

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability-Linked Bond Framework

Sanofi
8 December 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	Sustainability-Linked Bonds
Relevant standard(s)	Sustainability-Linked Bond Principles, as administered by ICMA (06.2020)
Lifecycle	Pre-issuance verification
Scope of verification	Sustainability-Linked Bond Framework (08.12.2021)
Validity	As long as Sanofi's Sustainability-Linked Bond Framework and benchmarks for the Sustainability Performance target(s) remain unchanged

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SCOPE OF WORK

Sanofi commissioned ISS ESG to assist with its Sustainability-Linked Bond Framework by assessing three core elements to determine the sustainability quality of the instrument:

1. The sustainability credibility of the KPIs selected and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the issuer's business model and sector, and whether the associated targets are ambitious.
2. Sanofi's Sustainability-Linked Bond Framework (08.12.2021 version) and structural components of the future transactions to be issued under this Framework – benchmarked against the Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association's (ICMA) in June 2020.
3. Sustainability-Linked Bonds link to Sanofi's sustainability strategy – drawing on Sanofi's overall sustainability profile and related objectives.

SANOFI BUSINESS OVERVIEW

Sanofi is a global healthcare company involved in research, development, manufacturing and marketing of therapeutic solutions. Sanofi's 2020 net sales totaled €36 billion. The company has a commercial presence in approximately 90 countries and products are sold in over 170 countries.

Sanofi's operations are broadly divided into 3 segments: Pharmaceuticals, Consumer Healthcare and Vaccines.

- **Pharmaceuticals (71% of FY20 revenues):** this business segment includes two core Global Business Units, General Medicines and Specialty Care. General Medicines covers diabetes and cardiovascular diseases as well as established products. Special Care focuses on rare diseases, rare blood disorders, neurology, oncology and immunology. It helps people with debilitating and complex conditions that are often difficult to diagnose and treat and works on new therapies.
- **Consumer Healthcare (12% of FY20 revenues):** this segment delivers consumer-driven medicines and products across a number of categories including allergy, cough & cold, pain, digestive and nutritional. The Consumer Healthcare is now a standalone GBU with its own manufacturing and R&D capabilities.
- **Vaccine (17% of FY20 revenues):** Sanofi Pasteur is the dedicated vaccines division of Sanofi. It partners with public health, medical and scientific communities to improve access to vaccines and increase vaccination coverage, while striving to develop new and improved vaccines.

ISS ESG SPO ASSESSMENT SUMMARY

SECTION	EVALUATION SUMMARY ¹
<p>Part 1.1:</p> <p>Part 1.2:</p>	<p>KPI selection: Core and relevant to the issuer’s business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to the company’s direct operations but not to the whole Corporate Value Chain². If integrated with KPI 2 on the same financial instrument, then together, both KPI 1 and 2 are fully material to the issuer’s business model and sustainability profile.</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • SPT 1.2 is ambitious against issuer’s past performance, SPT 1.1 may be considered as on a similar trajectory as the historical performance • SPT 1.1 and SPT 1.2 are ambitious against issuer’s sectorial peer group • SPT 1.2 is ambitious against Paris Climate Goals with SPT 1.1 being a sub-set of SPT 1.2
<p>KPI 1: Absolute GHG emissions scope 1 & 2 reduction</p> <p>SPT 1.1: -30% by 2025 from a 2019 base year</p> <p>SPT 1.2: -55% by 2030 from a 2019 base year</p>	<p>ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer’s business model as a standalone KPI (because it does not cover Sanofi’s scope 3 emissions, which represents 88% of the company’s total GHG emissions) but fully material if integrated with KPI 2 on the same financial instrument. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable, externally verified and benchmarkable. It covers 100% of Sanofi’s direct operations scope 1 & 2 emissions globally.</p> <p>ISS ESG finds that the SPT 1.2 calibrated by Sanofi is ambitious against the company’s past performance, ambitious compared to sectorial peers in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5° Celsius trajectory, as validated by SBTi. SPT 1.1 may be considered as on a similar trajectory as the historical performance. SPT 1.1 is ambitious compared to sectorial peers. While SPT 1.1 is not directly validated by the SBTi, it can be considered as a sub-target of SPT 1.2. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan disclosed in the company’s framework.</p>
<p>Part 1.3:</p> <p>Part 1.4</p>	<p>KPI selection: Core and relevant to the issuer’s business model and sustainability profile. If used individually on a financial instrument as a stand-alone KPI, the KPI is material to the whole Corporate Value Chain, but not to the direct operations of the company. If integrated with KPI 1 on the same financial instrument, then together, both KPI 1 and 2 are fully material to the issuer’s business model and sustainability profile.</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Not possible to assess the ambition against issuer’s past performance • Ambitious against issuer’s sectorial peer group • Ambitious against Paris Climate Goals

¹ ISS ESG’s evaluation is based on the engagement conducted in November and December 2021, on Sanofi’s Sustainability-Linked Bond Framework (08.12.2021 version) and on the ISS ESG Corporate Rating applicable at the SPO delivery date (updated on the 14.11.2021).

² This differentiation between direct operations and corporate value chain is in reference to the GHG Protocol consideration of Scope 1,2 and 3 emissions.

<p>KPI 2: Absolute GHG emissions scope 3 reduction</p> <p>SPT 2.1: -14% by 2030 from a 2019 base year</p>	<p>ISS ESG finds that the KPI selected is core and relevant to the issuer’s business model as a standalone KPI. It is material to the company’s whole corporate value chain, but not material to the direct operations of the company, as it covers only scope 3 emissions. The KPI covers all of the company’s reported scope 3 emissions, which the company estimates is equivalent to more than two thirds of its total scope 3 GHG emissions, which in turn accounted for 88% of the company’s total scope 1,2 and 3 emissions in 2020. If integrated with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material to the direct operations of the company. The KPI is consistent with the company’s sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable.</p> <p>ISS ESG concludes that SPT 2.1 set by the issuer is ambitious against its peer group as Sanofi is one of 5 out of 476 companies in its Pharmaceuticals and Biotechnology peer group to have a Scope 3 GHG emission reduction target set. The SPT is also ambitious against the Paris Agreement and international standards, because the 2030 target has been validated by the SBTi and exceeds the minimum ambition defined by SBTi Absolute Contraction Approach. However, given the unavailability of appropriate historical data, it is not possible to assess the level of ambition of the SPT against past performance. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan disclosed in the company’s framework.</p>
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<p>Part 1.5:</p> <p>Part 1.6:</p>	<p>KPI selection: Relevant, Core, and Material to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p> <ul style="list-style-type: none"> • Ambitious against historical performance • Ambitious against issuer’s sectorial peer group • No international targets to assess the level of ambition against
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<p>KPI 3: Provision by SGH of essential medicines in LICs and LMICs</p> <p>SPT 3.1: Provide treatments to 1.5 million patients by the end of 2026 starting from 2022</p>	<p>ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is specific and unique to Sanofi, therefore it is not benchmarkable since there are no standardized metrics on access to medicine in the pharmaceutical industry and no other organization uses the same metric publicly. The scope of the KPI includes only Sanofi’s non-profit unit, Sanofi Global Health (SGH).</p> <p>ISS ESG finds that the SPT calibrated by Sanofi is ambitious compared to its sectorial peers. The fact that leaders in the Pharmaceutical sector, including other partners in the NCD Alliance, do not set a similar target, puts Sanofi in the top 20% of peer companies in terms of defining a “provision of essential medicines” target for NCDs in LICs and LMICs. Secondly, the trajectory for SPT 3.1 via SGH as compared to the historical performance of General Medicines Business Unit (GenMed) in the selected therapeutic areas and geographies is ambitious. Thirdly, due to the absence of international targets to benchmark the SPT against, to no fault of the issuer, it is not possible to evaluate the level of ambition of the SPT against an international target. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the company’s framework.</p>
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<p>Part 1.7:</p>	<p>KPI selection: Relevant, Core, and Material to issuer’s business model and sustainability profile</p> <p>Sustainability Performance Target (SPT) calibration:</p>
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- Part 1.8:**
- **Ambitious against issuer’s past performance**
 - **Ambitious against issuer’s sectorial peer group**
 - **No international targets to assess the level of ambition against**

**KPI 4:
Beneficiaries
of SGH
healthcare
programs in
LICs and
LMICS**

ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is specific and unique to Sanofi, therefore it is not benchmarkable since there are no standardized metrics on access to medicine in the pharmaceutical industry and no other organization uses the same metric publicly. The scope of the KPI includes only Sanofi’s non-profit unit, Sanofi Global Health (SGH).

**SPT 4.1:
Reach 400 000
beneficiaries
of SGH
programs
between 2022
and 2026**

ISS ESG finds that the SPT calibrated by Sanofi is ambitious against past performance because it is based on an entirely new initiative and new programs. It is ambitious compared to its sectorial peers, because of the fact that leaders in the sector, including other partners in the NCD Alliance, do not set a similar target, which puts Sanofi in the top 20% of peer companies in terms of defining an “Beneficiaries of Healthcare Programs” target for NCDs in LICs and LMICS. Due to the absence of international targets to benchmark the SPT against, to no fault of the issuer, it is not possible to evaluate the level of ambition of the SPT against an international target. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the company’s framework.

Part 2: **Aligned with ICMA Sustainability-Linked Bond Principles**

**Alignment
with the SLBP**

The Issuer has defined a formal framework for its Sustainability-Linked Securities regarding the selection of KPIs, calibration of Sustainability Performance Targets (SPTs), sustainability-linked securities characteristics, reporting and verification. The framework is in line with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA.

The financial characteristics of any security issued under this Framework, including a description of the selected KPI(s), SPT(s), step-up margin amount or the premium payment amount, as applicable, will be specified in the relevant documentation of the specific transaction. The occurrence of a Trigger Event will result in a coupon step up.

Consistent with issuer’s sustainability strategy

Part 3:

**Link to
issuer’s
sustainability
strategy**

According to the ISS ESG Corporate Rating published 14.11.2021, the company currently shows a high sustainability performance against peers on key ESG issues faced by the Pharmaceuticals and Biotechnology sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10. The issuer is rated 3rd out of 476 companies within its sector as of 14.11.2021.

The KPIs selected by the issuer are related to climate change and access to medicine. Climate change has been defined as one of the key priorities of the issuer in terms of sustainability strategy and ISS ESG finds that this is a material sustainability topic for the issuer. Moreover, access to medicine in underserved regions is a key issue for the Pharmaceuticals and Biotechnology sector. ISS ESG finds that issuances under this Framework contribute to the issuer’s sustainability strategy thanks to the KPIs’ link to one of the key sustainability priorities of the issuer and its sector and due to the levels of ambition of the SPTs.

ISS ESG SPO ASSESSMENT

PART 1: KPI SELECTION & SPT CALIBRATION

1.1. KPI selection

KPI 1: Absolute GHG emissions scope 1 and 2 reduction

FROM ISSUER'S FRAMEWORK

KPI 1: Absolute Greenhouse gas emissions Scope 1 and 2 reduction

SPT 1.1: reduce absolute scope 1 and 2 GHG emissions 30% by 2025 from a 2019 base year

SPT 1.2: reduce absolute scope 1 and 2 GHG emissions 55% by 2030 from a 2019 base year

Long-term goal: Carbon Neutrality by 2030

Rationale: Climate change is one of the greatest challenges of the current age and has an enormous impact on people's lives and health. The rise in the earth's temperature can lead to extreme weather conditions, food shortages, difficulties in accessing drinking water and increased air pollution, as well as creating favorable conditions for the spread of vector-borne diseases such as malaria or increasing pollen-related allergies.

The WHO estimates that between 2030 and 2050, climate change will cause an estimated 250,000 additional deaths each year. To limit the consequences of global warming, the United Nations presents carbon neutrality as the solution to counterbalance the build-up of GHG in the atmosphere. Sanofi is responsible for approximately 7 029 ktCO₂eq (scope 1, 2 and 3, 2019 baseline figure) and has a clear role and duty to play to achieve the collective climate neutrality objective. Moreover, Sanofi could be significantly impacted by climate change impacts which represent physical and transitional risks.

Baseline year: 2019

Baseline: 905,871 tCO₂

Target year: SPT 1.1 target year 2025; SPT 1.2 target year 2030

Target performance: 634,110 tCO₂ in 2025 and 407,642 tCO₂ in 2030

Scope: This KPI includes the absolute scope 1 (direct emissions from own activities, including medical representatives' fleet) and the absolute scope 2 (indirect emissions from the consumption of purchased electricity, heat and steam) GHG emissions of industrial, Research & Development and tertiary sites. It includes all scope 1 and 2 emissions in the GHG inventory, in line with the GHG Protocol Corporate Standard.

Carbon offsets are not included in the calculation.

The scope of activities considered is the same as the one used and disclosed in the Corporate Social Responsibility chapter of Sanofi's annual Universal Registration Document (URD).

Methodology: Calculation of scope 1 and 2 GHG emissions is based on a GHG inventory reporting procedure which specifies the methodologies to be applied for reporting indicators throughout Sanofi and includes definitions, methodological principles, calculation formulae and emission factors, on the basis of the Greenhouse Gas (GHG) Protocol. There is an internal process in place to check and validate data accuracy and consistency as well as an annual audit by an external, recognized third company.

The primary data is informed by Sanofi sites using the corporate reporting tool (SHERPA) on 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 factors³.

Direct emissions (scope 1) are calculated on the basis of the Greenhouse Gas (GHG) Protocol data.

Indirect emissions from other energy sources purchased from external suppliers (scope 2) 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 Sanofi's internal standards; and
- Emissions from Sanofi's medical representative vehicle fleet are included in scope 1.

Materiality and relevance

The pharmaceutical industry, in absolute terms, is generally considered a medium-impact sector⁴ (FTSE4Good) regarding CO₂e emissions. Since climate change mitigation is a key issue for Sanofi, the company commits to minimizing the impact of its operations and products on the planet.

ISS ESG finds that the GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Sanofi's business as climate impacts of products and services are a key issue for the company.
- **Core** to the issuer's business as key processes such as introducing measures to improve energy efficiency of production processes and developing new sources of renewable energy through on site generation, will be required.
- **Moderately material** to Sanofi from an ESG perspective:
 - KPI 1 is material to the company's direct operations, because the KPI focuses on scope 1 and 2 emissions covering 100% of activities by the company. However, scope 1 and 2 emissions only represent 12% of the emissions of Sanofi. Therefore, KPI 1 is deemed not material to the Corporate Value Chain of the company as per ISS ESG's methodology.
 - The issuer has also set a separate target for its reported scope 3 emissions, which addresses indirect GHG emissions throughout the upstream and downstream value

³ Data sourced from official recognized databases and/or market-based emissions factors as described in Sanofi internal procedure, aligned with the GHG protocol.

⁴ European Federation of Pharmaceutical Industries and Associations, June 2020, ['White Paper on Climate Change'](#)

chain. The scope 3 emissions represent an estimated 88%^{5 6 7} of the total emissions of the company and covers the most material parts of the Corporate Value Chain of the company. Therefore, KPI 1 and 2 together would be considered fully material if they are integrated on the same financial instrument and both linked to the bond characteristics. As the issuer covers emissions across the value chain in two individual KPIs, the end results will be material to the entire value chain.

Consistency with overall company's sustainability strategy

Sanofi identified climate change mitigation as one of its priority long-term goals. The definition of a GHG emission reduction KPI is consistent with Sanofi's long-standing strategy of mitigating climate change. Sanofi is responsible for around 7,028ktCO₂eq (scope 1, 2 and 3, 2019 baseline figure) and Sanofi states that it has a clear role to play and duty to achieve the collective climate neutrality objective. Moreover, Sanofi also states that it could be significantly impacted by climate change consequences, which represent physical and transitional risks.

Through its environmental sustainability program Planet Mobilization, Sanofi is working to minimize the direct and indirect impacts of its activities and products on the environment. The program covers the entire lifecycle of its products, from the raw materials to their potential end-of-life impact.

Since 2015, Sanofi has reduced GHG emissions from its activities by -27% and in particular, GHG emissions from its sales care fleet by -51%. All of Sanofi's French sites have been using 100% renewable electricity since 2021, which has been established mostly by the use of Renewable Energy Certificates (REC).

Going forward, Sanofi has established targets to:

- Achieve carbon neutrality by 2030 on scope 1, 2 and 3 (SBTi approved targets): (i) Reduce GHG emissions from Sanofi activities by 55% and from scope 3 by 14% by 2030 (vs. 2019 base year), (ii) reach 100% renewable electricity across all global operations by 2030 and (iii) achieve a carbon neutral car fleet by 2030.
- Limit environmental footprint and adopt circular solutions: (i) Water stewardship and efficiency plans to be implemented on all sites by 2030, (ii) reach 100% of sites landfill free and (iii) more than 90% of waste reused, recycled or recovered by 2025.
- Improve environmental profile of products: (i) Eco-design approach for all new products by 2025 and top selling products by 2030, (ii) assess impacts of top selling medicines on ecosystems by 2025 and (iii) develop and operate a global program by 2030 to promote responsible uses and the proper disposal of unused medicines, medical devices, and packaging. Notably, by 2027, Sanofi will end the use of plastic in blister packs for all its

⁵ 2020 CSR Report GHG data

⁶ SBTi Criteria C6 says at least 2/3 of Scope 3 emissions should be included in a target

⁷ ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting

vaccines. This is a truly complex industrial endeavour that will address the problem of plastic waste in the environment.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and Perimeter:** This KPI covers 100% of Sanofi's direct operations, as represented by scope 1 and 2 GHG emissions, across all of Sanofi's sites and activities globally. The scope of activities considered is the same as the one used and disclosed in the Corporate Social Responsibility chapter of Sanofi's annual Universal Registration Document (URD).
- **Quantifiable and externally verifiable:** The KPI selected is measurable, quantifiable and uses a widespread calculation methodology (GHG protocol). The KPI is clearly defined and structured under the parameters of percentage of achieved reduction in absolute scope 1 and 2 GHG emissions.
- The KPI selected is externally verifiable thanks to the various standards and protocols mentioned above. Calculation of scope 1 and 2 GHG emissions is based on a GHG inventory reporting procedure which specifies the methodologies to be applied for reporting indicators throughout Sanofi and includes definitions, methodological principles, calculation formulae and emission factors, on the basis of the Greenhouse Gas (GHG) Protocol.
- **Externally verified:** The reported GHG data has been verified under ISAE 3000 assurance by a recognized third company in previous years.
- **Benchmarkable:** The KPI can be benchmarked with Sanofi's own performance (since 2015). By referring to commonly acknowledged GHG accounting standards and protocol, the KPI is easily comparable with the data reported by other companies and with international targets such as the Paris Agreement.

Opinion on KPI selection: *ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer's business model as a standalone KPI (because it does not cover Sanofi's scope 3 emissions, which represents 88% of the company's total GHG emissions) but fully material if integrated with KPI 2 on the same financial instrument. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable, externally verified and benchmarkable. It covers 100% of Sanofi's direct operations scope 1 and 2 emissions globally.*

1.2. Calibration of SPT

SPT set by the issuer: Absolute GHG emissions Scope 1 and 2 reduction

FROM ISSUER'S FRAMEWORK⁸

SPT 1.1: reduce absolute scope 1 and 2 GHG emissions 30% by 2025 from a 2019 base year

SPT 1.2: reduce absolute scope 1 and 2 GHG emissions 55% by 2030 from a 2019 base year

Sustainability Performance Target Trigger: achievement of the absolute GHG emission reduction target for the year ending 2030

Sustainability Performance Target Observation Date: December 31, 2030

Baseline year: 2019

Baseline: 905,871 tCO₂

Link with long-term targets: Net Carbon neutral by 2030

Rationale for target selection and ambition: Sanofi is committed to achieving a reduction of -55% by 2030 from a 2019 base year of the direct GHG emissions related to its operations (scope 1 and 2). This objective has been approved by the Science Based Target initiative (SBTi), giving it a scientific seal of approval as part of the planet-wide efforts needed to limit global warming to 1.5°C. This commitment exceeds the minimum ambition defined by SBTi Absolute Contraction Approach, demonstrating its ambitiousness against a science-based threshold.

Sanofi has also communicated its ambition to reach Carbon Neutrality by 2030 across its entire value chain. Finally, in the run-up to the COP26, Sanofi joined the UN's 'Race to Zero' initiative. This global campaign mobilizes cities, regions, investors and 20% of major companies by revenue to commit to net zero carbon emissions by 2050.

Key risks that may impact Sanofi's ability to meet the targets:

Scope 1:

- Energy Efficiency program including refrigerants not delivering results as planned (e.g., resources allocation, actual success lower than expected, new innovative projects fail, etc.)
- Decarbonized thermal energy sourcing / technology switch not available or not scaled (e.g., biomethane, biomass, hydrogen, electrical boilers, etc.).
- Electrification of car fleet not possible in some countries (e.g., lack of infrastructure, policy framework, etc.). Transition of existing in-house CHP installations to direct renewable electricity sourcing and/or "green steam".

Scope 2:

- Renewable electricity sourcing not possible in some countries (e.g., lack of renewable electricity facilities, policy framework, etc.)
- Risk associated to long-term power purchases agreements (e.g., virtual PPA, on-site generation, etc.). Risk associated to Renewable Electricity Certificates procurement (e.g., market availability, price volatility, etc.).

⁸ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

Ambition

Against company's past performance

Sanofi sets the SPT to reduce its absolute GHG emissions (scope 1 and 2) by 30% by 2025 from a 2019 base year, and 55% by 2030 from a 2019 base year. As shown in Table 1, the 2025 reduction target would equate to a -5.77% CAGR reduction rate compared to baseline, and the 2030 reduction target would equate to a -7% CAGR reduction rate compared to baseline.

In comparison, Sanofi's historical emissions reduction trajectory from 2015 to 2020 shows a -6.26% CAGR. Quantitatively, the 2025 target (CAGR -5.77%) is smaller than the historical trajectory but the 2030 target (CAGR -7%) is larger in comparison. Therefore a basic quantitative comparison would show that the 2025 SPT is slightly less ambitious compared to historical trajectory, but the 2030 SPT is more ambitious compared to historical trajectory.

However, there are additional considerations to be considered regarding the ambition of the SPTs. Sanofi's public targets to reduce its emissions have become increasingly more ambitious since 2010, as disclosed in its annual Universal Registration Documents, which are available on Sanofi's website⁹. In addition, Sanofi states that it has implemented many of the easier solutions and strategies to reduce its emissions profile, with many of the more complex challenges still to be tackled between now and 2030.

In particular, Sanofi's historical trajectory of -6.26% CAGR between 2015 and 2020 in emissions reductions is a consequence of the significant efforts that Sanofi had recently achieved. In 2020, Sanofi's scope 1 and 2 emissions reduced by 15% due to a significant increase in renewable electricity sourcing, from the purchase of Renewable Energy Certificates (REC). Sanofi joined the RE100 as a Gold Member in 2020¹⁰ and purchased enough RECs to cover 26% of its electricity from a previous base of 2%. Another reason for 2020 being an exceptional year for Sanofi's scope 1 emissions is a 34% reduction in the emissions resulting from the reduced usage of its medical representative vehicle fleet due to the COVID 19 pandemic.

Given these two contributory factors to the significant reductions in scope 1 and 2 emissions in 2020, Sanofi's 2025 SPT may be considered as on a similar trajectory as the historical performance.

Figure 1: Sanofi's Historical scope 1 and 2 Emissions

Greenhouse gases (Tonnes of CO ₂ e) ^(a)		2020	2019	2015 (baseline year)
Scope 1	Direct emissions	450,132	452,776	467,762
	Direct emissions from medical rep vehicle fleet	65,196	99,313	133,837
Scope 2	Indirect emissions	255,866	353,782	461,775
Total		771,194	905,871	1,063,374

(a) CO₂ e = CO₂ equivalent.

Source: Sanofi's 2020 Annual CSR Report

In addition to the recent factors outlined above, Sanofi explains that it will continue to increase its renewable electricity sourcing to 100% of electricity supply by 2030 (more details in the Action Plan section).

⁹ https://www.sanofi.com/-/media/Project/One-Sanofi-Web/Websites/Global/Sanofi-COM/Home/common/docs/investors/2021_05_03_Sanofi_Extra_Financial_Perf.pdf?la=en&hash=516D22529FF5AD05EAB0A5DF57926FF9

¹⁰ Sanofi Annual CSR Report 2020

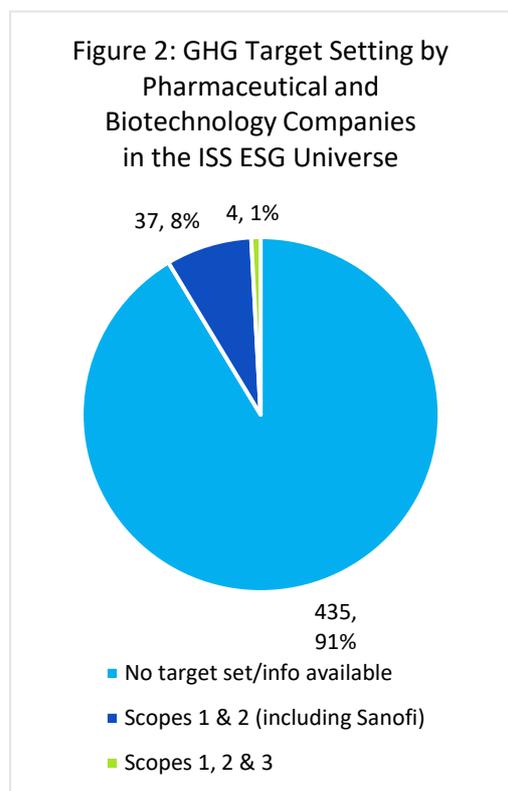
TABLE 1.	2015	2019 (BASELINE)	2020	2025	2030
Absolute value (in tons of CO₂)	1,063,374	905,871	771,194	634,110	407,642
Reduction vs 2019 baseline (in %)			-15%	-30%	-55%
CAGR compared to 2019 baseline				-5.77%	-7%
CAGR compared to 2015 historical data		-3.93%	-6.26%		

In this context and compared to the baseline year, ISS ESG deems the SPT 1.1 ambitious against the issuer’s past performance with limitations. The limitations refer to the fact that quantitatively the SPT 1.1 target involves a gentler trajectory than past performance, but it should be taken into consideration that Sanofi’s 2020 emissions are significantly reduced.

On the other hand, SPT 1.2 is ambitious against past performance because this target reduction rate is more significant than Sanofi’s historical trajectory.

Against company’s sectorial peers

ISS ESG conducted a benchmarking of the SPT 1.1 and SPT 1.2 set by Sanofi against the Pharmaceuticals and Biotechnology peer group of 476 companies derived from the ISS ESG Universe. Out of these companies, 37 have set scope 1 and 2 targets (including Sanofi), four companies have



set targets for scope 1, 2 and 3. 435 companies either have not set targets or their target information is not readily available. As Sanofi’s SPT 1.1 and SPT 1.2 cover scope 1 and 2 emissions, Sanofi is grouped in with the 37 companies which have set scope 1 and 2 targets, for the purpose of comparing SPT 1.1 and SPT 1.2 against sectorial peers.

SPT 1.1 (2025)

Sanofi’s SPT 1.1 target is to reduce absolute scope 1 and 2 GHG emissions by 30% by 2025 from a 2019 base year, which equates to a 5.77% CAGR reduction rate. When compared with the CAGR reduction rates set by peers, Sanofi’s target is ranked 5th most ambitious, which also puts Sanofi into the top 20% tier of its sector in terms of targets. As such, SPT 1.1 is ambitious compared to industry peers.

SPT 1.2 (2030)

Sanofi’s SPT 1.2 is SBTi verified, which itself can be considered ambitious. Out of the 37 companies within

the ISS ESG Universe of Pharmaceuticals and Biotechnology companies that have established scope 1 and 2 targets, 23 have targets that are SBTi verified.

Sanofi's SPT 1.2 target is to reduce absolute scope 1 and 2 GHG emissions by -55% by 2030 from a 2019 base year, which equates to a -7% CAGR reduction rate. When compared with the CAGR set by peers, Sanofi's target is ranked 4th most ambitious, which also puts Sanofi into the top 20% tier of its sector in terms of targets. Hence, SPT 1.2 is ambitious compared to industry peers.

ISS ESG concludes that SPT 1.1 and SPT 1.2 set by the issuer are ambitious compared to Pharmaceuticals and Biotechnology sector peers in terms of defining a GHG emissions reduction target.

Against international targets

Paris Agreement

SPT 1.2 is set to achieve a reduction of -55% by 2030 from a 2019 base year of the direct GHG emissions related to its operations (scope 1 and 2) and SPT 1.1 is an interim target on this trajectory. SPT 1.2 has been validated by the Science Based Target initiative (SBTi), thereby giving it a scientific seal of approval as part of the planet-wide efforts needed to limit global warming to 1.5°C.

The SBTi validation of SPT 1.2 confirms the ambition of SPT 1.2 against the Paris Climate Goals.

The SBTi has not separately verified SPT 1.1. The CAGR of SPT 1.1 is lower than for the SBTi-verified target SPT 1.2.

ISS ESG concludes that SPT 1.2 is ambitious against the Paris Agreement, based on the SBTi validation of the 2030 target. There is limited information to confirm the alignment of SPT 1.1 with the SBTi validated SPT 1.2. ISS ESG recognizes that an 11 year emissions trajectory is not necessarily linear and that emissions reductions do not occur at regular time intervals.

Measurability & comparability

- **Historical data:** The issuer provided relevant historical data by setting the baseline year of its SPT to 2019 and provided also the 2020 data. The issuer has also provided data for 2015, however it has not provided verified data between 2015 and 2019. With the 2015, 2019 and 2020 data, the SLBP requirement of providing historical data for 3 years is met.
- **Benchmarkable:** Because the KPI is directly comparable with the data reported by other companies and other external references, the SPT can be benchmarked against targets announced by peers as well as other international targets.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

To reduce its GHG emissions outlined in SPT 1.1 and SPT 1.2, Sanofi has established an environmental sustainability program, known as Planet Mobilization. Planet Mobilization includes an operational cross-functional workstream "Climate Change", which is led by key functions such as Health Safety & Environment (HSE), Procurement, Global Energy, R&D, Real Estate, Facility Management and CSR. This workstream has implemented clear initiatives and actions that will enable Sanofi to mitigate the environmental impacts of its activities and achieve its goal towards a reduction of -55% of the GHG related to its activities from 2019 to 2030:

COMMITMENT / INITIATIVES	EXPECTED CONTRIBUTION TO THE GHG EMISSION SCOPE 1 AND 2 REDUCTION
100% of renewable electricity in Sanofi's sites by 2030	~30-40%
Energy conservation projects (such as HVAC program, heat pumps, insulation, new generation process with less energy intensity)	~10-15%
Carbon neutral car-fleet by 2030	~5-10%
Thermal renewable energy (incl. biogas, biomethane, biomass)	~5-10%

Opinion on SPT calibration: ISS ESG finds that the SPT 1.2 calibrated by Sanofi is ambitious against the company's past performance, ambitious compared to sectorial peers in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5° Celsius trajectory, as validated by SBTi. SPT 1.1 may be considered as on a similar trajectory as the historical performance. SPT 1.1 is ambitious compared to sectorial peers. While SPT 1.1 is not directly validated by the SBTi, it can be considered as a sub-target of SPT 1.2. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan disclosed in the company's framework.

1.3. KPI selection

KPI 2: Absolute GHG emissions scope 3 reduction

FROM ISSUER'S FRAMEWORK

KPI 2: Absolute Greenhouse gas emissions scope 3 reduction

SPT 2.1: reduce absolute scope 3 GHG emissions by 14% by 2030 from a 2019 base year

Long-term goal: reducing its indirect GHG emissions related to its value chain (scope 3) by 14% by 2030

Rationale: Sanofi is committed to reducing its indirect GHG emissions related to its value chain (scope 3) by 14% by 2030. This objective has been approved by the Science Based Target initiative (SBTi) and exceeds the minimum ambition defined by SBTi Absolute Contraction Approach, demonstrating its ambitiousness against a science-based threshold.

In October 2021, Sanofi announced the acceleration of its climate change efforts with the commitment to achieve net zero GHG emissions across all operations (scope 1 and 2) and entire value chain (scope 3) by 2050.

Baseline year: 2019

Baseline: 6,122,074 tons of CO₂

Target year: 2030

Target performance: 14% reduction compared to baseline

Scope: This KPI includes the absolute scope 3 (indirect emissions from Sanofi's value chain) GHG emissions, as defined in the GHG Protocol

This KPI does not include indirect emissions related to Upstream leased assets, Downstream leased assets, Franchises, and Investments, as emissions from these sources are not considered material for Sanofi.

This KPI includes 100% of Sanofi's scope 3 emissions which Sanofi has disclosed in its URD and which includes most material scope 3 emissions categories.

This KPI covers more than two thirds of total scope 3 emissions in conformance with the GHG Protocol Corporate Value Chain (scope 3) Accounting and Reporting Standard.

Carbon offsets and avoided emissions are not included in the calculation.

The scope of activities considered is the same as the one used and disclosed in the Corporate Social Responsibility chapter of its annual Universal Registration Document (URD).

Methodology for calculation: Calculation of scope 3 GHG emissions is based on a dedicated scope 3 carbon footprint calculation specified in Sanofi's methodology, an internal guideline which specifies each scope 3 emissions category individually, with the methodology, calculation formulae and emission factors used to calculate GHG emissions, on the basis of the GHG Protocol.

Materiality and relevance

The pharmaceutical industry, in absolute terms, is generally considered a medium-impact sector¹¹ (FTSE4Good) regarding CO₂e emissions. Since climate change mitigation is a key issue for Sanofi, the company commits to minimizing the impact of its operations and products on the planet.

ISS ESG finds that the scope 3 GHG emissions reduction KPI selected by the issuer is:

- **Relevant** to Sanofi's business as climate impacts of products and services are a key issue for the company.
- **Core** to the issuer's business as climate change mitigation reduction measures impact all indirect operations of the company at the Group level globally. The KPI will entail significant consequences on the entire value chain. Sanofi has launched engagement programs with suppliers that will help to consolidate a bottom-up approach, based on supplier's reduction plans.
- **Material** to Sanofi from an ESG perspective if integrated with KPI 1 as part of the same financial instrument:
 - As a standalone KPI, KPI 2 is material to the company's entire value chain, because the KPI addresses indirect GHG emissions throughout the upstream and downstream value chain (i.e., scope 3 emissions), which represent an estimated 88%¹² of total emissions of the company. However, the KPI does not cover direct operations where the company has the most immediate impact and therefore, KPI 2 is deemed not material to the direct operations of the company as per ISS ESG's methodology.
 - It is worth noting that KPI 1 addresses GHG emissions from direct operations (scope 1 and 2 emissions), representing an estimated 12% of total emissions of the company.

¹¹ European Federation of Pharmaceutical Industries and Associations, June 2020, '[White Paper on Climate Change](#)'

¹² ISS ESG bases this analysis on the issuer's own emissions reporting and makes no comment on the quality or consistency of the issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the issuer's sector. ISS ESG notes that the level of disclosure in Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an issuer's reporting

Therefore, KPI 1 and 2 together are considered fully material to Sanofi's business model and sustainability profile, if they are integrated in the same financial instrument and both linked to the characteristics of the financial instrument. As the issuer covers emissions across the value chain in two individual KPIs, the end results will be material to the entire value chain.

Consistency with overall company's sustainability strategy

Sanofi identified climate change mitigation as one of its priority long-term goals. The definition of a GHG emission reduction KPI is consistent with Sanofi's long-standing strategy of mitigating climate change.

Sanofi is committed to reducing its indirect GHG emissions related to its value chain (scope 3) by 14% by 2030. This target has been approved by the Science Based Target initiative (SBTi) and exceeds the minimum ambition defined by SBTi Absolute Contraction Approach, demonstrating its ambitiousness against a science-based threshold.

In October 2021, Sanofi announced the acceleration of its climate change efforts with the commitment to achieve net zero GHG emissions across all operations (scope 1 and 2) and entire value chain (scope 3) by 2050.

ISS ESG finds that the KPI selected by the issuer is consistent with the overall company's sustainability strategy.

Measurability

- **Scope and perimeter:** This KPI includes 100% of the company's scope 3 emissions which it has disclosed in its annual reporting and which includes the most material scope 3 emissions categories. The company estimates that its reported scope 3 emissions cover more than two thirds of its scope 3 emissions, which accounts for approximately 88% of Sanofi's total GHG emissions. The reference to two thirds is in relation to the relevant SBTi criteria¹³ about scope 3 emissions target setting.
- **Quantifiable and externally verifiable:** The KPI selected is quantifiable. The absolute scope 3 emissions defined by this KPI is measured in million metric tons carbon dioxide equivalent using a widespread calculation methodology. The KPI selected is externally verifiable thanks to the various standards and protocols mentioned above. Sanofi reports CO2 emissions data on a proforma constant scope basis. Absolute CO2 emissions values are based on 2020 perimeter of consolidation, as published in Sanofi's 2020 Universal Registration Document. Historical data, 2019 baseline and targeted annual absolute values are continuously recalculated to reflect changes of perimeter, in accordance with Sanofi's recalculation policy as detailed in Sanofi's URD "Methodological note on data reporting".
- **Externally verified:** The reported GHG data has been verified under ISAE 3000 assurance by a recognized third company in previous years.

¹³ SBTi C6 states "Companies must set one or more emission reduction targets and/or supplier or customer engagement targets that collectively cover(s) at least two-thirds (67%) of total scope 3 emissions considering the minimum boundary of each scope 3 category in conformance with the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard."
<https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>

- **Benchmarkable:** The KPI can be benchmarked with Sanofi's own performance (since 2015) and, considering differences in scale and methodology, with peers in the sector. This KPI is also benchmarkable against international targets (2030 GHG emissions reduction targets have been benchmarked against the SBTi's science-based criteria).

Opinion on KPI selection: ISS ESG finds that the KPI selected is core and relevant to the issuer's business model as a standalone KPI. It is material to the company's whole corporate value chain, but not material to the direct operations of the company, as it covers only scope 3 emissions. The KPI covers all of the company's reported scope 3 emissions, which the company estimates is equivalent to more than two thirds of its total scope 3 GHG emissions, which in turn accounted for 88% of the company's total scope 1,2 and 3 emissions in 2020. If integrated with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material to the direct operations of the company. The KPI is consistent with the company's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable.

1.4. Calibration of SPT

SPT set by the issuer: Absolute GHG emissions Scope 3 reduction

FROM ISSUER'S FRAMEWORK¹⁴

SPT 2.1: reduce absolute scope 3 GHG emissions by 14% by 2030 from a 2019 base year

Sustainability Performance Target Trigger: achievement of the absolute GHG emission reduction target for the year ending 2030

Sustainability Performance Target Observation Date: December 31, 2030

Baseline performance: 6,122,074 tCO₂e

Baseline year: 2019

Link with long-term targets: Net zero by 2030

Methodology: Calculation of scope 3 GHG emissions is based on a dedicated scope 3 carbon footprint calculation specified in Sanofi's methodology, an internal guideline which specifies each scope 3 emissions category individually, with the methodology, calculation formulae and emission factors used to calculate GHG emissions, on the basis of the GHG Protocol.

Rationale for target selection and ambition: Climate change is one of the greatest challenges of our age and has an enormous impact on people's lives and health. The rise in the earth's temperature can lead to extreme weather conditions, food shortages, difficulties in accessing drinking water and increased air pollution, as well as creating favorable conditions for the spread of vector-borne diseases such as malaria or increasing pollen-related allergies.

The World Health Organization (WHO) estimates that between 2030 and 2050, climate change will cause an estimated 250,000 additional deaths each year. To limit the consequences of global warming, the United Nations presents carbon neutrality as the solution to counterbalance the build-up of GHG in the atmosphere. Sanofi is responsible for around 7 029ktCO₂eq (scope 1, 2 and 3, 2019 baseline figure) and has a clear role and

¹⁴ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

duty to play to achieve the collective climate neutrality objective. Moreover, Sanofi could be significantly impacted by climate change impacts which represent physical and transitional risks.

Factors that support the achievement of the target: Risks to the target: One of the inherent challenges to this is the fact that a major part of Scope 3 emissions is not directly controlled by Sanofi (emissions linked to purchased goods and services account for more than half of Sanofi's scope 3 emissions).

Ambition

Against company's past performance

Sanofi has set SPT 2.1 in order to reduce absolute scope 3 GHG emissions by 14% by 2030 from a 2019 base year. This target equates to about 1.36% CAGR reduction rate. As historical figures for scope 3 are only available for the years 2019 and 2020, a year-on-year comparison shows a historical trajectory of 9.26% reduction in 2020 compared to 2019 baseline. However, it is worth noting that the historical trajectory from 2019-2020 is concluded on just one annual period of data, and therefore this assessment is based on limited evidence.

However, the 9.26% sharp reduction in 2020 is not a good representation of Sanofi's historical trajectory, as it is a year when Sanofi decided to adjust its data input and assumptions for its scope 3 emissions. The reduction in 2020 (scope 3) compared with 2019 is mainly due to better-quality input data and assumptions, which is explained in more detail in the Framework and its URD "Methodological note on data reporting". Furthermore, significant reduction of business travel during the COVID-19 pandemic also contributed to the emissions reduction.

ISS ESG notes that the SLBP recommends 3 years of historical data to enable a basic assessment against past performance. Whilst there are two years of historical data available, given the adjustments in data input and methodology for the scope 3 emissions calculations and the exceptional circumstances due to COVID-19 pandemic, there are significant limitations with the historical data, and therefore it is not possible to evaluate the SPT 2.1's ambition against past performance.

Against company's sectorial peers

ISS ESG conducted a benchmarking of the SPT 2.1 set by Sanofi against its Pharmaceuticals and Biotechnology sector peer group of 476 (including Sanofi) derived from the ISS ESG Universe. Four other peer companies within the ISS ESG Universe have established scope 1, 2 and 3 emissions. Based on this, Sanofi's SPT is ambitious against the peer group by having defined a scope 3 emissions target.

Due to the fact that some of the other four peer companies have set targets for scope 1, 2 and 3 emissions combined whilst others have set a separate target for scope 3 emissions suggest it is not meaningful or necessary to compare Sanofi's level of ambition individually against these four peer companies.

It should be noted that Sanofi works together with a peer group of Pharmaceutical companies for a collaborative effort on renewable energy. In November 2021, Sanofi became one of 10 global pharmaceutical companies to launch the Energize Program, an initiative aiming to engage hundreds of suppliers across the pharmaceutical value chain to decarbonise. The program helps supplier companies to reduce their operational scope 2 emissions through renewable energy procurement, which also leads to a reduction of scope 3 emissions for the 10 participating companies. Sanofi's

participation in the Energise Program shows its commitment to be a global leader in the sustainable energy space.

Overall, the fact only 5 Pharmaceuticals and Biotechnology sectorial peers (including Sanofi) have established scope 3 targets means that Sanofi's scope 3 target is ambitious amongst its peers.

Against international targets

Paris Agreement

This target has been verified by the Science Based Target initiative (SBTi), which concludes that SPT 2.1 exceeds the minimum ambition defined by the Absolute Contraction approach and is therefore considered ambitious, giving it a scientific seal of approval as part of the planet-wide efforts needed to limit global warming.

ISS ESG concludes that SPT 2.1 is ambitious against international targets, on the basis of the SBTi validation.

Measurability & comparability

- **Historical data:** Sanofi began reporting its scope 3 GHG emissions in 2019. It also adjusted its inputs and methodology in 2020. Given the recent disclosure, there is not enough prior data to review Sanofi's past performance relative to its 2030 target. This is in comparison to the SLBP recommendation of using 3 years of historical data in order to conduct a benchmarking of a target against past performance.
- **Benchmarkable:** Because the KPI is directly comparable with the data reported by other companies and other external references, the SPT can be benchmarked against targets announced by peers as well as other international targets.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

As part of Sanofi's Net Zero ambition by 2050, Sanofi is ardently working on the roadmap to achieve its scope 3 goals. One of the inherent challenges to this is the fact that a major part of scope 3 emissions is not directly controlled by Sanofi (emissions linked to purchased goods and services account for more than half of Sanofi's scope 3 emissions). Sanofi has launched engagement programs with suppliers that will help to consolidate a bottom-up approach, based on supplier's reduction plans.

- Purchased goods and services and Capital goods: supplier engagement program which aims to support Sanofi's suppliers with their own decarbonization strategies (raw materials, packaging, contract manufacturing, etc), starting with Sanofi's top 100 suppliers in terms of emissions. In early November 2021, Sanofi and nine other global pharmaceutical companies announced a collaborative initiative called *Energize*¹⁵, a program to increase access to renewable energy for pharmaceutical supply chains.
- Fuel and energy related activities: working with energy suppliers to identify opportunities to supply energy with better efficiency and lower carbon footprint for distribution.

- Upstream transportation & distribution: supply chain teams working with Sanofi's top 3 suppliers in terms of emissions to switch to lower-carbon emitting transportation modes (e.g., from air to sea).
- Waste generated in operations: opportunities working with waste treatment vendors to minimize scope 3 emissions from their operations.
- Business travel: business policy to limit travelling mileage and opportunities to prioritize the use of SAF (sustainable aviation fuel).
- Commuting: leveraging remote working policies to limit emissions derived from commuting.

Opinion on SPT calibration: ISS ESG concludes that SPT 2.1 set by the issuer is ambitious against its peer group as Sanofi is one of 5 out of 476 companies in its Pharmaceuticals and Biotechnology peer group to have a Scope 3 GHG emission reduction target set. The SPT is also ambitious against the Paris Agreement and international standards, because the 2030 target has been validated by the SBTi and exceeds the minimum ambition defined by SBTi Absolute Contraction Approach. However, given the unavailability of appropriate historical data, it is not possible to assess the level of ambition of the SPT against past performance. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan disclosed in the company's framework.

1.5. KPI selection

KPI 3: Provision by SGH of essential medicines in low-income countries (LICs) and lower middle-income countries (LMICs)

FROM ISSUER'S FRAMEWORK

KPI 3: Provision by Sanofi Global Health (SGH) of essential medicines in low income countries (LIC) and lower-middle income countries (LMIC)

SPT 3.1: Provide treatments to 1.5 million patients by the end of 2026 starting from 2022 (cumulative)

Definition: Cumulative number of patients provided with essential medicines by Sanofi's nonprofit unit, Sanofi Global Health (SGH), for the treatment of non-communicable diseases (NCDs), i.e. in 40 of the world's poorest countries, from 2022 to 2026.

Rationale: According to the latest Access to Medicine Index, many of the world's poorest countries still do not benefit significantly from access strategies being implemented by the world's largest pharmaceutical companies. The 2021 Index shows that less than half of key products controlled by 20 large companies are being offered through access strategies in countries classified by the World Bank as either lower middle-income countries (LMICs) or low-income countries (LICs). The shortfall is particularly acute in LICs, which are most consistently overlooked by companies despite being home to almost 700 million people.

Baseline year: 2019

Target year: 2026

Target performance: 1.5 million patients

Methodology: This KPI is computed as the arithmetic sum of the patients provided with essential medicines by SGH from 2022 to 2026. The number of patients is calculated based on the volume of essential medicines sold by SGH divided by the relevant volume per patient.

More specifically,

- the volume of essential medicines sold by SGH corresponds to the number of treatment packs invoiced by SGH and delivered to 40 of the world's poorest countries (destination indicated by the distributor) from 2022 to 2026
- the relevant volume per patient corresponds to the average daily dose (calculated on average body weight for main indication) and the average duration of treatment (i.e., 6 months for chronic care or average number of cycles) over the period 2022 to 2026

For a given period from 2022 to i ($i= 2023$ to 2026) and a given essential medicines k

$$\# \text{ Number of patients provided with essential medicines } 2022-i = \sum \frac{\text{Number of Packs}_{k,i} \times \text{Number of doses per Pack}_{k,i}}{\text{Average daily dose}_k \times \text{Average duration of treatment}_{k,i}}$$

Scope:

- Essential medicines currently considered in the portfolio are listed as core medicines or therapeutic alternatives on the WHO Essential Medicines List¹⁵ ("EML"). They cover NCDs in the following therapeutic areas: cardiovascular, diabetes, mental health and oncology
- All of these medicines are being used to treat the above mentioned NCDs in LMICs and LICs. In particular, the 40 of the world's poorest countries are defined according to the lowest GDP per capita¹⁶ by the World Bank Data.

Materiality and relevance

Access to medicine in underserved regions is considered as a key ESG issue faced by the Pharmaceuticals & Biotechnology sector according to key ESG standards¹⁷ for reporting and ISS ESG assessment. The 2021 Access to Medicine Index underlines this, as less than half of key products controlled by 20 large companies are being offered through access strategies in countries classified by the World Bank as either lower middle-income countries (LMICs) or low-income countries (LICs). LICs, home to 700 million people, are particularly overlooked.

Non-communicable diseases (NCDs) are chronic diseases and the result of a combination of genetic, physiological, environmental and behavioral factors. People at risk of NCDs include all age groups, regions and countries. These diseases tend to be of long duration and kill 41 million people each year, equal to 71% of all deaths globally. Moreover, the World Health Organization¹⁸ (WHO) notes that NCDs could carry a large socioeconomic impact, as they threaten progress towards the 2030 Agenda for Sustainable Development. The United Nation's Sustainable Development Goal (SDG) 3.4 targets a reduction by one third of premature mortality from NCDs by 2030. Households living in poverty are disproportionately affected, due to the greater risk of exposure to harmful products (such as unhealthy diets), limited access to medicine and the high and long-term costs for NCD treatment.

¹⁵ <https://www.who.int/publications/i/item/WHO-MHP-HPS-EML-2021.02>

¹⁶ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

¹⁷ Key ESG Standards include SASB and TCFD, among others.

¹⁸ World Health Organization, 'Noncommunicable diseases', 13 April 2021, <https://www.who.int/news-room/factsheets/detail/noncommunicable-diseases>

ISS ESG finds that the Provision of Essential Medicines KPI selected by the issuer is:

- **Relevant** to Sanofi's business as the company manufactures and distributes medicines which are on the EML. Therefore, it has potential to significantly contribute to the issue.
- **Core** to Sanofi's nonprofit unit, 'Sanofi Global Health' (SGH), as providing access to medicines to an increasing number of patients suffering from NCDs in LICs and LMICs is a fundamental part of the business development and mission for SGH. Specifically, by targeting LICs and LMICs the issuer will need to adapt its operations and other key processes such as manufacturing and supply chain to ensure both availability of products and continuity of supply. Since the issuer has set up a new unit that is not-for-profit, the supply chain is limited to non-profit distributors, intergovernmental agencies and NGOs to ensure distribution and minimal markups. The small margin (compared to the commercial operations of other Sanofi operations) at which SGH is able to sell its products will be fully reinvested into its access programs. In particular, SGH was only launched in April 2021 and will require key resources and processes to consolidate its foundation in the early years of its establishment.
- **Material** to Sanofi from an ESG perspective as the KPI can have an impact to ensure long-term access to care in the world's poorest countries, where access to medicine is lowest. The KPI focuses on the core medicines and therapeutic alternatives listed on the WHO Essential Medicines List¹⁹ (EML) for four therapeutic areas of NCDs. While in 2021, NCDs cover approximately 10% of SGH's total sales, by 2026 this is expected to increase to 50%.

Consistency with overall company's sustainability strategy

Sanofi has embedded access to healthcare in their corporate strategy and states that it is at the core of what the company does²⁰. Specifically, Sanofi has created an integrated approach for access to healthcare, combined with philanthropy, to generate opportunities for growth, innovation, and partnerships. The focus lies on programs which meet the most important public health needs, which are in line with their areas of expertise and corporate strategy. The access to healthcare strategy has three core objectives:

- Contributing to the control, elimination and eradication of certain infectious diseases through Sanofi's vaccines portfolio and focusing on diseases where the company can make a tangible contribution, such as polio and sleeping sickness;
- Serving the needs of patients with non-communicable diseases and relieving the growing burden of such diseases in developing countries, with the emphasis on diabetes and cardiovascular diseases, pediatric oncology, mental health and epilepsy;
- Providing treatments for patients with life-threatening or seriously debilitating rare diseases everywhere in the world.

¹⁹ <https://www.who.int/publications/i/item/WHO-MHP-HPS-EML-2021.02>

²⁰ <https://www.sanofi.com/en/about-us/our-stories/sanofis-access-to-healthcare-recognized-in-the-atm-index#:~:text=Sanofi%20takes%20a%20place%20in,%2D%20and%20middle%2Dincome%20countries>

Measurability

- **Scope and perimeter:** The KPI applies to Sanofi Global Health (SGH), the non-profit business unit of Sanofi. It focuses on NCD patients in LICs and LMICs.
- **Quantifiable and externally verifiable:** The KPI selected is measurable and quantifiable, and therefore externally verifiable. The KPI will be calculated as the arithmetic sum of the number of patients provided with essential medicines by SGH from 2022 to 2026.
- **Externally verified:** Historical annual data for GenMed, the predecessor to SGH in the selected therapeutic areas and geographies, was externally verified. Indeed, the issuer commits to having the annual performance on the KPI verified by an external auditor.
- **Benchmarkable:** The criteria for calculating the KPI is explained by Sanofi and is transparent. However, its specific focus on NCD patients in LICs and LMICs makes the KPI novel and unique to Sanofi. There are no standardized metrics on access to medicine in the industry and different pharmaceutical companies report on the topic differently. Therefore, it is not possible to quantitatively benchmark the KPI against external references such as data reported by industry peers or international references.

Opinion on KPI selection: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is specific and unique to Sanofi, therefore it is not benchmarkable since there are no standardized metrics on access to medicine in the pharmaceutical industry and no other organization uses the same metric publicly. The scope of the KPI includes only Sanofi's non-profit unit, Sanofi Global Health (SGH).

1.6. Calibration of SPT

SPT set by the issuer: Provision by SGH of essential medicines in low-income countries (LICs) and lower middle-income countries (LMICs)

FROM ISSUER'S FRAMEWORK²¹

SPT 3.1: Provide treatments to 1.5 million patients by the end of 2026 starting from 2022 (cumulative)

Sustainability Performance Target Trigger: achievement of the treatments provided target by the year ending 2026

Sustainability Performance Target Observation Date: 31 December 2026

Baseline performance: 140,000 patients

Baseline year: 2019

Targets and KPI historical data:

²¹ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

KPI	2018	2019	2020	2021 ²²	2022	2023	2024	2025	2026
Estimated cumulative provision by SGH of essential medicines				50,000	180,000	410,000	69,000	1,050,000	1,500,000
Provision by GenMed GBU of essential medicines	185,000	140,000	135,000	85,000	0	0	0	0	0

Rationale for target selection and ambition: The baseline is 140 000 patients served by GenMed in 2019 (which fell to 135 000 in 2020) with the same scope of calculation (i.e., set of medicines in the 40 countries for the selected therapeutic areas). The commercial model of the GenMed Business Unit does not enable a sustainable increased patient penetration in those LMICs and LICs as it mostly caters to the most affluent private and therefore least vulnerable patients in those geographies. Past access initiatives have proven hard to sustain over time due to this commercially driven model. Without the evolved new business model of SGH, whose aim includes sustainable social impact, it is very unlikely that GenMed sales would increase significantly over the coming years.

The target is based on disease prevalence for the therapeutic areas in a representative sample of countries in scope.

The target is to provide treatments to 1.5 million patients by the end of 2026 (cumulatively). This target represents a yearly increase of +300% in 2026 both vs 2019 and vs business-as-usual scenario of GenMed sales.

Disease prevalence for the conditions associated with the selected 4 therapeutic areas has been analysed based on available data from the Institute for Health Metrics and Evaluation, an independent global health research centre at the University of Washington, across a representative sample of 12 of the largest countries within the scope of the targeted 40 of the world’s poorest countries to evaluate the burden of disease, unmet needs and calibrate the target.

Potential technology advancements & regulatory environment over time that could influence the target:

- diagnosis improvements (cancer, glucose monitoring for diabetes)
- digital penetration
- progress of universal healthcare coverage (UHC)
- development of pooled procurement initiatives

Risks to the target:

- Regulatory uncertainty in some markets (refusal of special marketing authorizations)
- Regulatory uncertainty due to the recently announced African Medicines Agency²³

²² 2021 is to be considered as the transition year where SGH is progressively taking over from GenMed activity in the selected therapeutic areas and geographies.

²³ <https://healthpolicy-watch.news/african-medicines-agency-treaty-comes-into-force/>

- Ongoing COVID pandemic reducing the focus of local health authorities on NCDs
- Events of force majeure

Ambition

Against company's past performance

Sanofi sets the SPT to provide access to medicine to an increasing number of patients suffering from NCDs in LICs and LMICs by Sanofi's nonprofit unit, 'Sanofi Global Health' (SGH). Specifically, the SPT is to provide treatments to 1.5 million patients for the period from 2022 to the end of 2026.

The SGH is a new unit that Sanofi set up in April 2021. Before, the issuer served patients through their General Medicines Business Unit (GenMed), which has a commercial business model. GenMed does not enable a sustainable increased patient penetration in LICs and LMICs as it mostly caters to affluent private and therefore least vulnerable patients in those geographies. Due to this commercially driven model, past access initiatives have proven hard to sustain over time. The issuer states that, without the new business model of SGH, it is very unlikely that GenMed sales would increase significantly over the coming years.

TABLE 2.	2018	2019	2020	2021	2022	2023	2024	2025	2026
Provision by GenMed GBU of essential medicines	185,000	140,000	135,000	85,000	0	0	0	0	0
Year-on-year reduction rate (%)		-24.32%	-3.57%	-37.04%					
Estimated cumulative provision by SGH of essential medicines				50,000	180,000	410,000	690,000	1,050,000	1,500,000
Forward looking yearly increase (%)					260.00%	127.78%	68.29%	52.17%	42.86%

The KPI is benchmarked against the number of treatments provided by GenMed over the last few years, because SGH shares the same scope in terms of therapeutic areas and geographies. SGH's services will directly replace GenMed in certain countries and therefore GenMed's historical data may also be used for this comparison.

Table 2 shows that the annual provision by GenMed has been declining over the last 3 years because GenMed was not able to scale up and reach the target vulnerable population under GenMed's commercial model. In contrast, the estimated provision of SGH is expected to rapidly rise. Indeed, SPT 3.1 sets a trajectory to increase the annual number of patients by 300% as compared to

GenMed's reach in 2019. As such, the year 2021 can be seen as a transition year when responsibility for the four NCDs in the 40 countries is being transferred from GenMed to SGH.

In conclusion, SPT 3.1 is considered as ambitious, because SGH's projected numbers will be much larger than GenMed's historical performance in the selected therapeutic areas and geographies.

Against company's sectorial peers

Whilst there are 476 companies listed in the Pharmaceuticals and Biotechnology sector in the ISS ESG Universe, the KPI that has been selected is unique in terms of defining the four NCDs with a focus on LMICs and LICs and is only reported by Sanofi and no other peer.

However, ISS ESG conducted a benchmarking of the SPT set by Sanofi against a list of ten sectorial peers provided by the issuer. While no directly equivalent initiatives by peers exist, some initiatives by peers share similarities.

For example, one peer has aimed to reach an increasing share of patients by 50% in similar geographies with flagship programs. However, these programs have a different disease scope as they focus on malaria, leprosy, sickle cell disease, chagas cardiomyopathy and use different business models. This company also sets a target to reach 200% additional patients by innovative therapies, although the disease scope is undefined. Similarly, another peer sets a goal to increase their patient reach with 150% with a set of NCD products. This peer's business model differs from Sanofi's, as its model includes donations.

NCD Alliance

The international NCD Alliance²⁴ is a global network of NGOs, scientific and professional associations, academic and research organisations, and private sector organisations. The NCD Alliance advocates for people at risk of or living with NCDs and functions as a thought leader and partner to governments and UN agencies. While the network of the Alliance includes over 1000 member associations, only 8 corporate partners are included. Sanofi is amongst this group, alongside 7 peers. Some of these companies are actively promoting access to medicine for NCDs in different ways. The scopes of these companies' actions differ, but in general their actions are limited to several therapy areas (1 to 3 areas) in a limited number of countries (e.g., one company focuses on five countries to develop and scale models of NCD care). Moreover, the majority do not include quantifiable targets of e.g., number of patients reached within a defined timeframe. What the NCD Alliance partners have in common is that NCD care is a primary focus for their business.

In comparison with these companies, the SPT set by Sanofi encompasses more disease areas than the average of the peer group and sets a more clearly defined scope to target specific disease areas in LICs and LMICs.

While the SPT is not quantitatively benchmarkable against peers due to its bespoke nature, the fact that leaders in the Pharmaceutical sector, including other partners in the NCD Alliance, do not set a similar target, puts Sanofi in the top 20% of peer companies in terms of defining an Access to Medicine target for NCD in LICs and LMICs and therefore ISS ESG concludes that the SPT set by the issuer is ambitious compared to Pharmaceutical sector practices.

²⁴ <https://ncdalliance.org/>

Against international targets

Whilst there are various organizations that work with pharmaceutical companies like Sanofi to improve access in LICs and LMICs for treatment of NCDs, such as the WHO and the Access to Medicine Foundation²⁵, they do not have quantitative industry benchmarks or targets with metrics similar to the KPI selected.

Due to the absence of international targets to benchmark the SPT against, without any fault of the issuer, it is not possible to evaluate the level of ambition of the SPT against an international target.

Measurability & comparability

- **Historical data:** Whilst there is no direct historical data for SGH due to the fact that it was only launched in 2021, GenMed's historical data for 2018, 2019 and 2020 is relevant and used for comparison, because GenMed's operations in the selected therapeutic areas and geographies, have been transferred to SGH.
- **Benchmarkable:** The KPI selected focuses on four therapeutic areas of NCDs for a specific category of countries. This focused nature of the KPI is more specific than the generalized data that some industry peers report, which are not targeted towards a specific category of country or medicine. Hence, this KPI is not benchmarkable, unless another company chooses to use the same criteria to report on their access to medicine performance.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

In order to achieve the SPTs, the issuer will focus on the following strategies:

- Developing a competitive pricing approach to ensure both affordability and sustainability in line with the specific business model of SGH;
- Adopting a proactive approach to optimize submissions and reduce regulatory burden;
- Refining the manufacturing and supply chain forecasts to ensure both quality of products and continuity of supply;
- Developing stringent partnership and distribution criteria to guarantee affordability all along the supply chain;
- Engaging key global and local stakeholders such as payors, non-governmental organisations, distributors, and pooled procurement initiatives.

Opinion on SPT calibration: ISS ESG finds that the SPT calibrated by Sanofi is ambitious compared to its sectorial peers. The fact that leaders in the Pharmaceutical sector, including other partners in the NCD Alliance, do not set a similar target, puts Sanofi in the top 20% of peer companies in terms of defining a "provision of essential medicines" target for NCDs in LICs and LMICs. Secondly, the trajectory for SPT 3.1 via SGH as compared to the historical performance of General Medicines Business Unit (GenMed) in the selected therapeutic areas and geographies is ambitious. Thirdly, due

²⁵ <https://accesstomedicinefoundation.org/>

to the absence of international targets to benchmark the SPT against, to no fault of the issuer, it is not possible to evaluate the level of ambition of the SPT against an international target. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the company's framework.

1.7. KPI selection

KPI 4: Beneficiaries of SGH healthcare programs

FROM ISSUER'S FRAMEWORK

KPI 4: Beneficiaries of SGH healthcare programs in LICs and LMICs

SPT 4.1: Reach 400 000 beneficiaries of SGH programs between 2022 and 2026 (cumulative)

Definition: Cumulative number of beneficiaries of NCD healthcare programs (screening, diagnosis, disease management and training) supported by SGH, in LICs and LMICs, i.e. the 40 of the world's poorest countries, from 2022 to 2026.

Rationale: A mix of factors are impeding proper access to care, and particularly in low-income countries. Lack of awareness of early symptoms, timely diagnosis and treatment, and appropriate management of the disease and its longer-term risks are impeding progress on improving outcomes for people living with NCDs. There is a critical need for trained healthcare workforces, timely access to appropriate care and medicines, and support for patients and their caregivers. Therefore, to support access to medicines, SGH programs will also focus on two main strategic pillars in order to contribute to healthcare systems strengthening: integrated patient-centered models of care programs and healthcare professionals' capacity building programs.

Baseline year: 2021

Target year: 2026

Target performance: 400 000 beneficiaries

Methodology: This KPI is computed as the arithmetic sum of the beneficiaries of SGH support programs KPI with:

- KPI_i = Number of beneficiaries from programs supported by SGH during year i

For a given period from 2022 to i ($i = 2023$ to 2026)

$$\sum \# \text{ Number of beneficiaries benefiting from SGH programs } 2022-i = \text{number of beneficiaries from programs supported by SGH } i$$

The number of beneficiaries will be collected on an annual basis from all active programs during the calendar year, as the actual number of people benefiting from the programs at year end. Tracking and tracing beneficiaries is a contractual requirement for all program partners.

The calculation methodology will track the beneficiaries to ensure that none are double counted, even if they may benefit from an integrated journey from screening to diagnosis to enrollment in a disease management programs.

Scope: in line with KPI 3, the scope will focus on the following NCDs therapeutic areas only: cardiovascular, diabetes, mental health, and oncology.

The programs considered will be implemented in 40 of the world's poorest countries as defined by the World Bank, according to the lowest GDP per capita.

All programs will be run by independent partners and receive most of their financial support from SGH. All programs will be subject to monitoring for impact and outcomes, including number of beneficiaries.

The following type of programs will be taken into consideration:

- Integrated model of care programs including screening and disease management (programs reaching large number of beneficiaries: 10k and up)
- Fully integrated health solution programs with coaching, testing and additional services (programs reaching medium number of beneficiaries: below 10k)
- Pilot programs on specific patient challenges such as the safe administration of insulins (programs reaching a small number of beneficiaries 100+)
- Programs offering online platform for continuous medical education (programs reaching a small number of beneficiaries 500+)
- Programs in the field training for healthcare workers (programs reaching a small number of beneficiaries)
- Programs involving specific peer to peer training sessions for specialists (oncology) (programs reaching a very small number of beneficiaries)
- The beneficiaries of the above programs will include people screened, patients diagnosed, patients enrolled, and healthcare professionals trained.

Materiality and relevance

Access to medicine in underserved regions is considered as a key ESG issue faced by the Pharmaceuticals and Biotechnology sector according to key ESG standards²⁶ for reporting and ISS ESG assessment. The 2021 Access to Medicine Index underlines this, as less than half of key products controlled by 20 large companies are being offered through access strategies in countries classified by the World Bank as either lower middle-income countries (LMICs) or low-income countries (LICs). LICs, home to 700 million people, are particularly overlooked.

Non-communicable diseases (NCDs) are chronic diseases and the result of a combination of genetic, physiological, environmental and behavioral factors. People at risk of NCDs include all age groups, regions and countries. These diseases tend to be of long duration and kill 41 million people each year, equal to 71% of all deaths globally. Moreover, the World Health Organization²⁷ (WHO) notes that NCDs could carry a large socioeconomic impact, as they threaten progress towards the 2030 Agenda for Sustainable Development. The United Nation's Sustainable Development Goal (SDG) 3.4 targets a reduction by one third of premature mortality from NCDs by 2030. Households living in poverty are disproportionately affected, due to the greater risk of exposure to harmful products (such as unhealthy diets), limited access to medicine and the high and long-term costs for NCD treatment.

ISS ESG finds that the Beneficiaries of Healthcare Programs KPI selected by the issuer is:

- **Relevant** to Sanofi's business as the beneficiaries' outcomes in the four target NCDs are not restricted to the medicines provided but wider and long term healthcare programs. The

²⁶ Key ESG Standards include SASB and TCFD, among others.

²⁷ World Health Organization, 'Noncommunicable diseases', 13 April 2021, <https://www.who.int/news-room/fact-sheets/detail/noncommunicable-diseases>

company's expertise in the distribution of medicines related to those four NCDs includes experience and knowledge about wider healthcare access issues in the target countries. It can expand on its existing networks and medicines access programs to significantly grow healthcare access programs which are relevant to the four target NCDs.

- **Core** to Sanofi's nonprofit unit, 'Sanofi Global Health' (SGH), as improving access to healthcare and medicines relevant to the four NCDs is a fundamental part of the business development and mission for SGH. Such programs will involve key processes, for example, pilot programs on the safe administration of insulin and peer to peer training sessions for oncology specialists. By targeting LICs and LMICs the issuer will need to adapt its operations to run successful programs in collaboration with independent partners and to scale up successful proof of concept programs.
- **Material** to Sanofi from an ESG perspective as the KPI can have an impact to ensure long-term access to care in the world's poorest countries, where access to medicine is lowest. While the KPI doesn't cover all of Sanofi's operations, it focuses on the non-profit unit SGH and the essential core medicines and therapeutic alternatives listed on the WHO Essential Medicines List²⁸ (EML) for four therapeutic areas of NCDs. While in 2021, NCDs cover approximately 10% of SGH's total sales, by 2026 this is expected to increase to 50%.

Consistency with overall company's sustainability strategy

Sanofi has embedded access to healthcare in their corporate strategy and states that it is at the core of what the company does. Specifically, Sanofi has created an integrated approach to access to healthcare, combined with philanthropy, to generate opportunities for growth, innovation, and partnerships. The focus lies on programs with the most important public health needs, which are in line with their areas of expertise and corporate strategy. The access to healthcare strategy has three core objectives:

- Contributing to the control, elimination and eradication of certain infectious diseases through Sanofi's vaccines portfolio and focusing on diseases where the company can make a tangible contribution, such as polio and sleeping sickness.
- Serving the needs of patients with non-communicable diseases and relieving the growing burden of such diseases in developing countries, with the emphasis on diabetes and cardiovascular diseases, pediatric oncology, mental health and epilepsy; and
- Providing treatments for patients with life-threatening or seriously debilitating rare diseases everywhere in the world.

Measurability

- **Scope and perimeter:** The KPI applies to Sanofi Global Health (SGH), the non-profit business unit of Sanofi. It focuses on beneficiaries from NCDs healthcare programs in LICs and LMICs.

²⁸ <https://www.who.int/publications/i/item/WHO-MHP-HPS-EML-2021.02>

- **Quantifiable and externally verifiable:** The KPI selected is measurable and quantifiable, and therefore externally verifiable. The KPI will be calculated as the arithmetic sum of the beneficiaries of SGH support programs from 2022 to 2026.
- **Externally verified:** The issuer commits to have the annual performance on the KPI verified by an external auditor. As SGH is newly established, there is no historical data for this KPI to verify.
- **Benchmarkable:** The criteria for calculating the KPI is explained by Sanofi and transparent. However, its specific focus on beneficiaries of NCD healthcare programs in LICs and LMICs make the KPI novel and unique to Sanofi. There are no standardized metrics on access to medicine or healthcare programs in the industry and different pharmaceutical companies report on the topic differently. Therefore, it is not possible to quantitatively benchmark the KPI against external references such as data reported by industry peers or international references.

Opinion on KPI selection: ISS ESG finds that the KPI selected is relevant, core and material to the issuer’s business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is specific and unique to Sanofi, therefore it is not benchmarkable since there are no standardized metrics on access to medicine in the pharmaceutical industry and no other organization uses the same metric publicly. The scope of the KPI includes only Sanofi’s non-profit unit, Sanofi Global Health (SGH).

1.8. Calibration of SPT

SPT set by the issuer: Beneficiaries of SGH healthcare programs

FROM ISSUER’S FRAMEWORK²⁹

SPT 4.1: Reach 400 000 beneficiaries of SGH programs between 2022 and 2026 (cumulative)

Sustainability Performance Target Trigger: Achievement of the beneficiaries reached target by the year ending 2026

Sustainability Performance Target Observation Date: 31 December 2026

Baseline performance: 0

Baseline year: 2021

Targets and KPI historical data:

KPI	2021	2022	2023	2024	2025	2026
Estimated cumulative number of beneficiaries from SGH programs	0	60,000	130,000	210,000	295,000	400,000

²⁹ This table is displayed by the issuer in its Sustainability-Linked Bond Framework and have been copied over in this report by ISS ESG for clarity.

Rationale for target selection and ambition: In accordance with the non-profit business model of SGH, the programs will be supported financially with the small margins generated by the sales of SGH. The ambition of SGH is to seed a range of access programs across the targeted 40 countries and not to chase for beneficiaries at the expense of quality outcomes and breakthrough social healthcare innovation. SGH will position itself as an incubator of programs for NCDs in LICs and LMICs and strive to set up a variety of proof of concepts targeting different ranges of beneficiaries and with varying cost per beneficiary.

The target has been established based on the ambition of SGH in NCDs and the associated forecasted budget planned for supporting programs, the blend of planned programs and the number of beneficiaries per funds invested (ratio varying across projects types and estimated from projects under discussion or projects performed in other geographies (proxy).

The target is to reach a cumulative total of 400 000 beneficiaries between 2022 and 2026 from a starting base of 0 in 2021.

Potential technology advancements & regulatory environment over time that could influence the target:

- diagnosis improvements (cancer, glucose monitoring for diabetes)
- digital penetration

Risks to the target:

- Ability to scale up sales (KPI3) impacting the budget to finance programs
- Ability to find the adequate partners to support the ambition
- Ability to scale programs across geographies
- Events of force majeure

Ambition

Against company’s past performance

Sanofi sets the SPT to provide access to medicine by reaching beneficiaries of SGH programs in LICs and LMICs by Sanofi’s nonprofit unit, ‘Sanofi Global Health’ (SGH). Specifically, the SPT is to reach 400,000 beneficiaries, including healthcare professionals, by the end of 2026 starting from 2022.

<i>TABLE 3</i>	2021	2022	2023	2024	2025	2026
Estimated cumulative number of beneficiaries from SGH programs	0	60,000	130,000	210,000	295,000	400,000

The SGH is a new unit that Sanofi set up in 2021. SGH aims to fund these programs with the margins generated by the sales referred to in KPI 3. A range of access programs will be trialed across the 40 LICs and LMICs with a focus on delivering quality outcomes rather than a focus on number of beneficiaries. The SPT has been established based on the projected amount of funding available and the types of programs planned.

Prior to this, SGH’s predecessor, GenMed, has run some similar programs but at a much smaller scale. Sanofi expects that SGH will have an estimated 40 fold increase in the funding available for

these programs, compared to GenMed in the past. Therefore, GenMed / Sanofi did not have these types of programs in substantial quantities in the past and therefore there is no historical data to compare the SPT against. Given the novelty of these programs for the new entity and Sanofi, the SPT is considered ambitious against past performance.

The innovative, non-profit business model of SGH will be based on selling its products at minimal margins compared to commercial operations to patients suffering from NCD in LICs and LMICs. These proceeds will be reinvested in the access programs it funds.

Overall, as SGH will be providing programs that Sanofi has not rolled out before on this scale and scope. Therefore there is no historical data to compare the SPT with and the SPT is ambitious against past performance.

Against company's sectorial peers

Whilst there are 476 companies listed in the Pharmaceuticals and Biotechnology sector in the ISS ESG Universe, the SPT that has been selected is unique, only reported by Sanofi and no other peer.

Indeed, this metric is based on a relatively innovative and unique initiative. The establishment of a dedicated not for profit entity by a large international pharmaceutical which will be self-funded by the sales of its medicines to start healthcare access programs in LMICs and LICs has not been tried by most other of Sanofi's peers.

Overall, the SPT, with its quantitative target and focus on reaching the defined list of beneficiaries in the way described, addressing the four NDCs in 40 LMICs and LICs, is unique amongst Sanofi's industry peers and therefore ambitious.

NCD Alliance

The international NCD Alliance³⁰ is a global network of NGOs, scientific and professional associations, academic and research organizations, and private sector organizations. The NCD Alliance advocates for people at risk of or living with NCDs and functions as thought leader and partner to governments and UN agencies. While network of the Alliance includes over 1000 member associations, only 8 corporate partners are included. Sanofi is amongst this group, alongside 7 peers. Some of these companies are actively promoting access to medicine for NCD in different ways. The scope of these companies' actions differ, but in general their actions are limited to several therapy areas (1 to 3 areas) in a limited amount of countries (e.g., one company focuses on five countries to develop and scale models of NCD care). Moreover, the majority does not include quantifiable targets of e.g., amount of patients reached within a defined timeframe.

In comparison with these companies, the SPT set by Sanofi encompasses more disease areas than the average of the peer group and sets a more clearly defined scope to target specific disease areas in LICs and LMICs.

While the SPT is not quantitatively benchmarkable against peers due to its bespoke nature, the fact that leaders in the Pharmaceutical sector, including other partners in the NCD Alliance, do not set a similar target, puts Sanofi in the top 20% of peer companies in terms of defining Beneficiaries of Healthcare Programs target for NCDs in LICs and LMICs and therefore ISS ESG concludes that the SPT set by the issuer is ambitious compared to Pharmaceutical sector practices.

Against international targets

³⁰ <https://ncdalliance.org/>

Whilst there are various organizations that work with pharmaceutical companies like Sanofi to improve access in LICs and LMICs to NCD treatment, such as the WHO and the Access to Medicine Foundation³¹, they do not have quantitative industry benchmarks or targets with metrics similar to the KPI selected.

Access Observatory

It is worth mentioning the Access Observatory³², a public reporting platform for programs aimed at increasing access to healthcare for NCDs in LMIC which was created by over 20 biopharmaceutical companies in partnership with the World Bank, the City Cancer Challenge and other organizations.

The Access Observatory monitors the actions taken by the sector. By identifying best practices in the pharma industry, the Observatory also concludes several recommendations. In the latest report³³, several key opportunities are identified. The Observatory notes that the majority of access programs focus on health system strengthening, providing training, and community awareness campaigns. Companies are recommended to explore other strategies, including pricing. Also, the importance of conducting needs assessments prior to program implementation and increasing the scope of programs, e.g., to a larger number of countries and diseases, are highlighted in the report. Sanofi is mentioned by the Observatory several times as a best-practice showcase in the report. However, the Access Observatory does not provide guidance or metrics for target setting on Access to Medicine SPTs.

Overall, it is not possible to quantitatively evaluate the ambition of the SPT against an international standard or target, because none exist.

Measurability & comparability

- **Historical data:** There is no historical data due to the fact that SGH has only been launched in 2021. It should be noted that the SLBP recommends that companies provide at least 3 years of historical data.
- **Benchmarkable:** The KPI selected focuses on four therapeutic areas of NCD for a specific category of countries. This focused nature of the KPI is more specific than the generalized data that some industry peers report, which are not targeted towards a specific category of country or medicine. Hence, this KPI is not benchmarkable, unless another company chooses to use the same criteria to report on their access to medicine performance.
- **Timeline:** The issuer defined a precise timeline related to the SPT achievement, including the target observation date, the trigger event and the frequency of SPTs measurement.

Supporting strategy and action plan

In order to achieve the SPTs, the issuer will focus on the following strategies:

- More than two-fold forecasted budget increase for programs between 2022 and 2026

³¹ <https://accesstomedicinefoundation.org/>

³² <https://www.accessobservatory.org/>

³³ Access Observatory, 2020 Report 'Demonstrating Commitment to Impact Through Measurement and Reporting', https://e90500d9-7681-482e-9c89-8f60b201e903.filesusr.com/ugd/37a51e_c8daaf0f04d94614a07ea40792d53179.pdf

- Situational analysis to identify unmet needs and opportunities in order to refine medium term strategic priorities
- Intensive partner scouting to identify strategic fit while ensuring diversity (international/multi country organizations, local partners, non-governmental organisations, international institutions, Ministry of Health, private partners)
- Pilot various models on the main strategic pillars (integrated patient-centered models of care, HCP capacity building) and scale up successful proof of concept programs
- Within each project, integrate robust target setting (outputs, outcomes), measurement and follow-up
- Set up transfer / exit strategies (integration into healthcare system, community management, self-management, etc) for supported programs in order to ensure sustainability of programs while freeing up resources for new programs.
- Leverage efficiencies by building multi stakeholder partnerships to co-finance programs

Opinion on SPT calibration: *ISS ESG finds that the SPT calibrated by Sanofi is ambitious against past performance because it is based on an entirely new initiative and new programs. It is ambitious compared to its sectorial peers, because of the fact that leaders in the sector, including other partners in the NCD Alliance, do not set a similar target, which puts Sanofi in the top 20% of peer companies in terms of defining an “Beneficiaries of Healthcare Programs” target for NCDs in LICs and LMICs. Due to the absence of international targets to benchmark the SPT against, to no fault of the issuer, it is not possible to evaluate the level of ambition of the SPT against an international target. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the company’s framework.*

PART 2: ALIGNMENT WITH ICMA SUSTAINABILITY-LINKED BOND PRINCIPLES

Rationale for Framework

FROM ISSUER'S FRAMEWORK

The issuer states that they intend to issue Sustainability-Linked Bonds ("SLBs") because, aligned with its Social Impact Strategy, Sanofi is committed to integrate sustainability in its business strategy as well as in its investment and financing strategy.

To reflect this engagement, and after a first sustainability-linked loan signed in 2020 with 16 lenders, Sanofi intends to become an active repeat issuer of sustainable finance instruments and to contribute to the further development of the sustainable finance market through the establishment of this Framework.

The sustainability-linked bond structure encompasses Sanofi's commitment to society, focusing on the growing and sustainable access to medicines it facilitates, while contributing to its goals to reduce the environmental impact of its activities and products in its worldwide operations. The KPIs and related targets have been selected and calibrated on this basis.

Opinion: ISS ESG considers the Rationale for Issuance description provided by Sanofi as aligned with the SLBP. The issuer has created and committed to publicly disclose the framework in a comprehensive and credible manner.

2.1. Selection of KPI

ISS ESG conducted a detailed analysis of the sustainability credibility of KPI selection available in section 1 of this report.

Opinion on KPI 1: ISS ESG finds that the KPI selected is core, relevant and moderately material to the issuer's business model as a standalone KPI (because it does not cover Sanofi's scope 3 emissions, which represents 88% of the company's total GHG emissions) but fully material if integrated with KPI 2 on the same financial instrument. The KPI is consistent with its sustainability strategy. It is appropriately measurable, quantifiable and externally verifiable, externally verified and benchmarkable. It covers 100% of Sanofi's direct operations scope 1 and 2 emissions globally.

Opinion on KPI 2: ISS ESG finds that the KPI selected is core and relevant to the issuer's business model as a standalone KPI. It is material to the company's whole corporate value chain, but not material to the direct operations of the company, as it covers only scope 3 emissions. The KPI covers all of the company's reported scope 3 emissions, which the company estimates is equivalent to more than two thirds of its total scope 3 GHG emissions, which in turn accounted for 88% of the company's total scope 1,2 and 3 emissions in 2020. If integrated with KPI 1 as part of the same financial instrument, the two KPIs together can be considered fully material to the direct operations of the company. The KPI is consistent with the company's sustainability strategy. It is appropriately measurable, quantifiable, externally verifiable, externally verified and benchmarkable.

Opinion on KPI 3: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is specific and unique to Sanofi, therefore it is not benchmarkable since there are no standardized metrics on access to medicine in the pharmaceutical

industry and no other organization uses the same metric publicly. The scope of the KPI includes only Sanofi's non-profit unit, Sanofi Global Health (SGH).

Opinion on KPI 4: ISS ESG finds that the KPI selected is relevant, core and material to the issuer's business model and consistent with its sustainability strategy. It is appropriately measurable, quantifiable, and externally verifiable. The KPI is specific and unique to Sanofi, therefore it is not benchmarkable since there are no standardized metrics on access to medicine in the pharmaceutical industry and no other organization uses the same metric publicly. The scope of the KPI includes only Sanofi's non-profit unit, Sanofi Global Health (SGH).

2.2. Calibration of Sustainability Performance Target (SPT)

ISS ESG conducted a detailed analysis of the sustainability credibility of SPT is available in section 1 of this report.

Opinion on SPT 1.1 and SPT 1.2: ISS ESG finds that the SPT 1.2 calibrated by Sanofi is ambitious against the company's past performance, ambitious compared to sectorial peers in terms of defining a GHG emissions reduction target and in line with the Paris Agreement and a 1.5° Celsius trajectory, as validated by SBTi. SPT 1.1 may be considered as on a similar trajectory as the historical performance. SPT 1.1 is ambitious compared to sectorial peers. While SPT 1.1 is not directly validated by the SBTi, it can be considered as a sub-target of SPT 1.2. The target is set in a clear timeline, benchmarkable and supported by a strategy and action plan disclosed in the company's framework.

Opinion on SPT 2.1: ISS ESG concludes that SPT 2.1 set by the issuer is ambitious against its peer group as Sanofi is one of 5 out of 476 companies in its Pharmaceuticals and Biotechnology peer group to have a Scope 3 GHG emission reduction target set. The SPT is also ambitious against the Paris Agreement and international standards, because the 2030 target has been validated by the SBTi and exceeds the minimum ambition defined by SBTi Absolute Contraction Approach. However, given the unavailability of appropriate historical data, it is not possible to assess the level of ambition of the SPT against past performance. The target is set in a clear timeline, is benchmarkable and supported by a strategy and action plan disclosed in the company's framework.

Opinion on SPT 3.1: ISS ESG finds that the SPT calibrated by Sanofi is ambitious compared to its sectorial peers. The fact that leaders in the Pharmaceutical sector, including other partners in the NCD Alliance, do not set a similar target, puts Sanofi in the top 20% of peer companies in terms of defining a "provision of essential medicines" target for NCDs in LICs and LMICs. Secondly, the trajectory for SPT 3.1 via SGH as compared to the historical performance of General Medicines Business Unit (GenMed) in the selected therapeutic areas and geographies is ambitious. Thirdly, due to the absence of international targets to benchmark the SPT against, to no fault of the issuer, it is not possible to evaluate the level of ambition of the SPT against an international target. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the company's framework.

Opinion on SPT 4.1: ISS ESG finds that the SPT calibrated by Sanofi is ambitious against past performance because it is based on an entirely new initiative and new programs. It is ambitious compared to its sectorial peers, because of the fact that leaders in the sector, including other partners in the NCD Alliance, do not set a similar target, which puts Sanofi in the top 20% of peer companies in terms of defining an "Beneficiaries of Healthcare Programs" target for NCDs in LICs and LMICs. Due to the absence of international targets to benchmark the SPT against, to no fault of the

issuer, it is not possible to evaluate the level of ambition of the SPT against an international target. The target is set in a clear timeline and supported by a strategy and action plan disclosed in the company's framework.

2.3. Sustainability-Linked Bond Characteristics

FROM ISSUER'S FRAMEWORK

The financial characteristics of the bond might be impacted as a step-up to the coupon according to the achievement or non-achievement of the selected KPIs and applicable SPTs at the Target Observation Dates, as specified in the relevant bond specific documentation as applicable.

For the avoidance of doubt, if all selected KPIs have achieved their SPTs, and reporting and verification for the SPTs have been provided and made public in accordance with the reporting and verification sections of this Framework and specific documentation applicable, the financial characteristics of the bond issued under this Framework shall remain unchanged.

Recalculation Policy

An SPT, baseline and/or intermediate targets will be amended, adjusted or recalculated in case of any significant change or other potential events (such as force majeure events which may include for instance occurrence of any war, revolution, strike, industrial action or other social unrest, invasion by foreign military, coup d'état, earthquake, pandemic, flood, or nuclear, chemical or biological weapons attack, terrorist attack, cyber-attack or any other force majeure event in any relevant territory) as further described in the documentation relating to a specific issuance of Sustainability-Linked Bonds. A significant change is a change of at least 5% in the relevant SPT, baseline and/or intermediate target.

The documentation relating to a specific issuance of Sustainability-Linked Bonds may specify that Sanofi may choose to amend, adjust and/or recalculate the relevant SPT, baseline and/or intermediate target in the event of a non-significant change.

Any such amendment, adjustment and/or recalculation will be subject to certain conditions set out in the documentation relating to a specific issuance of Sustainability-Linked Bonds and must be in line with the Issuer's calculation methodology, as verified and confirmed by an external verifier and must be published in Sanofi's annual URD or on its website as a separate report or document.

Opinion: ISS ESG considers the Sustainability-Linked Securities Characteristics description provided by Sanofi as aligned with the SLBP. The issuer gives a detailed description of the potential variation of the financial characteristics of the securities, while clearly defining the KPI and SPT and its calculation methodologies. As Sanofi plans to issue various Instruments under this Framework, final terms may vary.

2.4. Reporting

FROM ISSUER'S FRAMEWORK

Sanofi will publish on an annual basis the Group's performance against the SPT for each of the KPIs selected for each issuance of Sustainability-Linked Bonds a specific bond issuance in a dedicated section of its Universal Registration Document or on its website as a separate report or document, in either case within

180 calendar days of the end of each calendar year to enable investors to monitor Sanofi's progress against the relevant SPT.

A verification assurance report issued by an external verifier to verify the Group's performance against the relevant SPT in respect of the relevant KPI as at the relevant Target Observation Date in respect of a particular issuance of Sustainability-Linked Bonds by Sanofi will be published in a dedicated section of Sanofi's Universal Registration Document or on its website as a separate report or document, in either case within 180 days of the relevant Target Observation Date.

When relevant, information published in Sanofi's Universal Registration Document or on its website as a separate report or document may also include any recalculation, amendment or modification of the SPTs, the relevant baselines or intermediate targets, as applicable.

Opinion: ISS ESG considers the Reporting description provided by Sanofi as aligned with the SLBP. This will be made publicly available annually and include valuable information, as described above.

2.5. Verification

FROM ISSUER'S FRAMEWORK

Sanofi's annual performance against the SPT for each of the KPIs selected for each issuance of Sustainability-Linked Bonds on a specific bond issuance will be verified by an external auditor, as part of the Group's annual sustainability report audit process, the result of which will be included in a dedicated section of its URD Universal Registration Document. Or on its website as a separate report or document.

Moreover, the external verifier will verify the KPI performance against the SPT as at the relevant Target Observation Date(s).

Sanofi's Sustainability-Linked Bond Framework has been reviewed by ISS ESG, who has provided a Second Party Opinion (SPO), confirming the alignment of the Framework with the Sustainability-Linked Bond Principles (SLBP) 2020 as administered by ICMA. The SPO will be made available on Sanofi's website.

Opinion: ISS ESG considers the Verification description provided by Sanofi as aligned with the SLBP. The issuer plans on having the annual performance of the KPIs verified and published. This will outline the performance against the SPT, the related impact and timing of such impact on the securities financial characteristics.

PART 3: LINK TO SANOFI'S SUSTAINABILITY STRATEGY

The ISS ESG Corporate Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments.

COMPANY	SECTOR	DECILE RANK	TRANSPARENCY LEVEL
SANOFI	Pharmaceuticals & Biotechnology	1	VERY HIGH

This means that the company currently shows a high sustainability performance against peers on key ESG issues faced the Pharmaceuticals and Biotechnology sector and obtains a Decile Rank relative to industry group of 1, given that a decile rank of 1 indicates highest relative ESG performance out of 10.

ESG performance

As of 14.11.2021, this Rating places Sanofi 3rd out of 476 companies rated by ISS ESG in the Pharmaceuticals & Biotechnology sector.

Key Challenges faced by companies in term of sustainability management in this sector are displayed in the chart on the right, as well as the issuer's performance against those key challenges in comparison to the average industry peers' performance.

Sustainability Opportunities

Sanofi develops and produces pharmaceuticals which improve the quality of life and reduce the global disease burden. The company targets various disease areas such as rare diseases, cancer and diabetes. Moreover, Sanofi generates 16% of sales (2020) with paediatric, influenza, meningitis and other vaccines, which are associated with high social benefits due to their ability to prevent illness.

Sanofi is among the sector leaders when it comes to research into diseases affecting mainly developing countries (e.g., tuberculosis, vaccines and sleeping sickness). The share of R&D expenditure related to the latter is about 1%. In addition, the company has a systematic approach to enhance access to health and various activities to promote affordability and availability are coordinated by a special department.

Sustainability Risks

Sanofi is aware of the key social challenges of its sector – in particular ethical issues in R&D, marketing and product safety - and succeeds in managing most of them in a responsible way. The company has implemented structures to ensure that clinical trials are conducted in line with ethical standards, which is quite important as Sanofi conducts a significant share of clinical trials outside

Key Issue Performance



Europe and North America where participants may be more vulnerable. Sanofi's disclosure policy for clinical trials is good but it is not applied retroactively to cover previously unpublished clinical trial results. A bioethics committee is in place to address other ethical topics relevant in pharmaceutical R&D. However, Sanofi's global marketing and sales guidelines are not clear and comprehensive enough to fully eliminate the risk of controversial practices. In addition, the company has a track record of product safety controversies. Prosecutors in France announced in 2020 that they are investigating Sanofi over its alleged failure to adequately warn pregnant patients of the elevated risks of its epilepsy drug Depakine. In the Philippines, Sanofi is being investigated over alleged deaths that have been linked to the company's dengue vaccine called Dengvaxia. Apart from that, the company allegedly exposes its employees to poor working conditions at its operations in France. While Sanofi manages general staff-related issues well, the company did also implement significant job cuts affecting several thousand employees in recent years. Sanofi's code of conduct provides guidance on most aspects of fair business practices, however, the company was involved in major controversies in the past and a recent corruption settlement and an anti-competition probe indicate gaps in its compliance system.

Sanofi performs above average when it comes to the management of environmental challenges and has taken initial steps to reduce pharmaceutical residues in the environment and tackle associated risks. However, there is only limited information available on effluent treatment at outsourced production sites. Sanofi has set an ambitious target to reduce water use and delivers performance data.

Governance opinion

Sanofi's governance structure consists of a board with almost 70% of members meeting independence requirements and a chairman (Serge Weinberg) who is considered not independent of management. In addition, the board has set up committees in charge of audit, remuneration and nomination which are predominantly composed of independent members (all governance data as of June 26, 2021). Moreover, executive remuneration, including long-term incentives, is reported for the CEO and the executive team as a whole.

With regard to the governance of sustainability, the company has established a board committee in charge of ESG matters. Moreover, the CEO's variable compensation is based on both quantitative and qualitative criteria, including CSR objectives. Sanofi's code of conduct provides guidance on most aspects of fair business practices, including anti-corruption. The company was involved in major controversies in the past and a recent settlement with US authorities indicates that Sanofi lacks an effective anti-corruption compliance program at least in some emerging market countries. Moreover, the company allegedly colluded with other companies to set artificially high prices for diabetic treatments in the United States. Sanofi presents various reasonable compliance procedures, yet the scope and quality of whistleblower protection and third-party anti-corruption due diligence measures remains unclear.

Sustainability impact of products and services portfolio

Using a proprietary methodology, ISS ESG assessed the contribution of Sanofi's current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs). This analysis is limited to evaluation of final product characteristics and does not include practices along the issuer's production process.

PRODUCT/SERVICES PORTFOLIO	ASSOCIATED PERCENTAGE OF REVENUE	DIRECTION OF IMPACT	UN SDGS
Over-the-counter pharmaceuticals, prescription pharmaceuticals	97%	CONTRIBUTION	
Others	N/A	NO NET IMPACT	N/A

Breaches of international norms and ESG controversies

The company is not facing any controversy.

Contribution of KPIs to sustainability objectives and priorities

ISS ESG mapped the KPIs selected by the issuer for its Sustainability-Linked Bonds with the sustainability objectives defined by the issuer, and with the key ESG industry challenges as defined in the ISS ESG Corporate Rating methodology for the Pharmaceuticals and Biotechnology sector. Key ESG industry challenges are key issues that are highly relevant for a respective industry to tackle when it comes to sustainability, e.g., climate change and energy efficiency in the buildings sector. From this mapping, ISS ESG derived a level of contribution to the strategy of each KPIs selected.

KPIs SELECTED	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG INDUSTRY CHALLENGES	CONTRIBUTION
Absolute GHG emissions scope 1&2 reduction	✓	✓	<i>Contribution to a material objective</i>
Absolute GHG emissions scope 3 reduction	✓	✓	<i>Contribution to a material objective</i>
Provision by SGH of essential medicines in low-income countries and lower middle-income countries	✓	✓	<i>Contribution to a material objective</i>
Beneficiaries of SGH healthcare programs	✓	✓	<i>Contribution to a material objective</i>

Opinion: *ISS ESG finds that the KPIs are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer’s industry.*

DISCLAIMER

1. Validity of the SPO: For Sanofi's Sustainability-Linked Bond issuances as long as the Sustainability-Linked Bond Framework (08.12.2021 version), SPTs benchmarks and structural securities characteristics described in this document do not change.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: ISS ESG Corporate Rating

The following pages contain extracts from Sanofi's 2021 ISS ESG Corporate Rating.

Methodology - Overview

The ESG Corporate Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for more than 25 years.

ESG Corporate Rating - The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g., known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Analyst Opinion - Qualitative summary and explanation of the central rating results in three dimensions:

- (1) Opportunities - assessment of the quality and the current and future share of sales of a company's products and services, which positively or negatively contribute to the management of principal sustainability challenges.
- (2) Risks - summary assessment of how proactively and successfully the company addresses specific sustainability challenges found in its business activity and value chain, thus reducing its individual risks, in particular regarding its sector's key issues.
- (3) Governance - overview of the company's governance structures and measures as well as of the quality and efficacy of policies regarding its ethical business conduct.

Norm-Based Research - Severity Indicator - The assessment of companies' sustainability performance in the ESG Corporate Rating is informed by a systematic and comprehensive evaluation of companies' ability to prevent and mitigate ESG controversies. ISS ESG conducts research and analysis on corporate involvement in verified or alleged failures to respect recognized standards for responsible business conduct through Norm-Based Research.

Norm-Based Research is based on authoritative standards for responsible business conduct such as the UN Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights and the Sustainable Development Goals.

As a stress-test of corporate disclosure, Norm-Based Research assesses the following:

- Companies' ability to address grievances and remediate negative impacts
- Degree of verification of allegations and claims
- Severity of impact on people and the environment, and systematic or systemic nature of malpractices

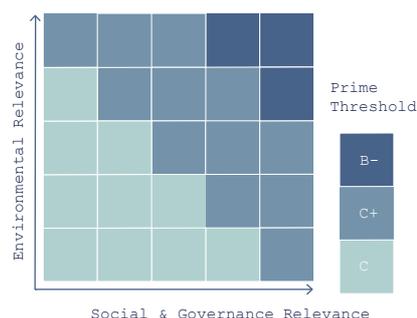
Severity of impact is categorized as Potential, Moderate, Severe, Very severe. This informs the ESG Corporate Rating.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Corporate Rating ranks within its industry from 1 (best – company's rating is in the first decile within its industry) to 10 (lowest – company's rating is in the tenth decile within its industry). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of companies within an industry cannot be evenly divided by ten, the surplus company ratings are distributed from the top (1 decile) to the bottom. If there are Corporate Ratings with identical absolute scores that span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Corporate Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all companies from the respective industry that are included in the ESG Corporate Rating universe (company portrayed in this report: dark blue).

Industry Classification - The social and environmental impacts of industries differ. Therefore, based on its relevance, each industry analyzed is classified in a Sustainability Matrix.

Depending on this classification, the two dimensions of the ESG Corporate Rating, the Social Rating and the Environmental Rating, are weighted and the sector-specific minimum requirements for the ISS ESG Prime Status (Prime threshold) are defined (absolute best-in-class approach).



Industry Leaders - List (in alphabetical order) of the top three companies in an industry from the ESG Corporate Rating universe at the time of generation of this report.

Key Issue Performance - Overview of the company's performance with regard to the key social and environmental issues in the industry, compared to the industry average.

Performance Score - The ESG Performance Score allows for cross-industry comparisons using a standardized best-in-class threshold that is valid across all industries. It is the numerical representation of the alphabetic ratings (D- to A+) on a scale of 0 to 100 with 50 representing the prime threshold. All companies with values greater than 50 are Prime, while companies with values less than 50 are Not Prime. As a result, intervals are of varying size depending on the original industry-specific prime thresholds.

Rating History - Development of the company's rating over time and comparison to the average rating in the industry.

Rating Scale - Companies are rated on a twelve-point scale from A+ to D-:

A+: the company shows excellent performance.

D-: the company shows poor performance (or fails to demonstrate any commitment to appropriately address the topic).

Overview of the range of scores achieved in the industry (light blue) and indication of the grade of the company evaluated in this report (dark blue).

Sources of Information - A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold - Companies are categorized as Prime if they achieve/exceed the sustainability performance requirements (Prime threshold) defined by ISS ESG for a specific industry (absolute best-in-class approach) in the ESG Corporate Rating. Prime companies are sustainability leaders in their industry and are better positioned to cope with material ESG challenges and risks, as well as to seize opportunities, than their Not Prime peers. The financial materiality of the Prime Status has been confirmed by performance studies, showing a continuous outperformance of the Prime portfolio when compared to conventional indices over more than 14 years.

Transparency Level - The Transparency Level indicates the company's materiality-adjusted disclosure level regarding the environmental and social performance indicators defined in the ESG Corporate Rating. It takes into consideration whether the company has disclosed relevant information regarding a specific indicator, either in its public ESG disclosures or as part of the rating feedback process, as well as the indicator's materiality reflected in its absolute weight in the rating. The calculated percentage is classified in five transparency levels following the scale below.

0% - < 20%: very low

20% - < 40%: low

40% - < 60%: medium

60% - < 80%: high

80% - 100%: very high

For example, if a company discloses information for indicators with a cumulated absolute weight in the rating of 23 percent, then its Transparency Level is "low". A company's failure to disclose, or lack of transparency, will impact a company's ESG performance rating negatively.

ANNEX 2: Methodology

ISS ESG Corporate Rating

The ESG Corporate Rating universe, which is currently expanding from more than 8,000 corporate issuers to a targeted 10,000 issuers in 2020, covers important national and international indices as well as additional companies from sectors with direct links to sustainability and the most important bond issuers that are not publicly listed companies.

The assessment of a company's social & governance and environmental performance is based on approximately 100 environmental, social and governance indicators per sector, selected from a pool of 800+ proprietary indicators. All indicators are evaluated independently based on clearly defined performance expectations and the results are aggregated, taking into account each indicator's and each topic's materiality-oriented weight, to yield an overall score (rating). If no relevant or up-to-date company information with regard to a certain indicator is available, and no assumptions can be made based on predefined standards and expertise, e.g., known and already classified country standards, the indicator is assessed with a D-.

In order to obtain a comprehensive and balanced picture of each company, our analysts assess relevant information reported or directly provided by the company as well as information from reputable independent sources. In addition, our analysts actively seek a dialogue with the assessed companies during the rating process and companies are regularly given the opportunity to comment on the results and provide additional information.

Alignment of the concept set for transactions against the Sustainability-Linked Bond Principles, as administered by ICMA

ISS ESG reviewed the Sustainability-Linked Bond Framework of Sanofi, as well as the concept and processes for issuance against the Sustainability-Linked Bond Principles administered by the ICMA. Those principles are voluntary process guidelines that outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the Sustainability-Linked Bond market by clarifying the approach for issuance.

ISS ESG reviewed the alignment of the concept of the Sanofi's issuance with mandatory and necessary requirements as per the Appendix II - SLB Disclosure Data Checklist of those principles, and with encouraged practices as suggested by the core content of the Principles.

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles, ISS ESG conducted an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT. ISS ESG analysed if the KPI selected is core, relevant and material to the issuer's business model and consistent with its sustainability strategy thanks to its long-standing expertise in evaluating corporate sustainability performance and strategy. ISS ESG also reviewed if the KPI is appropriately measurable by referring to key GHG reporting protocols and against acknowledged benchmarks. ISS ESG analysed the ambition of the SPTs against Sanofi's own past performance (according to Sanofi's reported data), against Sanofi's Pharmaceuticals & Biotechnology peers (as per ISS ESG Peer Universe and data), and against international benchmarks such as the Paris agreement. Finally, ISS ESG evaluated the measurability & comparability of the SPT, and the supporting strategy and action plan of Sanofi.

ANNEX 3: Quality management processes

SCOPE

Sanofi commissioned ISS ESG to compile a Sustainability-Linked Bond SPO. The Second Party Opinion process includes verifying whether the Sustainability-Linked Bond Framework aligns with the ICMA Sustainability-Linked Bond Principles and to assess the sustainability credentials of its Sustainability-Linked Bonds, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Sustainability-Linked Bond Principles as per June 2020

ISSUER'S RESPONSIBILITY

Sanofi's responsibility was to provide information and documentation on:

- Sustainability-Linked Bond Framework

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability-Linked Bonds to be issued by Sanofi based on ISS ESG methodology and in line with the ICMA Sustainability-Linked Bond Principles.

The engagement with Sanofi took place in November and December 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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