



**Profitable**

**growth**

## Implementation of the announced strategy

### Highlights

#### Specialized financial services

##### Acquisition of GEFA and ALD

- **Business finance (GEFA + Franfinance):** one of the top three players in Europe;
- **Full-service vehicle leasing and fleet management (ALD + Temsys):** No. 4 in Europe with a fleet of over 290,000 vehicles.

**Société Générale now stands among the European leaders.**

#### Retail banking outside France

##### Acquisitions

- **Komerční Banka in the Czech Republic:** second largest Czech bank with a market share of 15% (individual customer deposits);
- **SKB Banka in Slovenia:** leading private bank with a market share of 10%.

**Following these acquisitions, Société Générale is now the 4th largest banking group in central and eastern Europe.**

### Growth

**The Group's growth strategy is based on three drivers:**

- Sustained development of franchises thanks to the teams' capacity for innovation and targeted marketing initiatives. In France, the Retail Banking networks continued to register growth of over 3% in the number of accounts managed. Under difficult market conditions, the Asset Management and Private Banking arm saw no let-up in the robust inflow of new money (EUR 18 billion);
- Selective acquisitions: the transactions made in 2001 were in line with the program announced by the Group (see highlights);
- Increase in distribution capacity through an innovative joint venture (Groupama).

**Acquisitions in 2001 represent a total investment of EUR 3.3 billion (of which nearly EUR 2.1 billion of goodwill), in line with the plan presented in 2000.**

### Selectivity

**The Group has chosen to develop by focusing on those businesses that offer the strongest potential in terms of growth and profitability:**

Retail Banking, Asset Management and Private Banking, Specialized Financial Services, and certain selective sectors in Corporate and Investment Banking where the Group has a real expertise (for example, equity derivatives and structured finance, where SG figures among the global leaders). In 2001 the Group continued to reallocate capital to businesses with the best risk/reward profile, while refocusing its activity (streamlining of international network in corporate and investment banking, closure of certain businesses).

### Profitability

**Sustainable profitability depends first and foremost on cost control.**

This was reflected in the Group's decision to step up productivity enhancement initiatives (centralization of European back offices) and to review its cost structure from the moment the first signs of a recession appeared (overhaul of processes, rationalization of support functions streamlining of Equity and Advisory platforms).

## Four priorities in 2002

### 1. Integration of acquisitions

The Group has given priority to integrating the acquisitions made in recent years, notably in 2001, in order for these entities to make an increasing contribution to the Group's profitability. To this end, Société Générale is implementing initiatives to rationalize structures, transfer know-how and develop synergies with other business lines.

### 2. Extension of distribution capabilities

Société Générale has a comprehensive and innovative range of products that enables it to serve a broad client mix. The Group's aim is to further develop its distribution channels in order to enhance the capacity utilization rate of its production platforms. To this end, we are pursuing a policy that combines sustained organic growth (for example, development and integration of remote banking channels), selective acquisitions in targeted businesses (Retail Banking, Specialized Financial Services, Asset Management and Private Banking) and the setting up of an innovative joint venture with Groupama in bancassurance and a partnership with Frank Russell in multi-management, etc.

### 3. Reinforcement of productivity enhancement initiatives

First, the Group has launched new projects that will produce their full benefits in the years to come: rationalization of purchasing and supply processes, e-transformation, etc. Next, high-performance and innovative tools (4D program "Tomorrow's Retail Banking Distribution System", Customer Relationship Management) are currently being deployed, which will enable the Group to both improve sales productivity and enhance customer loyalty, notably by the introduction of preference and attrition scoring. These new projects, combined with the initiatives already under way, will be reflected in annual savings of over EUR 500 million by 2004.

### 4. Dynamic management of business mix

- Priority given to businesses combining strong growth potential, sustainable profitability and low capital requirements.
- Systematic review and refocusing of businesses that do not offer prospect of satisfactory profitability in the long term.

## Highlights

### Asset management

*The acquisition of **TCW** (EUR 93 billion of assets under management) has bolstered the Group's operations by providing a major foothold in the North American market. Société Générale is now the 3rd largest bank in the euro zone in terms of assets under management.*

### Private banking

*The acquisition of **Banque De Maertelaere** in Belgium has extended Société Générale's onshore platform.*

## Highlights

### United Nations **Environment** Programme (UNEP)



*On November 21, 2001, Société Générale signed the United Nations Environment Programme Statement by Financial Institutions on the Environment and Sustainable Development.*

**The Group is thus the first listed French bank to affirm its commitment to sustainable development.**

*The UNEP was established in 1972, and has three principal missions:*

- to draw up a regular review of the state of the global environment,*
- to develop environmental protection policies and strategies,*
- to promote voluntary initiatives in partnership with non-governmental organizations and the private sector with a view to achieving sustainable development.*

*The Statement by Financial Institutions on the Environment and Sustainable Development has been signed by some 200 banks, including major US, UK, German and Swiss banks.*

## Société Générale committed to sustainable development

Société Générale demonstrates its sense of responsibility and its long-term vision by taking into account the interests of all parties: customers, employees, shareholders, society as a whole and the environment. Economic profitability, social cohesion and quality must be guaranteed to ensure the company's long-term development.

Société Générale is rated by the principal European agencies that specialize in sustainable development and is a component stock of the indexes that serve as a benchmark for socially responsible investment, the DJ Sustainability Index World, DJ Sustainability Index Stoxx, ASPI Eurozone and FTSE 4 Good <sup>(1)</sup>.

At December 31, 2001, only three euro-zone banks, and only one French bank – Société Générale – figured in these four indices.

### **Assuming responsibility vis-à-vis society**

#### **A solid partner**

For a number of years, the Société Générale Group has actively sponsored musical events and sports partnerships (rugby), notably for young people. The Group is a partner of many associations and provides financial and logistical backing for a number of events each year.

In 2001, more than EUR 1.5 million were donated to children's associations and medical research, as well as a number of charities in France and around the world.

For the second consecutive year, Société Générale was a partner of the Chevaliers du Ciel association for under-privileged children. A number of initiatives were taken by the New York teams to support families of victims of the World Trade Center attacks, while employees of the Crédit du Nord Group's Banque Courtois helped victims of the chemicals plant explosion in Toulouse.

In February 2002, Société Générale's 2,000 branches in France were involved in a campaign to collect people's last remaining French francs on behalf of the *Association des Paralysés de France*, the *Ligue contre le Cancer* and the *Comité Catholique contre la Faim et pour le Développement*.

<sup>(1)</sup> *DJSI World, since its creation by Dow Jones and the Swiss listing agency SAM in 1999.  
DJSI Stoxx since its creation by Dow Jones and SAM in October 2001.  
ASPI Eurozone, since its creation by Stoxx and the French agency ARESE in June 2001.  
FTSE 4 Good since its creation by Footsie and the UK agency Eiris in July 2001.*

### Compliance, a shared responsibility

Professional compliance has always been one of the key values of banking activities. Group employees have an obligation to advise and show loyalty to the customers they serve, and the Group's success is derived from the relationship of trust it has with its customers. The Group's compliance monitoring structure was initially set up for its market activities, and has been extended to all businesses, based on common principles that meet the highest standards of professional conduct. The Compliance Division is responsible for ensuring that the laws and regulations that govern the Group's activities are respected. It defines internal rules designed to ensure compliance with market integrity and ensures that these rules are respected. It also monitors the circulation of sensitive information and matters arising from the principle of giving priority to the customer, particularly with respect to preventing conflicts of interest and the need to provide objective and transparent information. Société Générale fully respects the principle of "knowing the customer" and actively cooperates with the authorities to fight money laundering and terrorist financing. Société Générale respects local regulations in all countries in which it operates, as well as the strict procedures that it has defined at Group level, based on the principles laid down by the Financial Action Task Force on Money Laundering and those of the Wolfsberg group, of which it is a member.

### Showing a responsible attitude towards the environment

Société Générale is committed to integrating environmental matters into its banking activities and its internal processes.

#### The environment and banking activities

Société Générale considers environmental matters when granting loans and financing projects. The Risk Division has a unit of advisors that includes specialists in environmental issues.

In order to meet the specific energy-saving and environmental protection requirements of companies and local authorities, Société Générale has two specialized lease finance companies, Sogéfinerg and Génécac, which have the status of Sofergies (*Sociétés pour le Financement des Économies d'Énergie*). The outstanding finance provided by these two companies amounts to around EUR 500 million, compared with a total of EUR 2,200 million for the profession as a whole. A number of household waste incinerators, waste sorting centers, cogeneration plants and geothermal heating projects have been financed in this way. A number of applications are being examined, including the finance for a wind-power project.

#### The environment and internal processes

With a view to reducing both the pollution generated by its internal operations and cutting costs, Société Générale has set up a resources management program. Furthermore, it intends to build a third tower at La Défense, which will comply with the HQE environmental quality standard.

### Highlights

#### Société Générale aware of its environment

*Société Générale has set up an internal management system managed by a steering committee with a threefold mission: coordinate initiatives, define standards and reporting procedures and promote best practices.*

*A number of environmental protection measures have already been taken within the Group, for example controls of atmospheric pollution and recycling. A number of energy-saving initiatives have been taken at the head offices in La Défense, producing savings of some EUR 1.5 million in 2001.*



## Highlights

### Recognized **service quality**

- *The Fimatex and Logitel Net websites were named “websites of the year” in an IPSOS survey of 4,000 internet users.*
- *societegenerale.fr – the website for individual customers – was awarded the top “teleperformance customer relation” prize.*
- *Société Générale was ranked third in the “innovation” category at the Best Call Center Awards.*
- *aa rating by Fitch Ratings for the mutual fund custodian activity.*
- *aa – rating by Fitch Ratings for custody services.*
- *“World’s Best Project Finance House” title awarded by Euromoney.*

### **Société Générale committed to its customers**

*A Quality Charter formally stipulates the fundamental commitments to meet customers’ expectations in terms of customer relations, their requirements and their day-to-day banking needs.*

*In 2001, the French standards authority AFAQ certified the “Jet Pro” credit offer for professional customers. This certification was the first of its kind in France and reflects the high quality of the service, characterized by its extreme simplicity and the rapid response to applications.*

### **Being the preferred partner of its customers**

Over and above its daily efforts to meet customers’ expectations, Société Générale aims to ensure customer loyalty over the longer term, by reinforcing the customer-oriented focus at all levels of its structure and by promoting its culture of innovation.

#### **A customer-oriented focus**

This is applied throughout all areas of production and distribution, via service agreements, defined service standards and internal service contracts.

A new “satisfaction barometer” has been developed throughout the domestic retail banking network. Including the Crédit du Nord Group around 100,000 customers were surveyed during 2001.

#### **A culture of innovation**

The Société Générale Group also fulfils its customers’ expectations by offering innovative products. It launched the first inter-company employee savings plan for French SMEs, and the first tracker funds indexed to the CAC 40 and the Dow Jones EURO STOXX, which met with a great success. In September 2001, Crédit du Nord launched the “Étoile Développement Durable” ethical investment fund, enhancing the Group’s existing range of ethical products: SGAM Europe Ethique and Bull Certificat Ethique.

### **Nurturing shareholder confidence**

Société Générale was among the first French companies to comply with the corporate governance principles established in the Viénot report (see page 54).

Specific publications are addressed to individual shareholders, such as the “La Lettre aux actionnaires” and “Les chroniques du Club”. A toll-free number in France (0 800 850 820) and a website (www.ir.socgen.com) have been set up and, in 2001, 15 shareholder meetings were organized in Paris and throughout France, attended by more than 7,500 shareholders.

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### **Incentives, profit-sharing and employee shareholdings**

*Incentives and profit-sharing based on the Group’s 2000 results amounted to EUR 104 million in 2001, which employees largely invested in Group shares.*

*85% of employees in France hold Group shares via the Employee Share Ownership Plan.*

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### *Being an attractive employer for its employees*

The Société Générale Group's human resources policy aims to enhance the expertise and motivation of its employees around the world and to facilitate their integration within the company, while maintaining a close dialogue with the social partners.

#### **The Group's employees**

With 86,500 employees around the world, the Société Générale Group continued to recruit actively where necessary given the expansion of its activities and to renew expertise. Nearly 10,500 people were recruited during 2001, including 6,800 in France. Since the end of 2000, a single human resources system has been in place for all the Group's offices in France and its investment banking activities outside France.

An integrated administrative management tool was introduced in October 2001, enabling human resources teams in France to manage recruitment, remuneration, appraisals, positions within the Group and internal transfers for 35,000 employees.

#### **Employee motivation**

Société Générale is committed to nurturing employee motivation, via an individual remuneration policy and attentive career management by both human resources specialists and managers.

The diversity of Group businesses and its global footprint provide employees with real opportunities in terms of geographical and functional mobility.

The Group's remuneration policy aims to be competitive on its different markets. Total remuneration includes a fixed component, which reflects the importance of the position and its responsibilities, and a variable component, designed to reward the individual performance of employees.

Employees are involved in the Group's performance via incentives and profit-sharing programs.

#### **Integration**

- Work placements: a gateway between school and work. 800 students are currently completing work placements at Société Générale. The students come from a variety of educational backgrounds and are placed within different group departments in the Retail Banking and Corporate and Investment Banking businesses.

80% of placements result in the recruitment of a qualified young person known to Société Générale, while over two years, the students acquire a high-level qualification, practical knowledge of the professional world and essential experience.

- Employment of handicapped people. In January 2001, Société Générale and the AGEFIPH (French association for the integration of handicapped people) signed a two-year national agreement to encourage the employment of handicapped people, renewing the first agreement that expired at the end of 2000.

#### **A permanent and close social dialogue**

Société Générale is committed to maintaining a permanent and close social dialogue, both with employee representative committees and in negotiations with its social partners throughout the year.

Following the renewal of employee and social provisions and the signing of an agreement on the reduction of working hours during 2000, Société Générale continued to improve social aspects for its employees in 2001, signing a number of agreements covering long-service awards, pensions and an early-retirement program.

Highlights

**New technologies**

for human resources management **“e-HR”**

***Aims:** to federate practices, control costs, communicate in real time and improve the efficiency of information systems with respect to knowledge management, training, recruitment and employee information in France.*

**— Knowledge management**

*In anticipation of the massive number of retirements due in the next ten years, Société Générale has launched a knowledge management project based on new technologies.*

*The projects aim to capitalize on the expertise acquired by current employees, to facilitate the work of all players by sharing relevant information and to ensure a permanently high level of customer satisfaction.*

**— Training**

*E-learning solutions have been developed over the past two years, resulting in the implementation of assisted or unassisted online training programs, with a view to optimizing investments and pooling expertise. This solution, which adapts to different learning profiles, complements and enhances traditional training methods and tools.*

**— Recruitment**

*The Group launched a recruitment portal ([recrutement.socgen.com](http://recrutement.socgen.com)) in October 2001, which contains links to all the recruitment sites of Société Générale’s major businesses. Candidates can submit their résumé online, and applications will be transferred to the department that best suits their profile.*



**— Employee information in France**

*The large majority of employees have intranet access via their workstation, providing assistance and information, notably on Group news, human resources, job offers in France and training opportunities.*