

CSR STRATEGY, GOVERNANCE & MATERIALITY

G4 indicators: G4-18, G4-19, G4-20, G4-21, G4-24, G4-27, G4-56

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.

I. BACKGROUND

The objective of the materiality analysis is to define Sanofi's CSR strategy by determining the most material issues linked to Sanofi's core business.

1. Defining Materiality

"Materiality" means different things to different organizations. To Sanofi, it means both relevance and priority. In our sustainability activities, material issues are those that are both crucial to the success of our business and most important to our stakeholders.

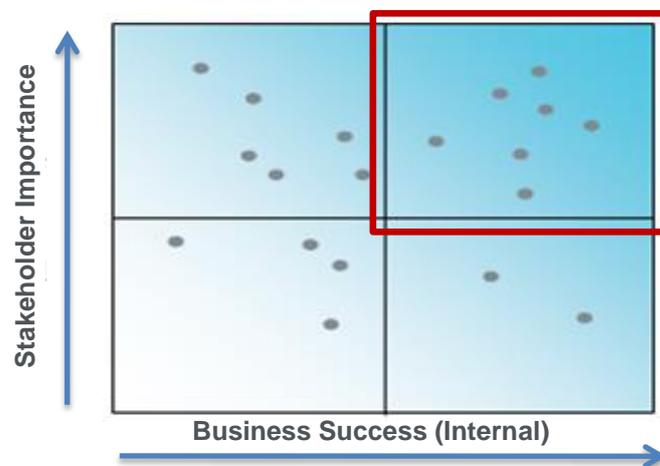
To determine which issues are material, we periodically perform a materiality analysis. This customized methodological process engages internal and external stakeholders in a robust exercise of enumerating, ranking, mapping and analyzing an exhaustive list of sustainability issues in order to determine those that are most relevant to Sanofi. This assessment is also an excellent way for us to identify new opportunities, whether related to mitigating risk or driving new value, and to detect upcoming trends. All in all, conducting a materiality assessment helps us to prioritize our strategy and develop appropriate action plans.

2. Methodology

The methodology behind Sanofi's materiality analysis is aligned with sustainability standards and advanced in comparison with current industry practice.

The steps include:

- Developing a list of sustainability challenges covering all aspects of our business (taking into account our sector, markets and therapeutic areas)
- Identifying internal and external stakeholders to engage in the analysis
- Interviewing stakeholders to gather input and asking them to rank the issues in order of importance
- Plotting the results on x- and y- axes to reveal those issues that both groups rank highly (which appear in the upper right quadrant), and analyzing the issues to develop a short list of the most material issues



II. BUILDING OUR 2017-2020 CSR ROADMAP

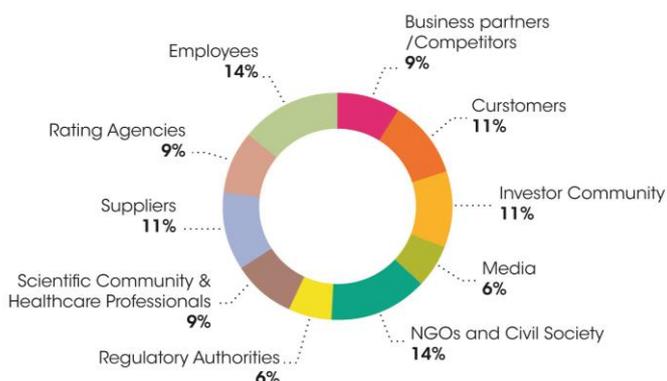
1. 2010 Materiality Analysis

Sanofi's work in CSR has grown over time to address many issues covering all aspects of our expanding and diversified business. By 2010, we wanted to sharpen our focus and ensure CSR-related efforts and messages would not be diluted. We set out to prioritize our actions by performing our first corporate materiality test, which resulted in CSR priorities for action to guide Sanofi's CSR activities and reporting.

2. 2013 Materiality Analysis

In 2013, Sanofi's CSR team decided it was the right moment to deepen our analysis. We wished to explore whether the current issues had shifted in relative importance, whether there were additional issues to consider, and how best to concentrate our activities further. We therefore performed an updated and redesigned corporate materiality analysis, with three goals: to focus the scope of work within Sanofi's core CSR areas; to map possible risks and opportunities related to material CSR issues; and to identify and anticipate emerging trends and challenges that needed to be addressed.

We engaged with more than 100 internal and external stakeholders across all regions in which Sanofi does business, providing for a large sample size that was representative of our stakeholder landscape. This pie chart illustrates the diversity of our stakeholder landscape.



The 2013 materiality map, below, shows 48 issues ranked by internal and external stakeholders. Those in the upper right quadrant were considered to be Sanofi's most material issues.



Overall, the 2013 results showed a clear consistency of opinion between internal and external stakeholders. Topics related to "Patient" emerged as the dominating issues in the upper right quadrant, encompassing themes such as research and development, capacity building, pricing, innovation management and pharmacovigilance. A stakeholder working for a global non-governmental organization noted, "Sanofi is engaged in global discussions on non-communicable diseases and taking a leadership role in how companies can engage in this global process. They do it well and should continue."

The upper right quadrant also included a majority of the issues related to "Ethics and Business Integrity" concerns, such as

ethics in clinical trials, bribery and corruption, bioethics and responsible procurement.

Surprisingly, the 2013 results appeared to deprioritize the topics linked to environmental management as a focus of Sanofi's CSR activities. A stakeholder from the media commented, "These [issues] are less important as they are not specific to the pharmaceutical industry."

We felt, however, that it was important to continue working on environmental issues, and complementary analysis performed on trends supported our assessment. Stakeholder responses showed strong upward trends (i.e., growing risks) for environmental issues related to Pharmaceuticals in the Environment (PIE). Further analysis showed they were considered to be potentially material to Sanofi in the future and we included them in our final list of material issues. (Note that our 2013 materiality analysis also provided a baseline assessment of risk and opportunity for each issue.)

3. 2015 Materiality Analysis

Updating the CSR strategy for Planet topics

In 2015, in light of the growing importance of environmental issues, Sanofi set out to design an environmental strategy for 2016-2025 (Planet Mobilization project) involving several Sanofi executives who identified and assessed the possible impact of the company on many environmental issues. In parallel, we conducted a reduced-scale materiality review focused exclusively on environmental topics, aiming to:

- Assess the relevance and priorities among Sanofi's environmental challenges
- Identify new opportunities linked with risk mitigation and new value drivers
- Re-adjust the global CSR strategy

In addition to evaluations from a pool of environmental experts, the materiality review followed a tailored methodology taking into account inputs from Planet Mobilization and from extra-financial rating agencies. The analysis involved a three-step process detailed below.

Step 1: Internal assessment of Sanofi's environmental challenges

To identify Sanofi's environmental challenges, we compiled a list of issues related to the business that helped to structure the diagnosis of Sanofi's current environmental performance and prioritize the issues in order to build a new, ambitious environmental strategy for the company. We ended up with 17 environmental challenges across eight categories.

To assess the importance to the business and prioritize challenges, the 17 issues were submitted to 12 senior executives representing Sanofi's different business units, who were members of the Planet Mobilization Steering Committee. They were asked to assess the importance of each challenge based on how it could potentially impact the business if ignored or not mastered by Sanofi.

Step 2: External assessment of Sanofi's environmental challenges

As mentioned above, the y-axis gathers inputs from two external sources: a pool of environmental experts and a pool of extra-financial rating agencies. It represents "Importance to stakeholders."

Five environmental experts (from the academic world, NGOs, institutes, etc.) were interviewed to collect qualitative information about their expectations and the emerging topics for Sanofi. Experts were selected among a pool of 20 proposals for their environmental expertise, their willingness to engage, and their international influence with the intention of covering all identified challenges. The experts were asked to grade the level of importance of the 17 environmental challenges, based on their opinions and specific concerns as well as emerging trends in the health sector.

In 2015, 30 requests were sent to Sanofi by extra-financial rating agencies. We considered that the occurrences of the questions reflected the level of agencies' concern about specific subjects. About one third of the questions addressed environmental issues (106 out of 358), and they were grouped under 21 types of challenges, shown in the table below.

Topics most commonly highlighted by CSR rating agencies

Environment fines & penalties & remediation expenses provisions

Global environmental footprint

Environmental management system (audits & certifications)

Materiality & assurance

Governance environmental issues covered by the Executive Committee and/or Board

Pharmaceuticals in the environment

Direct greenhouse gas emissions (scope 1)

Biological oxygen demand

Chemical oxygen demand

Hazardous waste generation

Indirect greenhouse gas emissions (scope 3)

Water use

Eco-conception

Responsible procurement

Climate change strategy—risks & opportunities

NOx emissions

SOx emissions

Volatile organic compounds emissions

Total biodiversity

Step 3: Building the materiality matrix and conclusions

In the light of Sanofi's understanding of its extended CSR scope, especially complex with respect to environmental issues, along with the objective to remain coherent and clear in communications to both internal and external stakeholders, the Corporate CSR Department decided to group together certain challenges.

- Water: Water withdrawal, water quality, PIE, education about the proper use of medicines, management of unused products
- Carbon emissions: Scopes 1, 2 and 3, and energy management

The results of our analysis highlighted three priority impacts:

- Carbon emissions
- Waste management
- Water management

These priorities were consistent with the final selection of Planet Mobilization priority challenges. Finally, it can be concluded that this analysis, open to external stakeholders' expectations, confirmed the prioritization established by the Steering Committee.

4. A new in-depth stakeholder consultation process in 2016

In 2016, we also relied on the multiple skills of our international stakeholder panel, gathering 50 members from around the world, to bring their insights in the update of our CSR roadmap. Four priority topics were identified along with other material issues to put on Sanofi's CSR agenda for the coming years: access to healthcare, medicine pricing & innovation, ethics in R&D and investment choices, territorial footprint of the company.

We also set up internal working groups, bringing together representatives from across Sanofi's divisions: the CSR Department, Global Business Units and support functions such as HR, HSE, Finance, Medical, R&D, Industrial Affairs, Communications, Risk Management, Ethics & Business Integrity, etc. Together, participants determined the new CSR Roadmap to address the most important CSR challenges facing Sanofi. These were the challenges identified by the two most recent materiality tests (2013, 2015) as well as outcomes from our international stakeholder panel consultation, and emerging and potential CSR issues that these experts felt required the company's attention.

Members of the Executive Committee were then interviewed to discuss the CSR roadmap project and to include their own vision of its various components.

This approach has shown a consistency of opinion among both internal and external stakeholders and a strong correlation with the most material issues for pharma identified by the CSR rating agencies. The 2016 results also brought strategic insights to complement our CSR strategy in alignment with the company strategic roadmap.

5. Our material issues

The following table presents our material issues, capitalizing on the results of our materiality analyses and dialogue process established since 2010 and regularly up-dated :

2016 Most Material Issues

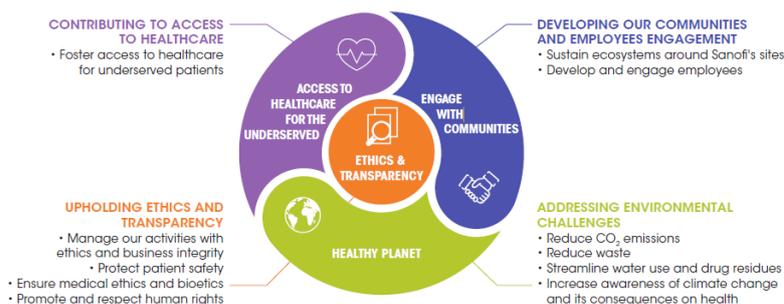
Access to Healthcare	<ul style="list-style-type: none"> • Medicine pricing and Innovation • Capacity building • Intellectual property
Ethics in R&D and Business Ethics	<ul style="list-style-type: none"> • Bio-ethics • Investment choices in R&D • Business Ethics
Local economic footprint	<ul style="list-style-type: none"> • Socio-economic issues • Stakeholder dialogue
Patient safety	<ul style="list-style-type: none"> • Product Quality • Counterfeit • Pharmacovigilance
Talent Development	
Environmental footprint	<ul style="list-style-type: none"> • Carbon emissions • Waste management • Water management including pharmaceuticals in the environment • Awareness on climate change impact on health

6. A new CSR Roadmap for 2017-2020

Our updated CSR strategy confirms our renewed commitment to contributing to major CSR challenges our world face, by focusing on three pillars, relying on our ethics & transparency, at the core of everything we do.

Validated by Sanofi's CEO, the 2017-2020 CSR Roadmap (based on the results of the 2013 and 2015 materiality analyses combined with the findings of our international stakeholder panel and in-house working groups (including our Planet Mobilization project) will focus on the following priorities:

- Contributing to Public Health and access to healthcare for underserved patients.
- Contributing to our communities with the aim of creating a more inclusive and sustainable ecosystem and engaging our employees for future generations.
- Ensuring that environmental considerations are part of our decision-making process.



7. Sanofi's performance on the most material aspects

Sanofi's performance on the most material aspects was recognized by RobecoSAM, the leading CSR rating group, which assesses companies' CSR performance for inclusion in the Dow Jones Sustainability Indices. We are pleased to note that the results of our successive materiality tests are closely aligned with the most material CSR challenges for the pharma industry according to RobecoSAM, which attests to the robustness of our methodology and analytical approach.

The most material CSR aspects for the pharma industry, as defined by RobecoSAM, are as follows:

- Innovation management
- Marketing practices
- Environmental policy & management system
- Operational eco-efficiency
- Human capital development
- Talent attention & retention
 Strategy to improve access to drugs or products

III. LOCAL MATERIALITY ANALYSIS

To cascade our Global CSR strategy, we have developed a new 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 business functions and entities 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 in the country.
- 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 2016, Brazil, Canada and Russia implemented the toolkit, devised their local CSR strategy, and developed their 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.

For more information, please [contact us](#).

IV. CSR GOVERNANCE

CSR is a landmark for Sanofi Board, where directors consider issues related to the Group's strategy, in line with their concern for the interests of shareholders and other stakeholders. Our CSR strategy is rolled-out right across the company, under a new leadership team: Ophra Rebière, appointed Head of CSR in 2016, reports to Kathleen Tregoning, Head of External Affairs since 2017 and member of the Executive Committee, reporting directly to the CEO.

At the highest level of the company, a portion of the Board's time is dedicated to Corporate Social Responsibility issues related to the company's strategy. The Board is attentive to the interests of shareholders and other stakeholders.

A CSR Cross functional strategy Committee (CCC) was also set up in early 2017 to identify projects or topics that need to be discussed at the level of the Executive Committee. It is co-chaired by the Chief Medical Officer and the Executive Vice President Human Resources, both members of the Executive Committee, and its Secretary is the Head of CSR. The Committee represents Sanofi GBUs and the Global Communications, Industrial Affairs and Medical functions. Our Corporate Social Responsibility strategy is rolled out at every level, from global to local. Along with coordinating our major initiatives and ensuring that we fulfill our responsibilities, the CSR Department raises awareness about key CSR issues, promotes good practice across our operating units and keeps our many stakeholders informed about Sanofi's activities. We also engage with stakeholders to develop action plans designed to address Sanofi's specific CSR challenges and improve our business performance. It also helps to the recognition by investors, rating agencies or shareholders of our CSR performance.

The CSR cross functional strategy is supported by bimonthly meetings gathering the CSR team leaders and their main partners (Public Affairs, HSE, Access To Medicines, Communication, Diversity, R&D, Human Resources), and aiming at monitoring sustainable projects of common interest.

CSR is also involved in many Internal Committees :

The Bioethics Committee, the Risk Management Committee, the Access Accelerated Committee (on access to healthcare projects), the International Stakeholder Committee, the Planet Mobilization Committee (definition of the environmental strategic roadmap, and its monitoring), the Group Compliance Committee, the Sanofi Espoir Foundation Board, the Sanofi North America Foundation Board, and the Enfants de Sanofi Association Board.

To foster creativity in each of our CSR focus areas, we have developed the Sanofi CSR Awards to identify and reward

Sanofi teams' best projects. In 2016, we received over 180 submissions from more than 40 countries.

1. CSR Networks

One of the ways we accomplish our CSR goals is through complementary networks. These regional and functional networks cascade our CSR approach and gather valuable feedback from our sites. We work together to devise action plans and monitor progress.

- The CSR Regional Network is made up of more than 60 correspondents from seven regions covering 80 countries where we operate. It implements, adapts and develops our global strategy locally and regionally.
- The CSR Functional Network includes over 100 people from all our corporate functions and divisions, including Compliance, Human Resources, Finance, Health, Safety & Environment (HSE), Industrial Affairs, Quality, R&D, Commercial Operations, Sanofi Pasteur and Genzyme. It coordinates the implementation of our CSR strategy across all business activities.

2. CSR Training

We have provided training for all our CSR correspondents in different countries and in corporate functions on the CSR fundamentals and strategy. Addressing topics from how to launch a CSR project to how to produce a CSR report, the training program was well received and the feedback from correspondents very positive.

We have now 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 four priorities. The e-learning module was launched in France in December 2015 and was translated into English, Spanish, German, Portuguese, Czech and Russian in 2016.