

Sol Lewitt
Born 1928 in Hartford,
United States
*Horizontal color bands
& vertical color bands, 1990*
Engraving on Somerset paper
61 x 105 cm



Corporate Social Responsibility

Fully committed to Corporate Social Responsibility



Our view of corporate and social responsibility means that we fully take into consideration the aspirations of all our stakeholders: customers, shareholders and suppliers, our 92,000 employees and those members of the community who observe our activities and have certain expectations of the company.

In 2004, the Group reasserted its position as a truly global player and, as such, it strives to apply the same rigorous approach to corporate social responsibility in all 80 countries in which it operates, taking into account the diversity of cultures and contexts that it encounters.

One of the main challenges we face as a Group is the management of our exposure to risk, which is the key to preserving our business momentum over the long term. The stakes are continually being raised with the emergence of new categories of risk (multiple environmental risks) and the increase in legal and image-related issues. However, Société Générale has effectively geared its organization towards meeting these new challenges.

The Group has taken steps to integrate social and environmental considerations into all new initiatives, and evaluates its new products for potential risks, including those relating to its image. Rather than hindering our future development and innovation, environmental and social concerns are creating new market opportunities, which the Company is already seizing, notably by participating in the market for greenhouse gas emission quotas and the financing of green energy sources.

Corporate Social Responsibility does not just concern the Group's management. It concerns all our employees. We share the same values of professionalism, team spirit and innovation, and it is this common culture that has been behind Société Générale's success these past 140 years."



Daniel Bouton
Chairman and
Chief Executive
Officer



A component stock
of the
main international sustainable
development indexes

An independent ombudsman
since 1996

CONSOLIDATION SCOPE AND METHOD

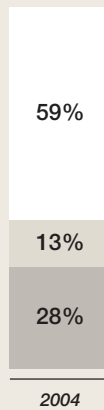
This section of the report has been drafted in accordance with the specifications of the NRE law (see page 298) and the main international Corporate Social Responsibility (CSR) reporting standards.

As a general rule, information on policies and management systems relates to the same global scope as the consolidated financial statements. For all other information, especially indicators, the scope is indicated in the section in question.

At Société Générale's request, the Statutory Auditors, Ernst & Young Audit, have verified the environmental and social information presented in this document. For Ernst & Young's appraisal, see page 303.

DISTRIBUTION OF ADDED VALUE FROM SOCIÉTÉ GÉNÉRALE'S ACTIVITIES

- Portion distributed to staff
- Portion paid to governments
- Portion distributed to shareholders



THE INNOVATION PROGRAM

In mid-2003, the Group launched an initiative entitled "Innovation at all levels", managed by a team of "innovactors" and designed to encourage employees to submit innovative ideas and projects on any theme. The program awarded prizes in 2004 to the best ideas in each of 7 categories, including Customer Satisfaction, Working Environment and Sustainable Development. 150 innovations were selected for the competition.

In millions of euros		2004
Net banking income	A	16,416
Operating expenses (excl. personnel expenses)	B	3,702
Gross added value	C = A - B	12,714
Other income statement items ⁽¹⁾	D	(1,588)
Net added value	E = C + D	11,126
Personnel expenses		6,603
Income tax		1,398
Net income		3,125

(1) Depreciation charges (-662), net allocation to provisions (-541), net income from companies accounted for by the equity method (+42), net income from long term investments (+119), exceptional items (-48), goodwill amortization (-217, -186), net allocation to the fund for general banking risks (+28), minority interests (-340).

Over 60,000 existing and former employees are Société Générale shareholders

7,750 new recruits across the world in 2004

The challenges facing the Group

As financial intermediaries, banks play a crucial role in fostering economic growth. By providing expert banking services, they help their customers to develop. They also help to anticipate and identify the risks affecting economic activity.

The banking sector has always been heavily regulated by the public authorities or by supervisory and regulatory bodies. However, our responsibilities must extend beyond mere compliance with existing regulations, for two main reasons:

- the health and solidity of the financial sector are essential for economic and social development,
- as a bank, we have a major role to play in the community by offering basic financial services, providing financial support to microfinance institutions, helping to limit overindebtedness, etc.

Trust, the very foundation of the banking business

In order to counter potential threats to the basic intangible assets that are vital to our long-term development, such as our image and reputation, we need to reinforce our risk management procedures on an ongoing basis and bolster customer confidence. Société Générale has worked continuously over the past few years to strengthen its surveillance procedure, focusing on four main areas: corporate governance, compliance, risk management and internal control procedures.

If we are to inspire confidence in our stakeholders, we need to show through our behavior and our organization that we maintain the highest standards of business ethics, notably with respect to corruption, money laundering and the financing of terrorism.

We firmly believe that by listening and responding to the concerns of our stakeholders we can both measure and retain their confidence. Exchange and dialogue are the keys to achieving mutual growth and enrichment.

Creating leverage through our businesses

The biggest contribution we can make to sustainable development is through our business activities.

By gradually integrating non-financial criteria into our financing policies, we are fostering a more responsible approach to economic development. In addition, our range of socially responsible investment products, although still somewhat modest in size, is helping to encourage the companies in which we invest, for both proprietary and client-driven activities, to incorporate sustainable development concerns into their business.

Responsible management of our employees' skills

This principle of social responsibility also applies to the management of our employees' skills. We face a number of challenges for the future:

- keeping pace with the changes in our businesses by maintaining a balanced distribution of skills;
- implementing policies that reconcile professional and personal development;

- adopting equal opportunity practices in everyday work (non-discriminatory practices, equal opportunities in recruitment and promotion, etc.).

Limiting our impact on the environment

Although the direct environmental impact of the banking sector remains modest compared with that of the industrial sector, over the past few years we have targeted those areas that we can effectively control: reduction of paper and fluid consumption, optimization of business travel, waste management and the application of HQE (High Environmental Quality) standards to our owned premises, etc.

THE TEN PRINCIPLES OF THE GLOBAL COMPACT

Human rights ■ **PRINCIPLE 1:** Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence, and ■ **PRINCIPLE 2:** ...refuse to participate in or condone human rights abuses.

■ Labor standards ■ **PRINCIPLE 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining ■ **PRINCIPLE 4:** ...the abolition of all forms of forced and compulsory labor ■ **PRINCIPLE 5:** ...the abolition of child labor, and ■ **PRINCIPLE 6:** ...eliminate discrimination in employment and occupation.

The Group's commitments

In 2004, Société Générale supported the addition of the 10th principle to the Global Compact, dedicated to the fight against corruption.

Société Générale's commitment to human rights is reflected in its practices, for example:

- the principles of the Global Compact are integrated into the guidelines issued to suppliers;
- all financing projects are assessed in advance to ensure they respect human rights;
- the Group has established rules governing its operations in "sensitive" countries: banking activities may only be developed in these countries if they meet the needs of the local customer base.

At end-2004, Société Générale had operations in 9⁽¹⁾ of the 27 countries classified as sensitive by EIRIS⁽²⁾. Since 2001, the Company has been actively involved in the work of UNEPFI⁽³⁾, organizations such as the Wolfsberg Group (prevention of the financing of terrorism) and Transparency International.

It supports the London Principles⁽⁴⁾ and the Carbon Disclosure Project (UK initiative to reduce greenhouse gas emissions). In 2004, the Group again sponsored the annual OECD forum and the FEDERE⁽⁵⁾.

At end-2004, Société Générale signed the Charter of Diversity with 35 other major companies in France, underlining its commitment to maintaining cultural, ethical and social diversity among its staff.

In France, Société Générale has been a member of CNDD⁽⁶⁾ since the council was formed, and remains part of the ORSE⁽⁷⁾ network.

In the United Kingdom, Société Générale has joined Business in the Community⁽⁸⁾, while in the Czech Republic, KB has become a member of a group formed by UNEPFI, charged with developing responsible financial practices in Central and Eastern Europe. KB has also incorporated the social and environmental criteria recommended by the BERD into its risk management procedures.

(1) Algeria, Cameroon, China, Egypt, United Arab Emirates, Iran, Kazakhstan, Tunisia and Vietnam.

(2) Ethical Investment Research Service. EIRIS is the first and oldest (1983) European environmental and social information agency. FTSE4 Good uses EIRIS' research to compose its indexes.

(3) United Nations Environment Program

Finance Initiative.

(4) The London Principles for Economic Prosperity, Environmental Protection and Social Development.

(5) European Forum for Sustainable Development and Corporate Responsibility, organized by Les Echos.

(6) French National Council for Sustainable Development.

The 6 commitments of the Charter of Diversity

1. To alert the managers and staff involved in recruitment, training and career management to the issues of non-discrimination and diversity;
2. To respect and promote the application of the principle of non-discrimination in all its forms and at all stages of human resources management, notably recruitment, training, career advancement and promotion;
3. To seek to reflect the diversity of French society at all levels of the workforce, notably its cultural and ethnic diversity;
4. To convey our commitment to non-discrimination and diversity to all our employees and advise them on the practical implications of this commitment;
5. To design and implement a policy of diversity and make it a subject of dialogue with employee representatives;
6. To include a chapter in the annual report describing our commitment to non-discrimination and diversity (actions implemented, practices and results).

(7) Observatory of Corporate Social Responsibility.

(8) An NGO with over 700 members that is committed to the gradual improvement of corporate responsibility. It encourages businesses to adopt responsible practices, support disadvantaged communities and innovate through shared experiences.

■ **Environment** ■ **PRINCIPLE 7:** Businesses should support a precautionary approach to environmental issues ■ **PRINCIPLE 8:** ...undertake initiatives that demonstrate environmental responsibility, and ■ **PRINCIPLE 9:** ...encourage the development and diffusion of environmentally friendly technologies

■ **Anti-corruption** ■ **PRINCIPLE 10:** Businesses should work against all forms of corruption, including extortion and bribery.

Managing our Corporate Social Responsibility

Maintaining active dialogue with our stakeholders

Stakeholders	Specific CSR challenges	Examples of dialogue and reporting
<ul style="list-style-type: none"> ■ Public authorities (France and abroad) ■ Regulatory authorities in the countries where we operate ■ Professional bodies 	<ul style="list-style-type: none"> ■ Contribute to the development of ethical, fair and transparent commercial practices and implement them ■ Contribute to regulatory projects 	<ul style="list-style-type: none"> ■ Consultation meetings ■ Inspection and verification assignments carried out by the regulators ■ Interprofessional working groups
<ul style="list-style-type: none"> ■ International organizations and institutions 	<ul style="list-style-type: none"> ■ Comply with signed commitments ■ Contribute to the development of global governance 	<ul style="list-style-type: none"> ■ Participation in working groups for UNEPFI, Global Compact, OECD, etc.
<ul style="list-style-type: none"> ■ Shareholders, investors (individual and institutional) ■ Ratings agencies 	<ul style="list-style-type: none"> ■ Offer levels of remuneration that are sustainable in the long-term and in line with market rates as part of a global risk management strategy ■ Supply transparent information ■ Make it easier for shareholders to exercise their responsibility 	<ul style="list-style-type: none"> ■ AGM (Annual General Meeting), annual report, quarterly results ■ Shareholders' Meetings, Shareholders' Club, Shareholders' Consultative Committee ■ Road-shows, meetings with financial and non-financial ratings agencies, responses to agencies' questionnaires
<ul style="list-style-type: none"> ■ Customers 	<ul style="list-style-type: none"> ■ Satisfy the needs and expectations of customers through honest, fair and transparent business relationships ■ Promote the development of CSR best practices 	<ul style="list-style-type: none"> ■ Customer advisor meetings, telephone advisors, home banking, etc. ■ Customer relations services, ombudsman since 1996 ■ Satisfaction surveys (all retail markets) at national and local level ■ Social and environmental evaluations (project finance)
<ul style="list-style-type: none"> ■ Suppliers 	<ul style="list-style-type: none"> ■ Promote the development of CSR best practices 	<ul style="list-style-type: none"> ■ Calls for tender, specifications (notably including environmental clauses), questionnaires for suppliers
<ul style="list-style-type: none"> ■ Employees 	<ul style="list-style-type: none"> ■ Promote the personal and professional development of our employees 	<ul style="list-style-type: none"> ■ Individual meetings with HR managers, appraisal process ■ In-house satisfaction surveys ■ Conferences
<ul style="list-style-type: none"> ■ Employee representative bodies 	<ul style="list-style-type: none"> ■ Maintain in-depth social dialogue 	<ul style="list-style-type: none"> ■ European Works Council, Group Committee, CCUES ⁽¹⁾, Establishment Committees, CHSCT ⁽²⁾, etc. ■ Meetings with trade union organizations ■ Internal Equality Commission (CPRI) ■ Board of Directors (staff-elected directors)
<ul style="list-style-type: none"> ■ Retired employees 	<ul style="list-style-type: none"> ■ Maintain a social link with former employees who have contributed to the Group's development 	<ul style="list-style-type: none"> ■ The internal newsletter, <i>Sogéchos</i> ■ The pensioners' association (<i>Amicale des Retraités</i>) is in close contact with the Corporate Resources and Human Relations Department ■ The Pensioners' Association has access to the Company's communications resources
<ul style="list-style-type: none"> ■ Consumer associations 	<ul style="list-style-type: none"> ■ Develop non-discriminatory and transparent commercial practices ■ Communicate on our product policy 	<ul style="list-style-type: none"> ■ Financial sector consultative committees ■ Websites ■ Responses to requests (via the Press, Quality and Marketing Departments and the Customer Relations Department, etc.)
<ul style="list-style-type: none"> ■ Environmental/human rights NGOs, civil society 	<ul style="list-style-type: none"> ■ Adopt a socially responsible approach ■ Comply with our commitments to the community 	<ul style="list-style-type: none"> ■ Corporate sponsorship, long-term partnerships with associations and NGOs ■ Responses to requests (via the Press, Quality and Marketing Departments and the Customer Relations Department, etc.) ■ Working groups with different NGOs

(1) Central committee for the inter-union agreement on social and economic union.

(2) Committees for health, safety and working conditions.

An integrated organization

Société Générale has been actively involved in promoting corporate governance practices throughout the business community, notably by overseeing the production of the AFEP-MEDEF⁽¹⁾ reports on corporate governance in 1995, 1999 and 2002. Details of all Société Générale's corporate governance measures are contained in the first section of this annual report. Our management system comprises the following levels:

- An Executive Committee, responsible for approving Group strategy and deciding on the main areas of action.
- Various bodies and structures, designed to promote sustainable development throughout the Group (see below).
- A Quality, Innovation and Sustainable Development Department (attached to the Corporate Secretariat), responsible for managing this policy.
- A network of contributors (consisting of 25 executive staff)

throughout the Group's divisions and entities, dedicated to sustainable development and responsible for defining, promoting and reporting on their departments' action plans.

The Group has also implemented a number of tools to facilitate the management of its policy: a sustainable development intranet database, a press review and a staff awareness program, involving the distribution of brochures and organization of conferences.

- In 2004, the Group's measure-

ment and reporting protocol, comprising some sixty statistical indicators, was reviewed by Ernst & Young. It will be distributed to all Group entities over the course of 2005.

- This management system is based on various international standards and reference systems, notably the Global Reporting Initiative (GRI), the Global Compact and UNEPFI (see appended table, page 297).

(1) Association Française des Entreprises Privées (Association of French Private-Sector Companies) and Mouvement des Entreprises de France (French Business Confederation).

RESPONSIBILITIES AT ALL LEVELS

Chairman and CEO, & Chief Executive Officer, Executive Committee

COMMITMENTS, STRATEGIES & STANDARDS

- Corporate governance system
- Compliance procedures:
 - legal,
 - fiscal,
 - anti-money laundering,
 - prevention of the financing of terrorism
- Compliance Committee
- General Inspection department and internal control

Corporate departments

RISKS

- Risk Committees
- Inclusion of sustainable development considerations in loan applications

HUMAN RESOURCES

- Personal safety rules
- Global HR Information Centre
- Internal regulations
- Charter of diversity

MANAGEMENT

- Group Property Committee
- Purchasing Charter
- Sustainable development specifications for suppliers

FINANCE & COMMUNICATION

- Investor Relations Department
- Intranet site and public website

Divisions

INDIVIDUAL & BUSINESS CUSTOMERS

- Quarterly sustainable development steering committee
- Independent ombudsman
- Customer Relations Department
- New Products Committee

CORPORATE & INVESTMENT BANKING

- New Products Committee
- Screening Committee (high-risk projects)
- Committee for the review of financing portfolios
- Study group to look at ways to integrate non-financial criteria into lending activities

GLOBAL INVESTMENT MANAGEMENT AND SERVICES

- SRI analysis
- Dedicated SRI team
- Ethical Committee on biotechnology

CRÉDIT DU NORD

- Independent ombudsman
- Customer Relations Department
- Social and environmental analysis procedure

The Group's achievements

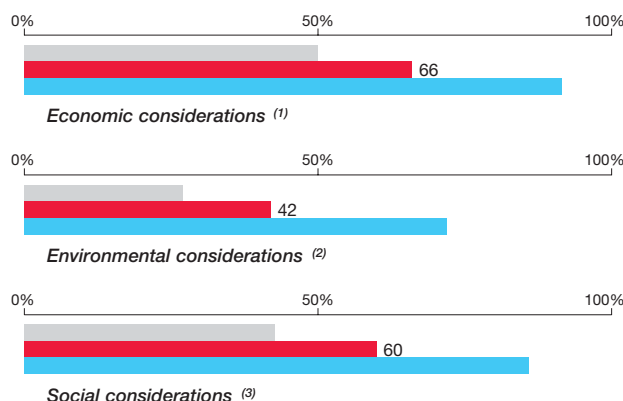
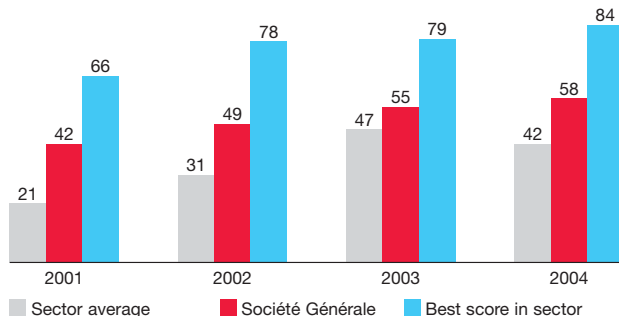
External recognition of our performance

Société Générale has been a component stock of the main sustainable development indexes since their creation

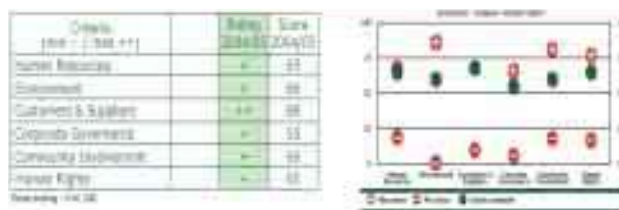


Above-average rating for the sector

SAM, the Sustainability Asset Management agency (ratings agency for the Dow Jones sustainable development indexes), has revised Société Générale's rating steadily upwards since 2001. In 2004, Société Générale scored nearly 70% of the top ranking (compared with 64% in 2001).



The Group has made considerable progress in its **Vigeo** rating and obtained the maximum score for the management of its customer and supplier relationships.



(- below average, = average, + above average, ++ pioneer)

In 2003, **Innovest** allocated Société Générale a social rating of A (ranked 7th) and an environmental rating of BBB (ranked 12th) on a scale of 7 ratings ranging from AAA to CCC.

The Société Générale share is included in 86% of French ethical funds ⁽⁴⁾.

(1) Prevention of corruption, compliance, risk management, corporate governance and knowledge of sustainable development issues.

(2) Level of environmental management policy and system, exploitation of business opportunities, proprietary environmental performance and environmental risk management, particularly in financing activities.

(3) Development of human capital, social practice measures, commitment to stakeholders and consideration of customer needs and populations in difficulty.

(4) Novéthique - Special French SRI report - La lettre de l'économie responsable, July 2004

Table summarizing main objectives and achievements

	2004 objectives	Achievements	2005-2007 objectives
Commitments	<ul style="list-style-type: none"> ■ Increase Société Générale's commitments and involvement 	<ul style="list-style-type: none"> ■ Supporting the 10th principle of the Global Compact ■ Participation of SGKB in the UNEPFI CEETF 	<ul style="list-style-type: none"> ■ Increase our involvement in UNEPFI working groups
Organization and management system	<ul style="list-style-type: none"> ■ Improve the reliability of and extend the measurement and reporting of CSR indicators ■ Increase employees' awareness of CSR issues 	<ul style="list-style-type: none"> ■ Establishment of a formal reporting protocol and indicators ■ Conferences on climate risks, fair trade and relations with NGOs 	<ul style="list-style-type: none"> ■ Disseminate a Group directive on CSR ■ Increase internal communications on CSR
Compliance and anti-money laundering	<ul style="list-style-type: none"> ■ Merge the different compliance manuals and charters into a single charter ■ Develop a Profile expert software package to exploit available data on customers and their transactions ■ Gradually extend the use of the e-learning tool 	<ul style="list-style-type: none"> ■ Development of a Profile tool ■ Development of new e-learning modules 	<ul style="list-style-type: none"> ■ Deploy Profile and Siron tools ■ Adapt compliance measures to the new internal control regulations
Risks	<ul style="list-style-type: none"> ■ Implement Basel II 	<ul style="list-style-type: none"> ■ Implementation of the Basel II project ■ Reinforcement of business continuity plans 	<ul style="list-style-type: none"> ■ Implement Basel II ■ Maintain BCPs
Customers	<ul style="list-style-type: none"> ■ Continue to include SEE criteria in our financing activities ■ Develop partnerships in the microfinance market ■ Extend the sustainable development product range ■ Undertake new quality assurance projects 	<ul style="list-style-type: none"> ■ Creation of a steering committee for the inclusion of SEE ⁽¹⁾ criteria in project financing (SERA ⁽²⁾ project) ■ Financing and acquisition of stakes in Microfinance Institutions ■ New ISO 9001 certifications for CGA, Sogécap, Sogessur, Société Générale Marocaine de Banques 	<ul style="list-style-type: none"> ■ SERA project: establish operating directives for the project by business line, train all sales staff in the SEE approach ■ SEE rating of counterparties in the commodities financing business line ■ Test out a paper-free account with customers
Suppliers	<ul style="list-style-type: none"> ■ Verify compliance with the environmental and social aspects of purchasing procedures through the internal audit ■ Implement a general policy of recycling electronic products at the end of their life 	<ul style="list-style-type: none"> ■ Integration of an SEE suppliers' questionnaire in calls for tenders ■ Internal audit regarding the inclusion of social and environmental clauses in calls for tenders and contracts ■ Implementation of a general policy for recycling IT and electronic equipment at the end of its life 	<ul style="list-style-type: none"> ■ Consolidate practices for all buyers ■ Increase the use of recycled paper
Community	<ul style="list-style-type: none"> ■ Remain loyal to our major partners ■ Pay the proceeds from Jazz gifts to a charity organization 	<ul style="list-style-type: none"> ■ Maintenance or renewal of sponsorship agreements with our major partners (OECD Forum, APF UNAPEI) ■ Payment of proceeds from Jazz gifts to Handicap International ■ Dec. 2004-Feb. 2005: EUR 1 paid to UNICEF for each young person's account opened 	<ul style="list-style-type: none"> ■ Reinforce our local partnerships in France and abroad
Employees	<ul style="list-style-type: none"> ■ Encourage the systematic application of good practices 	<ul style="list-style-type: none"> ■ Signature of the Charter of Diversity ■ Implementation of the Global Employee Share Ownership Plan 	<ul style="list-style-type: none"> ■ Continue to improve the reliability of social indicators and expand the reporting scope ■ Increase the diversity of teams ■ Promote the personal development of employees (Personal Performance and Development)
Environment	<ul style="list-style-type: none"> ■ Continue to expand the proprietary reporting scope ■ Carry out a greenhouse gas emissions assessment at the central offices ■ Define Group standards for property management 	<ul style="list-style-type: none"> ■ Gradual expansion of the reporting scope ■ Completion of a greenhouse gas emission assessment ■ Increase in the proportion of "green" energy from 15% to 21% for the Tour SG 	<ul style="list-style-type: none"> ■ Improve the reliability of indicators and further expand the Group's reporting scope ■ Limit air travel for business trips ■ Feasibility study for ISO 14001 certification of our procedures for managing the central offices ■ Promote eco-friendly practices ■ Increase the proportion of "green" electricity

(1) SEE: Social, Ethical and Environmental – (2) SERA: Socially and Environmentally Responsible Approach

Responsible banking practices

Compliance and the prevention of money laundering

The key role of compliance

Compliance has always been one of the Bank's core values. It is not merely the responsibility of the Group's dedicated compliance officers - rather it concerns all employees and in particular the sales staff and their managers. In the banking sector, compliance practices are based on three main principles:

- only working with customers or counterparties that are well known;
 - the ability to justify an adopted stance, under any circumstances;
 - the ability to assess the economic legitimacy of a transaction.
- For a long time, a bank's image was based primarily on the sense of security it inspired in its customers. However, the increase in business during the 1990s resulted in the introduction of

additional regulations and an ever greater awareness of image risk. More recently, the banking community has come under attack for financing projects that pose a threat to the environment or developing activities in countries with lax regulations.

In 1997, the Group set up a Compliance Department that is charged with limiting potential risks to the image of the Company, in addition to traditional tasks relating to the surveillance of markets and financial products. This has led to the implementation of specific measures designed to prevent risks such as involvement in structured financing arrangements designed to conceal the real state of a company's finances from third parties.

At the same time, the Compliance Department has also been responsible for the prevention of money laundering since 2001.

The tasks of the Compliance Department

- To define, in accordance with the regulators' requests and legal or regulatory requirements, applicable compliance and anti-money laundering policies, principles and procedures and ensure that they are implemented;
- To ensure compliance with financial market regulations, and prevent and manage any potential conflicts of interest regarding customers;
- To submit to the Compliance Committee ethical rules to be respected by all Group staff;
- To train, advise and increase operating staff's awareness of compliance issues;
- To coordinate relations between Group entities and French and foreign regulators.

TOOLS TO HELP COMBAT MONEY LAUNDERING AND TERRORISM

- **SAM and LABO:** filtering of international money transfers to combat the financing of terrorism. 36 million transactions were filtered in 2004.

For transactions involving the Distribution Network:

- **CRIBLE:** tool used for monitoring checks and certain international transfers;
- **EMBARGOS:** procedure for filtering the customer database;
- **PROFIL:** detection of suspicious transactions based on an analysis of the operating profile of each account.

Highlights of 2004

New anti-money laundering measures

Société Générale has continued its efforts to reinforce anti-money laundering measures:

- implementation of an IT tool in the French Networks to analyze the functioning of each account and detect suspicious transactions (coming on stream beginning of 2005);
- acquisition of a similar tool for the retail network's foreign subsidiaries (to be installed at the beginning of 2005);
- acquisition of an e-learning tool on the prevention of money laundering, developed by the FBF (French Banking Federation) and implemented in the dealing rooms and throughout the French Networks in January 2005.

Reinforcement of our organization

Société Générale has reorganized its Investment Banking arm to enhance the existing system for the prevention of compliance risk ahead of the new European directives on capital market activities. This has resulted in the creation of seven dealing room positions for compliance officers. The new officers work in close proximity to the operating staff, but also report to the Compliance Department to ensure complete impartiality.

In order to reinforce anti-money laundering procedures, the Central Compliance Department will be expanded from 23 to 34 staff in 2005. Although money laundering and compliance issues are the responsibility of all our employees, a total of 200 full-time staff have been assigned to monitor potential threats throughout the Group.

Combating corruption

Société Générale has very strict rules on the prevention of corruption, which comply fully with French legislation. Information concerning obligatory measures and controls is disseminated throughout the Group in the form of directives that are updated on a regular basis. Since 2001, Société Générale has grouped all applicable French legislation on the prevention of the corruption of public representatives in Europe and abroad into a single Group directive that is distributed to all staff.

In 2004, the Group reviewed its directive on "the prevention of money laundering in the Group". The document now includes special control measures covering business relations with persons who are deemed to be politically exposed by virtue of their current or previous positions, and with companies associated with these persons.

Tax havens and non-cooperative countries

— Société Générale has defined strict rules to avoid dealing with illegitimate operations in countries considered to be tax havens by the OECD or included in the FATF (Financial Action Task Force) black list. However, the Group does not rule out working in these countries provided they already have an effective financial and banking activity that meets the economic needs of a local customer base (as in the case of Monaco).

Where necessary, the Group respects the specific provisions of the French Tax Code regarding countries offering significant tax benefits and systematically submits a tax return in France for revenues generated by entities located in these countries if they fall under the scope of article 209 B of the Tax Code.

270

staff (including 200 full-time employees) responsible for compliance and the prevention of money laundering

Risk management and internal control

Supporting business development through sound risk management

Risk management is an integral part of Société Générale's corporate culture. Its main purpose is to contribute to the Group's development by optimizing its overall risk-adjusted return.

A segregation of roles for better management

Risks are inherent to all banking activities and must therefore be taken into account from the inception of a transaction until its completion. As a result, responsibility for risk management lies first with the operating divisions. Their role involves:

- analyzing the potential risks of each transaction they originate;
- checking that these are compatible with their assigned limits;
- ensuring dynamic risk management;
- assessing the risk-adjusted return of the transactions.

The cost of risk ⁽¹⁾ is factored into staff performance-linked pay. In addition, to increase the efficiency of the risk management

system and ensure it is constantly adapted to new types of risk, the Risk Division provides an independent control function, approving any risks taken and monitoring them as they evolve. The Risk Division is independent from the operating division and reports directly to the Group General Management.

Clearly-defined principles

The Group applies the following principles:

- strict compliance with legal and regulatory requirements and with the standards drawn up as part of the Group's risk management policy. This compliance is monitored on a permanent basis;
- the obligation to advise clients appropriately;
- development of business relationships only with counterparties whose identity has been clearly

(1) In the case of credit, the cost of risk measures the losses incurred as a result of default by counterparties who are clients of the bank.

established and who share the same sense of responsibility and integrity as our Group;

- application of the principles of prudence, good conduct and risk quality and diversification, even though this may affect short-term profitability;
- arrangement of significant financing transactions for clients only if these transactions appear on their balance sheet or if their external auditors have been fully informed.

Widely disseminated objectives and procedures

The strategy is based on clearly-defined targets for each risk category (credit, market, country, operating). It is implemented through policies and procedures defined by the Risk Division which set out criteria for selecting the most suitable transactions for the Group. This information is disseminated via our dedicated intranet site.

Exposure to credit risk on non-bank clients:

EUR 304 billion
(EUR 267 billion in 2003)

89%
in major developed countries

32%
in off-balance sheet commitments

Risk provisioning in 2004:

EUR 541 million
(i.e. 20 bp of risk-weighted assets)
(EUR 1,226 million in 2003)

Non-performing loans:

5%
of customer loans
(5.8% in 2003)
Provisioning ratio: 77%

A permanent supervision framework

Risk management procedures are monitored and controlled at a number of levels:

- in its preparatory work for the Board of Directors, the Audit Committee carries out an in-depth review of the measures in place for managing, preventing and assessing risk;
- during the Risk Committee meetings, the Executive Committee defines the risk management systems, reviews changes in the characteristics and risk profile of the Group's portfolio and decides on any changes in the corresponding strategies;
- following on from the Risk Committee, the Major Risk Committee reviews significant exposure (on individual counterparties or portfolio segments);
- before any new activity can be launched, the New Products Committee ensures that the infrastructure required for its proper management is in place and that

the risks generated are correctly analyzed, measured and controlled;

- lastly, the internal audit teams and the General Inspection department issue an opinion on any risks identified in the course of their assignments.

Suitable methods and systems

Société Générale is constantly working to adapt its risk monitoring and management resources. The information systems, in particular, are regularly upgraded to accommodate changes in the products processed and the associated risk management techniques.

In the case of counterparty risk on marketable products, the existing methods used to measure exposure are backed up using stress tests to reinforce the transaction selection process.

With respect to market risk, the current measurement model used internally (VaR) has been

approved by the French Banking Commission for nearly all transaction types.

In credit risk, internal counterparty and loan ratings based on the principles established by the Basel II Committee (IRBA method) are gradually being incorporated into the existing approval and monitoring procedures. This approach will supplement the economic capital, risk-adjusted return on capital (RAROC) and economic value-added (EVA) indicators introduced by the Group in recent years. However, adapting the methods requires considerable resources to model the Group's activities and modify the information systems accordingly.

The Group has also set up a business continuity plan, managed by a dedicated department, and regularly conducts tests on its crisis management procedures.

Business Continuity Plan (BCP)

— This involves the development of adequate organizational structures, procedures and resources to enable Société Générale's entities to deal with natural/accidental disasters or acts of willful damage, in order to protect their staff, assets and key activities and ensure the continuation of essential services and ultimately the resumption of normal activities. In 2003, the Group set up a specific department for business continuity, which is charged with the following tasks:

- proposing an overall Group policy;
- defining applicable methodologies;
- disseminating best practices;
- coordinating and harmonizing the business continuity systems established by the various divisions and corporate departments.

The main principles of the BCP and the roles of the various participants are set out in a Group internal directive.

EUR 25 million

Average trading VaR in 2004

VaR = Value at Risk

- Estimate of the maximum loss that may be incurred on a given portfolio of assets over a specified period and for a particular probability level, based on an historical analysis of market trends (interest rates, exchange rates, equities, etc.)

Ensuring the ongoing development of our business by constantly reinforcing internal controls

Given the extent and diversity of the risks inherent to banking activities, internal control plays a vital role in Société Générale's business.

Internal control is defined in the Group Audit Charter as all the means and resources that enable the Group General Management to ensure that the transactions carried out and the organization and procedures implemented are compliant with legal and regulatory requirements, professional and compliance practices, internal rules and the policies defined by the company's executive body. Internal control is designed in particular to:

- detect and measure incurred risks, and manage this exposure in an adequate manner;
- guarantee the reliability, integrity and availability of financial and management data;
- verify the quality of the information and communication systems.

The internal control system is everybody's responsibility

Our internal control system relies primarily on the permanent supervision of activities at local level by operational staff. This comprises all procedures implemented on a permanent basis to guarantee that transactions carried out at operational level are correctly handled, secure and valid. The permanent supervision system operates at two levels:

- day-to-day security: all operational staff are required to comply with the applicable rules and procedures in all transactions carried out;
- formal supervision: management is required to make regular checks in accordance with strict procedures, to verify that staff are complying with rules and procedures for processing transactions and for ensuring day-to-day efficiency and security.

In order to ensure this system functions correctly, operational methods need to be formally defined and communicated to all

Group staff. The permanent supervision procedures have been adapted to the activities of each entity and are set out in specific documents.

A number of departments are involved in the internal control system

The middle and back office are responsible for the administrative and financial processing of transactions carried out within the Group. In addition, they carry out first-level controls in accordance with regulatory requirements.

At the same time, the Group's transactions are regularly controlled by various independent departments:

- the Risk Division, which is responsible for the Group's risk management and control system, validates all risks incurred and monitors any changes in exposure;
- the Finance and Corporate Planning Department, which draws up the Group's consolidated and parent company

accounts, and checks that all financial and accounting data communicated externally are reliable and accurate;

- the divisions' Finance Departments, which assess the quality of the information submitted to the Group for the consolidated financial statements, and monitor compliance with accounting, regulatory and management stipulations;
- the Compliance Department, which ensures that all Group staff observe the compliance rules and principles applicable to the various businesses;
- the Legal and Tax Departments which monitor all fiscal and legal aspects of the Group's activities in conjunction with the business departments;
- the internal audit and General Inspection department.

Each Group entity has its own internal audit department

The internal audit is a permanent system designed to regularly assess the efficiency of the inter-

THE AUDIT COMMITTEES

The internal audit Committees are organized at least once a year, to bring together the audit departments and their hierarchical management, and assess their activities. As a result they are a vital part of the overall internal control system. The agenda for each meeting is set by the Head of Group Internal Audit, and

covers aspects such as permanent supervision, the assignments carried out over the course of the year and the forthcoming audit schedule, the implementation of the General Inspection department's recommendations and, where applicable, those of the supervisory authorities and external auditors.

nal controls employed by the entity to which it is attached. It is based on three principles: independence, impartiality and universality. All Group activities and entities have an internal audit department, which is authorized to inspect all aspects of their operations. Given the risks at stake, each department is provided with adequate resources, from both a qualitative and quantitative point of view, to carry out its functions effectively. The internal audit departments comprise some 1,100 auditors, which is higher than the standard staff/auditor ratio of 1% for the banking sector.

Société Générale's control system is divided into two levels: the internal audits and the General Inspection department.

Each Group division has its own internal audit department, managed by the chief auditor, who is directly answerable to the manager of the division. The chief auditor has hierarchical and functional authority over all the auditors in the division. The system was recently

reinforced with the creation of an Audit department for the support functions, which is attached to the Corporate Secretary.

The individual internal audit departments are charged with identifying the areas of risk to which their division is exposed. They then define an annual schedule of audits to ensure that the exposure is covered regularly and in full. Under this framework, the auditors carry out controls to check the security, compliance and efficiency of the division's activities, and evaluate the quality of the permanent supervision system in place. They then put forward recommendations based on their observations, and follow these up to ensure they are implemented correctly.

The system is reinforced with specialized audits in areas requiring specific skills: these include an accounting audit, legal audit, an audit of counterparty risks and information technology security. The management of the Corporate department in question takes direct responsibility for these spe-

cialized audits, and is thus able to monitor compliance with Group principles and procedures within the business and keep a closer eye on activities at operational level. The specialized audits can also intervene to assist the division audits in specific areas.

The General Inspection department carries out inspection assignments every year and monitors the overall quality of the internal control system

The General Inspection department inspects the business activities and operations of all entities within the Group according to an annual program of assignments that is validated by the Group General Management. It reports its findings, conclusions and recommendations to the General Management. The Group Executive Committee then carries out quarterly reviews to ensure that the Inspection's recommendations are being implemented accordingly.

The General Inspection department is also responsible for ensuring that the internal control system implemented across Société Générale and its subsidiaries is coherent and efficient. To do this, it carries out the following functions:

- it inspects the various Corporate departments involved in internal controls;
- it assesses the quality of the work carried out by the internal audit departments;
- it validates the audit schedule submitted by the Audit departments;
- the Head of Group Internal Audit is in charge of all the chief auditors and specialized audits. As part of his role, he is required to meet regularly with the Board of Directors' Audit Committee and maintains close ties with the Statutory Auditors and representatives of the supervisory authorities.

THE AUDIT IN FIGURES

The internal audit departments comprise nearly 1,100 staff.

The Group divisions and specialized audit departments have more than 900 auditors, of which 80% are employed in Retail Banking, 12% in Corporate and Investment Banking, 5% in GIMS, and the remainder in the specialized audit departments (accounting, legal, IT, etc.). The General Inspection department comprises 190 inspectors.

Responsibility to our customers

A relationship based on quality

A high level of customer satisfaction that is increasing constantly

In 2004, Société Générale conducted a national telephone survey of 7,500 customers, which showed that satisfaction levels had increased in all three major retail banking markets (individuals, professionals ⁽¹⁾, businesses), highlighting the Group's improved competitive position. This study was part of a strategy for increased dialogue with customers that also includes local surveys of 30,000 customers, qualitative surveys and a system for internal exchange.

A new organizational structure and resources

Customer satisfaction and loyalty are a core aspect of Société Générale's strategy and the Group makes constant efforts to improve its satisfaction analysis methods and the tools it uses to anticipate customer needs.

In line with this policy, the Group has appointed a customer satisfaction manager in its Distribution Network.

It has also set up a Know Your Customer (KYC) department in the Corporate and Investment Banking Division that monitors new customer relationships and regularly assesses the level of risk posed by each customer in the portfolio and their respective activity (risk-based approach).

The KYC department is now fully operational, and employs a total of 40 staff worldwide with access to a centralized database covering the Bank's entire clientele. The department provides an additional level of security to back up the risk procedures implemented by the business lines and their support services on a day-to-day basis.

The Group also places strong emphasis on the quality of its operating procedures. In 2004, all its existing ISO 9001 certifications and service certifications were renewed. The Group also

obtained new ISO certifications for CGA (Compagnie Générale d'Affacturage, the first factoring company in France to receive certification for its entire business activity), Sogessur (management of non-life policies for individuals), Sogécap (management of life insurance policies and customer services) and Société Générale Marocaine de Banques (securities business).

The security of means of payment is a constant concern for the Bank. The new Société Générale checkbook includes innovative security measures (paper, ink, graphics) designed to make falsification and counterfeiting more difficult.

Since its launch in 2004, the secure Internet payment service, *e-carte bleue*, has enjoyed considerable success, and now has 300,000 subscribers and a satisfaction rate of 96%.

External recognition of the quality of our relationships

■ Oscar for the best service to policyholders awarded to Sogecap by the magazine *Gestion de Fortune*.

■ *Casques d'Or* for the best telephone-based customer relations: 1st place for the second year running for Crédit du Nord's direct banking service, 3rd place for Société Générale.

■ *Casques d'Or* for the best e-mail relationship: 2nd place for Société Générale and 3rd place for Crédit du Nord's direct banking service.

■ Named "Best Private Bank" in France by *Euromoney*.

■ Voted "Bank of the Year" in the MasterCard Bank of the Year awards for the best financial services to individual customers in the Czech Republic (Komerční Banka).

■ Ranked 3rd in the Customer Satisfaction Awards (satisfaction rating of 80 vs. an average of 77 for the banking sector) based on surveys by Bearing Point and TNS Sofres.

(1) Self-employed professionals, tradesmen, shopkeepers and farmers.

CUSTOMER LOYALTY

Société Générale's quality approach is designed to promote customer loyalty. This is measured using two indicators:

- the average number of products per individual customer, which rose from 7.4 in 2003 to 7.7 in 2004;
- the average age of the products, which was 12 years in 2004 and broke down as follows: 0-5 years, 37.5%; 6-10 years, 18.7%; 11-20 years, 24.8%; more than 20 years, 19%.

CUSTOMER SATISFACTION SURVEYS (French Networks)

Customer satisfaction (Score out of 100)	Société Générale 2003	Société Générale 2004	Crédit du Nord 2004	Sector average 2004
Individuals	71	72	74	70.7
Professionals	62	65	65	61.7
Businesses	61	65	71	62

Source: CFI Group competitive barometer, 2004.

A small and stable number of claims

Société Générale has always paid particular attention to the way it handles difficulties pointed out by its customers. Managing 40 million products for more than 5.5 million customers in France can create operating problems, which then lead to dissatisfaction and disagreements. In 2004, the ratio of errors to total current accounts remained stable on 2003, at just 0.36%.

Customers have three levels of redress: their branch advisers, the Customer Relations Department if a disagreement persists and, as a last resort, the ombudsman whom they can contact at a separate address. Mrs Christiane Scrivener, the former Secretary of State for Consumer Affairs and former European Commissioner and MEP, has been Société Générale's independent ombudsman since 1996. Customers are advised of the existence of this facility on the reverse of their account statement. The number of cases handled in 2004 was in line with the average for the last five years.

Transparent and open relationships

In 2004, French banks promised to make "banking easier for everyone". Most of the commitments under this agreement were already longstanding practices at Société Générale (for example, no fees are charged for account closures). However, the Group decided to introduce a number of additional measures to facilitate access to price information (visible public notices and price leaflets in branches, access to price lists via the Société Générale website in 2005).

As part of its strategy to contractualize all its customer relationships, Société Générale intends to send letters out in 2005 to all customers who have not yet signed an account agreement. The Bank's policy for granting loans to individual customers of the Société Générale network and the subsidiaries CGI, Franfinance and Fiditalia, includes several measures to prevent overindebtedness, primarily through the provision of transparent information and the application of limits to revolving loan

facilities for new customers, based on the history of their banking relationship.

Adapting products and services to a diverse customer base

Société Générale's customer base covers all segments of the French population (see graph). One of the Bank's strengths is its leadership position in the student market due to its highly competitive range of loans.

Société Générale has promised to make means of payment more accessible to customers who do not possess a checkbook. A commercial offering comprising an appropriate number of bank transfers, standing orders, inter-bank money orders (TIP) or a card with an automatic authorization is to be introduced by mid-2005. To prevent the marginalization of population groups who often do not have access to banking products, Franfinance is working with Fasst (a welfare organization for temporary workers in France), which provides the required guarantees for loan applications.

Accessibility of ATMs (*)

In France, 90% of the Group's ATMs have been adapted to meet the needs of physically disabled customers. The Group plans to ensure that all its ATMs are adequately equipped by 2006.

(*) Automatic Teller Machines.

Quality

In France, Société Générale is an active member of the AFAQ⁽¹⁾ environment and individual customer services certification committees (issue of ISO 9001 and 14001 certificates) and a member of AFNOR's⁽²⁾ quality management standardization commission.

(1) French association for the management and improvement of quality.

(2) French standards association.

NUMBER OF CASES HANDLED BY THE OMBUDSMAN

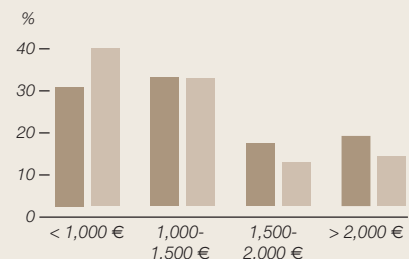
	2001	2002	2003 ⁽¹⁾	2004 ⁽¹⁾
Number of cases, of which:	99	106	223	173
Investments	39%	37%	57%	54%
Means of payment	17%	17%	10%	14%
Functioning of accounts	23%	23%	20%	19%
Loans	21%	23%	12%	13%

(1) Including Crédit du Nord.

BREAKDOWN OF THE POPULATION AND OUR CUSTOMERS BY MONTHLY INCOME

■ Société Générale customers
■ French population

Source: Operbac 2004 - CSA Institute.





Responsible financing

Innovative measures to analyze an increasingly complex body of risks

A cross-disciplinary project

Established in 2004, the multi-disciplinary SERA ⁽¹⁾ project team is working to improve the socio-environmental monitoring of financing transactions to ensure they respect our commitments (UNEPFI and the Global Compact), observe best practices (notably the Equator Principles) and take into account the recommendations of our various stakeholders. This has resulted in the following:

- the drafting of internal procedures for sales teams and for risk assessment. These procedures cover our CSR commitments, the classification of transactions according to their socio-environmental impact, the issues that need to be examined as part of a socio-environmental due diligence policy, the specific clauses to be included in the legal documentation for financing transactions, and active monitoring of the transaction portfolio;

- initiatives to increase staff awareness, notably meetings with all the financing business lines concerned;
- the definition of a CSR staff training program.

In 2005, the emphasis will be on monitoring transactions, finalizing procedures and defining specific directives for the business lines, and the implementation of a training program.

The role of environmental consulting engineers

The Group's internal consulting engineers are often called upon to assist the business lines and risk analysts in assessing financing transactions. With their extensive industrial experience, they play a valuable role in determining a client's potential exposure to sustainable development risks. In cases where a transaction is deemed particularly sensitive (involving large amounts, sensitive locations, etc.), the Group may also commission an external audit.

The internal consulting engineers design specific tools for the assessment of CSR concerns, and assist the operational staff in their use:

- "environment" guides listing the main environmental risks for each sector of activity;
- an internal environmental questionnaire that serves as a diagnosis tool in the analysis of loan applications.

Sustainable development initiatives

New monitoring indicators

The Group has developed statistical indicators to monitor the following elements:

- the proportion of loans or financing transactions that complies with social or environmental assessment rules;
- the proportion of commitments in sectors classified as sensitive by the majority of ethical funds. The sectors analyzed are gambling, tobacco, alcohol and weapons;
- the volume of "green" financing (wind farms, cogeneration plants, water and waste treatment, public transport).

The financing of fair trade

—
In 2003, the Commodities Finance Department authorized a EUR 300,000 line of credit for Alter Eco, one of the pioneering fair trade brands in the retail sector.

Alter Eco purchases commodities from 24 farm producers' organizations located in 18 emerging countries, notably Sri Lanka, India, Thailand, South Africa, Ethiopia, Palestine, Bolivia, Cuba and Brazil.

The loan facility enables Alter Eco to finance its stocks in Europe and pre-finance small producer cooperatives that have limited access to traditional sources of funding.

(1) SERA stands for Socially and Environmentally Responsible Approach.

More than 50%

of the total number of structured finance projects in 2004 were evaluated beforehand to determine social and environmental risks

Less than 1,1%

of financing concerns high-risk sectors (outstanding loans at end-2004)

Environmentally-friendly financing

Société Générale is strongly involved in the field of environmentally-friendly financing, and has helped to fund a number of significant projects.

Wind farms

The Group financed two wind farms, les Éoliennes de la Haute-Lys and les Éoliennes de l'Argonne/Côtes de Champagne, in the amount of EUR 77 million and arranged the financing of a further EUR 15 million for the projects. The two farms have a combined turbine power of 74 MW and an annual output of 200,000 MWh. Crédit du Nord also financed an 11 MW wind farm at Saint Simon, which came on stream in 2004 and generates an annual output of 20,000 MWh.

These three projects account for nearly one-third of France's total wind energy (260 MW in June 2004).

Waste-to-energy facilities

The main assets financed by Société Générale in 2004 include:

- household waste incineration plants in Nîmes (operated by Onyx) and in Rambervillers (50% Onyx - 50% Novergie) represent-

ing total financing of more than EUR 100 million (Société Générale financed over 65%);

- a 50 MW cogeneration plant that is being built by Siram (Dalkia Group) in Italy to supply steam to the Cartiere Paolo Pigna (CPP) paper mills. Société Générale is financing the project in the amount of EUR 58 million, as sole arranger and lender.

Transport

The Group also finances clean transport projects (see local government financing on page 60), through Sofergies. Total outstanding Sofergie loans currently amount to some EUR 330 million.

Infrastructure and export finance in emerging countries

Société Générale finances capital goods and infrastructure projects that will potentially boost the economic development of emerging countries. For example:

- financing of the extension of the Santiago de Chili metro system in the amount of EUR 200 million;
- financing of the construction and launch of the Skikda power station in Algeria (825 MW) in the amount of USD 382 million. All applications submitted to an

OECD export credit agency are first examined to determine their environmental impact. Applications totaling more than 10 million SDR ⁽¹⁾ or for projects located in "sensitive" areas are classified using a system similar to that employed by the World Bank.

(1) Special drawing rights, the IMF's accounting currency.

EUR 552 million

of "green" financing granted in France in 2004

ENVIRONMENTAL AND SOCIAL RISKS

- **A COMPONENT OF CREDIT RISK**, if a counterparty's activities are exposed to social and environmental risks (withdrawal of operating permit, fines, obligation to clean up pollution);
- **THE POSSIBILITY OF A DIRECT LOSS**;
- **INDIRECT RESPONSIBILITY (image risk)**, in the case of transactions with counterparties that show little regard for sustainable development or workers' rights.

Responsible products

An offering that takes into account the concerns of our customers

A responsible approach to investment

SG Asset Management has been a shareholder in Vigeo since the agency was formed. In October 2004, it acquired a stake in Ethix SRI Advisors, an SRI consulting and monitoring company based in Stockholm, placing itself in a key position in the SRI market with access to top-level information.

Socially responsible investment aims to take into account other criteria of value-added for investors, over and above the usual requirement for financial returns. SG Asset Management analyzes some 500 major stocks on the basis of social and environmental considerations, and offers a variety of investment approaches. Its specialist teams in France and the United Kingdom manage a large number of mandates using SRI strategies that vary according to the country where the client is based: the United States and Netherlands, for example, prefer positive and even negative screening, whereas,

in the United Kingdom, the emphasis is on shareholder activism (or shareholder advocacy). In France, investors tend to opt for a positive screening approach.

In its domestic market, the Group generally applies an SRI approach on a bespoke basis, in response to a specific request on the part of a client for a management mandate or a dedicated fund. However, it also offers three SRI funds for the general public: *SGAM Invest Développement Durable*, *Etoile Partenaire* and *Etoile Environnement*, both managed by Crédit du Nord. SRI criteria are also used in the Arcancia Label range of employee savings funds, the first retirement savings funds in France to be officially classified as socially responsible in 2002 by the CIES (Intercompany Employee Savings Committee).

SGAM Private Equity also invests in socially responsible vehicles (investment funds, funds of funds, etc.) as part of a discretionary management service for clients with high standards of corporate governance and ethics. The company looks for long-term, profitable investments in areas such as biotechnology and

technology for the preservation of the environment, paying close attention to sustainable development issues. It has set up an internal ethical committee and various scientific committees with the participation of recognized specialists, to define and maintain its policy, and carries out external audits where necessary to assess the issues at stake.

Developing microfinance

The microfinance industry offers financial services (loans, savings, insurance) to small entrepreneurs who do not have access to the traditional financial system. Microfinance Institutions (MFI) are subject to specific legal and tax regimes, and frequently receive subsidies from international organizations.

Société Générale makes a significant contribution to the funding of institutions through its subsidiaries in Africa and the Mediterranean Basin. In 2004, the Group provided loans totaling several tens of millions of euros to MFI in Benin, Cameroon, Jordan and Morocco. On the strength of these experiences and the favorable feedback it has received, the

Bank has decided to step up its initiatives in the microfinance industry.

INNOVATIVE CHARITY PRODUCTS

Profit-sharing fund

Société Générale has offered a profit-sharing fund, Concilience, since 1996. The fund enables customers to donate all or part of the income generated on their savings to one or more charities from a list of twenty organizations (total assets under management of EUR 5.3 million at December 31, 2004).

Customer loyalty and charitable giving

Under the Jazz loyalty scheme, customers contribute EUR 0.25 to charity for every gift they order. Société Générale has chosen to donate the proceeds from this scheme (EUR 100,000 in 2004) to Handicap International.

Relationships with our suppliers

Transparency and professionalism

Société Générale aims to leverage its purchasing policy to encourage the adoption of responsible social and environmental practices in the wider community.

In 2004, the Purchasing Department was officially recognized by two non-financial rating agencies, Vigeo and SAM, for its innovative practices in this field.

Each quarter, the Department carries out an internal review to assess its progress in sustainable development issues. It also takes advantage of any major internal gatherings and events to raise awareness among its staff, and disseminates information through all available communication channels: intranet, internal newsletters, etc.

Outside the Group, it shares its concerns and expertise with other companies through professional gatherings, such as ORSE ⁽¹⁾ workshops and meetings of the CDAP ⁽²⁾.

The Purchasing Department has set itself a number of targets for the coming years: consolidation of the initiatives already implemented, promotion of the use of "green" fuel for its vehicle fleet, collection of expired bank cards, increase in the use of renewable energy and recycled paper, etc.

Inclusion of a CSR questionnaire in all calls for tender

The Group requires all potential suppliers to fill in a CSR questionnaire to assess their practices, and issues them with a list of its own commitments with respect to human rights, labor rights, the environment and the prevention of corruption.

Since 2003, new contracts with suppliers have included CSR clauses and, in 2004, the Group carried out an initial audit to review and update existing agreements.

More environmentally-friendly purchases

Each year, the Group examines different areas of its purchasing policy to find ways to improve its contribution to the environment. Its initiatives for 2004 included the following:

- increase in the proportion of "green" electricity (produced from renewable sources) purchased from EDF for Tour Société Générale from 15% to 21%;
- launch of a debit card that consumes less chlorine;
- general implementation of a recycling policy for electronic and IT equipment at the end of its useful life (refer also to the chapter on the environment).

(1) French national observatory for corporate social and environmental responsibility.

(2) French association of managers and purchasers.

Total purchases of
EUR 3.5 billion

40,000
suppliers

700
new contracts
now include
socio-environmental
clauses

All Purchasing
Department staff
have received **training**
in sustainable
development issues

Local development and corporate sponsorship

Playing an active role in local development

Development policy in Africa and Eastern Europe

The existence of a reliable and efficient financial system has always been one of the key factors in the development of a country.

Through its extensive international retail network, Société Générale has a strong and, in some cases, long-standing presence in three major geographical zones (see page 84), enabling it to leverage its strategy to foster sustainable economic growth in developing countries.

The Group is pursuing a targeted policy of growth in Africa and Eastern Europe, gradually expanding its range of products and services to meet the needs of local firms and individuals, and thus making an active contribution to the economic development of its customers.

In some cases, the Group's role extends beyond the provision of traditional banking services – in certain countries it distributes the salaries of civil servants and manages the payment of state pensions to retired workers who do not have access to a bank account.

Thanks to this growth strategy, and to the work of its 27,000 employees who share its values of loyalty and innovation, Société Générale has succeeded in multiplying its customer base in Africa and Eastern Europe by seven over the past six years.

Local development policy in France

Société Générale works to promote economic development at local level in France, through a number of initiatives:

- Financing of local governments, notably for infrastructure and clean transport projects (EUR 62 million for Mulhouse's urban tramway system, financing of buses that run on natural gas and of household waste treatment plants in Nîmes).
- The Group's financing commitments in France totaled EUR 7.4 billion at December 31, 2004.
- Health sector financing, particularly for hospitals: public hospitals in Lyon, Grenoble, Fécamp, Meulan les Mureaux, and establishments for the mentally and physically handicapped.
- Financing of associations: Société Générale has a market

share of over 10%. The associations are supported by a dedicated team at the Group's head office, and by local contacts at the branches. The Group has forged close links with national charity organizations such as *Secours Catholique*, *Secours Populaire*, the Salvation Army and the *Fonds Social Juif Unifié*.

- Support for business start-ups: In 2004, Société Générale continued its initiatives to help new businesses (see below). Our factoring subsidiary, CGA, also markets a range of products specifically designed for micro enterprises and new companies.
- Increased synergies with the two support networks that Société Générale partners: managers are spearheading the training initiatives of CCI Entreprendre en France and are also involved in 30% of the 230 local initiative platforms established by *France Initiative Réseau* (FIR).
- Loans to apprentices to allow them to complete their training.

Sustainable development project in Cameroon

—
Société Générale de Banques au Cameroun (SGBC) has signed a partnership agreement with an NGO to support the major Garoua elephant camp project. The aim is to enable local populations to remain in close proximity to the Bénoué National Park (a protected biosphere region classified by UNESCO in 1981), without endangering the ecological balance of the region. The program is encouraging the elephant population to return to the site and is carrying out research into the region's wildlife. SGBC is conducting a national awareness campaign to highlight the work of the program.

BUSINESS START-UPS

- RELATIONSHIPS ESTABLISHED with 21,388 business start-ups in 2004 (December 2003 to November 2004)
- MARKET SHARE of 10.4%
- PORTFOLIO of 65,514 companies less than three years old at November 30, 2004
- THE LIFESPAN of these companies is higher than the national average

Group charity work

In 2004, Société Générale continued to follow through its existing charity policy.

Encouraging the involvement of Group employees

With additional backing from Société Générale and a steady rise in its membership, *Talents et Partage*, the independent charity association set up by existing and retired Group employees, was able to make significant increases in both the number and volume of its donations (see opposite).

The projects sponsored by present and former staff focused primarily on disadvantaged children, the disabled and social integration. This approach has also been adopted in other countries such as the Czech Republic, where the Jistota Foundation has helped finance equipment and care units for various hospitals in the country.

Moreover, an amendment has been made to the 35-hour week agreement under which staff using their Time Saving Account to take solidarity leave ⁽¹⁾ are given

an extra 10% time off, up to a maximum of 10 days.

Promoting solidarity through our foreign subsidiaries

The Group's foreign subsidiaries are the best-placed to identify and target local needs. In Africa, they have set up a number of important projects, such as the provision of aid to a Liberian refugee camp in Ghana and the financing of 200,000 dictionaries for secondary school children. The subsidiary in Cameroon has signed an agreement with an NGO (see page 60) and established a partnership with a local hostel involved in the protection of street children. In Madagascar, the subsidiaries are financing an orphanage and have signed a 3-year partnership agreement with an association for the mentally handicapped. Similar initiatives have also been taken up in the Middle East (e.g. partnership with "Help Lebanon" to renovate neighborhoods in difficulty), and Europe (sponsorship of the *Fondation Samu Social* which helps the homeless in Romania, etc.).

Reinforcing our role in France with new partnerships

In 2004, the Group continued its work in its four main target areas: children, the disabled, health and social and economic integration:

- establishment of a partnership with UNICEF for "My first account": the Group donates 1 euro to UNICEF for each account opened by an under-18 (December 2004 – February 2005);
- financing of the *Association des Paralysés de France* for its advertisement on TF1 on national "smile" day (*Offrez-vous un sourire!*);
- financial backing for UNAPEI's photography exhibition (*Jeux de Miroir sur le handicap*);
- donation to the *Fondation de la deuxième chance* (social integration);
- financial support for the *Assises nationales de la cancérologie* organized by the *Ligue nationale contre le cancer*.

Aid for victims in southern Asia

Following the tidal wave in December 2004:

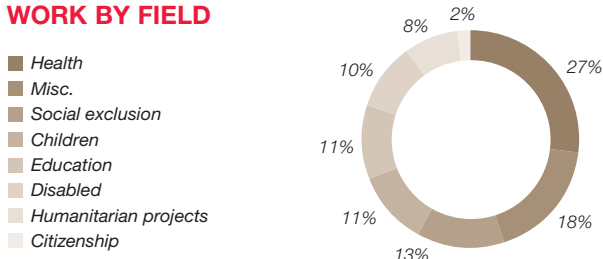
- the Group donated USD 1 million to the Red Cross;
- *Talents et Partage* dispatched emergency aid to Indonesia;
- the Asian subsidiaries collected donations from employees, which were matched by the Group.

Talents et Partage

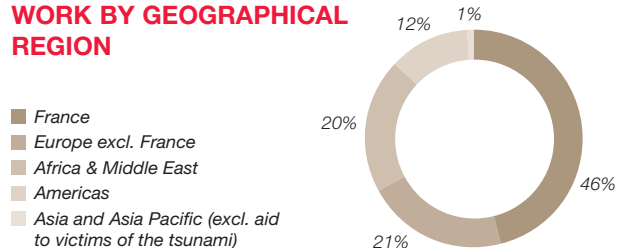
In 2004, the charity association supported over 50 projects with financial donations, contributing a total of EUR 250,000 compared with EUR 100,000 in 2003. At the same time, it donated computer equipment no longer used by the company to some 25 projects. Two-thirds of these initiatives concerned developing countries (Cambodia, Nepal, Haiti and African countries). *Talents et Partage* also runs its own volunteer programs (toy collections, food bank, etc.).

(1) Under this system of exceptional leave, staff can take up to 2 years off and are entitled to at least 4 months' pay.

BREAKDOWN OF CHARITABLE WORK BY FIELD



BREAKDOWN OF CHARITABLE WORK BY GEOGRAPHICAL REGION



Sports partnerships and cultural sponsorship

Sports partnerships

In 2004, Société Générale continued its work with a number of sporting federations to promote the popularity of their disciplines. The Group chose to extend its 17-year partnership with the French Rugby Federation until 2008, building on shared values of solidarity and team spirit, and in 2007 will support the French XV in the Rugby World Cup in France.

Société Générale has officially partnered the French Golf Federation since 2001, and works to promote the sport, notably with young people (Trophy for golf schools, etc.).

The foreign subsidiaries also provide backing for a range of sports, chosen to reflect local preferences. The Banque Roumaine de Développement (BRD), for example, renewed its partnerships with the Romanian rugby and tennis federations, while in Slovenia, SKB is a partner of the Slovenian Olympic team and Olympic committee. In the Czech Republic, Komerční Banka supports the Handisport Federation.

In France, the Group also renewed its partnership with the French Bridge Federation for a further 4 years and strengthened its initiatives to attract more young people to the field.

Music sponsorship

Throughout the year, Société Générale continued its work to promote music, organizing a series of 29 public concerts in Paris and the provinces (*la Tournée générale – Un mécène en fête!*) to raise public awareness of the role of the association, *Mécénat Musical Société Générale* (MMSG). The concerts gave a number of young artists and music groups the opportunity to perform in front of more than 20,000 people.

MMSG has also signed two new partnership agreements: one with the new Philharmonic Chamber Orchestra, directed by Emmanuel Krivine and comprising musicians from different European countries, the other with the Accentus choir, aimed at reinforcing MMSG's support for contemporary music.

The Group's foreign subsidiaries are similarly committed to a policy

of cultural sponsorship, and have set up partnerships with the Bolshoi Theatre in Russia, the National Theatre of Prague in the Czech Republic and the Beiteddine Festival in Lebanon.

Modern and contemporary art

In 2004, Société Générale focused on renewing its collection and making art more accessible to the general public. It established temporary partnerships with the Musée des Beaux-Arts in Bordeaux and the Art-Paris contemporary art fair that will allow the public to discover some of the works in Société Générale's contemporary art collection. Over the year, the Group acquired a number of new works by contemporary artists to enhance the collection built up during the 1990s.

The Group also organizes regular conferences on modern art for its employees, and arranges private viewings of exhibitions for its customers (through the partnership with the *Connaissance des Arts* magazine).

Golf: the French Open Golf Championship

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In 2006, the French Open Golf Championship, one of the major European professional tournaments, will celebrate its centenary. Société Générale became an official partner of the tournament in 2004 asserting its reputation as France's "Golfing Bank".

Partnership with the Handisport Federation

—
Through its partnership with the French Handisport Federation, Société Générale and its Greek subsidiary were able to support the French athletes at the Athens Paralympic Games. However, the Group's support is not aimed exclusively at top-level athletes. Société Générale is also helping members of Handisport and its affiliated clubs to overcome their handicap and set up their own projects.

CONTRIBUTIONS TO CHARITY AND CULTURAL AND SPORTS SPONSORSHIP (excluding operating expenses)

(In millions of euros)	2002	2003	2004
Charity	1.6	2.2	2.3 ⁽¹⁾
Culture	2.0	2.3	2.6
Sports partnerships	4.5	6.0	7.7 ⁽²⁾
Total	8.1	10.5	12.6

(1) Excluding donations to victims of the Asian tsunami.

(2) Including EUR 1.1 million for non-French sports partnerships since 2004.

Working to protect the environment

The direct environmental impact of the banking sector remains relatively modest compared with that of the industrial sector. However, over the past few years, Société Générale has taken steps to identify and control its use of natural resources.

Extension of our environmental reporting system

In 2004, the consumption of energy, water and raw materials and the production of waste were monitored at nearly all the Group's domestic offices and subsidiaries, and in a number of foreign countries: Germany, Spain, US, UK, Hong Kong, Italy, Japan, Czech Republic and Romania (see NRE appendix on p. 300). Furthermore, the Group defined 15 indicators to evaluate its direct environmental impact, as part of a formal reporting system.

The first Greenhouse Gas (GHG) Emissions Assessment

In line with its commitments, Société Générale commissioned its first GHG Emissions Assessment at its central offices from October 1, 2003 to September 30, 2004. Conducted by an external specialist using the methods defined by Ademe ⁽¹⁾, this detailed analysis looked at actual consumption over a broad scope of activities, including depreciation and deliveries ⁽²⁾.

Although further limited cuts can still be made in GHG emissions and energy use, it was clear from the assessment that the Group has already adopted a number of commendable practices: increased use of remote conferencing equipment such as video-conferencing, timer switches on lights and computer equipment, etc.

The main area for improvement now is transportation (accounting for 36% of total emissions), where business trips could be reduced and cleaner forms of transport used.

Practices to control the use of natural resources and production of waste

Over the past decade, the Group has implemented a number of techniques to moderate consumption of resources at its central offices:

- central offices and network branches are equipped with thermal regulation devices;
- since 1995, the Group's IT centers have introduced systems to reuse the heat given off by computer equipment, and now cover 95% of their heating requirements, saving 6.5 GWh of energy per year;
- since 1997, the Group has developed a formal system for managing its waste production, monitored by a dedicated department.

(1) Ademe: Agence de l'Environnement et de la Maîtrise de l'Énergie (Environmental and energy management agency).

(2) Depreciation of buildings, fixtures and fittings, IT equipment and vehicles, over their accounting life (20 years, 5 years, 2 years).

GHG EMISSIONS ASSESSMENT OF THE MAIN CENTRAL OFFICES

Staff concerned (no. of occupants)	8,695	Portion of emissions linked to the operation of buildings	23%
GHG emissions in CO ² equivalent (tons)	7,835	Portion of emissions linked to the depreciation of buildings	22%
GHG emissions per occupant in CO ² equivalent (kg) (excluding catering)	901	Business travel, in no. of km	14,736,716
Portion of emissions linked to transport (journeys to and from work and business travel)	36%	Journeys to and from work, in no. of km	71,946,576

For the past five years, all installations at the French Networks have been covered by maintenance contracts, managed centrally by Corporate Services or at local level and designed to extend the life of existing equipment. Guidelines were issued in March 2003 to optimize the use of climate management installations by harmonizing the techniques and equipment used and increasing their reliability.

In waste management, the Group established new directives in 2004 on the recycling of fluorescent tubes, and has taken further steps to reduce paper consumption (internal publications were cut by 18% in 2004 or some 9 million pages). Moreover, regular reminders are issued to staff encouraging the use of recycled paper for internal documents.

Eco-friendly practices are also being adopted by the Group's foreign subsidiaries:

- in 2004, SG CIB Australia set up a program to recycle printer cartridges;
- SG Hong Kong has installed automatic curtains to reduce energy consumption.

Innovative measures to protect the environment

Renewable energy sources

Société Générale remains committed to the use of renewable energy and has signed a new contract with EDF, applicable from June 1, 2004, to ensure that 21% of the electricity for Tour Société Générale comes from "green" sources. Under this agreement, some 11 GWh of a total annual consumption of 54 GWh will be derived from renewable sources (wind, solar, wave, biomass energy, etc.).

The Tour Granite project: an HQE building

Société Générale is currently working on the construction of a 180m tower, with 68,000m² of office space, that will blend in with the existing Tour Société Générale at La Défense and with the urban landscape of neighbouring Nanterre. Designed by the architect Christian de Portzamparc, these new premises represent a major architectural challenge as they are being

built in compliance with the new HQE standards (*Haute Qualité Environnementale*, or high environmental quality) established by the CSTB ⁽¹⁾. This process requires that three audits be carried out at the planning, design and construction stages in order to guarantee that the project meets environmental regulations. Société Générale has also set specific objectives in terms of environmental impact and innovation for this building, focused around five themes: air quality, hygrothermic conditions, visual aesthetics, energy savings, soundproofing. Other issues which have an impact on the internal and external environment will also be monitored as part of the project, notably the quality of the actual building site and the materials and techniques used in construction.

(1) CSTB: Centre Scientifique et Technique du Bâtiment (*Scientific and technical center for building construction*).

ECO-FRIENDLY PRINTING

Société Générale's printing and routing centers in France have implemented a detailed program of measures designed to reduce their environmental impact:

■ installation of storage tanks for effluents classed as "special waste", generated in the production of microfiches, and monitoring of the quality of waste water;

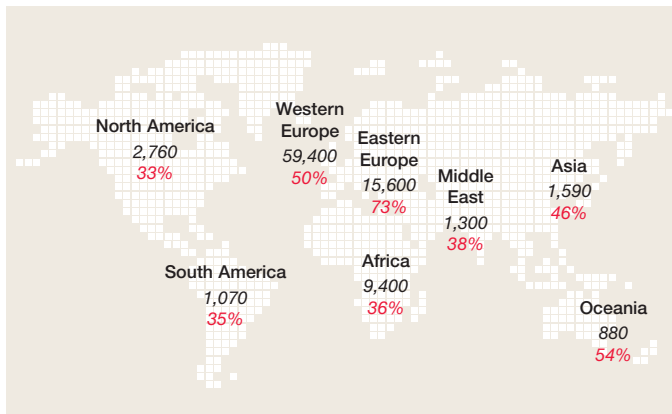
■ use of completely recyclable envelopes (including the plastic windows) for the 120 million account statements sent out to customers each year;

■ use of electronic files to replace the films produced by our graphic designers and sent to printers;

■ discontinuation of the print-out of 1.1 million electronic customer files per year.

Human resources

A diversity of talent working to achieve collective success



GEOGRAPHICAL DISTRIBUTION OF GROUP STAFF
Proportion of women as a %

6 PRINCIPLES OF HR MANAGEMENT:

- PROXIMITY ■ RESPONSIBILITY ■ PERFORMANCE
- RECOGNITION ■ DEVELOPMENT ■ MOBILITY

As a result of the increasing specialization and internationalization of banking activities over the last two decades, and the Group's sustained acquisition policy since 1997, Société Générale has had to make radical changes to its human resources management. Total headcount remained stable up until 1997, but subsequently doubled in the space of just 6 years, while the proportion of employees based outside France rose sharply to account for nearly 50% of the overall workforce. Although the actual proportion of female staff varies from one country to another, women now represent over 50% of total headcount.

Faced with this diversity of cultures, skills and profiles, the Group's Human Resources department (HR) has successfully adapted its policies to provide adequate support and career management.

Working to promote a common strategy

A dynamic Group

Increased numbers of new recruits

The Group took on a total of 7,750 new employees in 2004, representing a 25% increase on

2003. Around 70% of these employees are on permanent contracts and 54% are female. The majority of new recruits joined the Retail Banking Networks both in France and abroad (71%), and the Corporate and Investment Banking arm (17%). The Group has adopted an active recruitment policy to support its expansion and renew its staff and skills, which it tailors to suit its different businesses, activities or geographical regions.

In the Corporate and Investment Banking division the number of hirings tends to reflect the economic context. The emphasis here is on attracting candidates with suitable profiles (e.g. experts in niche markets), notably in Europe, and on securing the loyalty of employees who are particularly sensitive to overall remuneration levels. The Global Investment Management and Services division (GIMS) faces a similar challenge.

The Retail Banking division needs to deal with a variety of issues, depending on the activity and location of the business: balancing the age distribution of staff, renewing and training staff to accompany the reorganization of the French Networks, integrating staff

92,000 employees
of which 51% are female

116 nationalities

7,750 new recruits
in 2004

7,630 trainees

Human resources

from recently acquired foreign entities and encouraging loyalty. The corporate departments have a policy of recruiting experienced candidates, experts (mainly in IAS and Basel II) and young executives. In France, where the employment climate is currently mixed, Société Générale remains one of the leading recruiters, taking on 2,360 new employees on permanent contracts and 945 on fixed-term contracts ⁽¹⁾. In 2004, the Group continued to recruit young people on work-study contracts and maintained its partnerships with higher education establishments (Bac +2/3 and Bac +5). Société Générale has an excellent reputation as an employer ⁽²⁾ and pays close attention to the quality and diversity of its new staff.

A rising headcount to keep pace with the expansion of the Group

The Group has increased its human resources to accompany its expansion and international development (including the acqui-

sition of the General Bank of Greece in the first half of 2004). However, in 2004 it was forced to reduce its headcount slightly at certain subsidiaries due to the local market environment. Nonetheless, overall redundancies fell sharply to a total of 850 in 2004 (less than 1% of the total workforce) compared with 2,173 (including 1,589 economic redundancies) in 2003. The international retail banking arm was worst affected by economic redundancies, with 172 out of a total of 352 departures (mainly in eastern Europe), followed by the Corporate and Investment Banking division with 92 redundancies (mainly in the United States, United Kingdom and Japan). In France, Société Générale and Crédit du Nord saw 648 retirements and nearly 1,000 departures under the CATS ⁽³⁾ agreement. Retirements at Société Générale are expected to peak in 2009 and 2010, with around 2,000 departures per year, representing 5% of the workforce.

(3) Cessation d'Activité de certains Travailleurs Salariés, the Group's early retirement agreement, which enables employees who meet certain conditions to leave the company on a suspended contract until their official retirement age.

(1) Including 769 on qualification and apprenticeship contracts.

(2) Annual TNS SOFRES survey of young graduates in France.

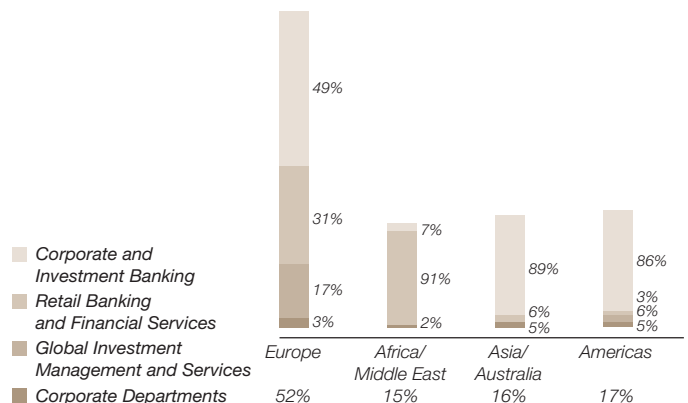
4D Program

2004 saw the first concrete results of the 4D program to restructure the domestic retail banking platform.

The following departments are now operational:

- 18 Customer Service Units (PSC), which group together the back-office functions of several Sales Divisions (DEC) and employ a total of 2,630 staff;
- 54 DEC, with new organizational structures and new functions;
- 4 multimedia Customer Relations Centers (mCRC) in Lyon, Lille, Nanterre and Marseilles for direct banking services.

DISTRIBUTION OF EXPATS AND INTERNATIONAL EXECUTIVES BY GEOGRAPHICAL ZONE AND BY DIVISION

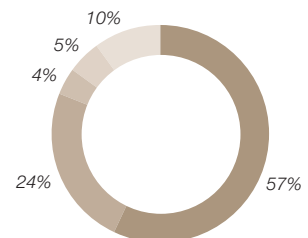


150 International Company Volunteer Programs (VIE)

250,000 CVs received, nearly 50% via the recruitment website

GEOGRAPHICAL BREAKDOWN OF RECRUITMENTS

- France
- Europe (outside France)
- Asia and Oceania
- Americas
- Africa and Middle East



The Group currently operates in nearly 80 countries and employs 92,000 staff, 45% of whom are located outside France.

HR, partners in the Group's growth

A strategy based on Group principles

The HR teams support the development of the Group by responding to any changes in the activities, needs and expectations of its entities and employees. Their work is based on two fundamental Group principles: consistency and subsidiarity. In other words, the HR function aims to apply consistent policies throughout the Group in employment, remuneration, training, social policy, and provide a central pool of resources through the Group HR Department, while at the same time maintaining decentralized HR departments within each division to implement specific individual and collective strategies.

Strong results achieved through team work

In 2004, the Human Resources department began testing a new

initiative entitled "HR Performance", designed to improve HR services. Under this scheme, individual HR staff and managers are set personal priorities and focuses for improvement, and are subsequently monitored through a personal performance plan to assess their results. The tests were conducted at ten pilot sites in 2004, covering the full range of the Group's activities in France and abroad, and should be extended to 37 entities in the first quarter of 2005.

New accounting standards and HR management

Also in 2004, the Group implemented a major project to formalize its social commitments and share-based payments, in order to integrate the regulatory requirements of IAS 19 (employee benefits) and IFRS 2 (share-based payments), and establish a coherent HR policy. In line with the new international accounting standards, the Group conducted a complete review of its existing commitments and ensured it had adequate provisions to cover future benefits.

Shared interests: cohesion and personal development

Creating a sense of cohesion

Reflecting the diversity of the societies and countries where we operate

Société Générale regards staff diversity as a key ingredient for creativity and competitiveness. To assert this commitment, it has adopted the Charter for Corporate Diversity put forward by the Institut Montaigne in France (see page 43 "The Group's commitments").

It has also signed an agreement with the ANPE (French national employment agency) to promote a recruitment policy that reflects the diversity of French society. Under the agreement, Société Générale has agreed to consider applicants for positions as bank cashiers or multimedia customer advisors regardless of age, profile or qualifications, provided they can demonstrate prior experience in a commercial or customer service role. In 2004, a total of 55 employees were recruited under this initiative.

Using our pool of talent to generate synergies abroad

The HR department specifically encourages international mobility for staff in order to strengthen cohesion in the Group's foreign operations. A total of 700 French nationals and 135 international managers have been relocated to other countries across the world, more than half in Europe, where they share their skills and experience.

Employees operating outside their home country also help to foster a sense of belonging among local staff. They are effectively ambassadors promoting Société Générale's corporate culture and core values.

Integration: a major challenge

The Group is actively working to promote the cultural and professional integration of its new employees through integration seminars. In 2004, 1,093 executives from the different Group entities (including 33% from abroad) attended the integration seminar in Paris where they were given an insight into the diversity of activities, cultures and age groups that contribute to the Group's performance.

INTEGRATION SEMINAR FOR THE INTERNATIONAL RETAIL BANKING NETWORK

Launched in April 2002 for some 20 staff, in order to train rising talents at Group subsidiaries, the integration seminar is now a 3-day event, held five times a year and attended by 45 participants.

Trainees are also given the opportunity to visit Group business centers either individually or in groups (France Networks and Corporate Departments). In 2004, a total of 144 employees took part in these initiatives.



The seminar provides a platform for dialogue between managers and employees, and encourages staff to develop their own network of contacts. It is frequently supplemented with "open days" organized by the different business divisions. SG CIB, for example, held events for 320 staff, including 50 from abroad, while the Retail Banking and Financial Services division held an integration day for nearly 580 managers (44% female).

Mutual ambitions

Société Générale actively seeks to impart the Group's strategy, objectives and core values to its managerial staff. Each year it organizes a one-day "managers' conference" for up to 2,000 executive staff, and at the end of 2004, the General Management also held a conference for 235 managers, including 45 women and 42 foreign managers, reflecting the diversity of the Group.

Implicating staff in the performance and results of their Company

Employees are entitled to variable remuneration in the form of share ownership and profit sharing schemes, which are tied to the overall level of Group results. Under the Société Générale scheme, the total profits to be shared are calculated as a percentage of the gross operating income for the period, weighted according to the change in activity indexes. Employees then receive a share of this profit which is proportional to their basic salary. Société Générale employees can invest their share of the profits in marketable securities under the Company Savings Plan (PEE), which offers excellent financial terms and tax benefits. They can choose from 4 mutual funds, one of which is invested in Société Générale shares. The company makes an additional contribution to the fund on behalf of employees choosing to invest. In 2004, a total of EUR 48.1 million in profits was distributed to staff, and EUR 236.7 million was invested in the Company Savings

Plan, EUR 172.3 million by employees and EUR 64.3 million by Société Générale as an additional contribution.

Competitive levels of remuneration

The Group operates in a variety of countries, markets and businesses, which each have their own standards and practices in terms of remuneration. In order to cater for this diversity, the Group is developing remuneration systems that are suited to each context, but based on a number of shared principles and practices applied in all entities:

- an attractive salary that recognizes individual and collective performance, and is tied in with overall Group results in order to increase staff motivation and commitment;
- a level of remuneration that is competitive in the economic, social, legal, fiscal and cultural context of each country and entity, and that is in line with the business plans and targets of each core business, based on regular market surveys.

2004 Global Employee Share Ownership Plan

Since 1987, Société Générale has actively encouraged staff to become shareholders, as part of a policy to tie their interests in with those of the Company. The strategy is based on the core values of professionalism, team spirit and innovation. Since 2003, the Group has broadened the scope of its capital increase reserved for employees and former employees of Société Générale France and Crédit du Nord, to cover 160 entities in 47 countries. 56% of the 97,000 eligible employees actually subscribed to the capital increase, including 68% in France (Société Générale and the French subsidiaries) and 35% abroad.

5.2 million new shares were created and EUR 302.9 million was invested (vs. EUR 292.1 million in 2003) ⁽¹⁾. More than 60,000 employees and former employees worldwide are now shareholders of Société Générale accounting for nearly 7.5% of the share capital at end-2004.

(1) Profit-sharing: EUR 59.2 million. Voluntary employee contributions: EUR 163.8 million. Additional company contribution: EUR 79.8 million.

INTEGRATION OF HANDICAPPED WORKERS

The Group currently employs 1,649 handicapped people worldwide. In France, Société Générale continues to work actively with an enterprise agency to retain and recruit disabled staff. The Group employs more than 1,000 people registered with

Cotorep* or receiving disability benefit and continues to encourage the use of *Centres d'Aide par le Travail* (centers offering tailored solutions to enable handicapped people to work) for activities such as mailing, the production of welcome packs, etc.

* Commissions Techniques d'Orientation et Reclassement Professionnel (technical commissions for career orientation).

The competitiveness of each remuneration package is determined by looking at all its constituent parts (fixed, performance-linked, individual and collective salary, medical insurance, savings, pensions, etc.);

- a regular review of each employee's remuneration to ensure it is in line with his/her qualifications, performance and the benchmark for the market.

Individual development

Personal performance appraisal and support

Société Générale's collective performance is strongly dependent on its ability to develop the individual skills of its employees. HR has responded to this challenge by incorporating a number of key tools into its career management strategy, notably personal performance appraisals. These take the form of one-to-one evaluation meetings between the employee and his/her manager.

The Group has also decided to extend the "Performance and personal development" program which was already offered to 1,200 executive staff in 2003.

Under this system staff are given specific performance and development targets, and then monitored to assess their results. Similarly, in 2004, the Corporate and Investment Banking division introduced an online system, e-appraisal, to facilitate communications between executives, their line managers and the HR department for the preparation and monitoring of performance appraisals.

Career management: an open, dynamic and forward-looking policy

Société Générale has built its success on the skills of its employees and on their ability to adapt. As a result, it places strong emphasis on career management based on close collaboration between employees, managers and HR specialists. One of the ways in which it encourages the development of its staff is through career mobility, by offering opportunities for transfers to other geographical locations, functions or Group entities. This strategy enables employees to maintain and

enhance their skills, adding to their own professional development while at the same time contributing to the collective performance of the Company. Career mobility also encourages the integration of new employees and entities, helping to build a strong sense of internal cohesion. In view of the diverse profiles of the Group's employees, businesses and entities, staff mobility takes a number of different forms and the policy is only implemented if it is appropriate for both the company and the employee. More than 5,200 Société Générale employees changed jobs in 2004.

The Group is also extending the use of career committees for executive staff, notably in newly acquired entities. These committees comprise both managerial and HR staff, and have a twofold function:

- they meet to discuss the skills, performance, desires and potential of each employee, in order to define an appropriate career path, notably for staff with strong potential;
- they identify potential succes-

sors for key managerial staff, and identify the strengths and weaknesses of each entity in terms of human resources, thus helping to control its operational risks.

In 2003, the Group began setting up a branch HR system to cover specialized support functions such as IT, finance, risk and HR. In 2004, it backed this up with the creation of cross-disciplinary career committees, specific skill development initiatives and new methods and tools.

One of the key objectives for 2005 is to reinforce this strategy and define relevant career paths.

Developing the skills of employees

Société Générale has a strong tradition of investing in employee training. The annual training budget for France alone amounts to over EUR 50 million. In 2004, two thirds of the total workforce, or over 61,300 employees (of which 54% were female) took at least one course, representing a total of 2.1 million hours.

Since 2004, Société Générale employees in France have been able to access a list of training





courses directly through the HR Self Service intranet application. The Group also encourages internal promotion in recognition of the additional skills acquired by employees and any changes in their responsibilities.

Nearly 4,000 Société Générale staff in France changed grade ⁽¹⁾ in 2004, representing more than 10% of the workforce.

The Group also offers employees the chance to enroll on in-house training courses, *Cursus des Techniciens de la Banque TMB et Cadres*, in order to advance their careers.

- In 2004, 202 candidates registered for the *Cursus TMB*, including 107 female staff. 97% of these candidates were French Network employees.

- The *Cursus Cadres* is a 2-year in-house course comprising a preparatory phase, during which the candidate completes an assignment, and a training phase consisting of 3 modules: sales and profitability, team and project management, and risk analysis.

(1) Classification specified in the collective bargaining agreement for the banking industry.

Out of the 235 employees who registered for the course in 2004 (including 127 female staff), 38% passed, receiving a qualification that entitles them to apply for a managerial position.

For its managerial staff, the Group has implemented a cross-disciplinary training program entitled "Build on diversity", and various courses for different managerial grades.

In France, 1,700 employees have attended at least one of the 26 managerial development programs.

The Group is also starting to introduce individual coaching for managerial staff. This approach encourages participants to become more self-reliant and assume greater responsibilities, within a strict framework of compliance.

Training the next generation of managers

More than 110 employees attended the "Future Senior Managers" program. Introduced in 2002, the program assesses individual management practices and identifies areas for improve-

ment. The Group offers career development and training programs specifically for this purpose. The program is also designed to meet collective needs, such as change management – in the latest session in Prague, the Group focused on the case of Komerční Banka as a successful example of change management in the context of a merger.

Taking on board changes in the expectations of our staff, beyond the requirements of an "employer/employee" contractual relationship

In 2004, as every year, Société Générale carried out a social environment survey of 1,400 employees in France, with the help of a specialist external company to ensure confidentiality. The Group uses the main findings to make appropriate changes to its social policies.

Fostering social dialogue

The Group is working to promote effective social dialogue. It signed some 100 agreements in 2004, including 15 agreements or

Paid leave: innovative measures

—
In March, Société Générale signed an amendment to its 35-hour working week agreement to simplify the management of paid leave. The periods when annual leave is acquired and can be taken have been aligned with the calendar year, as for RTT days (extra days off under the 35-hour working week).

The amendment also makes the "Time Saving Account" (CET) more flexible so that days can be used as holiday, exchanged for pay or used to work part-time. Moreover, the Company grants additional leave for those using their CET to work for a good cause (for a charity or association).

SIDA ENTREPRISES IN CAMEROON

In 2003, Société Générale's African subsidiaries joined the association SIDA ENTREPRISES. The subsidiary in Cameroon has signed an agreement with the *Comité de lutte contre le SIDA* to raise funds and encourage the participation of the private sector in the fight against AIDS.

An AIDS communication program has also been organized in conjunction with a specialized NGO.

The subsidiary has a team of health education instructors who run awareness and information meetings for employees and conduct regular screening programs. Staff take part on a voluntary basis, and all costs are borne by the subsidiary (brochures, training, education, human resources, etc.).

amendments in France covering issues such as remuneration, employee access to the intranet and e-mail, and the life assurance and complementary pension schemes.

Targeted social communication

Staff throughout the Group are kept regularly informed of any developments within Société Générale or HR issues that affect them directly. For example, Société Générale and its subsidiary, Crédit du Nord, have provided detailed information on the impact of the pensions reform (Fillon law of August 2003), and issue updates as new regulations are published. Similarly, the Czech subsidiary, Komerční Banka, has organized an advertising campaign to inform its employees of the new options for the pension fund.

Providing adequate social protection

One of the main priorities of Société Générale's HR policy is the provision of social protection for all Group employees.

Staff are provided with adequate health and invalidity cover, which in many countries ⁽¹⁾ goes beyond the requirements of local legislation. In most cases ⁽²⁾, the Group's pension systems offer greater long-term advantages for employees than those recommended or imposed locally.

The number of accidents in the workplace fell to 444 for the entire Group. Accident prevention programs have been implemented in most western countries, comprising regular health checks and flu vaccinations.

In the United Kingdom, employee health insurance benefits have been increased for long-term sickness.

In African countries with a high risk of epidemic, the Group's subsidiaries actively participate in vaccination campaigns to contain serious diseases such as meningitis, yellow fever and tuberculosis. In poorer countries such as Benin, Brazil, Cameroon, Chad, Côte d'Ivoire, Ghana, Madagascar, Morocco and Senegal, the Group provides a fixed bonus to employees with children at school in order to foster eco-

nomie development through improved education.

Providing the resources to deal with high-risk situations

Since 2003, the Group has implemented specific teams and resources to ensure the continuity of its business activity in the event of a major incident (see Business Continuity Plan on page 51). The primary aim of this policy is to improve staff security, notably in high-risk situations. Various measures have been developed and adapted to local conditions. For example, employees can call toll-free telephone numbers to obtain direct information on any exceptional events that affect their activity. During the political and social unrest in Côte d'Ivoire at end-2004, the Group took appropriate measures to protect its expatriate and local employees.

In addition, emergency measures are also in place to deal with specific health risks such as SARS or avian flu.

(1) 65 countries or 83%.

(2) 52 countries or 67%.

THE MOROCCAN EXAMPLE

Société Générale Marocaine de Banques has installed a customized internal promotion system, based on the French model, which allows employees to follow a training course and sit exams that will ultimately entitle them to assume managerial responsibilities. On average, 100 employees register for this 2-year course each year.

BREAKDOWN OF MANAGERIAL TRAINING BY SUBJECT

