# PERFORMANCE AND COMPENSATION

Report 2021

THE FUTURE IS YOU

SOCIETE GENERALE

# PERFORMANCE AND COMPENSATION

**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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## 2021 KEY FIGURES

**9,764 M€**
in personnel expenses

**82,702 €**
**AVERAGE GROSS**
annual compensation[1]

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

**92%**
**OF EMPLOYEES**
had an annual performance review

**50,7 M€**
**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

# OFFERING A FAIR AND ATTRACTIVE COMPENSATION POLICY TO RETAIN EMPLOYEES

**"On average, the lowest salary paid in our entities is 62% 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.
This policy can be adapted whenever national regulations require it.

**On average, the lowest salary paid in our entities is 62% 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 2021 financial year, personnel expenses[1] for the Group totalled €9.76 billion** (see *Personnel expenses and related-party transactions in the Universal Registration Document*).

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.

1. 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 2021. Management has confirmed that these commitments will be maintained, with €3m allocated for 2022;
- in 2021, the budget was used **to adjust the fixed compensation of 864 women**, for an average increase of more than €2,314, 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.**
Since 2020, the Group has offered those eligible for paternity or child-welcoming leave their full salary for the duration of the leave (11 days or 18 days for multiple births).

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 91.02% in 2021. The proportion of those who took the full paternity and child-welcoming leave (11 or 18 days) was 63.9% in 2021.

The Group's governance of compensation policy provides for a comprehensive and independent compensation policy review. Furthermore, as part of the annual compensation review process, the HR teams monitor how compensation, specifically pay rises and promotions, is distributed between men and women.

# 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.

- 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 esources 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[1] (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.

**In 2021, 92% of employees underwent an annual performance review.**

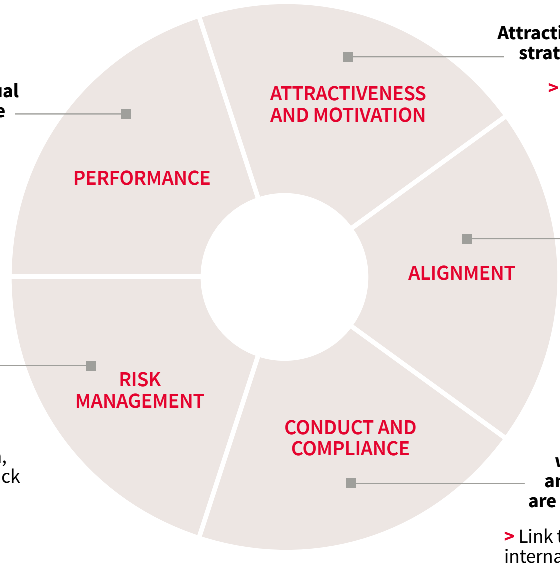
1. The Leadership Model defines the behaviours and skills expected of employees, managers, and Chief Executive Officers, in connection with the Group's values (Innovation, Responsibility, Commitment, Team Spirit) and client focus.

# ENSURING THAT COMPENSATION DECISIONS TAKE PERFORMANCE REVIEWS INTO ACCOUNT

**Decisions on compensation should reflect the performance review described above**, 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




**Rewarding individual and collective performance**

> Link to the Leadership Model, which promotes a culture of performance by fostering team spirit, responsibility, commitment, and innovation, with a shared focus: the client

**Promoting healthy and effective risk management and ensuring employees are not prompted to take inappropriate risks**

> Link to targeted risk appetite, deferred compensation, penalties*, and clawback

**Attracting, retaining and motivating strategic talent and key resources**

> Link to market trends and practices

**Aligning the interests of employees with those of the Group and shareholders**

> Link to company's profitability in view of risks and capital requirements, SG share allocation

**Making sure employees comply with the applicable internal rules and regulations while ensuring clients are treated fairly**

> Link to following applicable regulations, internal rules, and the Code of Conduct

* 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.**

**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.

# ALLOCATING A PORTION OF COMPENSATION BASED ON THE GROUP'S COLLECTIVE COMMITMENT SCHEMES

"€63M in profit-sharing and incentives distributed in 2021"

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

## PROFIT-SHARING AND INCENTIVES

**The total amount of profit-sharing and incentives (including additional incentive payments) distributed in 2021 in respect of 2020 was €63m, including a €6m share relating to the CSR objective**, which can be attributed to the Bank's strong performance in terms of corporate social responsibility.

## EMPLOYEE SAVINGS PLANS

At the end of 2021, current and former employees of Societe Generale, representing more than 82,000 people, held a total of 6.65% of the share capital and 11.90% 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 (31/44 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 are governed by agreements signed with the representative trade unions every three years.

**The company and group savings plans** provide the option of medium-/long-term savings and favourable financial[1] and tax conditions. The range of company mutual funds (FCPEs) offered through these plans is made up of a diversified panel of funds, seven of which are offered in the company and group savings plans (PEE/PEG), including the employee share ownership fund (Fonds E).

The employer matching contribution amounted to €50.7m[2] in 2021. 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[3] (Socially Responsible Investments)** by the CIES (Inter-Union Committee on Employee Savings).

As of 31 December 2021, 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 **€362 million in assets under management**.

1. 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.
2. Gross, for Societe Generale SA and the majority of its 44 subsidiaries enrolled in the Group Savings Plan in France.
3. (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.

## EMPLOYEE SHARE OWNERSHIP

Bonus shares have been issued in France[1] 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.

### 2021 LONG-TERM INCENTIVE PLANS

Based on a proposal from the Compensation Committee, the Board of Directors, at its meeting of 11 March 2021, granted performance shares to certain members of staff in accordance with the 24th and 25th resolutions of the General Meeting held in May 2020.

Pursuant to the 24th 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 0.15% of the share capital, corresponding to a total of approximately 1,320,000 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.

The specific terms are applicable to Chief Executive Officers (they are detailed on p. 13 of this report and in the *Universal Registration Document*).

Pursuant to the 25th resolution, there were 5,995 beneficiaries of the long-term incentive plan receiving approximately 2,210,000 shares overall, i.e., 0.26% of the share capital. Chief Executive Officers and members of the Group Management Committee were not beneficiaries of the plan.

The beneficiaries comprised 2,612 women and 3,383 men belonging to other employee categories (including non-executives) across 52 different countries; 30% 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).

1. Capital as of the date of the General Meeting that authorised the plan.

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

# 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[1], 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[2].

The connections between Chief Executive Officers and the appropriate management of our risks is detailed in the *Universal Registration Document*.

1. Individuals having a significant impact on the Group's risk profile (see Compensation Policies and Practices report).
2. In addition to 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 UCITS V) 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 members of 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 2021 for 2020 (40,698 employees, i.e. 31% of the Group's employees). A €6m portion of the profit-sharing package was contingent on achieving the corporate social responsibility (CSR) objective.

Since the agreements signed for the base financial years 2014- 2016, Societe Generale has made part of its profit-sharing calculation contingent on the 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 (CSA). Should Societe Generale fail to place in the top quartile of the industry survey, the €6m profit-sharing package contingent on achieving the CSR objective is not paid out to the relevant employees.

**IN THE COMPENSATION OF MANAGEMENT COMMITTEE MEMBERS** (around 60 people, excluding 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**, as measured by the Group's extra-financial rating by asset manager S&P Global CSA and the Sustainalytics and 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 OFFICES:

40% of Chief Executive Officers' annual variable compensation is based on non-financial criteria.

For 2022, this 40% is divided equally between the CSR objectives applicable to all three Chief Executive Officers and the objectives specific to each officer's remit.

The CSR objectives are divided into four themes that all have quantifiable targets:

- Improving the customer experience: measured by the change in the NPS for the Group's main activities;
- Developing our priorities as a responsible employer: measured by the degree to which we respect our commitments to increase female representation in the executive bodies and the change in the employee engagement rate;
- Extra-financial ratings;
- Incorporating CSR topics into the strategy at all the Group's businesses and adhering to pathways that are in line with the commitments the Group has made to the energy and environmental transition.

In 2022, the objectives specific to the **Chief Executive Officer** will be:

- Continuing to roll out strategic plans and improving market perception of the Group;
- Securing the execution of the Group's IT and digital transformation strategy;
- Overseeing how the Group's new governance system operates, and that the Group adheres to compliance standards and maintains appropriate relations with regulators.

The objectives of the Deputy Chief Executive Officer in charge of ESG policies, the Group's financial services and Insurance activities will be:

- Securing the ALD/Leaseplan transaction and adhering to the roadmap;
- Incorporating CSR topics into all aspects of the Group's activities.

The objectives of the Deputy Chief Executive Officer in charge of the supervision of French and International retail banking activities will be:

- Continuing to drive the growth and development of Boursorama and the international networks;
- Properly executing and adhering to the roadmap of the Vision 2025 project in the French networks, with a view to the merger that is expected to occur in 2023.

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

Twenty percent 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** related to financing the energy mix, the target retained for the 2021 plan will be linked to the Group's commitment to raise €250bn for the energy and environmental transition between 1 January 2021 and 31 December 2025, either in the form of:

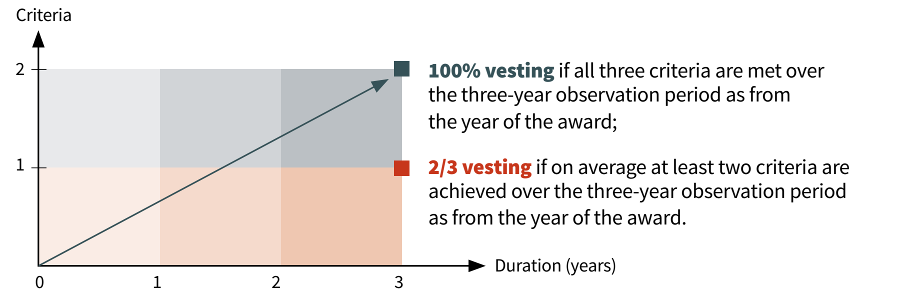
- sustainable bond issues;
- or transactions dedicated to the renewable energies sector, in the form of consultancy and financing.

If the Group achieves its target, 100% of the award will vest. If the Group raises €200bn, 75% of the award will vest. No award will vest if the Group raises less than €200bn.

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

- 100% vesting if all three criteria are met over the three-year observation period as from the year of the award (i.e. the positions/ratings for 2023, 2024 and 2025);
- 2/3 vesting if on average at least two criteria are achieved over the three-year observation period as from the year of the award.

### VESTING RATE



# DEMONSTRATING TRANSPARENCY ON EXECUTIVE COMPENSATION

**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, financial and non-financial performance criteria that govern annual variable compensation and procedures detailing how it is paid and vested, terms of award and vesting of long-term profit-sharing, benefits in kind and post-retirement benefits, etc.);
- **the review of Chief Executive Officers' performance** based on financial and non-financial criteria and details of the annual variable compensation awarded for the previous financial year in light of actual performance, as well as the payment/vesting procedures for 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;
- **monitoring compliance with requirements on Chief Executive Officer share ownership.**

**OTHER PUBLICATIONS**

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