



## **COMPENSATION OF THE CHAIRMAN AND THE CEO**

*In accordance with the recommendations of the AFEP-MEDEF corporate governance code, Sanofi is publishing below details of the compensation arrangements for its Chairman and its Chief Executive Officer as approved by the Board of Directors at its meeting of February 22, 2022, acting on recommendation from the Compensation Committee.*

### **I – Compensation arrangements for the Chairman of the Board of Directors**

#### **A. Compensation in respect of 2021**

For the 2021 financial year, the Board of Directors of March 3, 2021, had decided to maintain Serge Weinberg's annual fixed compensation at €800,000.

In line with the compensation policy approved by the shareholders at the Annual General Meeting of April 30, 2021, he did not receive any variable compensation and was not awarded any stock options or performance shares. Nor did he receive any attendance fees in his capacity as a Director. The amount reported for benefits in kind relates mainly to a company car with a chauffeur. Serge Weinberg is not covered by the Sanofi top-up defined-benefit pension plan.

#### **B. Compensation in respect of 2022**

On February 22, 2022, acting on recommendation from the Compensation Committee, the Board of Directors maintained his annual fixed compensation at €800,000 for the 2022 financial year.

He will not receive any variable compensation, stock options or performance shares. Nor will he receive any attendance fees. He does not receive any attendance fees in his capacity as a Director, nor does he receive any compensation from a company included in Sanofi's scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code.

## **II – Compensation arrangements for the Chief Executive Officer**

### A. Compensation in respect of 2021

#### *Fixed and variable compensation*

In line with our compensation policy for the Chief Executive Officer, as approved by our shareholders at the Annual General Meeting of April 30, 2021, Paul Hudson's annual compensation for 2021 comprised (i) fixed annual gross compensation of €1,300,000 (unchanged since he took office) and (ii) variable annual compensation in a range from 0% to 250% of his fixed annual compensation, with a target of 150%, and subject to both quantitative and qualitative criteria. These objectives were 50% based on financial indicators, and 50% based on specific individual objectives (see the table below).

Acting on a recommendation from the Compensation Committee, the Board of Directors meeting of February 22, 2022 reviewed the attainment of each criterion and sub-criterion and set Paul Hudson's variable compensation for 2021 at €2,308,800, equivalent to 177.6% of his fixed compensation. Payment of his variable compensation is contingent on approval of his compensation package by the shareholders in an Ordinary General Meeting, on the terms stipulated in Article L. 22-10-34 II of the French Commercial Code.

The Board's conclusions are summarized in the table below:

Criterion	Type	Weight	Target/ Maximum (as % of fixed compensation)	Attainment level	Comments	Payout (as % of fixed compensation)	
<b>Financial objectives</b>							
Sales growth	Quantitative	10%	15% / 25%	126.0%	Confidential target, Performance above budget	18.91%	
Business net income	Quantitative	10%	15% / 25%	126.5%	Confidential target, Performance above budget	18.98%	
Free Cash Flow	Quantitative	10%	15% / 25%	117.1%	Confidential target, Performance above budget	17.57%	
BOI margin	Quantitative	10%	15% / 25%	102.7%	Confidential target, Performance on budget	15.40%	
Growth in new key assets	Quantitative	10%	15% / 25%	97.6%	Dupixent® and China new assets above budget, vaccines below (US flu, China)	14.64%	
<b>Individual objectives</b>							
Business Transformation	Quantitative / Qualitative	15%	22.5% / 37.5%	121.0%	Significant progress in the transformation of CHC (digitization, OTC switches, e-commerce, carve in), Industrial Affairs (EUROAPI, digitization, cost of sales), Digital (increase in healthcare professional and patient engagement in General Medicines, governance in place), Vaccines (mRNA center of excellence).	27.23%	
Organization and People	Quantitative / Qualitative	7.5%	11.25% / 18.75%	130.0%	Increase in number of women recruited to Grade 5 posts and higher grades. Progress in culture shift, in succession planning of Executive Committee members, and in diversity of succession pipeline.	14.63%	
	Reshape of CSR organization and governance				CSR organization and governance redefined: Head of CSR in place, country network in place, regular reporting to Executive Committee and Board in place		
CSR	Enhancement of Sanofi's commitments in CSR	Quantitative / Qualitative	15%	22.5% / 37.5%	115.0%	<ul style="list-style-type: none"> <li>• Clear objectives set: 4 pillars / 13 priorities</li> <li>• 58% renewable energy (ahead of target)</li> <li>• Global Health unit officially launched and first core projects ongoing</li> <li>• Definition and launch of the new company ambition, purpose and branding in line with the Play to Win strategy</li> </ul>	25.88%
	Reinforcement of the monitoring of compliance roadmap / objectives				<ul style="list-style-type: none"> <li>• Global Compliance Officer, Head of Ethics &amp; Business Integrity hired</li> <li>• Digitization of Ethics &amp; Business Integrity accelerated to strengthen the 360° Integrity and Ethics approach</li> </ul>		
Pipeline	Quantitative	12.5%	18.75% / 31.25%	130.0%	Pipeline progression ahead of forecasts: entries into clinical development for 10 First in Class or Best in Class, 8 entries into M2 (Candidate selection), 9 submissions and 10 approvals. Productivity gains ahead of objectives.	24.38%	
<b>Total</b>		<b>100%</b>	<b>150% / 250%</b>	<b>118.4%</b>		<b>177.6%</b>	

### *Equity-based compensation*

In line with our compensation policy for the Chief Executive Officer, the Board of Directors meeting of April 30, 2021 decided to award Paul Hudson 75,000 performance shares in respect of the 2021 financial year. The valuation of that award as of April 30, 2021, determined in accordance with IFRS and incorporating a market-related condition, was €5,347,500.

To align equity-based compensation on our medium-term performance, a three-year period (2021-2023) is used to measure performance.

In compliance with the AFEP-MEDEF Code, the entire amount of these awards is contingent upon both internal criteria based upon business net income (BNI) and free cash flow (FCF), and an external criterion based on total shareholder return (TSR) relative to a benchmark panel of twelve of the leading global pharmaceutical companies. The main characteristics of the plan are set out on pages 117 and following of the 2021 Annual Report on Form 20-F.

### *Phantom Stock Units*

Having waived all equity-based compensation not yet vested on leaving his previous employer, Paul Hudson was awarded on joining Sanofi a medium-term incentive plan under which he can be paid a cash bonus subject to continuous presence and performance conditions. Under the terms of the plan, which compensates for around 50% of the incentive plans that Paul Hudson has waived, he is awarded phantom stock units, vesting of which is contingent on (i) his continuous presence and (ii) attainment of performance conditions, with the attainment level of those conditions to be determined for half of the award, i.e. 25,000 phantom stock units, as of March 30, 2021 (the "First Tranche") and for the other half of the award, i.e. 25,000 phantom stock units, as of March 31, 2022 (the "Second Tranche").

The Board meeting of February 22, 2022 formally noted the attainment level of the performance conditions of the Second Tranche Phantom Stock Units and decided to award 21,775 Phantom Stock Units to Paul Hudson. The amount of the cash bonus due in this respect will correspond to the total number of Phantom Stock Units multiplied by the value of the Sanofi share with reference to the average opening price of the Sanofi share on Euronext Paris during the 20 trading days preceding March 31, 2022 (vesting date). This amount will be disclosed on the Company's website in the Investors/Corporate Governance/Compensations sections. For information purposes, based on the opening price of Sanofi shares on Euronext Paris during the 20 trading days preceding February 22, 2022, the date of the Board of Directors' meeting that approved the compensation of the Chief Executive Officer, the bonus was valued at €2,017,672.

Payment of the bonus is contingent on Paul Hudson remaining in post as of March 31, 2022 and is subject to approval by the Ordinary General Meeting and on the approval of the Chief Executive Officer's compensation package by the shareholders in an Ordinary General Meeting, on the terms stipulated in Article L. 22-10-34 II of the French Commercial Code.

### *Pension arrangements*

Paul Hudson is entitled to benefits under the top-up defined-contribution pension plan introduced within Sanofi on January 1, 2021. Under the terms of the plan, the Chief Executive Officer receives (subject to attainment of a performance condition) an annual contribution of up to 25% of his reference compensation (annual fixed and variable compensation).

The performance condition for the vesting of pension rights is linked to the attainment of the performance criteria for 2021 variable compensation. The Board of Directors, at its meeting of February 22, 2022, ascertained whether that performance condition had been met, noting that the attainment level for the variable portion of Paul Hudson's compensation for the 2021 financial year was 118.40%, i.e. 177.6% of his fixed compensation.

The annual gross contribution is paid as follows:

- 50% as a gross insurance premium to the fund manager - the amount due to the fund manager with respect to 2021 is €451,000; and
- 50% to the Chief Executive Officer, to indemnify him for the social security and tax charges for which he will become immediately liable. The amount due to Paul Hudson with respect to 2021 was set by the Board of Directors at its meeting of February 22, 2022 at €451,000.

Payment of those amounts is contingent on approval of the Chief Executive Officer's compensation package by the shareholders in an Ordinary General Meeting, on the terms stipulated in Article L. 22-10-34 II of the French Commercial Code.

### *Benefits in kind*

The benefits in kind received by Paul Hudson in 2021, which amounted to 8,998 euros, relate to a company car with a driver.

### *Social welfare and health insurance*

Paul Hudson is subject to, benefits from and contributes to the same health cover, and death and disability plans as are applicable to other employees of Sanofi based in France. He also benefits from an unemployment insurance scheme.

## **B. Compensation in respect of 2022**

The compensation of the Chief Executive Officer is determined with reference to compensation awarded to the chief executive officers of the following 12 leading global pharmaceutical companies<sup>(1)</sup>: Amgen, AstraZeneca plc, Bayer AG, Bristol-Myers-Squibb Inc., Eli Lilly and Company Inc., GlaxoSmithKline plc, Johnson & Johnson Inc., Merck Inc., Novartis AG, Novo Nordisk, Pfizer Inc., and Roche Holding Ltd. This panel comprises companies that are comparable to Sanofi, with no limitation as to geographical region given that Sanofi operates in a particularly competitive international environment. The panel was expanded in 2020 so that pharmaceutical companies operating in the biotechnology field are better represented. Consistency with market practice is fundamental in order to attract and retain the talents necessary to our success. In 2021, on the basis of the information published as of the date of this Annual Report on Form 20-F, median fixed compensation of the chief executive officers of the aforementioned twelve leading global pharmaceutical companies was in the region of €1,513,000; the median of the annual variable compensation awarded was in the region of €2,297,000; and the median of the long-term compensation awarded (whether equity-based or in cash) represented around 767% of fixed compensation. Within this peer group, Paul Hudson's overall compensation (fixed, variable and equity-based compensation) lies within the first quartile of the compensation paid by the panel companies. The practices of the main CAC 40 companies are also taken into consideration<sup>(1)</sup>.

In light of Sanofi's performance in the period from 2019 through 2021, during which the "Play to Win" strategy was developed and rolled out, the Board meeting of February 22, 2022 considered it appropriate to review the overall amount of compensation awarded to the Chief Executive Officer compared to that awarded to the Chief Executive Officers of a panel of the world's twelve largest pharmaceutical groups. In this critical key period for the ongoing execution of the Play to Win strategy, the Board decided to increase the Chief Executive Officer's annual fixed compensation and to determine the amount of his equity-based compensation in respect of 2022 such that his overall compensation would increase, while remaining within the limits set by the compensation policy. The other components of his compensation would remain unchanged, and the total compensation of the Chief Executive Officer after those changes would remain within the first quartile of the compensation paid by the panel of companies.

---

<sup>10</sup> Surveys conducted on the basis of data communicated by Pay Governance and Boracay.

### *Annual fixed and variable compensation*

The Board meeting of February 22, 2022 decided to increase the annual fixed compensation of the Chief Executive Officer to €1,400,000 gross with effect from 2022.

The variable annual compensation of Paul Hudson is in a range between 0% and 250% of his fixed annual compensation, with a target of 150%, and subject to both quantitative and qualitative criteria. These objectives were 50% based on financial indicators (sales growth, business net income, free cash flow, business operating income margin and growth in new key assets, each counting for 10%) and 50% based on specific individual objectives. These individual objectives, unchanged for 2022, comprise:

- Business transformation (15%);
- Organisation & People (7.5%);
- Pipeline (12.5%); and
- CSR (15%).

### *Equity-based compensation*

Acting on recommendation from the Compensation Committee, the Board of Directors meeting of February 22, 2022 decided to award Paul Hudson 82,500 performance shares in respect of the 2022 financial year. In compliance with the AFEP-MEDEF Code, the entire amount of these awards is contingent upon both internal criteria based upon business net income (BNI) and free cash flow (FCF), and an external criterion based on total shareholder return (TSR) relative to a benchmark panel of twelve of the leading global pharmaceutical companies, namely Amgen, AstraZeneca plc, Bayer AG, Bristol-Myers-Squibb Inc., Eli Lilly and Company Inc., Johnson & Johnson Inc., GlaxoSmithKline plc, Merck Inc., Novartis AG, Novo Nordisk, Pfizer Inc. et Roche Holding Ltd.

The Company will provide its shareholders with details of the terms and conditions of the performance shares plan to be awarded in April 2022 on the governance page of its website ([www.sanofi.com](http://www.sanofi.com)) in advance of the Annual General Meeting on May 3, 2022.

### *Social welfare and health insurance*

Paul Hudson is subject to, benefits from and contributes to the same health cover, and death and disability plans as are applicable to other employees of Sanofi based in France. He also benefits from an unemployment insurance scheme.

\* \* \*

**For more details on the compensation of our directors and corporate officers, refer to our 2021 Annual Report on Form 20-F, a copy of which is available on our corporate website at [www.sanofi.com](http://www.sanofi.com).**

\* \* \*