

# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

**PRESENTED TO THE GENERAL MEETING OF SHAREHOLDERS OF 20 MAY 2015 ON THE PREPARATION AND ORGANISATION OF THE BOARD'S WORK AND INTERNAL CONTROL PROCEDURES AS REQUIRED BY THE "FRENCH FINANCIAL SECURITY ACT" 2003-706 OF 1 AUGUST 2003 AS AMENDED (FRENCH COMMERCIAL CODE, ARTICLE L. 225-37; FRENCH MONETARY AND FINANCIAL CODE, ARTICLE L. 621-18-3).**

Financial year 2014

Dear Shareholders,

In addition to the management report, I am pleased to present my report on the preparation and organisation of the Board's work and on Crédit Agricole S.A.'s internal control and risk management procedures, particularly as they apply to financial and accounting information.

For Crédit Agricole Group, the reporting duty of the Chairman of the Board of Directors as required by the French Financial Security Act includes Crédit Agricole S.A. and all the Regional Banks having issued cooperative investment certificates, as well the Group's main subsidiaries, whether or not they issue publicly traded financial instruments, or as required to comply with good internal control practice.

Consequently, Crédit Agricole S.A. has a uniform vision of the operation of the Group's decision-making bodies and additional information on these entities' internal control procedures, which supplements information gathered from internal reporting.

This report has been completed under my authority, primarily in coordination with the Heads of Group General Inspection, of the Secretary of the Board of Directors, of Compliance, and of Group Risk Management and Permanent Controls, based on existing documentation on internal control and on risk management and oversight within the Group. This report was submitted to the Crédit Agricole S.A. Audit and Risks Committee on 12 February 2015 and was approved by the Board of Directors at its meeting of 17 February 2015.

## PREPARATION AND ORGANISATION OF THE BOARD'S WORK

### 1. Board of Directors

#### General presentation

At its meeting of 13 November 2008, Crédit Agricole S.A.'s Board of Directors decided, pursuant to the Act of 3 July 2008, that the AFEP/MEDEF Code of Corporate Governance for Listed Companies would be Crédit Agricole S.A.'s Code of Reference for the preparation of the report stipulated in Article L. 225-37 of the French Commercial Code.

Today, Crédit Agricole S.A. refers to the Code of Corporate Governance for Listed Companies, as revised in June 2013 (the "AFEP/MEDEF Code"). Crédit Agricole S.A. does not comply - or does not comply in full - with certain recommendations of the AFEP/MEDEF Code, as set out in the table in paragraph 5 below.

Crédit Agricole S.A.'s Board of Directors comprises 21 Directors, as follows:

■ **18 Directors elected by the General Meeting of Shareholders:**

- 10 Directors who are the Chairmen or Chief Executive Officers of Crédit Agricole's Regional Banks,
- 1 Director that is a legal entity, SAS Rue La Boétie, represented by a Regional Bank Chairman who is also Chairman of SAS Rue La Boétie,

- 6 Directors from outside Crédit Agricole Group,
- 1 Director who is an employee of a Regional Bank;

- **one Director representing professional farming associations** appointed, by joint decree of the Ministry of Finance and the Ministry of Agriculture, pursuant to the Act of 18 January 1988 on the mutualisation of Caisse Nationale de Crédit Agricole, which became Crédit Agricole S.A. on 29 November 2001;
- **two Directors elected by the employees of Crédit Agricole S.A. Group.**

The Board of Directors has also appointed two non-voting Directors, a Chairman and a Chief Executive Officer of a Crédit Agricole Regional Bank.

Crédit Agricole S.A. Directors, Chairmen or Chief Executive Officers of Crédit Agricole Regional Banks have the status of Directors of banking institutions.

Under the terms of the agreement entered into by the Regional Banks and Crédit Agricole S.A. at the time of the initial public offering, the Regional Banks, through SAS Rue La Boétie, own the majority of the share capital (56.46% at the end of 2014) and voting rights (56.57% at the same date) in Crédit Agricole S.A., making it immune to take over bids. The composition of the Board of Directors also ensures a majority representation of the Regional Banks.

In addition, three seats on the Board are reserved for employees. The election of Directors by employees goes back to 1984, when

the *Caisse Nationale de Crédit Agricole* (CNCA) was a public body (Decree of 17 July 1984 applying the Act of 26 July 1983 on public-sector democratisation to the CNCA). As of CNCA's initial public offering, at which point it became Crédit Agricole S.A., Crédit Agricole Group decided:

- firstly, to keep two seats (one executive and one non-executive) for Directors elected by the employees of the "Crédit Agricole S.A. Union Économique et Sociale" in accordance with the provisions of Articles L. 225-27 to L. 225-34 of the French Commercial Code;
- secondly, to set aside one of the seats for Directors elected by the General Meeting of Shareholders for a representative of Regional Bank employees. The candidate is chosen, under the auspices of the *Fédération Nationale du Crédit Agricole*, from the most representative union within the Regional Banks.

Without taking into account the three Directors representing employees (in accordance with the recommendation of the AFEP/MEDEF Code), 33% of the Directors on the Board of Directors are independent, in line with the recommendation of the aforementioned Code for companies controlled by a majority shareholder.

Three Directors have **international experience**, mainly at European level:

- Monica Mondardini, who is Italian (Italy being Crédit Agricole's second domestic market), has worked in publishing and insurance in Spain and Italy; in 2013, she was appointed Deputy Director of *Compagnie Industrielle Réunie*, an Italian industrial group with interests primarily in energy, publishing and automotive construction. Monica Mondardini is the only foreign Director of Crédit Agricole S.A.;
- Françoise Gri, through her work within large international groups: Director of marketing operations at IBM Europe, Middle East, Africa, then Chairwoman of IBM France; Chairwoman of ManpowerGroup France and Southern Europe; Chief Executive Officer of the Pierre & Vacances-Center Parcs group;
- Christian Streiff, who has broad industrial and international experience through his past and current positions at major groups: Saint-Gobain, Airbus, PSA Peugeot Citroën, ThyssenKrupp (Germany) and Finmeccanica (Italy); In 2013, Christian Streiff was appointed Vice Chairman of the Safran group.

The composition of the Board reflects the **variety** of the Group's activities, the multiplicity of its locations, particularly regional, and the diversity of its stakeholders (customers, mutual shareholders, shareholders and employees). The profile of each Director contributes to the Board's collective diversity in terms of professional experience, culture, training and gender distribution.

The process for assessing the independence of Crédit Agricole S.A. Directors is implemented under the auspices of the Appointments and Governance Committee. On the recommendation of the Committee, during its meeting on 17 February 2015, the Board thus conducted its annual review of the **situation of each Director with regard to the six criteria of independence** defined in the AFEP/MEDEF Code of Corporate Governance for Listed Companies.

1. is not an employee or Executive Corporate Officer of the Company, or employee or Director of the parent company or of a company which the Company consolidates, and has not been within the last five years;
2. is not an Executive Corporate Officer of a company in which the Company, directly or indirectly, acts as a Director or in which an employee designated as such or an Executive

Corporate Officer of the Company (currently or in the last five years) is a Director;

3. is not a client, supplier, corporate banker or investment banker:
  - who plays a significant role in the Company or its Group,
  - or for whom the Company or its Group represents a significant proportion of his/her business;
4. has no close family tie with a Corporate Officer;
5. has not been an auditor of the Company in the last five years;
6. has not been a Director for more than 12 years.

The Board noted that the representatives of the Regional Banks sitting on the Board of Directors of Crédit Agricole S.A. (Chairmen or Chief Executive Officers) could not be deemed to be independent Directors on the basis of the above criteria, as the Crédit Agricole Regional Banks are equity-accounted by Crédit Agricole S.A. This also applies to the Director representing the Regional Bank employees and the two Directors representing Crédit Agricole S.A. Group employees on the Board.

With respect to the Regional Bank Chairmen who sit on the Crédit Agricole S.A. Board, the Board noted that they are not employees of the Regional Banks and that they legitimately hold this office by election, in accordance with the Regional Banks' cooperative status.

The position of the three Directors from outside the Group (Ms Catoire, Ms Gri and Mr Streiff) was examined with respect to the third criterion, given that the companies or groups in which they hold or have held positions in 2014 (the Saur group in the first half and Métalor from October 2014 for Ms Catoire; the Pierre & Vacances-Center Parcs group for Ms Gri; and the Safran group for Mr Streiff) have business dealings with Crédit Agricole. Their situation was examined based on a data sheet drawn up by the Group Risk Management and Permanent Controls department analysing the business dealings between the relevant company or group and one or more Crédit Agricole Group entities (commitment amount and type; Crédit Agricole's share of overall bank debt; relevant Group entity; financial position of the company or group). It should be noted that Crédit Agricole S.A. is not directly involved in the business dealings referred to in the Code's recommendations but through subsidiaries or Regional Banks of Crédit Agricole.

Based on this analysis, the Board, on the recommendation of the Appointments and Governance Committee, considered that the Group's commitments are not sufficiently significant to represent a situation of dependence with regard to these three Directors and Crédit Agricole.

The Board also determined that the outside Director who chairs the Audit and Risks Committee should be deemed to be an independent Director, even though he also sits on the Boards of LCL and Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB), and is a non-voting Director on the Board of Amundi Group. This situation arose from Crédit Agricole S.A.'s decision to assign to the Chairman of its Audit and Risks Committee special responsibilities *vis-à-vis* the Audit and Risks Committees of the main subsidiaries (chair of the Audit and Risks Committee of LCL and the Audit and Risks Committee of Crédit Agricole CIB, and member of the Audit and Risks Committee of Amundi Group), in order to ensure continuity in his mission.

After reviewing their situation with respect to the AFEP/MEDEF criteria, the Board concluded that the other two Directors from outside the Group (Ms Dors and Ms Mondardini) could be deemed to be independent.

Overall, the Board concluded that the existing *modus operandi* enables the Board and its Committees to fulfil their duties with the required effectiveness, objectivity and independence, particularly with respect to preventing potential conflicts of interest and to the equitable consideration of all shareholders' interests. The following

table illustrates the position of each Director with regard to the aforementioned six criteria (a cross means that the criterion is not met; failure to satisfy any criterion is enough to classify a Director as not independent; Directors deemed independent are shaded in grey in the table):

Directors/AFEP/MEDEF independence criteria	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6
<b>Jean-Marie Sander</b> Chairman of the Board of Directors Chairman of the Caisse régionale Alsace Vosges	X					
Representative of SAS Rue La Boétie <b>Dominique Lefèbvre</b> Deputy Chairman of the Board of Directors Chairman of the Caisse régionale Val de France Chairman of FNCA (Fédération Nationale du Crédit Agricole) and SAS Rue La Boétie	X					
<b>Philippe Brassac</b> Deputy Chairman of the Board of Directors Chief Executive Officer of the Caisse régionale Provence Côte d'Azur Secretary General of FNCA Deputy Chairman of SAS Rue La Boétie	X					
<b>Pascale Berger</b> Representative of Regional Bank employees	X					
<b>Caroline Catoire</b> Chief Financial Officer of Métalor						
<b>Pascal Célérier</b> Chief Executive Officer of the Caisse régionale de Paris et d'Île-de-France	X					
<b>Jean-Louis Delorme</b> Chairman of the Caisse régionale de Franche-Comté	X					
<b>Laurence Dors</b> Senior Partner, Anthenor Partners Independent Corporate Director						
<b>Daniel Epron</b> Chairman of the Caisse régionale de Normandie	X					
<b>Véronique Flachaire</b> Chief Executive Officer of the Caisse régionale du Languedoc	X					
<b>Jean-Pierre Gaillard</b> Chairman of the Caisse régionale Sud Rhône Alpes	X					
<b>Françoise Gri</b> Corporate Director						
<b>Monica Mondardini</b> Deputy Director of CIR S.p.A. Deputy Director of Gruppo Editoriale l'Espresso						
<b>Gérard Ouvrier-Buffer</b> Chief Executive Officer of the Caisse régionale Loire Haute-Loire	X					
<b>Marc Pouzet<sup>(1)</sup></b> Chairman of the Caisse régionale Alpes Provence	X					
<b>Jean-Louis Roveyaz</b> Chairman of the Caisse régionale de l'Anjou et du Maine	X					
<b>Christian Streiff</b> Deputy Chairman of the Safran group						
<b>François Veverka</b> Banking and Finance Consultant (BanqueFinance Associés)						
Representative of the professional farming associations: <b>Xavier Beulin</b> Chairman of the FNSEA (Fédération nationale des syndicats d'exploitants agricoles)	X	X	X			
Representatives of the employees of the Crédit Agricole S.A. <i>Union Économique et Sociale:</i> <b>François Heyman</b> Research and communication campaigns officer Group Communication division	X					
<b>Christian Moeza</b> IT resource manager at SILCA	X					

(1) Mr Pouzet stood down from his duties as Director in January 2015. The table above shows his position for 2014.

As at end-2014, three of the Board's four Specialised Committees are chaired by independent Directors: these are the Audit and Risks Committee, the Compensation Committee, the Appointments and Governance Committee, with the Compensation Committee having a majority of independent Directors, in accordance with the provisions of the AFEP/MEDEF Code. The memberships of two Specialised Committees do not comply with the recommendations of the AFEP/MEDEF Code regarding the proportion of independent Directors. These are the Audit and Risks Committee (50% rather than the recommended two thirds) and the Appointments and Governance Committee (one third rather than the recommended majority). This is due in both instances to the Company's ownership structure (presence of a majority shareholder).

In accordance with the provisions of the decree of 3 November 2014 relating to internal control of companies in the banking, payment services and investment services sector subject to oversight by the French Regulatory and Resolution Supervisory Authority (ACPR), the Board, at its meeting in December 2014, resolved to split the Audit and Risks Committee to set up a Risks Committee distinct from the Audit Committee. At its meeting of 17 February 2015, it determined the composition of the two new Committees, each comprising five members, of which three independent Directors. Crédit Agricole S.A. is therefore in compliance with the recommendation of the AFEP/MEDEF Code concerning the composition of the Audit Committee as the proportion of independent Directors on both Committees is now 60%. The Board also decided that the two Committees would be chaired by the independent Director who had previously chaired the Audit and Risks Committee, at least for the first year, to facilitate implementation.

The Chairman of the Board periodically meets with independent Directors, outside the presence of the effective executive directors.

The Board has appointed two non-voting Directors - a Chairman and a Chief Executive Officer of a Regional Bank - who attend its meetings in an advisory capacity. Non-voting Directors agree to abide by the Rules of Procedure, particularly the Directors' Code of Conduct contained in the Board's Rules of Procedure, and Directors' obligations. The decision to appoint two non-voting Directors was primarily based on the desire to maintain a geographic balance between the Regional Banks on the Board, once the majority shareholder agreed to reduce the number of Directors representing the Banks in order to bring in two additional independent Directors and, thereby, come into line with the recommendations of the AFEP/MEDEF Code as regards the proportion of independent Directors in controlled companies. Appointing representatives of Regional Banks as non-voting Directors also provides an opportunity to give them Board experience before being appointed Director.

The Board's membership changed as follows in 2014:

- the Board welcomed two new Directors, elected by the General Meeting of Shareholders of 21 May 2014, Mr Daniel Epron, Chairman of a Regional Bank, who took over from Mr Jean-Claude Rigaud, and Mr Jean-Pierre Gaillard, also Chairman of a Regional Bank, who took over from Mr Christian Talgorn.

In addition, seven natural persons were reappointed as Directors by the General Meeting of Shareholders of 21 May 2014: Ms Caroline Catoire, Ms Laurence Dors and Ms Françoise Gri, independent Directors; Mr Jean-Louis Delorme, Chairman of a Regional Bank, and Mr Gérard Ouvrier-Buffet, Chief Executive Officer of a Regional Bank; Mr Christian Streiff and Mr François Veverka, independent Directors.

At 31 December 2014, six of the Directors on the Board were women, *i.e.* 28.6% of the members. Excluding the Directors representing employees, this would be 27.8%. Crédit Agricole S.A. is therefore in compliance with the AFEP/MEDEF Code and with the provisions of the Act of 27 January 2011, which require that

at least 20% of Board members be women. When considering the renewal of Director appointments over the coming years, the Board will ensure that the 40% threshold is respected by the statutory deadline.

A Works' Council representative attends meetings of the Board of Directors, in an advisory capacity.

As a result of the changes in Board membership, it was necessary to adjust the membership of three Specialised Committees in 2014 (Audit and Risks Committee, Compensation Committee and Appointments and Governance Committee). At its meeting of 6 May 2014, the Board also appointed Mr François Heyman, Director representing the employees of the Crédit Agricole S.A. *Union Économique et Sociale* to the Compensation Committee. Crédit Agricole S.A. is therefore in compliance with the provisions of the AFEP/MEDEF Code and with the regulatory obligations under the CRD 4 directive.

As one of the Directors of Crédit Agricole S.A., Mr Marc Pouzet, advised the Board in January that he did not wish to be reappointed after his term of office ended at the General Meeting of Shareholders of 20 May 2015, the Board, at its meeting of 17 February 2015, co-opted Mr Roger Andrieu, Chairman of a Regional Bank, to take his place. This co-option and the renewal of Mr Roger Andrieu's term of office will be subject to ratification by the General Meeting of Shareholders of 20 May 2015.

The list of Directors can be found in the following section "Additional information on Corporate Officers".

The term of office of Crédit Agricole S.A. Directors as natural persons is fixed at three years by the Articles of Association. Directors may not serve for more than four consecutive terms.

The average age of Crédit Agricole S.A. Directors is 58. The Company's Articles of Association provide for a maximum age limit of 65, and 67 for the Chairman.

In accordance with the Group's practice of splitting the guidance and control functions from the executive functions, the offices of Chairman and Chief Executive Officer of Crédit Agricole S.A. have been separated.

The powers of the Chairman were formalised by the Board and he is registered, jointly with Crédit Agricole S.A.'s Chief Executive Officer, with the French Regulatory and Resolution Supervisory Authority (ACPR), as the responsible senior corporate executive in accordance with Article L. 511-13 of the French Monetary and Financial Code. Compliance with the provisions of the decree of 3 November 2014 relating to the appointment of effective directors - which renders the function of Chairman of the Board of Directors incompatible with that of an effective director - will be implemented with the change of Chief Executive Officer at the General Meeting of Shareholders of 20 May 2015.

In accordance with the AFEP/MEDEF Code recommendation, the Chief Executive Officer has no contract of employment with a Crédit Agricole S.A. Group entity.

The terms and conditions of shareholders' participation in the General Meeting of Shareholders are set out in Articles 21 to 29 of the Articles of Association presented within chapter 8 of this Registration Document, which may be consulted at Crédit Agricole S.A.'s registered office and on the company's website: [www.credit-agricole.com](http://www.credit-agricole.com).

## Role and operation of the Board

### GENERAL INFORMATION

The Board of Directors' Rules of Procedure sets out the operating procedures of the company's Board and Executive Management, while taking into account the separation of the offices of Chairman and Chief Executive Officer, as well as the company's duties as a

central body under the terms of the French Monetary and Financial Code. The Rules of Procedure contain five articles:

1. Organisation of the Board of Directors;
2. Powers of the Board of Directors and the Chief Executive Officer;
3. Board operations;
4. Committees;
5. Crédit Agricole S.A. Directors' Code of Conduct.

The key provisions of the Rules of Procedure of the Board of Directors appear in paragraph 6 below. In light of the date of publication of the Decree on the internal control of banking, payment services and investment services sector firms subject to supervision by the French Regulatory and Resolution Supervisory Authority (ACPR), the Rules of Procedure of the Board and of the Board's Specialised Committees will be updated in 2015, to reflect the regulatory changes introduced by the Decree. This update will also include the conclusions of the 2014 evaluation of the Board's work.

### Review of the Board of Directors' work during 2014

The Board was very active in 2014 (meeting seven times, including one extraordinary meeting) and the attendance rate remained very high, averaging 99% (99% for the scheduled meetings and 100% for the extraordinary meeting), reflecting the strong commitment of all Directors, as the following table shows:

Directors	Number of meetings taken into account	2014 attendance rate
Jean-Marie Sander	7	100%
Dominique Lefèbvre, representing SAS Rue La Boétie	7	100%
Philippe Brassac	7	100%
Pascale Berger	7	100%
Xavier Beulin	7	100%
Caroline Catoire	6	86%
Pascal Célérier	7	100%
Jean-Louis Delorme	7	100%
Laurence Dors	7	100%
Daniel Epron <sup>(2)</sup>	4	100%
Véronique Flachaire	7	100%
Jean-Pierre Gaillard <sup>(2)</sup>	4	100%
Françoise Gri	7	100%
François Heyman	7	100%
Gérard Ouvrier-Buffet	7	100%
Monica Mondardini	7	100%
Christian Moueza	7	100%
Marc Pouzet	7	100%
Jean-Claude Rigaud <sup>(1)</sup>	3	100%
Jean-Louis Roveyaz	7	100%
Christian Streiff	7	100%
Christian Talgorn <sup>(1)</sup>	3	100%
François Veverka	7	100%
<b>General average:</b>		<b>99%</b>

(1) Directors who left the Board during the year.

(2) Directors who joined during the year.

Following a year in 2013 that was marked by the drafting of the 2014-2016 Medium Term Plan for Crédit Agricole Group (MTP) and the implementation of measures taken to adjust Crédit Agricole S.A. Group to its economic, financial and regulatory environment, 2014 was marked by:

- the finalisation of the MTP, approved by the Board at its extraordinary meeting of 18 March 2014, after analysis of its financial element by the Strategy Committee and the Audit and Risks Committee; the plan was then presented to the market; the arrangements for monitoring plan execution were also defined under the auspices of the Strategy Committee;
- the **Asset Quality Review (AQR)** and the subsequent stress tests conducted by the European Central Bank; the results of these, to which the Audit and Risks Committee devoted much of its time in 2014, were presented to the Board in November 2014. At the same meeting, a presentation of the new Single Supervisory Mechanism for monitoring credit institutions by the European regulator was made to the Board;
- the definition, under the auspices of the Appointments and Governance Committee in accordance with the recommendations of the AFEP/MEDEF Code, of the principles governing the **succession of Executive Corporate Officers** of the Company. These principles, approved by the Board at its meeting of 18 February 2014, came into play at the end of the year, with the initiation of the selection process for the future Chief Executive Officer of Crédit Agricole S.A., as Mr Jean-Paul Chifflet, the current Chief Executive Officer will stand down from his duties at the end of the General Meeting of Shareholders of 20 May 2015. At its meeting of 16 December 2014, the Board instructed the Appointments and Governance Committee to manage this process, which had not been completed as of the date of drafting of this report;
- an **assessment**, carried out under the auspices of the Appointments and Governance Committee, of the Board of Directors' operations, with the help of an external consultant. The results of this assessment carried out in the summer of 2014, were presented and discussed at the Board meeting of 16 December. The areas for improvement highlighted by the assessment mainly relate to: the interaction between the Board and the Strategy Committee; the introduction, in addition to financial information, of information on the competitive environment and the Group's positioning, in particular when presenting the results; the training of Directors. On the recommendation of the Appointments and Governance Committee, the Board approved an action plan to improve its operations and to respond to the wishes expressed by the Directors. This plan is structured around four themes:
  - more in-depth debate within the Board, including in particular the organisation of an annual seminar on strategy,
  - training and informing Directors: strengthening the integration of Directors and new members of Specialised Committees and identifying individual training needs; setting up training modules on technical and/or regulatory topics, similar to the processes set up in 2013 for members of the Audit and Risks Committee and in 2014 for new members of the Compensation Committee; regular presentations to the Board on market developments and the Group's competitive positioning,

- governance: incorporating new obligations resulting from the CRD 4 directive within the Board's operations and of its Specialised Committees,
- organising the work and operations of the Board: more didactic presentations, more balanced agenda planning.

At each reporting date, particular focus was put on monitoring changes in the Group's and Crédit Agricole S.A.'s liquidity and solvency position, in connection with the introduction of new regulatory ratios. Similarly, as regards risk, changes in the Group's situation in all areas (credit and counterparty risk, market risks, operational risks including legal risks) were examined at each reporting date and the situation of Group entities in Italy, given the ongoing economic difficulties in that country, Crédit Agricole's second domestic market, and in risk countries (particularly Ukraine), was closely monitored.

In terms of governance, in addition to the assessment of the Board of Directors and the appointment of two new Directors, the year was marked by the analysis of draft legislation to transpose the CRD 4 directive. This analysis was presented to the Compensation Committee in July and November 2014, for provisions relating to compensation, and to the Appointments and Governance Committee in October 2014, for governance aspects. The new provisions introduced by the decree of 3 November 2014 will be implemented in 2015, under the auspices of the Appointments and Governance Committee, including in particular, defining a methodology for annual assessment of the Board's performance and updating the Rules of Procedure of the Board and the Specialised Committees.

Furthermore, given the new standard framework for governance of credit institutions established by the above-mentioned directive, the "compliance" pack for Directors was updated at the end of 2014. This document:

- sets out the regulatory developments regarding the status of Board members (in particular: requirements for assessing Directors' aptitude, individual and collective plans, rules for limiting terms of office);
- restates Directors' obligations in respect of their duties and sanctions in the event of non-compliance;
- lists the main reference texts.

The system described in this pack applies to all other persons attending Board meetings: non-voting Directors, Work's Council representatives on the Board (excluding rules specific to Directors).

Finally, on the recommendation of the Appointments and Governance Committee and on the advice of the Compensation Committee for the matters within its field of competence, the Board approved the table summarising the provisions of the AFEP/MEDEF Code of Corporate Governance on which Crédit Agricole S.A. does not - or does not fully - comply. See the table below, in paragraph 5.

In addition, the Board has examined the Corporate Social Responsibility (CSR) Report for Crédit Agricole S.A. Crédit Agricole S.A.'s track record in CSR is illustrated by the synthetic index "FReD" (*Fides, Respect & Demeter*), introduced on 1 January 2012 for Crédit Agricole S.A. and its main subsidiaries. A specific report on the Group's corporate social responsibility has been drawn up since 2013 and is available on the Company's website. The CSR strategy implemented in conjunction with the Regional Banks and the Fédération Nationale du Crédit Agricole, in accordance with Crédit Agricole Group's Medium Term Plan, is also reflected in the

introduction of responsible offerings. At its meeting of 17 February 2015, the Board decided to include corporate social responsibility in the duties of the Strategy Committee, thus signalling its intention to incorporate this dimension in Crédit Agricole Group strategy. This Committee has now been renamed the Strategy and Corporate Social Responsibility Committee.

Members of the Board receive a preparatory file on the different subjects on the agenda, generally three to four days prior to each meeting. They are given all pertinent information on the Company, in particular the press releases issued by the Company.

#### ISSUES REVIEWED BY THE BOARD IN 2014

After analysis by the Audit and Risks Committee:

- the preparation of the annual financial statements and a review of the half-yearly and quarterly financial statements of Crédit Agricole S.A., Crédit Agricole S.A. Group, and Crédit Agricole Group. At each reporting date, the Board heard from the company's Statutory Auditors who, having presented the conclusions of their work to the Audit and Risks Committee, then presented them to the Board. The Board also looks at the draft press releases published by the company in connection with the reporting dates;
- the evolution of Crédit Agricole S.A.'s and Crédit Agricole Group's position in terms of shareholders' equity and solvency against a backdrop of tighter regulatory constraints;
- the development of the Group's position in terms of liquidity, in view of regulatory requirements, as well as the monitoring of the long term financing plan for Crédit Agricole Group approved in advance by the Board; in 2014, the Board also reviewed liquidity management and approved the system for assessing, controlling and monitoring liquidity risk in Crédit Agricole Group;
- budgetary and liquidity stress tests;
- the Group's goodwill policies and position;
- management of Crédit Agricole S.A. Group's securities portfolio;
- the annual internal control report for 2013 and interim information (first half 2014) on internal control, as coordinated by Group Risk Management and Permanent Control department;
- letters sent to the Company by regulators and, where applicable, measures taken to respond to their observations;
- annual (at 31 December 2013), half-yearly and quarterly developments in terms of credit risk, market risk, and operational and security risks, as well as the annual review of risks;
- the updating of the Recovery & Resolution Plans, approved at the meeting of 4 August 2014, and the Resolution Plan for the US operations of Crédit Agricole S.A.;
- the position of international holdings;
- the equity increase for certain subsidiaries of Crédit Agricole S.A. Group;
- in Compliance/legal matters: the report on non-compliance risk within Crédit Agricole S.A. Group in 2014 (including mapping of non-compliance risk) as well as the half-yearly information on compliance (first half 2014); a progress report on ongoing administrative enquiries.

After analysis by the Strategy Committee and on its recommendation:

- the Group's 2014-2016 Medium Term Plan and the arrangements for monitoring its execution;
- issues relating to changes in the economic and regulatory environment.

After analysis by and proposals from the Compensation Committee:

- the fixed compensation, variable compensation (annual and long term) and the policies and criteria for determining the annual variable compensation of Executive Corporate Officers, taking account of the regulatory provisions and the compensation policy of Crédit Agricole S.A. Group. All the information on the compensation of Corporate Officers of Crédit Agricole S.A. and the compensation policy applicable within Crédit Agricole S.A. Group can be found in the "Compensation policy" section below;
- the regulatory changes introduced by the CRD 4 directive as regards compensation; within this framework, the Board i) submitted to the General Meeting of Shareholders of 21 May 2014 a resolution regarding the capping of the variable compensation of executives and risk-taking employees, and ii) took note of the updated scope of regulated persons within Crédit Agricole S.A. Group under this directive;
- under Regulation no. 97-02, the 2013 report on the compensation for members of the executive body, as well as individuals whose professional activities have a significant impact on the Company's risk profile;
- the total amount of Directors' fees (proposal to be submitted for the approval of the General Meeting of Shareholders, and distribution).

After review and recommendations by the Appointments and Governance Committee:

- the definition of principles governing succession plans for executive Corporate Officers (Chief Executive Officer, Deputy Chief Executive Officers);
- regulatory changes regarding governance (CRD 4);
- adjustment of the composition of some Specialised Committees to reflect changes occurring within the Board;
- the report on professional equality and equal pay within Crédit Agricole S.A. in 2013/2014 and initiatives undertaken at Crédit Agricole S.A. Group level to promote professional equality and diversity.

Other **issues reviewed** by the Board included:

- examining related-party agreements, in accordance with the new regulatory provisions applicable to such agreements (see below);
- the annual issuance programme of Crédit Agricole S.A.;
- the Group's sustainable development and CSR policies (see above).

### "Related-party" agreements

The rules for related-party agreements were modified by Order no. 2014-863 of 31 July 2014, pursuant to the Act of 2 January 2014 on simplifying procedures and providing security for businesses. In accordance with the new provisions introduced by the Order, which entered into force on 2 August 2014, the Board reviewed all agreements approved by the Board prior to 2014 and which

had continuing effect during the year, as well as an agreement approved in 2014. This review resulted in the following:

- firstly, four agreements previously authorised by the Board and then approved by the General Meeting of Shareholders were confirmed as related-party agreements. These agreements were notified to the Statutory Auditors and as such are listed in their special report to the General Meeting of Shareholders of 20 May 2015;
- secondly, an agreement concerning Crédit Agricole Home Loan SFH, authorised by the Board on 23 May 2007, no longer comes under the scope of related-party agreements, as this company is wholly owned by Crédit Agricole S.A.;
- finally, the agreement on the modification to the legal documentation of the Crédit Agricole Home Loan SFH issuance programme, authorised by the Board in 2014 and related to the above-mentioned agreement authorised in 2007, can also be excluded from the scope of related-party agreements.

The latter two agreements were therefore not notified to the Auditors.

No other agreement coming under the scope of application of Article L. 225-38 of the French Commercial Code was authorised in 2014.

## 2. Presentation of Committees

Four Committees have been set up within the Board of Directors: the Audit and Risks Committee, the Compensation Committee, the Strategy Committee and the Appointments and Governance Committee.

At its meeting of 16 December 2014, the Board resolved to split the Audit and Risks Committee pursuant to the provisions of the decree of 3 November 2014 which requires the setting up of a distinct Risks Committee; at its meeting of 17 February 2015 the Board determined the composition of the two new Committees, which will each comprise five members, of which three independent Directors. Crédit Agricole S.A. is therefore in compliance with the recommendation of the AFEP/MEDEF Code concerning the composition of the Audit Committee as the proportion of independent Directors on both Committees is now 60%. The Board also decided that the two Committees would be chaired by the independent Director who had previously chaired the Audit and Risks Committee, at least for the first year, to facilitate implementation. The composition of these Committees will be as follows:

- Audit Committee: Chairman: Mr François Veverka, independent Director; members: Ms Caroline Catoire and Ms Laurence Dors, independent Directors; Mr Pascal Célrier, Chief Executive Officer of a Regional Bank, and Mr Jean-Pierre Gaillard, Chairman of a Regional Bank;
- Risks Committee: Chairman: Mr François Veverka, independent Director; members: Ms Françoise Gri, independent Director, and Ms Véronique Flachaire, Chief Executive Officer of a Regional Bank; Mr Jean-Louis Roveyaz, Chairman of a Regional Bank, and Mr Christian Streiff, independent Director.

These two Committees will be effectively set up in the spring of 2015, once their respective duties and operating rules, to be listed in their Rules of Procedure, have been defined.

Committee members are appointed by the Board, on the Chairman's recommendation. The Board may terminate the appointment of a Committee member at any time. A Committee

member may resign from office at any time. All Committee members, and all other persons who attend Committee Meetings, are bound by professional secrecy.

In the course of their work, Board Committees may invite Crédit Agricole S.A. Group employees or experts in areas that fall within the field of competence of the Committees.

Members of the Specialised Committees receive a preparatory file on the different subjects on the agenda, generally two to four days prior to each meeting, depending on the Committee.

## Audit and Risks Committee

At 31 December 2014, the Audit and Risks Committee comprised six members:

- Mr François Veverka, Committee Chairman and independent Director;
- Ms Caroline Catoire, independent Director;
- Mr Pascal Célérier, Crédit Agricole Regional Bank Chief Executive Officer;
- Ms Laurence Dors, independent Director;
- Ms Véronique Flachaire, Crédit Agricole Regional Bank Chief Executive Officer;
- Mr Marc Pouzet, Crédit Agricole Regional Bank Chairman.

The Committee's membership changed in 2014 with the appointment of Mr Marc Pouzet to the Committee, to replace Mr Christian Talgorn. Mr Pouzet was a member of the Committee from August 2014 to January 2015. He resigned as Director on 27 January 2015 and has not been replaced on the Audit and Risks Committee, the latter scheduled to be split before the end of the first half of 2015.

Pursuant to the provisions of the AFEP/MEDEF Code and Article L. 823-19 of the French Commercial Code, members of the Audit and Risks Committee are selected because of their financial and/or accounting expertise, whether they are independent Directors, employees of Regional Banks, or Chairmen or Chief Executive Officers of Regional Banks. Mr Pouzet is an experienced manager of a large credit institution (he has been Chairman of a Regional Bank since 1997). When he joined the Audit and Risks Committee, three training modules were offered to Mr Pouzet: financial management, risk management and compliance, in the form of working meetings with the Heads of these three functions within Crédit Agricole S.A.

The Group Chief Financial Officer, the Head of Accounting and Consolidation, the Head of Group Risk Management and Permanent Controls, the Head of Group Control and Audit and the Head of Group Compliance attend meetings of the Audit and Risks Committee.

The operation and duties of the Committee are set out in Rules of Procedure approved by the Board of Directors. The Committee's main duties are to:

- review Crédit Agricole S.A.'s separate and consolidated financial statements;
- monitor the process of preparing accounting and financial information, ensure the quality and efficiency of the internal control and risk management systems, and assess the effectiveness of the accounting policies used to prepare the separate and consolidated financial statements, and the quality of internal control;
- evaluate and verify the effectiveness of procedures ensuring that the Group's business complies with laws and regulations in France and other countries;

- monitor the auditing of the separate and consolidated financial statements by the Statutory Auditors. The Committee monitors the Statutory Auditors' independence and makes its recommendation on their appointment by the General Meeting of Shareholders.

The Committee's work is set out in an annual schedule based on seven meetings. The Committee met nine times in 2014, two additional meetings having been called to a) review the financial aspects of the 2014/2016 Medium Term Plan in advance of presentation to the Board of Directors and b) to review the methodology used to measure goodwill. The attendance rate was 92% on average, both for regularly scheduled meetings and extraordinary meetings.

The Committee spent much of its time in 2014 monitoring the progress of the **Asset Quality Review (AQR)** in Crédit Agricole Group entities, as well as the European Central Bank's stress tests carried out following the AQR exercise. The Group Risk Management and Permanent Controls department, which was responsible for overall coordination of the various projects, presented a progress update at each Committee Meeting, followed by the results of these exercises for the Group, in advance of presentation to the Board.

In the area of **risk**, the Committee took a two-pronged approach:

- a specific review of the position of foreign subsidiaries (primarily Cariparma in Italy, as well as the Group's subsidiary in Ukraine and the international consumer finance entities), certain international equity investments (Portugal) and business lines (real estate, leasing/factoring, private equity, securities business lines);
- a review of Group-wide issues: comprehensive risk review (including risk mapping) along sectoral (retail banking in France, specific sectoral risks, insurance risks) and geographic lines (country risks, sovereign debt) highlighting areas of concern for the Group; the Group's risks and challenges in the area of IT; the Group's risk consolidation system (monitoring the implementation of Basel Committee information system principles); information security issues within the Group.

The Committee also looked at the new structure of the Group Risk Management and Permanent Controls department (DRG), designed both to take on board the implications, for the whole Risk function within the Group (headed by the DRG), of the new European supervisory system (Single Supervisory Mechanism) and to respond to the needs of the business lines in terms of implementing the Medium Term Plan. Finally, with the rise in legal risks, the Committee received very regular updates on ongoing litigation and official enquiries.

At each meeting, the Committee closely examined changes in the Group's position in terms of liquidity (including a review of the standards governing the measurement, control and monitoring of Crédit Agricole Group's liquidity risk, in advance of approval by the Board), capital and solvency. It also examined refinancing and rating issues facing the Group, as well as the system for managing the securities portfolio of Crédit Agricole S.A. Group. Finally, it looked closely at the implementation of recommendations made by regulators in the course of their inspections of the various Group entities and the satisfactory progress of the projects undertaken to comply with regulatory and prudential requirements.

A new half-day training module (outside of regular meetings) was organised in 2014 for Committee members focussed on financial management (Crédit Agricole S.A. and Crédit Agricole Group).

In addition to those already mentioned, the main **financial issues** examined by the Committee were:

- a progress report on the leverage ratio;
- a capital planning review;
- the results of the audit of TRICP claims and the measures taken by the Group;
- an update on sources of collateral within the Group;
- interest rate matching of capital for Crédit Agricole S.A. Group;
- the weighting of intragroup transactions;
- an update on the French Banking Act and the Volcker Rule and their consequences for the Group.

The second aspect of the Committee's work involved an in-depth review, in advance of their presentation to the Board, of the **annual, half-year and quarterly financial statements**: accounting options at each reporting date, examination of consolidated results and the results of each Group business line, regulatory position, lines of financial communication and review of the draft press release. Within this framework, the Committee interviewed the Company's Statutory Auditors on the basis of a detailed document submitted by them at each reporting date. The Statutory Auditors also outlined to the Committee the general work programme and the various surveys carried out in 2014. Each year, the Committee interviews the Statutory Auditors without the presence of management.

In the area of **risk**, in addition to the issues already mentioned, the Committee also examined the following:

- the annual review of Crédit Agricole Group risks for 2013, and half-year and quarterly risk reviews for 2014 before presentation to the Board (credit and counterparty risk, market risk, operational risk);
- the results of the budgetary and liquidity stress exercise;
- the analysis of the results of the self-assessment requested by the French Regulatory and Resolution Supervisory Authority (ACPR);
- the Recovery and Resolution Plans of Crédit Agricole Group, and the Resolution Plan of Crédit Agricole S.A.'s American operations, prior to approval by the Board and submission to the regulator;
- Group limits in respect of overall interest rate risk;
- VaR limit for Crédit Agricole S.A. Group;
- the provision of key outsourced services;
- business continuity plans.

The final area of the Committee's work involved **internal audit, internal control and dealings with the regulatory authorities and Compliance**. In this respect, the following items were reviewed in particular:

- in terms of internal audit:
  - a summary of the audits carried out by Crédit Agricole S.A. Group Control and Audit and Crédit Agricole CIB and LCL Control and Audit departments in the second half of 2013 and the first half of 2014. The reports made to the Committee include the most significant work carried out in the various business lines in relation to Group-wide issues,
  - monitoring the implementation of the recommendations of the regulatory authorities and the internal and external auditors of Crédit Agricole Group (at 30 September 2013 and 31 March 2014),

- the annual summary of audits conducted in 2013 by the French Regulatory and Resolution Supervisory Authority (ACPR),
- monitoring the work of the French Regulatory and Resolution Supervisory Authority (ACPR) and the French Financial Markets Authorities (AMF),
- the annual summary of audits conducted at Crédit Agricole's Regional Banks,
- the updating of the codes of conduct for the Group Control and Audit function and key outsourced services,
- lastly, at its meeting of 31 October 2014, the Committee approved the 2015 audit plan. At the same meeting, the Committee was informed of the carrying out, in 2015, of an external audit of the Control and Audit function;
- in terms of internal control:
  - the annual internal control report for the 2013 financial year,
  - 2014 interim (half-year) information on internal control;
- in terms of relations with regulatory authorities and compliance:
  - a report on the risks of non-compliance within Crédit Agricole S.A. Group for 2013 and an assessment, in the first half of 2014, of compliance actions within Crédit Agricole S.A. Group,
  - a review of the findings of an external audit firm regarding the process underpinning Crédit Agricole S.A.'s contribution to the Euribor benchmark,
  - the review for 2013 and the first half of 2014 of the implementation of internal and external fraud prevention measures within the Group, and the cost of fraud,
  - the results of the execution of the cheque control programme at Crédit Agricole S.A. in 2013,
  - prior to their tabling before the Board, letters from regulators and replies from Crédit Agricole S.A., as well as, where applicable, measures taken in response to regulators' observations.

Finally, the Committee examined the Chairman's report to the General Meeting of Shareholders on the preparation and organisation of the work of the Board of Directors and on internal control procedures.

The Chairman of the Audit and Risks Committee reported to the Board on the work accomplished by the Committee. During each meeting, he also reported to the Board on the work accomplished in between Committee Meetings. Mr Veverka, Committee Chairman, is also Chairman of the Audit and Risks Committee of Crédit Agricole CIB and LCL. Accordingly, he meets regularly with managers from the central divisions of these entities (Finance, Risks, Control and Audit), members of the Executive Management, and the Statutory Auditors of these entities. In 2014, Mr Veverka held over 60 working meetings. The Chairman of Crédit Agricole S.A.'s Audit and Risks Committee also receives summary reports from the Control and Audit function of the three companies (Crédit Agricole S.A., Crédit Agricole CIB and LCL, or around 100 summaries in the course of the year).

Once a year, in the autumn, the Audit and Risks Committee organises a working lunch without management presence in order to decide on its programme of work for the following year and to examine any areas where it might improve.

Minutes of each Committee Meeting are drawn up and distributed to all the Directors together with the minutes of Board meetings. When the time spans between the meetings of the Committee and the Board permit, a summary of submissions to the Committee that are not subject to submission to the Board is sent to Directors at the same time as the preparatory documents for the Board meeting (generally on the Friday of the week before the Board meeting).

## Compensation Committee

At 31 December 2014, the Compensation Committee comprised six members:

- Ms Laurence Dors, Committee Chairwoman, independent Director;
- Mr François Heyman, Director representing employees of UES Crédit Agricole S.A. on the Board;
- Mr Dominique Lefèbvre, Deputy Chairman of the Board of Directors and Crédit Agricole Regional Bank Chairman;
- Mr Christian Streiff, independent Director;
- Mr Jean-Louis Roveyaz, Crédit Agricole Regional Bank Chairman;
- Mr François Veverka, independent Director.

The Committee's membership changed in 2014, with the appointment of Mr François Heyman, representing employees on the Board, and Mr Jean-Louis Roveyaz, to replace Mr Christian Talgorn, as Committee members. Crédit Agricole S.A. complies with the provisions of the AFEP/MEDEF Code, both with respect to the membership (majority of independent Directors, presence of an employee representative) and chairmanship (by an independent Director) of the Compensation Committee.

The head of Group Human Resources attends Compensation Committee Meetings.

The operation and duties of the Committee are set out in Rules of Procedure approved by the Board of Directors. The Compensation Committee's tasks are as follows:

- prepare recommendations and opinions to be submitted to the Board of Directors relating to Crédit Agricole S.A. Group's compensation policy, in particular:
  - the principles for determining total amounts of variable compensation, taking into account the impact of the risks and capital requirements inherent to the business activities concerned,
  - the application of professional standards concerning employees whose activities may have a significant impact on the risk exposure of Crédit Agricole S.A. Group's entities concerned;
- prepare recommendations relating to the compensation of Executive Corporate Officers;
- prepare recommendations relating to the amount and breakdown of the total amount of Directors' fees;
- preparing recommendations relating to proposed capital increases reserved for employees of Crédit Agricole Group and, if applicable, stock option and variable compensation share award plans to be submitted to shareholders for approval at the General Meeting of Shareholders, as well as the terms for the implementation of these capital increases and plans.

The Compensation Committee is also responsible for monitoring the implementation of the compensation policy decided by the Board and applicable to all Crédit Agricole S.A. Group entities and, in particular, the Group's Senior Executives (see the section

Compensation policy below). Any amendment to this policy is subject to review by the Committee prior to its approval by the Board.

The Compensation Committee met five times in 2014. The attendance rate was 96%.

The Chairwoman of the Compensation Committee reported to the Board on the work accomplished by the Committee at each of its meetings and submitted the Committee's recommendations on matters subject to approval by the Board.

The Committee's work was largely dominated in 2014 by developments in terms of governance of compensation (CRR Regulation and CRD 4 directive). The Committee spent a number of meetings analysing the new rules introduced by the above legislation, in particular regarding the definition of identified staff and the framework governing the remuneration of such employees.

In light of the date of publication of the internal control order implementing the CRD 4 directive, the updating of the Committee's Rules of Procedure was deferred to will take place in 2015.

At its meeting devoted to the review of the objectives set by the Board to determine the amount of variable compensation of Corporate Officers in respect of 2013, the Committee, before adopting proposals to be put to the Board, questioned the Chief Executive Officer on proposals for the Deputy Chief Executive Officers.

The matters reviewed by the Committee in 2014 and subsequently submitted to the Board of Directors for approval related to:

- the compensation of Executive Corporate Officers:
  - the compensation of the Chairman of Crédit Agricole S.A.,
  - the annual variable compensation of the Chief Executive Officer and the Deputy Chief Executive Officers in respect of 2013,
  - fixed compensation and the criteria used to determine variable compensation for 2014 of the Chief Executive Officer and Deputy Chief Executive Officers, taking account of the regulatory provisions and the compensation policy of Crédit Agricole S.A. Group;
- the total amount of Directors' fees to be submitted for approval at the General Meeting of Shareholders and the distribution process of this amount;
- the decisions to be submitted for the approval or opinion of the General Meeting of Shareholders of 21 May 2014 relating to compensation.

The other issues reviewed by the Committee included:

- an annual review of the persons regulated by Regulation no. 97-02 and the total amount of variable compensation for regulated employees in respect of 2013;
- a review of the FReD programme by an external audit firm, as part of Crédit Agricole S.A. Group's CSR policy;
- annual variable compensation at Crédit Agricole S.A. Group above a threshold set by the Board and the compensation of the head of Group Risk Management and Permanent Controls;
- the report in respect of 2013 on the compensation policy and practices of members of the executive body, as well as individuals whose professional activities have a significant impact on the Company's risk profile under Regulation no. 97-02;
- the updating, at end-2014, of the compensation policy guidelines applicable to regulated employees (in line with the implementation of the CRD 4 directive).

Lastly, the Compensation Committee, at its meeting of 10 February 2015, approved the section of this registration document devoted specifically to the compensation policy of Crédit Agricole S.A. in respect of identified staff previously identified as risk-takers and Executive Corporate Officers (see pages 135 to 163 below).

### Strategy Committee

The Strategy Committee has seven members. At 31 December 2014, the Committee comprised the following members:

- Mr Jean-Marie Sander, Committee Chairman, Chairman of the Board of Directors of Crédit Agricole S.A. and Crédit Agricole Regional Bank Chairman;
- Mr Dominique Lefèbvre, Deputy Chairman of the Board and Crédit Agricole Regional Bank Chairman;
- Mr Philippe Brassac, Deputy Chairman of the Board and Crédit Agricole Regional Bank Chief Executive Officer;
- Mr Jean-Louis Delorme, Crédit Agricole Regional Bank Chairman;
- Ms Françoise Gri, independent Director;
- Mr Gérard Ouvrier-Buffet, Crédit Agricole Regional Bank Chief Executive Officer;
- Mr François Veverka, independent Director.

There was no change in the Committee's membership in 2014.

Crédit Agricole S.A.'s Chief Executive Officer, the Secretary General and the head of Group Strategy attend Strategy Committee Meetings.

The operation and duties of the Committee are set out in Rules of Procedure approved by the Board of Directors. The Committee's key duty is to conduct in-depth reviews of the Group's strategic planning for its various business lines in France and internationally, under the responsibility of the Board of Directors. As such, the Committee reviews plans for strategic investments or acquisitions and formulates an opinion on such plans.

The Strategy Committee met four times in 2014, with an attendance rate of 100%.

The Committee spent most of its time in the first half completing the Crédit Agricole Group 2014-2016 Medium Term Plan, approved by the Board at its meeting of 18 March, and subsequently on putting in place the procedures for monitoring this plan. It was presented with a progress report on the implementation of the Medium Term Plan in the autumn. In the second half, the Committee reviewed the impact of changes in the economic, financial and regulatory environment on Crédit Agricole S.A. and Crédit Agricole Group.

The Committee also reviewed the Group's Corporate Social Responsibility (CSR) policy, in advance of its presentation to the Board of Directors. At its meeting of 17 February 2015, the Board decided to expand the remit of the Strategy Committee to encompass CSR, thereby reflecting its desire to incorporate this aspect into Crédit Agricole Group's strategy. This Committee will henceforth be called the "Strategy and Corporate Social Responsibility Committee".

The other issues reviewed by the Committee included:

- the management of the securities portfolio of Crédit Agricole S.A. Group;
- information security issues within Crédit Agricole;
- an update on the Group's position in Ukraine, in light of the ongoing situation in that country.

The Committee Chairman reported to the Board on all issues examined by the Committee, and set out its opinion on those for which Board approval is required.

### Appointments and Governance Committee

At 31 December 2014, the Appointments and Governance Committee comprised six members:

- Ms Monica Mondardini, Committee Chairwoman and independent Director;
- Mr Jean-Marie Sander, Chairman of Crédit Agricole S.A.'s Board of Directors and Crédit Agricole Regional Bank Chairman;
- Mr Dominique Lefèbvre, Deputy Chairman of the Board and Crédit Agricole Regional Bank Chairman;
- Mr Philippe Brassac, Deputy Chairman of the Board and Crédit Agricole Regional Bank Chief Executive Officer;
- Ms Laurence Dors, independent Director;
- Mr Jean-Louis Delorme, Crédit Agricole Regional Bank Chairman.

The Committee's membership changed in 2014, with the appointment of Mr Jean-Louis Delorme to the Committee, to replace Mr Jean-Claude Rigaud.

Pursuant to the provisions of the AFEP/MEDEF Code, the Committee is chaired by an independent Director.

The Secretary General of Crédit Agricole S.A. (and Secretary of the Board of Directors) takes part in meetings of the Appointments and Governance Committee.

The operation and duties of the Committee are set out in Rules of Procedure approved by the Board of Directors. The Committee's key duties, under the responsibility of the Board of Directors are as follows:

- to make recommendations to the Board on the selection of voting Directors and non-voting Directors from outside Crédit Agricole Group, bearing in mind that candidates for directorships who are serving as Chairman or Chief Executive Officers of a Regional Bank are proposed to the Board of Directors *via* the holding company that controls Crédit Agricole S.A., pursuant to the Memorandum of Understanding entered into by the Regional Banks and Crédit Agricole S.A. prior to the initial public offering of Crédit Agricole S.A. (the provisions of this agreement are set out in the registration document of 22 October 2001 registered by the *Commission des opérations de Bourse* under number R. 01-453). The recommendations of SAS Rue La Boétie are submitted to the Appointments and Governance Committee prior to the Board's decision;
- with respect to Corporate Officers:
  - to issue an opinion on the recommendations of the Chairman of the Board of Directors regarding the appointment of the Chief Executive Officer, in accordance with the Board of Directors' Rules of Procedure, and on the Chief Executive Officer's recommendations on the appointment of Deputy Chief Executive Officers, in accordance with the Board's Rules of Procedure,
  - with respect to the succession of the Corporate Officers, the Committee implements a procedure for preparing succession plans for the Corporate Officers in the event of an unforeseeable vacancy;
- to oversee the Board of Directors' periodic assessment process. It recommends any necessary updates to the rules of governance of Crédit Agricole S.A. (Rules of Procedure of the Board of Directors and Specialised Committees of the Board) or any other measure to improve the operation of the Board of Directors;
- to provide recommendations to the Board on criteria for assessing the independence of Directors.

The Chairwoman of the Appointments and Governance Committee reports to the Board on its work and opinions.

The Committee met five times in 2014, with an attendance rate of 97%.

Following the Board's decision to carry out a further **evaluation** of its work in 2014, with the assistance of an outside firm, this work was carried out in the summer in the manner agreed at the meeting of 18 February 2014, based on a questionnaire and individual interviews. The Committee reviewed the results of the evaluation, identified areas for improvement and drew up an action plan that was approved by the Board at its meeting of 16 December 2014 (see above paragraph 1 "Review of the Board of Directors' work during 2014").

The Committee also spent some of its time analysing the governance-related provisions of the Decree of 3 November 2014 (implementing the CRD 4 directive) on the internal control of banking, payment services and investment services sector firms subject to supervision by the French Regulatory and Resolution Supervisory Authority (ACPR). The Board reviewed the changes introduced by this legislation with regard to assessing and monitoring managerial calibre, designating effective managers, limiting the number of offices that can be held, establishing a Risks Committee and broadening the remit of the Appointments Committee. The new provisions are already in the process of being implemented, with the Board having decided to establish a Risk Committee separate from the Audit Committee (effective Spring 2015); this will continue in 2015, under the auspices of the Appointments and Governance Committee with, in particular, the development of a methodology for carrying out an annual evaluation of the Board's performance and updating the Rules of Procedure of the Board and of the Specialised Committees.

In addition, in accordance with its Rules of Procedure and the provisions of the AFEP/MEDEF Code, the Committee proposed to the Board adopting a methodological approach to succession planning in respect of Executive Corporate Officers, in light of the fact that Crédit Agricole S.A. is controlled by a majority shareholder. At its meeting of 18 February 2014, the Board approved the principles governing succession planning in respect of Executive Corporate Officers. These principles were applied at the end of the year, with the start of the selection process for the future Chief Executive Officer of Crédit Agricole S.A., Mr Jean-Paul Chifflet, the current Chief Executive Officer, leaving office following the General Meeting of Shareholders on 20 May 2015. At its meeting of 16 December 2014, the Board instructed the Appointments and Governance Committee to manage this process, which had not been completed as of the date of drafting of this report.

At its meeting of 10 February 2015, the Committee reviewed the updating of the table summarising the provisions of the AFEP/MEDEF Code with which Crédit Agricole S.A. is not - or is not wholly - compliant. This table, approved by the Board, can be found in paragraph 5 below.

The other issues reviewed by the Committee included:

- proposals to be submitted to the Board, ahead of the General Meeting of Shareholders of 21 May 2014, concerning nominations for directorships: reappointment of seven Directors and appointment of two new Directors, to replace Mr Rigaud and Mr Talgorn;
- the report on pay and work equality at Crédit Agricole S.A. and the policy launched throughout Crédit Agricole S.A. Group to encourage professional equality and diversity.

At its meeting of 10 February 2015, the Committee reviewed the situation of each Director with regard to the independence criteria defined by the AFEP/MEDEF Code. The Committee noted that Crédit Agricole S.A. has a number of independent Directors consistent with that recommended by the aforementioned Code

for companies controlled by a majority shareholder, *i.e.* 33%, excluding the three Directors representing employees. It concluded that the existing operation enabled the Board and its Committees to fulfil their duties with the required effectiveness, objectivity and independence, particularly with respect to preventing potential conflicts of interest and to the equitable consideration of all shareholders' interests. On the recommendation of the Appointments and Governance Committee, and based on the AFEP/MEDEF Code, at its meeting of 17 February 2015 the Board reviewed the situation of all of its members and found that Ms Catoire, Ms Dors, Ms Gri, Ms Mondardini, Mr Streiff and Mr Veverka could be considered independent Directors, insofar as they are not in a position likely to influence their independent judgement or to place them in a real or potential conflict of interest.

### 3. Restrictions on the Chief Executive Officer's powers exercised by the Board of Directors

The Chief Executive Officer shall enjoy the broadest powers to act in all cases on behalf of Crédit Agricole S.A. and to represent the Bank with respect to third parties. He exercises his authority within the limits of the Company's objects and subject to that authority expressly assigned by law to Meetings of Shareholders and to the Board of Directors.

Restrictions on the Chief Executive Officer's powers exercised by the Board of Directors are described in section 6 below.

### 4. Directors' compensation

Board members receive Directors' fees. On the recommendation of the Compensation Committee, the Board determines the amount of total Directors' fees to be submitted to the shareholders for approval at the General Meeting of Shareholders. The conditions for allocating Directors' fees, as described below, are determined by the Board on the recommendation of the Compensation Committee.

Compensation of Board members is based entirely on their attendance at Board Meetings. Directors receive the same compensation for attending extraordinary sessions and regularly scheduled meetings, up to a maximum of the total amount approved.

Participation of Board members in Specialised Committees gives rise to additional Directors' fees: the Chairmen of the Board's four Specialised Committees receive an annual flat rate fee which differs according to the Committee. Committee members receive a set fee for each Committee Meeting they attend.

The amount of the set fee per Board Meeting and Committee Meeting is determined by the Board each year.

The Chairman of the Board of Directors only receives Directors' fees for his attendance at meetings of the Board's Specialised Committees (Strategy Committee, which he chairs, Appointments and Governance Committee, of which he is a member).

The Board has also decided that the non-voting Directors it has appointed in accordance with the Company's Articles of Association and who take part in meetings of the Board shall be compensated by Directors' fees, in amounts and under conditions identical with those used for other Directors.

The amount of fees received by Directors and non-voting Directors is provided in the table below on page 113.

The Board has also set up a system for reimbursing Board members for travel expenses, based on costs incurred by each member for attending Board and Committee Meetings. This system is renewed by the Board each year.

## Compensation in respect of directorships held in Group companies

The total amount of Directors' fees for Crédit Agricole CIB, LCL and Amundi Group is determined by their Boards of Directors and submitted to their shareholders for approval at their General Meeting of Shareholders. The allocation of Directors' fees at these three companies is based on their attendance at Board Meetings and their participation in the Board's Specialised Committees.

The table disclosing Directors' fees paid to the Directors and non-voting Directors of Crédit Agricole S.A. includes amounts received from other subsidiaries of the Group.

## 5. Summary table of areas of non-compliance in the application by Crédit Agricole S.A. of the recommendations of the revised AFEP/MEDEF Code

Recommendation of the Code	Comment by the Company
<b>10. Assessment of the Board of Directors</b>	The Board of Directors of Crédit Agricole S.A. does not comprise any executive or internal Directors. It should be recalled that the individual and collective performance of Executive Corporate Officers is evaluated in detail on an annual basis by the Compensation Committee, as part of the system governing Corporate Officer compensation approved by the Board. The Committee reports to the Board on its findings.
<b>10.4</b> "It is recommended that non-executive Directors meet regularly without the presence of executive or internal Directors. The Rules of Procedure of the Board should provide for one meeting of this nature per year, in which the performances of the Chairman, Chief Executive Officer and Deputy Chief Executive Officers are assessed, and which periodically provides a forum for thinking about the future of management."	In addition, in February 2014, the Board, on the recommendation of the Appointments and Governance Committee, approved the principles governing succession planning in respect of Executive Corporate Officers.

### Board Committees

<b>16. The Audit Committee</b>	<b>Audit and Risks Committee</b>
<b>16.1</b> Composition: "Independent Directors should account for at least two-thirds of Directors (...)"	The Audit and Risks Committee, chaired by an independent Director, comprised six members in 2014, of which three representatives of the Regional Banks (two Chief Executive Officers and one Chairman) and three independent Directors, <i>i.e.</i> a proportion of 50%. At its meeting of 16 December 2014, in accordance with the provisions of the Decree of 3 November 2014 on the internal control of banking sector, payment services and investment services firms subject to supervision by the French Regulatory and Resolution Supervisory Authority (ACPR), the Board adopted the principle of splitting the Audit and Risks Committee, establishing a separate Risks Committee. At its meeting of 17 February 2015, it decided the composition of the two future Committees, which will each have five members, three of whom will be independent. They will be effectively established in spring 2015. Crédit Agricole S.A. thus complies with the provisions of the Code.
<b>17. The Committee in charge of selection or appointments</b>	<b>Appointments and Governance Committee</b>
<b>17.1</b> Composition: "(It) should have a majority of independent Directors."	The Appointments and Governance Committee is chaired by an independent Director. It comprises six members, including the non-executive Chairman of the Board, and two independent Directors <i>i.e.</i> a proportion of one-third. The shareholding structure (existence of a majority shareholder) is reflected in the composition of this Committee.

### Share ownership by Directors and Executive Corporate Officers

<b>20. Ethical standards applicable to Directors:</b> "(...) In the absence of legal provisions to the contrary, the Director should be a shareholder personally and hold a fairly significant number of shares in relation to the Directors' fees; if he or she does not hold these shares when assuming office, he or she should use his or her Directors' fees to acquire them;"	The Company's Articles of Association set the minimum holding of Crédit Agricole S.A. shares by a Director at one share. No provision is made in this regard for Executive Corporate Officers. After reviewing this issue, the Board found that the average holding of shares by Directors represents the equivalent of one year's Directors' fees. On the recommendation of the Appointments and Governance Committee, the Board, while recommending that Directors and Executive Corporate Officers hold a certain number of shares of the Company, did not consider it desirable to amend the current rules, for the following reasons:
<b>23.2.1</b> Obligation to hold shares "The Chairman of the Board, the Chief Executive Officer, the Deputy Chief Executive Officers (...) are required to hold as registered shares until the end of their term of office a significant number of shares periodically determined by the Board of Directors. (...) The number of shares, which may be made up of exercised stock options or performance shares, must be significant and increasing, where necessary, to a level determined by the Board.	<ul style="list-style-type: none"> <li>● first, in ethical terms, it can be argued that Directors' status as permanent insiders should lead to a measure of moderation in their holdings of the Company's shares;</li> <li>● second, in a cooperative and mutualist Group, the commitment of Directors and managers is not related to the interest they may have in their Company. Moreover, Directors from Regional Banks represent the majority shareholder of Crédit Agricole S.A. As such, their interests are naturally aligned with those of the Company;</li> <li>● third, as regards Executive Corporate Officers more specifically, it should be borne in mind that: <ul style="list-style-type: none"> <li>● contrary to the practice observed in most large companies in the CAC 40, the Corporate Officers of Crédit Agricole S.A. do not receive stock options,</li> <li>● in accordance with the regulations in force, a significant portion of their variable compensation is deferred over time and paid in shares. This mechanism implies the permanent holding of a certain volume of shares.</li> </ul> </li> </ul>

**Recommendation of the Code****Comment by the Company****23. Compensation of Executive Corporate Officers**

23.2.5 Payments received on taking and leaving office, and in respect of non-competition clauses

**Termination payments**

"The law (...) makes termination payments conditional upon performance requirements. These performance requirements must be assessed over at least two financial years."

- **For the Chief Executive Officer:** the compensation system set up in 2010, when his appointment was approved by the General Meeting of Shareholders of May 2010 under related-party agreements, subjects the termination payments provided for in his contract to performance conditions assessed over one year, in accordance with the provisions of the AFEP/MEDEF Code at that date. The revised Code provides that performance conditions must now be assessed over two years. The Board considered that it was not necessary to modify the terms of the Chief Executive Officer's contract. The severance payment provided for in the contract is calculated on a descending scale, and no compensation would be payable upon termination of his contract after 2014.
- **For the Deputy Chief Executive Officers:** their contracts, also approved by the General Meeting of Shareholders in respect of related-party agreements, do not provide for performance conditions, insofar as the termination payments for which they would be eligible in the event of their contract being terminated would not be due under their contracts as Directors, but under their employment contract, which is suspended during the exercise of their directorship and would be reactivated in the event of termination of their directorship. Furthermore, the introduction of performance conditions would be contrary to labour law.

## 6. Rules of Procedure of the Board of Directors

In light of the date of publication (3 November 2014) of the Decree on the internal control of banking, payment services and investment services sector firms subject to supervision by the French Regulatory and Resolution Supervisory Authority (ACPR), the Rules of Procedure of the Board and of the Board's Specialised Committees will be updated in 2015, to reflect the regulatory changes introduced by the Decree. This update will also include the conclusions of the 2014 evaluation of the Board's work.

### 1. Organisation of the Board of Directors

This section describes:

- the role of the Chairman of the Board of Directors: "the Chairman guides and organises the Board's work. He calls meetings of the Board and sets the agenda for the meetings";
- the Officers of the Board are the Chairman and Deputy Chairmen. The Chief Executive Officer of Crédit Agricole S.A. takes part in the work of the Board. The Officers of the Board are responsible for "preparing the Board's work. They meet when called by the Chairman, as needed". The Officers of the Board meet before each reporting date;
- the Specialised Committees of the Board, which defines the duties, composition and Rules of Procedure of such Committees. These are the Audit and Risks Committee, the Compensation Committee, the Strategy Committee and the Appointments and Governance Committee. The Board may appoint one or more non-voting Directors to take part in the Strategy Committee, the Compensation Committee or the Appointments and Governance Committee, under the same conditions as Directors.

### 2. Powers of the Board of Directors and the Chief Executive Officer

#### POWERS OF THE BOARD OF DIRECTORS

In addition to the powers granted by law, the Board:

- determines the Group's strategic orientations, on the recommendation of the Chairman and Chief Executive Officer;
- approves strategic investment projects and any transaction, specifically any acquisition or disposal transaction that is likely to have a significant effect on the Group's earnings, the structure of its balance sheet or its risk profile;
- defines the general principles applicable to Crédit Agricole Group's internal financial organisation;
- decides or authorises the issuance of Crédit Agricole S.A. bonds;

- grants the Chief Executive Officer the necessary powers to implement the decisions set out above;
- is kept regularly informed by Executive Management of the risk position of the Group and measures taken to control these risks in accordance with CRBF Regulation 97-02. In addition, in accordance with the same Regulation, it determines the various commitment and risk limits for Crédit Agricole S.A. Group and, where applicable, for Crédit Agricole Group;
- determines the principles of the compensation policy within Crédit Agricole S.A. Group;
- defines the criteria used to assess the independence of Directors.

Furthermore, the Board makes all decisions concerning the Crédit Agricole Regional Banks falling within the scope of Crédit Agricole S.A.'s duties as central body assigned by the French Monetary and Financial Code.

#### POWERS OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has "the fullest powers to act in the name of the Company in all circumstances and to represent it with respect to third parties. He must, however, secure the Board of Directors' approval prior to the following transactions:

- the creation, acquisition or disposal of any subsidiaries and equity investments in France or abroad for amounts exceeding 150 million euros;
- any other investment of any nature for amounts exceeding 150 million euros.

If, due to the urgency of the situation, the Board cannot be called to deliberate on a transaction that exceeds this ceiling, the Chief Executive Officer will do all in his power to canvass all Directors or, at the very least, the Officers of the Board and the members of the relevant Specialised Committee prior to making any decision. Where this is not possible, the Chief Executive Officer may, with the Chairman's approval, make any decisions that are in the Company's interest in the areas set forth above (that is, in areas that are subject to a Board resolution as indicated in the section entitled "Powers of the Board of Directors" above). He reports such decisions to the Board at its subsequent meeting."

### 3. Board operations

"The Board is convened by its Chairman, or any person authorised for that purpose by the Board of Directors, and meets as often as required by the Company's interests and at least six times each year. Should the Chairman be unable to attend, the Board is chaired by the oldest Deputy Chairman who is authorised to convene it. (...) Directors with an interest in matters deliberated by the Board shall abstain from voting on such matters. The Chief Executive Officer, the Secretary General, and any Deputy Chief Executive Officers participate in Board Meetings but do not have the right to vote.

The Chief Executive Officer appoints representatives of Executive Management to participate in Board Meetings. The Board may appoint one or several non-voting Directors who participate in Board Meetings.”

“The Chairman and the Chief Executive Officer are required to supply to each Director all documents or information needed for the Director to fulfil his duties. Prior to Board Meetings, a file on agenda items requiring particular scrutiny and prior information will be sent out provided that confidentiality guidelines allow the communication of such information.” These documents are generally sent out four days prior to each Board Meeting.

“All Board members receive all relevant information on the Company, in particular the press releases issued by the Company. (...) In the course of their work, Board Committees may invite Group employees or experts in areas that fall within the field of competence of the Committees.”

“At the Chairman’s discretion, the Board may hold its meeting by means of video conferencing or other means of telecommunication, provided that:

- at least five Directors are physically present at the location of the Board Meeting;
- the video conferencing or other means of telecommunication allow for the identification of the Directors and ensure their full participation. As a minimum, the means retained shall transmit participants’ voices and meet the technical requirements to allow continuous and simultaneous transmission of the Board’s deliberations.

Directors attending a meeting by means of video conferencing or other means of telecommunication are deemed present for the purpose of calculating the quorum and majority. This provision does not apply where the Board is meeting to prepare and close the parent company and consolidated financial statements and management reports, and/or to nominate or dismiss the Chairman or the Chief Executive Officer.”

#### 4. Board Committees

The duties of the four Committees created within the Board, which are described under the relevant section of the Board’s Rules of Procedure, are set out in section 2 of this report, entitled “Presentation of Committees”.

#### 5. Crédit Agricole S.A. Directors’ Code of Conduct

The purpose of this Code of Conduct is to contribute to the quality of the Directors’ work by encouraging them to apply the principles and best practices of corporate governance. Crédit Agricole S.A. Directors and non-voting Directors undertake to abide by the guidelines contained in the Code and to implement them. In 2012, the Directors’ Code of Conduct was supplemented by a “compliance” pack outlining the rules they must follow as permanent insiders and regarding their position as Director of a listed company. This pack was updated in 2014 to incorporate new regulatory changes (CRD 4 Directive).

The Code comprises 12 articles:

##### ARTICLE 1 – CORPORATE ADMINISTRATION AND INTERESTS

Directors, regardless of how they are appointed, must consider themselves as representing all shareholders and other stakeholders and must act in their interests and in the Company’s interests under all circumstances.

##### ARTICLE 2 – COMPLIANCE WITH THE LAW AND ARTICLES OF ASSOCIATION

When Directors first assume their office and throughout their term of office, they must be fully conversant with their general and/or special rights and obligations. They must know and comply with the laws and regulations applicable to the Company and to their office, the applicable Codes of Governance and Best Practice, as well as the Company’s own rules as set out in the Articles of Association and Rules of Procedure.

##### ARTICLE 3 – DILIGENCE

Directors shall dedicate the necessary time, care and attention to their duties. Unless genuinely unable to do so, they must diligently attend all meetings of the Board and of any Committees on which they may sit.

##### ARTICLE 4 – INFORMATION

The Chairman ensures that all relevant information and documents are made available to the Directors in sufficient time to properly carry out their duties. Likewise, the Chairman of each Specialised Committee ensures that all relevant information and documents are made available to the Directors in sufficient time to properly carry out their duties.

Directors, regardless of their experience, have a responsibility to remain informed and acquire knowledge on an ongoing basis. They must keep themselves informed so as to be able to give full consideration to the matters covered in the Meeting agenda.

##### ARTICLE 5 – PERFORMANCE OF DUTIES: GUIDELINES

Directors must act independently, fairly, professionally and with integrity in the performance of their duties.

##### ARTICLE 6 – INDEPENDENCE AND DUTY TO SPEAK OUT

Directors must ensure that they retain their independence and freedom of judgement, decision and action in all circumstances. They must be impartial and undertake not to be influenced by any factor that may be detrimental to the corporate interests that they are bound to defend. They should disclose to the Board any matter that may come to their attention and that they deem to be a potential threat to the Company’s interests. They are duty-bound to clearly express their questions and opinions. In the event that they disagree, they should request that their objections be expressly recorded in the minutes of the Meeting.

##### ARTICLE 7 – INDEPENDENCE AND CONFLICT OF INTERESTS

Directors shall inform the Board of any conflict of interest, including any potential conflict of interest, that they could be directly or indirectly involved in. They shall refrain from taking part in the debates and making decisions on the subjects concerned.

##### ARTICLE 8 – HONESTY AND INTEGRITY

Directors shall act in good faith in all circumstances and shall not do anything that could be detrimental to the interests of the Company or other Crédit Agricole Group companies. The Directors personally undertake to keep confidential all information received, all discussions in which they participate and all decisions made.

##### ARTICLE 9 – INSIDE INFORMATION – INSIDER TRADING

Directors shall not use inside information to which they have access for their personal gain or for the gain of any other person.

#### Crédit Agricole S.A. shares and related financial instruments

Directors who have access to non-public information about the Company on whose Board they sit shall refrain from using such information to engage in trading in Crédit Agricole S.A. shares, whether directly or through a third party.

They shall follow the rules defined for Crédit Agricole Group employees who meet the definition of “Permanent Insiders” for purposes of trading in Crédit Agricole S.A. shares. These rules stipulate that “Permanent Insiders” may trade in Crédit Agricole S.A. shares within six weeks following the release of quarterly, half-year and annual results, providing that, during those periods, they do not have any information that the Company has not publicly disclosed.

Crédit Agricole S.A. may from time to time prohibit trading in any Crédit Agricole S.A. financial instrument, including during those periods.

Directors are required to disclose any trading in the Company's shares and related financial instruments, whether on their own account or by any related parties, in accordance with the applicable laws and regulations.

Persons who are required to file disclosures must send their disclosures to the *Autorité des marchés financiers* (AMF) by electronic means within five trading days after completion of the trades. Each disclosure is published on the AMF website.

At the General Meeting of Shareholders, the shareholders are informed of trading by Directors during the past financial year. This is presented in a summary statement in the Company's management report.

#### **Financial instruments other than those issued by or related to Crédit Agricole S.A.**

In addition, Directors are required to disclose to Crédit Agricole S.A. any trading in financial instruments other than those issued by or related to Crédit Agricole S.A., whether on their own account or for related parties, if they believe this will result in a potential conflict of interest or if they hold confidential information that can be deemed to be inside information acquired in the performance of their duties as Director of Crédit Agricole S.A. Crédit Agricole S.A. may from time to time prohibit trading in any financial instrument on which specific information that has not been publicly disclosed

is revealed at a Crédit Agricole S.A. Board Meeting (such as a strategic transaction, acquisition, joint venture creation, etc.).

Moreover it is also recommended that Directors arrange for their securities portfolio to be managed under a discretionary management mandate or, more simply, only hold mutual funds in their portfolio. It is also recommended that such a discretionary management mandate should not include any instructions from Directors pertaining to financial instruments issued by or associated with Crédit Agricole S.A.

The Directors are kept informed of any change in the laws or regulations.

#### **ARTICLE 10 - PROFESSIONALISM AND EFFECTIVENESS**

Each Director participates in shared administration and contributes to the effectiveness of the work of the Board and Board Committees. Each Director will make any recommendations they consider might improve Board procedures, in particular during periodic reviews of the Board. Each Director works with the other Board members to ensure that recommendations are implemented and oversight is performed effectively and without hindrance. Directors are in particular responsible for ensuring that the Company has instituted control systems for verifying compliance with the laws and regulations.

#### **ARTICLE 11 - APPLICATION OF THE CODE OF CONDUCT**

When Directors are no longer in a position to carry out their duties in accordance with the Code, either by their own doing or for any other reason, including reasons arising from the internal rules of the Company on whose Board they sit, they shall notify the Chairman of the Board of Directors thereof and strive to find a solution to remedy the situation. If no solution can be found, they should draw their own conclusions as to whether to remain in office.

#### **ARTICLE 12 - NON-VOTING DIRECTORS**

The non-voting Director(s) designated by the Board pledge(s) to respect the guidelines included in this Code and to implement them.

## INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Crédit Agricole Group's internal control system complies with all legal and regulatory requirements as well as with Basel Committee recommendations.

The internal control system and procedures, within Crédit Agricole Group, are defined as the framework designed to manage and control all types of operations and risks and to ensure that all transactions are carried out in a manner that is proper (in compliance with laws, regulations and internal standards), secure and effective, in accordance with the references listed in item 1 below.

The internal control system and procedures can be classified by their assigned objectives:

- application of instructions and guidelines determined by Executive Management;
- financial performance through the effective and adequate use of the Group's assets and resources, and protection against the risk of loss;
- comprehensive, accurate and ongoing knowledge of the data required to make decisions and manage risks;
- compliance with laws and regulations and internal standards;
- prevention and detection of fraud and error;
- accuracy and completeness of accounting records and timely production of reliable accounting and financial information.

These procedures nevertheless incorporate the limitations of all internal control systems owing in particular to technical or human deficiencies.

In accordance with the Group's principles, the internal control system has a broad scope of application to cover supervision and control of activities and to measure and monitor risks on a consolidated basis. Each Crédit Agricole S.A. entity and subsidiary applies this principle to its own subsidiaries, thereby ensuring a consistent internal control system throughout the entire Group. The system implemented by Crédit Agricole S.A., in line with the standards and principles set forth below, is thus adapted and deployed across the various business lines and risks at each level within Crédit Agricole Group, in order to best observe regulatory requirements relating to banking activities.

Through the procedures, tools and reporting systems that have been implemented in this standardised framework, information is delivered on a regular basis in particular to the Board of Directors, the Audit and Risks Committee, executives and management on the operation of the internal control systems and their adequacy (permanent and periodical controls, reports on risk monitoring and measurements, corrective action plans, etc.).

### 1. Standards for internal control

The internal control environment and principles are in keeping with the provisions of the French Monetary and Financial Code<sup>(1)</sup> the Order of 3 November 2014 regarding the internal control of banking sector companies, payment services and investment services subject to ACPR supervision (which replaced CRBF Regulation No. 97-02 as amended relating to internal control in credit institutions and investment companies), the AMF's General Regulations and Basel Committee recommendations on internal control, risk management and solvency.

These national and international external standards are supplemented by internal standards specific to Crédit Agricole:

- a body of permanent regulatory rules (both external regulations and internal Group rules) governing the entire Crédit Agricole Group, compliance with which is compulsory, and more particularly rules concerning accounting (Crédit Agricole chart of accounts), financial management, risk management and permanent controls;
- the Code of Conduct of Crédit Agricole Group;
- recommendations of the Regional Banks Plenary Committee for internal control;
- a set of "procedures" governing Crédit Agricole S.A., concerning the organisation, operations and risks. In this context, Crédit Agricole S.A. adopted, as early as 2004, a set of procedures to control its compliance with laws and regulations. These procedures have since been adapted to changes in regulations and deployed within Group entities, in particular in the areas of financial security (prevention of money laundering and terrorism financing, asset freezing, compliance with embargoes, etc.) and in the identification of failures in applying laws, regulations, professional and compliance standards, for example. These procedures are updated regularly as required, and more particularly to take into account regulatory developments and changes in the internal control scope.

### 2. Organisation of the internal control system

To ensure that the internal control systems are effective and consistent throughout the Group, Crédit Agricole Group has established a set of common rules and recommendations based on the implementation of, and compliance with, certain underlying fundamental principles.

Each Crédit Agricole Group entity (Regional Banks, Crédit Agricole S.A., banking or investment subsidiaries, insurance and other subsidiaries, etc.) must apply these principles at its own local level.

#### Fundamental principles

The organisational principles and components of Crédit Agricole S.A.'s internal control system which are common to all Crédit Agricole Group entities cover obligations relating to:

- reporting to the decision-making body (risk strategies, risk limits, internal control activity and results, significant events);
- the direct involvement of the executive body in the organisation and operation of the internal control system;
- the comprehensive coverage of all business operations and risks, and accountability of all persons involved;
- the clear definition of tasks, effective segregation of the commitment and control functions, formal and up-to-date authorised limits;
- formal, up-to-date standards and procedures.

(1) Article L. 511-41.

These principles are supplemented by:

- systems for measurement, supervision and control of risk: credit, market, liquidity, financial, operational (transaction processing, quality of financial and accounting information, IT processing), non-compliance and legal risks;
- a control system, forming part of a dynamic and corrective process, encompassing permanent controls, which are carried out by the operating units themselves or by dedicated staff, and periodic controls (carried out by Group Control and Audit or Audit units);
- adaptation of the Group's compensation policies (following the Board of Directors' meetings of 9 December 2009 and 23 February 2011) and internal control procedures - in application of the orders of 14 January, 3 November 2009 and 13 December 2010, amending Regulation 97-02 (cancelled and replaced by the order of 3 November 2014 regarding the internal control of banking sector companies, payment services and investment services subject to ACPR supervision) and the banking profession recommendations relating to the matching of compensation policy and risk management aims and compensation of members of executive bodies and of risk takers (see part I of this report).

## Oversight

Following the changes instituted by Regulation 97-02 on internal control and pertaining to the organisation of the control functions, included in the order of 3 November 2014 which cancelled Regulation 97-02, every individual who is responsible for an entity or business line, every manager, employee and all departments within the Group are reminded of their obligation to report and to be in a position at all times to demonstrate that they have adequate control over their business activities and associated risks, in accordance with the standards applicable to banking and financial operations, to ensure the long-term security of each activity and development project and to adjust the control mechanisms to be implemented to the degree of the risks incurred.

This requirement is based on organisational principles and a structure of responsibilities, operating and decision-making procedures, controls and reporting to be implemented in a formal, effective manner at each level of the Group: central functions, business lines, subsidiaries, operating units and support functions.

### THE GROUP INTERNAL CONTROL COMMITTEE

The Internal Control Committee for the Group and Crédit Agricole S.A. is the body that oversees all the systems. It has held periodic meetings chaired by the Chief Executive Officer of Crédit Agricole S.A.

The purpose of this Committee is to reinforce cross-functional actions to be implemented within Crédit Agricole Group. It is responsible for reviewing internal control issues common to the Group as a whole (Crédit Agricole S.A., subsidiaries of Crédit Agricole S.A., the Regional Banks, resource pooling entities) and for ensuring the consistency and effectiveness of internal controls on a consolidated basis. The Internal Control Committee is an executive decision-making body. It is composed of salaried executives of Crédit Agricole S.A. In this respect, it is different from the Audit and Risk Committee, which is an arm of the Board of Directors, in particular, it is responsible for coordinating the three control functions: Control and Audit, Risk Management and Permanent Controls, Compliance.

### THREE GROUP CONTROL FUNCTIONS

The head of the Group Risk Management and Permanent Controls department and the head of Group Control and Audit, in charge of periodical controls, both report directly to the Chief Executive Officer of Crédit Agricole S.A. In addition, the Compliance function overseen by a Group Legal and Compliance Director, reports to a Deputy Chief Executive Officer, in his or her capacity as head of compliance. The three heads of Periodical Controls, Permanent Controls and Compliance have extensive access to the Audit and Risks Committee and to the Crédit Agricole S.A. Board of Directors.

Also, pursuant to the order of 19 January 2010 amending Regulation 97-02 (cancelled and replaced by the order of 3 November 2014 regarding the internal control of banking sector companies, payment services and investment services subject to ACPR supervision), the Head of Group Risk Management and Permanent Controls was appointed as head of "Risk" for both Crédit Agricole S.A. and Crédit Agricole Group.

Control functions are responsible for supporting the business lines and operating units to ensure that all transactions are carried out in a manner that is proper, secure and effective. Responsibilities are divided as follows:

- the Group Risk Management and Permanent Controls department is responsible for the oversight and control of credit, market, liquidity, financial and operational risks; it is also in charge of last-line control of accounting and financial information and of monitoring the roll-out of IT system security and business continuity plans;
- the Compliance and Legal Affairs department is responsible for prevention and control of non-compliance and legal risks. The Compliance department is responsible in particular for prevention of money laundering and terrorism financing, fraud prevention, and compliance with embargoes and obligations to freeze assets. The Legal Affairs department, which is organised as a business line, has two main goals: to control legal risk which can generate litigation and liability, whether civil, disciplinary or criminal, and to provide the requisite legal support to the entities to enable them to engage in their business activities while minimising risks and legal costs;
- Group Control and Audit is responsible for independent periodical control to ensure that all Crédit Agricole Group entities are operating properly.

In addition to the actions of the different control functions, other Crédit Agricole S.A. central functions, departments and business lines participate in implementing internal control systems on a consolidated basis, either through Specialised Committees or through actions designed to standardise procedures and to centralise data.

Pursuant to the order of 19 January 2010 amending Regulation 97-02 (cancelled and replaced by the order of 3 November 2014 regarding the internal control of banking sector companies, payment services and investment services subject to ACPR supervision), a Head of "Risk" has been appointed in each main subsidiary of Crédit Agricole S.A. and each Regional Bank. His or her role is, in particular, to alert the executive and decision-making bodies to any situation which may have a significant impact on risk control.

### Crédit Agricole S.A. and its subsidiaries

The functions, departments and business lines are themselves supported by decentralised local units within each legal entity (those main subsidiaries forming part of Crédit Agricole S.A.'s internal control scope), comprising:

- Internal Control Committees, which meet quarterly. These are executive decision-making bodies, which include the Chief Executive Officer of the unit and the representatives of control functions of the entity and of Crédit Agricole S.A., who are responsible, in particular, for monitoring the internal control systems within the entity, for reviewing the main risks to which the entity is exposed, for a critical assessment of the internal control systems and internal audit work, for monitoring audits, and for overseeing any corrective measures;
- each entity's Specialised Committees;
- a network of officers and Committees dedicated to each business line.

### Crédit Agricole Regional Banks

The application of all the Group's regulations to the Regional Banks is facilitated by the circulation of national recommendations on internal control by the Regional Banks Plenary Committee for internal control and by the activity of Crédit Agricole S.A. central control functions. The Plenary Committee, which is responsible for strengthening the Regional Banks' internal control systems, is composed of Regional Banks' Chief Executive Officers, managers and internal control officers as well as Crédit Agricole S.A. representatives. Its work is extended through regular regional meetings and through work and information meetings between Crédit Agricole S.A. internal control officers and their Regional Bank counterparts.

The role assigned to Crédit Agricole S.A. as the central body has led it to be very active and vigilant with respect to internal control. Crédit Agricole S.A. specifically monitors the Regional Banks' risks and controls through the France Risk Business Line Oversight and Coordination unit, reporting to the Risk Management and Permanent Controls department and *via* the Compliance department.

### ROLE OF THE BOARD OF DIRECTORS<sup>(1)</sup>

The Board of Directors of Crédit Agricole S.A. is aware of the Company's overall organisational structure and approves its internal control system. It approves the overall organisation of the Group as well as its internal control system. It is informed of the organisation, operation and results of the internal control system. In addition to the information it receives on a regular basis, it receives the annual and interim reports on internal control, which are sent to it in accordance with banking regulations and Crédit Agricole S.A. procedures. The Chairman of the Board of Directors of Crédit Agricole S.A. receives regular reports summarising the conclusions of audits conducted by Group Control and Audit.

The Board is informed by the Audit and Risks Committee of the main risks incurred by the Company and of significant incidents picked up by internal control and risk management systems.

The Chairman of Crédit Agricole S.A. Audit and Risks Committee reports to the Board on the Committee's work in general and, more particularly, on the annual report on internal controls and on risk measurement and monitoring. At the date of the General Meeting of Shareholders, the annual report for 2014 will have been presented to the Audit and Risks Committee and will be duly sent

to the French Prudential and Resolution Supervisory Authority (ACPR) and the Statutory Auditors. It will also have been presented to the Board of Directors.

### ROLE OF THE AUDIT AND RISKS COMMITTEE<sup>(2)</sup>

The Crédit Agricole S.A. Internal Control Officers report to the Audit and Risks Committee created by Crédit Agricole S.A.'s Board of Directors.

The Audit and Risks Committee is in charge of verifying the clarity of information provided and of assessing the appropriateness of accounting methods as well as the effectiveness of the risk management and internal control system. As such, it has broad communications powers in respect of all information relating to periodical control, permanent control, including accounting and financial control, and compliance control.

It receives periodic reports on activity management systems and risk measurement. An interim (half-year) report on internal control for the first half of 2014 was presented to the Committee at its meeting of 1 October 2014. The annual report for 2014 will be presented to the Committee at its meeting of 14 April 2015.

The Chairman of the Audit and Risks Committee also receives regular reports summarising the conclusions of audits conducted by the Group Control and Audit function.

### ROLE OF THE CHIEF EXECUTIVE OFFICER REGARDING INTERNAL CONTROL

The Chief Executive Officer defines the Company's general organisation and oversees its implementation by competent qualified staff. He is directly and personally involved in the organisation and operation of the internal control system. In particular, he defines roles and responsibilities and allocates adequate resources to the internal control function.

He ensures that risk strategies and limits are compatible with the financial position (capital base, earnings) and strategic guidelines set by the Board of Directors.

He oversees the implementation of risk identification and measurement systems that are appropriate for the Company's activities and organisation. He also ensures that all essential information produced by these systems is reported to him on a regular basis.

He ensures that the internal control system's adequacy and effectiveness are permanently monitored. He receives information on any failures identified by the internal control system and on proposed corrective measures. In this respect, the Chief Executive Officer receives regular reports summarising the conclusions of audits conducted by the Group Control and Audit function.

## 3. Internal control procedures and risk management and supervision within Crédit Agricole S.A.

### Risk measurement and supervision

Crédit Agricole S.A. has risk measurement, supervision and control systems covering all risks (counterparty risks, market risks, operational risks, financial risks, etc.), which are adapted to its business activities and organisation, and forming an integral part of the internal control system. Information is reported periodically to the executive body, the decision-making body and the Audit and Risks Committee, notably through the reports on internal control and risk measurement and supervision.

(1) Detailed information about all the work carried out by the Board of Directors is given in the "Preparation and Organisation of the Board's Work" section of this report.

(2) Detailed information about all the work carried out by the Audit and Risks Committee is given in the "Preparation and Organisation of the Board's Work" section of this report.

Detailed information on risk management is presented in the “Risk Factors” section and in the corresponding Note 3 to the consolidated financial statements.

## Risk Management and Permanent Controls

The Risks and Permanent Controls Group function, created in 2006 to implement Regulation 97-02 (cancelled and replaced by the order of 3 November 2014 regarding the internal control of banking sector companies, payment services and investment services subject to ACPR supervision) was continuously active in 2014, seeking to measure and manage Group risks with the best possible response times and efficiency.

The Risks and Permanent Controls Group function is responsible both for overall risk management and for permanent control of the Group’s risks: credit, financial and operating risks, including risks lined to the quality of financial and accounting information, physical and IT system security, business continuity and management of essential services that have been outsourced.

Risk management is underpinned by a Group-wide system under which the business lines’ strategies, including the launch of new business activities or new products, are subject to a risk assessment and to risk limits that are formally applied as part of the risk strategy of each sensitive business and entity. These limits are reviewed at least once a year or whenever there is a change in a business or in risk exposure, and they are validated by the Group Risk Management Committee. They are associated with Group-wide limits, particularly for large counterparties. Mapping of potential risks and measurement and monitoring of identified risks are periodically adjusted as a function of the business activity.

Control plans are proportionately adjusted to accommodate changes in business activity and risks.

The Group function reports to the head of Crédit Agricole S.A. Group Risk Management and Permanent Controls, who is not attached to any operational function and in turn reports to the Chief Executive Officer of Crédit Agricole S.A. It brings together the cross-functional departments of Crédit Agricole S.A. (Group Risk Management and Permanent Controls) and the decentralised Risk Management and Permanent Controls functions, which are closest to the business lines, in each Group entity, in France and abroad. At the end of 2014, the Group’s Risk Management and Permanent Controls function employed approximately 2,900 full-time equivalent employees within the scope of Crédit Agricole Group.

Its function is based on structured governance bodies, including the Internal Control Committees, the Group Risk Management Committee (the forum where the Executive Committee approves the Group’s strategies and is informed of its risk exposure), the Regional Banks Risk Monitoring Committee, the Group Security Committee, the Standards and Methodology Committee, the Basel Steering Committee, the Business Line Monitoring Committees, which bring together at regularly scheduled meetings the Group Risk Management and Permanent Controls department and the subsidiaries, and other Committees in charge, in particular, of the rating and IT systems. The Group Risk Management Committee, chaired by the Chief Executive Officer of Crédit Agricole S.A., meets twice a month and its role is to monitor the risks that appear in order to clarify appropriate policy guidance.

In 2014, the executive body (*via* the Group Risk Management Committee), the Audit and Risks Committee and the Board of Directors were kept closely informed of risk strategies and the

extent of the Group’s credit and financial risk exposures. The Group Risk Management Committee re-examined the strategies applied by the Group’s business lines and adjusted intervention limits as needed. Furthermore, a Group-wide approach was developed for sensitive business sectors and countries.

### CRÉDIT AGRICOLE S.A. CROSS-FUNCTIONAL DEPARTMENTS (GROUP RISK MANAGEMENT AND PERMANENT CONTROLS FUNCTION)

Crédit Agricole S.A.’s Group Risk Management and Permanent Controls department is responsible for monitoring and managing the Group’s overall risk management and permanent control systems.

#### Overall management of Group risks

The Group Risk Management and Permanent Controls department oversees and measures overall risks for the consolidated entity through specialised units for each category of risk. These units define and implement risk management and consolidation systems (standards, methodologies, IT systems).

The system implemented by the Group also includes a “business line risks oversight” function, responsible for the global and individual relationship with each Crédit Agricole S.A. subsidiary. The supervision of risks within the Regional Banks is carried out by a specific unit within the Group Risk Management and Permanent Controls department. The supervision of risks within the Regional Banks is carried out by a specific unit within the Group Risk Management and Permanent Controls department.

Risk monitoring at Group level is not only carried out by entity and by the business line risk oversight units but is, notably, also carried out *via* the examination of risks by the Group Risk Management Committee and by the Regional Banks Risk Monitoring Committee.

Risk is also monitored *via* an alert procedure deployed across all Group entities, enabling the greatest risks to be presented before an Executive Management Committee on a fortnightly basis.

Crédit Agricole S.A.’s risk measurement system is comprehensive and accurate. It covers all categories of commitments (on- and off-balance sheet) and positions, and consolidates commitments to companies belonging to the same group, by aggregating all portfolios and identifying risk levels.

These measures are supplemented by periodically altering the risk profile under stress scenarios and by regularly making assessments based on various types of disaster scenarios.

2014 was marked by the stress tests run by the European Central Bank (ECB) and European Banking Authority (EBA) which were accompanied by asset quality reviews (AQR). The results were published on 26 October 2014. The tests were exceptional in their scope and length. They required some hundred auditors from the French Regulatory and Resolution Supervisory Authority (ACPR) plus the equivalent of 28,000 working days over eight months put in by the Group’s own employees.

This time, the results demonstrated the robustness of Crédit Agricole Group’s financial structure. Solvency after allowing for the combined impact of AQR and stress levels was among the highest of any major European Bank.

Aside from these major regulator-led tests, stress exercises are conducted by all entities at least once a year for internal management purposes. These exercises are, in particular, conducted as part of the annual budgetary process to strengthen the practice of measuring the sensitivity of risks and the Group’s income statement and its various components to a significant

deterioration in the economic climate. These comprehensive stress exercises are supplemented by sensitivity analyses on the main portfolios.

Crédit Agricole S.A., its subsidiaries and the Regional Banks, collectively and individually undertake the risk management process by employing procedures for monitoring limits and making adjustments whenever they are exceeded, monitoring the operation of accounts, appropriate classification of receivables (particularly impaired receivables) in keeping with applicable regulations, ascertaining that provisions are sufficient to cover exposure under the control of the Risk Committees, and periodically reviewing major risks and portfolios, particularly those involving “deals at risk”.

In a contrasting and uncertain risk environment, Crédit Agricole S.A. is pursuing a policy of actively reviewing the risk strategies and policies adopted by its subsidiaries.

Procedures for alerts and escalation are in place should anything appear wrong for an extended period, depending on its materiality.

Since 2008, Crédit Agricole S.A. and its subsidiaries have implemented measurements of risk weighted assets for calculating capital requirements first under Basel 2 and then Basel 3 based on internal models certified by the French Regulatory and Resolution Supervisory Authority (ACPR) (the IRB approach for calculating credit risk, the AMA model for calculating operational risk; the standardised approach is applied where models are to be validated subsequently or to which that approach will be applied on a long term basis).

With regard to liquidity risk, a review of the internal liquidity risk management and control system was completed in 2014. In accordance with regulatory requirements, the new LCR ratio (liquidity coverage ratio) has been reported monthly to the ACPR, since the end of the first quarter.

The market risk management system did not experience any major changes in 2014. Systems for managing these risks were reviewed and strengthened.

Following implementation of the Capital Requirements Directive (CRD 4) on 1 January 2014, Credit Valuation Adjustment (CVA) VaR and stressed VaR are now calculated for Crédit Agricole Corporate and Investment Bank scope and incorporated into the market risk capital requirements.

A significant incident system for all risks was established in 2009 and a procedure specifies the significant thresholds and how to report incidents to the executive and decision-making bodies of Crédit Agricole S.A., its subsidiaries and the Regional Banks.

### Permanent controls and operational risks

The Group Risk Management and Permanent Controls department coordinates the Group permanent controls system (definition of key control indicators by type of risk; deployment of a single software platform integrating operational risk assessment and the results of permanent controls; and organisation of reporting of control results at the relevant consolidation levels within the Group).

In 2014, the Group Risk Management and Permanent Controls department strengthened its oversight system by setting up a permanent control coordinating Forum made up of representatives from the business line in the subsidiaries and Regional Banks as well as management. The Forum designed and ran two learning periods when all Group entities came together to discuss best practice and ways to implement improvements in the systems. As part of operational risk identification and prevention process an “OR alerts monthly” is now distributed to all entities listing all alerts within the Group.

A summary of the results of the key controls is made available to the Group Internal Control Committee twice a year.

In terms of risk managing associated with the main outsourced activities upgrading of the processes was improved for monitoring bank transactions and payment services intermediaries.

In operational risks, the Group continued to improve its operational risk computer system by rolling out the “Secure data bases” project. The project will rationalise the databases and automate controls on data taken from COREP’s regulatory statements to bring the system into line with best management principles for risk IT systems defined by the Basel committee.

Procedures have been expanded with new training aids: dictionary and mapping of key scenarios.

The Group Risk Management and Permanent Controls Department also designed a questionnaire for use within Crédit Agricole Group on “Principles for good management of operational risk”. The questionnaire walks each entity through a self-assessment of their system. The responses helped identify areas for improvement which will feed through into action plans at local or Group level; the definition of a methodology for measuring risk appetite, strengthening of the Group’s training systems for operational risk, and clarification of the Board of Directors’ role and the information it should receive.

### DECENTRALISED RISK MANAGEMENT AND PERMANENT CONTROLS FUNCTIONS IN EACH GROUP BUSINESS LINE

#### Within Crédit Agricole S.A.

The roll-out of the Group function is on a hierarchical basis with the appointment of a Risk Management and Permanent Controls Officer (RCPR) for each subsidiary or business line. The Business Line RCPR reports hierarchically to the Group RCPR and functionally to the executive body of the relevant business line. This safeguards the independence of the local Risk Management and Permanent Controls departments.

Acting under the responsibility of its own RCPR, each subsidiary or business line secures the resources it needs for managing its risks and to ensure the compliance of its permanent control system, in order to obtain a comprehensive, consolidated view of its risks that will guarantee the entity’s sustainability throughout its internal control scope.

Relations between each subsidiary or business line and the Group Risk Management and Permanent Controls department are based on the following main principles:

- each subsidiary or business line applies the Group-wide standards and procedures defined by the Risk Management and Permanent Controls department;
- each subsidiary or business line defines its own risk strategy, which is approved by the Group Risk Management Committee on the Risk Management and Permanent Controls department’s recommendation, specifying the overall limits on the entity’s commitments;
- authority is delegated from the Group RCPR to the Business Line RCPRs, which report hierarchically to the Group RCPR in carrying out their duties; these Officers are also subject to disclosure and early-warning obligations *vis-à-vis* the Group Risk Management and Permanent Controls department;
- a Business Line Monitoring Committee, which periodically brings together the Risks Management and Permanent Controls department and the entity to discuss the quality of the risk management and permanent controls system and the level of risk, including those which relate to Corporate and investment banking (Crédit Agricole Corporate and Investment Bank).

## Regional Banks

Banking regulations on risks apply to each Regional Bank individually. Each Regional Bank is responsible for its own risks and permanent controls framework. Each one has a Risk Management and Permanent Controls Officer, who reports to his or her Chief Executive Officer and is in charge of the oversight of risk management and permanent controls. The Compliance Officer may also report to him/her. If this is not the case, the Compliance Officer directly reports to the Chief Executive Officer. The framework was completed in 2010 with the appointment of a head of Risk Management for the newly-formed Risk department, as set forth in law. Generally speaking, this is the Risk Management and Permanent Controls Officer (RCPPR).

As the central body for the Group, Crédit Agricole S.A. consolidates the risks borne by the Regional Banks and coordinates their Risk Management and Permanent Controls function *via* the Group Risk Management and Permanent Controls department, notably by circulating the appropriate procedures to the Regional Banks, particularly for implementing the Group permanent control system.

Furthermore, large credit exposures borne by the Regional Banks must be presented to Foncaris, a credit institution that is a wholly owned subsidiary of Crédit Agricole S.A., which partially guarantees such exposures. The requirement that the Regional Banks must ask Foncaris to guarantee their main transactions (when the amount exceeds a limit defined jointly by the Regional Banks and Foncaris) gives the central body an effective tool for assessing the associated risk before accepting it.

## Internal control system for information systems security and business continuity plans

Through the internal control system that has been established, regular reports on the main entities' situation regarding risk monitoring in relation to Business Continuity Plans and IT System Security are made to the governance authorities for Group security.

With regard to Business Continuity Plans, all the major strategic projects undertaken by the Group since 2009 and helping to ensure better coverage and control of functional and IT risks again enjoyed significant progress in 2014:

- Eversafe project: Eversafe, a solution that provides a high level of security if the building, campus or even the whole district in the Paris region should become unavailable, is now fully operational and tested with two dedicated sites for the Group, thus providing workspace in the event of a major event in the Paris region;
- Greenfield project: The Group has set up two identical centres (full redundancy of all essential equipment) designed to provide high availability and business continuity in the case of an event. The majority of Crédit Agricole S.A. Group subsidiaries' IT production and that of the 39 Regional Banks are now hosted on this high-security twin-site. In addition, the highly unlikely scenario of simultaneous and extended outages at both Greenfield sites is covered by remote backups stored for most of the entities hosted at the twin-site. Finally, Greenfield has been awarded Tier 4 certification, the top quality rating given by a leading international body in data centre operational security.

Crédit Agricole S.A. entities and subsidiaries ran tests, originally planned for 2013 but held over beginning 2014 due to ongoing migration projects, on their Greenfield site IT contingency plans in February 2014 and again in June with a follow-up in November. Action plans derived from the latter two tests are currently being finalised.

In 2014, the Regional Banks ran partial tests on their IT contingency plans and will run their first full test in 2015.

As part of the Group's effort initiated in 2010 to define Business Continuity Plans by business line, to avoid "compartmentalising" should a business line entity suffer damage, cross-business line tests were carried out in 2014 for the "Insurance", "Payment Instruments", "Retail Securities" and "Specialised financing" business lines.

The national crisis management system was tested quarterly by linking all the crisis officers named by the Group's entities (Regional Banks and subsidiaries).

In the field of IT security, organisational and technical measures launched in response to changing threats were accelerated. The Group has strengthened its ability to detect anomalies and put its IT alerts handling team through the certification process for an international standard (CERT: Computer Emergency Response Team). The Group function of the IT security managers was restructured to try and accelerate the pace at which the IT system adapts to threats. On the technology front, there is a plan with a ring-fenced budget to spread best security practice (use of encryption, monitoring, massive reconstruction) previously restricted to particular areas. Finally, the security assessment tables were revised to take account of changing threats and an evaluation mode better able to deal with recent developments in IT crime was extended.

## Internal control system for accounting and financial information

### ROLES AND RESPONSIBILITIES FOR THE PREPARATION AND PROCESSING OF FINANCIAL INFORMATION

In keeping with the applicable rules within the Group, the organisational principles and responsibilities of the Group Finance division functions are set out in a procedure.

The Central Finance function is organised as a business line within Crédit Agricole S.A.

The heads of the Finance function for a business line or subsidiary report hierarchically to the head of the business line or subsidiary and functionally to the Group Chief Financial Officer.

At business line/subsidiary level, the Finance department acts as a relay among subsidiaries, circulating the Group's principles with respect to standards and information system organisation, in line with each business line's special attributes. In some cases, it also constitutes an intermediate level for preparation of the business line's accounting and business management information. Each Risk Management and Permanent Controls department in a business line or subsidiary within the Group is also responsible for producing the risk data used to prepare financial information and for implementing controls to ensure that this information is accurately reconciled with accounting data.

Each business line/entity is equipped with the means to ensure the quality of the accounting, management and risk data transmitted by the Group as a result of consolidation requirements, in particular, with regard to the following aspects: compliance with standards applicable to the Group, consistency with parent company financial statements approved by its decision-making body, reconciliation of accounting and management reporting figures.

Within the Group Finance division, three functions are the main contributors in terms of preparing accounting and financial information for publication: Accounting, Management Control and Financial Communication.

### Accounting

The main purpose of the Accounting function is to draw up the separate financial statements of Crédit Agricole S.A., the consolidated financial statements of Crédit Agricole S.A. and Crédit Agricole Group, including segment information for Crédit Agricole S.A. based on the definition of the business lines for financial reporting purposes and in compliance with IFRS 8. To fulfil this mission, the Accounting function, in accordance with applicable regulations, defines and circulates the accounting standards and principles that apply to the Group. It oversees accounting bases, lays down the rules governing the architecture of the accounting information and regulatory reporting system, and manages the accounting processes for consolidation of the financial statements and regulatory reporting.

### Management Control

In the field of preparing financial information, the Group Management Control function, together with the Financial Management department, defines the rules for allocating economic capital (definition, allocation policy), consolidates, puts together and quantifies the budget and the Medium Term Plan for Crédit Agricole S.A., and ensures budget reporting and monitoring. To meet this objective, Group Management Control defines the management control procedures and methods and the structure and management regulations for the Group management control system.

### Financial Communication

Crédit Agricole S.A.'s Financial Communication function ensures message consistency across all investor categories. It is responsible for information published in press releases and presentations to shareholders, financial analysts, institutional investors, rating agencies, as well as information contained in documents subject to approval by the *Autorité des marchés financiers* (AMF). In this respect, working under the responsibility of the Chief Executive Officer and Crédit Agricole S.A. Group's Chief Financial Officer, the Financial Communication function provides the materials used as the basis for presentations of Crédit Agricole S.A. results, financial structure and changes in business lines, as needed to enable third parties to formulate an opinion, particularly on the Group's financial strength, profitability and outlook.

### Procedures for preparation and processing of financial information

Each Group entity has responsibility, *vis-à-vis* the Group and the supervisory authorities to which it reports, for its own financial statements, which are approved by its decision-making body. Depending on the entity's size, these financial statements are subject to prior review by the entity's Audit Committee, if it has one.

As for the Crédit Agricole Regional Banks, once their financial statements are drawn up, they are approved by the Accounting department of Crédit Agricole S.A.; this is one of its responsibilities as central body. Crédit Agricole Group's consolidated financial statements are submitted to the Audit and Risks Committee and approved by the Board of Directors of Crédit Agricole S.A.

Most published financial information is based on accounting data and on management and risk data.

### Accounting data

Figures for each individual entity are drawn up in accordance with the accounting standards applicable where the entity operates. For the purposes of preparing Group consolidated financial statements, local financial statements are restated to conform to IFRS policies and principles adopted by Crédit Agricole S.A.

### Management data

Management data is produced by the Group Finance division or the Group Risk Management and Permanent Controls department. They are being reported upwards in anticipation of definitive accounting data in accordance with the same definition and granularity standards and are used to supply the Group's internal management reporting.

Furthermore, external sources of information (such as the European Central Bank and Bank of France) may be used for management data, particularly for calculating market shares.

In accordance with AMF and CESR (Committee of European Securities Regulators) recommendations, the use of management data for preparing published financial information meets the following guidelines:

- classification of the type of financial information published: historical information, pro forma data, projections or trends;
- a clear description of the sources from which the financial information was drawn. When published data are not extracted directly from accounting information, the sources and definition of calculation methods are mentioned;
- comparability of figures and indicators over time, which implies ongoing use of the same sources, calculation methods and methodologies.

### Description of the permanent accounting control system

The Group's Permanent Accounting Controls function's objective is to provide adequate coverage of major accounting risks that can alter the quality of accounting and financial information. This function is provided by the Finance Permanent Control Office, which reports to the Group Risk Management and Permanent Controls department. The Group's Permanent Accounting Controls function is based on a network of accounting controllers in the subsidiaries and Regional Banks where it operates its support and oversight missions.

The unit has the following roles in this area:

- to define the standards and organisational and operational principles of permanent accounting controls within Crédit Agricole Group;
- to oversee and coordinate the permanent accounting control systems implemented within the Group's subsidiaries and Regional Banks;
- restoration of the quality of accounting and financial information permanent control systems for all Crédit Agricole Group entities to the Group's internal control management bodies.

In 2014, work by the permanent Accounting Control department showed a generally satisfactory level of maturity in the processes.

The same department, working with the Accounting Quality department, also overhauled the Accounting Control Guidance to incorporate changes to accounting rules and regulations.

### Relations with the Statutory Auditors

The registration document, its updates, securities notes and prospectuses prepared for new debt or share issues, which contain comprehensive financial information, are subject to approval or registration by the AMF.

In accordance with applicable professional standards, the Statutory Auditors perform those procedures they deem appropriate on published financial and accounting information:

- audit of the parent company and consolidated financial statements;
- partial audit of interim consolidated financial statements;
- overall review of quarterly financial information and materials used as a basis for presenting financial information to financial analysts.

As part of the duties assigned to them by law, the Statutory Auditors submit to Crédit Agricole S.A.'s Audit and Risks Committee their overall work programme, the various spot checks they have carried out, the conclusions of their work on the financial and accounting information they have reviewed in carrying out their assignment, as well as the significant weaknesses of the internal controls, with regards to the procedures used for the preparation and processing of accounting and financial information.

### Non-compliance risk prevention and controls

Crédit Agricole S.A.'s internal control functions and the Regional Banks each have their own Compliance department. These functions are performed by around 750 full-time equivalent employees within Crédit Agricole S.A. and its subsidiaries (plus 230 within the Regional Banks), with changes to the scope of consolidation being accompanied by increased resources in several subsidiaries in France and abroad.

The Compliance department has functional authority over the Compliance Officers of the French and foreign subsidiaries of Crédit Agricole S.A. The Compliance officers of Crédit Agricole S.A. subsidiaries operate completely independently, with a hierarchical reporting line to the entity and a functional reporting line to the Compliance function. In its capacity as the central body, Crédit Agricole S.A. via the Group Compliance department, leads and coordinates the Regional Bank Compliance teams.

The Group Compliance department is responsible for developing policies with respect to observance of laws and regulations within its scope, their circulation and monitoring that they are observed.

This in particular applies to rules on prevention of money laundering and the financing of terrorism, on management of embargoes and asset freezes, and prevention of fraud and corruption.

Within the Compliance function, each Compliance Officer updates a non-compliance risk map and these are consolidated by the Group Compliance department.

The Compliance Management Committee, which is chaired by the Deputy Chief Executive Officer, holds bimonthly plenary meetings. It takes the decisions needed to prevent non-compliance risks and in order to implement and monitor corrective measures following the reporting of major irregularities to the Committee. The Committee periodically reports on its work to the Audit and Risks Committee of Crédit Agricole S.A. Board of Directors.

Organisation within the Group Compliance department was unchanged in 2014 with units specifically dedicated to specialist areas across the Group (compliance and procedures, financial safety and fraud prevention, compliance and systems) and units responsible for coordinating and supervising the various business lines.

Within the framework of the actions already initiated and as a result of regulatory changes, the Compliance function's work in 2014 focused on the following areas:

- **the prevention of money laundering and terrorist financing** remains a constant concern and the focus of much regulatory activity. It demands continuous improvement of identification systems for customers and their activities at every stage of business relations and this must be coordinated with an ever more refined risk-based approach;
- **compliance with embargoes and asset freezes** in difficult political environments demands strengthened screening systems and qualitative analysis of cash movements as well as stepped up training programmes to enhance levels of vigilance among those concerned;
- **in fraud prevention**, the Group has continued its initiatives to counter new forms of organised external fraud that use increasingly sophisticated techniques. Awareness raising is key to increasing vigilance measures;
- **customer protection** was the subject of several initiatives in 2014, all pursuing the aim of continuous improvement in the marketing of financial and life insurance products, through a clearer assessment of the knowledge and experience of investors. The initiatives also incorporated into banking products regulatory features to help customers with financial problems;
- **on market integrity**, efforts concentrated on measures to manage submissions to indices, governance of market abuse detection systems and the operational implementations of European and US rules on the separation of banking and speculative activities;
- finally, regarding the **extension of the Foreign Account Tax Compliance Act (FATCA)**, which the Group has complied with since 1 July 2014, it is preparing for launch of a multi-lateral information exchange system within the OECD.

### Periodic controls

Group Control and Audit, which reports directly to the Chief Executive Officer of Crédit Agricole S.A., is the highest level of control within Crédit Agricole Group. It has sole responsibility for periodic controls of Crédit Agricole Group through the missions it conducts, through the oversight of the Control and Audit function of Crédit Agricole S.A. and its subsidiaries, which reports hierarchically to this function, and through coordination of the Regional Banks' internal audit units.

Using an updated risk mapping approach reflected in an audit cycle generally lasting between two and five years, it conducts audits on-site and on documents within Regional Banks, within Crédit Agricole S.A. units and within subsidiaries, even when these entities have their own internal Audit/Inspection body, as part of a coordinated audit plan approach.

These periodical audits include a critical assessment of the internal control system implemented by the audited entities. These procedures are designed to provide reasonable assurance that the system is effective in terms of transaction security, risk management and compliance with external and internal regulations.

They include verifying that the audited entities comply with external and internal regulations, assessing the security and effectiveness of operational procedures, ensuring that the system for measuring and supervising all risks is adequate, and verifying the reliability of accounting information.

In 2014, Group Control and Audit and the internal audit departments had to contribute to the Asset Quality Review (AQR) ordered by the European Central Bank. In addition, Group Control and Audit departments ran on-site and document-based audits at various entities and unites in France and abroad as part of projects to investigate specific issues, particularly at the Regional Banks, or topical and/or cross-functional issues. Issues addressed included: the quality and reliability of Basel scoring data in the Regional Banks, unpaid settled life insurance contracts, Home savings, Private banking as part of the activities of the retail banking network in France and Private banking abroad, Market abuse, the Back office of Crédit Agricole S.A.'s Finance Department, review of the LCR ratio, services outsourced by Crédit Agricole Assurances to Amundi including those subdelegated to CACEIS, oversight and indicators for Amundi risks, Amundi Finance, CACEIS's ALM service, Crédit du Maroc, Foncaris and CPoR Currencies where Crédit Agricole is the leading shareholder. Model audits focused on hybrid and inflation models or monitoring the recommendations of the EEPE/CVA investigation at Crédit Agricole Corporate and Investment Bank, CACEIS's models and the scoring and provisioning models at Agos. IT audits looked at CAAGIS's information systems, IT production at Crédit Agricole Cards & Payments, operational security at SILCA, internet security (access points and websites) for the Group, data centre hosting and incorporation of regulatory and security requirements at LCL information system.

In addition, Group Control and Audit department provides central oversight of the Control and Audit function for all subsidiaries, thereby improving the effectiveness of controls, through the

The Board of Directors of Crédit Agricole S.A., of which I am Chairman, the Audit and Risks Committee and the Chief Executive Officer, due to his own specific responsibilities, are provided with comprehensive information on internal control and exposure to risks, areas of improvements achieved in this area and the status of any corrective measures adopted. The internal control system and procedures are updated continuously to meet new developments in regulations, business activities and risks incurred by the Company.

All this information is notably contained in the annual report on internal control and risk measurement and supervision, the management report and regular reporting on operations and control.

The Chairman of the Board of Directors of Crédit Agricole S.A.

Jean-Marie Sander

harmonisation of audit practices to the highest standards, in order to guarantee the security and conformity of transactions carried out in the Group's various entities and to develop common areas of expertise. At the end of 2014, the Group function employed around 762 full-time equivalents within Crédit Agricole S.A. and its subsidiaries (including Group Control and Audit but not including audit teams at the Regional Banks, which have around 418 staff members).

In addition, joint audit assignments are carried out regularly by Group Control and Audit and the subsidiaries' internal audit departments, to encourage the exchange of best practices. Special attention is placed on topical and cross-functional investigations.

Through the relevant Group subsidiaries' Internal Control Committees, to which each entity's Executive Management, Internal Audit Officer, Permanent Controls Officer and Compliance Officer belong, Group Control and Audit department ascertains that audit plans are successfully carried out, that risks are properly managed, and more generally, that each entity's internal control systems are adequate.

Audits carried out by Crédit Agricole S.A. Group Control and Audit, the internal audit departments and all external audits (conducted by supervisory authorities or outside firms) are monitored through a formal system as part of controlled monitoring processes carried out at least six-monthly under the audit plan. For every recommendation formulated as a result of these audits, this process ensures that all recommendations made are implemented through corrective and prioritised action plans, according to a clearly defined timetable set by order of priority. It also means that Group Control and Audit can fulfil its obligation to alert the oversight body and Audit and Risks Committee, as required by Article 26 b) of the order of 3 November 2014 regarding the internal control of banking sector companies, payment services and investment services subject to ACPR supervision, which replaced Regulation 97-02 as amended on banking and financial regulation.