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## COMPLIANCE RISK, LITIGATION

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### IN BRIEF

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Compliance means acting in accordance with the obligations applicable to the Group's activities, ranging from laws and regulations to professional, ethical and internal standards and principles.

By ensuring that these provisions are observed, the Group works to protect its employees, customers and all stakeholders. Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity in their daily tasks.

The Group relies on a recently restructured, clear organisation to ensure the compliance system is both respected and consistent.

Compliance risk is considered an extra-financial risk, in keeping with the Group's risk taxonomy.

Acting in compliance means understanding and observing the external and internal rules that govern our banking and financial activities. These rules aim to ensure a transparent and balanced relationship between the Bank and all of its stakeholders. Compliance is the cornerstone of trust between the Bank, its customers, its supervisors and its staff.

Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity on a daily basis. The rules must be clearly expressed, and staff have been informed and/or trained to understand them properly.

The compliance risk prevention system is based on shared responsibility between the operational entities and the Group Compliance Department:

- the operational entities (BU/SUs) must incorporate into their daily activities' compliance with laws and regulations, the rules of professional best practice and the Group's internal rules;
- the Compliance Department manages the Group's compliance risk prevention system. It ensures the system's consistency and efficiency, while also developing appropriate relationships – alongside the General Secretary – with bank supervisors and regulators. This independent department reports directly to General Management.

To support the businesses and supervise the system, the Compliance Department is organised into:

- **Standards and Consolidation teams** responsible for defining the normative system and oversight guidelines, consolidating them at Group level, as well as defining the target operational model for each compliance risk;

- **Departmental/business compliance teams** which are aligned across the Group's major business lines (Corporate and Investment Bank, French Retail Banking, International Retail Banking, Private Banking and Corporate Divisions), responsible for the relationship with BU/SUs, including deal flow, advisory, and risk oversight of BU/SUs;

- teams responsible for cross-business functions, including second-level controls.

The Compliance Department is organised into three main compliance risk categories:

- financial security: know your client (KYC) processes; the observance of international sanctions and embargo rules, and anti-money laundering and counter-terrorism financing rules, including issuing declarations of suspicion to the relevant authorities where applicable;
- regulatory risks, which cover in particular: customer protection, anti-bribery and corruption, ethics and conduct, compliance with tax transparency regulations (based on knowledge of the customers' tax profile), compliance with corporate social responsibility regulations and Group commitments, market integrity, compliance with prudential regulations in collaboration with the Risk Division, joint coordination with HRCO of the Group's Culture & Conduct issues (Conduct in particular);
- data protection, including personal data, in particular those of customers.

Financial crime risks			Regulatory risks					Data protection & digital	
know your clients	Anti-Money Laundering & Counter Terrorism Financing	Sanctions & Embargoes	Client Protection	Market Integrity	Tax Transparency	Anti-Corruption & Bribery, Ethics & Conduct	Corporate Social Responsibility	Prudential risks	RGPD, Storage

Compliance has set up an extensive compulsory training programme for each of these risk categories, designed to raise awareness of compliance risks among all or some employees. The training has been completed by high-level employees within the Group.

In addition to its LoD2 function with regard to the aforementioned risks, Compliance oversees the regulatory system for all regulations applicable to credit institutions, including those implemented by other departments, such as prudential regulations.

## 13.1 COMPLIANCE

### Financial security

#### KNOW YOUR CLIENT (KYC)

At the end of 2022, the Group concluded an extensive programme launched in 2018 to rework its KYC functions in order to boost their operational efficiency (*via* the simplification of standards, greater pooling of resources, optimisation of tools and processes) and to improve the client experience. Placed under the responsibility of the Compliance Department, this programme has made it possible to redefine a standardised normative framework country by country in terms of KYC due diligence, to develop new client rating models, and to launch an industrialised system for the screening and processing of negative client news. This allowed the anti-corruption system to be upgraded in line with the requirements of the French anti-bribery agency.

#### ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

The Group has transposed all the measures linked to Directive (EU) 2015/849 on anti-money laundering and counter-terrorism financing (referred to as “the 5th Anti-Money Laundering Directive”), as well as European Regulation 2015/847 on the quality of payment information and the Order of 6 January 2021 on the system and internal controls to fight money laundering and terrorism financing.

The system for the detection of suspicious or unusual transactions continued to be strengthened in 2022 with the roll-out of more sophisticated monitoring tools, the optimisation of scenarios used and the launch of initiatives to switch to new-generation monitoring tools, with priority given to International Retail Banking and Boursorama.

#### FINANCIAL EMBARGOES AND SANCTIONS

In 2022, the Embargoes/Sanctions teams were hit with the impact of the Russian crisis, in particular the increase in and complexity of the sanction regimes defined by the various jurisdictions (European Union, United States, United Kingdom, etc.) in the first months of the Ukraine war and the disposal of our subsidiary Rosbank.

Societe Generale was able to effectively react to this crisis thanks to the strengthening in recent years of its embargoes/sanctions risk management system, and the exceptional recruitment of additional employees to manage the sharp rise in alerts.

Despite the significant increase in workload for all teams, managing the Russian crisis did not affect the completion of upgrades to the system following agreements entered into with the US authorities in 2018. In accordance with the dismissal of the Deferred Prosecution Agreement, announced in December 2021, the La Fayette programme was officially closed on 1 August 2022. Nevertheless, Societe Generale is still regularly reviewed by an independent consultant appointed by the FED.

### Regulatory compliance risk

#### CUSTOMER PROTECTION

Customer protection is a major challenge for the Societe Generale Group, which is committed to respecting and protecting the interests of its customers.

The prevention of financial vulnerability (early detection), banking inclusion (the right to hold an account) and the removal of insurance taken out on a real estate loan are still priorities. These measures were supplemented by the application of the recent Lemoine law, which stipulates that any request to replace a contract must be processed within 10 days.

Information provided to customers was strengthened with new rules on ESG (Environmental and Social Governance) labelling and designations.

The Group continues to implement significant measures to improve its system in terms of:

- strengthening internal rules regarding key aspects of customer protection (marketing rules – especially in terms of sustainable investment, cross-border sales, customer claims, conflicts of interest, product governance, protection of customers’ assets, along with compensation and qualification of employees);
- specific training and increased staff awareness; the importance the Group places on this issue is largely addressed in the Group’s Code of Conduct;
- adapting as a matter of necessity existing tools to new regulatory requirements, in particular the Shareholder Rights Directive II (SRD2), applicable as of 2021.

#### Customer claims

Processing a claim is a commercial act that impacts customer satisfaction. Accordingly, it has received much coverage in the Code of Conduct.

The “Customer claim processing” Group instruction incorporates the recommendations of the national supervisor (French Prudential Supervisory and Resolution Authority – ACPR) and the regulatory requirements (MIF2, DDA and DSP – the Payment Services Directive) relative to the strengthening of customer protection measures at European level. The Bank’s businesses have an *ad hoc* governance, an organisation, human resources and applications, formalised procedures, and quantitative and qualitative monitoring indicators.

Independent mediation supplements this internal system. Mediation, a measure aimed at amicable settlement, is brought to customers’ awareness on multiple information media, in particular through a permanent notice on the back of bank account statements. Every entity involved is obliged to comply with the independent mediator’s decision.

#### Conflicts of interest

The Group has a clear normative framework in place to prevent and manage conflicts of interest. This framework specifies the principles and mechanisms that have been implemented. This robust system covers three categories of potential conflicts of interest: those that may arise between the Group and its customers or between the Group’s customers; those occurring between the Group and its employees (particularly in relation to activities involving an employee’s personal interest and/or their professional obligations); and, lastly, those arising between the Group and its suppliers. The system has been supplemented by the annual reporting of conflicts of interest (*Déclaration des Conflits d’intérêts* – DACI) regarding people most exposed to the risks of corruption.

### Product governance

Systematic reviews ahead of and during the marketing process ensure compliance with product governance obligations. As product originator, Societe Generale sets up Product Review Committees to ensure the target market has been defined correctly and, if not, to adjust it accordingly. As distributor, Societe Generale checks that the criteria match the customers' situation and communicates with product originators to track products during their life cycle. Societe Generale's investment services policy includes new offers in terms of sustainable finance, the supervision of crypto-assets, and detailed notes on the target markets of the main instruments produced or distributed by each business.

### Vulnerable customers

Societe Generale has established practices and usages to comply with legislation vis-à-vis vulnerable customers, in particular customers benefiting from the offer tailored to financially vulnerable customers. To contribute to the national effort to boost the purchasing power of French citizens in challenging financial circumstances, the Group has added to its practices by introducing additional measures in 2019, notably: i) freezing bank fees; ii) capping bank intervention fees for vulnerable clients; and iii) organising follow-up and support suited to the situation of customers experiencing difficulties in the wake of recent events. These measures are closely monitored and covered in action plans aimed at identifying financially vulnerable customers.

### MARKET INTEGRITY

The market integrity laws and regulations adopted in recent years have been included in a robust risk hedging system implemented in the Societe Generale Group.

The rules of conduct, the organisational principles and the oversight and control measures are in place and regularly assessed. Moreover, extensive training and awareness-raising programmes are provided to all Group employees.

This system was strengthened in 2022 to keep pace with regulatory developments, in particular:

- to address the escalation in regulatory requirements regarding transaction reporting;
- regarding derivatives, which is an area subject to regulatory changes; combined with business and technological developments, they require constant updates and adjustments to the compliance management system;
- by continuing the IBOR transition to adopt Risk-Free Rates after an important milestone was achieved at the end of 2021 with the discontinuation of LIBOR in EUR, GBP, JPY and CHF.

### TAX TRANSPARENCY AND EVASION

Societe Generale Group's principles on combating tax evasion are governed by the Tax Code of Conduct. The Code is updated periodically and approved by the Board of Directors after review by the Executive Committee. It is publicly available via the Bank's institutional investor portal ([https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/tax\\_code\\_of\\_conduct\\_of\\_societe\\_generale\\_group\\_uk.pdf](https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/tax_code_of_conduct_of_societe_generale_group_uk.pdf)).

The five main principles of the Code of Conduct are as follows:

- Societe Generale ensures compliance with the tax rules applicable to its business in all countries where the Group operates, in accordance with international conventions and national laws;

- in its customer relationships, Societe Generale ensures that customers are informed of their tax obligations relating to transactions carried out with the Group, and the Group complies with the reporting obligations that apply to it as bookkeeper or in any other way;
- in its relations with the tax authorities, Societe Generale is committed to strictly respecting tax procedures and ensures that it maintains open and transparent relations to uphold its reputation;
- Societe Generale does not encourage or promote tax evasion for itself, its subsidiaries or its customers;
- Societe Generale has a tax policy in line with its strategy of sustainable profitability and refrains from any operation, whether for its own account or for its customers, whose main purpose or effect is tax motivated, unless this is consistent with the intention of the legislation.

The Tax Department annually presents to the Risk Committee or the Board of Directors the Group's tax policy, including the procedures and systems in place within the Group to ensure that new products and new establishments comply with the Group's tax principles.

The Group is committed to a strict policy with regard to tax havens. No Group entity is authorised in a state or territory on the official French list of ETNCs (*États et territoires non coopératifs* in French)<sup>(1)</sup> and internal rules have been in place since 2013 to monitor an expanded list of countries or territories.

The Group adheres to the Organisation for Economic Co-operation and Development's (OECD) Transfer Pricing Guidelines and applies the principle of competitive neutrality in order to ensure that its intra-group transactions are made at arm's length conditions and do not lead to the transfer of any indirect benefits. However, local constraints may require deviations from OECD methodologies, in which case the local constraints must be documented.

The Group publishes information on its entities and activities annually on a country-by-country basis (see section 2.12 page 67 of the Universal Registration Document) and confirms that its presence in a number of countries is for commercial purposes only, and not to benefit from special tax provisions. The Group also complies with the tax transparency rules for its own account (CbCR – country-by-Country Reporting).

Societe Generale complies with client tax transparency standards. The Common Reporting Standard (CRS) enables tax authorities to be systematically informed of income received abroad by their tax residents, including where the accounts are held in asset management structures. Societe Generale also complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act), which aims to combat tax evasion involving foreign accounts or entities held by US taxpayers. The Group has implemented the European Directive DAC6, which will require the reporting of cross-border tax arrangements. Lastly, the Group is studying the new tax transparency standards on digital assets ahead of their upcoming implementation, in particular the CARF (Crypto-Asset Reporting Framework), changes to the CRS standard, and the new European directive in this regard, known as DAC8 (Directive on Administrative Cooperation 8).

Importantly, the account-keeping entities of the Private Banking business line are established exclusively in countries with the strictest tax transparency rules imposed by G20 member countries and the OECD. Assets deposited in Private Banking books are subject to enhanced scrutiny using comprehensive due diligence procedures to ensure they are tax compliant.

In accordance with regulatory requirements, Societe Generale also includes tax fraud in its anti-money laundering procedures.

(1) Including the European Union blacklist.

## ANTI-CORRUPTION MEASURES

Societe Generale is fully committed to fighting corruption and has given clear undertakings in this respect by participating in the Wolfsberg Group and the Global Compact.

The Group applies the strict principles included in its Code of Conduct and its “Anti-Corruption and Influence Peddling Code”.

Societe Generale’s anti-corruption programme is built around the following themes:

- code of conduct;
- risk mapping;
- appropriate training at all levels (senior management, exposed persons, all employees);
- control systems;
- accounting procedures;
- evaluation of third parties;
- disciplinary system;
- right to whistleblow.

Within this context, processes and tools have been strengthened since 2018 with more staff dedicated to anti-corruption practices within the Group (in particular to carry out client due diligence), the creation of monitoring indicators, and new operational checks to reduce the risk of corruption.

The Group’s anti-corruption instructions are revised and expanded every year.

The Societe Generale Group also has several tools at its disposal, such as the tool for declaring gifts and invitations (GEMS), the tool for whistleblowing management (WhistleB), the annual conflict of interest declaration tool (DACI), and the tool for selecting risky manual accounting entries (OSERIS).

Several anti-corruption training measures are implemented on a regular basis, for the benefit not only of employees, but also of persons most exposed to the risk of corruption, accounting controllers, and members of General Management and the Board of Directors.

Third-party (customers, suppliers and associations benefiting from donations or sponsorship initiatives) knowledge procedures have been strengthened.

## SUSTAINABILITY RISK

European financial regulations have seen significant changes from a social and environmental perspective, in particular with:

- the entry into force in March 2021 of Regulation (EU) 2019/2088 – SFDR on sustainability-related disclosures in the financial services sector;
- the Taxonomy Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment; and
- the entry into force in January 2022 of the Delegated Regulation of 4 June 2021 supplementing the Taxonomy Regulation.

The Compliance Department is developing the normative framework relative to the European Union regulations on sustainable investment. A dedicated programme is helping the business lines to comply with regulations and is producing deliverables pertaining to normative documentation, training, controls and supervision. An e-learning module on sustainable investment was made compulsory for more than 30,000 Group employees.

Over and above the regulations, the Group is making voluntary, public commitments in this area. To manage the implementation of the environmental and social risk management system and ensure the Group’s commitments are upheld, the Compliance Division has taken the following measures:

- developing normative controls;
- deploying e-learning on environmental and social risk management. The training was made compulsory for all employees having a direct or indirect relationship with corporate customers. Moreover, specific workshops were conducted with targeted employees in the Compliance Division to foster an understanding of and compliance with the criteria for applying voluntary commitments;
- defining an environmental and social escalation procedure with respect to corporate customers to set out the criteria requiring business lines to reach out to the Compliance Division and, where applicable, the Responsible Commitments Committee, to connect with a company or during situations likely to present a reputational risk arising from environmental or social factors.

## Data protection

### PERSONAL DATA PROTECTION

Societe Generale is especially sensitive to personal data protection.

In order to comply with the General Data Protection Regulation (GDPR), Societe Generale Group has significantly strengthened its personal data processing framework.

Across all Group entities, internal instructions and associated procedures in line with local and European regulations define the rules to apply and the measures to take to guarantee the protection and security of customer and staff data. In particular, measures to inform data subjects (customers, employees, shareholders, suppliers, etc.) and process their demands are in place so that such persons can exercise their rights, notably *via* dedicated digital platforms. A personal data security policy has been defined, which fits in with the Group’s overall security strategy, especially as regards cybersecurity. Moreover, there has been a specific effort to increase staff awareness *via* dedicated training. Accordingly, the e-learning module was revised in 2022 to be rolled out to all employees working in the relevant entities.

Societe Generale Group has appointed a Data Protection Officer (DPO) in accordance with the applicable regulations. Reporting to the Head of Group Compliance, the DPO is the main contact person for the Personal Data Protection Authority (*Commission Nationale de l’Informatique et des Libertés* – CNIL). The DPO is also responsible for ensuring sound Group compliance for personal data protection. Alongside the network of local DPOs and correspondents throughout the Group entities, the DPO assists them with security issues and personal data usage.

As part of his or her duties, the DPO regularly reviews a number of indicators, notably the number and nature of requests by persons seeking to exercise their rights under GDPR, the internal training completion rate, and the local DPO certification programme.



## DATA RECORDS MANAGEMENT

Societe Generale Group is required to archive information that could provide evidence of its activities, in accordance with the laws and regulations applicable in its countries of operation.

Data Records Management (DRM) is defined as all actions, tools and methods aimed at identifying, storing, retrieving and destroying or permanently preserving all information providing evidence of its activities. It ensures the traceability of the Group's activities by preserving records held in compliance with the legal, regulatory, contractual and business rules applicable to the relevant activities, and by destroying them at the end of their retention period, except in specific cases (pre-litigation or litigation retention procedures, for example).

Three DRM principles must be observed and implemented in a proportionate manner for all archived records: integrity, traceability and access.

DRM governance is covered by a specific Group-wide policy.

It is being rolled out gradually as part of a dedicated programme, under the responsibility of the Human Resources, Compliance and Legal Departments, and relies on a network of DRM correspondents.

## Other regulatory risks

### MANAGEMENT OF REPUTATIONAL RISK

It is coordinated by the Compliance Department, which:

- supports the Compliance Control Officers of the businesses in their strategy for preventing, identifying, assessing and controlling reputational risk;
- develops a reputational risk dashboard that is communicated quarterly to the Risk Committee of the Board of Directors, based on information from the businesses/Business Units and support functions/Service Units (in particular the Human Resources, Communications, Legal, Corporate Social Responsibility and Data Protection Departments).

Moreover, Chief Compliance Officers dedicated to Business Units take part in the various bodies (New Product Committees, *ad hoc* Committees, etc.) organised to approve new types of transactions, products, projects or customers, and formulate a written opinion as to their assessment of the level of risk of the planned initiative, and notably the reputational risk.

## CORPORATE COMPLIANCE

In addition to its second-line-of-defence function with regard to the aforementioned risks, the Compliance Department has continued to strengthen the supervision of the Group's regulatory system in coordination with the Risk, Finance and Legal Departments. This oversight relies on the corporate compliance framework, which aims to ensure the Group's compliance with all banking and finance regulations, including those implemented by other departments (control functions or independent expert functions) in areas where Compliance has no dedicated expertise.

Furthermore, the process for reporting prudential non-compliance incidents was strengthened in 2022 with the creation of a new category in the Group's taxonomy, dedicated to prudential regulations and incorporated into the scope of the Compliance Incident Committees.

## COMPLIANCE REMEDIATION PLAN IN THE WAKE OF AGREEMENTS ENTERED INTO WITH FRENCH AND US AUTHORITIES.

In June 2018, Societe Generale entered into agreements with the US Department of Justice (DOJ) and the US Commodity Futures Trading Commission (CFTC) to resolve their investigations into IBOR submissions, and with the DOJ and the French Financial Prosecutions Department (*Parquet National Financier* – PNF) to resolve their investigations into certain transactions involving Libyan counterparties.

In November 2018, Societe Generale entered into agreements with the US authorities to resolve their investigations into certain US dollar transactions involving countries, persons or entities subject to US economic sanctions.

As part of these agreements, the Bank committed to enhance its compliance system in order to prevent and detect any violation of anti-corruption and bribery, market manipulation and US economic sanction regulations, and any violation of New York state laws. The Bank also committed to enhance corporate oversight of its economic sanction's compliance programme.

Moreover, the Bank agreed with the US Federal Reserve to hire an independent consultant to assess the Bank's progress on the implementation of measures to strengthen its compliance programme with respect to sanctions and embargoes.

To meet the commitments made by Societe Generale as part of these agreements, the Bank developed a programme to implement these commitments and strengthen its compliance system in the relevant areas, which was officially concluded on 1 August 2022.

On 30 November and 2 December 2021, the US federal court confirmed the termination of legal proceedings by the DOJ, which confirmed that Societe Generale complied with obligations relating to the deferred prosecution agreements (DPA) of June and November 2018. In December 2020, the PNF resolved proceedings against Societe Generale and acknowledged that Societe Generale had fulfilled its obligations with respect to the public interest judicial convention.

## UNITED STATES COMPLIANCE REMEDIATION PLAN

On 19 November 2018, Societe Generale Group and its New York branch (SGNY) entered into an agreement (enforcement action) with the NY State Department of Financial Services regarding the SGNY anti-money laundering compliance programme. This agreement requires (i) submitting an enhanced anti-money laundering programme, (ii) an anti-money laundering governance plan, and (iii) the performance of an external audit in 2020.

As background information, on 14 December 2017, Societe Generale and SGNY on the one hand, and the Board of Governors of the Federal Reserve on the other hand, agreed to a Cease-and-Desist order (the "Order") regarding the SGNY compliance programme to adhere to the Bank Secrecy Act ("BSA") and its anti-money laundering ("AML") obligations (the "Anti-Money Laundering Compliance Program"), and regarding some aspects of its know your client (KYC) programme.

This Cease-and-Desist Order signed on 14 December 2017 with the US Federal Reserve supersedes the Written Agreement entered into in 2009 between Societe Generale Group and SGNY on the one hand, and the US Federal Reserve and the New York State Financial Services Department on the other.

On 17 December 2019, Societe Generale SA and SGNYS signed an agreement with the Federal Reserve Bank of New York (FRB) regarding compliance risk management. This agreement included the submission and approval by the FRB, followed by the implementation, of (i) an action plan to strengthen supervision by the US Risk Committee of the compliance risk management programme, (ii) an

action plan to improve the compliance risk management programme in the US, and (iii) revisions of the internal audit programme concerning compliance risk management audits in the US.

At the end of 2022, Societe Generale had made considerable progress in the delivery of remedial actions.

## 13.2 LITIGATION

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The information pertaining to risks and litigation is included in Note 9 to the consolidated financial statements, page 552 of the Universal Registration Document.

