

# Sustainable Procurement

**GRI Standards:**

2-1: Organizational details  
308-1, 308-2: Supplier environmental assessment  
414-1, 414-2: Supplier social assessment

## EXECUTIVE SUMMARY

Aligned with Sanofi's CSR ambition, Sustainability is embedded in Sanofi Procurement processes, as well as in its Supplier Relationship Management, with the aim to create sustainable business throughout Sanofi Supply Chain.

As a signatory of the UN Global Compact, Sanofi is committed to supporting and applying fundamental principles in the areas of human rights, labor, health and safety, environmental protection, anti-corruption and data privacy. These principles, detailed in the Suppliers' Code of Conduct, are part and parcel of our relations-management practices for our current and future suppliers. Hence, we expect our suppliers to meet the standards set out in the Sanofi Suppliers' Code of Conduct, and their compliance is a decisive factor in their commercial relationships with Sanofi.

Sanofi sustainable Procurement strategy is articulated around three pillars:

- *we build a responsible business* (Governance & Risk Management);
- *we contribute to a Healthy Planet* (Environmental responsibility); and
- *we care about people* (Social Responsibility).

To be effective, Sanofi Sustainable Procurement policy is primarily risk-based to maximize positive impact on the environment and society. In that sense, sustainability requirements have been systematically embedded in the different steps of our Procurement processes: supplier onboarding, tenders, continuous monitoring through audits and assessments.

In parallel, Sanofi has engaged in deeper, qualitative relationships with key suppliers to ensure adherence with our ambitious sustainability requirements. Multiple initiatives have been taken to engage, train and influence our suppliers.

To amplify our impact in the pharmaceutical and healthcare supply chain, we are actively contributing to the Pharmaceutical Supply Chain Initiative (PSCI), a group of pharmaceutical and healthcare companies that promote responsible supply chain management and better business conditions across the industry.

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# 1. Sustainable Procurement Strategy

## 1.1. SANOFI'S COMMITMENT

As a signatory of the UN Global Compact, Sanofi is committed to supporting and applying fundamental principles in the areas of human rights, labor, environmental protection, and anti-corruption. These principles, detailed in the Suppliers' Code of Conduct, are part and parcel of our relations-management practices for our current and future suppliers.

## 1.2. SANOFI'S UPDATED SUSTAINABLE PROCUREMENT STRATEGY

Sustainability has been on the agenda of Sanofi Procurement teams over the past ten years. The initial focus has been on managing risks and achieving desired levels of compliance with company's commitments and sustainability standards.

Aligned with the Play to Win Strategy, whereby CSR is a key priority, Procurement now looks beyond compliance, to embrace sustainability as an opportunity to create mutual value with its supply chain and its stakeholders.

In line with the updated CSR strategy and Sanofi Planet Care environmental roadmap, our Sustainable Procurement Strategy has been reshaped and is built pillars:

### **We build a responsible business (Governance & Risk Management)**

Through responsible sourcing, Sanofi aims to minimize risks and create stable, long-term business relationships with selected partners, that are screened through a risk-based approach.

For purchasing categories considered as risky from a sustainability standpoint, suppliers are either audited (most critical vendors), or subject to thorough due diligence assessments.

Supplier audits, focusing primarily on Health, Safety and Environment (HSE) performance, are conducted by Sanofi HSE department or subcontracted to external auditors. These supplier audits are mainly targeted on high-risk critical raw materials Sanofi manufacturing subcontractors. Action plans are continuously monitored to ensure remediation of issues.

Due diligence assessments are managed through third party provider EcoVadis, who measures supplier maturity for a wide range of CSR criteria (see more details in paragraph 2.2.)

### **We contribute to a Healthy Planet (Environmental responsibility)**

This pillar is directly linked to Sanofi Planet Care strategy. We are committed to engaging our suppliers in our environmental ambitions by sourcing responsibly. We are mainly focusing on:

- reduction of Scope 3 emissions: following the identification of its top CO<sub>2</sub> emitters, Sanofi has formally prompted them to commit to Carbon Neutrality by 2030, reduction of their CO<sub>2</sub> emissions in alignment with SBTi +1,5 °C and achievement of 100% renewable electricity by 2030; and
- eco-design: Sanofi conducts life cycle analysis of its products. Consequently, we are working with our packaging suppliers to: reduce the resources and energy used in manufacturing, use materials and resources with the minimum impact on the environment, limit emissions, pollution and the ecological impact (climate, biodiversity), facilitate the reuse or recycling of the product, and improve waste management in our supply chain.

## **We care about people (Social Responsibility)**

We aim to maximize our impact on society through our supply chain. Our strategy is articulated around two main priorities:

- Social and Human Rights: our suppliers are requested to comply at least with international human rights treaties, without prejudice to more favorable national laws. In particular, the observance of ILO (International Labor Organization) fundamental conventions by suppliers is an essential requirement for Sanofi. The following aspects are scrutinized in our Procurement process: child labor, working hours, wages and fringe benefits and freedom of association.
- Supplier Diversity:
  - > We have a Global Supplier Diversity program in place to increase the inclusion of historically disadvantaged or under-represented groups in our sourcing processes. On International Women's Day March 8, 2022, we made a public commitment to double our woman-owned business spend by 2025 and spend over €1.5 billion with small and diverse businesses by 2025.
  - > We are also strengthening communities' economic engagement with our suppliers through Tier II program, where we engage with our suppliers and encourage them to work with diverse suppliers and ensure our large corporate supplier base reflects our behaviors. Our partnerships with advocacy groups such as MSDUK, WeConnect International, WBE Canada and chambers of commerce around the globe support us to increase our collaboration and engagement with small and diverse businesses and also support women's economic empowerment.

## **1.3. ORGANIZATION**

Sanofi Procurement is integrated into the Finance function to increase its efficiency and enable fluidity with the business. As a result of the variety of its business segments, Sanofi purchases raw materials, goods and services globally and buys from a wide range of suppliers.

The Procurement function is centralized and serves all departments transversally. It is structured operationally in five domains (Directs, Digital, Professional Services, Marketing & Sales, Scientific & Clinical) and five regions (North America, France, Europe, International and Greater China & JPAC). The operating model is global category management with regional execution. The five domains are split into approximately 20 global categories and over 250 sub-categories.

Sustainability is embedded in the different steps of the Procurement process: onboarding, sourcing, contracting, assessment, delisting.

In parallel Sanofi is committed to engage and develop its suppliers to maximize our impact on the planet and society.

Sustainable Procurement is coordinated centrally by a dedicated Sustainable Procurement team. This team is split in three sub-teams, corresponding to our three strategic pillars (Environmental Responsibility, Social Responsibility and Risk Management).

Sustainable Procurement designs the relevant processes, the supplier engagement approach, facilitates the embedment of sustainability in Procurement ways of working and coordinates the overall sustainability strategy execution with other Departments (CSR, HSE, HR, Ethics & Business Integrity, etc.).

In its mission, the Procurement Sustainability team is supported by the Procurement Sustainability tribe, that is composed of sustainability champions from each Procurement Domain and Regions, and other functions. These representatives are co-leading key sustainability initiatives, and act as change agents in their respective Procurement organizations.

The Procurement community is regularly trained on the supplier ESG program. In 2022, 447 Buyers have been trained on the Sustainability process and platform.

## Procurement key figures

	2022	2021	2020
Procurement spend (in billion euros)	17.8	15	14,8
Spend in OECD countries (in billion euros)	16.2	13,6	13,3
Spend in non-OECD countries (in billion euros)	1,7	1,4	1,5
Number of suppliers	43 680	52 563	54 507
Number of countries	132	131	138

## 2. Embedment of sustainability in procurement processes

### 2.1. SUPPLIER CODE OF CONDUCT

Sanofi's commitment to sustainability is firstly reflected in our Supplier Code of Conduct, that any supplier, and supplier of our suppliers must comply with. They are expected to respect:

- labor regulations against child labor, forced labor, violence, discrimination;
- decent working conditions (working hours, wages and benefits, freedom of association);
- health and Safety: workers health and safety protection, hazard information and training, emergency preparedness; and
- environment: regulations, fight against climate change, minimize releases in the environment (air, water, soil), pollution prevention, reduction of energy and water usage, biodiversity.

The Supplier Code of Conduct is integrated into electronic ordering systems. Each time a supplier is onboarded, it should acknowledge and agree to our Supplier Code of Conduct.

*For more information, see our [Document Center](#): Sanofi Suppliers' Code of Conduct.*

### 2.2. SUPPLIER RISK ASSESSMENT

Our Procurement Risk approach encompasses all Procurement categories and considers the following risk areas:

- macro risks: geopolitical, economic, technological, legal, natural disasters;
- operational risks: supply (single source, dependency), financial, cybersecurity, strategic business issues;
- compliance risks: fraud and business ethics issues; and
- sustainability risks: environmental, social and governance issues.

We have systems and procedures in place to ensure effective implementation of the company's supplier sustainability programs required to identify and address material risks and impacts. The company relies on a global operating standard that defines the sustainability and risk management framework, the triggering criteria for assessments or audits and the processes to be followed.

This global operating standard has established sustainability baseline requirements that suppliers must meet, as well as expectations for ongoing improvement.

Sustainability risks are assessed through our 267 purchasing sub-categories. The categories are assessed based on their inherent risk in terms of health and safety (score from one to four), the environment (score from 1 to 4) and human rights (score from one to four). The inherent risk is determined regardless of the country of operation, as follows:

- health and safety: the number of people potentially affected, the seriousness and irreversibility of the consequences on people;
- environment: the extent of the negative consequences (in terms of pollution and use of natural resources) on the environment and communities and biodiversity (whether or not limited to the site), and their irreversibility; and
- human Rights: the characteristics of the workforce (level of qualification, number, temporary or not) and the human rights awareness of the products used.

As a result of this compounded rating, 47 categories of purchases are considered at risk from a sustainability standpoint. The underlying purchases are mostly related to the following activities and products: Capex, Energy, Packaging, Consumables, waste management, Active Ingredients, raw materials, Subcontracting, Clinical Trials, Transport and Distribution.

Suppliers belonging to these 47 categories are monitored as follows:

- group A: Audits (see paragraph 2.6.);
- group B: EcoVadis assessment (see paragraph 2.7); and
- group C: Prevention plan.

## 2.3. SUPPLIER SELECTION

Since 2022, suppliers participating to Sanofi tenders need to go through a compulsory sustainability assessment, encompassing the following dimensions: social responsibility, environmental policies, CO<sub>2</sub> emissions and product/service traceability.

This assessment contributes to up to 20% of suppliers' score card in the tender award process.

If a supplier does not have measures against forced labor, child labor and discrimination, it can't be selected.

If not already in place, suppliers need to commit to:

- go through an EcoVadis process (All purchases);
- measure their CO<sub>2</sub> Scopes 1 & 2 emissions (Goods Purchases);
- have plans to measure Scope 3 and disclose CDP Climate assessment (Goods Purchases); and
- implement a robust Diversity, Equity and Inclusion policy (Service Purchases).

If a supplier is selected and has a sustainability score below average, corrective action plans need to be integrated into the contract and implemented within one year.

## 2.4. SUPPLIERS CONTRACT

Our key supply contracts contain clauses that authorize us to verify suppliers' compliance with our requirements. Furthermore, our terms and conditions dispatched for any order contain an obligation for suppliers to respect our Supplier Code of Conduct.

## 2.5. SUPPLIER ONBOARDING

As part of their onboarding process, suppliers considered as risky from a sustainability standpoint (as described in paragraph 2.2.) are systematically requested to complete an EcoVadis assessment.

This assessment of suppliers is enabled through a dedicated supplier onboarding platform. This solution also manages:

- other targeted due diligences (anti-bribery, financial and cybersecurity); and
- the systematic agreement of our vendors to Sanofi Suppliers Code of Conduct.

## 2.6. SUPPLIER AUDITS

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

In 2022, our objective was to have carried out audits of all our critical high risk active pharmaceutical ingredient (API) providers and contract manufacturing providers, which has been achieved. The plan was risk phased:

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

From now on, we will re-focus on critical and antibiotics suppliers to drive improved performance (see below).

### Sanofi Supplier audits, 2020-2022

	2022	2021	2020
Number of Sanofi CMO audits (Contract Manufacturing Organizations) <sup>(a)</sup>	46	60	42
Number of audits of active and intermediate pharmaceutical ingredients (API) suppliers <sup>(a)</sup>	81	88	44
Number of audits of other suppliers: packaging, logistics, CROs (Contract Research Organizations), etc <sup>(a)</sup>	43	24	35

<sup>(a)</sup> Includes PSCI shared audits.

Improvement plans are monitored through re-assessments or follow-up audits:

	2022	2021	2020	2019
Number of active suppliers audited (cumulative)	757	667	673	427
Number of suppliers audited during the year with critical findings:	8*	38	45	103
For suppliers audited with critical findings:				
Number of supplier relationships terminated	2	14	18	30
Number of suppliers who have improved		4	9	36
Number of suppliers subject to re-audit		20	18	37

\*Data YTD October 2022.



## Other Assessment

Year 2022

Anti-Bribery and Corruption Due Diligence	2725
Business ethics onboarding assessment	2725
Financial onboarding assessment	3349
HSE onboarding assessment	307
CSR onboarding assessment	589
Cybersecurity onboarding assessment	139
Cybersecurity assessments	271
Supplier Quality audits	2019

## 2.7. SUPPLIER ASSESSMENTS

Sustainability assessments are managed through our partner EcoVadis. In line with our CSR ambitions, we have increased the scope of suppliers from 330 in 2021 to 700+ in 2022. The following suppliers are subject to EcoVadis assessment:

- our TOP300 suppliers – mandatory;
- high-risk suppliers (approx. 400) – mandatory (as defined in paragraph 2.2); and
- suppliers participating to Sanofi tenders (as defined in paragraph 2.3).

This assessment must be completed upon supplier onboarding (as described in paragraph 2.5) and renewed at least every three years.

EcoVadis assesses supplier maturity in the following areas:

- environment: energy and greenhouse gas (GHG) emissions, local pollution, water, biodiversity, materials/chemicals/waste, product use, product end of life, customer health and safety, and sustainable consumption;
- labor practices and human rights: fundamental human rights, child and forced labor, non-discrimination, health and safety, working conditions, labor relations, training, and career management;
- fair business practices: corruption and bribery, anti-competitive practices, and fair and responsible marketing; and
- responsible supply chain: vendors' ability to influence their own suppliers CSR performance.

Suppliers with a score below target must implement corrective action plans in areas flagged as insufficient.

The CSR performance of each supplier is ranked from ten (high risk) to 100 (high opportunity) and results from broad data collection: customized self-assessment questionnaires (based on suppliers' size and

industry), supporting documentation (codes, charters, policies, certifications, dashboard, reporting), data from non-governmental organizations (NGOs), trade unions and media.

Suppliers with poor performance are requested to implement corrective action plans.

In case of significant and/or non-remediated deviations, Procurement may decide to conduct on-site audits or terminate the relationship.

Strengths and weaknesses are highlighted and allow suppliers to initiate improvement in their operating model whenever their score does not meet Sanofi's CSR requirements.

## Sanofi Supplier Assessments, 2015-2022

	2015	2016	2017	2018	2019*	2020	2021	2022
Number of suppliers assessed on their CSR performance	190	164	194	211	240	237	392	273
Number of assessed suppliers that met our CSR requirement	115	116	159	175	153	172	315	237
Percentage of assessed suppliers that met our CSR requirement	61%	71%	82%	83%	64%	72%	80%	87%
Number of buyers trained to the Responsible Procurement Platform**	115	122	140	98	101	70	389	447

## Objectives and targets

Our priority is to focus on the potentially high sustainability risk suppliers in our supply chain.

Regarding suppliers' sustainability assessments, our objective, in line with our together for sustainability commitments is to carry out around 330 suppliers' assessments per year, the aim being to achieve the coverage of all our strategic high-risk suppliers by 2023. We currently stand at 50%.

## 2.8. SUPPLIER ENGAGEMENT

We offer our suppliers a wide range of development and dialogue opportunities on sustainability.

Sanofi has engaged its suppliers in targeted initiatives to tackle key sustainability issues, such as climate change. Following the identification of its top CO<sub>2</sub> emitters, Sanofi has formally prompted them to commit to Carbon Neutrality by 2030, reduction of their CO<sub>2</sub> emissions in alignment with SBTi +1,5 °C and the achievement of 100% renewable electricity by 2030.

Sanofi has engaged in supplier development initiatives to raise the maturity of its top suppliers in environmental matters. With other pharmaceutical industry leaders, Sanofi has launched the Energize

program, which aims at educating suppliers on climate change and providing them with concrete alternatives to source renewable electricity.

Our CO<sub>2</sub>e top emitting suppliers are part of our Supplier Engagement program, which includes environmental targets for suppliers. Suppliers need to assess and disclose Scope 1, 2 and 3 emissions, set science-based CO<sub>2</sub>e reduction targets, engage with their own supply chain, commit to Carbon Neutrality 2030 and move to 100% renewable electricity by 2030. Our [Procurement ESG Guide for Suppliers](#), which is publicly available on the Sanofi supplier website, summarizes our expectations towards suppliers, which are reflected for relevant suppliers in our supplier engagement plan.

We engage with the top CO<sub>2</sub>e emitting companies, regardless of the category, sector or country they belong to. Top CO<sub>2</sub>e emitters are identified using a hybrid calculation methodology for emissions. Activity-based calculation is applied for Directs Material suppliers (Raw Material, Outsourcing, Packaging, Devices) and a spend-based calculation is used for the other purchasing categories. The top emitter identification is renewed every year to ensure that the most relevant suppliers are onboarded to the program.

The supplier engagement program for Top CO<sub>2</sub>e Emitters includes a supplier sustainability maturity assessment. After completing questionnaires on key sustainability maturity indicators, suppliers are assigned with a certain maturity level. Suppliers not being in the required target maturity level need to improve so to be compliant with Sanofi's expectations. On the key indicators, cross-checks with external platforms (Ecovadis, CDP, SBTi) are performed. Our supplier sustainability maturity assessment is based on the PSCI (Pharmaceutical Supply Chain Initiative) maturity model, which is in line with the SMI (Sustainable Markets Initiative).

Within the supplier engagement program, Top CO<sub>2</sub>e emitters need to reach a target maturity level by performing the required activities. To complete activities for leveling up, Sanofi individually (operational support by sharing best practices or helping suppliers assess their emissions) or collectively (via PSCI or the Energize program) supports suppliers in their environmental journey.

Our environmental performance is publicly available at CDP (Home - CDP). In terms of supplier engagement, Sanofi is part of the 2022 CDP Supplier Engagement Leaderboard.

In addition, Indian and Chinese suppliers are regularly trained through the PSCI group on the following topics: pharmaceutical residues in the environment, antimicrobial resistance, environment and safety, process safety and industrial hygiene. In 2022, 28 of Sanofi's Indian suppliers of active ingredients and 67 of Sanofi's Chinese suppliers of active ingredients participated. In addition, in December 2022, in collaboration with PSCI, Sanofi organized a training on water stewardship, which was attended by 73 Indian suppliers and CMOs of active ingredients.

### *3. Our involvement in cross sectoral initiatives*

Since 2017, Sanofi is a member of the Pharmaceutical Supply Chain Initiative (PSCI). This association is a group of 40 pharmaceutical and healthcare companies who share a vision of better, social, environmental, and economic outcomes for their suppliers. This collaborative initiative will improve our capability, jointly with our suppliers, to uphold our CSR commitments and requirements.

Through this network, Sanofi joins two major work programs:

- supplier shared audit program; and
- supplier performance improvement program: to establish formal industry guidelines and support suppliers to raise their capability to address ethical, labor, health and safety, and environmental issues.

PSCI is an opportunity for Sanofi to proactively address common sustainability challenges faced by industry peers, leverage best practices and build sound approaches to manage the change.

## 4. Other Sanofi commitments and initiatives

### 4.1. SUPPLIER DIVERSITY

In line with its renewed ambition on Diversity, Equity and Inclusion, Sanofi has doubled down on Supplier Diversity. This has notably led to public commitments (as described in our Sustainable Procurement Strategy in paragraph 1.1.).

In 2022 we hired a Head of Global Supplier Diversity to ensure we achieve our diversity targets. We launched our Global Supplier Diversity strategy in procurement to strengthen communities' economic engagement and create a positive impact to increase the inclusion of historically disadvantaged or under-represented groups in our sourcing processes.

A Supplier Diversity Governance Council was also launched, with monthly operations meetings and quarterly leadership council meetings to discuss the metrics and gaps, celebrate successes, and showcase small and diverse suppliers and external advocacy agencies. From a systems perspective, we launched a "Cockpit" dashboard that provides clear insights into our spend with specific supplier diversity tags. We strengthened our partnership with MSDUK (a certifying body for European supplier diversity) and WeConnect International (certification available in more than 50 countries), to increase our collaboration and engagement with women-owned businesses (at least 51% owned, managed, and controlled by one or more women), and support women's economic empowerment.

In 2022, our supplier diversity spend was approximately €1 billion, and our women-owned business spend approximately €87 million.

In 2022, Sanofi was also named a Top Global Champion for Supplier Diversity & Inclusion by WeConnect International, which recognizes some of the world's largest corporations that have demonstrated their commitment to global inclusive sourcing from diverse groups including minority-, women-, LGBT- and disabled-owned businesses. This distinction recognizes corporations for achieving the highest percentages of non-US diverse spend among all survey participants. Sanofi was honored in the Gold category, leading the way toward more inclusive value chains.

In the US, Sanofi is ranked 25<sup>th</sup> in the TOP50 companies for Diversity, progressing every year, with our supplier diversity program playing a key role in this recognition. As part of contracts with the US Government, Sanofi is committed to support small and diverse businesses, and spends about €400 million with Small, Minority, Women, Veteran, Disabled, LBGT owned businesses. In response to the Black Lives Matter events, Sanofi has reaffirmed its commitment to diverse communities, which is testified by our partnership with Sodexo Magic.

In France, where Sanofi spends about €500 million with small and diverse businesses, with a specific focus on SMEs, businesses in priority areas, women owned business and the disabled sector. We work with a network of more than 50 disabled workers' businesses. In 2021, thanks to the development of co-contracting clauses with our Tier 1 suppliers, we were able to reach a spend of €2 million with disabled workers' businesses.

### 4.2. SUPPORT TO SMEs IN FRANCE

Headquartered in France, Sanofi is committed to support the development of French SMEs.

In 2022, Sanofi had its "Responsible Supplier Relations" accreditation (first awarded in 2013) renewed for the tenth time by the French Ministry of the Economy and Business.

In France, Sanofi has also signed the national "Charter of intercompany relations between large contractors and their suppliers in particular small/medium-sized enterprises" This charter sets out ten commitments for responsible purchasing and aims to build mutual trust and promote innovation between suppliers and

customers. *For more information, see our Charte Relations Fournisseurs et Achats Responsables : <http://www.rfar.fr>.*

We have also developed an in-house SME support program in collaboration with the PACTE PME association. Since 2021, the program is focused on the development of 15 key start-ups, selected Sanofi buyers. This program will increase the skills of these promising players while allowing Sanofi to capture innovation.

In parallel, Sanofi has appointed an internal mediator, independent of the procurement function, who is in charge of facilitating the resolution of work-related differences between the Company and our suppliers with impartiality, and confidentiality.