

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 subsidiaries¹.

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 31 December, excluding temporary employees on fixed-term replacement contracts, trainees and apprentices. The turnover rate is calculated based on those with permanent contracts only (i.e. 94% of the workforce)

	2012	2013	2014
Total workforce and distribution of employees by gender and age			
Headcount	82	84	99
Distribution by gender (%)	37/63	37/63	34/66
Average age (years)	37	38	37
Staff aged 45 years or more (employees, %)	21	23	21
Turnover			
Net new hires	2	2	15

¹ The CSR reporting applies to Innate Pharma SA, which has interests in two companies:

- Platine Pharma Services, in which it has a 9.87% interest (capital and voting rights), located in Lyon, housing services which were outsourced from the Company in 2009 – Platine Pharma Services can operate as an Innate Pharma supplier.
- 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.

These two subsidiaries are not included in the scope of this procedure as one is dormant and the Company does not have a majority interest in the other.

Rate of employee departure (%)	None	2.41	3.28
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Remuneration and changes to remuneration

Average remuneration (average annual gross remuneration, including bonuses, including Executive Committee, in euros)	51,753	54,625	57,804
Percentage annual collective increase	2.5%	2.5%	2.0%

o Total workforce and distribution of employees by gender and age

The Innate Pharma SA workforce grew significantly (+18%) in 2014. This was mainly because the R&D teams were consolidated to support the IPH2201 clinical program licensed from Novo Nordisk A/S in February 2014. The support teams were also strengthened to take on the cross-disciplinary activities associated with the increased activity.

The management team welcomed two new members: Nicolai Wagtmann joined Innate Pharma as Chief Scientific Officer (CSO) and member of the Executive Board, replacing François Romagné, who had been the Company’s CSO from the inception. François Romagné, a co-founder of the Company and member of the Executive Board, left the company at the beginning of the year to lead a collaborative platform of which Innate Pharma is a founding member (MI-mAbs). Pierre Dodion joined the team as Chief Medical Officer (CMO). This position has been brought in-house, thus replacing Marcel Rozenzweig who had been in place since 2009. Marcel Rozenzweig remains a member of the Company’s Executive Committee in his capacity as President of the Innate Pharma SA subsidiary, Innate Pharma Inc., established in Delaware.

All the Company staff is based on 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 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 the management. They enable employees to expand their areas of activity and to develop new skills. In 2014, two R&D teams (*in vivo* pharmacology and *in vitro* pharmacology) were set up to enable better hands-on management following a significant increase in staff numbers in these teams. Four team manager positions were filled internally, enabling employees to take on managerial roles. These changes were 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.

The staff boasts a high level of qualification: managers account for 65% of the workforce. The workforce includes 30 employees with PhDs in science, medicine or pharmacy, i.e. 30% of the total number of employees. In 2014, one employee obtained a master's degree through qualification-based training.

On December 31, 2014, 74% 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 2014 was fifteen. Other employees joined the Company with contracts that are not counted in the headcount (work-training contracts and fixed-term replacement contracts).

Seven positions were created in the laboratories (permanent contracts or fixed-term contracts renewed as permanent contracts) and the fixed-term contracts of two people working for the company since 2013 were made permanent. Two laboratory technicians are on fixed-term contracts to cover a temporary period of increased activity until the end of December.

Two positions were created in the development teams (Pharmaceutical Operations and Regulatory Affairs) and one employee was hired at the end of his final year internship, with a fixed-term contract to cover a temporary period of increased activity.

One assistant's position was created and five people joined the support teams on a temporary basis (three hired with fixed-term contracts and two with work-training contracts).

One position was created on the Executive Committee (Chief Medical Officer, a position that was previously outsourced) and one member of the Executive Committee was replaced (Chief Scientific Officer).

Three employees on permanent contracts left the company during the year (two resigned for personal reasons and one was dismissed).

Employees on maternity leave were systematically replaced by employees on fixed-term contracts. Innate Pharma did not use any interim contract.

Seven of the employees hired in 2014 were young graduates when they joined the Company. Three interns were hired (on fixed-term contracts) at the end of their internships. The company welcomed two new young people with work-training contracts (one on an apprenticeship and the other on a vocational training scheme). Three employees are currently on work-training contracts. All those on 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.

- 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. For 2014, there was an initial payment of 50% in December 2014. An additional payment may be made, based on the decision of the Remuneration and Appointments Committee, which is due to meet during the first quarter of 2015. For information, the collective bonus was 120% for 2013, as the Remuneration Committee wanted to acknowledge the exceptional collective

performance which gave the Company new financial impetus, paving the way for a new phase in its development

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

In 2014, 53% of staff received individual salary incentives (in addition to the collective 2% pay increase in January 2014).

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’ absence 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 force. 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 2014 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:

	2012	2013	2014
Organization of working time			
Percentage of part-time employees	16%	14%	14%
Absenteeism			
Absenteeism rate	2.27 %	2.17%	2.73%

The percentage of part-time staff remains stable. One new employee became part-time in the context of parental leave. Part-time hours were chosen by the employees to fulfil a family responsibility. Two employees are also working part-time for health reasons.

Overtime is exceptional within the Company: 86 hours of overtime were completed within the Company (as against 203 hours in 2013). The increase in the size of the teams since 2013 and the fact that employees are encouraged to take compensatory days off contributed to the reduced amount of overtime.

The absenteeism rate is slightly higher. Absences are mainly days off work due to sickness (63%) and days off for sick children. Two employees worked half-time for health reasons for more than half the year. Their half-time absence accounted for almost one third of the absenteeism rate. Two other employees were absent for several months. None of the absences was associated with a workplace accident or an occupational illness.

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. Three unions are represented. The number of places increased from 6 to 10, due to the increase in the workforce and 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 the first quarter of 2013 for a 2-year term. New representatives will be appointed in 2015.

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 January 20, 2015.

The conclusions of the negotiations are as follows:

1- Salaries and Working Time

No new agreement on these topics was negotiated in 2014.

With regard to salaries and the salary policy, a collective salary increase was applied, after discussion with the Works Committee.

With regard to working time, the Company agreements monitoring committee met on June 2, 2014 and concluded that the agreements in place were operating well.

2- Professional Gender Equality

A company agreement on the implementation of the obligations of companies concerning workplace gender equality was signed on July 3, 2012.

3- Benefit Schemes (Health & Welfare)

An additional clause was added to the “Healthcare costs” company agreement on August 28, 2014. It incorporates the various changes to the regulations, better health coverage, and specifies exemptions from membership. The contract was renewed with the current service provider.

A Company agreement on welfare was signed on December 15, 2014. It stipulates uniform conditions for managerial and non-managerial staff and incorporates the new legal conditions on benefits applicable since 2014. A new contract was signed with the “Healthcare costs” service provider for all benefits and all staff.

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

The negotiation of a profit-sharing agreement coupled with methods for payroll savings was started in 2013. The negotiations resulted in:

- Termination of the agreement in force on the Company Savings Plan
- Finalizing of a new agreement on the Company Savings Plan
- Finalizing of an additional clause to be added to the Company Savings Plan concerning an employer contribution in the form of free shares. This scheme is due to be rolled out in 2015 (see Section V of this report)

5- Disabled Workers

The Disabled Action Plan was renewed for 2014. Adapted hours and the opportunity to take time off were given to staff having children with disabilities who have requested this.

6- Senior Staff

The Seniors Action Plan was not renewed as this is no longer an obligation for companies (scheme replaced by the “Generation Contract”).

7- 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.

Negotiation of an agreement on the use of mediation is planned for the next Mandatory Annual Negotiation.

8- Miscellaneous

In addition to these negotiations, the Works Committee decided to broaden the coverage of the Article 83 contract in place for the supplementary pension scheme for managers. From January 1, 2014 non-managerial staff members are covered by the contract, under the same terms as managers.

o Internal communication

The life of the company is based on extensive internal communication and participative management which encourages employees to be involved in defining objectives and in 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 2014, several staff surveys were carried out on life within the company, e.g. on the level of satisfaction with the complementary health insurance.

o Employee benefits and other advantages

The amounts paid in respect of welfare and cultural benefits by the Works Committee for the 2014 financial year increased by approximately 15%, due to the increase in the workforce. The amount was €38,000 (as against €33,000 in 2013). 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 services² since 2012, and in view of their success, increased the employer contribution and the total authorized quarterly amount.

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). This year, in view of the increase in the workforce, the discovery day was broadened into an induction seminar.

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.

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:

	2012	2013	2014
<u>Health and safety conditions</u>			
Number of planned preventative actions	32	34 (37 incl. 3 which were not necessary)	31 (33 incl. 2 which were not necessary)
Number of preventative actions implemented	26	25	24
Preventative action implementation rate stipulated in the Annual Risk Prevention Program	81.25%	73.53%	77.42%
Number of Health and Safety (H&S) training actions planned	7 (10 incl. 3 which were not applicable)	10 (12 incl. 2 which were not necessary)	8 (9 incl. 1 which was not necessary)
Number of H&S training actions implemented	3.5	7	5
H&S training action implementation rate stipulated in the Annual Risk Prevention Program	50.00%	70.00%	62.50%
	2012	2013	2014
<u>Workplace accidents*, in particular their frequency and severity, and occupational illnesses</u>			
Number of workplace accidents with absence from work	0	0	0
Frequency rate* of workplace accidents with absence from work	0	0	0

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

Severity rate** of workplace accidents	0	0	0
Number of workplace accidents with no absence from work	1	2	5
Frequency rate* of workplace accidents with no absence from work	7.75	15.18	34.42
Number of incidents	6	2	4
Frequency rate* of incidents	46.47	15.18	27.54
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 the 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 with regard to 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 (77% completed). All partly completed actions or those actions not yet carried out will be carried forward to the 2015 annual risk prevention program.

The 2014 Health and Safety training plan was 63% completed.

Incidents and accidents which occurred during 2014 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. The accidents and incidents recorded during 2014 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 m², 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 2014, the Company refitted the offices to accommodate the new employees and to 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, which started in 2013, was pursued in 2014.

The Company purchased several items of scientific equipment and some of the laboratories were refitted. Work was carried out on the building entrance. Additional fire and intrusion detectors were installed. The picnic area was enlarged, with the installation of additional all-in-one tables and chairs.

e. Training

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

	2012	2013	2014
Total number of hours of training			
Total number of hours of training (hours committed)	1,714	1,902	1,527
Average number of hours of training per employee per year	21.1	22.9	16.7
Percentage of senior staff 45 years and over who received training	71	63	52
Percentage of staff who received training	82	81	72

o 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 their skills are defined during annual appraisals. 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 individual right to training (DIF – a legal right in France) can be used in this context or for shorter training courses.

The average amount of training and the percentage of staff who received training fell in 2014. This is explained by a number of reasons:

- The significant increase in the workforce: priority was given to training new employees so that they could take up their positions, including training on the internal operation of the Company and on the various tools (not included in the overall amount of training) ;

- Some collective training was postponed to 2015 so that more employees could take part in the sessions, in particular new recruits
- There was no demand for qualification-based training in 2014

Two qualification-based training courses are currently under way. During 2014, 3.3% of the staff used all or part of their individual rights to training.

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

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

	2012	2013	2014
Measures to support gender equality			
Percentage of women in management	46%	46 %	50%
Measures to support the employment and integration of disabled people			
Percentage of people with Disabled Worker status in the workforce	2.44%	2.8 %	1.01%

- Measures taken to support equal treatment for men and women

Employees are making increasingly frequent use of government measures in place since 2012: 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 2014, the Company helped set up a company nursery at the Luminy site and reserved two places for 2015.

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.

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

The percentage of disabled workers employed has fallen due to the departure of one person with Disabled Worker status and the increase in the workforce.

Since 2012, the Disabled Action Plan was negotiated then renewed (see the "Employee Relations" section). Its stipulations include that recruitment must be open to disabled worker profiles; very few applications are received (problem of skill compatibility with the position). No staff members with 'disabled worker' status were recruited in 2014.

Two employees (one of whom was recruited in 2014) 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.

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

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

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.

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 its 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
- General environmental policy

a. Sustainable Use of Resources

- 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 since it moved into its new premises in January 2009:

	2012	2013	2014
Consumption in kWh	1,273,742	1,268,102	1,237,366

The decrease between 2013 and 2014 is mainly due to favorable climatic conditions and the work to insulate the premises.

For information, 1,237,366 kWh consumed in 2014 corresponds to 26 metric tons CO₂ equivalent (52 metric tons CO₂ equivalent in 2013).

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. In 2014, this work involved insulating the offices.

o 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 since the Company moved into its new premises:

	2012	2013	2014
Consumption in m ³	1,072	1,205	1,119

The decrease in water consumption is principally explained by a reduction in the use of cleaning equipment.

b. Pollution and Waste Management:

o 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:

	2012	2013	2014
Quantity in liters	90,860	94,110	102,820

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). In 2014, a recycling system for plastic laboratory consumables was set up, initiated by the employees.

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 the 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 in the scientific field on 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). In 2014, Innate Pharma was involved in the preliminary studies for the project to share services, such as waste management or security services, on the Luminy site. The Company also led a project to set up an inter-company nursery, which is due to open in 2015. This is the result of work, which was started several years ago, to raise awareness and find partners. More generally, the Company raises important issues concerning the attractiveness of the area with institutional players and local and regional authorities. In 2014 this included 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 (careers 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). Two PhD theses were presented by Company employees in 2014.
- 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. Subcontracting and Suppliers

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). The main suppliers also include the financial bodies with which the Company has taken out leases, in particular for the acquisition of its head office, and laboratory equipment suppliers.

Given its size and the perceived social and environmental issues, the Company does not carry out CSR audits of its suppliers. It 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 23 suppliers, representing 50% of the payments made by the Company in 2014. 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).

The majority of the Company’s purchases concern the provision of scientific or medical intellectual services, which limits the risk of entering into contracts with third parties which do not comply with the CSR criteria.

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) ;
- Measures taken to support the health and safety of consumers

None of the Company’s drug candidates is currently in the market or has marketing authorization. Those that are furthest advanced are being tested on humans in the context of clinical trials which 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.

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.