sanofi

GRANT OF PERFORMANCE SHARES TO THE CHIEF EXECUTIVE OFFICER, PAUL HUDSON, FOR FISCAL YEAR 2023

Upon proposal of the Compensation Committee, the Board of Directors, after deliberation, decides unanimously, Paul Hudson abstaining to take part of the vote, to grant 82,500 performance shares to the Chief Executive Officer, effective today, and that the vesting of the shares will be dependent upon meeting cumulatively four performance criteria over a period of three years, 2023-2025 (the "Period").

The global allocation rate (the "**Global Allocation Rate**") shall be calculated on the basis of the period of effective presence within the Group and of said four criteria, which are the ratio of "**Business Net Income**", the "**Free Cash Flow (FCF)**", the "**TSR**" and the "**Environmental, Social and Governance**" (ESG), in accordance with the rules set forth below.

(i) Business Net Income Achievement Rate

This performance criterion corresponds to an average achievement of business net income versus budgeted business net income over the entire Period.

The Business Net Income as forecasted in the budget ("**Budgeted Business Net Income"**) will vary from one fiscal year to another and will be approved by the Board of Directors at the beginning of each fiscal year.

For each fiscal year in the Period, the percentage, at a constant exchange rate, of (i) actual Business Net Income[1] **("Business Net Income")** over (ii) **Budgeted Business Net Income** will be calculated (such annual rate, the **"Annual BNI Achievement Rate"**).

At the end of the Period, the arithmetic average of the Annual BNI Achievement Rates each fiscal year in the Period (the **"BNI Achievement Rate" or "R"**) will be calculated for and the Board of Directors will determine the Business Net Income Allocation Rate corresponding to such BNI Achievement Rate, as follows:

BNI Achievement Rate (« R »)	***Business Net Income Allocation Rate***
If R is less than 95%	*0%*
If R is equal to 95%	*50%*
If R is more than 95% but less than 98%	*(50 + [(**R** – 95) x 16]) %*
*if **R** is equal to or more than 98% but less than or equal to 105%*	***R %***
If R is more than 105% but less than 110%	*(105 + [(**R** - 105) x 3]) %*
If R is equal to or more than 110%	*120%*

[1] *We define business net income as **Net income attributable to equity holders of Sanofi** determined under IFRS, excluding the following items:*
- *amortization and impairment losses charged against intangible assets (other than software and other rights of an industrial or operational nature);*
- *fair value remeasurement of contingent consideration relating to business combinations or divestments;*
- *other impacts associated with acquisitions (including impacts relating to investments accounted for using the equity method);*
- *restructuring costs and similar items (presented within the line item **Restructuring costs and similar items**);*
- *others gains and losses, including gains and losses on major disposals of non-current assets (presented within the line item **Other gains and losses, and litigation**);*
- *other costs and provisions related to litigation (presented within the line item **Other gains and losses, and litigation**);*
- *the tax effects of the items listed above, and the effect of major tax disputes; and*
- *the portion attributable to non-controlling interests of the items listed above.*

(ii) FCF

This performance criterion corresponds to an average achievement of Free Cash-Flow versus budgeted Free Cash-Flow over the entire Period.

The Free Cash-Flow as forecasted in the budget ("**Budgeted FCF**") will vary from one fiscal year to another and will be approved by the Board of Directors at the beginning of each fiscal year.

For each fiscal year in the period, the percentage, at a constant exchange rate, of (i) actual Free Cash-Flow[2] (the "FCF") over (ii) Budgeted FCF will be calculated (such annual rate, the "**Annual Budgeted FCF Achievement Rate**").

At the end of the Period, the arithmetic average of the Annual Budgeted Achievement Rates for each fiscal year in the Period (the **"Budgeted FCF Achievement Rate" or "F"**) will be calculated and the Board of Directors will determine the FCF Allocation Rate corresponding to such Budgeted FCF Achievement Rate, as follows:

Budgeted FCF Achievement Rate (« F »)	FCF Allocation Rate
If F is less or equal than 70%	0%
If F is more than 70% but less than 80%	[(F-70) x 5] %
If F is equal to 80%	50%
If F is more than 80% but less than 100%	(50 + [(F-80) x 2.5]) %
If F is equal to 100%	100%
If F is more than 100% but less than 120%	F%
If F is more than or equal to 120%	120%

(iii) TSR Rank Improvement

The Total Shareholder Return ("**TSR**") Rank Improvement corresponds to the evolution in rank of Sanofi's TSR when compared to the TSR of peer companies included in a panel. The TSR corresponds to the performance of the Sanofi shares trading price[3] increased by the dividends per share during the measurement periods, without reinvestment.

Sanofi TSR Rank Improvement is determined by comparing the Endpoint Sanofi TSR rank to the Baseline Sanofi TSR rank.

<u>Baseline Sanofi TSR rank</u>
The Baseline Sanofi TSR ("**Baseline Sanofi TSR**") is equal to the following formula:
(average prices of 2022 – average prices of 2021 + dividends per share 2022) / average prices of 2021

Where:
- "average prices of 2022" is the average of the opening trading prices from January 1, 2022 to December 31, 2022
- "average prices of 2021" is the average of the opening trading prices from January 1, 2021 to December 31, 2021
- "dividends per share 2022" is the sum of the dividends paid on the Company's shares from January 1, 2022 to December 31, 2022, without reinvestment.

2 *Free Cash Flow is determined from Business Net Income adjusted for depreciation, amortization and impairment, share of undistributed earnings, from investments accounted for using the equity method, gains & losses on disposals, net change in provisions including pensions and other post-employment benefits, deferred taxes, share-based payment expense, lease liability and associated interest payments, and other non-cash items. It also includes net changes in working capital, capital expenditures and other asset acquisitions net of disposal proceeds(1), and payments related to restructuring and similar items.*

(1) *Free Cash Flow includes investments and divestments not exceeding a cap of €500 Million per transaction.*

3 *Historical share prices are adjusted for spin-offs, stock splits/consolidations, stock dividends/bonus, rights offerings/entitlements*

The Baseline Sanofi TSR thus calculated will be compared to the one calculated for a panel of peer companies applying the same methodology as for the Baseline Sanofi TSR. The companies constituting such panel (12 companies + Sanofi) are: Amgen, AstraZeneca plc., Bayer AG, Bristol-Myers-Squibb Inc., Eli Lilly and Company Inc., GlaxoSmithKline plc, Johnson & Johnson Inc., Merck Inc, Novartis AG, Novo Nordisk, Pfizer Inc., Roche Holding Ltd, namely the “Panel”.

The Board of Directors may review the Panel during the Period, in the exceptional event of the disappearance of a company or consolidation of companies. In each case, TSR rank shall be determined by reference to the primary regulated market on which its shares are listed in its country of incorporation (Euronext Paris for Sanofi).

The Baseline Sanofi TSR will be compared to the Baseline TSR of each of the companies in the Panel and will result in a relative position of TSR within the Panel, such relative position being the Baseline Sanofi TSR rank.

Endpoint Sanofi TSR rank
The Endpoint Sanofi TSR ("**Endpoint Sanofi TSR**") is equal to the following formula:
(average prices of 2025 – average prices of 2022 + dividends per share 2023 to 2025) / average prices of 2022

Where:
- “average prices of 2025” is the average of the opening trading prices from January 1, 2025 to December 31, 2025
- “average prices of 2022” is the average of the opening trading prices from January 1, 2022 to December 31, 2022
- “dividends per share 2023 to 2025” is the sum of the dividends paid on the Company’s shares from January 1, 2023 to December 31, 2025, without reinvestment.

The Endpoint Sanofi TSR thus calculated will be compared to the one calculated for the Panel of peer companies and applying the same methodology as for the Endpoint Sanofi TSR.

The Endpoint Sanofi TSR will be compared to the TSR of each of the companies in the Panel and will result in a relative position of TSR within the Panel, such relative position being the Endpoint Sanofi TSR rank.

The TSR rank improvement of Sanofi is computed as Endpoint Sanofi TSR rank minus Baseline Sanofi TSR rank.

The “TSR Allocation Rate” will be determined according to the TSR rank improvement of Sanofi as follows:

Sanofi TSR Rank Improvement	TSR Allocation Rate
+3 and above	150%
+2	100%
+1	50%
No Improvement	0%

Even in the event of an improvement in Sanofi's TSR ranking in application of the principles defined above, no allocation linked to TSR may take place if Sanofi's TSR ranking is lower than the median TSR. The median TSR is the performance of the company ranked 7th in the panel.

(iv) ESG

This performance criterion corresponds to the achievement over the 3-year period of annual targets and a stretch objective linked to the following ESG pillars:

1) Affordable Access – Provide essential medicines to Noncommunicable diseases patients through Sanofi Global Health
2) Planet Care – Carbon Footprint Reduction, scope 1&2 (% CO_2 reduction vs 2019)

Details relating to the annual and stretch targets are reported in the plan’s brochure that is made available to the Beneficiaries.

Achievement of each ESG annual target will generate one performance point. A maximum of 3 points and 1 additional point related to the stretch target can be obtained for each pillar. 2025 target achievement for either criterion will trigger 3 points for that criterion even if the annual targets are not achieved.

At the end of the Period, the Board of Directors will determine the ESG Allocation Rate corresponding to the number of points earned, as follows:

ESG points earned	**ESG Allocation Rate**
Less than 3 points	0%
3 points	50%
4 points	67%
5 points	83 %
6 points	100%
7 points	110%
8 points	120%

(v) Global Allocation Rate

For the Period, the Global Allocation Rate is the weighted average of the BNI Allocation Rate (at 45%), the FCF Allocation Rate (at 25%), the TSR Allocation Rate (at 20%) and the ESG Allocation Rate (10%) of the Period multiplied by an effective presence coefficient.

In the first quarter 2026, the Board will determine whether or not the performance conditions for the Period have been met by determining successively: (i) the BNI Allocation Rate, (ii) the FCF Allocation Rate, (iii) the TSR allocation rate, (iv) the ESG Allocation Rate and (v) the Global Allocation Rate. The Global Allocation Rate may not exceed 100%.

The number of shares to be delivered at the end of the vesting period will be, subject to meeting the continued employment condition described below and except in specific cases, equal to the Global Allocation Rate multiplied by the total number of performance shares initially awarded.

If the multiplication of the number of performance shares initially granted by the Global Allocation Rate for the Period results in a fractional number of shares awarded, such number will be rounded upward to the next highest whole number.

In any event, the maximum number of shares awarded may not be more than the number of performance shares initially granted, subject to the adjustments set forth under the Article **"**Adjustments**"** below.

As with the Employees Plans (including Executive Committee members), the objectives set are final. The Board of Directors will have the right, however, to adjust the performance conditions in case unusual circumstances justify such change, with concurring recommendation of the Compensation Committee, i.e., in case of a change in the Company’s scope of consolidation, a change in accounting methods, or any other circumstance justifying such adjustment in the opinion of the Board of Directors, so as to neutralize, to the extent possible, the consequences of such changes on the objective fixed at the time of the initial grant. Such adjustment shall be confirmed by an independent certified public accountant or financial expert.

In the event of disability or death prior to determination of the Global Allocation Rate, the Global Allocation Rate, will be deemed to be 100% on the date the relevant event occurs.

In such case, the number of shares awarded will be equal to the number of performance shares initially granted. In the event of disability or death after determination of the Global Allocation Rate, the Global Allocation Rate will be the rate determined by the Board of Directors.

Condition of continued employment:

Should Paul Hudson's office as Chief Executive Officer terminate, he shall retain his right to the performance shares based on the Global Allocation Rate defined here above, except as follows (unless the Board of Directors decides otherwise):

(i) in case of resignation: the loss of his right to the performance shares will take effect on the date his responsibilities as Chief Executive Officer terminate;

(ii) and (ii) in case of removal for serious cause or gross misconduct ("faute grave"): the loss of his right to the performance shares will take effect on the date on which removal is notified.

If at any time before the expiry of the performance shares vesting period, Paul Hudson joins as employee or executive officer, or provides services to, or cooperates with a competitor of the Company, he shall irrevocably lose all of his performance shares regardless of a possible decision of the Board of Directors to cancel, totally or partially, his non-compete undertaking under his office as Chief Executive Officer.

Specific cases

(i) If Paul Hudson retires after legal retirement age but before the expiry of the performance shares vesting period, he will retain his right to vesting of his performance shares initially awarded on a pro rata basis according to the time of presence during the acquisition period, and will remain subject to the other conditions of the Plan, including the performance conditions.

(ii) Should Paul Hudson be classified as disabled to a degree corresponding to classification in the second or third category described in Article L. 341-4 of the French Social Security Code, i.e., equivalent to being unable to engage in any professional activity, Paul Hudson or his legally appointed representative may request the early vesting and delivery of the performance shares notwithstanding the vesting period.

The shares will then be freely transferable, regardless of whether the disability occurred before or after the expiry of the vesting period.

(iii) In case of Paul Hudson's death, the performance shares will be delivered to his heirs and successors.

(iv) In case of an early vesting pursuant to death or disability of Paul Hudson, the value of one Sanofi share will be determined by reference to the average of the opening price of the share on Euronext Paris during the full calendar month immediately preceding the calendar month during which the termination of Paul Hudson's employment contract becomes effective.

Adjustments:

In the event of a redemption or reduction of share capital, a change in the allocation of profits, a grant of free shares to all of the shareholders, an increase in share capital by incorporation of reserves, profits or share premium, a distribution of reserves, a share buy-back at a price above the share price on the stock exchange or any issues of equity instruments that includes subscription rights reserved for the shareholders, the maximum number of shares awarded and, if the case arises, the number of shares to which an option gives right will be adjusted in order to take into account such issuance or other capital transaction.

Should such a situation be covered by existing law or regulation, such law or regulation shall be applied. If such a situation is not covered by existing law or regulation, the general meeting of shareholders or the Board of Directors deciding to conduct such securities issuance or other capital transaction may adopt any adjustment measures needed to protect the rights of the beneficiary, using by analogy the rules and regulations which would govern similar cases.

It is hereby specified that, in accordance with the 24th resolution adopted at the Combined General Shareholders' Meeting held on April 30, 2021, shares awarded pursuant to such an adjustment will be deemed to have been awarded on the same day as the performance shares initially awarded on the award date.

Grant of performance shares to the Chief Executive Officer, Paul Hudson

- Type of shares awarded: the performance shares will give right to new shares to be issued by the Company, the Company reserves the right to deliver existing shares.
- Total number of performance shares awarded: 82,500 performance shares, subject to any applicable adjustments.
- Vesting period: three years from the date of this deliberation, expiring on May 25, 2026 inclusive. During such period, Paul Hudson shall not be the owner of the shares and will have none of the rights attaching thereto, whether voting rights or dividend rights.

  The rights resulting from the performance shares will not be transferable until the share award finally vests.

  Upon expiration of the vesting period, Sanofi will deliver the Shares, subject to meeting the award conditions and criteria set forth in this deliberation.
- Lock-up period: there is no lock-up period. Nevertheless, in accordance with Article L. 225-197-1 II. 4° of the French Commercial Code, the Chief Executive Officer shall be required to keep in registered form a certain number of shares resulting from an award of performance shares under this Plan. On the recommendation of the Compensation Committee, the Board hereby decides that the Chief Executive Officer must retain a number of the Company's shares corresponding to 50% of the appreciation value calculated on the date of delivery of the shares (net of taxes and social security/health insurance contributions that would apply in the event of a sale on such date, at the highest applicable marginal rates) until he ceases to hold office.

  Subject to these restrictions and subject to the rules and provisions prohibiting directors and officers from engaging in transactions involving the Company's shares on the basis of material, non-public information ("insider trading rules"), the shares shall be negotiable upon registration in a share account.
- Obligation to acquire shares when the shares become available: in view of the significant level of the retention obligations imposed on the Chief Executive Officer when shares are vested, the Board of Directors, on the recommendation of the Compensation Committee, decides not to impose on Paul Hudson the purchase, as recommended by the AFEP-MEDEF Code, of an additional quantity of the company's shares when the allocated shares become available.
- Prohibition of speculative and hedging transaction: pursuant to the AFEP-MEDEF Code and the Board Charter, it is recalled that Directors shall refrain from entering into speculative or hedging transactions, in particular derivatives transactions and short selling. Paul Hudson undertakes to comply with this rule.
- Ranking for dividend: the new shares issued to the beneficiary will have the same rights as those attached to the existing Sanofi shares as from their issuance.

Clawback Policy: Grants made under this decision will be subject to the Clawback policy that will be adopted by Sanofi in accordance with the rule 10D-1of the U.S. Securities and Exchange Commission and anticipated amended listing rules of the Nasdaq.