

PRESCRIPTION MEDICINE PRICING

OUR PRINCIPLES AND PERSPECTIVES

We at Sanofi work passionately, every day, to understand and solve health care needs of people across the world. We are dedicated to therapeutic areas such as diabetes, cardiovascular disease, immunology, oncology, multiple sclerosis, rare disease and vaccines. As a global health care leader, Sanofi has a long-standing commitment to promote health care systems that make our treatments accessible and affordable to patients in need.

Countries are increasingly seeking to achieve better value in health care spending. Sanofi understands and shares concerns about the affordability of medicines for patients, while also recognizing that we are one of many stakeholders in the health care system. In the U.S., medicines are a small share—about 14% —of total health care spending. Sanofi believes that in order to maintain an ecosystem that will continue to bring new medicines and vaccines to patients, we must encourage a transition to a value-driven health care system that provides incentives for the highest-quality care. This evolution will enable both affordable access to treatment and continued investment in medical innovation.

Sanofi is committed to helping address this challenge. While many factors, including decisions affecting patient cost-sharing and coverage, are controlled by other health care players, we recognize that there are actions we can take to help improve access for patients and affordability for the system as a whole. For our part, we recognize that we must price our medicines transparently and according to their value, while contributing to broader solutions that improve patient outcomes and to the sustainability of the U.S. health care system.



OUR PRICING PRINCIPLES: ADVANCING RESPONSIBLE LEADERSHIP

Sanofi believes that pharmaceutical innovation brings value to patients, our society and our health care systems. Given the growing concerns over rising health care costs, our approach to pricing reflects our continued efforts to support patient access while minimizing our contribution to health care inflation². We therefore commit to greater transparency in how we price our medicines and to keeping U.S. price increases below medical inflation.

The pricing principles we put forth on the following page focus on three pillars:



CLEAR RATIONALE FOR PRICING GLOBALLY
at the launch of a new medicine



LIMITED PRICE INCREASES IN THE U.S.
on our medicines over time



GREATER TRANSPARENCY IN THE U.S.
around our pricing decisions



CLEAR RATIONALE FOR PRICING AT LAUNCH

When we set the initial price of a new medicine, we hold ourselves to a rigorous and structured process that includes consultation with external stakeholders and considers the following factors:

- ✓ **A holistic assessment of value**, including 1) clinical value and outcomes, or the benefit the medicine delivers to patients and how well it works compared to a standard of care; 2) economic value, or how the medicine reduces the need – and therefore costs – of other health care interventions; and 3) social value, or how the medicine contributes to quality of life and productivity. Our assessments rely on a range of internal and external methodologies, including health technology assessment (HTA) and other analyses that help define or quantify value and include patient perspectives and priorities.
- ✓ **Similar treatment options** available or anticipated at the time of launch in order to understand the landscape within the disease areas in which the medicine may be used.
- ✓ **Affordability**, including the steps we must take to promote access for patients and contribute to a more sustainable system for payors and health care systems.
- ✓ **Unique factors** specific to the medicine at the time of launch. For example, we may need to support on-going clinical trials to reinforce the value of the product (e.g., longer-term outcomes studies), implement important regulatory commitments, or develop sophisticated patient support tools that improve care management and help decrease the total cost of care.



PRINCIPLES FOR PRICE INCREASES IN THE U.S.

We acknowledge our role in supporting the sustainability of our health care system and limiting our contribution to U.S. health care inflation. Going forward, should we take a list price increase on one of our medicines, our guiding principle will be to limit the total annual increase to a level at or below the rate of medical inflation for the year.

Our benchmark will be the U.S. National Health Expenditure (NHE) growth rate, as determined and published annually by the Centers for Medicare and Medicaid Services. The NHE measures health inflation retrospectively and prospectively, providing both a historical base and a critical forward-looking view needed for business planning. It measures expenditures across all health care services and reflects

payments made by both public and private payers. In 2017, the NHE growth rate is projected to be 5.4 percent.

Should we take a price increase above the NHE growth rate for a given medicine we will provide our rationale, highlighting clinical value, real world evidence, regulatory changes, new data or other circumstances that support our decision.



GREATER TRANSPARENCY ON PRICES IN THE U.S. SYSTEM

We recognize calls for greater transparency of our pricing practices. Our policy reflects a desire to help our stakeholders better understand our pricing decisions.

Our policy reflects both a desire to help our stakeholders better understand our pricing decisions and to advance a more informed discussion of issues related to the pricing of medicines. To continue this dialogue and provide greater insights about this topic, we will disclose annually our aggregate U.S. gross and net price increases. These data may help illustrate how pricing changes accrue to manufacturers versus others in the value chain, highlighting our discrete role in the broader U.S. health care environment.

While list prices often receive the most attention, they reflect only the initial prices set for our medicines and are not the prices typically paid by the insurers, employers or pharmacy benefit managers who purchase our medicines on behalf of patients in their respective health plans. We negotiate significant discounts and rebates with these payors, which leads to lower prices in exchange for greater access to patients.

This negotiated price is the net price that we are paid for the medicine, and is the most accurate gauge to measure pharmaceutical prices and applicable increases.

However, the level of discounts varies and is often not visible to patients. While our efforts focus on securing a formulary position that improves affordability and access to care, it is important to note that patient cost sharing and coverage decisions are ultimately made by payors, not the manufacturers. Simply put, the out-of-pocket payments made by patients depend on how the plan is structured and the extent of the negotiated discounts passed on to patients.

In 2016, across our entire U.S. portfolio, Sanofi's average aggregate list price increase relative to 2015 was 4.0 percent, while our average aggregate net price decreased by 2.1 percent. As our portfolio evolves, these numbers may change over time. Sanofi commits to releasing these aggregate price changes annually in the future.

These principles demonstrate Sanofi's commitment to patient access and affordability, a sustainable health care system and greater transparency in our pricing actions. Moreover, our position supports an environment that will enable us to continue to advance scientific knowledge and bring innovative treatments to patients worldwide.

¹ The Altarum Institute, A Ten Year Projection of the Prescription Drug of National Health Expenditures. August 2015.

² As measured by National Health Expenditures, published annually by the Centers for Medicare and Medicaid Services