



Grant of stock subscription option and performance shares to the Chief Executive Officer, Olivier Brandicourt, for fiscal year 2019

The exercise of options and the vesting of the shares are dependent upon meeting cumulatively three performance criteria over a **period of three years, 2019-2021** (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 three criteria, which are the ratio of "**Business Net Income**", the "**Free Cash Flow (FCF)**" and the "**TSR**" 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 Income¹ ("**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 for each fiscal year in the Period (the "**BNI Achievement Rate**" or "**R**") will be calculated

¹ Business net income is a non-GAAP financial indicator defined 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 acquisitions or divestments;
- other impacts associated with acquisitions (including impacts of acquisitions on investments accounted for using the equity method);
- restructuring costs and similar expenses⁽¹⁾;
- others gains and losses (including gains and losses on major disposals of non-current assets⁽²⁾);
- other costs and provisions related to litigation⁽²⁾;
- the tax effects of the items listed above;
- the effects of major tax disputes;
- the 3% tax levied on the distribution of dividends to equity holders of Sanofi until 2017;
- the direct and indirect effects of the US tax reform enacted on fiscal year 2017, the adjustments of the recorded estimations in 2018, and the consequences of the French Constitutional Council ruling of October 6, 2017 on the additional 3% levy on dividends paid out in cash;
- those Animal Health items that are not included in business net income⁽³⁾; and
- the portion attributable to non-controlling interests of the items listed above.

⁽¹⁾ Reported in the consolidated income statement line items: **Restructuring costs and similar expenses**.

⁽²⁾ Reported in the consolidated income statement line items: **Other Gains and losses, litigation**.

⁽³⁾ Impact of (i) the discontinuation of depreciation and impairment of property, plant & equipment with effect from the start date of application of IFRS 5 (Discontinued and Held-for-Sale Operations) included in business net income; (ii) the amortization and impairment of intangible assets until the start date of IFRS 5 application and (iii) costs directly incurred as a result of the divestment; and (iv) tax effects of items (i) to (iii).

and the Board of Directors will determine the Business Net Income Allocation Rate corresponding to such BNI Achievement Rate, as follows:

<i>BNI Achievement Rate (« R »)</i>	<i>Business Net Income Allocation Rate</i>
<i>If R is less than 95%</i>	<i>0%</i>
<i>If R is equal to 95%</i>	<i>50%</i>
<i>If R is more than 95% but less than 98%</i>	<i>$(50 + [(R - 95) \times 16]) \%$</i>
<i>If R is equal to or more than 98% but less than or equal to 105%</i>	<i>R %</i>
<i>If R is more than 105% but less than 110%</i>	<i>$(105 + [(R - 105) \times 3]) \%$</i>
<i>If R is equal to or more than 110%</i>	<i>120%</i>

(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-Flow² (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:

<i>Budgeted FCF Achievement Rate (« F »)</i>	<i>FCF Allocation Rate</i>
<i>If F is less than 40%</i>	<i>0%</i>
<i>If F is more than 40% but less than 80%</i>	<i>$[(F-40) \times 1.625]\%$</i>
<i>If F is equal to 80%</i>	<i>65%</i>
<i>If F is more than 80% but less than 100%</i>	<i>$(65 + [(F-80) \times 1.75])\%$</i>

²Free Cash-Flow means the operating cash-flow +/- changes in working capital +/- acquisitions of PPE and software, after the following cash items:

- amortization and impairment losses charged against intangible assets (other than software and other rights of an industrial or operational nature);
- after acquisitions of intangibles and investments (except those approved by the Board): committed cash-outs and additional budgeted BD deals;
- restructuring and other similar items (operational excellence) cash-outs
- proceeds from disposals (except those approved by the Board)

The following cash items are excluded:

- all Board-approved acquisitions or disposals,
- all equity-based cash movements: share buybacks, share capital increase, dividends payments, etc.;
- any major and exceptional cash in/out: related to litigations, derivatives, tax, etc.;



<i>If F is equal to 100%</i>	<i>100%</i>
<i>If F is more than 100% but less than 120%</i>	<i>F%</i>
<i>If F is more than or equal to 120%</i>	<i>120%</i>

(iii) TSR

For the Period, this performance criterion, the Total Shareholder Return (“TSR”), corresponds to the increase in the trading price of the shares increased by dividends per share. Growth or increases in the trading price of the shares is determined by analyzing the average of the opening trading prices from February 1, 2018 to January 31, 2019 and the average of the opening trading prices from February 1, 2021 to January 31, 2022.

Furthermore, the dividend per share is the sum of the dividends paid on the Company’s shares during the relevant period, without reinvestment.

The TSR thus calculated will be compared to the one calculated for the Period by a panel of “peer” companies. The companies constituting such panel (10 companies + Sanofi) are: Astra Zeneca, BMS, Eli Lilly, GSK, Johnson & Johnson, Merck, Novartis, Pfizer, Roche, and Bayer. The Board of Directors may review such panel during the Period, in the exceptional event of the disappearance of a company or consolidation of companies.

The Company’s TSR will thus be compared to the TSR of each of the companies in the panel and will result in a classification between the Company and the companies on the panel. The Allocation rate will be analyzed according to the Company’s ranking within the panel as follows (“**TSR Allocation Rate**”):

– Definitions:

The median TSR is the performance of the company ranked 6th in the panel (“**M**”).

The high position is the arithmetic average of the performance of companies in the panel ranked 1st and 2nd (“**H**”).

The intermediary position is equal to $M + ((H - M) / 2)$ (“**Intermediary Position**”).

Calculation of the TSR Allocation Rate:

- If the Company’s TSR is less than M, the TSR Allocation Rate shall equal 0%;
- If the Company’s TSR is equal to M, the TSR Allocation Rate shall equal 50%;
- If the Company’s TSR is equal to the Intermediary Position, the TSR Allocation Rate shall equal 100%;
- If the Company’s TSR is equal to or more than H, the TSR Allocation Rate shall equal 150%;



- If the Company's TSR is superior to M and inferior to H, the TSR Allocation Rate shall be calculated by linear interpolation, using the following formula:

* If the Company's TSR is between M and the Intermediary Position:

$$\text{TSR Allocation Rate} = \frac{(\text{Company's TSR} - M) \times 50}{(\text{Intermediary Position} - M)} + 50$$

* If the Company's TSR is between the Intermediary Position and H:

$$\text{TSR Allocation Rate} = \frac{(\text{Company's TSR} - \text{Intermediary Position}) \times 50}{(H - \text{Intermediary Position})} + 100$$

(iv) Global Allocation Rate

It represents the weighted average of the Net Income Allocation Rate (at 50%), the FCF Allocation Rate (at 30%), and the TSR Allocation Rate (at 20%) of the Period, multiplied by an effective presence coefficient. The effective presence coefficient corresponds to the ratio of the vesting period during which the beneficiary has been in office (from today's decision until departure from the Group) to the total duration of the vesting period.

During the first quarter 2022, the Board of Directors will determine whether or not the three performance conditions for the Period have been met by determining successively: (i) the Business Net Income Allocation Rate, (ii) the FCF Allocation Rate, (iii) the TSR Allocation Rate, and (iv) the Global Allocation Rate, by establishing the weighted average of the Average Net Income Allocation Rate, the FCF Allocation Rate, and the TSR Allocation Rate for the Period.

The number of subscription options exercisable or the number of shares to be actually 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 subscription options and of performance shares initially awarded.

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

In any event, the maximum number of exercisable options or of shares awarded may not be more than the number of options or 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 exercisable options or of shares awarded will be equal to the number of subscription options or 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 Olivier Brandicourt's office as Chief Executive Officer terminate, he shall retain his right to exercise his options and his rights 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 exercise the options or of his right to the performance shares will take effect on the date his responsibilities as Chief Executive Officer terminate; and
- (ii) in case of removal for serious cause or gross misconduct (*faute grave*): the loss of his right to exercise the options or 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 his option rights or of the performance shares vesting period, Olivier Brandicourt 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 rights to exercise his options and 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 Olivier Brandicourt retires after legal retirement age but before the expiry of his option rights or of the performance shares vesting period, he will retain his option rights and right to vesting of his performance shares initially awarded, but will remain subject to the other conditions of the Plan, including the performance conditions.
- (ii) Should Olivier Brandicourt 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 and such event shall constitute his becoming disabled for purposes of Section 409A of the US Internal Revenue Code:



- a. Olivier Brandicourt may exercise his options immediately without being required to comply with the vesting period described below until the expiration of the period of validity of the option, i.e., until April 30, 2029 at midnight Paris Time, and will be able to immediately sell or transfer the shares acquired, if any.
 - b. The early vesting and delivery of the performance shares will occur within the timing required by said Section 409A 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 Olivier Brandicourt's death, the performance shares will be delivered to his heirs and successors and they may exercise the options within six months from the date of death; otherwise they will irrevocably lose the right to so exercise or request. They may immediately sell or transfer the shares acquired or subscribed notwithstanding the vesting period.

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 or the exercise price of the options 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 20th resolution adopted at the Combined General Shareholders' Meeting held on April 30, 2019, 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.