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. The Company began formalizing its corporate social responsibility (CSR) process in 2012. This report discloses Innate Pharma's corporate social responsibility indicators for the year 2016, in compliance with Article 225 of the Grenelle II law.

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, Investors section/Regulated information and publications/Corporate Social Responsability).

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 biotechnology company which specializes in drug research and development of therapeutic antibodies to improve cancer treatment. 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 employees as a major strategic priority.

a. Employment

The headcount (defined according to the French Labor Code) comprises those individuals, bound by an employment contract and present as of December 31, excluding temporary employees on fixed-term replacement contracts, trainees and apprentices.

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

	2014	2015	2016
Total workforce and distribution of employees by gender and age			
Headcount	99	118	154
Full Time Employee (FTE)	96	114	151
Permanent contracts (%)	94	92	94
Distribution by gender M/F (%)	34/66	31/69	35/65

[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 subsidiary is not included in the scope of this procedure.

Average age (years)	37	37	36
Staff aged 45 years or more (employees, %)	21	21	19
Turnover			
Net new hires	15	19	36
Number of young graduates hired	7	6	8
Rate of employee departure[2] (%)	3.3	3.6	5.2
Compensation and changes in compensation			
Average compensation (average annual gross compensation, including bonuses, including Executive Committee, in euros)	57,804	59,661	57,392
Percentage annual collective increase (%)	2.0	1.8	1.5

- Total workforce and distribution of employees by gender and age

Innate Pharma's activities increased significantly in 2016 (increase in the number of drug-candidates in clinic and preclinical development, increase in the number of clinical trials, increase of pharmaceutical operations activities etc.), resulting in a significant workforce growth (+31%) in 2016.

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. With its consent, 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 2016, several R&D teams were divided to enable better hands-on management following a significant increase in staff numbers in these teams. Manager positions were filled internally and others came from external recruitment. The management team is trained to the Company's practices. In 2016, it has been trained to undertake professional interviews.
- New individual development tracks will be set up to offer new prospects for advancement towards management duties. These tracks are designed along three lines: team management, project management and technical and scientific expertise. New status and new positions will be created upon that. It will be rolled-out in 2017.
- 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. Professional interviews were carried out at the end of 2016, and will be continued in 2017. The main goal is professional project definition and follow-up, based on a medium term action plan.

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

[2] Calculated based on permanent contracts only

The percentage of staff aged 45 years or more, which is relatively stable, is slightly lower than the Company's seniors plan objectives (between 20 and 25% of all staff). This reflects the numerous hires of people younger than 45 year-old in 2016.

The staff has a high level of qualification: managers account for 66% of the workforce. The workforce includes 46 employees with PhDs in science, medicine or pharmacy, i.e. 30% of the total number of employees.

On December 31, 2016, 77% of the workforce, excluding the Executive Committee, was devoted to research and development activities.

All the Company staff is based in Luminy, Marseille. A part of the staff is settled in rented promises, near to the main building (Luminy Biotech Zone).

- Staff turnover

The net job creation resulted in thirty-six new hires in 2016. Other employees joined the Company with contracts that are not recorded in the headcount (work-training contracts and fixed-term replacement contracts). Seven employees hired with a fixed-term contract in 2015 and in 2016 were hired with a permanent contract in 2016. Eight employees hired in 2016 were young graduates when they joined the Company. Three students have a work-study contract. As of December 31st 2016, seven employees are working on a fixed-term contract to cover a temporary period of increased activity.

The Company welcomed 18 interns in 2016. All those having an internship lasting one month or more will be paid an allowance and can be given meal vouchers on request. For all interns who are hired at the end of the internship, their internship period is taken into account when calculating seniority.

Seven employees with permanent contracts left the Company during the year.

- Compensation and its evolution

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 the year 2016, the Compensation and Appointments Committee decided to recognize the exceptional collective performance, notably related to clinical results obtained with IPH41 program, which makes considering a transition towards late-stage development of product-candidates possible. Thus, a collective bonus, accounting to 130% of a month's salary, has been paid in January 2017.

Executives are qualified to receive an individual bonus linked to the achievement of specific objectives.

The average salary decreased between 2015 and 2016 due to an exceptional compensation paid in 2015. The employees benefited from two collective-bonus payments, including an exceptional collective bonus. This exceptional bonus was equivalent to one

month's salary and had been paid in July 2015 to employees who were present on the date the co-development and co-commercialization agreement with AstraZeneca was signed.

In 2016, 77% of staff (excluding Executive Management) received individual salary incentives (in addition to the collective 1.5% pay increase in 2016).

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

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 *prorate temporis* 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:

	2014	2015	2016
Organization of working time			
Percentage of part-time employees	14%	17%	12%
Absenteeism			
Absenteeism rate	2.7%	2.7%	2.1%

The percentage of part-time staff decreased slightly. This results from some employees' resumption of work after a parental leave or a part-time period. By December 31, 2016, six employees work part-time at 90%, eleven employees at 80% and one employee at 50% due to a disability.

Overtime is exceptional within the Company: 103 hours of overtime were completed in 2016 (as against 81 hours in 2015). These hours of overtime were mostly worked during weekends, on a voluntary basis, to carry-out work related to the building or the IT system, not to trouble the Company's activity, or as part of constraint interventions.

The absenteeism rate decreased slightly. Absences are mainly days off work due to sickness (79%). The absenteeism rate is calculated according to the total number of working

days absent during the financial year for employees included in the workforce headcount during this period. It does not take maternity, paternity or parental leave into account.

c. Employee Relations

- Relations with the Employee Representative Institutions

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

Members' of the Works Committee and staff representatives' current mandate ends in early 2017 and new elections will be organized. Three unions are represented. 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 (Labor Inspectorate, Occupational Medicine, etc.).

The Mandatory Annual Negotiations did not lead to set new agreements up.

The annual negotiation on compensation, working time and sharing of the added value lead to significant progress:

1) Principles of profit-sharing based on the Company's performance, using an Employee Stock Ownership Plan (ESOP), have been discussed with union representatives and the Company's Compensation Committee:
   - A free share allocation plan based on annual objectives' achievement is considered every year (like in 2016);
   - During the General Meeting, the renewal of the free preferred share allocation plan will be proposed, which entitles to receive, after a three-year period, ordinary shares, according to 2016 plan's principles. The *in fine* number of shares attributed depends on performance criteria predefined by the June 2016 General Meeting, observed after 3 years on October 21st 2019. This is a long term performance compensation system.
2) The staff will now be able to allocate RTT (*Réduction de Temps de Travail*, working time reduction) days from their time savings account on the new additional pension plan, "article 83", set up in early 2016.

- Internal communication

The corporate life rests upon an extensive internal communication and participative management which promotes employees' involvement in decisions regarding projects and community life. Notably, this translates into:

- Team participation to project review meetings
- Staff participation to working groups (based on a voluntary basis)

- Periodic general information meetings:
    - Policy and Objectives meetings led by the Chairman of the Executive Board
    - 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

In 2016, when profit sharing instruments were distributed, information meetings were hosted by the Company's chartered accountant and the Legal Director to explain their use and taxation.

In late 2016, information meetings about the new additional pension contract and its advantages were held by an organization representative.

- Employee benefits and other advantages

The amounts paid in respect of fringe and cultural benefits by the Works Committee for the 2016 financial year increased by approximately 60%. The amount was €70,000 (as against €44,000 in 2015). These amounts are above the legal requirements. 2016 budget soared to cope with the significant increase of workforce, so as to maintain an equivalent level of advantages and to develop cultural and sport activities. The aim was also to host more events to facilitate the integration of new hires, cohesion and exchanges.

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. In 2016, the Works Committee organized cultural outing (theater). Upon receipts presentation and based on a fixed price, it also contributed to staff cultural and sportive activities. Interns who work in the company for three months or more also receive the Works Committee benefits

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.

In addition, the Company held and/or co-financed parties (in the summer and at the end of the year).

To facilitate work/life balance, the Company offers co-financed CESUs (*Chèque Emploi Service Universel*, Universal Service Employment Vouchers) and saved two cradles in Luminy's intercompany day nursery.

To broaden catering solutions, the Works Committee suggested welcoming food-trucks in the Company parking lot. After a successful testing phase, this solution has been upheld. Several food-trucks are currently taking shifts twice or three times a week.

d. <u>Health and Safety – Working Conditions</u>

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:

	2014	2015	2016
Health and safety conditions			
Number of planned preventative actions	31 (33 incl. 2 which were not necessary)	30 (33 incl. 3 which were not necessary)	29 (32 incl. 3 which were not necessary)
Number of preventative actions implemented	24	20	21
Preventative action implementation rate stipulated in the Annual Risk Prevention Program	77.42%	66.67%	72.41%
Number of Health and Safety (H&S) training actions planned	8 (9 incl. 1 which was not necessary)	7 (8 incl. 1 which was not necessary)	8 (10 incl. 2 which were not necessary)
Number of H&S training actions implemented	5	4	6
H&S training action implementation rate stipulated in the Annual Risk Prevention Program	62.50%	57.14%	75.00%

	2014	2015	2016
Workplace accidents*, in particular their frequency and severity, and occupational illnesses			
Number of workplace accidents with absence from work	0	4	3
Frequency rate* of workplace accidents with absence	0	22.54	14.12

from work			
Severity rate** of workplace accidents	0	0.82	0.44
Number of workplace accidents with no absence from work	5	2	4
Frequency rate* of workplace accidents with no absence from work	34.42	11.27	18.82
Number of incidents	4	9	4
Frequency rate* of incidents	27.54	50.72	18.82
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)

- Health and safety policies

Staff safety and management of working conditions are key factors for the Company's durable 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 has 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 Mandatory Negotiations did not lead to set up new agreements on health and safety in 2016.

- Annual risk prevention program

During the year, the annual risk prevention program was introduced and followed-up during the Health, Safety and working conditions Committee quarterly meetings. The occupational health physician attended to every meeting. The minutes of each meeting are distributed to the entire workforce, the occupational health physician and the health and safety inspection.

The Health and Safety team implemented the annual risk prevention program (72% 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 2017 annual risk prevention program.

The 2016 Health and Safety training plan was 75% completed.

Incidents and accidents that occurred during 2016 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 decreased in 2016. One of them was a commuting accident. The two other accidents

happened on site: a fall in the stairs and a deep cut during a maintenance operation on technical facilities. Workplace accidents with no absence from work are all commuting accidents. Finally, the incidents recorded during 2016 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 has a private car park and access to a local bus service.

An investment budget and a building & working conditions improvement budget are voted on each year. In 2016, 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 and amounted roughly a million euros.

Besides, in 2016 the Company rented and converted additional premises in a building located in the Luminy Biotech zone of Luminy's Scientific Park, nearby the main building.

At the same time, discussions are being conducted on a proposed expansion of the premises to help accommodate future employees. A construction permit has been submitted in 2016 to build a new facility on a site neighboring Innate Pharma's main building. 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:

	2014	2015	2016
Total number of hours of training			
Total number of hours of training (hours committed)	1,527	2,105	3,698
Average number of hours of training per employee per year	16.7	18.8	27.6
Percentage of staff who received training	72	90	103
Percentage of senior staff 45 years and over who received training	52	80	97

- Training policies implemented

The Company is continuing its long-term training policy, based on strengthening collective and individual skills. The amount of training remains above the legal requirements. All the hours of training that were booked in 2016 were completed.

The percentage of staff who received training increased by 14% in 2016. 2016 percentage is over 100% because it is based on average workforce. The percentage of senior staff 45 years and over who received training was 97% and increased by 21%, well over the Company's senior plan's objectives, set at 50%.

These higher rates, year after year, show Innate Pharma's involvement in workforce support to facilitate the integration of new hires in their positions and in the continuous development of the entire workforce's skills.

Permanent training is centered around the following: communication in English, development of cross-disciplinary skills, training on new tools and regulatory monitoring.

An immunology training is recorded in Innate Pharma's Training Plan for some years. The aim is to enable each employee to have a basic on advanced knowledge in immunology, and hence, to better understand their working environment. In 2016, Innate Pharma created a customized program with Aix-Marseille University. Two sets have been rolled out yet: "Introduction to immunology" for the non-scientific workforce and "Principles of immunology" which is aimed at laboratory staff. These two programs achieved great success. These actions will be extended to 2017. A third set aimed at scientific staff keen to deal with immunology in depth will be put in place early 2017.

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:

	2014	2015	2016
Measures to support gender equality			
Percentage of women in management	50%	61%	59%
Measures to support the employment and integration of disabled people			
Percentage of people with Disabled Worker status in the workforce	1.01%	0.85%	1.30%

- 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 stable. Several women evolved towards team management, one of them who held an executive position integrated the Executive Committee this year.

In 2016, the rate of men/women recruitment is balanced.

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 2016 three employees (including 1 new employee) were able to benefit from two cradles reserved by Innate Pharma at the company nursery at the Luminy site. The "Flexi-crèches" system also 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 slightly increased in 2016. A current employee obtained the RQTH[3] recognition in 2016 and his position has been upheld.

The "Hand'Innate" team has been created around the disability correspondent appointed in 2015. This is team is composed by 3 employees who hold functions in different areas of the Company. They helped to develop the actions envisaged by the 2016 Disability Plan, in particular the awareness plan, through periodic communications (information meetings, newsletters, etc.) aimed at the employees, managers and executives.

The team connected with HandiEM's representative, the disability reprensentative of the professional field (EM, Entreprises du Médicament, Pharmaceuticals companies), to develop a set of actions adequate to the corporate environment. This set has been shared with the Workforce's Representative Bodies.

g. <u>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</u>

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

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

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

a. General environmental policy

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. Therefore, 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. In addition, given its activity, the adaptation to climate change consequences is not an issue for the Company at this stage. The activities do not produce any particular noise nuisance for staff or local residents.

The Company does not have a staff canteen which could offer an on-site institutional catering service. It is not able to control potential food wastage in its premises. This indicator is put aside of its reporting. Nonetheless, given that most employees bring their own lunch, food wastage may be limited.

Innate Pharma's main premises are installed near the newly-created Calanques National Park. The Company's R&D activities have a limited impact on biodiversity. However, to protect the area's fauna, the Company is enclosed. Innate Pharma acquired and refurbished its building in 2008. It occupies 3,000 square meters of the 10,650-square-meter land, which hosts a 100-space parking lot. Since the building already existed when the Company took over it, land use was not a relevant indicator for the Company until 2016. Nevertheless, workforce growth has led to consider premises' extension. Studies will be carried out according to current obligations (land, biodiversity, etc.). Green spaces are maintained according to current regulation (notably regarding wildfire hazard).

Given its business area, neither has the Company set up action preventing actions for environmental and polluting risks, nor provisions and guarantees regarding environmental risks. This is not relevant at this stage.

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

Despite an impact seen as low, the Company and its workforce are involved daily in sustainable development thanks to a set of practical environmental actions undertaken regarding the main building and its energy footprint. Internal informational memos as regards environment are sent to employees via messaging services.

b. Sustainable Use of Resources

Annual electricity and water consumption are reported for Innate Pharma's main building. The consumption of additional rented buildings, located in Luminy's Biotech zone, is handled by Luminy's Scientific Park and is not included.

- Energy consumption annual electricity consumption

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

	2014	**2015**	**2016**
Consumption in kWh	1,237,366	1,299,857	1,261,520

The overall decreased between 2015 and 2016. This drop resides in a soft winter, the arrangement of part of the offices' space into laboratories and the enhancing work of the built, especially regarding insulation. For information only, the 1,261,520 kWh consumed in 2016 equates to 33.14 metric tons of CO2 (versus 25 metric tons in 2015).

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. An energy audit was initiated in March 2015. After more than a year of observations, conclusions were presented to the CSR group in October 2016 and lead to:

- Identify strengths and weaknesses relative to the building's global energy consumption and its incidence on users's comfort;
- Reveal the premises' areas of energy improvement and sustainable solutions to curb CO2 emissions.

In 2017, several actions will be planned to take the auditor's energy-saving recommendations into account. Besides, the recent laboratories' organization work may have

thrown the hydraulic network (heating system, air conditioning, etc.) off balance at some point. The Company will consider recommissioning its network in 2017.

- 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:

	2014	**2015**	**2016**
Consumption in m^3	1,119	1,358	1,732

The overall increase in water consumption is due to the dense development of laboratories and cleaning activities.

c. <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:

	2014	**2015**	**2016**
Quantity in liters	102,820	121,680	132,430

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 through paper and box recycling in waste sorting bins arranged for this purpose. A collection system of aluminum coffee capsules has also been set up. Employees can drop their professional and personal used capsules off there.

- 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.

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

	2014	2015	2016
Metric tons CO_2 equivalent	N/A	699	807

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.

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 AMU - Aix-Marseille University campus plan committee). 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 institutions 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). The Company is a host laboratory for the Aix-Marseille University life sciences PhD program (Ecole Doctorale des Sciences de la Vie d'Aix-Marseille-Université). In 2016, Innate Pharma strengthened its partnership with Luminy's engineering school, Polytech, through cross actions (in-school meetings and exchanges, Innate Pharma visits, intern receptions).

- 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 till December 2016. 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. 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.

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) 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

- Corruption

- *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 9 suppliers, representing 52.6% of the payments made by the Company in 2016. 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

The Company 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.

The Company's 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.