CLIMATE-RELATED FINANCIAL DISCLOSURES

AS PER THE TCFD RECOMMENDATIONS

GRI Standards :

102-15, 102-18, 102-19, 102-20, 102-26, 102-27, 102-29, 102-30, 102-31, 102-32: General Disclosures

201-2: Economic Performance

EXECUTIVE SUMMARY

The Sanofi Group follows the guidelines of the report *Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)* launched in 2017, and has officially been doing so since the 7th of December 2020. Detailed information is available in the public CDP Climate Change questionnaire 2020. There are 4 TCFD theme areas (governance, strategy, risk management and targets & metrics) and each area has specific recommended disclosures.

Regarding the Governance area, Sanofi's Board has an extensive oversight of climate-related risks and opportunities, especially through the engagement of some of its key members and the specialised advisory committee, the Appointments, Governance and CSR Committee. Management at Sanofi also plays an important role in assessing and managing climate-related issues, through dedicated and clear assignments and responsibilities, organizational structures, and information processes; especially through the Planet Mobilization I Committee (PMC), the Climate Change Operational Committee and the Climate-related Risk & Opportunities (TCFD) Committee.

Regarding the Strategy area, Sanofi has identified several specific climate-related risks and opportunities for each time horizon as part of its risk management system (transition risks, physical risks and business development opportunities). Sanofi has identified the material financial impacts generated, and has conducted a materiality assessment in 2020. Climate change is part of the company's strategy, translated through the recent global CSR roadmap. The Climate Committee has illustrated these risks and opportunities with in-depth case studies, classified by time horizon.

Regarding the Risk Management area, Sanofi has a clear process for identifying, assessing and managing risks and emerging risks, including those related to climate change, and has identified three active risks and one emerging risk ("climate change and impact on health"). Identifying, assessing and managing climate risks are fully integrated into the company-wide risk management process.

Regarding the Targets and Metrics area, Sanofi discloses key indicators for assessing progress against its targets on energy, waste and water management and greenhouse gas emissions (scope 1, 2 and 3) calculated in line with the GHG Protocol. Sanofi discloses its climate-related (absolute and intensity based) targets on carbon footprint, water and waste management, and the corresponding time horizon as well as the base year from which the target is measured.

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1. BACKGROUND

1.1. The TCFD recommendations

Today, climate change and the transition to a low-carbon economy expose organizations to emerging challenges. While they can negatively impact companies, they may also present opportunities, to develop climate change mitigation and adaptation solutions for instance. Assessing climate change-related challenges has therefore become crucial for many investors and climate-related financial disclosure has become key to support informed and efficient decisions.

In this context, the Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD is in charge of developing a voluntary framework for climate-related financial disclosure to help identify the information needed by investors, lenders, and insurance underwriters to properly assess and price climate-related risks and opportunities.

In 2017, the TCFD published recommendations applicable to all sectors to disclose climate-related information that will allow to measure and address climate change risks and opportunities. These recommendations are structured around four theme areas or overarching recommendations on governance, strategy, risk management, and metrics and targets, which are supported by further recommended disclosures.

Indeed, there is an increasing pressure to enhance financial analysis and climate risks disclosure, especially through the TCFD recommendations.

First, investors requirements and rating agencies expectations have increased. Investors such as AXA, BlackRock, Aviva and L&G are asking for more climate disclosure and reporting against TCFD climate risk indicators is mandatory for all Principles for Responsible Investment (PRI) signatories since 2020. Ratings agencies have recognized that climate change could impact credit ratings and certain already align their questionnaires with the TCFD recommendations (e.g. CDP Climate).

Secondly, existing and emerging regulation are increasing. Regulations exist on climate disclosure in France and could be replicated in the EU and by G20 countries. The High-Level Expert Group's (HLEG) report on sustainable finance suggests the European Commission should "upgrade Europe's disclosure rules to make climate change risks and opportunities fully transparent". The TCFD recommendations are strongly supported by the HLEG and are included in the European Commission's guidelines on corporate climate-related information reporting.

Thirdly, activities being disrupted by climate change increases the pressure to enhance climate risk disclosures. Indeed, increasing incidence and severity of weather events as a result of climate change could directly disrupt Sanofi's business operations and supply chain (e.g. biodiversity loss menacing the access to natural substances used as ingredients, water scarcity leading to disrupted operations).

Lastly, there has been an ongoing market pressure from peers, as the TCFD recommendations have been endorsed by over 1600 supporters, including some of Sanofi's peers.

The TCFD not only provides a reporting framework, but also best practices that allow a better management of reputation, financial impacts, regulatory requirements, and other risks. Following the TCFD recommendations enables Sanofi to stay in line with financial markets, anticipate mandatory regulations, better manage climate-related impacts, and stay ahead – or at least at par – with peers.

1.2. Sanofi's engagement with the fight against climate change

Sanofi recognises that climate change requires immediate attention and is willing to play a role in the fight against it. Sanofi has started doing its part by setting up mitigation initiatives to reduce its greenhouse gas (GHG) emissions and by implementing adaptation measures that will help limit climate change impacts on both the environment and human health (see Factsheet 2020 - Sanofi's Risks and Opportunities related to Climate Change).

Sanofi is also conscious of the significance of a transparent communication on climate-related issues, which is why it started answering the Carbon Disclosure Project (CDP)'s climate change questionnaire in 2010 and has continued to do so yearly ever since. In 2020 Sanofi received a A- which is in the Leadership band. This is higher than the Europe regional average of C, and higher than the Biotech & pharma sector average of B.

Likewise, Sanofi recognises the importance of climate-related financial disclosure to measure its risks and opportunities appropriately and to provide financial decision-makers with the tools and information they need. In coherence with this position, the Group is willing to go one step further and improve its climate-related financial disclosures by adjusting them according to the TCFD recommendations.

2. ACTION

As a major player in the pharmaceutical industry and the world of health, Sanofi is an important player in the fight against climate change, as well as adapting to it, thanks to its expertise in prevention, research and treatment. On a regular basis, Sanofi publicly shares its achievements in terms of controlling its environmental footprint and its strategy of anticipating the health consequences of climate change on the themes of pollution-related allergies and vector-borne diseases (dengue fever, malaria, etc.).

During the 21st Conference of the Parties (COP 21) on climate change in 2015, Sanofi signed the call to mobilise companies to curb climate change. During the One Planet Summit organised by the French government in December 2017, Sanofi reiterated its commitment. Sanofi is one of the 99 major French companies that have committed to climate (signatory of the French Business Climate pledge 2019-MEDEF).

In June 2020, Sanofi's targets were validated by the Science Based Targets Initiative (SBTi), aiming to reduce its absolute greenhouse gas (GHG) emissions, related to energy (scopes 1 and 2), as well as those related to its value chain (scope 3). These targets are based on science and contribute to limiting global warming to 1.5°C - in line with the 2015 Paris Agreement target.

More broadly, Sanofi is committed to a climate resilience approach. This means that climate-related risks and opportunities are assessed in order to prepare the company for the changes caused by global warming.

The Sanofi Group follows the guidelines of the report Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) launched in 2017 and has officially been doing so since the 7th of December 2020. In 2018, and in line with aforementioned intention, Sanofi started working on its disclosures' alignment with the TCFD recommendations. Sanofi performed a gap analysis in 2018, and then again in 2020, to identify available disclosures and determine additional information to be published to match the TCFD criteria. Following this preliminary analysis, Sanofi identified areas of improvement for the short, medium, and long terms. For instance, a reference to the TCFD recommendations has been included in the Universal Reference Document and Sanofi's plans to implement them have been outlined.

The TCFD recommendations and Sanofi's corresponding climate-related financial disclosures as of now are presented in the following sections. There are 4 TCFD theme areas (governance, strategy, risk management and targets & metrics) and each area has specific recommended disclosures.

2.1. Governance

The governance area aims at disclosing the governance around climate-related risks and opportunities. Companies are asked to disclose the extent of the board and management's oversight of those climate-related risks and opportunities. This includes the process and frequency by which board committees are kept informed and how climate change issues are considered when reviewing the company's performance, strategy and business plans. The audit committee's role in overseeing climate-related financial disclosures should be the same as with any other financial disclosure. Based on these considerations, there are two recommended disclosures :

- Describe the board's oversight of climate-related risks and opportunities
- Describe management's role in assessing and managing climate-related risks and opportunities.

2.1.1. Describe the board's oversight of climate-related risks and opportunities

The Board has an extensive oversight of climate-related risks and opportunities, especially through the engagement of some key members and the specialised advisory committee, the Appointments, Governance and CSR Committee.

Key members related to climate issues sit on Sanofi's Board of Directors, such as Lise Kingo, CEO and Executive Director of the United Nations Global Compact programme from 2015 to 2020. The UN Global Compact is the world's largest corporate sustainability initiative uniting business to create a better world through universal principles and the UN Sustainable Development Goals.

The Board of Directors is informed by a specialised advisory committee, the Appointments, Governance and CSR Committee, composed of 3 Independent Directors, which reviews and monitors the Company's CSR commitments and orientations, assesses the extent to which they meet stakeholder expectations, and more generally ensures that CSR issues are taken into account when developing and implementing corporate strategy. The committee also identifies and discusses emerging trends in CSR, and ensures that the Company is preparing as well as possible for the challenges specific to its operations and objectives.

2.1.2. Describe management's role in assessing and managing climate-related risks and opportunities

Management at Sanofi plays an important role in assessing and managing climate-related issues, with dedicated and clear assignments and responsibilities, organizational structures, and information processes; especially through the Planet Mobilization Committee (PMC).

Planet Mobilization is Sanofi's environmental sustainability programme. This programme is steered by the Planet Mobilization Steering Committee. Operational committees are dedicated to environmental themes, including Climate Change. This committee met 4 times this year.

In Planet Mobilization governance, a Climate Change Operational Committee addresses aspects related to Sanofi's commitments to mitigate climate change to 1.5°C throughout the Group's value chain and achieve carbon neutrality by 2050. This committee reports to the Planet Mobilization Steering Committee.

The Climate-related Risk & Opportunities (TCFD) Committee, which crosses all the pillars of the Environmental Strategy, is responsible for climate risk and opportunities and reports to the Planet Mobilization Steering Committee. This body steers the programme around the TCFD's recommendations. This committee is composed of the Environment Director, the Risk Director, the Insurance Director, the CSR Director of R&D, a senior representative of the strategy, a senior representative of finance, a senior representative of CSR and a legal expert.

In addition, having created a Planet Mobilization Tribe as part of Sanofi's environmental sustainability employee engagement program will also drive climate-related topics forward.

2.2. Strategy

The strategy area aims at disclosing the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material. Companies are asked to disclose what climate-related risks and opportunities they are exposed to and how this will impact them via income statement and balance sheet. Most importantly, companies are asked to conduct forward-looking scenario analysis on how their businesses will perform in a world with global warming at 2°C. This area has the following three recommended disclosures:

1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
3. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

2.2.1. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

Sanofi has identified several specific climate-related risks and opportunities for each time horizon as part of its risk management system - short term being the next 3 years, medium term between 3 and 10 years ahead and long-term 10 to 30 years ahead. They include transition risks, physical risks and business development opportunities. Sanofi has identified the material financial impacts generated, and has conducted a materiality assessment in order to determine which risks and opportunities could have a material financial impact. The materiality matrix is therefore a tool that makes it possible to identify and prioritize a company's Corporate Social Responsibility (CSR) issues (see Factsheet - Sanofi's CSR Materiality, Strategy & Governance).

2.2.2. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Climate change is part of the company's strategy, translated through the Planet Mobilization roadmap. A global CSR roadmap has recently been approved by the Board of Directors (in Q4 2020), which will spread a strong CSR culture, integrating climate-related aspects.

In addition, participating to the Pharmaceutical Supply Chain Initiative (PSCI) is an excellent practice to push forward sustainability and climate-related topics among the value chain.

2.2.3. Describe the resilience of the organization’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

The Climate Committee has illustrated these risks and opportunities with in-depth case studies, which it has classified by time horizon - for example, a risk of production shutdown at a key site affected by a natural disaster, or Sanofi's response to the spread of vector-borne or respiratory diseases. It also assessed the materiality of practical cases with significant financial impacts.

2.3. Risk Management

The risk management area aims at disclosing how the organization identifies, assesses, and manages climate-related risks and how these are integrated into existing risk management frameworks. The TCFD believes that climate risks are material for many organizations and its framework should help companies evaluate these risks. The TCFD provides 3 items of guidance :

1. Describe the organization’s processes for identifying and assessing climate-related risks.
2. Describe the organization’s processes for managing climate-related risks.
3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management.

2.3.1. Describe the organization’s processes for identifying and assessing climate-related risks

Sanofi has a clear process for identifying and assessing risks and emerging risks, including those related to climate change, and discloses detailed information on those : their size, scope and the relative significance of climate-related risks in relation to other risks. The group has identified three active risks and one emerging risk ("climate change and impact on health"), including the impact of climate change on Sanofi's ecosystem and business model (see Factsheet - Climate change and Health Factsheet).

Emerging risks take the form of a threat or opportunity, not yet impacting Sanofi and up to five years or more. Emerging risks management approach consists of a phase of environment observation and interviews with Sanofi senior managers to identify emerging risks, followed by an assessment phase to allow Sanofi to anticipate responses, and set up of scenarios to figure out how emerging risks may impact the company. In order to support emerging risks assessment, deep-dive scenarios are developed for prioritized emerging risks (see Factsheet - Emerging Risks Management) :

Climate change risks for a strategic industrial asset: The goal of this case study is to identify how the current exposure to climate hazard will evolve in the future and in a given climate scenario. In this scenario, heavy snowstorms and rainfalls are expected to gain in intensity due to climate change. The climate hazards have been chosen based on recent climate events on a relevant industrial site. These hazards are likely to happen in a near future. Other hazards such as sea level rise and rise in temperature are also considered but in a long-term period. Such events could damage the facilities and imply power outages, both involving financial losses for Sanofi. This study is also designed to increase the awareness of climate change exposure for all operational teams and mitigating risks by ensuring the consideration of climate change resilience in the industrial process.

Business impact of the new geographical distribution of one infectious disease: This case study is based on available data on dengue fever and considers the risks and opportunities of a given scenario. This scenario considers a dengue fever outbreak in Asia in 2050. The likelihood of this scenario rests on the temperature rise in a medium-long term period. The consequences of such an event are based on the 2014 outbreak and crossed with population projections and an extension to cities in High Risk areas. An outbreak of this magnitude could reach 300,000 cases and cost M$ 300 to the Asian Government. Based on these results, business opportunities and strategic R&D investments can be identified.

Water scarcity (drought) for Indian supply chain: The aim of this study is to identify how the current exposure to climate hazard will evolve in the future. The scenario considered in this study implies an unprecedented water crisis in a country, where tap water and water availability are key issues, with restriction for industrial activities in some regions and banning in others. Based on current rainfall trends, this scenario is very likely to happen in the next seven years. This study enables Sanofi to identify the key materials essential to the production of its products which are highly climate dependent and estimate the impacts of various climate hazards on the materials supply-chain.

Health effects of a successful environmental transition: Considering the current rise of ecological preoccupations and the commitments taken by European cities and countries, this study aims at evaluating the risks and opportunities of a successful environmental transition on Sanofi's business. A climate mitigation to 2°C by 2100 as advised by the IPCC could reduce the cases of pollution-related diseases such as asthma, allergies and heart conditions. This study helps identify the climate-friendly behaviours that influence human health the most a build a behavioural changes intensity scenario in order to estimate the impacts this scenario can have on human health and ultimately on Sanofi's business.

2.3.2. Describe the organization's processes for managing climate-related risks

Sanofi has a clear process for managing risks related to climate change, and discloses detailed information on those (see Factsheet - Sanofi's Risks and Opportunities related to Climate Change). The processes for prioritizing and for deciding what action to take for each climate-related risk are also clear.

2.3.3. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management

Identifying, assessing and managing climate risks are fully integrated into the company-wide risk management process. All risks are assessed according to the criterion of environmental impact.

2.4. Targets and Metrics

The targets and metrics area aims at disclosing the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. Companies are expected to disclose metrics and set targets aligned with the risks and opportunities they identified as material for their business. Guidance also asks companies to disclose their Scope 1 and 2 GHG emissions, and if appropriate, Scope 3. This is in recognition of the fact that rising emissions are still a key driver of global warming, and big emitters are subject to greater transition risk. It has the following three recommended disclosures :

1. Disclose the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process, including historical trends and forward-looking projections (by relevant country and/or jurisdiction, business line or asset type), metrics that support scenario analysis and that

are used to monitor the organizations business environment, metrics related to GHG emissions that address potential financial aspects (shifting demand, expenditures, asset valuation...).

2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
3. Describe the targets used to manage climate-related risks and opportunities and performance against targets.

2.4.1. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

Sanofi discloses key indicators for assessing progress against its targets on energy, greenhouse gas emissions, water and waste (see Factsheet - Table of Ambition and Progress Towards Sustainable Development Goals (SDGs)). Metrics are incorporated in remuneration policies as in 2020 a dedicated individual CSR performance criterion representing 15% of the annual variable compensation package was set, driving progress against the set targets (see Factsheet - Sanofi's CSR Materiality, Strategy & Governance). In addition, having set a flexible internal carbon price is a very good practice for driving carbon neutral investments.

2.4.2. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Sanofi provides key metrics related to GHG emissions and discloses its scopes 1, 2 and 3 GHG emissions. The Group discloses generally accepted industry-specific GHG efficiency ratios and emissions are calculated in line with the GHG Protocol (see Factsheet - Carbon Footprint - CO2 Emissions (Scope 1,2&3)).

2.4.3. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets

Sanofi discloses its climate-related (absolute and intensity based) targets, including global warming: carbon footprint, water and waste management targets, the time horizon of each climate target as well as the base year from which the target is measured.

3. PUBLICATIONS

For more information and further details on Sanofi climate-related financial disclosures, please refer to our 2020 Registration Document (in French) and see our Download Centre, notably:

- *Sanofi's CSR Materiality, Strategy & Governance Factsheet*
- *Climate Change and Health Factsheet*
- *Sanofi’s Risks and Opportunities related to Climate Change Factsheet*
- *Table of Ambition and Progress Towards Sustainable Development Goals (SDGs) Factsheet*
- *Risk Management*
- *Emerging Risks Management*
- *Carbon Footprint - CO2 Emissions (Scope 1,2&3) Factsheet*
- *Ecodesign Factsheet*

- *Overview of our Environmental Impacts Factsheet*
- *Health Safety and Environmental Management System Factsheet*