

## EVALUATION PROCEDURE FOR ORDINARY AGREEMENTS

**Pursuant to the PACTE Law, the Societe Generale Board of Directors must establish a procedure for assessing on a regular basis whether the agreements relating to day-to-day operations entered into under normal conditions (ordinary agreements) fulfil these conditions.**

### *Introduction*

In order to prevent conflict of interest situations, the so-called **regulated agreements** entered into directly or indirectly:

- between Societe Generale and its corporate officers or shareholders holding more than 10% of the voting rights (hereinafter significant shareholders);
- by Societe Generale with a company that has corporate officers in common

are governed by the control procedure in Articles L.225-38 and seq. of the French Commercial Code (*Code de Commerce*).

For agreements that are not regulated, namely those relating to day-to-day operations entered into under normal conditions, which are known as **ordinary agreements**, the PACTE Law supplements Article L.225-39 of the French Commercial Code to introduce an evaluation procedure.

The purpose of this procedure is to define the scope of the texts (I), to lay down the criteria for qualifying agreements (II), to formalise the procedure for identifying and qualifying agreements (III) and to adopt the procedure for regular evaluation of ordinary agreements (IV).

### **I – SCOPE**

The regulations apply to any agreement, whether written or verbal, entered into by Societe Generale:

- with one of its corporate officers (1);
- with one of its significant shareholders (2);
- when one of its corporate officers or significant shareholders has an indirect interest (3);
- when one of its corporate officers or significant shareholders acts through an intermediary (4);
- with a company or undertaking with a corporate officer or partner in common (5).

It concerns the initial conclusion but also the amendment (addendum), renewal (even in the event of tacit renewal) or termination by mutual agreement of the agreement.

## 1. ONE OF ITS CORPORATE OFFICERS

***The following persons are concerned (the list must be kept up to date):***

- the Chairman of the Board of Directors;
- the Directors;
- the Chief Executive Officer;
- the Deputy Chief Executive Officers.

## 2. ONE OF ITS SHAREHOLDERS

- No shareholder holds more than 10% of the voting rights.

## 3. A CORPORATE OFFICER OR SHAREHOLDER WITH AN INDIRECT INTEREST

A person has an indirect interest if it benefits from the agreement, in any form whatsoever, without however being a party to it. The effects of the agreement occur in the assets of the co-contractor, who derives a direct profit from it, but they extend to the person with an indirect interest.

According to the "Regulated and Ordinary Agreements" guide of the CNCC (French statutory auditors' board) dated February 2014, indirect interest is only taken into account if it appears to be sufficiently important to influence the conduct of the interested corporate officer and to make the agreement suspicious.

According to the AMF, a person is considered to have an indirect interest in an agreement to which it is not a party if, as a result of the links it has with the parties and the powers it has to influence their conduct, it benefits or is likely to benefit from it.

***The above-mentioned corporate officers or shareholders (see 1 and 2) are concerned, as a result of links with the following persons (the list must be kept up to date):***

- for corporate officers: their spouse or civil partner, their minor children and, where applicable, any person declared by the director who would meet the criteria of the definition;
- for shareholders: none.

## 4. ACTING THROUGH AN INTERMEDIARY

An intermediary is understood to mean any natural person or legal entity who enters into an agreement with Societe Generale for the benefit of a person subject to the procedure.

Action is taken through an intermediary if the agreement is entered into through a nominee. A family relationship does not, on its own, lead to an assumption of acting through an intermediary.

***Corporate officers who act through a nominee are concerned***, with other potential cases being captured by the notion of "indirect interest".

## 5. A COMPANY OR UNDERTAKING WITH A CORPORATE OFFICER IN COMMON

The procedure applies to agreements entered into between Societe Generale and **a company** in which one of its corporate officers (see 1) is:

- the owner;
- a partner with unlimited liability;
- a manager;
- a director;
- a member of the Management Board and the Supervisory Board;
- or, generally speaking, a corporate officer of this company.

The co-contracting company may be (i) a civil or commercial company, a sole proprietorship, a partnership, an EIG, (ii) French or foreign. If the company is a foreign entity, the functions performed, interpreted pursuant to local law and its articles of association, must correspond to the aforementioned French concepts.

***Companies in which the corporate officers of Societe Generale (see 1) also have one of the qualities set out above are concerned. The list of these entities must be kept up to date.***

## II – CRITERIA FOR QUALIFYING AGREEMENTS

The agreement must be qualified prior to its signature.

There is no definition as to what constitutes an ordinary or regulated agreement and qualification must be based on the following criteria derived from case law and practice.

### 1. "ORDINARY" AGREEMENTS

**"Day-to-day operations"** are those carried out by the company in the ordinary course of business and, in the case of deeds of acquisition or disposal, those concluded under conditions that are sufficiently customary to resemble regular operations. Repetition is a presumption of the ordinary nature but the circumstances surrounding signature of the agreement, as well as its nature, legal importance or economic consequences, and even its duration, must also be taken into account.

**"Normal conditions"** are those that correspond to the terms usually adopted by the company in its relations with third parties such that the interested party does not benefit from the transaction in any way that he would not have done if the transaction had been concluded with any supplier or customer of the company.

The normal nature of the conditions is also assessed taking into account the conditions in use for similar agreements in other companies conducting the same activity. The fact that an agreement is ordinary for one company does not necessarily imply that it is ordinary for its co-contractor.

In addition, and within a group, the internal consequences of the operation and any potential returns related to the interest of the group must be assessed. Thus, disparities with the conditions granted to third parties, the application of allocation criteria or margin rates according to the group

companies do not necessarily transform the agreement into a "regulated" agreement, provided that the criteria used are justified.

**Without this list being exhaustive, the following agreements are ordinary:**

- generally, agreements entered into within the framework of Societe Generale's activity with co-contractors outside the Group (customers, suppliers, subcontractors, etc.), pursuant to and in line with Group policies;
- bank transactions carried out by the corporate officers in line with Group policies;
- intra-group agreements pursuant to and in line with Group policies;
- agreements classified as ordinary agreements in the CNCC guide.

Examples of ordinary agreements according to the CNCC guide:

- the group common expenses invoiced, either at cost, or with a reasonable profit margin intended, in particular, to cover indirect costs not invoiced (general organisation, internal control, accounting, IT, advertising, search costs, property rental, insurance, etc.),
- the costs of staff seconded within the Group and invoiced at cost, plus a reasonable margin intended, in particular, to cover indirect costs not allocated,
- transactions on fixed assets concluded within the Group and carried out at market price that do not significantly affect balance sheet assets,
- tax consolidation agreements (satisfying the criteria defined in said guide),
- day-to-day financial transactions,
- purchases or sales conducted in the usual manner (purchase, sale, services, subcontracting, renewal of equipment, etc.).

## 2. "REGULATED" AGREEMENTS

On the other hand, any agreement that is not an ordinary agreement is a regulated agreement.

**Without this list being exhaustive, the following agreements are regulated:**

- any agreement of which the amount, the duration or the stake are unusual for Societe Generale;
- debt write-offs with or without a better-fortune clause;
- financial transactions performed outside market conditions between Group companies and intra-group grants;
- restoration of environmental damage caused by a subsidiary (Article L.233-5-1 of the French Commercial Code);
- exceptional remuneration for special duties or mandates to Directors.

## 3. AGREEMENTS SUBJECT TO SPECIFIC PROCEDURES

Agreements subject to specific procedures fall outside the scope of the procedure for regulated or ordinary agreements.

This applies, without this list being exhaustive, to:

- sureties, endorsements and guarantees (including letters of intent);
- the distribution of attendance fees;

- the allocation of performance shares;
- mergers, spin-offs and partial contributions submitted to shareholders' meetings.

### III – PROCEDURE FOR IDENTIFYING AND QUALIFYING AGREEMENTS

**It is reiterated that an agreement must be qualified prior to its signature and that it is the responsibility, pursuant to Article L.225-40 of the French Commercial Code, of the person with a direct or indirect interest to notify its co-contractor of this classification.**

To facilitate the identification of persons with a direct or indirect interest, a list of the persons defined in I is produced, updated over time and communicated by SEGL/CAO to the relevant BU or SU managers.

When a person defined in I has a direct or indirect interest in an agreement with Societe Generale, it is the responsibility of the BU or the SU in charge of the case to qualify the transaction in accordance with the rules and criteria laid down in II according to the process established within it. **The person with a direct or indirect interest may not participate in this evaluation.**

In the event of doubt as to the qualification to be retained, the BU or SU shall refer the matter to the Secretary of the Board if the interested person is the Chairman of the Board or a director, or to SEGL/DIR if the interested person is the Chief Executive Officer or a Deputy Chief Executive Officer. The persons to which the matter is referred will, if necessary, use central services with the necessary skills (legal, compliance, risk, finance, etc.).

### IV – PROCEDURE FOR REGULAR EVALUATION OF ORDINARY AGREEMENTS

The purpose of the evaluation is to check that the agreement qualification procedure is properly applied and that it is efficient.

It is up to the Board of Directors, at its meeting at the beginning of the year in which it deals with regulated agreements, to ensure this on the basis of an evaluation report previously reviewed by the Nomination and Corporate Governance Committee.