TAX POLICY

G4 Indicators : G4-DMA, G4-EC1
GRI Standards :
GRI 103 – Management approach
GRI 201 – Economic performance

I. THE CHALLENGE

Our objective is to ensure that tax is paid and tax returns are filed on time in each jurisdiction in compliance with the governing laws and rules. The Sanofi Tax Department is involved in all relevant aspects of our business, partnering closely with management to provide guidance and ensure efficient and compliant operations. As a multinational corporation, Sanofi has a responsibility to pay an appropriate amount of tax and comply with the laws and regulations in force in all countries where we do business.

Today's international multi-jurisdictional dynamic tax environment increases the complexity of our task. This complexity is heightened by changes to international tax law and regulatory changes such as OECD BEPS initiatives and EU directives already adopted or in the process of being adopted, changes in tax frameworks, tax reforms and other changes to the way existing tax laws are applied in jurisdictions and major countries where Sanofi operates. This particulary applies to recently enacted US tax reform for which IRS comments guidelines and regulations are still to come. These changes may cover matters such as taxable income, tax rates, indirect taxation, transfer pricing, dividend taxation, controlled companies or a restriction in certain forms of tax relief. Any of these changes could have a material adverse effect on our business and future results by affecting our income, our effective tax rate, and consequently our future net income. Additionally, due to the complexity of the fiscal environment, the ultimate resolution of any tax matters may result in payments greater or lesser than amounts accrued.

In addition to the above, we also have a responsibility to our stakeholders to facilitate growth and sustain future competitiveness. Changes to our business model may result in changes in the value model and as such increase or decrease the total tax paid in the jurisdiction where a given affiliate of the Company operates. Such business decisions enable us to sustain our results and consequenlty continue to contribute our fair share of taxes to governments.

II. SANOFI STRATEGIC APPROACH

1. Tax policy

The Tax Department (who reports to the Chief Financial Officer) is responsible for implementing the Company's tax policy, which is defined by management and regularly reviewed by the Board Audit Committee. In 2017, the tasks of the Audit Committee included the review of tax risks and deferred tax assets[1]. A description of how Sanofi evaluates these is detailed below.

We have established clear income tax policies and procedures, which are available to all employees on our intranet and communicated every three months to our tax professionals. Our robust tax reporting processes include quarterly reporting

[1] Page 185 of the 2017 Annual Consolidated Financial Statements lists all acitivities of the Audit Committee.

by the affiliates, reviewed by the corporate tax team, together with a new tax reporting tool which aims to further improve the integrity of our reporting processes and timely compliance of all tax reporting obligations. During the rollout, over 200 tax specialists and accountants were trained worldwide, and through our Finance Academy program we continue to actively train our tax specialists and accountants annually.

2. Accounting for Tax

Our accounting policy for Income Taxes is clearly defined and explained in Note B.22. of the Financial Statements (Annual Report on Form 20-F 2017). The Income tax expense includes all current and deferred taxes of consolidated companies and includes the effects of tax disputes, and any penalties and late payment interest arising from such disputes. Withholding taxes on intragroup royalties and dividends, and on royalties and dividends collected from third parties, are accounted for as current income taxes.

Sanofi accounts for income taxes in accordance with IAS 12 (Income Taxes). Each tax entity calculates its own tax position. Deferred tax assets are recognized in respect of deductible temporary differences, tax losses available for carry-forward and unused tax credits to the extent that future recovery is regarded as probable. The recoverability of deferred tax assets is assessed on a case-by-case basis, taking into account the profit forecasts contained in the Group's medium-term business plan, and the tax consequences of the strategic opportunities available to the Group. All tax data published in 20F are reviewed by external auditors.

The positions adopted by the Group on tax matters are based on our interpretation of tax laws and regulations. Some of those positions may be subject to uncertainty. In such cases, Sanofi assesses the amount of the tax liability on the basis of the following assumptions: that our position will be examined by one or more tax authorities on the basis of all relevant information; that a technical assessment is carried out with reference to legislation, case law, regulations, and established practice; and that each position is assessed individually, (or collectively where appropriate) with no offset or aggregation between positions. Those assumptions are assessed on the basis of facts and circumstances existing at the end of the reporting period. When an uncertain tax position is considered probable, a tax liability is recognized (or a deferred tax asset is not recognized) measured using the Company's best estimate. The amount of the liability includes any penalties and late payment interest.

III. Actions

1. Key Figures

Income Tax

Income tax is paid on profits and not on revenues. If an affiliate makes marginal profit, for example following capital investment, significant R&D expenditure or because margins are regulated, it will accordingly pay less income tax.

Sanofi reports segment results on the basis of "Business operating income". This indicator is compliant with IFRS 8 and is used internally to measure operational performance and allocate resources. It is defined in Note D.35.1 of the 2017 Annual Consolidated Financial Statements. Items such as amortization and impairment of intangible assets, and restructuring costs and similar items are excluded due to their nature and their impact on the analysis of the underlying business performance and trends.[2]

In 2017, Sanofi's Income Tax charge on Business operating income[3] was €2.1 billion worldwide and Income Tax paid amounted to €1.7 billion. The effective tax rate on Business operating income was 23.5% compared with 23.3% in 2016. It provides a means to analyze the effective tax cost of our current business activities. It should not be seen as a substitute for the effective tax rate on consolidated income before tax.

Based on consolidated income before tax (i.e. including the above items such as amortization and impairment of intangible assets, and restructuring costs and similar items) Sanofi's Income Tax charge was €1.7 billion worldwide[4]. The

2 Page 78 & 79 of the 2017 Annual Consolidated Financial Statements provides a list of reconciling items together with the tax effects.
3 business operating income minus net financial expenses and before the share of profit/loss of associates and joint ventures and net income attributable to non-controlling interests
4 This excludes the income tax expense on the gain on diverstment of Animal Health business of an additonal 1.7 billion expense. Page F-107

effective tax rate was 31.1% compared with 23.4% in 2016. The increase in the effective tax rate was mainly due to the direct and indirect effects of the US tax reform (the Tax Cuts and Jobs Act of 2017, which came into force on January 1, 2018). The effect was partially offset by the consequences of the French Constitutional Council ruling of October 6, 2017 with respect to the additional 3% levy on dividends paid out in cash. The net effect of those two items was to increase the effective tax rate by 8%.

Tax charge compared with Tax paid

In 2017, the consolidated income tax charge was €1.7 billion and income tax paid was also €1.7 billion (this excludes tax payments relating to the divestment of Animal Health business). However, there can be a number of reasons why the Income Tax Paid differs from the Income Tax Charge, namely:

• Timing differences - Installment payments are generally based on historical profits and tax payments are typically spread over two years, the current and subsequent year.

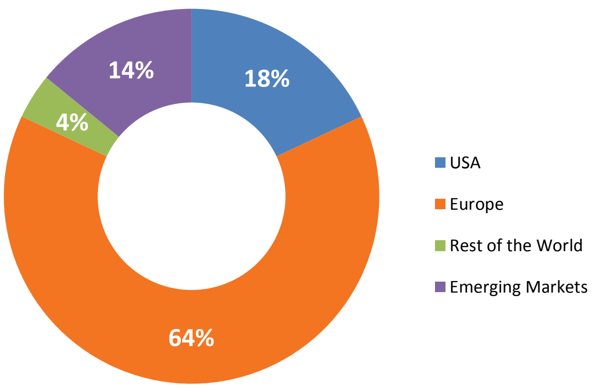
• Timing differences -The income tax charge includes deferred tax which represents timing differences between accounting for a transaction and its tax treatment. One major example is the amortization of Intangible Assets recorded as part of a business combination which does not always give rise to an equivalent tax deduction.

• Uncertain tax positions - As mentioned above in section 2 'Accounting for Tax', the positions adopted by the Company on tax matters are based on our interpretation of tax laws and regulations. Some of those positions may be subject to uncertainty. When an uncertain tax position is considered probable, a tax liability is recognized (or a deferred tax asset is not recognized) measured using the Company's best estimate that may result in income tax paid in the future.

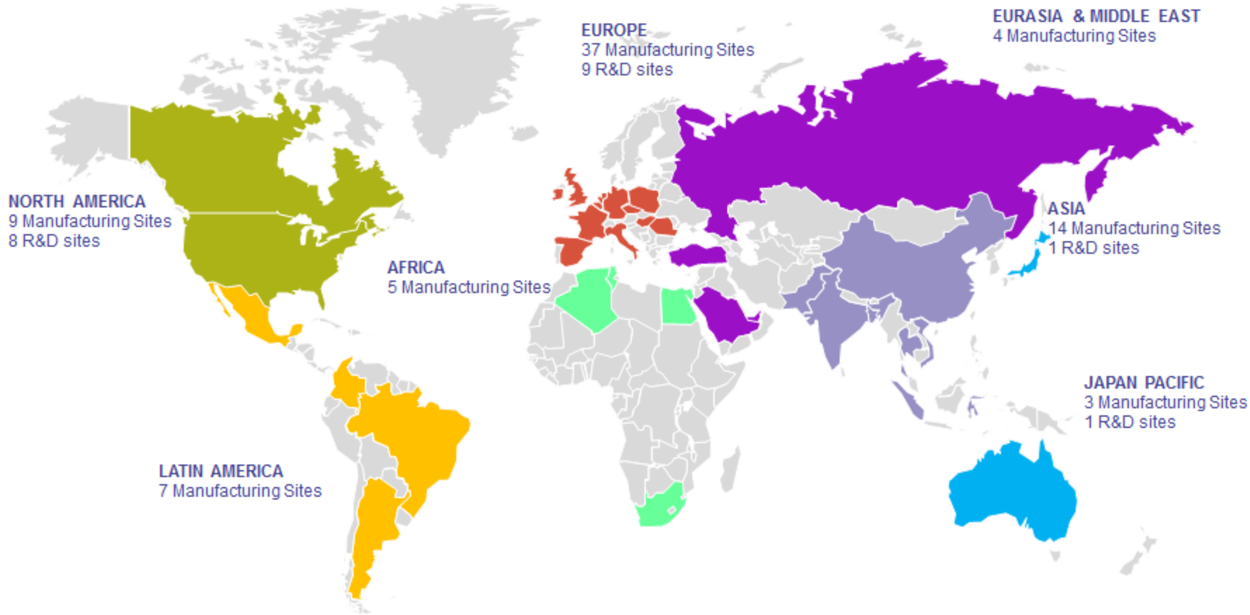
Other Taxes and Contributions

In addition to income tax, Sanofi pays numerous levies and contributions, the most significant being pharmaceutical contributions to healthcare systems globally (mainly deducted from gross sales), which amounted to €5,061 million in 2017 and more than €5,432 million in 2016. Payments of other types of levies and taxes amounted to more than €526 million in 2017 compared to more than €580 million in 2016. Most of these levies and contributions have the effect of reducing profit and therefore taxable income. Sanofi further contributes significantly to local communities, directly and indirectly, through local taxes payroll taxes and social security payments.

A breakdown of the Income Tax charge on Business operating income by region is as follows:



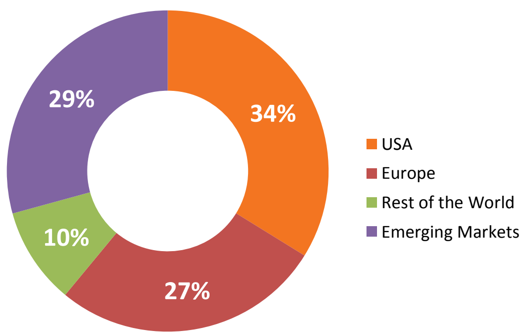
The long history of Sanofi results in a significant proportion of income tax being paid in Western Europe and US where the intellectual property of many of our leading products is located. In 2017, the amount of income taxes we paid relating to 2017 in our three main countries: Germany, US and France represented 57% of our group cash tax (excluding the disposal of our Animal Health business). Our headquarter is located in France. More than 30 manufacturing sites (including most of the principal ones) and nearly half of our Research and Development sites are located in Western Europe. See below for more details of the Company's geographical footprint.



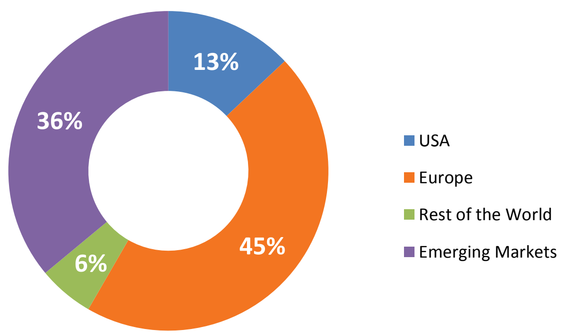
Geographical footprint

As a global corporation with around 107,000 employees worldwide, Sanofi has subsidiaries in 83 countries where taxable income is naturally located. The geographic distribution of sales and employees is as follows.

Net Sales by geograhical area



Employees distribution by geographic area



2. Transfer Pricing

The volume of product and service flows among entities within the Company is significant, and the price of transactions among Sanofi entities is an important factor in Sanofi's overall tax organization. Our transfer pricing team determines Sanofi's policy for the pricing of such transactions based on a full analysis of the value drivers of our business, ensuring that international and local rules are respected. Our objective is for all entities to be remunerated at "arm's length" in accordance with OECD and country-specific rules.

We are committed to maintaining an open, transparent and collaborative approach to our dealings with the tax authorities, for example, when possible, we commit to Tax Transparency codes and where authorities evaluate the risk of payers, we are usually evaluated as "low risk". In most countries of operation, we are subject to audits by the tax authorities on a nearly constant basis. As part of our tax approach, we engage in advance pricing agreements for structural flows with major countries to ensure long-term visibility for Sanofi and the tax authorities. We participate in policy debate whenever possible and in many countries are part of groups that interact regularly with the tax authorities. Our tax experts are often invited to speak to national bodies, at local universities, business schools and public meetings.

3. Transparency

Country-by-Country Reporting (CbC Reporting) is a reporting requirement derived from the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project . It requires Sanofi SA, the ultimate parent of Sanofi to file a Country-by-Country Report (CbC Report) to the French tax authorities, containing information relating to the global allocation of our income and taxes, together with indicators of the location of economic activity within the Company. The aim of this OECD/G20 reporting is to assist tax administrations in the detection and identification of transfer pricing risk.

Sanofi filed its 2016 CbC Report to French tax authorities in December 2017. The French tax authorities will share the CbC Report with tax authorities in other jurisdictions where we operate, subject to an international agreement that permits automatic exchange of data. Sanofi has appropriate processes in place to comply with the new reporting requirements and to ensure the integrity of the data.

Extracts from the 2017 Annual Consolidated Financial Statements

D.30. Income tax expense

Sanofi has elected for tax consolidations in a number of countries, principally France, Germany, the United Kingdom and the United States.

The table below shows the allocation of income tax expense between current and deferred taxes:

(€ million)	2017[a]	2016[a]	2015[a]
Current taxes	(2,631)	(1,869)	(1,978)
Deferred taxes	909	543	1,269
Total	**(1,722)**	**(1,326)**	**(709)**
Income before tax and investments accounted for using the equity method	**5,530**	**5,678**	**5,243**

(a) The results of the Animal Health business, and the gain on the divestment of that business, are presented separately in accordance with IFRS 5 (Non-Curren Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.

The difference between the effective tax rate and the standard corporate income tax rate applicable in France is explained as follows:

(as a percentage)	2017[a]	2016[a]	2015[a]
Standard tax rate applicable in France	34.4	34.4	34.4
Difference between the standard French tax rate and the rates applicable to Sanofi[b]	(19.2)	(10.1)	(17.7)
Tax rate differential on intragroup margin in inventory[c]	(0.0)	(0.6)	1.7
Tax effects of the share of profits reverting to BMS (see Note D.32.)	(0.5)	(0.5)	(0.6)
Contribution on distributed income (3%) and associated changes[d]	(8.2)	2.0	2.1
CVAE tax in France[e]	1.3	1.1	1.3
Revisions to tax exposures and settlements of tax disputes	2.2	(4.8)	0.3
Fair value remeasurement of contingent consideration	1.1	0.4	(1.1)
Impact of US tax reform[f]	21.6	-	-
Other items[g]	(1.6)	1.5	(6.9)
Effective tax rate	**31.1**	**23.4**	**13.5**

(a) The results of the Animal Health business, and the gain on the divestment of that business, are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.1. and D.36.
(b) The difference between the French tax rate and tax rates applicable to foreign subsidiaries reflects the fact that Sanofi has operations in many countries, most of which have lower tax rates than France.
(c) When internal margin included in inventory is eliminated, a deferred tax asset is recognized on the basis of the tax rate applicable to the subsidiary that holds the inventory, which may differ from the tax rate of the subsidiary that generated the eliminated intragroup margin.
(d) In 2017, this line includes the consequences of the French Constitutional Council ruling of October 6, 2017 on the additional 3% contribution on dividends paid out in cash. In 2016 and 2015, entities liable to corporate income tax in France were liable to pay an additional tax contribution in respect of amounts distributed by the entity.
(e) Net impact on the effective tax rate (current taxes, impact of the tax deduction, and deferred taxes).
(f) For 2017, this line includes an expense of €1,193 million for the consequences of US tax reform, comprising the estimated tax charge on deemed repatriation attributable to the accumulated earnings of non-US operations payable over 8 years (€1,084 million) and a further expense of €109 million representing (i) the remeasurement of deferred taxes following the reduction in the corporate income tax rate and (ii) an adjustment to deferred taxes on the fair value of the reserves of Sanofi subsidiaries.
(g) For 2017, the "Other items" line includes the impact of changes to tax rates in France, Belgium and the Netherlands. For 2016, it includes the effects of changes in tax rates in various countries, particularly in France, Hungary, Italy, Japan and the United States. For 2015, it includes the impact (€161 million) of changes in the taxation of dividends in France following the ruling of the Court of Justice of the European Union in the Steria case and the resulting amendments to the 2015 Finance Act. This line also includes the net tax effect of taxable temporary differences associated with holdings in Sanofi subsidiaries. In determining the amount of the deferred tax liability for 2017, 2016 and 2015, Sanofi took into account changes in the ownership structure of certain subsidiaries.

For the periods presented, the amount of deferred tax assets recognized in profit or loss that were initially subject to impairment losses on a business combination is immaterial.

The analysis below reconciles our effective tax rate (based on consolidated net income) and the effective tax rate on our business net income:

(as a percentage)	2017	2016 (a)
Effective tax rate based on consolidated net income	**31.1**	**23.4**
Tax effects:		
Amortization and impairment of intangible assets	3.2	3.7
Restructuring costs and similar items	(0.2)	(1.3)
Impairment loss charged against the investment in Alnylam		(1.5)
Other tax effects (b)	(10.6)	(1.0)
Effective tax rate based on business net income	**23.5**	**23.3**

(a) The results of the Animal Health business are presented separately in accordance with IFRS 5 (Non-Current Assets Held for Sale and Discontinued Operations); see Notes D.2. and D.36. to our consolidated financial statements.

(b) For 2017, this line comprises (i) the direct and indirect effects of the US tax reform (negative impact of €1,193 million) and (ii) the consequences of the French Constitutional Council ruling of October 6, 2017 with respect to the additional 3% levy on dividends paid out in cash (positive impact of €451 million).

An analysis of the net deferred tax position is set forth below:

(€ million)	2017	2016	2015
Deferred taxes on:			
Consolidation adjustments (intragroup margin in inventory)	969	1,095	1,074
Provision for pensions and other employee benefits	1,263	1,538	1,522
Remeasurement of other acquired intangible assets(a)	(1,713)	(2,797)	(3,370)
Recognition of acquired property, plant and equipment at fair value	(36)	(44)	(48)
Equity interests in subsidiaries and investments in other entities(b)	(592)	(818)	(833)
Tax losses available for carry-forward	1,059	1,070	1,162
Stock options and other share-based payments	88	126	131
Accrued expenses and provisions deductible at the time of payment(c)	1,344	2,202	2,061
Other	303	5	120
Net deferred tax asset/(liability)	**2,685**	**2,377**	**1,819**

(a) Includes the following deferred tax liabilities as of December 31, 2017: €176 million relating to the remeasurement of the other intangible assets of Aventis, and €929 million relating to Genzyme.

(b) In some countries, Sanofi is liable for withholding taxes and other tax charges when dividends are distributed. Consequently, Sanofi recognizes a deferred tax liability on the reserves of French and foreign subsidiaries (approximately €51.0 billion) which it regards as likely to be distributed in the foreseeable future. In determining the amount of the deferred tax liability as of December 31, 2017, Sanofi took into account changes in the ownership structure of certain subsidiaries, and the effects of changes in the taxation of dividends in France following the ruling of the Court of Justice of the European Union in the Steria case and the resulting amendments to the 2015 Finance Act.

(c) Includes deferred tax assets related to restructuring provisions, amounting to €212 million as of December 31, 2017, €334 million as of December 31, 2016, and €394 million as of December 31, 2015.

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The reserves of Sanofi subsidiaries that would be taxable if distributed but for which no distribution is planned, and for which no deferred tax liability has therefore been recognized, totaled €16.8 billion as of December 31, 2017, compared with €25.2 billion as of December 31, 2016 and €23.9 billion as of December 31, 2015.

Most of the Company’s tax loss carry-forwards are available indefinitely. For a description of policies on the recognition of deferred tax assets, refer to Note B.22 of the Annual Consolidated Financial Statements. The recognition of deferred tax assets is determined on the basis of profit forecasts for each tax group, and of the tax consequences of the strategic opportunities available to the Company. Those forecasts are consistent with the Company’s medium-term business plan, and are based on time horizons that take account of the period of availability of tax loss carry-forwards and the specific circumstances of each tax group. Deferred tax assets relating to tax loss carry-forwards as of December 31, 2017 amounted to €1,346 million, of which €287 million were not recognized. This compared with €1,502 million as of December 31, 2016 (of which €431 million were not recognized) and €1,721 million as of December 31, 2015 (of which €559 million were not recognized).

The table below shows when the tax losses available for carry-forward are due to expire:

(€ million)	Tax losses available for carry-forward[(a)]
2018	33
2019	6
2020	24
2021	55
2022	43
2023 and later	5,003
Total as of December 31, 2017	5,164
Total as of December 31, 2016	5,176
Total as of December 31, 2015	5,209

(a) Excluding tax loss carry-forwards on asset disposals. Such carry-forwards amounted to €7 million as of December 31, 2017, €13 million as of December 31, 2016 and zero as of December 31, 2015.

Use of tax loss carry-forwards is limited to the entity in which they arose. In jurisdictions where tax consolidations are in place, tax losses can be netted against taxable income generated by entities in the same consolidated tax group.

Deferred tax assets not recognized because their future recovery was not regarded as probable, given the expected results of the entities in question, amounted to €302 million in 2017, €561 million in 2016 and €666 million in 2015.