

SUSTAINABLE PROCUREMENT

GRI Standards :

102-9, 102-10 : Organizational profile

308-1, 308-2 : Supplier environmental assessment

EXECUTIVE SUMMARY

Sanofi's sustainable procurement aims to creating business value while integrating our CSR approach in the supply chain risk assessment.

We expect our suppliers to meet the standards set out in the Sanofi Suppliers' Code of Conduct, and their compliance may be a decisive factor in their commercial relationships with Sanofi.

Moreover, 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.

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1. CHALLENGE

In addition to ensuring compliance with regulations and policies, sustainable procurement is part of a holistic risk management approach designed to secure our sourcing, and to protect Sanofi's image and reputation. It is about seeking to create value while meeting the procurement challenge of employing innovative sourcing strategies, to promote supplier diversity and support our CSR performance.

2. STRATEGIC APPROACH

Over the past 10 years, Sustainability defined as Social, Environmental and Economic performance has been on the agenda of all procurement teams. The initial focus has been on managing risks and achieving desired levels of compliance with company's commitments and existing sustainability standards. Procurement now seeks to look beyond compliance matters and to see the pursuit of environmental and social performance as a core business requirement and as an opportunity to optimize cost and create value.

In line with the updated CSR strategy and our Planet Mobilization environmental roadmap we redesigned Sanofi Sustainable Procurement Strategy in 2020.

Procurement has built a four-pillar strategy.

Responsible Sourcing

By acting responsibly in collaboration with our suppliers, Sanofi aims to minimize risks and create stable, long-term business relationships with our partners. Sanofi applies not just economic standards, but also environmental, social and corporate governance (ESG) standards in choosing new suppliers or continuing its relationships with existing ones

Sanofi's will focus on :

- Sustainability requirements in Sanofi collaborations
- Strengthen Risk Management

We expect our suppliers to meet the standards set out in the Sanofi Suppliers' Code of Conduct, and their compliance may be a decisive factor in their commercial relationships with Sanofi. The Suppliers' Code of Conduct was developed to ensure that all suppliers are aware of Sanofi's CSR principles. It is based on the United Nations (UN) Global Compact, International Labor Organization conventions, and our own Code of Ethics, and sets out the standards we expect suppliers to apply in order to:

- Respect human rights and labor practices
- Protect workers' health and safety
- Preserve the environment
- Uphold ethical standards by combating corruption, fraud, and bribery
- Ensure Privacy and Data protection

This code of conduct was updated in 2020, notably incorporating the topic of personal data protection and asking suppliers to also engage their own suppliers. In addition, due diligence in matters of the fight against corruption is carried out before engaging with risky suppliers (see 3.5).

For more information, see:

- Sanofi Suppliers' Code of Conduct in our [Document Center](#)

Environmental Responsibility

This pillar is directly linked with Planet Mobilization Roadmap with 3 main objectives

-Reduce GHG Emissions: Sanofi is starting a pilot phase on Scope 3. Our Ambition is to collaborate with key contributors in order to reduce Sanofi carbon footprint.

-Develop clean energy for electricity

-Improve waste management

Eco-Design (including eco-packaging and devices) :

The concept of eco-design translates into actions for:

- Reduce the resources and energy involved in the manufacture of products or their branded packaging
- Use materials and resources with the minimum impact on the environment
- Limit emissions, pollution and the ecological impact (climate, biodiversity) of manufacturing and distribution
- Facilitate the reuse or recycling of the product

Sanofi's ambition is:

- to minimize the impact at all levels, from the sourcing of manufacturing materials to the reuse or recycling of the product or its packaging
- to include the object in a logic of circular economy as much as possible.

Sanofi has started to analyze the life cycles of some products

Diversity and Inclusion

The overall ambition is to contribute to the development of local ecosystems directly but also indirectly by enhancing the commitment of suppliers in the promotion of diversity through SMEs, disabled sector, neighborhood businesses, structure promoting integration through work, professional equality women and men,...

2 main objectives :

- Local shared value (Mainly France and the US)
- Launch a global program

2.1. 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.

The Supplier Code of Conduct is integrated into electronic ordering systems and contracts throughout the Company. Furthermore, our key supply contracts contain clauses that authorize us to verify suppliers' compliance with our requirements. Suppliers of our suppliers also need to apply our Code of Conduct. Each time a supplier is registering in our platform to assess Procurement Risk Management, the supplier must acknowledge and agree to our Supplier Code of Conduct.

2.2. Organization

Procurement function is part of Finance in order to increase its efficiency and relationships with other key departments. Sanofi purchases raw materials, goods and services around the world and has a diverse range of suppliers in due to the nature of its different business segments. The procurement function is centralized and acts on behalf of all the entities of the company (commercial entities and support functions).

2.2.1. Table: Procurement key figures

	2020	2019	2018
Procurement spend in € billion	14,8	14,5	15,6
Spend in OECD countries in € billion	13,3	12,2	13,3
Spend in non-OECD countries in € billion	1,5	2,3	2,3
Number of suppliers	54 507	68 000	86 000
Number of countries	138	152	157

Sanofi has a diverse procurement portfolio due to the diversified nature of our activities. Sanofi Procurement acts centrally on behalf of all our business units and activities and leverages synergies by pooling expertise and spend

It is structured operationally in five domains: Directs, Digital, Professional Services, Marketing & Sales, Scientific & Clinical and six regions (North America, International, Europe, France, Asia Japan Pacific, China). The organizational model is built on global category management and a regional execution principle, combining global leverage and connectivity with businesses and markets. The five domains, structured in approximately 20 global categories, are divided into over 250 spend categories.

A three-step process is in place throughout the Company to improve sustainability practices in the supply chain, comprising supplier risk assessment, evaluation and development. It is coordinated centrally by the Sustainable Procurement team and implemented through cross-functional cooperation between the Procurement, the Health, Safety & Environment, the Ethics and Business Integrity and the Corporate Social Responsibility functions.

3. RISK ASSESSMENT IN THE SUPPLY CHAIN AND SUPPLIERS' EVALUATION

3.1. Integration of CSR in our supply chain risk assessment

We designed our Procurement Risk Management Model to address the full range of procurement risks and guarantee appropriate risk assessment and mitigation. This approach has been deployed and integrated into the procurement strategies by addressing and formalizing the following risk areas (if relevant):

- Globally: natural, political, economic, technological, and legal
- Operationally: supply (single source, dependency), finance, innovation, and strategy/long-range plan
- Compliance: governance, procedures and policies, and business ethics (fight against corruption)
- Corporate social responsibility (social/labor, environment, and supply chain)

This approach helps ensure that responsible procurement risks are not addressed as isolated or standalone issues but are instead considered part of comprehensive risk coverage.

To develop the approach and better meet risk management challenges, Sanofi created a new structure and position to deliver a risk management strategy (methodology, processes, and systems) adapted to procurement needs and challenges, including those related to CSR.

All of the 250 purchasing categories were assessed in 2018 and rated in relation to their inherent risk in terms of health and safety (score from 1 to 4), the environment (score from 1 to 4) and human rights (score from 1 to 4). The inherent risk is the external risk associated with the commercial activity, regardless of its country of operation, that the suppliers of the considered purchasing category undermine the health and safety of people or the human rights of their workers, or the environment.

The risk rating is linked to:

- for health and safety, the number of people potentially affected, the seriousness and irreversibility of the consequences accidental or chronic on people.
- for the 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 for human rights, the characteristics of the workforce (level of qualification, number, temporary or not) and the human rights awareness of the products used (supply chain).

A global and composite rating was thus calculated for each category of purchases and around forty categories of purchases were considered a priori to be very risky in terms of environmental protection, personal safety / health and respect for rights of man. These purchasing categories are linked to the following areas: waste management, demolition, depollution, heavy work, hazardous products, active ingredients, natural products, pharmaceutical subcontracting, clinical trials,

transport and distribution, site operation, security services, travel and events, and recruitment agencies.

This mapping, updated in 2020, made it possible to define typologies of responses for each category identified at risk in the about the vigilance plan (health and safety, environment and human rights). These answers depend on the risk rating, the country activity, characteristics of the service provided (for example: on site or not, organization of the service provider, recurrence, etc.) and purchasing volume. The possible risk management responses are audits (internal or via PSCI or TfS sector initiatives), assessments, prevention plans, specific awareness-raising actions, etc.

Thus, the suppliers identified in the most at-risk categories are the subject of campaigns, either through onboarding, assessments, audits or other approaches.

3.2. A supplier onboarding process

A supplier onboarding application is currently being rolled out, which by the end of 2020 covered around 60 countries. The procurement risk mapping exercise described below has been integrated into this new application, allowing for upfront evaluation of new suppliers on health and safety, environmental and human rights criteria. All new suppliers have to complete a self-assessment questionnaire so that we can be sure they meet our requirements.

Results from the onboarding campaign are outlined in 3.5

3.3. A responsible procurement collaborative platform for suppliers' evaluation

Our responsible procurement approach allows us to demonstrate that procurement is strongly committed to reinforcing the CSR approach and achieving significant results by:

- Optimizing the suppliers' CSR evaluation process by aligning it with procurement organization and needs, and by avoiding the time and administrative burden of CSR questionnaires for suppliers and buyers
- Strengthening compliance, risk management, and transparency regarding the evaluation process with our suppliers by systematically addressing CSR matters as an increasingly valuable asset in the suppliers' relationship management
- Being focused on suppliers' performance by better monitoring of corrective action plans
- Measuring the suppliers' CSR performance and delivering relevant key performance indicators (KPIs)

To make this approach more efficient for both Sanofi and our suppliers, and to strengthen its integration into the company's risk management and compliance processes, we made the choice to have a single and dedicated process based on international CSR standards and we use the services of Together for Sustainability and its partner, Ecovadis, which operates the suppliers' CSR assessments on our behalf. The suppliers' assessment is based on four topics covering 21 criteria, which are:

- 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
- Responsible supply chain: suppliers' environmental performance and social practices

Once the evaluation is complete, the CSR performance of each supplier is ranked from 10 (high risk) to 100 (high opportunity) at global and thematic levels. The supplier's score results from the collection and analyses of multiple data: self-assessment questionnaires that are customized according to the supplier's industrial sector and size, supporting documentation (codes, charters, policies, certifications, dashboard, reporting), and information coming from non-governmental organizations (NGOs), trade unions, and the media.

In addition to the quantitative results, 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.

Thanks to the training of all our buyers, the buyer debriefs the supplier on its scorecard. Corrective action plans are set up for suppliers with poor performance. If significant violations are identified that cannot be resolved, procurement may decide to conduct audits on site that are either internally or externally driven or may terminate the relationship. The CSR evaluation allows suppliers to:

- Meet our CSR expectations to be qualified and included in sourcing decisions
- Benchmark and position themselves against sector peers by having a complete evaluation of their CSR performance
- Benefit from a shared and transparent evaluation process, allowing them to create and monitor their corrective actions
- Re-use and communicate results to their own clients to enhance and develop the image and reputation of their company in the marketplace
- Avoid time-consuming, paper-based evaluation questionnaires, and facilitate the mobilization of their internal resources

More than 200 suppliers per year are thus concerned, the aim being to achieve the coverage of all our strategic high-risk suppliers by 2022.

3.3.1. Table: Sanofi Supplier Evaluations, 2014-2020

	2014	2015	2016	2017	2018	2019*	2020
Number of suppliers assessed on their CSR performance	128	190	164	194	211	240	237
Number of assessed suppliers that met our CSR requirement	64	115	116	159	175	153	172
Percentage of assessed suppliers that met our CSR requirement	50%	61%	71%	82%	83%	64%	72%
Number of buyers trained to the Responsible Procurement Platform**	120	115	122	140	98	101	70

*According to our new methodology deployed from 2019 onwards, we have raised the CSR requirements for our suppliers.

**Since we offer them a training valid for several years, our ambition is to reach 100% of the Procurement Community on-boarded in this journey.

3.4. Supplier audits

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

With regard to supplier audits in particular, our objective is to carry out audits of all our suppliers of high-risk critical active ingredients and our pharmaceutical or manufacturing subcontractors (CMO: Contract Manufacturing Organization).

	2020	2019	2018	2017
Number of Sanofi CMO audits	42	72	64	70
Number of audits of active pharmaceutical ingredient (API) suppliers	44	87	90	88
Number of shared audits (PSCI) of various suppliers: packaging categories, CRO (Contract Research Organization) *	35			

* Data consolidated since 2020

3.5. Other relevant third-party assessments and audits

	Year 2020
Anti-Bribery and Corruption Due Diligence	1044
Business ethics onboarding assessment	1241
Financial onboarding assessment	1525
HSE onboarding assessment	277
CSR onboarding assessment	310
Cybersecurity onboarding assessment	307
Cybersecurity assessments	646
Fire and Natural Hazards	179
Supplier Quality audits	1560

3.6. Follow-up and improvement measures

Through re-assessments or follow-up audits, we monitor the implementation of the improvements requested by us.

Regarding the results of the audits over the 2016-2020 period, we note that a quarter of suppliers present insufficient results. These are mainly the suppliers based in India and China. These are then systematically the subject of a plan corrective action. Thus over the period 2016-2020, 83 API providers and 172 CMOs were reassessed and almost half of them have already improved their performance.

3.7. Supplier development

We support our procurement employees in the implementation of sustainability requirements with targeted Group-wide training measures. We also offer our suppliers a wide range of development and dialogue opportunities on this subject.

In September 2020, PSCI organized virtual trainings with Indian and Chinese suppliers on the following topics: residues pharmaceuticals in the environment and antimicrobial resistance, business ethics and human rights, environment and safety, process safety and industrial hygiene. 49 of our Indian suppliers of active ingredients and 46 of our Chinese suppliers of active ingredients participated.

3.8. Objectives and targets

As previously mentioned, 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 40%

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. The plan is risk phased:

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

4. OUR INVOLVEMENT IN CROSS SECTORAL INITIATIVES

In 2016, we joined the Together for Sustainability (TfS) initiative. Sanofi is the first French-based healthcare company to become part of this growing consortium of companies supporting sustainable supply chains. This initiative is based on established principles such as the United Nations Global Compact and the Responsible Care Global Charter®.

This initiative gives us access to a large shared platform of supplier assessments and audits, the opportunity to share best practices with our peers and to shape the CSR agenda through large supplier events organized by TfS.

Being part of this initiative, we still benefit from the services of our external partner, Ecovadis, which operates the suppliers' CSR assessments on behalf of TfS.

We believe that being part of this collaborative initiative will improve our capability, jointly with our suppliers, to uphold our CSR commitments and requirements. We consider CSR assessment to be a constitutive element of the suppliers' global performance measurement, and a necessary step for suppliers' selection.

Since 2017, Sanofi is a member of 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.

Through this network, Sanofi joins two major work programs:

- > Supplier shared audit program: To gain efficiency for both suppliers and Sanofi by avoiding, to the extent possible, multiple suppliers' audits through structured sharing of audit information between PSCI members
- > 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.

Our joining of PSCI complements our joining of the TfS initiative. While PSCI is currently focused on the pharmaceutical supply chain, TfS opens up wider sectoral supply chains and adds a key tool to ensure the sustainability of our suppliers: supplier assessments. These assessments enable us to obtain a quick large-scale sustainability overview of our overall risky suppliers' portfolio. Based on that overview, we can then deep dive in key areas of our supply chain either through PSCI audits or TfS audits, depending on the sector of our suppliers.

5. OTHER SANOFI COMMITMENTS AND INITIATIVES

5.1. Sustainable sourcing for educational and promotional materials

Critical non tier 1 suppliers are also part of our Adare sourcing strategy, for all prints, displays and for Sanofi-branded items. Adare is acting as a Master Vendor preselecting our tier 2 suppliers through a stringent pre-qualification process helping us to safeguard our supply chain management. This includes both desktop assessment and on-site factory audit. Through the Adare initiative, 1100 non tier 1 suppliers are working for us indirectly, of which some are considered critical and all these suppliers undertook a robust and rigorous audit to comply with all our strict criteria.

5.2. Charter of intercompany relations in France

In France, Sanofi ratified the national "Charter of intercompany relations between large contractors and their suppliers in particular small/medium-sized enterprises (VSE-SMEs)." This charter sets out ten commitments for responsible purchasing and aims to build mutual trust and promote innovation between suppliers and customers. The commitments are to:

- Respect the interests of our suppliers by promoting partnerships and well-balanced relationships, reduce the risk of mutual dependency, and ensure financial fairness and a transparent competitive bidding process
- Contribute to suppliers' economic competitiveness and the international business development of our suppliers and develop a procurement-forecast management system to facilitate suppliers' businesses and enforce the Total Cost of Ownership (TCO) approach. Environmental and social issues are part of these commitments, as we need to anticipate the CSR challenges (including the potential environmental and social impacts of our procurement policies, sourcing, and specifications) to be prepared for evolving regulatory requirements (energy consumption, carbon footprint, waste treatment), and to ensure that our suppliers comply with environmental and social requirements
- Promote the development of regional and local territories, and develop partnerships and commercial mediation

To go beyond our commitment to this charter, we have developed an in-house SME support program five years ago. In France, we are working annually with around 400 start-ups and SMEs, selected during yearly events like (Top AFEP CEO meeting, VIVATECH, procurements forum or Innovation meetings), helping them to grow faster with different internal or external levers like the tools developed by Pacte PME chaired by Sanofi since 2018 like SMEs accelerators and booster's programs. We have helped them to network with procurement and business development departments at other large companies or at international levels with Sanofi contacts. We can also activate and accelerate their access to new business with funding (Sanofi Development or networking with external funds), or in assisting them in hiring new staff (annual "First Job" forums organized by the French Pharmaceutical Companies Association LEEM) or with pro bono expertise. In 2021, the SME Program will be redesigned in order to focus on 15 key start-ups chosen by the buyers themselves. The program, still carried out in collaboration with PACTE PME, will increase the skills of these promising players while allowing our company to capture Innovation. 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 ninth time by the French Ministry of the Economy and Business Ombudsman.

Sanofi also appointed two internal mediators, independent of the procurement function, who is in charge of facilitating the resolution of work-related differences between the company and our suppliers with neutrality, impartiality, and confidentiality.

For more information, see (in French):

- Charte Relations Fournisseur Responsables

<http://www.rfar.fr>

5.3. Promote diversity & inclusion through supplier's panel

In the same spirit as the close relationships with SMEs, Sanofi wishes to get involved in promoting diversity & inclusion among suppliers through several initiatives.

- PaQte in France

The "Pacte avec les Quartiers pour tous les entreprises", an initiative launched by the French government, aims to promote businesses located in the suburbs. The initiative revolves around 4 pillars:

- RAISE AWARENESS: Promote dialogue between my company and young people who live in a working-class neighborhood
- TRAIN: Promote professional integration through work-study programs for young people who live in a working-class neighborhood
- RECRUIT: Continuously improve my HR practices in order to avoid discriminating biases in hiring and throughout the career
- BUY: Boost my responsible purchasing policy, particularly with companies located in working-class neighborhoods

- Currently, 7.6% of our suppliers are located in neighborhoods. In 2021, we want to increase this proportion.
- Sanofi is also committed to the other three pillars of the PaQte initiative.

- Collaboration with disabled sector in France

In France, the purchasing community is committed to working in partnerships with no less than 49 adapted companies and / or ESATs. This collaboration amounts to an annual expenditure of 1.6 million euros in 2019. In 2021, thanks to the development of co-contracting clauses, making it possible to encourage our tier 2 suppliers to turn to the adapted sector and protected, we are targeting an expenditure of 2 million euros.

- Supplier Diversity in USA

At the request of the government, the US Procurement Department is participating in the program through an expenditure of around \$490 Million. This program promotes relations with small businesses but also the integration of minorities such as veterans.