



SHAREHOLDER LETTER

As you prepare to vote your shares at Sanofi's annual shareholder meeting on May 4, you may have seen ISS' analysis and recommendations concerning Sanofi's shareholder resolutions.

Consistent with its policy of shareholder engagement which has been firmly in place since 2009, Sanofi has reached out and discussed with ISS' analysts the recent governance-related decisions of your Company. Despite the clarifications and objections brought to ISS' attention, ISS is maintaining its analysis and recommending that you vote against two resolutions which directly concern the governance of your company. These are:

- ✓ Approval of the external auditors' special report together with the regulated agreements described therein, following their approval by Sanofi's Board of Directors ;
- ✓ The Say on Pay vote concerning Christopher Viehbacher.

If Sanofi is taking the initiative today of contacting you directly, it is because **these recommendations do not reflect a simple difference of opinion; they reflect a real error in analysis by ISS**. In such circumstances, Sanofi cannot simply stand by without comment.

1. Regulated Agreements (4th resolution)

The 4th resolution requests your approval of the external auditor's special report as well as the new regulated agreements authorized by Sanofi's Board of Directors. This resolution does not concern any agreements other than the engagement letter of Olivier Brandicourt. All other past undertakings mentioned in the special report are cited for memory, and have in fact all been rendered moot by the revocation of Christopher Viehbacher from the office of CEO.

ISS is basing its negative recommendation on the supposed non-conformity with the French corporate governance code (AFEP-MEDEF) of Olivier Brandicourt's retirement conditions, and on the absence of a separate vote for each undertaking made to Olivier Brandicourt. As described hereafter, ISS' analysis is simply incorrect.

Article L. 225-42-1 of the French commercial code requires a distinct resolution to be submitted to the approval of the general shareholders meeting for each beneficiary. It does not require each relevant contractual clause to be approved by a separate resolution. ISS claims that the submission of a separate resolution for each undertaking is a widely adopted practice, whereas in reality this approach has been seen only in a few isolated cases. We note in this connection that ISS' competitor Glass Lewis has not cited any such market practice in its positive recommendation for this resolution. Moreover, our shareholders have generally indicated that they do not appreciate having to process an unnecessary large number of resolutions.

Olivier Brandicourt's engagement letter includes a severance indemnity, a non-compete clause, and the grant of a supplemental retirement benefit. These undertakings:

- ✓ Relate to the same beneficiary;
- ✓ Concern Sanofi's obligations in the event of a departure;
- ✓ Were all three negotiated at the same time, as part of Olivier Brandicourt's recruitment conditions;
- ✓ **Need to be considered as a whole, because the benefit of one can exclude the benefits of the others or change their conditions of application.**



Accordingly, when ISS recommends a negative vote on the fact that Sanofi has not presented three separate resolutions to approve Olivier Brandicourt's engagement letter, ISS has erred in its analysis.

Article L. 225-42-1 of the French commercial code requires that defined benefit retirement schemes be submitted to the same approval process as related party agreements. In the present case, this concerns the Group's supplemental retirement benefit, the terms of which are compliant with the terms of the AFEP-MEDEF corporate governance code.

The granting of 10 year's seniority in the plan is designed to compensate for benefits lost by Olivier Brandicourt when he was recruited by Sanofi. Olivier Brandicourt can only benefit from this retirement scheme if he is part of the Group at the time that he takes his retirement.

Given that its purpose is to compensate benefits that Olivier Brandicourt lost when he left his prior employer, the granting of seniority under the plan is not submitted to the same approval process as related party agreements. It is therefore an abuse for ISS to base its recommendation on an item which is not even submitted to vote as part of the resolution.

2. Christopher Viehbacher's Say on Pay (11th resolution)

ISS claims that Sanofi has disregarded shareholder-approved severance conditions, and has therefore paid out an indemnity with no apparent added value or compelling justification.

On October 29, 2014, Sanofi's Board of Directors revoked Christopher Viehbacher from the office of CEO.

The Board considers that the revocation of Christopher Viehbacher was not the result of a change in strategy, and consequently **concluded that the severance indemnity was not due.**

Christopher Viehbacher predictably had a different analysis of the situation, and claimed the whole of the indemnity alleging that there was in fact an effective change in strategy. The Group was faced with a serious risk of a protracted and damaging lawsuit. Moreover, because the original engagement of Christopher Viehbacher did not contain confidentiality or non-competition provisions, the risk of competition with the group and poaching of group executives was highly probable notably in light of his age. It was as a result entirely in the interest of Sanofi and its shareholders to negotiate additional departure conditions and, as in any settlement of a dispute, agree to reciprocal concessions.

Following the recommendation of the Appointments and Governance Committee as well as that of the Compensation Committee, on December 18, 2014, the Board of Directors authorized the finalization and execution of a settlement agreement with Christopher Viehbacher, seeking to establish agreed compensation and indemnification amounts due in connection with his revocation from office.

At the end, and contrary to ISS' claims, the amounts paid out are substantially less than what Christopher Viehbacher claimed to be owed, and valuable undertakings on his part were obtained for the Group. And as observed by Glass Lewis in its positive assessment of the same resolution, the amount actually paid out is aligned with best practice in France.



The Board considers that its responsibility in such circumstances is to on the one hand apply the law and the French corporate governance code, and on the other hand to defend the interest of the Company of its shareholders.

Deeply committed to shareholder dialogue, Sanofi thanks you for taking into account the foregoing elements when you decide how to vote on the shareholder resolutions, and we remain available to explain Sanofi's corporate governance choices.

Serge Weinberg
Chairman of the Board

Jean-René Fourtou
Chairman of the Appointments
and Governance Committee

Gérard Van Kemmel
Chairman of the
Compensation Committee