setting targets is the **SMART method** (Specific, Measurable, Achievable, Relevant, and Time-Bound goals) to set precisely identified and observable goals using indicators known to employees. Qualitative goals are individualised, relevant to the position's occupation and pay grade. Quality risk management resources and behaviours used to achieve results (cooperation, teamwork, people management, and client satisfaction)

are recommended. Thus, one or two development goals must address **the Group's Leadership Model<sup>3</sup>** (see [Corporate Culture and Ethics Principles report](#)).

Employees are reviewed during a meeting with their direct manager. In addition, feedback may be requested from other contributors, including a manager from the function, peers or team members. Beyond this common system, the Group encourages regular feedback and recognises the right to make a mistake (see [Corporate Culture and Ethics Principles report](#)).

3. The Leadership Model defines the behaviours and skills expected of employees, managers, and Chief Executive Officers, in connection with the Group's values (Innovation, Responsibility, Commitment, Team Spirit) and client focus.

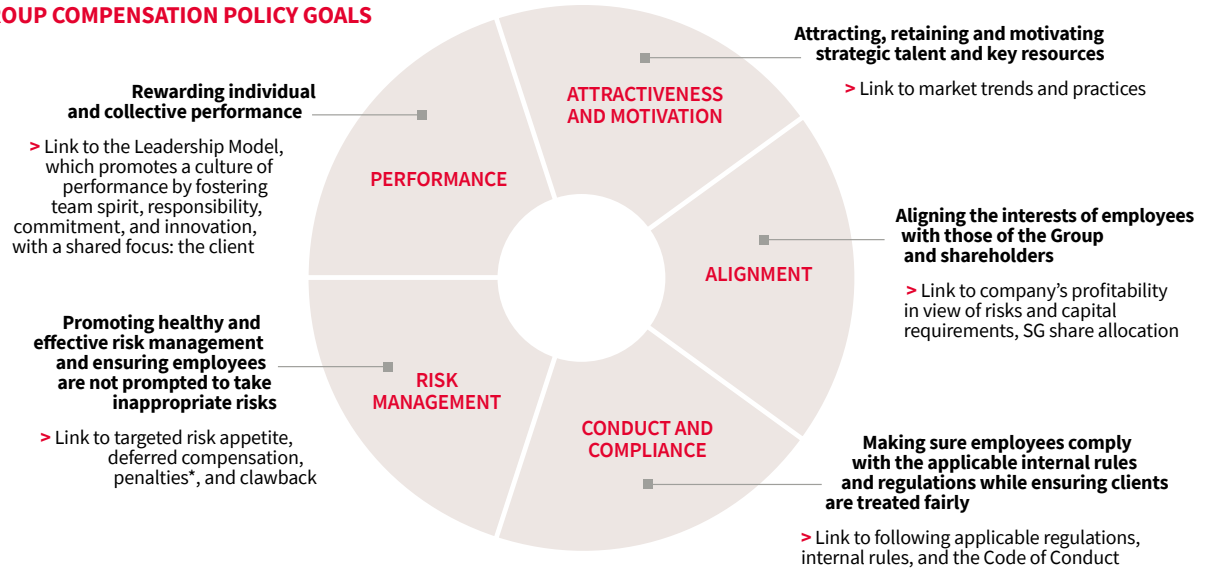
# ENSURING THAT COMPENSATION DECISIONS TAKE PERFORMANCE REVIEWS INTO ACCOUNT

Decisions on compensation should reflect the **performance review**, which should be based on quantitative and qualitative criteria (operational and professional behavioural development targets) and behavioural assessment in terms of compliance with applicable regulations and internal rules, specifically the *Code of Conduct*, the *Anti-Corruption Code* and the *Tax Code of Conduct*. Depending on the job, the review should include the following criteria:

- sound and prudent risk management;
- respect for the assignment given in terms of activity and limits;
- quality of services provided to clients;
- respect for clients' interests and fair treatment;
- sustainability-related risk management.



## GROUP COMPENSATION POLICY GOALS



\*Deferred compensation: Payment of variable compensation is deferred beyond certain thresholds in order to align the compensation structure with risks and long-term performance.

Penalty: the Bank may reduce or cancel the deferred variable compensation before the vesting or payment date if performance conditions are not met or in response to a case of inappropriate conduct.

Clawback: request to return variable compensation components already paid, subject to regulations in force.

The compensation policy stipulates that compensation should not be influenced by the fact that an employee has raised an alert, in keeping with the Group's whistleblowing policy (see *Corporate Culture and Ethics Principles report*). **To prevent any conflict of interest, variable compensation is not directly or solely correlated to revenues generated.**

**Individual situations** (fixed compensation plus, as applicable, variable compensation and/or long-term profit-sharing plan) are reviewed each year (see Chapter 3 of the *Universal Registration Document*).

During the hiring process, the Group adjusts each employee's compensation according to several criteria, including business experience, technical and behavioural skills, and education and training, in line with internal and external practices.

## OFFERING A PART OF COMPENSATION BASED ON COLLECTIVE PERFORMANCE OF EMPLOYEES, EMPLOYEE SAVINGS AND EMPLOYEE SHARE OWNERSHIP, CONSISTENT WITH THE GROUP'S VALUES



Beyond the variable compensation packages determined according to the company's overall performance, Societe Generale offers its employees collective commitment schemes: profit-sharing, employee savings and employee share ownership.

At the end of 2020, current and former employees of Societe Generale, representing more than 85,000 people, held a total of 6.87% of the share capital and 11.18% of the voting rights under the Company and Group Savings Plans. At Societe Generale SA in France, just as at the majority of subsidiaries enrolled in the Company and Group Savings Plans (33/44 subsidiaries), employees also **have a stake in the Bank's development through its profit-sharing and incentive schemes**. For Societe Generale SA in France, these schemes are linked to the Company's overall performance (financial and extra-financial) and regulated by agreements signed with the trade unions every three years.

**“€75.5m in profit-sharing and incentives distributed in 2020”**

**The total amount of profit-sharing and incentives distributed in 2020** in respect of 2019 **by Societe Generale SA was €75.5 million, including €6 million for the share relating to CSR objectives**, which can be attributed to the Bank's strong performance in terms of corporate social responsibility.

**The company and group savings plans** provide the option of medium-/long-term savings and favourable financial<sup>4</sup> and tax conditions. The securities offered in these plans consist of a broad range of company mutual funds (FCPEs), of which seven are offered in the company and group savings plans (PEE/PEG), including the employee share ownership fund (Fonds E).

4. An employer matching contribution and discount on the Societe Generale share in the event of a capital increase reserved for employees and retired former employees.



The employer matching contribution amounted to €52m<sup>5</sup> in 2020. Financial compensation (profit-sharing) may be invested in the Company and Group savings plans.

Societe Generale's employee savings plan offers employees the opportunity to invest in various company mutual funds (FCPE) certified **SRI<sup>6</sup> (Socially Responsible Investments)** by the CIES (Inter-Union Committee on Employee Savings). As of 31 December 2020, all SRI funds in the Group's savings plans in France (the various Company Savings Plans, Group Savings Plans, and Collective Retirement Savings Plans) represented **€339 million in assets under management**.

Bonus shares have been issued in France<sup>7</sup> since 2006, and internationally since 2009, as authorised by the General Meeting. The Board of Directors defines the allocation policy, following the recommendations of the Compensation Committee. Shares are granted in order to **reward, motivate and secure the long-term loyalty** of three categories of employees: employees who have made a significant contribution to the Group's results, with respect to their responsibilities; high-potential employees whose expertise is highly sought-after on the job market; and employees whose work has proved extremely valuable to the Company.

5. gross, in millions of euros for Societe Generale SA in France and the majority of its 44 subsidiaries enrolled in the Group Savings Plan in France.

6. (FCPE) For Societe Generale: SG Obligations ISR, SG Diversifié ISR, Amundi label actions solidaire; for Crédit du Nord: Arcancia Actions Ethique et Solidaire, Amundi Label Equilibre Solidaire ESR, Etoile Sélection Développement Durable and Amundi Label Harmonie ESR.

7. Except for ALD.



## 2020 LONG-TERM INCENTIVE PLANS

Based on a proposal from the Compensation Committee, the Board of Directors, at its meeting of 12 March 2020, granted performance shares to certain members of staff in accordance with the 25<sup>th</sup> and 26<sup>th</sup> resolutions of the General Meeting held in May 2018.

Pursuant to the 25<sup>th</sup> resolution, the performance shares granted under the specific loyalty and compensation policy for regulated persons as defined by banking regulations (including Chief Executive Officers and Executive Committee members) represent 0.18% of the share capital, corresponding to a total of approximately 1,425,500 shares. Their vesting periods range from two to six years, followed by a holding period of at least six months. All shares are contingent on the profitability of the Group and/or the business or division.

Pursuant to the 26<sup>th</sup> resolution, there were 4,097 beneficiaries of the long-term incentive plan receiving approximately 1,180,800 shares overall, i.e. 0.15% of the share capital. Chief Executive Officers and members of the Group Management Committee were not beneficiaries of the plan. The beneficiaries comprised 1,758 women and 2,339 men belonging to other employee categories (including non-executives) across 52 different countries; 40% of beneficiaries were working outside France.

All shares are granted subject to a condition of presence throughout the vesting period as well as a performance condition based on Societe Generale's net income. The shares will vest definitively for each beneficiary after three years.

**The Group also offers local benefit plans**, supplementing the mandatory coverage. Benefits also include social protection (retirement, personal protection, and health insurance) as well as family benefits and leave. The Group's subsidiaries and branches ensure that the social protection plans offered to employees are competitive and appropriate to the local context (see *Occupational Health and Safety report*).



# RECOGNISING APPROPRIATE RISK MANAGEMENT AND CORPORATE SOCIAL RESPONSIBILITY ISSUES IN EMPLOYEE COMPENSATION

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## COMMITTING TO A STRATEGY THAT AIMS TO PRESERVE OUR EMPLOYEES' FINANCIAL SITUATION DURING THE COVID-19 CRISIS



Societe Generale Group undertook not to resort to the short-time working scheme, nor to the mechanisms for deferring social-security contributions and income tax expenses in France, despite the closure of several of its operating sites and branches in 2020. The goal is to enable the French government to assist businesses that need help the most.

The Group also committed to guaranteeing the wages of its 133,251 employees worldwide until the end of September 2020:

- in order to prepare for an exit to this crisis, protect the health of its teams, and lay the groundwork for these measures, the Group asked its employees to take part in this solidarity approach by taking some leave during the lockdown;

- the Group engaged with its employee representative bodies to come up with an appropriate way to recognise employees whose jobs became more demanding and who made it possible to keep operations running during the first lockdown, especially customer-facing employees. They were awarded a COVID bonus.

In keeping with decisions already made, the Group continues to eschew the short-term working scheme available in France, as well as the mechanisms for deferring social-security contributions and income tax expenses.

## RECOGNISING THE GROUP'S RISKS AND HOW THEY ARE MANAGED

Recognition of risks in the compensation policy is detailed in the public report (see *Part 2*, specifically 2.3.1 for ex-ante recognition in the *Compensation Policies and Practices report*). It is presented to the Risk Committee annually, and a Director on the Risk Committee sits on the Compensation Committee.

Since 2018, the Group annual employee review has included a mandatory Conduct and Compliance section, which managers use to recognise non-compliant employee behaviour with regard to risk control, service quality and respect of client interests. If an employee is found to have failed to comply with the rules of conduct and compliance, their manager must implement a specific action plan to help them correct the issues.

**Conduct and compliance performance is a factor in career progression, and especially compensation.**

Aligning employee compensation with the Bank's risk management, where employees include management bodies and, more broadly, regulated employees<sup>8</sup>, is a multi-level process:

- **in compensation governance** – Every year, the Group's various control functions are involved at different levels to assess the compliance of the Group's compensation policy (see *Compensation Policies and Practices report*);
- **in the make-up of variable compensation packages**, which are determined with careful consideration of the Bank's various risks, ensuring that the total variable compensation amount will not undermine the Group's capacity to shore up its equity;
- **and in the employee reviews factored into individual allocations.** The compensation policy applicable to members of the Group's management bodies and, more broadly, to its regulated employees promotes best practices by tying their variable compensation to a number of quantitative and qualitative factors, including respect for compliance and risk management rules<sup>9</sup>. The connections between Chief Executive Officers and the appropriate management of our risks is detailed in the *Universal Registration Document*.



8. Individuals having a significant impact on the Group's risk profile (see Compensation Policies and Practices report)

9. In addition the annual reviews conducted by the management line, reviews are carried out independently by the Risk and Compliance Divisions on certain categories of regulated employees (CRD IV, AIFMD, and UCITSV) and employees in charge of trading desks (French Banking Law and Volcker Rule), as well as any other employee for whom it is deemed relevant.

## ALIGNING EMPLOYEE COMPENSATION WITH CORPORATE SOCIAL RESPONSIBILITY ISSUES FOR THE GROUP



### CHIEF EXECUTIVE OFFICER COMPENSATION

Aligning employee compensation, including that of Chief Executive Officers and the Management Committee, with the Group's corporate social responsibility issues is a multi-level process:

**IN EMPLOYEE COMPENSATION**, for employees whose compensation policy promotes sound and prudent risk management with respect to sustainability risks, particularly for financial market operators and financial advisors in charge of investment advisory.

**IN THE COLLECTIVE EMPLOYEE COMPENSATION OF SOCIETE GENERALE SA IN FRANCE** in 2020 for 2019 (41,258 employees, i.e. 34% of the Group's employees), a €6m profit-sharing and incentive plan is contingent on meeting two social responsibility targets each year:

1. since the agreements signed for the base financial years 2014-2016, €3m has hinged on Societe Generale Group placing in the top quartile of the annual industry ranking of companies assessed by extra-financial ratings agency S&P Global Corporate Sustainability Assessment (formerly RobecoSAM). Should Societe Generale not make it into the top quartile of the industry survey, the €3m profit-sharing package is not paid out to the relevant employees;

2. since the agreements signed for the base financial years 2017-2020, €3m has depended on the volume of purchasing from the adapted, protected sector (+€500,000 per year). The amount allocated to this criterion is €1.5m if 80% of the growth target is met.

**IN THE COMPENSATION OF MANAGEMENT COMMITTEE MEMBERS** (60 people, excluding Chief Executive Officers). Since 2018, the Group's Management Committee has set collective targets including:

- financial performance;
- **client satisfaction and experience** based on the Net Promoter Score approach;
- **employee commitment level**, as measured by the Group's Employee Satisfaction Survey;
- **corporate social responsibility**, through the Group's extra-financial rating by asset manager S&P Global CSA (formerly RobecoSAM) and Sustainalytics et MSCI agencies. Attainment of these targets determines part of their variable compensation.

## CHIEF EXECUTIVE OFFICER COMPENSATION (3 PEOPLE)

Compensation of the Chief Executive Officers incorporates CSR performance criteria in setting the amount of the annual variable compensation and for the vesting of the long-term incentive:

### CSR CRITERIA IN THE ANNUAL VARIABLE COMPENSATION OF CHIEF EXECUTIVE OFFICERS:

40% of Chief Executive Officers' annual variable compensation is based on qualitative criteria that include CSR criteria. These targets break down into targets shared by all three Chief Executive Officers and targets for each Chief Executive Officer specific to their area of responsibility.

The targets shared by the three Chief Executive Officers in 2021 will be:

- Improving how Societe Generale Group is perceived by the markets;
- Continued progress in improving customer experience, Net Promoter Score, and customer satisfaction surveys;
- Achieving the Group's corporate social responsibility (CSR) targets and its position in extra-financial indices;
- Operational efficiency and accelerated digitalisation by strengthening management using the value of digital investments;
- Fulfilling regulatory requirements (KYC, internal control, remediation measures, and the proper application of supervisory recommendations).

Specific targets divided among the different supervisory areas (three targets per Chief Executive Officer) will relate to:

- Implementing the Group's strategy, specifically finalising the Equity Story by 2025, fully developing the Group's purpose in the form of strategic choices;
- Finalising the strategic course of the GBIS business lines;
- Properly managing Human Resources, emphasising the talent policy while factoring in diversity targets;
- Successfully implementing the ALDA strategy, in particular by developing intra-group synergies;
- Revitalising the bancassurance model in coordination with Retail Banking;
- Developing data usage tools and stepping up data and Artificial Intelligence use initiatives in the Group's control functions;
- Rolling out French Retail Banking's strategy, securing the implementation of year one of the Vision 2025 project, and of Boursorama's strategy;
- Implementing the strategic guidelines defined for International Retail Banking and Consumer Loans, specifically through an increased digital footprint and improved individual customer satisfaction;
- Enhancing synergies and resource pooling within the Retail Banking division.

## CSR CRITERIA IN CHIEF EXECUTIVE OFFICERS' LONG-TERM INCENTIVE AWARDS:

20% of the vesting of long-term incentive awards depends on satisfying CSR conditions, half of which is contingent on compliance with the Group's commitments in terms of energy transition financing and half on the Group's positioning in the main extra-financial ratings.

Regarding the energy transition financing criterion in connection with the energy mix financing, the targets used for the plan awarded in respect of 2020 are:

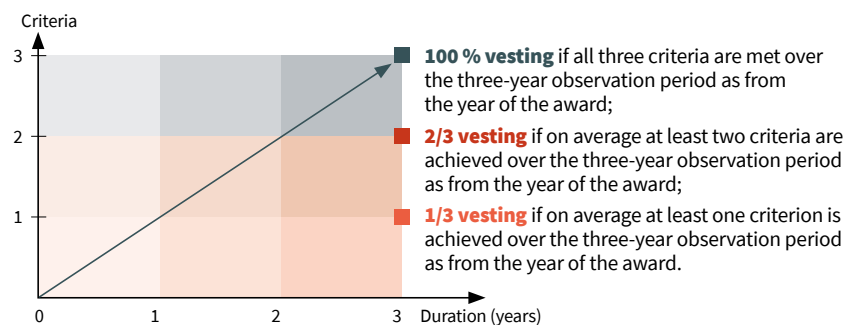
- 50% linked to the Group's alignment commitment for Oil & Gas operations: At least a 10% reduction in total exposure to the oil & gas extraction sector between 31 December 2019 and 31 December 2024. For this criterion, 100% of the award will vest if the target is achieved. None of the award will vest if the criterion is not met;
- 50% linked to the Group's commitment to raise €130 billion for the energy transition between 31 December 2019 and 31 December 2024, in the form of either sustainable bond issuances or transactions

designated to the renewable energy sector in the form of advisory and financing. For this criterion, 100% of the award will vest if the target is achieved. 75% will vest if €110 billion is raised. No award will vest for anything less than €110 billion.

In terms of the Group's extra-financial ratings positioning (being in the top quartile of the rankings by S&P Global SCA and Sustainalytics, and having a rating of BBB or better from MSCI), the vesting rate will be defined based on the graph below.

In terms of the annual variable compensation awarded for 2020, Chief Executive Officers had announced in advance of the Annual General Meeting in May 2020 that they intended to forego 50% of the 2020 theoretical annual variable compensation resulting from the Board of Directors' assessment, to contribute to financing the global solidarity programme launched by the Group at the start of the Covid-19 crisis. The aim of this programme is to support non-profits on the front lines of the health crisis and contribute to the solidarity initiatives set up by different governments.

## VESTING RATE



# DEMONSTRATING TRANSPARENCY ON EXECUTIVE COMPENSATION

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**Pursuant to regulations in force, the Group itemises the compensation of Chief Executive Officers each year in the Universal Registration Document.**



This document itemises the following components for Chief Executive Officers:

- the compensation policy applicable to Chief Executive Officers (specifically including the description of the overall structure and all of the compensation components, qualitative and quantitative performance criteria of annual variable compensation and procedures of its acquisition and payment, terms of award and vesting of long-term profit-sharing, benefits in kind and post-retirement benefits, etc.);
- review of the qualitative and quantitative performance of Chief Executive Officers and details of the annual variable compensation awarded for the previous financial year in light of recorded performance, as well as the payment/vesting procedures of this annual variable compensation;
- details of the long-term profit-sharing awarded for the previous financial year and the conditions for its vesting;
- detailed description of all compensation components and benefits awarded for the financial year;
- description of benefits and itemisation of all monies paid out during the financial year (fixed and variable components) and performance shares vested;
- information about Chief Executive Officer compensation compared to average compensation and the company's median salaries and to the Group's performance over five financial years;
- compliance with requirements on Chief Executive Officer share ownership.



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