

# Corporate governance

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# Report of the Chairman of the Board of Directors

presented to the General Meeting of Shareholders of 23 May 2013 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)

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Financial year 2012

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 13 February 2013 and was approved by the Board of Directors at its meeting of 19 February 2013.

## ► 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 is Crédit Agricole S.A.'s Code of Reference for writing the report stipulated in Article L. 225-37 of the French Commercial Code.

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 (56.25% at the end of 2012) and voting rights (56.42% 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: two Directors elected by employees of the *Union Économique et Sociale Crédit Agricole S.A.*, and one Director representing employees of the Regional Banks, elected by the General Meeting of Shareholders. As a result, the proportion of independent Directors on the Board of Directors and Specialised Committees is below that recommended by the AFEP/MEDEF Code of Corporate Governance for Listed Companies. The percentage of independent Directors on the Board

at the end of 2012 was 28.6%. If we also consider Directors elected by the General Meeting of Shareholders, that figure rises to 33% – in other words, the percentage recommended by the Code for companies controlled by a majority shareholder.

Three Directors have international experience, mainly at the European level. Ms Mondardini, who is Italian (Italy being Crédit Agricole's second domestic market), worked in the editorial and insurance fields in Spain and Italy; Ms Gri, through her work within large international groups (Director of marketing operations at IBM Europe, Middle East, Africa, then Chairwoman of IBM France and Chairwoman of ManpowerGroup France and Southern Europe); and Mr Talgorn, through his university research work on European institutions and policies, and his work as Chairman of the European Association of Co-operative Banks.

On the recommendation of the Appointments and Governance Committee, the Board has examined 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. An independent Director:

1. is not, and has not been an employee or Corporate Officer of the Company, 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 a 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 a Corporate Officer of the Company (currently or in the last five years) is a Director;
3. is not a significant client, supplier, corporate banker or investment banker for the Company or its Group, or for which the Company or its Group account for a large proportion of its 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 Board 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.

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 has not been met):

Directors/AFEP/MEDEF 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 d'Alsace Vosges	X					
Representative of SAS Rue La Boétie <b>Dominique Lefebvre</b> Deputy Chairman of the Board of Directors Chairman of the Caisse régionale Val de France Chairman of the FNCA 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	X					
<b>Caroline Catoire</b> Chief Financial Officer of Saur Group						
<b>Patrick Clavelou</b> Chief Executive Officer of the Caisse régionale Brie-Picardie	X					
<b>Jean-Louis Delorme</b> Chairman of the Caisse régionale de Franche-Comté	X					
<b>Laurence Dors</b> Associate Director Anthenor Partners Corporate Director						
<b>Véronique Flachaire</b> Chief Executive Officer of the Caisse régionale du Languedoc	X					
<b>Carole Giraud</b> Representative of Regional Bank employees	X					
<b>Françoise Gri</b> Chief Executive Officer of Pierre & Vacances-Center Parcs						
<b>Bernard Lepot</b> Chief Executive Officer of Caisse régionale Nord Midi Pyrénées	X					
<b>Monica Mondardini</b> Deputy Director of "Gruppo Editoriale l'Espresso"						
<b>Marc Pouzet</b> Chairman of the Caisse régionale Alpes Provence	X					
<b>Jean-Claude Rigaud</b> Chairman of the Caisse régionale Pyrénées-Gascogne	X					
<b>Jean-Louis Roveyaz</b> Chairman of the Caisse régionale de l'Anjou et du Maine	X					
<b>Christian Streiff</b> Chairman of C.S. Conseils						
<b>Christian Talgorn</b> Chairman of the Caisse régionale du Morbihan	X					
<b>François Véverka</b> Banking and finance Consultant (Banquefinance Associés)						
Representative of the professional farming associations: <b>Xavier Beulin</b> Chairman of the FNSEA ( <i>Fédération nationale des syndicats d'exploitants agricoles</i> )	X	X				
Representatives of the employees of the <i>Union Économique et Sociale Crédit Agricole S.A.</i> : <b>François Heyman</b> Research and communications officer for the Group Communications Department	X					
<b>Christian Moueza</b> IT site manager at SILCA	X					

Three of the four Specialised Committees of the Board are chaired by independent Directors: these are the Audit and Risks Committee, the Compensation Committee, the Appointments and Governance Committee, with the Compensation Committee made up mainly of independent Directors, in accordance with regulatory provisions.

The Chairman of the Board periodically meets with independent 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 Director's obligations, which can be found in the "compliance" pack given to Directors of Crédit Agricole S.A.

In 2012, the Board welcomed four new Directors, elected by the General Meeting of Shareholders of 22 May 2012:

- Ms Françoise Gri, from outside the Group, to replace Mr Xavier Fontanet;
- Mr Marc Pouzet, Regional Bank Chairman, to replace Mr Gérard Cazals;
- Mr Jean-Claude Rigaud, Regional Bank Chairman, to replace Mr Michel Michaut;
- Mr Jean-Louis Roveyaz, Regional Bank Chairman, to replace Mr Noël Dupuy.

In addition, three individuals were re-elected to the Board by the General Meeting of Shareholders of 22 May 2012: Ms Carole Giraud, representing Regional Bank employees; Ms Monica Mondardini, independent Director; Mr Patrick Clavelou, Regional Bank Chief Executive Officer. The General Meeting of Shareholders also ratified the appointment of Mr Jean-Louis Delorme as Director, co-opted by the Board at its meeting of 22 February 2012.

Finally, the General Meeting of 22 May 2012 re-elected SAS Rue La Boétie as a legal Board member. SAS Rue La Boétie has nominated Mr Dominique Lefebvre, Chairman of SAS Rue La Boétie, and a Regional Bank Chairman, as its representative on the Crédit Agricole S.A. Board. The Board reappointed Mr Lefebvre as Deputy Chairman at its meeting on 22 May 2012, which followed the General Meeting of Shareholders.

During this meeting, the Board appointed Mr François Thibault, Regional Bank Chairman, as non-voting Director, replacing Mr Jean-Louis Delorme.

At 31 December 2012, six of the Directors on the Board were women, i.e. 28.6% of the members. Crédit Agricole S.A. is therefore in compliance with the above-mentioned Corporate Governance Code and with the provisions of the Act of 27 January 2011.

As a result of the Directors who were reappointed to the Board, the composition of the three Specialised Committees (Audit and Risks Committee, Strategy Committee, Appointments and Governance Committee) has changed.

The list of Directors appears in the section below entitled "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 57.2. 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, Decision-making 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 Prudential Supervisory Authority (ACP), as the responsible senior corporate executive in accordance with Article L. 511-13 of the French Monetary and Financial Code.

In accordance with the AFEF/MEDEF 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, which may be consulted at Crédit Agricole S.A.'s registered office or 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

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 Chief Executive Officer

■ **Powers of the Board of Directors:** in addition to the powers granted by law, “the Board:

- on the recommendation of the Chairman and Chief Executive Officer, determines the Group’s strategic orientations;
- 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 issue 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 and 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;
- any other investment of any nature for amounts exceeding €150 million.

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 next 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 separate 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, circulated to existing Directors and non-voting Directors in February 2012, is also given to each new Director or non-voting Director.

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 Director

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

## Review of the Board of Directors' work during 2012

The Board was extremely active in 2012 (ten meetings, including three extraordinary meetings). The attendance rate remained high, averaging 96.6% (97% for regularly scheduled meetings and 95% for extraordinary meetings). This reflects the commitment of all Directors, as the following table shows.

Directors	Number of meetings taken into account	Attendance rate
Jean-Marie Sander	10	100%
Dominique Lefebvre	10	100%
Philippe Brassac	10	100%
Xavier Beulin	10	100%
Caroline Catoire	10	100%
Patrick Clavelou	10	100%
Jean-Louis Delorme	10	100%
Laurence Dors	9	90%
Véronique Flachaire	10	100%
Carole Giraud	10	100%
Françoise Gri <sup>(1)</sup>	6	86%
François Heyman <sup>(1)</sup>	6	100%
Bernard Lepot	10	100%
Monica Mondardini	9	90%
Christian Moueza <sup>(1)</sup>	5	83%
Marc Pouzet <sup>(1)</sup>	7	100%
Jean-Claude Rigaud <sup>(1)</sup>	7	100%
Jean-Louis Roveyaz <sup>(1)</sup>	7	100%
Christian Streiff	10	100%
Christian Talgorn	10	100%
François Véverka	10	100%

(1) Directors who joined the company during the year



Following the Board's decision in December 2011 to implement a plan enabling Crédit Agricole S.A. Group to adapt to its new economic, financial and regulatory environment, 2012 was largely spent following up on the actions undertaken in this respect at Group entities, in a difficult economic climate that showed no signs of easing. A special attention was paid to the withdrawal of Crédit Agricole S.A. from Greece (raised at eight of the ten Board meetings in 2012), with the sale of its subsidiary Emporiki ratified in October 2012 and finalised on 1 February 2013, and changes affecting the Group's risk exposure in Italy, owing to the economic crisis affecting the country. The implications of the crisis in terms of the value of previous investments made by Crédit Agricole S.A. have been carefully monitored at each reporting date. In parallel, the Board has frequently reviewed the position of Crédit Agricole Group and Crédit Agricole S.A. in terms of liquidity, capital and solvency under the prudential rules. The disposal of non-strategic investments, the sale of corporate and investment banking subsidiaries (in brokerage) and the restructuring of the business sectors of Crédit Agricole Group also accounted for much of the Board's activities in 2012. Finally, at its meeting in December 2012, the Board decided to initiate the launch, in 2013, of a medium-term plan for Crédit Agricole Group, which will follow along the same lines as the Crédit Agricole Group Project of December 2010.

Together these subjects required intensive upstream mobilisation of the Board's Specialised Committees, particularly the Audit and Risks Committee and the Strategy Committee.

In terms of governance, 2012 notably saw the expansion of the management team of Crédit Agricole S.A. At its meeting of 17 July 2012, the Board, acting on the recommendation of the Chief Executive Officer and on the advice of the Appointments and Governance Committee, appointed a new Deputy Chief Executive Officer. On the recommendation of the Compensation Committee, the Board approved the compensation package and terms of employment of the new Deputy Chief Executive Officer, as well as his severance package. This will be submitted for the approval of the General Meeting of Shareholders of 23 May 2013 regarding related-party agreements.

The guidelines adopted by the Board following the self-assessment of its activities in 2011, carried out with the help of an external firm, were implemented in 2012. These specifically concerned:

- an annual programme of work for the Board, the Audit and Risks Committee, and the Compensation Committee;
- a summary of key projects;
- improvements to the Board of feedback on the activities of the Specialised Committees;
- the integration of new Directors from outside the Group: the launch of an integration scheme involving meetings with senior managers from Crédit Agricole S.A.'s central divisions;
- additional time for the examination of draft versions of documents, particularly with regard to the financial statements.

In addition, the Board has examined the Corporate Social Responsibility Report for Crédit Agricole S.A. (CSR). 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. The performance of this index will be measured each year for all entities involved in the process. Improvements introduced in 2012 mainly include gender equality and disability management. Major initiatives have also been undertaken to develop sustainable products and services tailored to different customers. The CSR strategy is implemented in conjunction with the Regional Banks and the *Fédération Nationale du Crédit Agricole*, in accordance with the guidelines of the Crédit Agricole Group Project of December 2010.

#### Issues reviewed by the Board in 2012

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 also 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 evolution of Crédit Agricole S.A. 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 current or forthcoming regulatory requirements;
- the annual internal control report for 2011 and interim information (first half 2012) 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 2011), half-yearly and quarterly developments in terms of credit risk, market risk, and operational and security risks;
- the Group's risk exposure in Italy;
- the Financial Management Code of Crédit Agricole Group;
- the Group's system for managing financial risk;
- Crédit Agricole Group's results following European stress tests;
- Recovery & Resolution Plans, examined by the Board in November 2012 and approved at its meeting on 18 December 2012;
- in Compliance/Legal: a report on non-compliance risk within Crédit Agricole S.A. Group in 2011 (including mapping non-compliance risk); a summary assessment of the Compliance measures undertaken in Crédit Agricole Group; a report on the Group's litigation cases and official inquiries;

After analysis by the Strategy Committee and on its recommendation:

- the Group's plan for adjusting to the new environment;
- plans to reposition the Group's activities in different sectors, particularly corporate and investment banking, and plans to divest non-strategic investments;
- the launch of Crédit Agricole Group's medium-term plan.

After analysis by and proposals from the Compensation Committee (as outlined in paragraph 2 below):

- the fixed compensation and criteria for determining variable compensation (annual and long-term) of Corporate Officers (see paragraph 4 below), taking account of regulatory changes and the compensation policy of Crédit Agricole S.A. Group;
- the Company performance indicators included in the variable compensation scheme for executives in the Crédit Agricole S.A. Group;
- under Regulation 97-02, the 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.

After review by the Appointments and Governance Committee:

- the appointment of a new Deputy Chief Executive Officer, on the recommendation of the Chief Executive Officer;
- adjustment of the composition of some Specialised Committees in line with changes occurring within the Board;
- at its meeting of 22 February 2013, the report on professional equality and equal pay within Crédit Agricole S.A. in 2012 and initiatives undertaken at Crédit Agricole S.A. Group level to promote professional equality and diversity.

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

- the annual issue programme of Crédit Agricole S.A.;
- follow-up on the rationalisation of Crédit Agricole S.A. Group's real estate locations;
- the financial impact for Crédit Agricole S.A. and Crédit Agricole Group of the fiscal measures announced in 2012 by the French government.

#### "Related-party" agreements

In 2012 the Board gave prior authorisation for five new agreements, in accordance with the provisions of Article L. 225-38 of the French Commercial Code. These agreements, together with agreements concluded prior to 2012 and whose effects continued during the financial year, were disclosed to the Statutory Auditors in accordance with Article L. 225-40 of the French Commercial Code. The Statutory Auditors will present their special report to the General Meeting of Shareholders of Crédit Agricole S.A.

## 2. Presentation of Committees

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

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.

### Audit and Risks Committee

At 31 December 2012, the Audit and Risks Committee comprised six members:

- Mr François Véverka, Committee Chairman and independent Director;
- Ms Caroline Catoire, independent Director;
- Mr Patrick Clavelou, Crédit Agricole Regional Bank Chief Executive Officer;
- Ms Laurence Dors, independent Director;
- Ms Véronique Flachaire, Crédit Agricole Regional Bank Chief Executive Officer;
- Mr Christian Talgorn, Crédit Agricole Regional Bank Chairman.

There was a change to the Committee in 2012 following the appointment of Mr Talgorn, who replaces Noël Dupuy.

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 other credit institutions. Mr Talgorn, as well as being Regional Bank Chairman, is also a Director at two of the Group's banking subsidiaries. He is also President of the European Association of Co-operative Banks (in this respect, he is kept up-to-date on regulatory changes affecting the banking sector at the European level) and Professor of Law at the University of Southern Brittany.

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 2012; two additional meetings were organised in view of the current situation of the Group. The attendance rate was 96% in average (95% for regularly scheduled meetings and 100% for extraordinary meetings).

Given the challenging economic environment, the Committee has devoted much of its time to monitoring risk developments. Specifically, it has closely monitored the situation regarding its subsidiaries in Italy (essentially Agos-Ducato) and Greece (Emporiki). As well as examining risk developments at each reporting date, the Committee has conducted a comprehensive risk review, adopting a two-pronged geographical and sector approach and highlighting areas of particular concern for the Group. Its remit was extended in 2012 to a review of the Group's information technology systems, including the various issues at stake and risks, taking into account the major projects launched both at Crédit Agricole S.A. Group level and throughout the Group as a whole. In addition, with the rise in legal risk, the Committee examined several litigation cases and official inquiries under way.

At each meeting, the Committee examined changes in the Group's position in terms of liquidity, capital and solvency, as well as the measures taken or envisaged in response to regulatory requirements. For the closing of the 2012 accounts, the Committee conducted a specific analysis of the accounting policies adopted for measuring goodwill. The Committee has also endeavoured to analyse the regulatory changes under way (banking regulation, accounting standards, compliance) and their implications for the Group. It focused particularly on the implementation of the recommendations made by the regulators following stress tests carried out at the various Group entities and the satisfactory completion of the projects undertaken to comply with the new regulatory and prudential requirements.

The **main financial issues** examined by the Committee were:

- an adaptation plan progress report;
- a capital planning review;

- a progress report on the revision of the Group's liquidity model;
- the Crédit Agricole S.A. Financial Management Code and monitoring of projects currently under way;
- global interest rate risk management and the corresponding limits;
- short-term Group limits;
- monitoring the accounting and financial management projects currently in progress;
- the accounting treatment and valuation of shares of SAS Rue La Boétie in the Regional Banks' consolidated financial statements.

The second area of the Committee's work involved an in-depth review of the **annual, half-year and quarterly financial statements** prior to their presentation to the Board: accounting options for each reporting period, review of consolidated results and results for each Group business line, regulatory situation, financial communication axes and, since 2012, review of the draft press release. Accordingly, 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 presented to the Committee the general work programme and the various surveys carried out. Each year, the Committee interviews the Statutory Auditors without the management presence.

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 2011, and half-year and quarterly risk reviews for 2012 (credit and counterparty risks, market risks, operational risks) in advance of these documents being presented to the Board;
- a specific review of all Group risks in Italy;
- the position of the subsidiary Newedge;
- analysis of the results of the stress tests performed at Crédit Agricole Group level during the financial year and the results of the self-assessment requested by the *Autorité de Contrôle Prudentiel* (the French Prudential Supervisory Authority);
- the Recovery & Resolution Plans, prior to approval by the Board and submission to the regulator;
- the Group's system for managing financial risks;
- the reporting threshold for Crédit Agricole S.A. in terms of operational risks;
- business continuity plans;
- the provision of key outsourced services;
- occasional updates on Group risks in different business lines (insurance) and in different countries (Poland, Ukraine);

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 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 2011 and the first half of 2012. The reports submitted to the Committee also include the most significant audits carried out in the various business lines (in 2012, the Committee was informed of the findings of the audits carried out in the following areas: international banking retail, specialised financial services, asset management), and audits of 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 2011 and 31 March 2012),
- the annual summary of audits conducted in 2011 by the French Prudential Supervisory Authority (ACP),
- monitoring the *Autorité de contrôle prudentiel* and *Autorité des marchés financiers* audits in progress,
- the annual summary of audits conducted at Crédit Agricole's Regional Banks,
- lastly, at its meeting of 6 November 2012, the Committee approved the 2013 audit plan;
- in terms of internal control:
  - the annual internal control report for the 2011 financial year;
  - 2012 interim (half-year) information on internal control;
- relations with regulatory authorities and Compliance:
  - a report on the risks of non-compliance within Crédit Agricole S.A. Group for 2011 and an assessment, in the first half of 2012, of compliance actions within Crédit Agricole S.A. Group,
  - the 2011 review of the implementation of internal and external fraud prevention measures within the Group, and the cost of fraud in the first half 2012,
  - prior to their presentation to the Board, letters from the ACP and replies from Crédit Agricole S.A., as well as, where applicable, measures taken to respond to the ACP's observations,
  - a report on the Group's "New Activities and Products" (NAP) procedure,
  - a report on MiFID II.

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 Véverka, 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 2012, Mr Véverka held more than

60 working meetings, half of which concerned Crédit Agricole S.A. 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.

## Compensation Committee

At 31 December 2012, the Compensation Committee comprised five members:

- Ms Laurence Dors, Committee Chairwoman, independent Director;
- Mr Dominique Lefebvre, Deputy Chairman of the Board of Directors and Crédit Agricole Regional Bank Chairman;
- Mr Christian Streiff, independent Director;
- Mr Christian Talgorn, Crédit Agricole Regional Bank Chairman;
- Mr François Véverka, independent Director.

The majority of Committee members, unchanged from 2011, are independent Directors.

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:

- to 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 bonuses, 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 the Crédit Agricole S.A. Group entities concerned;
- preparing recommendations relating to compensation of Corporate Officers;
- preparing 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 met seven times in 2012, with three extraordinary meetings. The attendance rate was 91% (95% for regularly scheduled meetings and 87% for extraordinary meetings).

The Chairman 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.

In the spring of 2012, the Committee, at the Board's request, began a review of the variable compensation system for Corporate Officers, the principles and characteristics of which were defined in late 2009. The first phase of the study consisted in analysing a benchmark of market practices established by an external consultant across different panels. The Committee subsequently examined:

- the sensitivity of variable compensation to changes in the various economic and non-economic criteria currently applied, in an increasingly unstable environment;
- the reconciliation of these criteria with the regulatory provisions in force (CRD 3).

The review will continue in 2013, when a recommendation will be made to the Board regarding any changes that seem necessary in view of the forthcoming regulatory changes (CRD 4) and in keeping with the mutual traditions of Crédit Agricole.

The matters reviewed by the Committee in 2012 and subsequently submitted to the Board of Directors for approval related to:

- compensation of Corporate Officers:
  - compensation of the Chairman of Crédit Agricole S.A.,
  - fixed compensation and the criteria used to determine variable compensation for 2012 (annual and long-term) 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.;
- the compensation package of a newly appointed Deputy Chief Executive Officer;
- the employment terms of the new Deputy Chief Executive Officer and his severance package, to be submitted for the approval of the General Meeting of Shareholders of 23 May 2013 regarding related-party agreements;
- 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 other issues reviewed by the Committee included:

- an annual review of the persons regulated by Regulation 97-02;
- the total amount of variable compensation for regulated persons in respect of 2011;
- 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 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 97-02;

- update at the end of 2012 of compensation policy guidelines applicable to regulated persons (extension of the scope of "risk-takers").

The principles and rules used to determine the compensation of Corporate Officers of Crédit Agricole S.A. in the 2012 financial year are set forth in section 4 below.

## Strategy Committee

The Strategy Committee has seven members. At 31 December 2012, 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 Lefebvre, 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 Bernard Lepot, Crédit Agricole Regional Bank Chief Executive Officer;
- Mr François Véverka, Independent Director.

The composition of the Committee changed in 2012 following the appointment of Françoise Gri, Independent Director, replacing Mr Fontanet, and Jean-Louis Delorme, Regional Bank Chairman, replacing Mr Dupuy.

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 2012, with an average attendance rate of 96%.

The Committee devoted a large part of its work to the following:

- in the first half, the Group's macroeconomic environment and the nature of the regulatory changes under way or forthcoming, in addition to their implications for the Group;



- in the second half, following the implementation of the Group's adaptation plan for the new economic, financial and regulatory environment and, in particular, the transformation of the corporate and investment bank model. The Committee indicated its support for the preparation in 2013 of a medium-term plan for Crédit Agricole Group, which the Board decided to launch at its meeting in December 2012.

The other issues reviewed by the Committee included:

- Crédit Agricole S.A. business reviews;
- the disposal of non-strategic investments;
- the "MUST" cost management plan for Crédit Agricole S.A. Group.

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 2012, the Appointments and Governance Committee comprised six members:

- Ms Monica Mondardini, Committee Chair 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 Lefebvre, 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-Claude Rigaud, Crédit Agricole Regional Bank Chairman;

The composition of the Committee changed in 2012 following the appointment of Mr Rigaud, replacing Mr Michaut.

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 the SAS Rue La Boétie are presented 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;
  - it provides recommendations to the Board on criteria for assessing the independence of Directors.
- The Chairman of the Appointments and Governance Committee reports to the Board on its work and opinions.
- The Committee met three times in 2012, with an average attendance rate of 88%. During these meetings, it examined:
- the implementation of the guidelines adopted by the Board following the self-assessment carried out in 2011 with the help of an external firm;
  - the recommendation to be submitted to the Board, in view of the General Meeting of Shareholders of 22 May 2012, concerning the nomination of a new external director, replacing Xavier Fontanet;
  - the recommendations of SAS Rue La Boétie concerning nominations for Directors representing Crédit Agricole Regional Banks (appointments and contract renewals), and the recommendation concerning the reappointment of Ms Giraud as representative of the employees of the Regional Banks, were all approved by the Board and submitted for the approval of the General Meeting of Shareholders of 22 May 2012;
  - the report on job and equality at Crédit Agricole S.A. and the policy launched throughout Crédit Agricole S.A. Group to encourage professional equality and diversity;
  - changes to the composition of the Board's three Specialised Committees (Audit and Risks, Strategy, Appointments and Governance), on the recommendation of the Chairman;
  - an overview of regulatory and legislative news on the subject of governance;



- the governance practices of listed companies, based on the AMF report, together with the Company's position on such practices.

At its meeting of 5 February 2013, the Committee reviewed the situation of each Director with regard to the independence criteria defined by the AFEF/MEDEF Code of Corporate Governance. The Committee noted that the number of independent Directors at Crédit Agricole S.A. was below the number recommended by the aforementioned Code but that, if one took account of the Directors elected by the General Meeting of Shareholders, the number of independent Directors was in line with the Code's recommendation for companies controlled by a majority shareholder. 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 aforesaid Code, at its meeting of 19 February 2013 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 Véverka 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 1 above.

### 4. Principles and rules used to determine the compensation of Executive and non-Executive Corporate Officers

On the recommendation of the Compensation Committee, the Board determines the compensation payable to Executive and non-Executive Corporate Officers of Crédit Agricole S.A., the amount of which appears in the section entitled "Additional Information on Executive and non-Executive Corporate Officers".

#### Compensation of the Chairman of the Board of Directors

The fixed component of the compensation paid to the Chairman of the Board of Directors of Crédit Agricole S.A. is determined by the Board, on the Compensation Committee's recommendation, based on an analysis of compensation paid to executives holding similar offices in major listed companies. The Board approved these proposals at its meeting on 22 February 2012.

The Chairman also receives an allowance to be allocated to fund retirement benefits, housing and a company car. The total amount of the allowance (which is also determined by the Board on the Compensation Committee's recommendation) and the value of the housing allowance appear in the section entitled "Compensation of Executive and non-Executive Corporate Officers".

No severance pay has been planned for the Chairman.

#### Compensation of the Chief Executive Officer and Deputy Chief Executive Officers

##### Fixed compensation

The fixed component of the compensation paid to the Chief Executive Officer and Deputy Chief Executive Officers is determined by the Board, on the Compensation Committee's recommendation, based on an analysis of market practice and of the compensation paid to executives holding similar offices in major listed companies.

##### Annual variable compensation

The principles for determining the annual variable compensation of the Chief Executive Officer and Deputy Chief Executive Officers are based on the achievement of targets set at the beginning of the financial year and are balanced between economic and financial targets and non-economic targets. For the Deputy Chief Executive Officers, the targets set take into account their respective areas of responsibility. If these targets are exceeded, the variable compensation may be up to 20% higher than the target amount for the Chief Executive Officer and up to 50% higher for Deputy Chief Executive Officers.

##### Long-term incentive plans

Depending on performance over the financial year under consideration, a long-term incentive plan may be allocated.

**Overall variable compensation**, comprising annual variable compensation and a long-term incentive plan, is 60% composed of Crédit Agricole S.A. shares, which vest progressively over three years and are contingent upon the achievement of three performance targets:

- the intrinsic economic performance of Crédit Agricole S.A. Group;
- the relative performance of Crédit Agricole S.A. shares compared to a composite index of European banks;
- the corporate performance of Crédit Agricole S.A. Group measured by the FReD index.

The non-deferred portion of this global variable compensation is paid in part on allocation and in part six months later. The latter payment is indexed on the change in Crédit Agricole S.A. share price between March and September.

The Board of Directors of Crédit Agricole S.A. of 4 April 2012 determined the principles and the target amounts of the variable compensation of the Chief Executive Officer and the Deputy Chief Executive Officers for 2012. These principles also apply to Xavier Musca, appointed Deputy Chief Executive Officer on 17 July 2012, effective 19 July 2012.

### Compensation of the Chief Executive Officer

The **fixed component** of the Chief Executive Officer's compensation is determined by reference to market practice for executives holding comparable positions.

The **annual variable component**, which is capped, is based on two sets of criteria:

- the first (50%), is based on three economic and financial criteria relating to the performance of Crédit Agricole S.A. Group:
  - revenues,
  - cost/income ratio,
  - gross operating income - cost of risk + share in equity-accounted entities;
- the second (50%) is determined by non-economic criteria based on predefined targets:
  - development of human capital,
  - value creation for external and internal clients,
  - social value creation, in line with Crédit Agricole's mutualist and ethical identity.

The Chief Executive Officer's performance is assessed by comparing results achieved with the targets defined by the Board for each indicator. His performance is assessed based on results.

The amount of the annual variable component is based on a target value of 100% of fixed compensation, up to a maximum of 120% of fixed compensation.

The **long-term incentive plans** are allocated by the Board, on the recommendation of the Compensation Committee, based on the target amount set by the Board.

The Chief Executive Officer has the use of a company car and company housing.

### Compensation of the Deputy Chief Executive Officers of Crédit Agricole S.A.

The **fixed component** of the Deputy Chief Executive Officers' compensation is determined by reference to market practice for executives holding comparable positions.

The **annual variable component**, which is capped, is based on two sets of criteria:

- the first (50%), is based on economic and financial criteria.
 

The criteria applied to a Deputy Chief Executive Officer in charge of Central Support functions reflect changes in Crédit Agricole S.A. Group's financial performance indicators:

  - revenues,
  - cost/income ratio,
  - gross operating income - cost of risk + share in equity-accounted entities;

The criteria applied to a Deputy Chief Executive Officer in charge of a "Business line" area reflect:

- Changes in Crédit Agricole S.A. Group's financial performance indicators (25%):
  - revenues,
  - cost/income ratio,
  - gross operating income - cost of risk + share in equity-accounted entities, and
- Changes in the same indicators in his area(s) of responsibility (25%);
- the second (50%) is determined by non-economic criteria based on predefined targets:
  - development of human capital,
  - value creation for external and internal clients,
  - social value creation, in line with Crédit Agricole's mutualist and ethical identity.

The Deputy Chief Executive Officers' performance assessment is presented to the Compensation Committee by the Chief Executive Officer.

The amount of the variable component is based on a target value of 80% of fixed compensation, up to a maximum of 120% of fixed compensation.

The **long-term incentive plans** are allocated by the Board, on the recommendation of the Compensation Committee, based on the target amount set by the Board.

The Deputy Chief Executive Officers have the use of a company car and a company housing for three of them.

### Post-employment benefits

**The Chief Executive Officer is not eligible for any special retirement or death & disability benefits.** However, if Crédit Agricole S.A. terminates his term of office, he will receive a severance payment under the conditions approved by the General Meeting of Shareholders of 19 May 2010 as set out below.

If Crédit Agricole S.A. terminates his term of office because of a change of control or strategy, a severance payment subject to performance conditions will be paid to the Chief Executive Officer.

This payment will be determined on the basis of twice the total gross annual compensation for the calendar year preceding the termination of his term of office. This will be on a declining-balance basis of 20% per annum from 1 January 2010.

Performance-related criteria are budgetary criteria linked to the performance of Crédit Agricole S.A. Group business lines, taking into account internal growth in activities and the cost of risk, hence:

- revenues from operational business lines (excluding corporate centre);
- operating income from operational business lines (excluding corporate centre).

Where a severance payment is made, the Chief Executive Officer may not claim his retirement benefit rights before a period of 12 months has elapsed. This severance payment includes any other compensation, particularly relating to a non-competition clause, where applicable.

**Deputy Chief Executive Officers** of Crédit Agricole S.A. are not eligible for any special retirement or death and disability benefits linked to the termination of their offices. If a Deputy Chief Executive Officer's term of office is terminated, his employment contract will be reactivated under the conditions approved by the General Meeting of Shareholders of 19 May 2010. Should their respective employment contracts be terminated, Mr Michel Mathieu, Mr Bruno de Laage and Mr Jean-Yves Hocher will receive a severance payment based on a sum corresponding to twice the sum of their total gross annual compensation (excluding benefits in kind) received in the 12 months preceding the termination of their contract, including any other compensation such as contractual redundancy pay and any non-competition payments. Should his employment contract be terminated, Mr Xavier Musca will receive a severance payment equal to the amount of the total gross annual compensation received during the 12 months preceding the termination of his contract (excluding benefits in kind), including any other compensation such as contractual redundancy pay and any non-competition payments.

Where the retirement payments can be conferred at their full rate, no severance payment will be due.

**Supplementary pension plan of Mr Jean-Paul Chifflet, Chief Executive Officer, Mr Bruno de Laage, Mr Michel Mathieu, Mr Jean-Yves Hocher and Mr Xavier Musca, Deputy Chief Executive Officers of Crédit Agricole S.A.**

Mr Jean-Paul Chifflet, Chief Executive Officer, Mr Bruno de Laage, Mr Jean-Yves Hocher, Mr Michel Mathieu and Mr Xavier Musca, Deputy Chief Executive Officers of Crédit Agricole S.A., are covered by the supplementary retirement plan established for Crédit Agricole Group executives, which supplement the collective mandatory pension and death and disability plans.

These plans comprise a combination of a defined contribution plan and a defined benefit plan. The rights to the defined benefit plan are determined after the rights paid under the defined contribution plan. Contributions to the defined contribution plan are equal to 8% of gross salary and are capped at eight times the social security ceiling. The supplementary rights of the defined benefit plan are the same – contingent on employment at maturity – for each year of service, at 1.20% of fixed compensation plus variable compensation (capped at 60% of fixed compensation).

The total pension amount obtained through these plans is capped at a maximum total benefit equal to 70% of the average of the three years with the highest total compensation (fixed and variable) out

of the last ten years of service, and at 23 times the annual social security ceiling on the date of the retirement benefit.

**Retirement bonuses for Deputy Chief Executive Officers of Crédit Agricole S.A.**

Mr Bruno de Laage, Mr Jean-Yves Hocher, Mr Michel Mathieu and Mr Xavier Musca qualify for the retirement allowance that applies to all employees under the terms of the Crédit Agricole S.A. collective agreement, which can amount to up to six months of fixed salary plus bonus and is capped at 4.5% of their fixed salary.

**Stock options – Free shares**

No Crédit Agricole S.A. stock options have been allocated to Executive and non-Executive Corporate Officers since 2006.

No free shares were awarded to Corporate Officers in 2012.

**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, and each Board member may compensate between regularly scheduled meetings and extraordinary sessions.

The Chairmen of the four Specialised Committees receive an annual set fee, which varies 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 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 for serving in other offices within Group companies (Crédit Agricole CIB, LCL and Amundi Group)**

The total amount of Directors' fees for Crédit Agricole CIB, LCL and Amundi Group is determined by their Board 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.

## ► 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. Group entity 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>, 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 the Crédit Agricole Group;
- recommendations of the Regional Banks Plenary Committee for internal control;
- a set of "procedures" governing Crédit Agricole S.A. Group, 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, other subsidiaries, etc.) must apply these principles at its own local level.

(1) Article L. 511-41.

## 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, particularly in the area of accounting.

These principles are supplemented by:

- systems for measuring, monitoring and controlling the following types of risks: credit, market, liquidity, financial, operational (operational processing, quality of financial and accounting data, IT processes), 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);
- adapting the Group's compensation policies (voted by the Board of Directors on 9 December 2009 and 23 February 2011) and internal control procedures to the orders of 14 January 2009, 3 November 2009 and 13 December 2010 amending Regulation 97-02, as well as to the recommendations of the banking industry concerning (a) the fit between the compensation policy and the risk management objectives and (b) the compensation of executives and 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, 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, operational 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 Crédit Agricole S.A. Board of Directors.

Furthermore, pursuant to the order of 19 January 2010 amending Regulation 97-02, the Head of the Group Risk Management and Permanent Controls department was appointed head of the "risks" sector of Crédit Agricole S.A. Group 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 support to the entities to enable them to engage in their business activities while minimizing 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 (accounting, management control, etc.).

Pursuant to the order of 19 January 2010 amending Regulation 97-02, a head of the "risks" sector 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 Regional Banks Unit of the Risk Management and Permanent Controls department and via the Compliance department.

### ROLE OF THE BOARD OF THE 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 2012 will have been presented to the Audit and Risks Committee and will be duly sent to the French Prudential Supervisory Authority (ACP) 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 2012 was presented to the Committee at its meeting of 10 October 2012. The annual report for 2012 will be presented to the Committee at its meeting of 18 April 2013.

(1) Information on the Board of Directors' work is detailed in the "Preparation and organisation of the Board's work" section of this report.

(2) Information on the Audit and Risk Committee's work is detailed in the "Preparation and organisation of the Board's work" section of this report.



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, structural 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.

Detailed information on risk management is presented in the section on risk factors and in the corresponding Note 3 to the consolidated financial statements.

#### Risk Management and Permanent Controls

The Risk Management and Permanent Controls function was created in 2006 in accordance with Regulation 97-02 as amended. Its

activity level was intense in 2012, as it focused on risk measurement and control for the Group while optimising its responsiveness and effectiveness.

The Risk Management and Permanent Controls function is responsible both for overall risk management and for the Group's permanent control system. It manages and controls credit, financial and operational risks, in particular those associated with the quality of financial and accounting information and with physical security, IT systems security, business continuity and supervision of key outsourced services.

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 2012, the Risk Management and Permanent Controls Group function employed approximately 2,500 full-time equivalent employees within the scope of Crédit Agricole S.A. 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 weekly and its role is to monitor the risks that appear in order to clarify appropriate policy guidance.

In 2012, 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 DEPARTMENT)

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 Risk Management and Permanent Controls department also comprises a "Business Line Monitoring" function, responsible for the global and individual relationship with each Crédit Agricole S.A. Group subsidiary. Dedicated business line officers are responsible for monitoring the global and consolidated relationship with each Group subsidiary (including all types of risk), in particular the Corporate and investment banking business line (Crédit Agricole Corporate and Investment bank). 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 units monitoring each business line, but also carried out via the examination of risks at the Group Risk Management Committee and at the Regional Banks Risk Monitoring Committee.

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. In 2011 and 2012 the Group took part in crisis simulation exercises organised by the European Banking Authority (EBA) then by the IMF ("Financial System Stability Assessment" exercise in 2012 concerning the stability of the French financial system). These exercises were conducted on Crédit Agricole Group's regulatory scope. As regards 2012, the solvency stress tests whose results were published by the IMF in December 2012 showed Crédit Agricole Group's - and more generally the French banking system's - ability to withstand a weakened economic environment while at the same time managing to comply with the new requirements imposed under the European CRD 4 directive.

As regards internal management, stress exercises were conducted by all entities. These exercises were 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.

Crédit Agricole S.A., its subsidiaries and 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. Group has implemented measurements of risk weighted assets for calculating capital requirements under Basel 2 based on internal models certified by the French Prudential Supervisory Authority (ACP) (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 respect to liquidity risk, following publication of the order of 5 May 2009 amending Regulation 97-02, work has been undertaken since 2009 to strengthen the liquidity supervision and management system. The Group has established a liquidity risk containment system and has tools and indicators for measuring short- and medium-term liquidity risk on a representative management scope for such risk.

In 2012, in a context marked by the continuing sovereign debt crisis, nonetheless eased by central banks intervention, the Group continued its policy of prudent management of its liquidity, reducing its needs and increasing its reserves.

It also initiated a review of this internal system to take account of lessons learnt from the crisis and changes in the regulatory environment brought about by future implementation of the Basel 3 liquidity ratios.

In terms of market activities, 2012 was marked, as part of Crédit Agricole CIB adaptation plan, by discontinuing or outsourcing non-strategic activities. As regards risk management, the main changes concerned the transfer of the correlation book market risk to the Blue Mountain fund manager and taking into account the cost of collateral in calculating mark to market and risk measurement.

Crédit Agricole CIB also continued to make changes to its system for measuring risks and calculating regulatory capital in order to adapt to changes in the regulatory framework (CRD 3) and prepare for future requirements (CRD 4).

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 Regional Banks.

### Permanent controls and operational risks

The 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 2012, in its work on extending the questionnaire related to the deployment of permanent control systems, the Risk department organised permanent control workshops to promote the exchange of best practices within the Group's entities and undertook a campaign to review key control references. A summary of the results of the key controls will from now on be made available to the Group Internal Control Committee twice a year.

In terms of managing risks associated with the main outsourced activities, the system of standardisation for the Regional Banks was formalised in a procedure this year.

The Group strengthened its management of operational risks *via* the industrialisation of the model for calculating capital requirements and the back-testing tool, but also by continuing to update the IT elements of Operational Risks scenarios. A needs analysis in terms of mapping operational risks was conducted in order to adapt Risks and Permanent Controls (RPC) platform to the diversity of organisations comprising the Group. The Risk department also updated the significance thresholds in the context of the alert procedures following the review of the standard conducted last year.

In 2012 the Group, and more particularly Crédit Agricole CIB in the context of the Marly programme, continued to strengthen its rogue trading risk prevention system. This year, efforts more particularly concerned the strengthening of information security, monitoring of atypical conduct and closer monitoring of residual internal cash flows.

### 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;
- each subsidiary or business line enters into an operating agreement with the Risk Management and Permanent Controls department; this agreement is periodically revised and specifies the operational procedures to be applied within the entity to apply Group risk management and permanent controls rules to its own operations, and namely the format for reporting to the Risk Management and Permanent Controls department;
- 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 CIB).

### 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.

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, periodic reports on the main entities' situation regarding risk monitoring of Business Continuity Plans (BCP) and IT System Security (ITSS) are made to the governance authorities for Group security.

ITSS and BCP Officers in each Group entity have worked to apply and implement the general guidelines on Group security. Several unit tests were done by the entities in this framework, and these confirmed that the emergency solutions implemented are operational.

As part of the Group's effort initiated in 2010 to create BCPs by business line, to avoid "compartmentalising" should a business line entity suffer damage, cross-business line tests were carried out in 2012 for "Insurance", "Payment Instruments" and "Retail Securities" 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).

All the major strategic projects undertaken by the Group in 2009–2010 and helping to ensure better coverage and control of functional and IT risks enjoyed significant progress in 2012:

- project Evergreen: as planned, all Paris-based employees in the Crédit Agricole Leasing & Factoring subsidiary had moved to the Evergreen administrative site in Montrouge by the end of 2012, thereby benefiting from the security services common to the site;
- project Greenfield: transfers of data production sites located in the Paris region to the Group's computer "twin-site" outside of Paris continued in 2012, as planned.

In addition, the NICE programme, which was started in 2009 and aims at unifying the Regional Banks' information systems by the end of 2013, saw the first waves of migration successfully completed in 2012: by November 2012, 17 Regional Banks out of 39 were using the same initial version of the NICE target information system. In 2012 Crédit Agricole S.A. continued to support the NICE programme through:

- regular monitoring by the Group Information Technology department;
- effective support of the various business teams and project management of Crédit Agricole S.A. and its subsidiaries in development projects undertaken in 2012 by the various business lines of the NICE programme, with the joint objective

of maintaining regulatory requirements, notably those associated with Basel 3, and developing the target of a customer/employee-oriented system;

- submissions to the French Prudential Supervisory Authority on the progress of the NICE migration programme and the regulatory plans.

In the context of this NICE programme, it should also be noted that the production of certain Regional Banks which have migrated is now carried out at the Greenfield twin-site.

Deployment of these projects is supported by an appropriate security policy with, in particular, implementation of BCP tests on the new Greenfield site and implementation of User Backup Plans responding to the regrouping at Evergreen. Finally, although the twin-site already has a high level of security, the Group is studying vital data backup solutions making it possible to reconstitute its information systems in the event of an extreme shock affecting Greenfield on a lasting basis.

### 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 the Crédit Agricole S.A. Group. 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 and/or entity must have the resources to ensure that accounting, management and risk information transmitted to the Group for consolidation purposes is reliable. It must ensure that data conform to Group accounting standards and are consistent with the individual financial statements approved by its decision-making body, and it is responsible for reconciliation of accounting and management data.

Within the Group Finance division, three functions are primarily responsible for the preparation of published accounting and financial information: 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 Groups, including segment information for Crédit Agricole S.A. Group 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. Group, 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. Group 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 and Risks 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. Group.

## 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 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 Group Finance division's Accounting Controls and Permanent Controls Office, which reports to the Group Risk Management and Permanent Controls department. The Group's Permanent Accounting Controls function is based on cross-linking the network of accounting controllers in the subsidiaries and Regional Banks. It is directly in charge of carrying out control assignments on the functions that prepare Crédit Agricole S.A. financial information.

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;
- to report to the Group's internal control oversight committees and, at their request, to the decision-making body or to the Audit and Risks Committee, on the quality of the permanent control systems regarding accounting and financial information for all entities in Crédit Agricole Group.

In 2012, the Group's Permanent Accounting Controls function continued to lead and support entities with the implementation of their systems, primarily with the deployment of the key controls in the Accounting Control Guide and in articulating procedures for aligning accounting/risks as well as implementing the alert procedure on accounting risks in the subsidiaries. It also circulated a new accounting risks and processes framework, designed to harmonise accounting risk mapping across entities.

### 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., its subsidiaries and the Regional Banks each have their own Compliance department. These functions employ approximately 800 full-time equivalent (FTE) employees within Crédit Agricole S.A. Group.

The Compliance function is assumed by the Group's Chief Legal and Compliance Officer, who reports to the Deputy Chief Executive Officer responsible for Group Central functions, and is the compliance manager contemplated by Regulation 97-02.

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. Group subsidiaries operate completely independently, with a hierarchical

reporting line to the entity and a functional reporting line to the Compliance function.

The Group Compliance department is responsible for developing policies with respect to:

- laws and regulations, their circulation and monitoring that they are observed;
- rules on prevention of money laundering and the financing of terrorism, on management of embargoes and asset freezes, and fraud prevention.

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. A point dedicated to customer protection is now systematically included in the agenda. The Committee periodically reports on its work to the Audit and Risks Committee of Crédit Agricole S.A. Board of Directors.

Within the Group Compliance department, dedicated units cover specialist areas across the Group: Compliance and Procedures, Financial Safety and Fraud Prevention, Compliance and Systems. In addition, dedicated units cover business lines: Retail banking in France, International retail banking, Specialised financial businesses, (insurance, asset management, consumer credit, leasing and factoring) and Corporate and investment banking.

As the central body, Crédit Agricole S.A., via the Group Compliance department, leads and coordinates the Compliance Group function in the Regional Banks, in particular by circulating the required standards in accordance with the General Regulations of the AMF and amended Regulation 97-02.

As part of the actions already initiated and following changes in the regulatory provisions, the Compliance Group function has notably:

- integrated into Group procedures the Prudential Supervisory Authority's requirements concerning identification of the effective beneficiary and the related vigilance obligations;
- continued to strengthen the system for complying with international sanctions and the Group's corresponding filtering policy;
- launched a national action plan (Regional Banks) to verify the compliance of legal entity customer files as an extension of the natural person action plans now up and running for most Regional Banks;



- managed a Group-wide project dedicated to customer protection, whose main achievements in 2012 related to the distribution of self-assessment guides and controls concerning consumerism and marketing of financial products;
- incorporated into Group standards the recommendations of the regulators (ACP and AMF) regarding handling of complaints, aimed at strengthening the transparency and quality of the service provided to the customer;
- developed the project on the New Products/New Activities process within Crédit Agricole S.A. Group;
- managed the deployment of the tool for pooling compliance issues for entities in Crédit Agricole S.A. Group;
- supported the Group sustainability effort by implementing Corporate Social Responsibility (CSR) action plans;
- rolled out the new compliance training courses within the Group (Regional Banks and subsidiaries).

As regards fraud prevention, the dispatch to all the Group's units of a questionnaire on the system's deployment helped to strengthen management by the Compliance department and the development of action plans. The Fraud Prevention Coordination unit thus assisted Regional Banks and subsidiaries which risked being behind in relation to targets and provided entities with tools to detect, manage and combat identity and document fraud. In addition, benchmarking of specialist market tools for combating fraud is under way. Finally, actions to raise awareness were conducted through training sessions in the framework of the Ifcam and on-site for employees of the entities.

As regards information systems, Group systems to combat money laundering and manage embargoes and asset freezing, already in use in France, continued to be optimised on a regular basis, while their deployment in international entities continued as existing solutions were added to or replaced. A secured data sharing application used as one of the requirements of information exchange within the Group, modified in 2011 to handle prevention and upward reporting of instances of fraud, is now in use in this respect in most Regional Banks.

Since summer 2011, Crédit Agricole S.A. Group has been conducting a project across the Group and worldwide, led by the Compliance department, to implement the US Foreign Account Tax Compliant Act (FATCA) regulatory system. The proposed regulations and intergovernmental framework agreements published in 2012 made it possible to determine the actions to be implemented based on the countries where entities were located and the given timetables. Publication of the definitive texts at the beginning of 2013 will make it possible to clarify the status as regards the FATCA regulations for each Group entity and to modify procedures when entering into a new customer relationship, with a view to complying with these regulations as from 1 January 2014.

## 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 the Crédit Agricole Group. It has sole responsibility for periodic controls of the Crédit Agricole Group through the missions it conducts, through the oversight of the Control and Audit function of the Crédit Agricole S.A. Group, which reports hierarchically to this function, and through coordination of the Regional Banks' internal audit units.

Starting with an updated risk mapping approach aimed at determining a suitable audit frequency (two to five years depending on the entity), it also carries out field and paper audits in the Regional Banks and in all Crédit Agricole S.A. business units and subsidiaries, including those that have their own internal audit teams.

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 2012, Group Control and Audit on-site and document verification assignments concerned various entities and units and related mainly to the system for calculating economic capital (Basel 2, pillar 2), governance and management of payment means, Exchange Trade Funds (ETF) activity, filtering of international flows, management of risk of CA Consumer Finance international subsidiaries, the CACI creditor insurance subsidiary, the foreign subsidiaries CA Egypt, CA Srbija, Cariparma (control and credit risk) and Centea (following its acquisition by Crédit Agricole in Belgium), financial security within the scope of the Regional Banks, the Group's refinancing systems (as well as management of liquidity and rediscountable credit for Regional Bank refinancing), the NICE programme (regulatory issues and production security) and SILCA critical infrastructures, and certain financial, regulatory and technological issues. In 2012, Group Control and Audit also managed the investigatory work aimed at gathering the data requested by the various authorities as part of enquiries related to Euribor, Libor and certain other market indices. This work will continue in 2013.

In addition, Group Control and Audit provides central oversight of the Control and Audit function for all subsidiaries, including Crédit Agricole CIB and LCL, thereby improving the effectiveness of controls, through the 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 2012, the Group function employed 875 full-time equivalents within Crédit

Agricole S.A. Group (including Group Control and Audit but not including audit teams at the Regional Banks, which have 412 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 importance is placed on topical and cross-functional investigations.

Through the relevant Group subsidiaries' Internal Control Committees, to which members of each entity's Executive Management, internal audit department, Permanent Controls Officer and Compliance Officer belong, Group Control and Audit 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. For every recommendation formulated as a result of these audits, this system ensures that all recommendations made are implemented through corrective and prioritised action plans, according to a clearly defined timetable set by order of priority. In accordance with Article 9-1 of Group Regulation 97-02 as amended, it is the duty of the Head of the Control and Audit function to alert the Audit and Risks Committee if required.

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