DUTY OF VIGILANCE INCL. SUPPLY CHAIN

Sustainable Procurement

GRI Standards:

- 102-9, 102-10: Organizational profile
- 308-1, 308-2: Supplier environmental assessment

EXECUTIVE SUMMARY

Aligned with Sanofi’s CSR ambition, Sustainability is embedded in Sanofi Procurement processes, as well as in its Supplier Relationship Management, with the aim to create sustainable business throughout Sanofi Supply Chain.

As a signatory of the UN Global Compact, Sanofi is committed to supporting and applying fundamental principles in the areas of human rights, labor, health and safety, environmental protection, anti-corruption and data privacy. These principles, detailed in the Suppliers’ Code of Conduct, are part and parcel of our relations-management practices for our current and future suppliers. Hence, we expect our suppliers to meet the standards set out in the Sanofi Suppliers’ Code of Conduct, and their compliance is a decisive factor in their commercial relationships with Sanofi.

Sanofi sustainable Procurement strategy is articulated around three pillars:

- *we build a responsible business* (Governance & Risk Management);
- *we contribute to a Healthy Planet* (Environmental responsibility); and
- *we care about people* (Social Responsibility).
To be effective, Sanofi Sustainable Procurement policy is primarily risk-based to maximize positive impact on the environment and society. In that sense, sustainability requirements have been systematically embedded in the different steps of our Procurement processes: supplier onboarding, tenders, continuous assessment (audits and inquiries).

In parallel, Sanofi has engaged in deeper, qualitative relationships with key suppliers to ensure adherence with our ambitious sustainability requirements. Multiple initiatives have been taken to engage, train and influence our suppliers.

To amplify our impact in the pharmaceutical and healthcare supply chain, we are actively contributing to the Pharmaceutical Supply Chain Initiative (PSCI), a group of pharmaceutical and healthcare companies that promote responsible supply chain management and better business conditions across the industry.
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1. Sustainable Procurement Strategy

1.1. SANOFI’S COMMITMENT

As a signatory of the UN Global Compact, Sanofi is committed to supporting and applying fundamental principles in the areas of human rights, labor, environmental protection, and anti-corruption. These principles, detailed in the Suppliers’ Code of Conduct, are part and parcel of our relations-management practices for our current and future suppliers.

1.2. SANOFI’S UPDATED SUSTAINABLE PROCUREMENT STRATEGY

Sustainability has been on the agenda of Sanofi Procurement teams over the past ten years. The initial focus has been on managing risks and achieving desired levels of compliance with company’s commitments and sustainability standards.

Aligned with the Play to Win Strategy, whereby CSR is a key priority, Procurement now looks beyond compliance, to embrace sustainability as an opportunity to create mutual value with its supply chain and its stakeholders.

In line with the updated CSR strategy and Sanofi Planet Mobilization environmental roadmap, our Sustainable Procurement Strategy has been reshaped and is built pillars:

We build a responsible business (Governance & Risk Management)

Through responsible sourcing, Sanofi aims to minimize risks and create stable, long-term business relationships with selected partners, that are screened through a risk-based approach.

For purchasing categories considered as risky from a sustainability standpoint, suppliers are either audited (most critical vendors), or subject to thorough due diligence questionnaires.

Supplier audits, focusing primarily on Health, Safety and Environment (HSE) performance, are conducted by Sanofi HSE department or subcontracted to external auditors. These supplier audits are mainly targeted on high-risk critical raw materials Sanofi manufacturing subcontractors. Action plans are continuously monitored to ensure remediation of issues.

Due diligence questionnaires are managed through third party provider EcoVadis. The detailed questionnaire assesses supplier maturity for a wide range of CSR criteria (see more details in paragraph 2.2.)

We contribute to a Healthy Planet (Environmental responsibility)

This pillar is directly linked to Sanofi Planet Mobilization strategy. We are committed to engaging our suppliers in our environmental ambitions by sourcing responsibly. We are mainly focusing on:

- reduction of Scope 3 emissions: following the identification of its top CO₂ emitters, Sanofi has formally prompted them to commit to Carbon Neutrality by 2030, reduction of their CO₂ emissions in alignment with SBTI +1.5 °C and achievement of 100% renewable electricity by 2030; and
- eco-design: Sanofi has started to analyze the life cycles of its products. Consequently, we are working with our packaging suppliers to: reduce the resources and energy used in manufacturing, use materials and resources with the minimum impact on the environment, limit emissions, pollution and the ecological impact (climate, biodiversity), facilitate the reuse or recycling of the product, and improve waste management in our supply chain.
We care about people (Social Responsibility)

We aim to maximize our impact on society through our supply chain. Our strategy is articulated around two main priorities:

- **Supplier Diversity:**
  - we are strengthening communities’ economic engagement with our suppliers through a Solidarity Sourcing program that ensures our large corporate supplier base reflects our behaviors. Our goal is to engage 450 suppliers by 2025 representing over €6 billion (40% of our global expenditure),
  - we have a Global Supplier Diversity program in place to increase the inclusion of historically disadvantaged or under-represented groups in our sourcing processes, and
  - we have a partnership with WeConnect International to increase our collaboration and engagement with women-owned businesses, and support women’s economic empowerment. On International Women’s Day March 8, 2022, we made a public commitment to double our woman-owned business spend by 2025 and spend over €1.5 billion with small and diverse businesses by 2025,

- **Social and Human Rights:** our suppliers are requested to comply at least with international human rights treaties, without prejudice to more favorable national laws. In particular, the observance of ILO (International Labor Organization) fundamental conventions by suppliers is an essential requirement for Sanofi. The following aspects are scrutinized in our Procurement process: child labor, working hours, wages and fringe benefits and freedom of association.

1.3. ORGANIZATION

Sanofi Procurement is integrated into the Finance function to increase its efficiency and enable fluidity with the business. As a result of the variety of its business segments, Sanofi purchases raw materials, goods and services globally and buys from a wide range of suppliers.

The Procurement function is centralized and serves all departments transversally. It is structured operationally in five domains (Directs, Digital, Professional Services, Marketing & Sales, Scientific & Clinical) and five regions (North America, France, Europe, International and Greater China & JPAC). The operating model is global category management with regional execution. The five domains are split into approximately 20 global categories and over 250 sub-categories.

Sustainability is embedded in the different steps of the Procurement process: onboarding, sourcing, contracting, assessment, delisting.

In parallel Sanofi is committed to engage and develop its suppliers to maximize our impact on the planet and society.

Sustainable Procurement is coordinated centrally by a dedicated Sustainable Procurement team. This team is split in three sub-teams, corresponding to our three strategic pillars (Environmental Responsibility, Social Responsibility and Risk Management).

Sustainable Procurement designs the relevant processes, the supplier engagement approach, facilitates the embedment of sustainability in Procurement ways of working and coordinates the overall sustainability strategy execution with other Departments (CSR, HSE, HR, Ethics & Business Integrity, etc.).

In its mission, the Procurement Sustainability team is supported by the Procurement Sustainability tribe, that is composed of sustainability champions from each Procurement Domain and Regions, and other functions. These representatives are co-leading key sustainability initiatives, and act as change agents in their respective Procurement organizations.
### Procurement key figures

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
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<tbody>
<tr>
<td>Procurement spend (in billion euros)</td>
<td>15</td>
<td>14,8</td>
<td>14,5</td>
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<tr>
<td>Spend in OECD countries (in billion euros)</td>
<td>13,6</td>
<td>13,3</td>
<td>12,2</td>
</tr>
<tr>
<td>Spend in non-OECD countries (in billion euros)</td>
<td>1,4</td>
<td>1,5</td>
<td>2,3</td>
</tr>
<tr>
<td>Number of suppliers</td>
<td>52 563</td>
<td>54 507</td>
<td>68 000</td>
</tr>
<tr>
<td>Number of countries</td>
<td>131</td>
<td>138</td>
<td>152</td>
</tr>
</tbody>
</table>

2. **Embedment of sustainability in procurement processes**

#### 2.1. SUPPLIER CODE OF CONDUCT

Sanofi’s commitment to sustainability is firstly reflected in our Supplier Code of Conduct, that any supplier, and supplier of our suppliers must comply with. They are expected to respect:

- labor regulations against child labor, forced labor, violence, discrimination;
- decent working conditions (working hours, wages and benefits, freedom of association);
- health and safety: workers health and safety protection, hazard information and training, emergency preparedness; and
- environment: regulations, fight against climate change, minimize releases in the environment (air, water, soil), pollution prevention, reduction of energy and water usage, biodiversity.

The Supplier Code of Conduct is integrated into electronic ordering systems. Each time a supplier is onboarded, it should acknowledge and agree to our Supplier Code of Conduct.

*For more information, see our Document Center: Sanofi Suppliers’ Code of Conduct.*

#### 2.2. SUPPLIER RISK ASSESSMENT

Our Procurement Risk approach encompasses all Procurement categories and considers the following risk areas:

- macro risks: geopolitical, economic, technological, legal, natural disasters;
- operational risks: supply (single source, dependency), financial, strategic business issues;
- compliance risks: fraud and business ethics issues; and
- sustainability risks: environmental, social and governance issues.

Sustainability risks are assessed through our 267 purchasing sub-categories. The categories are assessed based on their inherent risk in terms of health and safety (score from one to four), the environment (score from 1 to 4) and human rights (score from one to four). The inherent risk is determined regardless of the country of operation, as follows:

- health and safety: the number of people potentially affected, the seriousness and irreversibility of the consequences on people;
environment: the extent of the negative consequences (in terms of pollution and use of natural resources) on the environment and communities and biodiversity (whether or not limited to the site), and their irreversibility; and

- human Rights: the characteristics of the workforce (level of qualification, number, temporary or not) and the human rights awareness of the products used.

As a result of this compounded rating, 47 categories of purchases are considered at risk from a sustainability standpoint. The underlying purchases are mostly related to the following activities and products: Capex, Energy, Packaging, Consumables, waste management, Active Ingredients, raw materials, Subcontracting, Clinical Trials, Transport and Distribution.

Suppliers belonging to these 47 categories are monitored as follows:

- group A: Audits (see paragraph 2.6.);
- group B: EcoVadis assessment (see paragraph 2.7); and
- group C: Prevention plan.

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</thead>
<tbody>
<tr>
<td>Number of suppliers assessed on their CSR performance</td>
<td>128</td>
<td>190</td>
<td>164</td>
<td>194</td>
<td>211</td>
<td>240</td>
<td>237</td>
</tr>
<tr>
<td>Number of assessed suppliers that met our CSR requirement</td>
<td>64</td>
<td>115</td>
<td>116</td>
<td>159</td>
<td>175</td>
<td>153</td>
<td>172</td>
</tr>
<tr>
<td>Percentage of assessed suppliers that met our CSR requirement</td>
<td>50%</td>
<td>61%</td>
<td>71%</td>
<td>82%</td>
<td>83%</td>
<td>64%</td>
<td>72%</td>
</tr>
<tr>
<td>Number of buyers trained to the Responsible Procurement Platform**</td>
<td>120</td>
<td>115</td>
<td>122</td>
<td>140</td>
<td>98</td>
<td>101</td>
<td>70</td>
</tr>
</tbody>
</table>

Table: Sanofi Supplier Evaluations, 2014-2021

2.3. SUPPLIER SELECTION

Since 2022, suppliers participating to Sanofi tenders need to go through a compulsory sustainability assessment, encompassing the following dimensions: social responsibility, environmental policies, CO₂ emissions and product/service traceability.

This assessment contributes to up to 20% of suppliers’ score card in the tender award process.

If a supplier does not have measures against forced labor, child labor and discrimination, it can’t be selected.

If not already in place, suppliers need to commit to:

- go through an EcoVadis process (All purchases);
- measure their CO₂ Scopes 1 & 2 emissions (Goods Purchases);
- have plans to measure Scope 3 and disclose CDP Climate assessment (Goods Purchases); and
- implement a robust Diversity, Equity and Inclusion policy (Service Purchases).

If a supplier is selected and has a sustainability score below average, corrective action plans need to be integrated into the contract and implemented within one year.

### 2.4. SUPPLIERS CONTRACT

Our key supply contracts contain clauses that authorize us to verify suppliers’ compliance with our requirements. Furthermore, our terms and conditions dispatched for any order contain an obligation for suppliers to respect our Supplier Code of Conduct.

### 2.5. SUPPLIER ONBOARDING

As part of their onboarding process, suppliers considered as risky from a sustainability standpoint (as described in paragraph 2.2.) are systematically requested to complete an EcoVadis assessment.

This assessment of suppliers is enabled through a dedicated supplier onboarding platform. This solution also manages:

- other targeted due diligences (anti-bribery, financial and cybersecurity); and
- the systematic agreement of our vendors to Sanofi Suppliers Code of Conduct.

### 2.6. SUPPLIER AUDITS

Supplier audits, focusing primarily on Health, Safety and Environment (HSE) performance, are conducted by our HSE Department or subcontracted to external auditors.

Our objective is to carry out audits of all our critical high risk active pharmaceutical ingredient (API) providers and contract manufacturing providers by 2022. The plan is risk phased:

- 2017-2020: focus on all antibiotics and hormones providers; and
- 2020-2022: focus on feedstock (synthesis intermediates) providers.

Improvement plans are monitored through re-assessments or follow-up audits. Half of the 400 suppliers re-assessed over the 2019-2021 period have now an acceptable maturity level, and one fourth have an improved maturity level.

#### Sanofi Supplier audits, 2020-2021

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<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Sanofi CMO audits</td>
<td>60</td>
<td>42</td>
</tr>
<tr>
<td>Number of audits of active pharmaceutical ingredient (API) suppliers</td>
<td>88</td>
<td>44</td>
</tr>
<tr>
<td>Number of shared audits (PSCI) – other categories</td>
<td>24</td>
<td>35</td>
</tr>
</tbody>
</table>
## 2.7. SUPPLIERS EVALUATION

Sustainability evaluations are managed through our partner EcoVadis. In line with our CSR ambitions, we have increased the scope of suppliers from 330 in 2021 to 700+ in 2022. The following suppliers are subject to EcoVadis assessment:

- our TOP300 suppliers – mandatory;
- high-risk suppliers (approx. 400) – mandatory (as defined in paragraph 2.2); and
- suppliers participating to Sanofi tenders (as defined in paragraph 2.3).

This assessment must be completed upon supplier onboarding (as described in paragraph 2.5) and renewed at least every three years.

EcoVadis assesses supplier maturity in the following areas:

- environment: energy and greenhouse gas (GHG) emissions, local pollution, water, biodiversity, materials/chemicals/waste, product use, product end of life, customer health and safety, and sustainable consumption;
- labor practices and human rights: fundamental human rights, child and forced labor, non-discrimination, health and safety, working conditions, labor relations, training, and career management;
- fair business practices: corruption and bribery, anti-competitive practices, and fair and responsible marketing; and
- responsible supply chain: vendors’ ability to influence their own suppliers CSR performance.

Suppliers with a score below target must implement corrective action plans in areas flagged as insufficient.

The CSR performance of each supplier is ranked from ten (high risk) to 100 (high opportunity) and results from broad data collection: customized self-assessment questionnaires (based on suppliers’ size and industry), supporting documentation (codes, charters, policies, certifications, dashboard, reporting), data from non-governmental organizations (NGOs), trade unions and media.

Suppliers with poor performance are requested to implement corrective action plans.

In case of significant and/or non-remediated deviations, Procurement may decide to conduct on-site audits or terminate the relationship.
Strengths and weaknesses are highlighted and allow suppliers to initiate improvement in their operating model whenever their score does not meet Sanofi’s CSR requirements.

**Sanofi Supplier Evaluations, 2019-2021**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers assessed on their CSR performance</td>
<td>240</td>
<td>237</td>
<td>392</td>
</tr>
<tr>
<td>Assessed suppliers meeting our CSR requirement</td>
<td>153</td>
<td>172</td>
<td>315</td>
</tr>
<tr>
<td></td>
<td>64%</td>
<td>72%</td>
<td>80%</td>
</tr>
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</table>

**Objectives and targets**

Our priority is to focus on the potentially high sustainability risk suppliers in our supply chain. Regarding suppliers’ sustainability assessments, our objective, in line with our together for sustainability commitments is to carry out around 330 suppliers’ assessments per year, the aim being to achieve the coverage of all our strategic high-risk suppliers by 2023. We currently stand at 50%.

Regarding supplier audits, our objective is to carry out audits of all our critical high risk active pharmaceutical ingredient (API) providers and contract manufacturing providers by 2022.

**2.8. SUPPLIER ENGAGEMENT**

We offer our suppliers a wide range of development and dialogue opportunities on sustainability.

Sanofi has engaged its suppliers in targeted initiatives to tackle key sustainability issues, such as climate change. Following the identification of its top CO₂ emitters, Sanofi has formally prompted them to commit to Carbon Neutrality by 2030, reduction of their CO₂ emissions in alignment with SBTI +1,5 °C and the achievement of 100% renewable electricity by 2030.

Sanofi has engaged in supplier development initiatives to raise the maturity of its top suppliers in environmental matters. With other pharmaceutical industry leaders, Sanofi has launched the Energize program, which aims at educating suppliers on climate change and providing them with concrete alternatives to source renewable electricity.

Similarly, Indian and Chinese suppliers are regularly trained through the PSCI group on the following topics: residues pharmaceuticals in the environment, antimicrobial resistance, environment and safety, process safety and industrial hygiene. In 2021, 49 of our Indian suppliers of active ingredients and 53 of our Chinese suppliers of active ingredients participated.

**3. Our involvement in cross sectoral initiatives**

Since 2017, Sanofi is a member of the Pharmaceutical Supply Chain Initiative (PSCI). This association is a group of 40 pharmaceutical and healthcare companies who share a vision of better, social, environmental, and economic outcomes for their suppliers. This collaborative initiative will improve our capability, jointly with our suppliers, to uphold our CSR commitments and requirements.

Through this network, Sanofi joins two major work programs:

- supplier shared audit program; and
- supplier performance improvement program: to establish formal industry guidelines and support suppliers to raise their capability to address ethical, labor, health and safety, and environmental issues.
4. Other Sanofi commitments and initiatives

4.1. SUPPLIER DIVERSITY

In line with its renewed ambition on Diversity, Equity and Inclusion, Sanofi has doubled down on Supplier Diversity. This has notably led to public commitments (as described in our Sustainable Procurement Strategy in paragraph 1.1.) and the creation of a dedicated Supplier Diversity team.

Sanofi partners with key advocacy groups, such with WE connect on Gender Balance and Supplier Diversity. In 2022, Sanofi was recognized as Top Global Champion for Supplier Diversity & Inclusion, in which some of the world’s largest corporations that have demonstrated their commitment to global inclusive sourcing from diverse groups including minority-, women-, LGBT- and disabled-owned businesses were recognized. This distinction recognizes corporations for achieving the highest percentages of non-US diverse spend among all survey participants. Sanofi was honored in the Gold category, leading the way toward more inclusive value chains.

About two thirds of the Sanofi purchases is originated from France and the US. Hence, we have primarily focused our action there, through some flagship programs.

In the US, Sanofi is ranked 25th in the TOP50 companies for Diversity, progressing every year, with our supplier diversity program playing a key role in this recognition. As part of contracts with the US Government, Sanofi is committed to support small and diverse businesses, and spends about €400 million with Small, Minority, Women, Veteran, Disabled, LBGT owned businesses. In response to the Black Lives Matter events, Sanofi has reaffirmed its commitment to diverse communities, which is testified by our partnership with Sodexo Magic.

In France, where Sanofi spends about €500 million with small and diverse businesses, with a specific focus on SMEs, businesses in priority areas, women owned business and the disabled sector. We work with a network of more than 50 disabled workers’ businesses. In 2021, thanks to the development of co-contracting clauses with our Tier 1 suppliers, we were able to reach a spend of €2 million with disabled workers’ businesses.

In 2022, we plan to roll out our structured approach to supplier diversity in our TOP10 spending countries.

4.2. SUPPORT TO SMEs IN FRANCE

Headquartered in France, Sanofi is committed to support the development of French SMEs.

In 2019, Sanofi’s SME program in France was awarded an “A” rating by the SME Charter Observatory. Sanofi also had its “Responsible Supplier Relations” accreditation (first awarded in 2013) renewed for the tenth time by the French Ministry of the Economy and Business.

In France, Sanofi has also signed the national “Charter of intercompany relations between large contractors and their suppliers in particular small/medium-sized enterprises” This charter sets out ten commitments for responsible purchasing and aims to build mutual trust and promote innovation between suppliers and customers. For more information, see our Charte Relations Fournisseurs et Achats Responsables: http://www.rfar.fr.

We have also developed an in-house SME support program in collaboration with the PACTE PME association. Since 2021, the program is focused on the development of 15 key start-ups, selected Sanofi buyers. This program will increase the skills of these promising players while allowing Sanofi to capture innovation.
In parallel, Sanofi has appointed two internal mediators, independent of the procurement function, who are in charge of facilitating the resolution of work-related differences between the Company and our suppliers with impartiality, and confidentiality.