VII.- Innate Pharma and Corporate Social Responsibility

Context

Various characteristics associated with Innate Pharma's history, activity and location mean that it has always had a strong commitment to its staff and its local area. Following changes in the regulatory framework and discussions with various stakeholders, in particular its investors, the Company began formalizing its corporate social responsibility (CSR) process in 2012.

Innate Pharma's Corporate Social Responsibility report has been reviewed, the results of which can be consulted on the Company's website (www.innate-pharma.com, Financials section/Documentation center).

It should be noted that the information in the following paragraphs of Section VII only concern Innate Pharma SA, not its subsidiary[1].

1. Employment and Social Responsibility

Commitments and objectives

Innate Pharma is a company which specializes in drug research and development in the pharmaceutical field. As such, it aims to produce intellectual property, and its staff members are considered to be its main resource. The Company has identified its ability to attract, retain and motivate its talents as a major strategic priority.

a. Employment

The table below summarizes the statistical indicators used to describe employment within Innate Pharma over the last three years:

Definitions:

The headcount (defined according to the French Labor Code) comprises those individuals present as of December 31, excluding temporary employees on fixed-term replacement contracts, trainees and apprentices. The turnover rate is calculated based on those with permanent contracts only.

[1] The CSR reporting applies to Innate Pharma SA, which has interests in one company:

- Innate Pharma, Inc., a wholly owned company incorporated under American law, the purpose of which is to represent the Company in the United States. This subsidiary is currently dormant.

This subsidiaryis not included in the scope of this procedure.

	2013	2014	2015
Total workforce and distribution of employees by gender and age			
Headcount	84	99	118
Full Time Employee (FTE)	81.52	96	114.20
Permanent contracts (%)	99	94	92
Distribution by gender (%)	37/63	34/66	31/69
Average age (years)	38	37	37
Staff aged 45 years or more (employees, %)	23	21	21
Turnover			
Net new hires	2	15	19
Number of young graduates hired	1	7	6
Rate of employee departure (%)	2.41	3.28	3.58
Compensation and changes in compensation			
Average compensation (average annual gross compensation, including bonuses, including Executive Committee, in euros)	54,625	57,804	59,661
Percentage annual collective increase	2.5%	2.0%	1.8%

Note: In 2015, a collective increase of 0.8% was made in January, and one exceptional collective increase of 1% was made during July 2015.

- Total workforce and distribution of employees by gender and age

The Innate Pharma SA workforce grew significantly (+19%) in 2015. The laboratory research teams were consolidated at the beginning of the year. Then, following signing of the co-development and commercialization agreement with AstraZeneca for the development of a clinical candidate, several positions were created in the development teams (pharmaceutical operations, regulatory affairs, clinical operations and medical affairs). The support teams were also strengthened to take on the cross-disciplinary activities associated with the increased activity.

All the Company staff is based at a single site in Luminy, Marseille.

The gender distribution and the average age of staff are both stable.

The percentage of staff aged 45 years or more, which is stable, meets the objectives of the company's Seniors plan (between 20 and 25% of all staff, see the "Equal Treatment" section). In addition, several "senior" people work for Innate Pharma as consultants and are not therefore counted in the headcount.

Changes in the workforce are part of a Strategic Workforce Planning approach:

- The Company estimates its skills requirements regularly according to its strategic guidelines, either during budget preparation meetings or Executive Committee meetings. Staff may need to change teams or jobs, or take on new responsibilities, according to i) changes in the company's projects, ii) fluctuations in activity, and iii) employee skills and expectations in terms of development or reorientation. Reassignment and internal mobility are managed by the HR Department, together with

management. They enable employees to expand their areas of activity and to develop new skills. In 2015, one R&D team (Quality Control et Bioanalytical, Immunoanalysis) was set up to enable better hands-on management following a significant increase in staff numbers in these teams. One team manager position was filled internally, enabling an employee to take on managerial roles. This change was supported by management training.

- The recruitment and training plans are drawn up based on the required skills. Job description sheets are regularly updated whenever job positions are inclined to evolve. An initial campaign of professional interviews was carried out in 2015, intended for the management team first. The main goal is professional project definition and follow-up, based on a medium term action plan.

The staff boasts a high level of qualification: managers account for 64% of the workforce. The workforce includes 34 employees with PhDs in science, medicine or pharmacy, i.e. 29% of the total number of employees.

On December 31, 2015, 75% of the workforce, excluding the Executive Committee, was devoted to research and development activities.

- Staff turnover

In terms of new hires, the net job creation in 2015 was nineteen. Other employees joined the Company with contracts that are not counted in the headcount (work-training contracts and fixed-term replacement contracts).

Five employees hired with a fixed-term contract in 2014 and four employees hired with a fixed-term contract in 2015 were hired with a permanent contract in 2015.

Six of the employees hired in 2015 were young graduates when they joined the Company. Two interns were hired (on fixed-term contracts) at the end of their internships. Three young people have a work-study contract.

On December 31, 2015:

- seven employees are working on a fixed-term contract to cover a temporary period of increased activity,

- three employees are working on temporary contract to cover a temporary period of increased activity.

All those having an internship lasting one month or more will be paid an allowance and can be given meal vouchers on request. Interns who work in the company for three months or more also receive the Works Committee benefits. For all interns who are hired at the end of the internship, their internship period is taken into account when calculating seniority.

Four employees with permanent contracts left the company during the year (one resigned for personal reasons, one was dismissed and two i left without completing the trial period).

- Remuneration, pay raises and incentive

The Company favors a remuneration system based on collective performance. A collective bonus calculated based on one month's salary, in proportion to the employee time spent at work, is given to staff according to the achievement of collective objectives.

In 2014, an initial payment of 50% for the collective bonus was made in December 2014, and an additional payment of 65% took place in February 2015, based on the decision of the Compensation and Appointments Committee. Hence, the collective bonus was 115% for 2014.

In 2015, the Compensation and Appointments Committee decided to recognize the exceptional collective performance. The employees benefitted from two payments for the collective bonus:

- An exceptional collective bonus, equivalent to one month's salary paid in July 2015 for the employees present on the date the co-development and commercialization agreement with AstraZeneca was signed;
- A collective bonus, equivalent to one month's salary, paid in January 2016, for which pre-specified criteria were judged achieved at 100% by the Compensation Committee.

Executive Management employees also receive an individual bonus linked to the achievement of specific objectives.

In 2015, 58% of staff (excluding Executive Management) received individual salary incentives (in addition to the collective 1.8% pay increase in 2015).

Staff on fixed-term contracts received a "job insecurity" allowance when their contracts were renewed, whether their contract was renewed as fixed-term or permanent.

b. Work Organization

Note:

The absenteeism rate is calculated according to the total number of working days absent during the financial year for employees included in the workforce count during this period. It does not take maternity, paternity or parental leave into account.

The "working time" agreement dated April 14, 2003 (with retroactive effect to July 1, 2002) sets the reference working week at 37.5 hours and allows employees to take compensatory days off (for extra time in connection with working time reduction). This agreement is still in effect. An amendment was signed in 2007 which essentially refers to the establishment of a Working Time Account. A company agreement on work organization was signed in December 2013. It provides for flexibility of working hours, the use of Working Time Account days for personal reasons, and teleworking.

The working time organization of the Company in 2015 under the working time reduction agreement provides for 1,600 hours a year for full-time employees. These provisions apply *pro rata* to part-time employees (50%, 80% or 90%). The table below

summarizes the indicators used to describe work organization within Innate Pharma over the last three years:

	2013	2014	2015
Organization of working time			
Percentage of part-time employees	14%	14%	17%
Absenteeism			
Absenteeism rate	2.17 %	2.73%	2.73%

The percentage of part-time staff increased slightly. At December 31, 2015, six employees work part-time at 90%, twelve employees at 80%, one temporary worker at 70% and one employer at 50% due to a disability.

Overtime is exceptional within the Company: 81 hours of overtime were completed within the Company (as against 86 hours in 2014). The increase in the size of the teams and the fact that employees are encouraged to take compensatory days off contributed to the reduced amount of overtime.

The absenteeism rate remains stable. Absences are mainly days off work due to sickness (57%).

c. Employee Relations

Employee relations are centered on the Employee Representative Institutions: Works Committee, Staff Representatives, Health Safety and Working conditions Committee, trade unions and employer organizations.

The current members of the *Délégation Unique du Personnel* (Works Committee and staff representatives) were elected in January 2015 for a 2-year term. Three unions are represented. The number of places increased from 6 to 10, due to the increase in the workforce and so as to better reflect the distribution between the different groups (managerial/non-managerial).

The members of the Health, Safety and working conditions Committee were appointed in February 2015 for a 2-year term.

Meetings of the Works Committee, the Staff Representatives and the Health, Safety and working conditions Committee are held regularly, in accordance with the legal conditions. The minutes are distributed as they are produced to the staff and to the various bodies (Labour Inspectorate, Occupational Medicine, etc.).

The Mandatory Annual Negotiations were finalized on December 15, 2015.

The conclusions of the negotiations are as follows:

1- Salaries and Working Time

1.1. Salaries

No new agreement on these topics was negotiated in 2015.

A collective salary increase was applied, after discussion with the Works Committee in January 2015.

An additional collective salary increase occured in July 2015, at the initiative of management.

The Economic and Social Database has been put online and gives staff representatives access to compensation information.

1.2. Working time

With regard to working time, the Company agreements monitoring committee met on April 8, 2015. It issued several proposals in the area of work schedules, work schedules arranged in connection with part-time work and Time Savings Accounts.

At the time of the Works Council of September 11, 2015, it was specified that the main discussion points would be: work schedules, granting of days off, allocation of days for Time Savings Accounts for the contract, article 83 and functioning of the agreement concerning work organization (flexibility) and teleworking.

The Works Council and Human Resources have established a work group. The group has not yet handed in its conclusions.

While waiting for the negotiations to continue, it was decided to put in place an agreement on granting days off to the parents of a child who is seriously sick, which was signed on December 15, 2015. This agreement is based on the provisions of the law of May 9, 2014.

2- Professional Gender Equality

The existing agreement has been void since the end of July 2015. The Commission responsible for a follow-up to this agreement met on September 17, 2015 and issued new proposals. A new agreement was put in place based on the conclusions of the Commission and integration of the provisions of the law on social dialogue of August 17, 2015 concerning this theme.

The new company agreement on implementation of company obligations in the area of professional equality between men and women was signed on December 1, 2015.

3- Benefit Schemes (Health & Welfare)

No negotiation was specified for these issues in 2015 as the previous agreements were signed in the second half of 2014: on August 28, 2014 (Health expenses) and December 14, 2014 (Protection). The parties wish to gain some perspective before starting new negotiations. Consequently, no new agreement has been signed.

4- Profit-Sharing, Share Ownership Scheme and Payroll Savings Scheme

4.1 Profit-Sharing

The spirit of a future company agreement, its objectives and finalization schedule have been clarified at the time of the different discussions. Management asserted its desire to rely on this profit sharing agreement so as to increase employee ownership of the Company's equity.

4.2 Share Ownership Scheme

No agreement has been negociated. It might be that a participatory agreement will become mandatory soon if the company becomes profitable.

4.3 Payroll Savings Plan

Supplementary pension plan, article 83:

It was decided to renegotiate the supplementary pension contract, article 83. The contract with the current service provider has been terminated, and a new agreement has been signed with another service provider. It took effect on January 1, 2016. An *agreement regarding a system of collective guarantees for a mandatory supplementary pension with defined contributions* was signed on November 2, 2015.

5- Disabled Workers

The Disabled Action Plan was renewed for 2015. Adapted hours and the opportunity to take time off were given to staff having children with disabilities who have requested this.

A disability correspondent has been appointed, based on volunteering.

6- Risk Prevention

It is not necessary to establish an agreement on unhealthy or stressful working conditions given that the number of employees exposed to such factors is less than 50% of the workforce.

The agreement on the use of mediation has not been negociated.

7- Economic and Social Database

The Economic and Social Database was put online in June 2015. *A company agreement on the Economic and Social Database was signed on November 2, 2015.*

- Internal communication

The life of the company is based on extensive internal communication and participative management that encourages employees to be involved in defining objectives and in making decisions concerning projects and the life of the company. This is illustrated by:

- Involvement of the teams in project review meetings ;
- Staff involvement in working groups (on a voluntary basis) ;

- Regular general information meetings:
  - Policy and Objectives meetings led by the Chairman of the Executive Board
  - Quarterly meetings presenting organizational changes, actions and current projects concerning employee benefits, working conditions and the local environment
  - Meetings of the Works Committee or the Health, Safety and Working conditions Committee with the employees

Consultations in the form of surveys are organized to obtain employees' opinions on collective projects (collective action, new benefits, or upgraded computer equipment). During 2015, several staff surveys were carried out on life within the company, e.g. on new working time.

- Employee benefits and other advantages

The amounts paid in respect of fringe and cultural benefits by the Works Committee for the 2015 financial year increased by approximately 16%, due to the increase in the workforce. The amount was €44,000 (as against €38,000 in 2014). These amounts are above the legal requirements.

The Works Committee offered employees numerous benefits such as holiday vouchers, theater and cinema vouchers, gift vouchers for family events, or even the provision of a special kind of for short-term loan to employees who need it. The Company has offered workers' money vouchers for purchasing services[2] since 2012, and their use is constantly increasing; more than two-thirds of employees used them in 2015.

The Company and the Works Committee pay particular attention to life within the company with the organization of a number of annual social events. "Discovery" days are regularly held in which employees can learn about the various different in-house activities (job/projects). In this spirit an afternoon round table discussion took place in January 2016: several employees have presented their job and led a discussion with their colleagues around many themes.

d. Health and Safety – Working Conditions

Health and Safety

Definitions:

Distinction between "Workplace accident" and "Workplace incident": in the case of a "workplace accident", medical care is required and given according to the injury sustained. Accidents are systematically reported to the Social Security services. "Workplace incidents" concern minor injuries which do not require medical care. These do not have to be reported to the Social Security services.

[2] These are called *Chèque Emploi Service Universel* (CESU)

All "Workplace Accidents" and "Workplace Incidents" are recorded in-house in a dedicated register.

The table below summarizes the indicators used to monitor health and safety within Innate Pharma over the last three years:

	2013	2014	2015
Health and safety conditions			
Number of planned preventative actions	34 (37 incl. 3 which were not necessary)	31 (33 incl. 2 which were not necessary)	30 (33 incl. 3 which were not necessary)
Number of preventative actions implemented	25	24	20
Preventative action implementation rate stipulated in the Annual Risk Prevention Program	73.53%	77.42%	66.67%
Number of Health and Safety (H&S) training actions planned	10 (12 incl. 2 which were not applicable)	8 (9 incl. 1 which was not necessary)	7 (8 incl. 1 which was not necessary)
Number of H&S training actions implemented	7	5	4
H&S training action implementation rate stipulated in the Annual Risk Prevention Program	70.00%	62.50%	57.14%

	2013	2014	2015
Workplace accidents*, in particular their frequency and severity, and occupational illnesses			
Number of workplace accidents with absence from work	0	0	4
Frequency rate* of workplace accidents with absence from work	0	0	22.54
Severity rate** of workplace accidents	0	0	0.82
Number of workplace accidents with no absence from work	2	5	2
Frequency rate* of workplace accidents with no absence from work	15.18	34.42	11.27
Number of incidents	2	4	9
Frequency rate* of incidents	15.18	27.54	50.72
Number of occupational illnesses	0	0	0

* Frequency rate = (Number of events) x 1,000,000/(Annual number of hours theoretically worked)

** Severity rate = (Number of days' absence from work associated with workplace accidents) x 1,000/(Number of hours worked)

A summary of the agreements, related to health and safety, signed with the labor unions or staff representatives is given in the "Employee Relations" section. Staff safety and management of working conditions are key factors for the company's sustainable development.

The Company has met the mandatory notification requirements for its installations and has the relevant approvals for carrying out its activities. The installations undergo technical inspections and checks in accordance with the applicable regulation. Staff have the necessary accreditations and training to use the equipment and do so in accordance with Health and Safety. Staff are subject to medical monitoring by the occupational health physician (enhanced monitoring when necessary), with whom a psychosocial risk warning mechanism has been set up. The registers are kept up to date.

The annual risk prevention program was established and monitored during the year at the quarterly meetings of the Occupational Health & Safety Committee, the majority of which were attended by the occupational health physician. All meeting minutes are distributed to staff, the occupational health physician and the Labour Inspectorate.

In accordance with the French pension reform act of November 9, 2010, the annual re-assessment of the percentage of staff exposed to unhealthy or stressful factors was carried out: it remains below 50%. The Health and Safety team implemented the annual risk prevention program (67% completed). All regulatory and required actions have been achieved; only additional improvement actions at the Company's initiative could not be entirely achieved. All partly completed actions or those actions not yet carried out will be carried forward to the 2016 annual risk prevention program.

The 2015 Health and Safety training plan was 57% completed.

Incidents and accidents that occurred during 2015 were analyzed both when they were recorded and during meetings of the Occupational Health & Safety Committee, and the necessary corrective and preventive actions were defined and implemented. Workplace accidents increased in 2015. For the majority (3 out of 4), they are not inherent in the Company activity (commuting accidents and falling on the same level). The other accidents and incidents recorded during 2015 mainly occurred during laboratory operations and were generally minor injuries such as cuts or pricks.

An annual risk prevention report is produced each year giving a detailed account of all this information.

Working Conditions

The Company is located in a wooded area on a site that it owns. The building dates back to 1969 and was refurbished in 2008, before Innate Pharma moved into its new premises. Staff have a private car park and access to a local bus service.

The staff have a pleasant workspace covering 3,000 m^2, two-thirds of which is devoted to R&D activities and one third to offices. All employees have a full workstation (desk,

computer workstation) and natural lighting in their offices. The laboratory tools and computer equipment are all state-of-the-art.

An investment budget and a building & working conditions improvement budget are voted on each year.

In 2015, the Company refitted several offices and laboratories to accommodate new employees and reorganize the space according to the newly created teams. The reconfiguration was carried out in-house in consultation with the users.

The work to improve office insulation was pursued.

At the same time, discussions are being conducted on a proposed expansion of the premises to help accommodate future employees. This project takes into consideration environmental issues and includes reflection on minimizing the Company's environmental impact.

e. Training

The table below summarizes the indicators used to describe training within Innate Pharma over the last three years:

	2013	2014	2015
Total number of hours of training			
Total number of hours of training (hours committed)	1,902	1,527	2,105
Average number of hours of training per employee per year	22.9	16.7	18.8
Percentage of senior staff 45 years and over who received training	63	52	80
Percentage of staff who received training	81	72	90

- Training policies implemented

The Company is continuing its training policy long-term, based on strengthening collective and individual skills. The amount of training remains above the legal requirements. Almost all the hours of training that were booked were actually completed.

Permanent training is centered around the following: communication in English, development of cross-disciplinary skills, training on new tools and regulatory monitoring. Each year, employees receive in-house training led by external or in-house trainers on topics of interest to all or some staff members, e.g. new equipment. Staff regularly attend specialist congresses and conferences, which contributes to the development of both individual and collective skills. These events are not included in the total amount of training.

Individual training actions to enable each person to develop his skills are defined during annual appraisals and professional interviews. The Company and staff representatives have also drawn up agreements to support employee-initiated training (PhD theses, qualification-

based training, skills assessments, and validation of professional experience) divided between work and personal time. The Personnel Training Account has come to replace the Individual Right to Training (DIF) this year and may be used in this context or for shorter training.

The average amount of training and the percentage of staff who received training increased in 2015.

The percentage of staff 45 years or over who received training is above the objective in the Company's "Seniors" plan, which is set at 50%.

f. Equal Treatment

Innate Pharma is committed to applying the principle of non-discrimination in its recruitments. This principle seeks to ensure equal treatment between individuals irrespective of nationality, gender, race or ethnic origin, religion or belief, disability, sexual orientation or age. The Company is committed to youth employment, the employment of people with disabilities, the continued employment of older workers and equal treatment of women and men.

The table below summarizes the indicators used to describe equal treatment within Innate Pharma over the last three years:

	2013	2014	2015
Measures to support gender equality			
Percentage of women in management	46%	50 %	61%
Measures to support the employment and integration of disabled people			
Percentage of people with Disabled Worker status in the workforce	2.38%	1.01 %	0.85%

- Measures taken to support equal treatment for women and men

The Executive Committee, the management and the HR department are mindful of equal treatment for men and women during discussions on individual pay raises and professional development.

The rate of women with a management position is increasing. This trend is mainly related to recruitement and to evolution of women toward managerial roles. Hence, this rate comes closer to the gender balance of staff.

Employees are making increasingly frequent use of government measures: adjustment of daily working hours to the end of the school day or for children's events, money vouchers for purchasing services (employment and services vouchers - CESU) and part-time working at 90% of full-time. Staff also made use of the company's flexibility on the use of Working Time Account days for family reasons. In 2015 three employees were able to benefit from two cradles reserved by Innate Pharma at the company nursery at the Luminy site. The "Flexi-

crèches" system allows emergency accommodation of children of Company personnel, particularly in the event of the failure of the traditional means of care.

- Measures taken to support the employment and integration of disabled people

The percentage of disabled workers employed has fallen due to the increase in the workforce and the difficulty in hiring staff with the RQTH[3] recognition, although all positions are open to disabled workers.

Two employees are parents of a disabled child. The Company allows them to work adapted hours and the opportunity to take time off according to their needs.

A disability correspondent has been appointed to promote actions within the company around this topic. It has developed an information booklet which is available to staff and is distributed to newcomers.

g. Promotion of and compliance with the stipulations of the fundamental conventions of the International Labor Organization (ILO) concerning respect of the freedom of association and the right to collective bargaining, elimination of discrimination in respect of employment and occupation, elimination of forced or compulsory labor, and effective abolition of child labor

All employees of Innate Pharma are based in France. The Company complies with all applicable regulations.

Furthermore, France has ratified the eight fundamental conventions of the ILO. The ILO has qualified as «fundamental agreements» the conventions concerning the following principles and fundamental labor rights: freedom to unionize and effective recognition of the right of collective bargaining, elimination of forced or compulsory work, effective abolition of child labor and elimination of discrimination in the area of employment and profession.

Innate Pharma shares these principles, which are implemented in the Company's social relations, its policy regarding recruitment and equality of opportunity.

2. Environment

Preface

Due to its activity (R&D of drug candidates), the Company considers its environmental impact to be low. Most of the research activities are carried out in its laboratories while the development activities are mostly assigned to service providers.

These activities do not include either industrial production or distribution, and do not therefore use raw materials. There are no significant releases into the environment or greenhouse gas emissions. The Company's activities do not require the use of town gas, but very small quantities of special gases are used. The activities do not produce any particular noise nuisance for staff or local residents.

[3] official recognition of a person's status as a worker with a disability

For its research work, the Company operates within an extremely tight regulatory framework, with which it complies. The Company has all the approvals required for carrying out is activities.

In this context, only the following indicators have been chosen as being relevant:

- Sustainable use of resources:
  - Energy consumption
  - Annual volume of water consumption
- Pollution and waste management
  - Quantity of laboratory waste sent to a special waste management center
  - Business travel
- General environmental policy

a. <u>Sustainable Use of Resources</u>

- Energy consumption annual electricity consumption

The only energy source used by Innate Pharma is electricity, apart from an oil-fuelled backup generator. The following table gives the change in Innate Pharma's annual electricity consumption for the last three years:

	2013	**2014**	**2015**
Consumption in kWh	1,268,102	1,237,366	1,299,857
Consumption in kWh/FTE	15,555.72	12,889.23	11,382.29

The overall increase between 2014 and 2015 is linked to the increase in headcount and activity. However, the consumption in kWh compared to the number of full-time employees is decreasing, due to the work on improving energy performance of the buildings since establishment of the Company.

For information, 1,299,857 kWh consumed in 2015 corresponds to 25 metric tons CO_2 equivalent (26 metric tons CO_2 equivalent in 2014), 0.22 metric ton CO_2 equivalent / FTE (as opposed to 0.27 in 2014).

Innate Pharma's building, which dates back to the late 1960s, underwent refurbishment work when the Company moved in. Each year, work is carried out to improve its energy performance(this work involved insulating the offices). An energy audit was initiated in 2015; conclusions will be known mid-2016 and will make it possible to highlight areas of improvement and implement sustainable solutions for reducing CO_2 emissions.

- Annual volume of water consumption

Apart from domestic hot water, the building's water consumption is mainly associated with laboratory activities. Water discharged after use is mainly that from the washing machines and sinks in the various laboratories.

The following table gives the annual comparison of water consumption for the last three years:

	2013	**2014**	**2015**
Consumption in m^3	1,205	1,119	1,358
Consumption in m^3/FTE	14.78	11.66	11.89

The overall increase in water consumption is due to the dense development of laboratories and cleaning activities. The consumption of water in comparison with the number of full-time employees remained stable between 2014 and 2015.

b. <u>Pollution and Waste Management:</u>

- Quantity of laboratory waste sent to a special waste management center

The following table gives the annual comparison of the quantity of laboratory waste sent to a special waste management center:

	2013	**2014**	**2015**
Quantity in liters	94,110	102,820	121,680

Waste from the research work is treated by a specialist company which removes it from the site where it is produced and takes it to an incineration center. The volume of this waste increases regularly due to the increase in the activities of the laboratories.

Staff members contribute to the continuous improvement of waste management (reduction of paper consumption, use of recycled paper, recycling of office consumables, sorting waste).

- Business travels

Based in Marseille but having international activities, the Company encourages teleconferencing. When business travel is required, the Company favors, wherever possible, travel by train, which has lower CO_2 emissions than air travel. However, many contacts of the Company are based in the United States (regulatory agencies, investigators, investors, industrial partners, scientific meetings…), which lower the opportunities for reducing CO_2 emissions apart from teleconferencing. Nevertheless, having a will to reduce gas emissions, several members of the Executive Commitee use hybrid cars.

The following table gives the annual comparison of the quantity of metric tons CO_2 equivalent emissions during business travels using trains or planes:

	2013	2014	2015
Metric tons CO_2 equivalent	N/A	N/A	699

CO2 emissions are calculated and made available to the Company by the travel agency. The Company does not have sufficient information to assess the amount of CO_2 emitted during business trips by car.

c. General Environmental Policy

Although its environmental impact is considered to be low, the Company and its staff remain committed to sustainable development on a day-to-day basis, in particular with regard to waste management.

The Innate Pharma site is located near the new Calanques national park. The Company's buildings, purchased by Innate Pharma in 2008 and refurbished, are 3,000 m² on a 10,650 m² site (which includes a 100 space parking lot). The green spaces are maintained in accordance with the applicable regulations (in particular with regard to fire risk).

3. Corporate Commitments in Support of Sustainable Development

a. Territorial, Economic and Social Impact of the Company's Activity

Innate Pharma's location in the Marseille area is the result of its scientific foundations. The Company grew out of local academic research, in particular at the Marseille-Luminy Immunology Center (CIML), one of the largest immunology centers in Europe and a leading contributor to the scientific field in which the Company has developed. From a clinical viewpoint, Marseille is home to several leading hospital cancer research infrastructures (Paoli Calmette Institute – IPC, and the Marseille Public University Hospital System – APHM) which are active in the fields of immuno-oncology, solid tumors and hematology. The city of Marseille is a real hub for training in life sciences at all levels (technicians, engineers, researchers).

To continue benefiting from this environment, one of Innate Pharma's major strategic priorities is to consolidate and exploit its innovation ecosystem.

In this context, Innate Pharma is active on a number of levels:

- The Company is actively involved in the promotion and development of the Luminy science and technology park through development and infrastructure programs (services, sport, transport), job centers, training courses and the sharing of services between companies (with the Association Grand Luminy Technopole (Luminy science and technology park association) and the Comité Plan Campus d'Aix -Marseille Université – AMU (Aix-Marseille university campus plan committee). The Company led a project to set up an inter-company nursery, which opened in May 2015. More generally, the Company raises important issues concerning the attractiveness of the area with institutional players and local and regional authoritiesincluding the question of

schooling in Marseille for the children of English-speaking families, which is a limiting factor for international recruitment and exchanges.

- In conjunction with the educational establishments in the area (schools and universities), the Company contributes to the education of young people and students (career days, taking on trainees, presentations of jobs and careers to students as part of their university courses, involvement in university teaching, contribution to the structuring of the initial and continuing education offering in immunology). Innate Pharma is a host laboratory for the Aix-Marseille University life sciences PhD program (Ecole Doctorale des Sciences de la Vie d'Aix-Marseille-Université). Since the 2015 school year, a Development and Immunology master's degree has been offered at Aix-Marseille University. Innate Pharma contributed to its academic content.

- The Company plays a leading role in its field in structuring the "Marseille-Immunopôle" immunology research and innovation ecosystem, which is part of the Eurobiomed competitive cluster led by Professor Eric Vivier (CIML) and Hervé Brailly, Chairman of the Company's Executive Board. The Company was one of the initiators of the project to set up CIMTECH, together with Aix-Marseille University (which led the project), the IPC, the CNRS (French national center for scientific research) and INSERM (French national institute for medical research). CIMTECH (now called MI-mAbs "Marseille Immunopole monoclonal antibodies") is a partnership platform which focuses on monoclonal antibodies for the treatment of cancer and inflammatory diseases. This new center is an industrial demonstrator funded by the French government's "Investing for the future" program (receiving an investment of 19 million euros). The Company is now part of the governing body of the consortium running MI-mAbs. The Company has provided resources and staff for the general and technical coordination of the project to set up the MI-mAbs laboratory, which is located very close to Innate Pharma. MI-mAbs is the first landmark project of Marseille-Immunopole. In 2014, Marseille Immunopole was identified as one of the "New Industrial France" programs, with Innate Pharma being the industrial leader. Marseille-Immunopole was also identified as a "Metropolitan project" due to its impact on the development and influence of the future Aix-Marseille metropolitan area.

b. <u>Subcontracting and Suppliers</u>

A substantial part of Innate Pharma's activities are carried out by service providers, in particular those activities requiring a regulatory viewpoint on specific approvals (for example, Good Manufacturing Practice and Good Laboratory Practice). The service providers used by Innate Pharma mainly provide intellectual services. These include CROs (clinical research organizations managing regulatory clinical or pre-clinical trials) in charge of drug candidate production and control, mainly established in Western Europe and the United-States. The main suppliers also include financial bodies with which the Company has taken out leases, in particular for the acquisition of its head office, and laboratory equipment suppliers.

Rigorous selection of suppliers and subcontractors of the Company is carried out based on multiple criteria, consideration of competition and an audit of qualifications when necessary. All service providers selected must comply with the applicable regulatory requirements and the expectations of Innate Pharma at the operating and quality levels. Furthermore, the inspections carried out by the competent authorities in connection with issuance of the agreements constitute additional assurance.

Each year, the Company reappraises all of its critical suppliers and subcontractors, conducts periodical follow-up audits and ensures that their accreditations are maintained.

c. Fair Practices

- *Actions undertaken to prevent corruption:*
  - Existence and distribution of a fraud prevention memorandum;
  - Existence and distribution of a code of ethics;
  - Policy on accepting or offering gifts;
  - Existence and distribution of rules concerning insider trading (financial code of ethics);
  - Existence of and information on the control and limitation of expenses;
  - Implementation of the legal obligations on public disclosure (French "Bertrand" law);

The Company has carried out an inventory of the geographical location of its main suppliers in order to determine the percentage of its service providers located in countries for which the Corruption Perceptions Index (CPI) score is above 60. This operation looked at 13 suppliers, representing 51% of the payments made by the Company in 2015. It indicated that all these suppliers (100%) are located in countries for which the CPI score is above 60. For those suppliers whose parent company is located in another country, both locations were taken into account (that of the parent company and that of the subsidiary with which Innate Pharma has a contract).

- Animal Experimentation

In the context of these R&D activities, the Company carries out pre-clinical studies which are conducted within a strict regulatory framework. In accordance with Directive 2010/63/EU, the Company has set up an Ethical Committee on Animal Experimentation which has been affiliated to the National Ethics Committee since 2012. It approves all the protocols that are implemented, considering the scientific relevance of experiments conducted and animal well-being. For studies that are assigned to external service providers, Innate Pharma ensures that the same regulatory framework is adhered to. For experiments using genetically modified organisms, the regulatory framework requires authorization from the Ministry of Higher Education and Research regarding the scientific relevance of the projects, the protection of staff handling the organisms and measures to prevent any spread of these organisms by the use of appropriate containment procedures and equipment. The Company also complies with these regulations and implements all relevant measures for the protection of staff and the environment.

d. Measures taken to support the health and safety of consumers

None of the Company's drug candidates is currently on the market or has marketing authorization. Those that are furthest advanced are being tested on humans in the context of clinical trials that are governed by stringent regulations. They are in particular subject to prior authorization not only by the regulatory authorities but also by ethical committees consisting of a medical team and patient representatives.

e. Other actions undertaken to promote human rights

- Measures taken to promote patient safety

Innate Pharma invents and develops drug candidates making it possible to treat diseases having a high medical need. The Company undertakes to respect patients participating in its clinical trials.

Our practices aiming to produce reliable, pertinent and traceable data are controlled through our quality system, which draws on everything from exploratory research to clinical development. All of our activities are managed by the Innate Pharma Quality Charter.

Product reliability is controlled throughout the development process for the drug candidate, and the Company undertakes to maintain the highest levels of requirements regarding quality:

- Through its service providers, by ensuring compliance with the regulatory requirements in effect.

- Internally, by setting up procedures based on quality standards for controlling data reliability, particularly through internal audits making it possible to verify their traceability and reliability.

In connection with the clinical trials, the Company complies with Good Clinical Practices: clinical research is carried out only following authorization by the competent authorities and the favorable opinion of an Independent Ethics Committee. The inclusion of a patient in a clinical trial follows his enlightened and signed consent. Company employees endeavor to treat individual medical information confidentially and protect it from reprehensible uses.

The corollary of these commitments is transparency, particularly with regard to patients. Publication of scientific and especially clinical data is a practice shared by all players in the industry, particularly through presentations during specialized conferences, publication on dedicated sites (for example, clinicaltrials.gov) and articles in peer-reviewed journals.