EXECUTIVE SUMMARY

In December 2020, Sanofi refinanced its two Revolving Credit Facilities (“RCFs”) for a total amount of €8 billion, in line with its strategy to secure liquidity sources:

• A new €4 billion revolving credit facility expiring December 2025, with two extension options of one year each
• An amendment of the €4 billion revolving credit facility expiring in December 2021 with the addition of two extension options of one year each

Both RCFs are “Sustainability-Linked”, i.e. incorporate an adjustment mechanism that links the cost of the facilities to the achievement of annual targets for two selected sustainable KPIs: contribution to Polio eradication and carbon footprint reduction.
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1. SANOFI’S SUSTAINABILITY STRATEGY

In December 2019, CEO Paul Hudson unveiled the company’s new strategic framework, Play to Win, to drive growth across all Sanofi’s activities. Play to Win strategy is based on four key pillars:

- Focus on growth
- Lead with innovation
- Accelerate efficiency
- Reinvent how we work

Sanofi also renewed its commitments to fully embed Sustainability in its Play to Win strategy through four flagship programs:

- Affordable access
- Vulnerable communities
- Healthy planet
- Inclusive workplace

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(1) As defined by the World Health Organization
(2) Donation with no commercial intent
(3) Scope: Vaccines that directly contribute to annual forecasts by Sanofi and during the revision phase by Sanofi
2. SUSTAINABLE FINANCE WITHIN SANOFI

Sanofi is the first large scale pharmaceutical company to structure a Sustainability-Linked RCFs as well as the largest Sustainability-Linked Facilities in EMEA in 2020.

2.1. KPI 1 Contribution to eradicate Polio

KPI 1 - Contribution to eradicate Polio means the number of doses of Inactivated Polio Vaccines delivered to UNICEF for GAVI\textsuperscript{1} countries per year by Sanofi. In 2019 the number of doses delivered was 63 million.

Yearly targets have been defined for the first two years of the RCFs (2021 and 2022). Targets for 2023 and onwards will be defined once the Polio Eradication strategy and roadmap have been validated.

A dose refers to a vaccine dose which means the quantity of a formulation containing Polio Vaccine given to an individual in a single immunization.

Sanofi has partnered with the Global Polio Eradication Initiative (GPEI) for nearly 30 years and supplies UNICEF with polio vaccines at preferential prices via GAVI, the Vaccine Alliance, which aims to vaccinate the populations of 73 of the poorest countries on the planet with the aim to eradicate Polio.

Polio is considered as a top priority by the World Health Organization since 1988 when it launched the GPEI. The Polio Eradication Program has been a remarkable success as the number of countries in which polio is endemic has decreased from 125 countries in 1988 to two countries in 2020. The number of cases had decreased until 2019 giving the world hope that we were making strides towards eradication; however, the epidemiology has worsened since then and the Covid-19 crisis has negatively impacted polio programmes.

The GPEI estimates that without eradication efforts, 200,000-250,000 cases of polio would be diagnosed per year, causing four million children to be paralyzed over the next 20 years and if polio is not eradicated but rather continues to be controlled, ongoing polio surveillance will require extensive financial and operational efforts.

In the fight for Polio Eradication, Sanofi has historically played a critical role from the very beginning with the supply of significant number of doses of OPV\textsuperscript{2} to support the GPEI, with more than 14 billion doses of the oral vaccine delivered. In preparation for the “end game,” the very last step of wild polio control, Sanofi has made significant investment over the past decade in its industrial capabilities and is now able to supply 50% of the IPV\textsuperscript{3} doses requested by UNICEF, an effort that is unique among all suppliers who support the initiative (Sanofi invested in a new IPV dedicated building to be able to support implementation of one dose of IPV in all countries and is now ready to supply for 2 doses as per new WHO recommendation). Sanofi offers its lowest price to UNICEF, to allow affordable programme implementation for all.

\textsuperscript{1} The Vaccine Alliance, which aims to vaccinate the populations of 73 of the poorest countries on the planet.
\textsuperscript{2} OPV, Oral Polio Vaccine
\textsuperscript{3} IPV, Injectable Polio Vaccine
2.2. KPI 2 Reduction of Sanofi Carbon Footprint

KPI 2 - Carbon Footprint Reduction means, expressed as a percentage, the achieved reduction in greenhouse gas emissions (absolute values for CO2 equivalent) for industrial, Research & Development and tertiary sites for Scopes 1 and Scope 2 (including medical representatives' fleet) considering 2019 as the base year (929,929 in tons of CO2 equivalent).

Yearly targets have been defined in concordance of the goal to achieve a 55% reduction in the combined Scope 1 and Scope 2 CO2 emissions by 2030 compared to 2019 baseline, as validated by Science Based Target Initiative to be aligned with a 1.5°C scenario.

The primary data is informed by Sanofi sites using the corporate HSE reporting tool (SHERPA) in a quarterly basis for manufacturing and R&D sites, and annually for rest of the sites. The primary data comes from energy invoices or equivalent valid documents. The SHERPA tool estimates CO2 equivalent absolute values using consolidated primary data and emissions factors.

Direct emissions are calculated on the basis of Greenhouse Gas (GHG) Protocol data. Indirect emissions from other energy sources purchased from external suppliers are accounted for as follows:

- emissions from electricity generation: emission factors are market based (obtained from the suppliers if available and checked), or location based (by default), from the last published data by the International Energy Agency
- emissions generated by the production of steam are calculated on the basis of site-specific factors, or estimated using our own internal standards; and
- emissions from our medical representative vehicle fleet are included in Scope 1
2.3. Interest rate adjustment and annual contribution

The interest rate of both RCFs is linked to the two selected KPIs, with targets set annually.

- Each KPI is equally weighted and account for 0.5bps
- The applicable interest rate for the year will be reduced by 0.5bps if Sanofi achieves one KPIs, and by 1bps if Sanofi achieves two KPIs

The innovative character of the transaction lies on Sanofi’s commitment to invest yearly a fixed contribution to both Sanofi’s Espoir Foundation and Sanofi Planet Mobilization program to fund social and environmentally responsible projects and maximize its impact on the two objectives.

Depending on the achievement (or not) of each respective KPI, the annual contribution will either arise from:

- A discount on the interest rate. If Sanofi achieves its yearly performance targets, it will use the reduction in the interest rate to fund the contribution. In that case Sanofi’s lending banks will support this contribution through a discount margin
- A direct contribution by Sanofi. If it does not achieve its yearly performance targets, Sanofi will bear the costs of the contribution

The selected KPIs are integrated in Sanofi’s Universal Registration Document (URD).
Does the loan follow any specific principles (such as the Sustainability Linked Loan Principles)?

Sanofi inaugural Sustainability Linked RCFs follow the Loan Market Association (LMA) Sustainability-Linked Loan Principles dated March 2019:

- **Relationship to Borrower’s Overall CSR Strategy**
  Sanofi clearly communicated to its lenders:
  - its sustainability objectives, as set out in its CSR strategy
  - how the 2 objectives are fully embedded in it

- **Target Setting – Measuring the Sustainability of the Borrower**
  - The 2 objectives are ambitious and meaningful to the Sanofi’s business and are tied to a sustainability improvement in relation to a predetermined performance target benchmark (Polio Eradication & aligned with 1.5°C scenario as validated by SBTI)
  - Incentive mechanism based on the achievement of the yearly predefined targets
  - No third party to confirm the appropriateness of the Targets (not mandatory according the SLL principles) but robust demonstration made by Sanofi with SBTI validated the carbon footprint reduction pathway and volumes of IPV defined in the context of the Polio Eradication Initiative

- **Reporting**
  - Yearly reporting on the performance to Lenders
  - Yearly reporting on the KPIs through Sanofi’s Sustainability report

- **Review**
  - Annual audit of your auditors of the Sustainability’s report)