

Sanofi's CSR Materiality, Strategy & Governance

GRI Standards:

2-12: Role of the highest governance body in overseeing the management of impacts

3-1: Process to determine material topics

3-2: List of material topics

EXECUTIVE SUMMARY

Materiality refers to what can have a significant impact on a company, its activities and its ability to create financial and non-financial value for itself and its stakeholders. The materiality matrix is therefore a tool that makes it possible to identify and prioritize a company's Corporate Social Responsibility (CSR) issues. Each issue is prioritized from the point of view of the company's business and its stakeholders.

Our materiality assessment has been performed through a formalized stakeholders' engagement process, starting in 2010 and has been regularly updated since then.

In 2022, the double materiality matrix incorporates the outcome of the risk analysis conducted for the implementation of the Statement of Extra-financial Performance (SEFP) which is the transposition into French law of the European Directive on extra-financial information and prepares Sanofi for the upcoming Corporate Sustainability Reporting Directive (CSRD) regulation in the European Union

Our CSR strategy is the outcome of our materiality analysis, the ongoing stakeholder engagement and the permanent dialogue with Sanofi executives and representatives from business and support functions. Embedded in Sanofi's long-term strategy, the company's commitment is based on four essential pillars in which Sanofi is uniquely positioned to make a difference:

- access to medicines;
- R&D for unmet needs; protection of the
- planet; and inclusion and diversity of its
- employees and communities.

Our Corporate Social Responsibility strategy meets high standards of ethics and transparency.

Since March 2019, the Appointments and Governance Committee of the Board has become the Appointments, Governance and CSR Committee. This Committee ensures that CSR issues are given due consideration in developing and implementing our corporate strategy.

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1. CSR materiality

Sanofi's CSR ambition is based on our business priorities and in-depth stakeholder dialogue. We have a longstanding experience in the realization of materiality assessments which are based on a robust methodology aligned with key emerging concepts such as double materiality.

A materiality analysis helps rank the most important issues and is a key driver to design the CSR strategy. It is informed by the analysis of general, healthcare, social and environmental trends and expectations from the civil society and stakeholders. Our materiality assessments are performed through a formalized stakeholder engagement process. Starting in 2010, they are updated approximately every two years (2010, 2013, 2015, 2018, 2020, 2022).

In 2022, we performed a double materiality assessment to gain insights into Sanofi's impact on the external environment and its CSR risks and opportunities and to prepare for the upcoming CSRD regulation in the European Union.

The outcomes of this assessment will help inform our CSR strategy going forward. Below we present the main results of the internal and external stakeholder dialogue.

The following phases were performed:

Phase 1: Selection of relevant stakeholder groups and 16 material topics for consideration. For this step, the following documentation was consulted:

- Sanofi documentation including the previous materiality assessment (2020), the declaration of extra-financial performance and a previously performed CSR risk mapping.
- International standards identifying the most important sustainability issues given by the following sector-specific standards:
 - > SASB Sustainability standard Biotechnology & pharmaceuticals
 - > GRI, Pharmaceuticals, biotechnology & life science
 - > OECD Pharmaceutical Innovation and Access to Medicines
 - > International Pharmaceutical Federation (FIP) Development goals
- Competitors and peers, taking into consideration the topics that Sanofi's peers defined as 'material.'

For more information, please see the list of our material topics and their definition in the **Annex** of this document.

Phase 2: Interviews with internal and external stakeholders. The 16 material topics were grouped into bundles, and each stakeholder was assigned to one bundle, associated with his/her area of expertise. Stakeholders were asked their views on impacts, risks, and opportunities for Sanofi regarding the topics in their assigned bundle. The outputs of the interviews were aggregated across all interviewees and summarized in factsheets, one for each topic.

After the interview and consolidation of impacts, each stakeholder was asked to score the impacts related to the topics he/she was assigned to on several parameters:

- For impact materiality: likelihood, velocity, scale, scope, reversibility of impact, and,
- For financial materiality (risks and opportunities): likelihood, velocity, impact on profitability and impact on growth rate over a period of 3 years.

The selection of these parameters was done based on the current version of the CSRD and in alignment with Sanofi's risk department.

Phase 3: Survey with selected members of Sanofi's senior management to prioritize the 16 material topics. The factsheets were used as a pre-read, for management to have all relevant insights. The survey participants ranked the top five and bottom three topics with regards to:

- the impact of Sanofi on society from an economic, environmental, and people perspective (i.e., impact materiality), and
- the impact of society on Sanofi's business value (i.e., financial materiality).

After consolidating the results from the survey, the following double materiality matrix was obtained:



Validation: The results of this materiality assessment were presented to the CSR Committee, a group of cross-functional Senior Leaders of Sanofi, who meet on a regular basis to advance the CSR agenda of the Company. During the validation session, the CSR Committee validated the matrix and discussed the action plans related to the most material topics at Sanofi.

The results of this assessment will support our preparations for the new European Corporate Sustainability Reporting Directive (CSRD). It will also serve as one of the inputs of the CSR risk matrix, which is shared with the risk team on an annual basis. Finally, it will help to inform our CSR strategy going forward.

2. CSR strategy

Our Corporate Social Responsibility (CSR) strategy is the outcome of our materiality analysis, the ongoing stakeholder engagement and the permanent dialogue with Sanofi executives and representatives from business and support functions.

This collaborative approach helped us highlight key material topics related to our CSR pillars in order to adapt our CSR strategy to business and societal challenges. Our CSR strategy confirms our commitment to contributing to major social and environmental challenges our world faces. This pandemic context led us to elevate our ambition for our Corporate Social Responsibility strategy and embed it into our mission to transform lives and our vision for a better future. This strategic revision led us to work on three core questions:

- How can we have the greatest positive impact?
- Where are we uniquely positioned to make a difference that can be scaled and sustained over time? How can we embed our commitments into our long-term business strategy?

The ambitions of this new strategy have been fully aligned to and embedded in our Play to Win strategy.

Sanofi societal commitments *focused on key programs*

Affordable access	R&D for unmet needs	Planet Care	In & Beyond the workplace
 <ul style="list-style-type: none"> • Create a Global Health Unit that gives access and supply continuity to 30 essential life-changing medicines at no-profit to the world's 40 poorest countries • Donate 100,000 vials to treat Rare Disease patients every year free of charge • Develop a global access plan for all new products with the goal to make available our innovations within 2 years of the launch 	 <ul style="list-style-type: none"> • Eradicate Polio • Eliminate sustainably Sleeping sickness in humans by 2030 • Develop innovative medicines to eliminate cancer deaths in children 	 <ul style="list-style-type: none"> • 100% blister-free vaccines by 2027 • 100% eco-design for all our new products by 2025 • Carbon Neutrality by 2030 (previously 100% renewable electricity and carbon neutral fleet) 	 <ul style="list-style-type: none"> • A senior leadership community representative of society by 2025 • Social & economic engagement in all communities where we operate • From leaders to citizens - CSR is embedded in our leaders' career development path



3. CSR governance

The Sanofi Board of Directors has a commitment to promote long-term value creation while taking account of the social and environmental impacts of our operations. An annual review of the CSR strategy and performance is performed by the Board: at least once a year.

In October 2020, the new strategy was presented to the Board.

The **Appointments, Governance and CSR Committee of the Board** ensures that CSR issues are given due consideration in developing and implementing our corporate strategy. In particular, the Committee ensures that our commitments and policy orientations are consistent with what our stakeholders expect from us. A review of the CSR strategy and performance is performed by this Committee on a quarterly basis.

In addition, a dashboard on key performance indicators linked to our CSR strategy is sent to the Executive Committee on a quarterly basis. Each Executive Committee member has individual CSR objectives tied to the CSR strategy.

The Head of CSR reports to the Head of Corporate Affairs who reports to the CEO.

The compensation policy of our **Chief Executive Officer** is designed to motivate and reward performance, and to ensure that a significant portion of his compensation is contingent on the attainment of financial, operational and social criteria aligned with the corporate interest and creating shareholder value. **Since 2020, a specific individual CSR performance criterion has represented 15% of his annual variable compensation package.**

3.1. RISK MANAGEMENT

More generally, the Board is also engaged through the risk management process. Risks-related matters are dealt within the Board and all its specialized committees on an annual basis, in particular:

- The Strategic Committee is involved in the review of business risks and opportunities.
- The Appointments, Governance and CSR Committee addresses the risk relating to the succession plan for the CEO.
- The Audit Committee reviews the cartography of the risks likely to have an impact on the accounts. In addition to the Statutory Auditors, the Principal Financial Officers, the Head of Internal Audit and other Senior management members of the Company attend Audit Committee meetings and take part in discussions concerning risk exposure and off-balance-sheet commitments.

The European Directive on Extra-Financial Reporting applicable since 2018 has reinforced the overlook of the Board on CSR risks, and the list of Sanofi's extra-financial risks has been approved by the Sanofi Risk Committee every year since.

3.2. CSR INVOLVEMENT IN INTERNAL COMMITTEES

CSR is also involved in Internal Committees: the Risk Committee, the Bioethics Committee (BEC), the Planet Care Committee (definition of the environmental strategic roadmap, and its monitoring), the Climate Risks and Opportunities Committee, the Sanofi Cares North America Board, and the Enfants de Sanofi Association Board.

3.3. ASSESSMENT OF POSITIVE AND NEGATIVE IMPACTS ON EXTERNAL STAKEHOLDERS

French Law No. 2017-399 of March 27, 2017 on the duty of vigilance of parent and ordering companies, known as the duty of vigilance law, introduces a duty of vigilance into the Commercial Code for parent companies of groups that employ at least 5,000 employees in France or 10,000 employees worldwide. This duty of vigilance consists of establishing, effectively implementing and publishing "reasonable vigilance measures to identify risks and prevent serious violations of human rights and fundamental freedoms, the health and safety of individuals and the environment". These measures must concern the activities of subsidiaries, subcontractors and suppliers with whom there is an established business relationship.

For risks specific to the duty of vigilance, we apply a three-step methodology:

- identify major issues inherent to the sector in which we operate;
- classify and evaluate, at Business Unit and support function level, the criticality of the risks associated with each major issue; and
- evaluate the level of control over those risks, and prepare action plans to manage them.

In determining major risks to people or the environment, we applied a sector-based approach to identify which of our stakeholders are potentially affected and our major vigilance issues.

The risks identified in the Vigilance Plan are also reflected in our double materiality assessment.

We report on our Vigilance Plan in our [Extra-Financial Performance Report 2022](#), see section '4.4. Vigilance Plan'.

4. Annex: Definition of Sanofi's Material Topics

Topic	Topic Explanation
Accessible and affordable medicine	Ensuring medicine is accessible and affordable for all patients, securing continuity of supply, and considering the balance between IP protection and sharing and licensing agreements
Health system strengthening	Contributing to improving healthcare infrastructure, healthcare access, and health education (e.g., health literacy, disease prevention awareness)
Local community engagement	Engaging with local communities to understand their needs and desires and take those into consideration (e.g., local employment, community partnerships)
Pharmaceutical waste and emissions in the environment	Contributing to preserving the environment by minimizing and managing residual pharmaceuticals in waste & wastewater
Resource consumption	Preserving resources by using them efficiently and promoting circular practices (e.g., biodiversity, water, etc.).
GHG emissions	Running our operations in a way that GHG emissions are minimized in the entire value chain (scope 1, 2 and 3)
Responsible & secure use of patients' data, new biotechnologies and artificial intelligence	Ensuring the privacy and security of patient's data and using new biotechnologies, big data analytics, and artificial intelligence in an ethical way
Responsible governance practices	Governing our business in a responsible way by considering ESG factors in our operational and strategic business decisions (e.g., remuneration, providing transparency to stakeholders, capital allocation etc.)
Ethical business practices	Running our daily activities in an ethical way (e.g., ethical marketing, lobbying, anti-bribery measures etc.)
Animal welfare	Ensuring the wellbeing of animals by meeting the highest animal welfare standards in our activities and reducing animal use within our operations
Responsible supply chain practices	Promoting responsible and ethical behaviour along our supply chain (on all ESG aspects e.g., environmentally responsible sourcing, respecting human rights, etc)

Innovative treatments for unmet needs	Developing innovative treatments for unmet medical needs by means of patient-centric innovation
Talent development	Providing training & development opportunities for all employees
Employee health, safety and wellbeing	Providing a safe & healthy (both physical and mental) work environment for all employees and ensuring fair employment practices (e.g., upholding labor rights, freedom of association)
Safe and qualitative treatments for patients	Ensuring the safety of our patients and clinical trial participants by providing high quality, safe and effective medicines and recording and communicating on any safety or quality issues
Diverse and Inclusive workforce	Offering an inclusive, fair and supportive work environment for all employees