

SANOFI'S CSR MATERIALITY, STRATEGY & GOVERNANCE

GRI Standards:

102-40: List of stakeholder groups

102-44: Key topics and concerns raised

102-46: Defining reporting content and topic boundaries

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I. 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 sustainability standards, such as the GRI framework.

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 have been performed through a formalized stakeholders' engagement process, starting in 2010, enriched in 2013 with over 100 internal and external stakeholders, and focused on environmental topics in 2015. In 2016 and 2017, Sanofi organized a stakeholder panel, gathering over 40 external stakeholders from around the world, to bring their insights in the update of the CSR roadmap.

Late 2017 early 2018, we conducted an exercise that we called "materiality refresh" to update our list of material topics. This updated list of material topics served as the basis for the implementation of the GRI Standards in 2018.

Key milestones of our materiality assessments



For more information about Sanofi's interactions with its stakeholders, see the Stakeholder Engagement factsheet in Sanofi's Documents center : <https://www.sanofi.com/en/our-responsibility/documents-center>

Materiality at Corporate level

2017 : Materiality refresh

We first established a long list of 30+ topics based on :

- o Questions from rating agencies (DJSI, MSCI and Sustainalytics),
- o Questions received from SRI investors stored in our database Moka (2015 to 2017),
- o Materiality matrix for the pharma industry from SASB, Oekom, RobecoSAM and Vigeo/Eiris,
- o Result of a survey to SRI investors performed in January 2017,
- o Result of a survey to Sanofi employees performed in February 2017,
- o The topics discussed with the International stakeholder panel in 2017,
- o List of controversies listed in agencies' reports (MSCI, Sustainalytics, Oekom, Vigeo/Eiris mainly).

We then prioritized the topics:

- o For the external stakeholders, the prioritization was based on the weight given to each topic by the agencies or stakeholders surveyed,
- o For the internal stakeholders, the prioritization was the result of a workshop with employees.

2018 : Update of our materiality matrix through a risk analysis

In 2018, we have updated our materiality matrix with the outcome of the risk analysis conducted with the Risk Management department to comply with two new French legal requirements:

- the Statement of Extra-Financial Performance (SEFP¹) which is transposition of the European directive on non financial information
- and the Duty of Vigilance law. (*For more information about Sanofi's vigilance plan, see the Vigilance Plan factsheet in Sanofi's Documents center*).

Four separate matrices were developed corresponding to each of the categories of extra-financial risks defined by the European Directive: social and societal, fight against corruption, environment, human rights. The risks with the highest valuation for each category were identified as the main extra-financial risks for Sanofi.

The main extra-financial risks are presented in the chapter 4 of our French Registration document (available [here](#)) along with the corresponding policies, action plans, key performance indicators and progress for each risk identified.

The list of main extra-financial risks was used to update our list of material issues.

As a result a list of 21 material topics, including extra financial risks, was established

They are presented below ranked by relative importance (or materiality). The color code refers to our CSR strategic pillars presented thereafter in the paragraph CSR Strategy.



¹ Statement of Extra-Financial Performance (SEFP) : *Déclaration de Performance Extra Financière* (DPEF) required under Articles 225-102-1 and R. 225-104 to R. 225-105-2) of the French Commercial Code

II. CSR STRATEGY

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

This collaborative approach has 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 renewed commitment to contributing to major CSR challenges our world faces, by focusing on three pillars, relying on our ethics & transparency, at the core of everything we do.

Our CSR commitments ensure that the value created by Sanofi is shared and sustained. We share this value by extending access to healthcare to underserved patients and providing a positive contribution in our communities, focusing on the greatest needs where we can have the greatest impact. We sustain our value creation by acting responsibly, limiting our impact on the environment and ensuring high standards of ethics and transparency at the core of everything we do.

Our 2017-2020 CSR strategy focuses on 3 pillars:

- Improving access to healthcare for underserved patients.
- Engaging with our communities to create a sustainable ecosystem and engaging our employees for youth and future generations.
- Ensuring that environmental considerations are part of our decision-making process.



III. 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: in March 2018 and in April 2019, the CSR Vice President, supported by the CEO, presented the CSR Strategy to the Board, demonstrated how CSR is an opportunity for Sanofi, and shared the evolving context of CSR and the update on the priorities actions and performance.

The CSR Vice President reports to the Head of External Affairs, who reports to the CEO, and who is member of the Executive Committee.

Evolution of the Appointments and Governance Committee into the Appointments, Governance and CSR Committee

On March 8, 2019, the Appointments and Governance Committee became the **Appointments, Governance and CSR Committee**. With its remit extended, this Committee now 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.

CEO compensation policy aligned on long-term value creation

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. In 2019, **a separate individual CSR performance criterion has been introduced into the annual variable compensation package.**

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 is addressing the risk relating to the succession plan for the CEO.
- The Audit Committee reviews the cartography of the risks and 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 members of senior management of the Company attend Audit Committee meetings and take part in discussions concerning risk exposure and off-balance-sheet commitments.

The European Directive on Non-Financial Reporting applicable in 2019 has reinforced the oversight of the Board on CSR risks, with the list of Sanofi's extra-financial risks being approved by the Sanofi Risk Committee.

CSR involvement in Internal Committees

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

IV. SANOFI CSR STRATEGY ROLL-OUT

1. CSR network

Our mission at CSR is to inspire, foster and promote responsible practices. We raise awareness of key issues, promote best practices and keep stakeholders informed, engaging with them to develop action plans to address Sanofi's specific challenges and improve our business performance. We also coordinate our CSR recognition by investors, rating agencies or shareholders.

Countries, regions and CSR partners (Communication, Public affairs, Global Health, etc.) are regularly invited to quarterly webinars to ensure discussions around the key topics, evolution of context and exchange of best practices. The CSR functional network includes corporate functions and GBUs, including Ethics & Business Integrity, Legal, Human Resources, Finance, Health, Safety & Environment (HSE), Industrial Affairs, Quality, R&D, and Medical Affairs. It coordinates the implementation of our CSR strategy across all business activities.

We have developed an e-learning module for all Sanofi employees who want to learn more about CSR. It provides an overview, outlining our CSR strategy and giving real-life examples and key figures concerning each of the CSR priorities. The e-learning module was revised according to the updated CSR strategy and is currently available in English and French.

2. Local materiality analysis

To cascade our Global CSR strategy, we have developed a local materiality analysis toolkit that will help our colleagues in local markets. This toolkit has three main objectives:

- To serve as a reference on materiality and CSR strategy,
- To introduce the affiliates to the concept of local materiality analysis,
- To offer guidance in materiality through step-by-step instructions.

The two-step toolkit ensures that materiality is assessed in a consistent way across different geographies. It involves working closely with all Global Business Units and Functions in the country:

- The **first step** is to engage with local internal stakeholders and identify gaps between local realities and global priorities by performing a gap analysis of all activities.
- The **second step** is to engage with internal and external stakeholders by conducting a local materiality test in order to raise awareness, build recognition for their efforts, and provide feedback and opportunities.

Accompanying tools in Excel (gap analysis tool, mapping of internal and external stakeholders, materiality matrix, etc.), Word (discussion guides for internal and external stakeholder interviews) and PowerPoint (results presentation, action plan, etc.) help local CSR teams perform diagnoses, identify and engage with stakeholders, create a materiality matrix and decide on their CSR action plan.

In 2017, the tool kit was revised in line with the new CSR strategy and provided to countries that wish to conduct their own materiality analysis.