SESSION 5.5

A Global Share Purchase Plan: Lights, Camera, Action

Andrew Genecki
Sr. Manager, U.S. Compensation & Rewards, sanofi-aventis U.S.

Stephanie Ceglia
Vice President of Strategic Integration, Solium Capital Inc.
SESSION 5.5
A Global Share Purchase Plan:
Lights, Camera, Action

Andrew Genecki  
Sr. Manager, U.S. Compensation & Rewards, sanofi-aventis U.S.

Stephanie Ceglia  
Vice President of Strategic Integration, Solium Capital Inc.

Agenda

• About sanofi-aventis and Solium Capital
• Sanofi-aventis Employee Share Purchase Plans in U.S.  
  • Action 2005
  • Action 2007
• Plans Preceding the Merger of Sanofi Synthelabo and Aventis
• Maturity of the Pre-Merger Plans
• Lessons Learned
• Closing/Questions
About sanofi-aventis

Formed as a result of the 2004 merger between Sanofi-Synthelabo and Aventis

Global Headquarters: Paris, France
Global Web Site: www.sanofi-aventis.com
Stock Exchange Listings: Paris: EURONEXT: SAN
                                      New York: NYSE: SNY
Global Operations: More than 100 countries
Global Employee Count: 100,000
U.S. Headquarters: Bridgewater, NJ
U.S. Employee Count: 15,000

About sanofi-aventis (continued)

2009 Global Sales: €29.3 billion (up 6.3% from 2008)
2009 R&D Investment: €4.6 billion (up 0.2% from 2008)
Key 2009 Growth Drivers: Emerging markets
                        #1 in Eastern Europe, including Russia
                        #1 in Latin America
                        #1 in Africa and Middle East
                        #3 in Asia, excluding Japan, Australia and New Zealand
Diabetes brands (Lantus®, Apidra®, Amaryl®, Insuman®)
Vaccines (global vaccine leader/record year with influenza
        leadership)
Consumer health care (#5 player globally with acquisition
        of Chattem)
New products (Multaq® / Pentacel®)
About Solium Capital Inc.

- Headquartered in Calgary, AB
- Stock traded on the TSX: SUM
- From its formation in 1999, has grown revenues to over $20 million; now with over 200 clients, principally in the U.S. and Canada
- Acquired the U.S. equity administration business of Allecon Stock Associates in 2007
- Uses the industry-leading software Shareworks™ for international equity plans administration
- Launched Solium Equity Consulting in 2009

Action 2005 (sanofi-aventis – Growing Together)

Chairman’s letter introducing first share purchase plan post merger

The formation of sanofi-aventis in 2004 represented an ambitious bet, a true challenge of human, strategic, industrial, and scientific nature.

... This success is yours, and it is the fruit of your daily involvement, of your creativity, and of your dynamism.

This is why it was our wish to offer to as many of you as possible the opportunity to become fully involved in the sanofi-aventis project by means of a shareholding plan launched in France and internationally: "Action 2005".

With "Action 2005", you have the option of becoming a shareholder of sanofi-aventis on the basis of privileged conditions, all this while demonstrating your trust in the strategy and future of our Group.
Conditions for Action 2005 (U.S.)

• Discount of 20% from initial price
  • Initial price determination—average of the opening price of the sanofi-aventis shares listed on the Eurolist of Euronext Paris S.A., on the 20 trading days immediately preceding the decision scheduling the enrollment period
  • Ordinary shares purchased for approximately a 52-month period – program maturity on Apr 1, 2010
  • Prorated purchases if oversubscribed – 7 million shares provided globally (2.4 million registered for U.S.)
• Early exit provisions
• Taxation of purchase price discount

Features of Action 2005 (U.S.)

• Over 15,000 employees eligible to participate
• Two week enrollment period – Nov. 21 - Dec. 2
• U.S. HR presented multiple educational webinars
• Distributed program brochure and prospectus
• Enrollments allowed through the website or with a form
• Staffed Help Desk at Solium (Allecon) from prior to enrollment period to several weeks after period closed
• Spent extensive time validating the website and making it user-friendly
Results of Action 2005 (U.S.)

- Over 3,000 participants; approx. 20% participation rate
- Average shares purchased = 95
- Total purchase price paid = US$19 million
  - 55% of purchase price paid in cash (lump sum payments)
  - 45% of purchase price paid through the loan (payroll deductions)
- Had to collect checks from 1,460 participants
- Based on check collection, had to set up payroll collection for at least 2,630 (more if check payments not made timely)
- Program not oversubscribed, so everyone received their desired number of shares

Action 2005 Results (continued)

Check collection: complicated and challenging
- Individuals had to be notified that their purchase was approved and if applicable to send their checks
- Allecon logged and copied checks, then forwarded to sanofi-aventis lockbox
- Credited check against share purchase price
- Followed up with delinquent accounts
- Answered questions regarding consequences of non-payment
- Reversed credits in case of NSF checks and attempted to re-collect
Action 2007—Improving on a Good Thing

• Preferential price
  • 20% discount from initial price of the shares, based on average of opening price on the Eurolist of Euronext Paris S.A. on 20 trading days immediately preceding enrollment period

• Simple process
  • Enroll from November 19 to November 30, 2007
  • Enroll online at www.sanofi-aventisaction.com
  • Receive final confirmation by mail after orders globally are reconciled

• Once transmitted, you will be bound by your enrollment and may not change or revoke it

Action 2007 (continued)

• Pay for shares when deposited into your account through payment options
  • Payroll deductions over a 12-month period
  • In a lump sum (check payment)
  • Or a combination of the two

• Custody of your shares
  • Shares are held in an account with JPMorgan Chase
  • No subscription fees nor management fees
  • Dividends declared and paid are received in cash
  • Full voting rights
  • Periodic account statements
Action 2007 Tax Consequences (U.S.)

• For U.S. federal income tax purposes, the difference between the fair market value at the time when the shares are delivered to your account at JPMorgan Chase and purchase price is treated as ordinary income in 2008 and is therefore taxable.

• Federal state and local income taxes and FICA taxes on this imputed income will be withheld from the first two paychecks after shares are delivered to the participant accounts.

Action 2007 Early Exit Events

Purchased sanofi-aventis shares may be released during the holding period in the event of:

• Normal termination of employment
• Death of shareholder
• Long-term disability, as defined by the Company's benefit policy
• Retirement
• Marriage or divorce or creation or dissolution of a domestic partnership
• Birth of a third child
• Purchase of a primary residence
Back to the Past—Over the “Horizon”

Aventis (pre-merger) had a brief history of offering global employee share purchase plans

- Horizon 2000
- Horizon 2002
- Horizon 2003

Program Origin—1999-2000

Horizon 2000

- First time Aventis had offered a program of this type globally
- Designed to achieve convergence of the interests of employees and shareholders in Aventis
- Very complex and entailed design work
- Introduction and communications across countries had to be carefully coordinated
Horizon 2000 (continued)

- Well received with generally good subscription rates
- Complex to administer, both on front end and ongoing, including program maturity
  - Central management and coordination (for legal compliance, consistency, program expense)
  - Local administration—participant interface
    - Where and how much of the administration to outsource determined by each locality based on program requirements and number of participants

Key Horizon Features

- Offered in more than 50 countries
  - Legal research in each of countries where offering was made
  - Extensive communications, focusing on both legal disclosures and investment representations in language that could be understood by eligible population; thorough vetting of documents prior to publication
Horizon Offer Terms

- Based on closing price of Aventis ordinary shares (€) established prior to subscription period
- Purchase price is discounted 15% from calculated closing price
- Standard currency conversion process to determine purchase price in local currency (actual share price varied during subscription period as share price and FX rates varied)

Horizon Administration (U.S.)

- Clearing all filings and required employee communications with Aventis headquarters
- Engaging and training third party administrator (switched administrators between 2002 and 2003 programs)
- Ensuring website availability for enrollments and reporting requirements
  - Needed compensation limits and loan limits built in
  - Needed look up functionality for Help Desk
- Ensuring Help Desk accessibility and knowledge level for participant support
The Merger – Aventis and Sanofi-Synthelabo

Merger completed in August 2004, following extensive preparation
• Impact on all existing compensation and benefits plans
• Three Horizon Plans impacted – 2000, 2002 and 2003
  • Tender for shares, tender for cash or combination
  • Tax consequences depending on election

Merger (continued)

• Required communications strategy for each affected plan, supported by external partners
• For Horizon programs (U.S.), used combination of:
  • In person training by HR (train the trainer approach)
  • Written materials and forms with instructions (tender materials due by June 30, 2004)
  • HR website
    • FAQs
    • Plan brochures
    • Plan summaries
Post-Merger

Managing displaced employees; rights and responsibilities for Horizon participants
• Dealing with employees at very vulnerable period
• Assisting them in understanding their choices and consequences
• Ensuring that they understood deadlines for elections
• Supporting them after-the-fact
  • Conversion, delivery and as needed sale of shares (ADRs in the U.S.)
  • Tax elections and withholding as required

Shift in Administrator Role

As sanofi-aventis became more comfortable with Solium (Allecon) and Allecon personnel became more comfortable with operation of the programs, Allecon was considered for additional responsibilities
• Early releases
• Program maturity share releases
Allecon Ramps Up

- Full share reconciliation with share custodian
  - Horizon 2002, Horizon 2003 Plans
  - Action 2005 Plan
  - Types of issues
    - Change in name, i.e., after marriage
    - Prior release of shares
    - Shares mis-assigned to person or attributed to wrong plan
- Once recon complete, Allecon designed early release request form for other than term situations
- Allecon designed statements for early released shares—allowed participants to track their shares post release

Early Releases

- Two sanofi-aventis subs (Pharma and Pasteur) send term lists monthly; screened against program participants for early release of shares
- Allecon receives forms and documentation for other early release conditions
- Shares are released subject to eligibility
Post-Merger Plan Maturities

Horizon 2002 (April 2007)
• Verifying list of remaining participants
• Sending out employee election forms and communications; in case of one of the sub-plans, shares to be sold for taxes
• Deutsche Bank batch calculation of sub-plan shares to be released based on final sanofi-aventis share price
• In case of U.S. conversion of ordinary shares to ADSs and deposit in personal accounts

Horizon Maturity (continued)

Administrator Roles
• Send out statement and explanatory letter with program maturity details
• Manage call center for inquiries regarding tax liability and calculations, e.g., cost basis for subsequent sales
• Interface with transfer agent regarding missing shares
• Final reconciliation with Deutsche Bank for shares to be transferred and converted
Horizons Lessons Learned

• Understanding what participants are buying
  • Ordinary shares versus option under a sub-plan
  • In either case, differ from ADRs traded on the NYSE
• When eligible to participate
• Use of the web with log-on information
• Use of (and limits on) loan versus lump sum payment and when due
• Changing elections
• Staffing call center for volume of calls

Horizons Lessons Learned (continued)

• Participants understanding rights and responsibilities throughout the holding period
• Exceptions to the required holding period
  • Requirement to develop forms and procedures to address
  • Adjudication and appeal process

As with any program of this scope and complexity, “communicate, communicate communicate”
Merger Lessons Learned

• It is not too early to start planning
• Sweat the details; ensure your plan is comprehensive and consistent with the merger timeline
• Ensure all affected benefit and comp plans are thoroughly vetted for the merger's impact
• Realize that some corporate memory may disappear after the merger
• Deal with the exceptions
• Be prepared to answer questions, even in the absence of complete clarity
• Use the experts to complement your internal staff—outsource what you can

Lessons Learned – Action 2005

• Challenge of running the program over the Thanksgiving weekend (but it's not a holiday in France)
• Salespeople's computers were being upgraded during enrollment period, leaving many of them without Internet access
• You can have the best training in the world, but it won't matter if people don’t attend or read the communications
• Consequently, the Help Desk area was swamped with calls—over 1,000 on the busiest day; objective was to return all calls received on the same day
Action 2005 Lessons (continued)

• Unlike Horizon program, where one ordinary share = one ADS, sanofi-aventis had one ordinary share = two ADSs
• Prospective participants were confused as to whether they were buying ordinary shares or American Depositary Shares, and if the latter, why the share price was at a premium to market
  ▶ Consequently, calls were lengthy and the participants were occasionally frustrated
• Participants were often interested in the conditions under which they could get their shares early, e.g., purchase of primary residence

Questions?